



University of Dhaka

Ph.D Dissertation entitled
“Institutional Role in the Development of Women Entrepreneurship
in Small and Medium Enterprises (SMEs)in Bangladesh”

Researcher
A.B.M Siddique
Doctor of Philosophy
in
Management Information Systems

Department of Management Information Systems,
Faculty of Business Studies,
University of Dhaka- Bangladesh.



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[A Dissertation Submitted to the Department of Management Information Systems, Faculty of Business Studies, University of Dhaka, in Partial fulfillment of the requirement for the degree of Doctor of Philosophy]

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December 24, 2023

Declaration of Researcher

I do hereby declare that the dissertation entitled "**Institutional Role in the Development of Women Entrepreneurship in Small and Medium (SMEs) in Bangladesh** " Submitted to the Department of MIS, Faculty of Business Studies, Dhaka University, for the degree of Doctor of Philosophy. This is an original research work carried out by me under the direct supervision and guidance of my supervisor, Professor Mohammad Moqbul Hossain Bhuiyan. No part of the dissertation in any form has been submitted to any university/ institute for the award of any Degree or Diploma. This research is a fresh one and has not been contributed by anybody else. The sources incorporated in the thesis have been duly acknowledged and cited for clarity and academic integrity.

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December 24, 2023

Session: 2017-2018 Re-Registration No. 58/2017-2018

Department of Department of Management Information Systems,
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Certificate of Approval

This is to certify that dissertation titled "**Institutional Role in the Development of Women Entrepreneurship in Small and Medium Enterprises (SMEs) in Bangladesh.**" is a research work carried out by A.B.M Siddique, a student of Department of Management Information Systems(MIS), Student Reg.No.196/2011-2012 and Re-Reg. No.58/ 2017-2018, Faculty of Business Studies (FBS) of the University of Dhaka, under my Supervision. This Research work has been accepted as satisfactory in partial fulfillment of requirement for the degree of Doctor of Philosophy (Ph.D).I therefore, recommend it to the Dean of Faculty of Business Studies for further necessary action.

Place: Dhaka, Bangladesh

Date: December 24, 2023

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Acronym

| | | |
|-------|---|---|
| ABD | = | Asian Development Bank |
| APO | = | Asian Productivity Organization |
| ASEAN | = | Association of South East Asian Nations |
| BB | = | Bangladesh Bank |
| BBF | = | Better Business Forum |
| BB S | = | Bangladesh Bureau of Statistics |
| BCiC | = | Bangladesh Cottage Industries Corporation |
| BASIC | = | Bangladesh Small Industries and Commerce Bank |
| BDBL | = | Bangladesh Development Bank Limited |
| EEiOA | = | Bangladesh Engineering Industry Owners Association |
| EPPZA | = | Bangladesh Export Processing Zone Authority |
| BIBM | = | Bangladesh Institute of Bank Management |
| BI | = | Board of Investment |
| BWCCI | = | Bangladesh Women Chamber of Commerce and Industry |
| BEIOA | = | Bangladesh Engineers Industry Owner's Association |
| EIDS | = | Bangladesh Institute of Development Studies |
| BSCIC | = | Bangladesh Small and Cottage Industries Corporation |
| BITAG | = | Bangladesh Institute of Technical Assistance Centre |
| BUET | = | Bangladesh University of Engineering and Technology |
| CIDA | = | Canadian International Development Agency |
| ECGD | = | Export Credit Guarantee Department |
| ECGI | = | Export Credit Guarantee Insurance |
| EDI | = | Economic Development Institute |
| EEF | = | Equity Entrepreneurship Fund |
| EGBMP | = | Enterprise Growth and Bank Modernization Project |
| EPB | = | Export Promotion Bureau |
| EPF | = | Export Promotion Fund |
| EPSIC | = | East Pakistan Small Industries Corporation |
| DFI | = | Development Financial Institutions |
| FDI | = | Foreign Direct Investment |
| FI | = | Financial Institutions |
| ESRP | = | Financial Sector Reform Project |
| GATT | = | General Agreement on Tariffs and Trades |
| GOB | = | Government of Bangladesh |
| GSP | = | Generalized System of Preference |
| IBs | = | Islamic Banks |
| IBS | = | Institute of Bangladesh Studies |
| ICP | = | Investment Corporation of Pakistan |
| ICT | = | Information and Communication Technology |
| IDBP | = | Industrial Development Bank of Pakistan |
| IFC | = | International Finance Corporation |
| IEs | = | Institute of Enterprises |
| IEP | = | Industrial Estates Program |
| IP | = | Industrial Policy |
| IPFF | = | Investment Promotion and Financing Facility |
| ITC | = | International Trade Centre |

| | | |
|--------|---|--|
| JICA | = | Japan International Cooperation Agency |
| JObsp | = | Job Opportunities and Business Support Program |
| LDC | = | Least Developed Countries |
| LEI | = | Light Engineering Industry |
| LESS | = | Light Engineering Sub Sector |
| LEE | = | Light Engineering Enterprises |
| LEPBPC | = | Light Engineering Product Business Promotion Council |
| MBO | = | Management Buyout |
| MBI | = | Management Buying |
| MDGs | = | Millennium Development Goals |
| MEs | = | Micro Enterprises |
| MEDO | = | Micro Enterprise Development Organization |
| MFIs | = | Micro Finance Institutions |
| MIDAS | = | Micro Industries Development Assistance and Services |
| MoC | = | Ministry of Commerce |
| MoF | = | Ministry of Finance |
| MoI | = | Ministry of Industry |
| NBFIs | = | Nonbanking Financial Institutions |
| NBR | = | National Board of Revenue |
| NIP | = | New Industrial Policy |
| NIT | = | National Investment Trust |
| ODA | = | Overseas Development Assistance |
| OECD | = | Organization for Economic Co-operation and Development |
| PCBs | = | Private Commercial Banks |
| PICFC | = | Pakistan Industrial Credit and Finance Corporation |
| PKSF | = | Palli Karma Sahayak Foundation |
| PPP | = | Public Private Partnership |
| PRSP | = | Poverty Reduction Strategy Paper |
| R&D | = | Research and Development |
| RAKUB | = | Rajshahi Krishi Unnaan Bank |
| RISP | = | Rural Industry Study Project |
| RRC | = | Regulatory Reforms Commission |
| SAFTA | = | South Asian Free Trade Agreement |
| SAP | = | Structural Adjustment Programmed |
| SBs | = | Specialized Banks |
| SBC | = | Sadaran Bima Corporation |
| SCBs | = | Scheduled Commercial Banks |
| SCIs | = | Small and Cottage Industries |
| SCITI | = | Small and Cottage Industry Training Institute |
| SDGs | = | Sustainable Development Goals |
| SEC | = | Stock Exchange Commission |
| SEDF | = | South Asia Enterprise Development Facility |
| SME | = | Small and Medium Enterprise |
| SMEF | = | Small and Medium Enterprise Foundation |
| SMEAP | = | Small and Medium Enterprises Advisory Panel |

| | | |
|--------|---|--|
| SMESDP | = | Small and Medium Enterprise Sector Development Program |
| SIMs | = | Small and Medium Scale Industries |
| SSIs | = | Small Scale Industries |
| TA | = | Technical Assistance |
| UGC | = | University Grant Commission |
| UN | = | United Nations |
| UNCTAD | = | United Nations Conferences on Trade and Development |
| UNEP | = | United Nations Environment Programme |
| UNIDO | = | United Nations Industrial Development Organization |
| VAT | = | Value Added Tax |
| TVET | = | Technical and Vocational Education and Training |
| WTO | = | World Trade Organization |
| WB | = | World Bank |
| WEDP | = | Women Entrepreneurship Development Programme |
| WED | = | Women Entrepreneurship Development |
| WE | = | Women Entrepreneurs |

Abstract

Title: “Institutional Role in the Development of Women Entrepreneurship in Small and Medium Enterprises (SMEs) in Bangladesh”

Small and Medium Enterprises (SMEs) play an important role in an economy due to their contributions towards employment generation, improvement in income distribution, poverty alleviation, growth of manufacturing output and exports, and boosting rural development. The current development paradigm in Bangladesh aims at achieving accelerated economic growth with declining poverty, income inequality, and spatial disparity through ensuring Women participation in SMEs. Light Engineering (LE) sub-sector of SMEs is a potential sector of SMEs which has about \$ 8.2 Billion market demand in Bangladesh. Women participation in this potential sector need to increase through Government policy supports. The key approach to achieve these goals is to boost growth in manufacturing and service sectors and induce the labour force to move from low-return agricultural and informal activities to these high-value added yielding Light Engineering Sub-Sector of SMEs. The development of Small and Medium Enterprises (SMEs) is considered to be a vital element in this development strategy for achieving Sustainable Development Goals (SDG)

The study intends to analyze the role of the SMEs and the necessity of financing SMEs in the changing business environment at home and abroad. It aims at reviewing the present status of SME financing and evaluating the administrative and policy reforms for facilitating SME financing as well as LEEs financing. It also tries for assessing the role of the concerned agencies in relation to SME finance, and its support services along with the availability of institutional credit facilities for SMEs as well as LEEs. The study also attempts to identify the problems, challenges and opportunities of financing SMEs in Bangladesh and also to suggest remedies.

The study is of evaluative type. Survey method and documentary analysis method have been used here. Both quantitative and qualitative data are used in this research. These data were collected through close ended questionnaire, in-depth interview, discussion with the concerned persons, seminars, workshops and other published and unpublished sources. The sample respondents of the study are selected purposively. About 65 percent respondents are taken from LES while 15 percent respondents are taken from FIs. The rest of the respondents include concerned government executives, scholars, journalists, SME artisans, successful entrepreneurs. The number of respondents was 210 in total out of 600 Women Entrepreneurs in Light Engineering manufacturing sector from the database of BSCIC. The study areas are Sutrapur Thana from Dhaka, Kutwall Thana ,Comilla Kutwali Thana ,from Bogra and Chittagong District for surveying the entrepreneurs in LE sub sector of SMEs.

At present, the SME sector is envisaged as the 'Driving Force' of economic growth and employment in the developing countries like Bangladesh due to the requirement of low level of capital, tradition bound technology, agro-based resources and availability of cheap labour forces.

But, a very few studies on the contemporary issues of SMEs had been carried out earlier in the academic level. For this reason, this study is necessary for the policy makers and other stakeholders in Bangladesh for realizing the importance of Women Entrepreneurial initiative in Light Engineering manufacturing sub sector of SMEs in Bangladesh.

Bangladesh is now in the trade liberalization process and she is facing the market competitiveness where international trade is going to be duty free to a great extent and the facilities like GSP are being gradually withdrawn for LDCs. Again, the current global economic meltdown has also created ample of opportunities, like capital machinery import for having new import substitute industries, exporting indigenous and environment friendly goods produced in the labor intensive industries, attracting FDI, increasing RMG export, creating job market in the abroad and so on. But, in spite of being a formidable multiplier of economic growth trade liberalization is now yielding the risks of widening inequalities within a country and among the nations. Now food security, environment friendly production, sustainable development etc., are getting importance. In this regard, Bangladesh can be a giant partner to supply her agro-based items including food and diversified jute products. The country also -as now more accessibility to information, technology, market exploration,

International Capital and resource mobilization. But, for this, SME development, ensuring congenial investment climate, and its financing are significant components. In such situation, the country needs to undertake long run programmes and measures for building capacity, reforming legal, regulatory and administrative frameworks in all respects, creating a grand fund and incentive packages. The study also finds the gaps in case of following market based production model, innovating market networking, taking measures on tariff structure and dumping. The corporations need to introduce subcontracting in the production processes.

The lending programmer of the FIs is unable to meet the total requirement of the SME clients. The FIs still now favor the large enterprises. The trade and service sector SMEs get the lion's share of finance while the manufacturing SMEs have very limited access to finance. The amount of total SME outstanding loan disbursed up to December 2018 by the FIs is Tk.43, 43,953.44 lacs. The PCBs provided more than half of the total amount while the NCBS disbursed 35 percent followed by the SCBS with 7 percent only. The NBFIs disbursed only 3 percent. The banks provided Tk. 46405 laces in the manufacturing sectors up to June 2019. The NCBS provided more than half of total manufacturing loan while the PCBs disbursed 35 percent. Only 11 percent is disbursed by the SCBS. The manufacturing sector gets 61 percent of total SME loan disbursed by SCBS, where BASIC Bank in the top position followed by BRAC Bank PLC in providing SME loans to the Entrepreneurs.

The sources of institutional finance are banks, finance companies, cooperatives, NGOs, Owner's Associations and BSCIC while the informal sources are self, family, friends, relatives and money lenders. Brokers and big enterprises also provide advances in case of subcontracting. Some of the entrepreneurs take finance from different sources at a time. About 43.6 percent entrepreneurs get access to institutional finance while 27.9 percent of them have access to bank finance. About 43 percent small enterprises have access to institutional finance while it is 78.2 percent for the medium enterprises. The NGOs and cooperatives are also scaling up their micro refinance to SME finance to some extent. Only 4.69 percent loan goes to its manufacturing sub sector which is very low. Industrial Policy-2022 has given much emphasis on Light Engineering Manufacturing sector in order to reduce the import of spare parts of other industries of Bangladesh. This policy will have multifarious impacts on our economic growth to achieve SDGs. The average rate of interest of SME loan is 11.5 percent while the maximum rate of interest is 20 percent (NGOs). The average amount of SME outstanding loan disbursed per unit of the FIs is TK 6.27 crore. Most of the entrepreneurs didn't get expected amount of loan after application to the FIs. It is also found from field investigation that the large enterprises and the SMEs of trade and service sub sectors are in the priority list of the financiers in spite of highest priority given to manufacturing industries especially in Light Engineering sub sector in IP 2022. Most of the enterprises surveyed are immature in all respects and the FIs are also inefficient in selecting eligible clients.

About 44 constraints are identified by the respondents of this study. The prime impediments are lack of bank-client relationship, high rate of interest, collateral, cumbersome procedure of loan approval, lack of rationality in value system, socio-cultural mindset, lack of political commitment, stereotype policies, lack of government's follow-up, colonial attitude of the bureaucrats, corruption, lack of honest entrepreneurs and officials, high risk, low productivity, lack of necessary legal and regulatory framework, political and other influences, want of trained operational officials and so on.

There are some challenges which the country will have to overcome for increasing finance in the SMEs sector. It is now necessary to reduce cost of doing business, determine the rate of interest in a single digit, increase venture financing, outreach of credit guarantee mechanism and to innovate new lending technologies. The country also needs huge power generation, infrastructural development, human resource development by emphasizing on Technical education establishment of required number of research institutions and incorporation of ICT into the sector. It is necessary to start up broad-based technical and vocational education, introduce entrepreneurship in the curriculum.

According to the findings of the study the researcher has made some recommendations for the government and other stakeholders. The following recommendations have been suggested by the researcher :

- The government should take incentive financial scheme of Technical and Vocational Education for Women. This will help to motivate Women Entrepreneurial Skill in Light Engineering sub sector of SMEs in Bangladesh. Researcher investigated Bangladesh Government's TVET policy of 2020 and 2022 and found no specific guidelines to motivate Women to participate in TVET in order ensure supply side policy of Women Entrepreneurship in Light Engineering sector.
- Bangladesh Bank should ensure dedicated SME desk for Women Entrepreneurs in every NCBs and PCBs and SCB in order to ensure that Women Entrepreneurs are getting proper service. It is also desirable to ensure that designated bank officials of Women Entrepreneurship desk will be female officers.
- The government should undertake long run pragmatic programmes to flourish labour intensive, indigenous and environment friendly production such as agro-based, food, diversified jute, RMG and light engineering items. Backward and forward linkages in all respects especially in case of RMG sector which can help to promote brand image of the country in the arena of international trade and commerce .
- The government should create a grand fund only for financing manufacturing SMEs. The amount of manufacturing SME finance should be more than that of the trade and service SMEs. All government and donor funds should be disbursed to the manufacturing SMEs in lieu of trade and service.
- The government and the other concerned agencies should design specific programs such as foreign training, incorporating high-tech machineries into production process, increasing international cooperation in quest of technology assimilation, exploring global trade networking and increasing access to electronic and ICT etc.
- The SMEs should follow market based production model in their production System. Women owned enterprises also should produce diversified range of products which Women Entrepreneurs are feeling more comfortable to produce like Car/Vehicle decorative parts and accessories which has huge demand both in domestic market and international market. Therefore, Light Engineering definition need to redefined in the Industrial policy.
- The definitions of SMEs given by Mol, BB and other support service agencies should be uniform for the economy. The concerned agencies should provide all data and information following that given specific definitions, especially for the Women Entrepreneurs.
- The SCBs should provide finance only for the manufacturing SMEs as well as industrial Women owned enterprises in lieu of service and trade sub sectors. At least, one of the banks should be transformed into a SME bank which will not work for earning profit except for its maintenance cost recovery. The bank will work with manufacturing SMEs where the interest rate of financing will be the minimum, that means single digit interest rate for the Women Entrepreneurs in Manufacturing sector.

- The government should formulate pragmatic financing policies as well industrial policies with some specific goals in lieu of hundreds of goals as set in the present stereotype policies. The concerned persons of the government should have to be committed and responsible in realizing such policies along with strong mentoring and monitoring role.
- The government should establish a separate ministry for SMEs where the functionaries will be incorporated with the experts of the sector and bring administrative reforms in the support service provider agencies along with BSCIC.

The nature and practice of bureaucreacy of the country is one of the major challenges in the way of SME development in our country. Efficient bureaucreacy, bankers, officers and entrepreneurs may jointly come forward to help the progress of SMEs and economic development. In addition,we need to consider the role of informal organization like societal attitudes, family, culture and religious principles in our policies and strategies. In this case, we should integrate formal Institutions policies and strategies with informal Institutes' norms and beliefs through mutual cooperations and understanding.Everbody should realize that Women are part of our society and without the progress of Women Entrepreneurship in SME, it would be impossible for the country to achieve Sustainable Development Goals(SDGs) by the year 2030 and without which our dreams to be Middle Income Country will remain incomplete. Researcher believes that this study will influence prospective Women Entrepreneurs to think and act positively like Hawthorne study Effect in Light Engineering sub sector of SMEs in Bangladesh.

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CHAPTER 1: Introduction & Background of the study:

Small and Medium Enterprises (SMEs) play a critical role in an economy due to their contributions towards employment generation, improvement in income distribution, poverty alleviation, growth of manufacturing output and exports, and boosting rural development. The current development paradigm in Bangladesh aims at achieving accelerated economic growth with declining poverty, income inequality, and spatial disparity. The key approach to achieve these goals is to boost growth in manufacturing and service sectors and induce the labour force to move from low-return agricultural and informal activities to these high-yielding value added manufacturing sectors. The development of small and medium enterprises (SMEs) is considered to be a vital element in this development strategy. SMEs have drawn notable interest among policy makers, academics, businesspersons as well as the general mass of people as a new driver of growth in Bangladesh. Small and medium enterprises (SMEs) have also generated meaningful job opportunities for women. Women are increasingly engaging themselves in SMEs not only as hired workers but also as women entrepreneurs. Support the development of SMEs and making them more women-friendly, could go a long way to the economic empowerment of women and the overall development of the country.

Women's economic empowerment is a critical factor to move a country forward towards to achieving Sustainable Development Goals(SDGs) Women in Bangladesh have progressed notably in terms of their participation in the labour force. As a result, the labour force participation rate of women (percentage of women aged 15 years and above who are part of the labour force)has increased from 15.8 percent in 1995 -96 to 35.6 percent in 2016 (LFS, 2016). However, a large proportion of women remain outside the labour force. Out of 53.6 million women aged 15 years and above, only 19.1 million are part of the labour force. Out of them, only around 12 percent have emerged as women entrepreneurs and about 1 percent Women Entrepreneurs in Light Engineering sub-sector of SMEs which need to increase through Government policy support. Light Engineering sub sector of SMEs has been declared as a vital sector of Bangladesh economy in Industrial Policy -2022

Several studies (such as USAID, 2012; Bakht and Basher, 2015; Ahmed and Hossain, 2017) have noted various constraints faced by women entrepreneurs in SMEs and particularly by women entrepreneurs. In general, constraints are faced both for becoming an entrepreneur and for continuing business as an entrepreneur. These constraints include inadequate access to finance, complexity in access to formal credit, complexities in the legal and regulatory framework, inadequate training facilities, various family and social barriers, lack of access to markets, lack of skills, women unfriendly transport, working conditions, etc.

The Small and Medium Enterprise Foundation (SMEF) is committed to supporting women entrepreneurs of SMEs sector or economic development of the country. In 2009 SMEF conducted a study on Women entrepreneurs Signs of Bangladesh. The purpose of the study was to identify the impediments to the development of women entrepreneurship and formulate programs based on the study recommendations. Since 2009, the government has adopted various policies and programs that support women's entrepreneurship development. These include policies to provide financial assistance to SME women entrepreneurs, the Women Development Policy, and national skill Development Policy, etc. In this connection, the SME foundation has also undertaken various programs and projects to promote efficiency, productivity, and employment generation capacity of SMEs as a whole and the development of women entrepreneurship in particular. It is assumed that all these initiatives by various stakeholders have brought changes in the status of women entrepreneurs and features of women entrepreneurship development in Bangladesh. However, to understand the reality, a comprehensive study is needed.

To explore the current situation of women entrepreneurship development and design appropriate interventions based on those findings, another study was initiated in 2017 with the title "Women entrepreneurs: Bangladesh Perspective 2017". This report summarizes the finding of that study,

compares the findings with the findings of 2009 study on key issues, and provides an analysis, strengths, weaknesses, opportunities, and threats associated with women entrepreneurs of various SMEs.

1.1 Theoretical and Policy framework overview of Women Entrepreneurship development:

Women entrepreneurship refers to the ownership of businesses by women. Becoming an entrepreneur is an important means of economic empowerment for women. Women entrepreneurship is not only a source of income generation for a woman, but also a way of achieving economic independence. Women enterprises could be of three types: i) owned by women, ii) managed by women and iii) employing women (Sugaraj and Salve, 2014). The women entrepreneurship is considered to be an effective instrument for the economic development and empowerment of women (Bisht and Sharma, 1991). Women usually start their business with their own or family savings, which is mainly small. In some cases, women emerge as women entrepreneurs as part of established family businesses. For example, family members play a big role in women's entrepreneurship development in SMEs in China. As the available amount of funds is extremely low for SMEs in China, family members not only provide capital for starting a business, but also family members work when no suitable employee is found. Cooper (1985), Green and Pryde (1989), and Raman (2004) reported that the success of women entrepreneurs depends a lot on the encouragement and support from family members and friends. This is true for both male and women entrepreneurs, but in a country like Bangladesh, family support appears to be a dominant factor in women entrepreneurs because of socio-economic and cultural perspectives.

1.2 Different classical Models of Entrepreneurship are explained below:

- ❑ Push/ Necessity approach of Entrepreneurship: Shapero(1975) proved the push theory of entrepreneurial activity, the foundation of the necessity of entrepreneurship relate to the negative or adverse situational factors which can provide an impulse for becoming self-employed. Most of the first-generation entrepreneurs throughout the world became entrepreneurs through this approach.
- ❑ Pull approach of Entrepreneurship: Gilad and Levine(1986) proposed pull motivation approach of entrepreneurship. This approach states that entrepreneurship initiative is taken by the individuals spontaneously or through some incentive programmes by the government in order to enhance economic growth of the country/state.
- ❑ Absolute necessity entrepreneurship: Kautonen and Palonroos (2010) stated that necessity entrepreneurship is generally associated with a single factor of acute unemployment in the economy.

1.3 Institutional Theory of Women Entrepreneurship Development in SME : The Institutional Theory of Women Entrepreneurship Development in the Small and Medium-sized Enterprises (SME) sector, particularly in the Light Engineering sub-sector of SMEs, focuses on understanding how various institutional factors influence the participation, growth, and success of women entrepreneurs in this specific industry. Here's how this theory applies to women entrepreneurship in the Light Engineering SME sector: 1. Regulatory and Legal Framework: This aspect of institutional theory considers how regulations, policies, and legal frameworks impact

women's participation in the Light Engineering SME sector. It may involve examining issues related to business registration, licensing, and compliance with industry-specific regulations. 2. Cultural and Social Norms: Cultural and social norms play a significant role in shaping women's roles and opportunities in entrepreneurship. In the Light Engineering sub sector of SMEs.

1.4 BRIEF DESCRIPTION OF THE LIGHT ENGINEERING (LE) INDUSTRY OF BANGLADESH:

Light Engineering (LE) industry is a very significant sub-sector of SMEs in Bangladesh. Quadir and Mahmud (2009) have stated that „although there is no historical reference about LE industry in Bangladesh, the common saying is that the industry started by providing maintenance support to the large-scale Industrial units commissioned in the 1950s in Bangladesh (then East Pakistan)“. But the industry has been demonstrated a tremendous growth since 1985. It has been playing an important role in the economy of Bangladesh through supplying useful products and services to agriculture, helps imports substitution, besides aiding Industrial development (Quadir and Mallamud, 2009). The contribution of this sector has been 2.15% of Bangladesh's GDP in the last few decades (Quadir and Mallamud, 2009). Recently the industry has received special attention from the Bangladesh government. The industry has considered as a thrust sector for development and incorporated in „Industrial Policy, 2009“ and as a priority sector in „Export Policy 2009-12 (Ahmed and Bakht, 2010).

Most of the light engineering firms are micro and small in nature that are financed and managed by the owners of the businesses. A recent study on Light Engineering sector by IFC-SEDF estimates that total annual turnover of the sector is US\$ 1600 million of which import substitute products is around US\$ 200 million. Another recent study conducted by International Finance Corporation (IFC) in partnership with UK Department for International Development and Norwegian government shows that the sector generates employment for 600,000 people who are working in 50,000 micro firms and 10,000 Small and Medium Firms.

Light engineering firms are spread all around the country. There are some traditional clusters of Light Engineering firms such as old town of Dhaka city, Industrial zone of Khulna and Gazipur, northern parts (Bogra, Nougá, and Pabna) of the country, major land and water transport stations like Narayangong, Chittagong, Jessore (BIET, 2011).

The BIET (2011) brochure identified the members of BEIOA in different districts of the country that is shown in the following table:

1.5 OVERALL UPGRADING STATUS OF THE LIGHT ENGINEERING CLUSTERS OF THE INDUSTRY:

The Light Engineering (LE) industry of Bangladesh has a long history. Some of the firms in the industry started their operations before the liberation of Bangladesh. But the industry has upgraded to slight scale during its long journey. Women Entrepreneurs in this vital sector are yet to develop satisfactory level in Bangladesh despite Government's initiative and policy support in Industrial Policy 2022. Government and Donor Agencies have given top most priority for Women Entrepreneurs in Light Engineering sub sector of SMEs in order to achieve desired economic growth of the country.

As it has mentioned in literature review section, upgrading consists of product, process, functional, inter-sectoral, and marketing linkages upgrading. As per product upgrading is concerned, clusters of the light engineering industry added various sophisticated products to the product lines. Most of the firms in each cluster started business with one or two products and added a good number of products to their product lines. Firms developed some new products as

per the demand of local customers, but most of them through reverse engineering. According to the opinion of experts of the industry, reverse engineering is one of the major strength of the industry workers. Firms are very handy to imitate a product through reverse engineering. According to one of the workers, "if anyone gives a product to make same prototype, we are able to make one as it is". But the significant issue is product quality as a sign of product upgrading. According to the opinions of the firm owners and workers, their products quality has improved a lot as the product rejection rate is reduced. They also added that local customers are very satisfied with the product quality. Some firms believe that their products have better quality than imported products. But they could not export their products for lack of necessary support from government. In contrast, experts of the industry think that quality of the light engineering products are not in export standard. In reality, owners and workers don't know what is quality standard and how they can assure export quality. In fact, there has no quality control system, and firms do not need to collect any quality certificate. As a result, they fail to recognize the product configuration and demand specification of foreign buyers. As a result, no light engineering cluster has involvement in foreign buyers in international market. Therefore, they do not get any opportunity to increase technological capability.

According to the opinion of the clusters members, now firms can deliver products faster, and the product rejection rate is reduced as the firms and workers have achieved skills through a long work experience. But the workers do not possess necessary knowledge and skills to absorb the technology, and to operate the machine and equipment. So, there has no notable process upgrading in the industry. Actually, the light engineering firms have no required technologies to meet the demand of global buyers. Most of the clusters have been using traditional and outdated machines and tools. By using the current conventional technologies, it is not possible to meet the expectation of foreign buyers. As most of the founders of firms are illiterate, they do not have any academic knowledge of organizing skill and management techniques. They manage the whole process by using their non-academic understanding and experience.

As almost all clusters sell their products and services in the domestic market and no involvement in export, the industry has almost static state from the starting to the present. Most of the clusters are only involved in the same pattern of production. So, the cluster firms do not have any option to capture more functions at a higher level of the value chain. Firms have no involvement in branding, and marketing initiatives. Even, no firms think that they need marketing effort to promote their products. There has no R&D center in any clusters, or any R&D initiatives by a particular firm in any clusters. The firms have been trying to improve some models and design by their own initiatives without following any scientific method. As they have capability to imitate a product through reverse engineering, they believe that imitating process is a kind of research. Most of the cluster members are rigid and still in the same sector since the inception of the business. Very few firms are extended their operations to other sectors. Some firms have intention to involve to sub-sectors if they get proper support from government and other sources. Another type of upgrading is identified by Laven (2005) is upgrading of marketing linkages. It refers to capture the position of market leader in the value chain. The firms in the light engineering clusters have no intention to capture the different linkages in the existing value chain.

Table-1.0
New Classification of SMEs according to SME Policy-2019

| Enterprise | Fixed Assets Excluding land and buildings | Employees | Loan Limit |
|-------------------|---|------------------------------------|-------------|
| Micro Enterprise | Tk 10 lakh- Tk 75 lakh (Manufacturing) | 16-30 or less | Tk 1crore |
| | Less Than Tk 10 lakh (Service) | 15 max | Tk 25 lakh |
| Cottage Industry | Less Than Tk 10 Lakh | 15 Max | Tk 10 Lakh |
| Small Enterprise | Tk 75 lakh- Tk 15 crore (Manufacturing) | 31-120 | tk 20 crore |
| | Tk 10 lakh- Tk 2 crore (Service) | 16-50 | Tk 5 crore |
| Medium Enterprise | Tk 15 Crore - Tk 50 crore (Manufacturing) | 121-300 (Garments 1,000 min) | Tk 75 crore |
| | Tk 2 Crore - Tk 30 crore (Service) | 51-120 | Tk 50 crore |
| Trading Sector | Less than Tk 10 lakh (Micro Enterprise) | 15 max | Tk 25 lakh |
| | Tk 10 lakh- Tk 2 crore (Small Industry) | 16-50 | Tk 5 Crore |

1.6 Women Entrepreneurship: Definition:

Women entrepreneurship refers to the ownership of businesses by a woman. Becoming an entrepreneur is an important means of economic empowerment of women. Women entrepreneurship is not only a source of income generation for a woman, but also a way of achieving economic independence. Women enterprises could be of three types: i) owned by women, ii) managed by women and iii) employing women (Sugaraj and Salve, 2014). The women entrepreneurship is considered to be an effective instrument to the economic development and empowerment of women (Bisht and Sharma, 1991). Women usually start their business with their own or family savings, which is mainly small. In some cases, women emerge as women entrepreneurs as a part of established family business. For example, family members play a big role in women entrepreneurship development in SMEs in China. As the available amount of fund is extremely low for SMEs in China, family members not only provide capital for starting a business, but also family members work when no suitable employee is found. Cooper (1985), Green and Pryde (1989), Raman (2004) reported that the success of the women entrepreneurs depends a lot on the encouragement and support from the family members and friends. This is true for both male and female women entrepreneurs, but in a country like Bangladesh, family support appears to be a dominant factor for involvement of women entrepreneurs.

1.7 Women Entrepreneurship in Bangladesh:

Over the last decade, the Bangladesh economy achieved an average annual GDP growth rate of around 6.5%. Although there were several political challenges, structural constraints and, global financial volatility, the Bangladesh economy maintained its macro-economic stability and high growth trends. In FY15, Bangladesh graduated from the low-income status to lower middle-income country (MIC) status, which is an important achievement for the country. In 2018, Bangladesh has lifted to start its journey to graduate to a developing country. An important challenge to achieving developing country status is to generate productive employment opportunities for people, especially for educated youths and Stable the and progressive performance of an economy is associated with more employment for people. This also includes more opportunities for the employment of women. However, the development of women's entrepreneurship depends on many other supportive conditions including access to finance, control over family assets, access to raw materials or intermediate goods, access to markets, etc. As a result, only, a small proportion of women in Bangladesh could evolve as women entrepreneurs.

According to the LFS (2016), 34.6 percent of employed women belong to the 'self-employed' category. Although the proportion seems attractive, 68.8 percent of them are working in the agricultural sector (mostly in the family or rented land) having limited capacity to generate employment for others. Only 6.8 percent of the employed women are self-employed in manufacturing, which has a higher potential to generate employment for other women. In addition, 4. Percent of self-employed women are involved in wholesale and retail trade. If we consider women entrepreneurship to be running an enterprise having the ability to generate employment for others, then the women who are involved in manufacturing and trading meet the requirement. Thus according to LFS 2016, 1 percent of total self-employed women or 4.01 percent of total employed women (i.e. around 0.71 million) may be considered women entrepreneurs. A similar feature is also observed from the findings of the Economic Census of Bangladesh. According to the Economic Census of 2013, there are 7.8 million enterprises (economic activities) in Bangladesh of which 7.3 million are male-headed and 0.6 million are female-headed. Thus only 7.2% of the total enterprises are female-headed. Although these include large enterprises, the picture is true for SMEs as 99 percent of the enterprises are micro, small, or medium in size. Therefore, the overall economic empowerment of women in Bangladesh is highly associated with the development of SMEs.

According to the definition given in the Industrial Policy 2022, a female is an entrepreneur if she is the owner or proprietor of a privately-run business organization or owns at least 51% share in a

joint venture or company listed with the Registrar of Joint Stock Companies and Firms. The Bangladesh Bank (BB) also follows the same definition.

The economic empowerment of women has been considered as an important issue in various national documents. Policies such as Five-Year Plans, Poverty Reduction Strategy Papers, the National Women Development Policy 2011, and SME strategy and policies have emphasized women entrepreneurship development as a priority. In addition, a number of UN Agencies, Development Partners, and International NGOs are assisting various initiatives to support women entrepreneurs. Different Chambers of Commerce and Industries and trade bodies are also addressing the needs of female women entrepreneurs. Despite these supports prevailing for women entrepreneurs, they face diverse challenges. These include access to bank loans; collateral requirements by formal credit institutions, requirements of guarantors both from family and outside; complex documentation requirements; low levels of awareness and access to information regarding business; restricted mobility of women, etc. Women entrepreneurs often lack information about potential markets; product pricing; understanding of marketplace competition; and knowledge of credit and payment processes. Because of all these constraints, most of the women entrepreneurs in Bangladesh tend to start businesses on a small scale. They usually prefer to be engaged in such businesses where entry and exit is relatively easy. Policy support and an effective business environment is necessary to encourage more women to become women entrepreneurs and become economically empowered.

1.8 Policy support for women entrepreneurs :

A number of policies and programs are in place to support women entrepreneurs in Bangladesh. Various ministries have mainstreamed gender or women's concerns into their respective policy provisions. They facilitate employment, access to productive resources, human development, bargaining power and improving the work environment. This section will discuss the policies that are directly and closely relevant for the development of women's entrepreneurship in Bangladesh.

1.9 7th Five-year Plan :

The Five-year plan is the umbrella national document shaping all economic policies of the country. It aims at establishing "a country where men and women will have equal opportunities and rights and women will be recognized as equal contributors in economic, social and political development". This also suggests for adopting of such programs and policies, which will enhance the participation of women in political, civil, economic, social, and cultural activities, promote economic self-reliance for women, and enhance employment opportunities and income for women. It focuses on achieving gender equality by following four strategic objectives.

- i. Improving women's human capabilities
- ii. Increasing women's economic gains
- iii. Enhancing women's voice and agency
- iv. Creating an enabling environment for women's advancement

To implement these strategic objectives, the following seven actions have been noted in this national policy document-

- i. Increase access to human development opportunities by ensuring that women obtain an education, training, and health services;
- ii. Increase women's participation in income-generating activities, especially in the labour markets and enhance access to and control over productive resources and financial assets;
- iii. Increase participation and decision-making by strengthening women's roles in all spheres of life;

- iv. Establish a conducive legal and regulatory environment to ensure women's safety within the home, public space, and at work; access to justice; elimination of laws and practices that are discriminatory against women;
- v. Improve institutional capacity, accountability, and oversight in implementing all commitments of the government in achieving gender equality and women's advancements;
- vi. Increase protection and resilience from crisis and shocks by introducing women friendly social security system;
- vii. Promote positive social norms, which include recognition and sharing of household work, and ensure behavioral and attitudinal change in both men and women to remove patriarchal outlooks.

1.2 Industrial Policy :

Industrial Policy 2022 has given special emphasis on the development of micro-, small, and medium enterprises. The concerns of women entrepreneurs have received special attention in this important policy document. This policy aspires to create more opportunities for women entrepreneurs. In that connection, the strategy is to introduce and implement laws and policies and increase access to financial resources to ensure more participation for women entrepreneurs in the Industrial sector. The Industrial policy gives priority to women entrepreneurs in facilitating loans in the SME sector. It has been suggested that 15% of the total credit allocations are to be preserved for women. The policy has also promised to undertake necessary initiatives to collateral-free loan to the women entrepreneurs. The title of this chapter is *Participation of Women Entrepreneurs in Industrialization and Their Advancement*. This chapter includes the following clauses-

- Technical, financial, and training assistance will be provided for establishing SMEs considering the social stance and status of women entrepreneurs. Modern technical trainings will be arranged for enhancing the efficiency of women entrepreneurs in cooperation with different institutions established under the Ministry of Industries, such as BSCIC, BITAC, BIM, NPO, and SCITI.
- Bangladesh Bank will consider providing financial support and special incentives to women entrepreneurs so that they can establish themselves in micro, small, medium, and cottage industries.
- Measures will be taken to provide collateral-free credit to women on a wider scale. The rules and regulations of banks will be analyzed and made easier for women entrepreneurs. Bangladesh Bank will explore ways to create women-friendly banking services, which will ensure easy access to Industrial credit. Highly potential project proposals should have provisions for collateral-free credit and group-credit geared towards women.
- Incentives will be given to women entrepreneurs so that they can establish enterprises in priority sectors and successfully run the businesses.
- Coordination will be strengthened in sharing information and knowledge between National and International agencies, who are working for women entrepreneurship development.
- Legal barriers faced by women entrepreneurs will be identified and initiatives will be taken to resolve them.
- Women entrepreneurs' groups and institutions will be encouraged so that they can play a role in enabling women entrepreneurs to participate directly in manufacturing activities.

1.2.1 SME Policy of the Bangladesh Bank -2019:

The Bangladesh Bank, the central bank of Bangladesh, has a refinancing scheme to support the development of the SME Sector under which commercial banks receive funds at a very low-interest rate so that they can offer low-cost credit to SME women entrepreneurs. This SME development policy of Bangladesh Bank is consistent with the Industrial Policy. The main aim of this policy is to ensure easy financing of SMEs in general and even greater facilities for SMEs owned by women. The Policy gives the following facilities to women entrepreneurs-

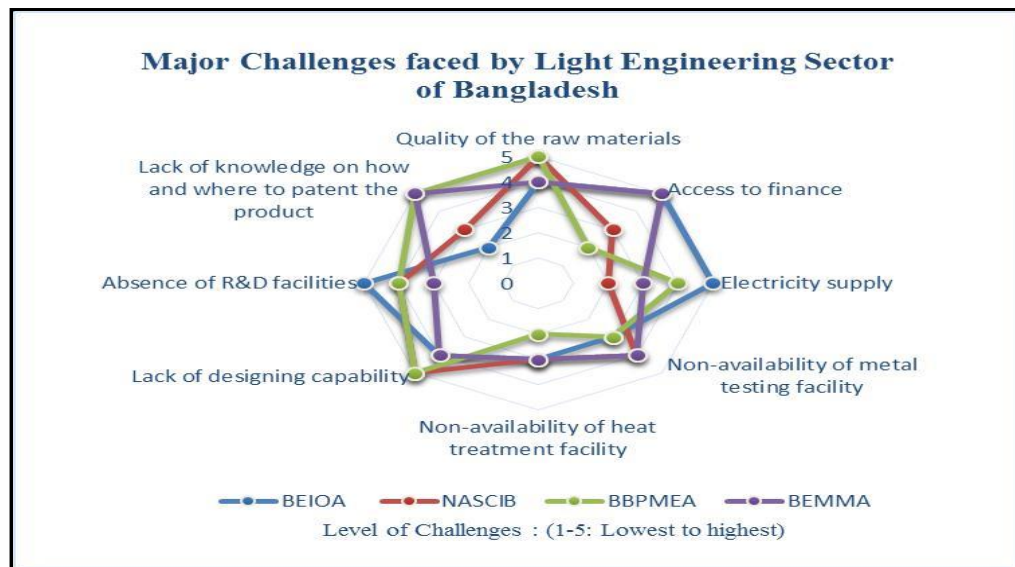
- For small women entrepreneurs, the credit limit will be ranged from Tk. 50,000 (Fifty thousand) to Tk 50,00,000 (Fifty lac).
- Highest priority will be given to credit applications from women entrepreneurs. A reasonable time frame will be given to settle the credit.
- The commercial banks should establish a separate Women entrepreneurs' dedicated desk with necessary and suitable manpower.
- Banks and financial institutions may sanction up to Tk. 25,00,000 to women entrepreneurs against the personal guarantee.
- Interest rate for women entrepreneurs will be Bank rate (which is at present 5%) plus a maximum 5%; thus not more than 10% per annum.
- At least 15% of total BB's SME fund should be allocated to women entrepreneurs,
- Adequate support will be given for trade fares of the SME products, matching buyers with suppliers, improving the quality of products and package design, workshops and training on technology and design development, and training on women entrepreneurship development.

1.2.2 Government Policies for the Light Engineering Sector:

- In the export policy 2015 – 2018, Light Engineering products, including bicycle and auto parts, have been considered as one of the special development sectors. Several points are mentioned in the policy including;
 - Supply of investment credit at reduced rate of interest on a high priority basis;
 - Moratorium on income tax;
 - Various cash assistances;
 - Export credit on easy terms and reduced rate of interest; and
 - Subsidized rate for Air Transportation, Duty drawback and bond facilities.
- A plan has been undertaken to establish 'Light Engineering Cluster Village' near Dhaka in order to develop the Light Engineering industry.
- In the 7th- Five-Year Plan, emphasis has been given to attract FDI in the Light Engineering sector to increase investment, for greater and easier market access, and for easier transfer of technology. To facilitate FDI in the Light Engineering sector, the Govt. is planning to set up Special Economic Zones and hand over these SEZs to investors from Japan, China, India and other countries.
- In the Industrial Policy 2022, Light Engineering sector has been considered as one of the Highest Priority Sectors. Several facilities, including cash and investment incentives, would be provided to facilitate the Light Engineering sector of Bangladesh.

1. 2.3 Major Challenges of Light Engineering Sector:

The respondents from different associations were asked to rank some of the existing challenges faced by the sector. Though the nature of these associations are different, there are some challenges, which are mostly identical to all of the sectors. According to their responses, lack of designing capabilities, lack of metal testing facilities and quality of raw materials come as the major challenges. Other challenges include knowledge on patenting, access to finance etc.



Source: BFTI's own construct based on interview result

Along with these challenges, respondents cited many other challenges they are facing to do their business. These challenges are associated with different stages of their business. Some of them are faced in the production process, some in importation of Raw Materials, some are in the domestic market, and others related to exportation of the Light Engineering products. The major challenges faced by the entrepreneurs of the Light Engineering sector are as follows:

- i) Raw material shortage
- ii) Lack of R& D
- iii) Lack of Skilled labour supply

1.2.4 National Women Development Policy (NWDP) 2011 :

The National Women Development Policy, 2011 has provided overall structure and strategies for the development of women and girl children. The economic empowerment of women has received much attention in this policy document. It includes several provisions for developing women's entrepreneurship. These are, involving poor women in productive and mainstream economic activities; the arrangement of training and credit facilities for women entrepreneurs, and encouraging women in farming, Fisheries, cattle rearing, and forestry. The NWDP has called for financial inclusion through SME development, micro refinance, and various pro-poor programs. The policy calls for the removal of illiteracy and educating women and develop them as skilled human resources. The Policy commits to ensure technical, technological and scientific pursuit for women

and to provide support services for overall development of women including promotion of women entrepreneurs.

1.2.5 Bangladesh Handicraft Policy 2015 :

Although this policy calls for development of handicrafts in general, it includes a few provisions for women. The policy aims at creating employment for women and in reducing movement of artisans to cities. It provides for economic stability of groups and families who are affiliated with this industry, loans to women as per Bangladesh Bank policy and facilitating banking system to encourage industry loan, export loan, and equity capital for women. The Policy provides for the development of women's capacity to manage handicraft enterprises. The Policy is important for women artisans as a large number of women artisans are involved in cottage industries like Jamdani.

1.2.6 ICT Policy, 2015 :

The policy on Information and Communications Technology calls for social equity and in that connection the policy recognizes the needs of women. It has an action plan, which discusses details of actions to be taken. The action plan of this policy states that the women's participation in the ICT related profession will be increased gradually and will be increased to 50% of the total labour force within the sector. The action plan also aims to address the lack of skilled professionals in ICT industry.

This policy also includes provisions for achieving a digital banking system and development of rural e-commerce. However, women are often discouraged to study science or use of technology in our society due to social taboo . This could be one reason for limited participation of women in ICT related businesses. This is an important policy to promote digital skills among women.

1.2.7 SME foundation and its strategy for development of women entrepreneurship :

The Small & Medium Enterprise Foundation, widely known as SME Foundation, was established by the Government of Bangladesh through Ministry of Industries as an apex institution for SME development in the country. The major activities of SME Foundation are implementation of SME Policy Strategies adopted by the Bangladesh Government, policy advocacy and intervention for the growth of SMEs, facilitating financial supports for SMEs, providing skill development and capacity building training, facilitating adaptation with appropriate technologies and access to ICT, providing business support services, etc. The Foundation is working for the development of enterprises and women entrepreneurs who belong to micro, small and medium categories as per Industrial Policy 2022.

With regards to the development of women entrepreneurship, SMEF mainly works with the aim of creating a gender sensitive business environment by providing strategic direction to promote competitive and responsible SME women entrepreneurship. They intend to embed gender equality in all areas of works. SMEF opts for fostering women entrepreneurship as it recognizes women as an important economic agent, source of employment and innovation for building potential economic development. In this connection, SMEF has a dedicated wing to work for development of women entrepreneurship. Specific objectives of the activities of this wing are noted in box 1.1.

Box 1.1: Objectives of Women entrepreneurship Development Wing of SMEF:

The WED wing of SMEF has mentioned following objectives in their website.

- To provide a framework and strategic directions to identify the gender gaps, needs, interests, opportunities, and issues involved in women entrepreneurship development in the SME sector. Such strategic analysis and understanding can be most effective in advancing women entrepreneurship at local, national, regional and also in international level.
- To promote the empowerment of women and gender equality through addressing the problems of exclusion of women relating to women entrepreneurship thereby mainstreaming gender into policy level and facilitate effective support for these target groups.
- Support to women's led trade bodies/associations for building their institutional capacity and competitiveness.
- Assist gender sensitive value chain analysis for identifying the gender relations impacts on different parts of a value chain.
- To create a favorable environment for women entrepreneurs and bring them in to the mainstream development process.
- To ensure full participation of women entrepreneurs in economic development of the country.
- To improve efficiency of women entrepreneurs in performing their business responsibilities.
- To strengthen institutional capacities for monitoring and evaluation of gender equality in the area of women entrepreneurship development.
- To enhance women's participation in the decision making process and build up capacity to improve knowledge, skills, abilities, aptitudes, values and preferences in order to set up a successful business.

To fulfill the objectives mentioned above, SMEF has promised to perform the following activities.

- Promotion of women entrepreneurship and the issues which are important to them.
- Member support and networking opportunities.
- Training and professional development.
- Effective lobbying and advocacy.
- Institutional Linkage and networking development.
- Research and exploring new ideas.

SMEF claims that various initiatives taken by the foundation face diverse challenges. A number of social impediments limit entry of women entrepreneurs into mainstream business, which is difficult for SMEF to control. There are also policy impediments for women's entitlements to resources. Attitudes of people in various financial institutions towards women entrepreneurs constrain women's access to credit. Women often have lower access to technical and skill development opportunities. Absence of gender friendly technological advancement makes it difficult to improve the quality of products. Women need assistance in e-commerce to link themselves with the global business. Lack of availability in business alliances among women make it difficult for women to connect with market. For effective actions for women, Women entrepreneurship Development (WED) Wing of SMEF expects that government should have a wide range of social awareness programs for encouraging women entrepreneurship. Moreover, various technical institutions are required that can work for enhancing the quality of products.

WED wing of SMEF has noted that this section of the organization works mainly to overcome various constraints of the booster or priority sectors identified by the SMEF. In particular the following steps are supposed to be taken by SMEF for those priority sectors.

- Meeting with different stakeholders to develop common consensus and perspectives regarding the importance and needs of the women owned SMEs.
- Organizing roundtable discussions on policy advocacy for gender mainstreaming.
- Organizes a national conference or seminar to develop networks and linkages among different professionals.
- Organize research fellowships and management trainee programs in cooperation with different universities' business faculties for building women trade bodies.
- Workshop/training to enhance knowledge and skills for efficient operation of SMEs.
- Conduct study and dissemination of information.
- Organize trade fairs/expo to explore market opportunities.
- National SME Women entrepreneurship Award to recognize women's participation and contribution to the national economy.

1.2.8 Other Relevant Policies :

Other important policies for development of women entrepreneurship in Bangladesh include National Education Policy, National Skills Development Policy 2011, Transport Policy etc.

1.2.9 Gender Budget :

The need for resources for the development of women could be channeled either directly to women development programs and projects or the allocation could be general for any regular activities which benefit women. Allocation of resources for women is reflected in budgetary allocation of the government, more specifically from the report on gender budget. In the area of gender budgeting, the Government of Bangladesh has made three important developments, they are-

- i) Introduction of gender analysis to the Medium-Term Budget Framework (MTBF) process;
- ii) Finance Division has developed the Recurrent, Capital, Gender and Poverty (RCGP) Model or database where all expenditure items are disaggregated to indicate what percentage of allocation goes to benefit women;
- iii) The government presents to the national parliament a gender budget report that explains the policies and strategies for advancement of women, activities of various ministries/divisions that have implications on women development, Key Performance Indicators connected with female welfare attained, major achievement for uplifting women's rights, allocation for women development, etc.

Separate reporting of budget allocation in terms of gender was first provided in FY 2009-10 for 4 ministries. In subsequent years, number of ministries under gender budget was increased to 10, then 25, then 40 and now 43. Allocation for women development was Taka 27,248 crore in 2009-10, which increased to Taka 64,087 crore in 2014-15, Taka 92,765 crore in 2016-17 and Taka 112,019 in 2020-2021. This latest allocation is 27.99% of total budget allocation and 5.04% of the GDP.

According to the Gender Budget Report, making the national budget gender sensitive is basically an approach that implies the following issues.

- First, acknowledging the economic significance of the household sector and the need for public investment in these activities;

- Second, acknowledging the fact that the roles, responsibilities, and capabilities of men and women are different and must not be stereotyped with a preconceived perception and these roles and responsibilities must not be held rigidly;
- Third, recognizing that seemingly gender-neutral allocation of budgetary resources can have a different impact on men and women;
- Fourth, examining the welfare outcomes of the budget on men and women; and
- Finally, creating an enabling condition for women to participate in the economic growth process.

Gender sensitiveness of budget allocation may also be attributed to the gender desegregation of the population. According to the latest population census(Population Census-2021) male to female ratio is 102: 98(approximately). There is a perception that for women's development, budget allocation should match the female proportion in the total population. However, that may not be necessary for ensuring women's development. Direct beneficiaries of many market development projects and infrastructure projects will cover those who are participating in activities related to the project in question. Therefore, direct beneficiaries could very well be males, not because of any bias of budget allocation for them, but because of the prevailing realities, that males are more involved in economic activities and thus males receive more direct benefit from budget allocation.

The main concern for budget allocation for women's development should be to observe whether programs necessary for women's advancement is jeopardized by lack of finance or not. Thus the budget allocation should actually match overall growth plan of the country and plan for women's development. Thus, allocation of 27.99 percent of the budget for women's development should not be judged against 43.7 percent of the female population, it should be analyzed whether this allocation is sufficient to implement various projects and programs envisaged for women's development. Attention should also be given to ensure that the programs implemented for women's development are appropriate for women's development.

1.3 Initiatives by Business Chambers, NGOs and other private bodies :

In addition to government initiatives, different non-government organizations (NGOs) and private sector entities in Bangladesh have been playing an important role in developing women entrepreneurship, especially by raising awareness, offering training facilities, creating opportunities for business finance etc. Many of them have undertaken various activities to reduce gender inequality and improve women's social, political and economic empowerment. NGOs and financial institutions are also lending to women, but comprehensive data is not available on this. Women's business chambers and various business associations are also supporting women entrepreneurs (both existing and potential women entrepreneurs) in many ways. They organize different training programs, provide information on financing and legal aspects of business, assist them to get various licenses, even arrange guarantors for a bank loan or organize group loans for women. They also communicate demands from women entrepreneurs to the government to influence the government to formulate policies, modify existing laws, regulations and institutions, and introduce new laws, regulation and institutions. Women's chambers also negotiate with the government in terms of getting incentives, low cost and efficient public services etc.

1.3.1 Policy implementation and gaps :

The policies associated with the development of women entrepreneurship are quite vast although gaps are also evident. As has been noted above, there are several initiatives to provide special credit support to women entrepreneurs; however, the implementation is still not satisfactory. For example, the refinancing scheme of Bangladesh Bank asks for allocating 15% of credit disbursements by the commercial banks (under this scheme) for women entrepreneurs. Unfortunately, in most of the years the proportion of women in total borrowers is way below 15%

(mostly as low as 3% to 4%). These policies provide a pathway but need proper planning and coordinated monitoring by all relevant stakeholders. The definitions of industries under Bangladesh Bank's Lending Policy and under the Industrial Policy are not consistent, which is a potential barrier against lending to women.

The priority of women entrepreneurs under the SME lending facility does not always lead to economic empowerment of women as the business is often directed by the husband. Wife's name is only used for borrowing from banks. Lack of childcare provisions discourage women to become women entrepreneurs. Even if they start a business, some of them do not opt for business expansion due to the absence of child-care facilities.

Given all supports extended by the government, chambers and associations, women still find it difficult to reap the benefits of refinancing schemes and collateral free loans for banks apply their own rules and judgments to approve loans. Group security or security by the chambers or associations has not been very effective as many banks ask for guarantees from a male member of the family. Sometimes a women entrepreneur fails to get loans if her husband is a loan defaulter. There are also evidences that men use their wives' names only to borrow from banks and those so-called women entrepreneurs have little or no control over the use of the money. Women's access to and utilization of skill-training provisions offered by various ministries and NGOs are low. Many training facilities are based in urban areas. Some women also feel discouraged to participate in training if the instructor is a male, especially, for training provisions that include hands-on courses such as IIT-based trainings. The formal TVET and skills institutions provide training on selected items for women. Most training facilities are needed on the practical aspects of starting and running a business.

The ICT Policy provides for education and services based on ICT but monitoring of implementation of the policies is weak. In particular, women who plan to enter into a business without prior knowledge of the use of IT, find it difficult to receive proper training provisions, which would help them to achieve proficiency within a short time. It is also noted that there is a tech-phobia amongst these women and not only training but also post-training support is needed to make women entrepreneurs use computer technology in their business. Moreover, women entrepreneurship in the ICT sector is limited among women. It is important to proceed with a well-planned strategy for developing the IT sector and developing women as beneficiaries and agents.

In the gender budget report, ministries and divisions have noted various obstacles they face while implementing programs related to women's development. It may be inferred that allocation for women's advancement programs is not enough to achieve women's advancement. Many of the problems lie deep-rooted in the attitude of society toward women. Therefore, it is necessary to invest more in raising awareness in society regarding women's rights, the importance of their economic empowerment, the importance of investing in women, and girls, etc. Non-cooperation from the local government representatives is also found to be an important obstacle in many areas. The early marriage problem is still crucial for women's advancement, which also has detrimental health implications for women. Superstition and misinterpretation of religion appear to be huge obstacles in the path of implementation of programs for women, especially for their economic freedom and rights. Lack of technical knowledge among girls does not permit them to participate in many technical trainings provided by the government. Also, social norms are against the participation of females in this kind of training program.

The policies for supporting the development of women entrepreneurship in Bangladesh and the gaps in implementing those policies reveal that to enhance the economic empowerment of women through the development of women entrepreneurship, a lot needs to be done.

1.3.2 Institutional Theory of Women Entrepreneurship Development in SME : The institutional theory of women entrepreneurship development in the Small and Medium-sized

Enterprises (SME) sector, particularly in the Light Engineering sub-sector of SMEs, focuses on understanding how various institutional factors influence the participation, growth, and success of women entrepreneurs in this specific industry. Here's how this theory applies to women entrepreneurship in the Light Engineering SME sector: 1. Regulatory and Legal Framework: This aspect of institutional theory considers how regulations, policies, and legal frameworks impact women's participation in the Light Engineering SME sector. It may involve examining issues related to business registration, licensing, and compliance with industry-specific regulations. 2. Cultural and Social Norms: Cultural and social norms play a significant role in shaping women's roles and opportunities in entrepreneurship in the Light Engineering .

1.3.3 A brief introduction on government's initiative to develop Light Engineering sub sector of SME:

Bangladesh is now facing the challenges of unemployment, low rate of Economic growth and poverty alleviation , unemployment rate etc, Market competitiveness is increasing gradually through liberalizing global trade. With that challenges, trade liberalization also opens up opportunities though the country has yet to take initiatives for getting favor. In this situation, Bangladesh can meet that challenges by flourishing Small and Medium Women-owned enterprises (SMEs) which require labour intensity, small investment, and easier technologies and are capable of better bridging up between agriculture and industry compared to that of large-scale enterprises. Bangladesh Bank has given special emphasis on WED in this sector for ensure supply side policy. Even SMEs can contribute to large-scale Industrial production by performing assembly operation through cluster networking as Japan and Germany have had made such examples. Bangladesh can make SME sector as the 'engine of growth'¹ by nursing Women Entrepreneurship and by combining cheap factors of production, say, labour-agro-based and ship breaking raw materials as it has been done by China, Singapore, Malaysia and even a lot more, Indonesia in the past decades¹.

The government formed a National Taskforce on 5 November 2003 to determine working strategy to enhance SMEs of the country with special emphasis on WED. It is not possible to achieve desired growth target of SME without involving Women in this sector because Women are about half or slightly more women (according to population census 2021, Female to Male ratio 102:98) of the total population in Bangladesh. The government also has given emphasis on the SME sector to eradicate poverty, decrease unemployment, and strengthen sustained Industrialisation in the National Industrial Policy-2022² In this regard, Ministry of Industries (Mol) has opened SME Cell to realize Small and Medium Enterprise Sector Development Program (SMESDP) and SME policy strategy ahead of the Advisory Panel formed for policy suggestions. The government also has established Small and Medium Enterprise Foundation

¹ S.A. Khader and C.P. Gupta (ed.), *Enhancing SME Competitiveness in the Age of Globalization* (Tokyo: ARO, 2012), p. 15.

(SMEF) based on the principles taken in the Industrial Policy-2022² under the Company law 1994 with a view to making plan, building capacity, facilitating finance, giving assistance and providing training and other necessary support services. SMEF also works to increase consciousness, evaluate the plight of the sector and finally to represent itself as a pivotal organization.

As a member of the UN, Bangladesh is committed to achieving sustainable Development Goal (SDG) within 2030 and as a client of the donor agencies is also in obligation to realize the targets taken in the PRSP focusing on the rapid expansion of employment-creating opportunities. But creating employment opportunities in agriculture has limited scope though it is potential in the manufacturing sector.³ Agriculture with the present trend of being mechanized alone is not enough to absorb the total labour force available in the economy. Now the country needs to enter into huge manufacturing production with long-term development programmes so that employment and economic growth can take place for the fulfilment of the targets set in MDGs and PRSP. The manufacturing SMEs including 11 booster sectors determined in the Industrial Policy 2022 can play a vital role in increasing employment, eradicating poverty and enhancing economic growth. Mere Light Engineering Enterprise (LEE) is one of the most potential sectors because of its produced goods, say, spare parts, agricultural equipments, tools, Industrial plants and their types of machinery that help establish industry and substitute import of capital goods with also an increase in export volume. The statistics show that Bangladesh has exported worth of \$237 million and imported worth of \$1929 million in the year 2016-2017⁴. Now it is possible to meet domestic demand and save foreign currencies providing Capital machinery that can be considered as import substitute through investing a significant amount of Capital in the sector.⁵ But like other SME sub sectors, Light Engineering Women-owned enterprises (LEEs) are also facing the challenges of financing where most of the proportion of funds comes from family, friends and other informal sources⁶.

² GOB, *Industrial Policy-2022* (Dhaka: Ministry of Industry, 2022), p. 5.

³ AbdulAwalMintoo, "SMEs in Bangladesh", *CCAI Journal*, Voi. 1, 2016, p. 1.

⁴ Abdur Razzaque, *Problems and Potentials of Light Engineering Industry*, a paper prepared for a seminar held on 19 April, 2018 arranged by SMEF, p. 1.

⁵ Wd.p.1.

⁶ "Business and Carrier", *DainikJai Jai Din*, 17 September, 2016, pp. 3-4

Table 1.1
Number of units and levels of employment in Small and
Medium Women-owned Enterprises, 2017/2018

(in thousands)

| Descriptions | Urban | | | Rural | | | Total | | |
|--------------------------------------|--------------|--------------|----------------|--------------|--------------|----------------|---------------|--------------|---------------|
| | Small | Medium | Large | Small | Medium | Large | Small | Medium | Large |
| No. of Units | 39.9 | 3.17 | 4.036 | 29.0 | 1.29 | 0.88 | 68.90 | 4.46 | 4.916 |
| %of the total number of units | 50.9 | 4.0 | 5.1 | 38.1 | 1.6 | 1.11 | 87.9 | 5.7 | 6.4 |
| Employment | 740.4 | 211.5 | 1712.67 | 516.8 | 85.85 | 234.669 | 1257.2 | 297.4 | 1947.3 |
| %of total employment | 21.14 | 6.0 | 48.9 | 14.8 | 2.4 | 6.7 | 35.9 | 8.5 | 55.6 |

Source: Mol, taken from BBS Census of Women-owned enterprises, 2017/2018

The government has undertaken a SME development project with the fund of \$50 million catered by ADB to disburse loan worth \$30 million to the SMEs of Bangladesh through 15 commercial banks and other financial institutions under the contract of Bangladesh Bank (BB). Another \$15 million sanctioned for government's budgetary help and \$5 million is for Technical Assistance (TA) programme⁷.

The growth of SMEs has deserved priority in the government's pro-poor agenda and it has taken various measures to remove the bottlenecks regarding access to finance. But banks and financial institutions are reluctant to lend to SME activities due to their low capitalization, insufficient assets, and high morbidity rates. In despite the problems, banks, NBFIs, NGO-MFIs, business bodies, and international agencies are strengthening their efforts to increase finance and facilitate financing⁸. SME Foundation (SMEF) supplies loans of over Tk. 2 billion at interest rates of below 10 per cent from Jul, 2018 to develop the sector.

⁷ Bangladesh Bank, *Annual Report 2017-2018*

⁸ Bangladesh Bank, *Financial Sector Review*, Vol. III, No. 2, June 2018, p 26

⁹ . The definitions of SME are discussed in chapter 2 in detail.

1.3.4 Small and Medium Women owned enterprises (SMEs)⁹

Mere the terms 'Small and Medium Scale Industries (SMIs)' and 'Small and Medium Women owned enterprises (SMEs)¹' are used to carry the same meaning. After amending the existing definition of Small and Medium Enterprise sector a single definition of Small and Medium Women owned enterprises (SMEs) has been determined by Bangladesh Bank (BB) on May, 2016. In this study the definition of SME is taken only from manufacturing concern. An enterprise is considered as Small Enterprise which in particular is not a public limited company and it possesses the amount of total fixed asset, excluding land and building, is from Taka 50,000.00 to Taka 1,50,00,000.00 and/or working manpower is maximum 50 persons. An enterprise is considered as Medium Enterprise which in particular is not a public limited company and it possesses the amount of total fixed asset, excluding land and building, is from Taka 1,50,00,000.00 to Taka 20,00,00,000.00 and/or working manpower is maximum 150 persons¹⁰.

1.3.5 Enterprise:

An enterprise is the administrative and financial decision making unit of an establishment. For a single establishment the enterprise and establishment are the same. There may be more than one establishment under a single enterprise.

The enterprise is a legal entity of corporate and quasi-corporate with profit and loss account.¹¹

1.3.6 Entrepreneur:

An entrepreneur is a person who owns a business and runs it, and takes all risks especially financial risks.¹²He /she combines the factors of production and ensures production or service profitably. He/she gains profit and takes the liability of incurring loss.

A successful entrepreneur always try to innovate new product/ service to satisfy customers demand.

1.3.7 Finance:

Finance is meant as the provision of money when and where required and it is just like blood circulation for the enterprise. It may be of short term, medium term and long term .The first external source of finance is debt supplied by the financial institutions, such as banks.¹³

¹⁰ Bangladesh Bank, *Annual Report-2008*, p. 184.

¹¹ . GOB, *Economic Census, 2001 & 2003* (Dhaka: BBS, Planning Division, 2005), p 7.

¹² . Kanika K. (ed.), *Encyclopaedic Dictionary of Business Administration* (Delhi- Lakshay Publication, 2003), p. 92.

¹³ GrAllam Bannock, Ron Baxter and Evan Davis, *Dictionary of Economics* (2018).
[www.answers.com/library/wikipedia-cid-26983, accessed on 25/05/20091.

1.3.8 Financing:

The term 'financing' is one kind of decision by which resources or funds are to be brought into the business from external sources (investors or creditors) with a view to investing in a profitable business. The goal of the financing decision is to obtain all required factors of production so as to yield return more than that of production cost. It also aims at obtaining resources (factors of production) at the lowest average cost for increasing net present value of the projects selected.¹⁴

1.3.9 Light Engineering Women owned enterprises (LEEs):

Light Engineering Women owned enterprises are considered as a sub sector of SMEs. It produces ferrous and nonferrous metal products, tools (electric and non electric) , spare parts, equipments, instruments, electro-mechanical goods, parts of production process which are made of ceramics, rubber, plastic and glass etc. The services regarding repairing, maintenance, building, establishment, fabrication etc. are also included in this sector.¹⁵

1.4 History of Light Engineering Sector in Bangladesh:

After liberation of Bangladesh non-Bengali industry owners left the country. The government took over their factories under large public sector corporations. Government set up more units of the industry under the corporations. It created a large demand of spare parts which were earlier imported by the private owners. After 1980 indigenous light engineering workshops emerged around Dholaikhal, Jinjira, Bogra, Syedpur etc.

In 1984 Dholaikhal caught attention of the Government. It was felt that although the LE workshops had praiseworthy skills they could not make quality parts due to lack of modern machinery, continuity of demand and staff with formal technical qualification. Bangladesh Small and Cottage Industries Corporation (BSCIC) provided targeted low interest loans to LE enterprises to purchase machinery and as working capital. To address continuity of demand government passed a circular making it mandatory for sector corporations to purchase local spare parts if available. BSCIC enlisted the enterprises with product category so that the Industrial buyers including government sector corporations could get access to the LE producers. The sector got a huge boost. The enterprises went viral into all parts of the country- in districts, Upazillas and growth centres.

The loan repayment was good. But the sector suffered from imported products which are imported from China at low price by the importer. Due to this reason , Government need to give policy support to save national LE industry from foreign imperfect competition.

¹⁴ Ibid

¹⁵ . M. Kamal Uddin, p. 2.

1.4.1 The Case of Light Engineering Sub Sector in SMEs:

Light Engineering Enterprise Sub-sector of SMEs is called the 'Mother Sector' in Europe and the 'Basic Sector' in North America. The sector plays a vital role as 'Mother Sector' for all other industries for capital machineries and spare parts of industries. This sector also provides maintenance services to the industry sector.¹⁶ Before 1971, Light Engineering Sub-sector (LES) was basically under the proprietorship of Non-Bengali Entrepreneurs. After independence, the technicians and the artisans of the then factories again started up some women-owned enterprises. At present, more than 4 thousands Light Engineering (LE) enterprises and out of those Light Engineering Enterprises, women-owned LE manufacturing enterprises are about 6 hundreds owned by Women Entrepreneurs as per BSCIC database. LES is producing capital machinery and spare parts worth of 10 thousand crore. per year.¹⁷ About 25 dense clusters of Light Engineering workshops have been up in 25 districts of the country. The sector exports 245 products and provides local demand, local 15,500 varieties spare parts are produced by LE sector. It earns Tk. 2,000 crore. from import substitute production. In BSCIC areas 2,400 Light Engineering enterprises and out of them there are 600 Women LEEs.. About 90 percent of total LEEs are being engaged in providing local demands. These are (1) Capital machinery, (2) spare parts and, (3) repairing and maintenance. Within these classifications, LES manufactures a very large number of products in each individual sector. Mainly two types of products are manufactured here and these are Capital machinery and spare parts of machineries. The repair services are also included in the sector. These products are made of ferrous and non ferrous metal and other relevant products. These relevant products are made of subsidiary materials like ceramic, plastic etc. The major product groups are agricultural machineries and spare parts, automobile parts and pipe line fittings, steel products, electrical appliances, spare parts for textile industries.

Rice Mills, flour mills, sugar mills, cement mills, and other mills and factories, castings, moulds and dies, lathes, drilling and other machine tools, hardware products, machinery for process plants like sugar, flour, tea, fertilizer etc¹⁸. The volume of export of this sector is increasing day by day though its import volume is also becoming high. Bangladesh exports Light Engineering products abroad worth of \$236.91 million but its global demand is worth of \$6 trillion.¹⁹ It also implies that the volume of export of LEI products can be increased through the accumulation of huge finance and developing Women Entrepreneurs in this sector because women are about half of our population and donor agencies are encouraging WED in this sector through providing soft loan to Bangladesh Government through Bangladesh Bank.

¹⁶ M. Kamal Uddin, *Light Engineering Sector: Present Perspective and Potentials*, a paper prepared for presentation in a seminar, arranged by SMEF held on 19 April, 2019, p. 1.

¹⁷ AbdurRazzaque, p.1.

¹⁸ . International Trade Centre, *A Strategy for Developing the Light Engineering Sector in Bangladesh*. A paper prepared under Bangladesh Quality Support Programme Component 2 and funded by the European Union, August 2018, p. 19.

¹⁹ . Abdur Razzaque, pp. 1-2

1.4.2 Export Profile:

A number of potential export-quality light engineering products are exported directly or through subcontracting. These are; spare parts of Paper & Cement mills, Bicycle, Fancy light fitting, Construction equipment, Battery, Voltage stabiliser, Iron chain, Cast iron articles, Carbon rod, Automobile spares, Electronics items, Stainless steel wares etc.

Table 1.2: Export of Light Engineering Products from Bangladesh:

Value in USD Million

| Products | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Total Export | 311.09 | 309.55 | 375.49 | 367.47 | 366.63 | 447.04 | 510.08 |
| Growth Rate (%) | | -0.50 | 21.30 | -2.14 | -0.23 | 21.93 | 14.10 |
| a) Iron Steel (72,73) | 60.42 | 69.79 | 59.73 | 56.81 | 54.33 | 57.9 | 48.56 |
| Growth Rate (%) | | 15.51 | -14.41 | -4.89 | -4.37 | 6.57 | -16.13 |
| b) Bicycle (8712) | 110.86 | 99.83 | 50.93 | 66.38 | 49.17 | 27.88 | 24.47 |
| Growth Rate (%) | | -9.95 | -48.98 | 30.34 | -25.93 | -43.30 | -12.23 |
| c) Electric Products (84) | 26.11 | 36.03 | 3.2 | 1.58 | 5.36 | 3.89 | 9.22 |
| Growth Rate (%) | | 37.99 | -91.12 | -50.63 | 239.24 | -27.43 | 137.02 |
| d) Engineering Equipment (85) | 23.2 | 26.07 | 49.54 | 48.73 | 63.06 | 83.03 | 174.8 |
| Growth Rate (%) | | 12.37 | 90.03 | -1.64 | 29.41 | 31.67 | 110.53 |
| e) Copper Wire (74) | 49.23 | 65.04 | 88.53 | 63.09 | 54.63 | 90.11 | 65 |
| Growth Rate (%) | | 32.11 | 36.12 | -28.74 | -13.41 | 64.95 | -27.87 |
| f) Stainless Steel ware (82) | 2.67 | 2.43 | 105.59 | 105.08 | 112.89 | 126.06 | 99.15 |
| Growth Rate (%) | | -8.99 | 4245.27 | -0.48 | 7.43 | 11.67 | -21.35 |
| g) Others | 38.6 | 10.36 | 17.97 | 25.8 | 27.19 | 58.17 | 88.88 |
| Growth Rate (%) | | -73.16 | 73.46 | 43.57 | 5.39 | 113.94 | 52.79 |

Source: Export Promotion Bureau

1.4.3 Problem of Accessment to Finance and 'The Missing Middle' Context:

Once upon a time the Tigers of Asia', say, South Korea, Singapore, Taiwan, Hong Kong, Malaysia were under LDCs. They, later on, moved towards developed Economics through establishing and flourishing SMEs. The prospects of SMEs can be a prospective sector of Bangladesh economy ,if innovation is undertaken in SME sector by emphasising Women Entrepreneurship in Light Engineering(LE). The country has cheap labour force and raw materials, creative artisans, indigenous teehnologies and a greater domestic market demand with a neighbour giant Indian market that can enhance the adaptability of SMEs. During the recent years, this sector also has enhanced higher growth in the economy of the country. In this regard, financing is so crucial for more SME establishments in the country²⁰.

In Bangladesh ,the SMEs contribute 40 percent of manufacturing output and about 45 percent of the Industrial workforce. Banks and NBFIs generally favour the large enterprises because of the lower transaction cost and the convenience of having available collateral. Simultaneously, SMEs aìso remain outside the reach of microfinance schemes and then they are compelled to depend more on informal sources of funds at a much higher rate of interest.²¹It indicates that SMEs possess a very limited access to finance.

SME has Bangladesh Bank's re-financing fund from different donor agencies at soft interest loanable fund, especially for manufacturing sectors. Bangladesh Bank provides refinancing loanable fund through commercial banks and other financial Institute. Rate of interest is minimum 4 percent and maximum 10 percent as set by the Bangladesh Bank .Bangladesh Bank has specific criteria for the re-financing loanable fund which scheduled banks are bound to follow.

Figure 1.1 and Figure 1.2 show the 'enterprise financing gap' and make it dear that the Women Entrepreneurs of SMEs are deprived of getting institutional finance. They are called The Missing Middle'. In the contour diagrams, the large and micro enterpsnes that are on the upper and lower loops respectively get inflated spaces of institutional finance where in the middle a much narrowed space is at the disposai of the SMEs. A study shows that the high cost of obtaining fiinds and difficutties in institutional finandng are cited as severe probtlems by 30 percent and 30 percent of respondents respectively for small women owned enterprises and by 44 percent and 50 percent of respondents respectively from medium women owned enterprises. The SME sector has only limited access to institutional credit and equity Capital.²² But especially Light Engineering

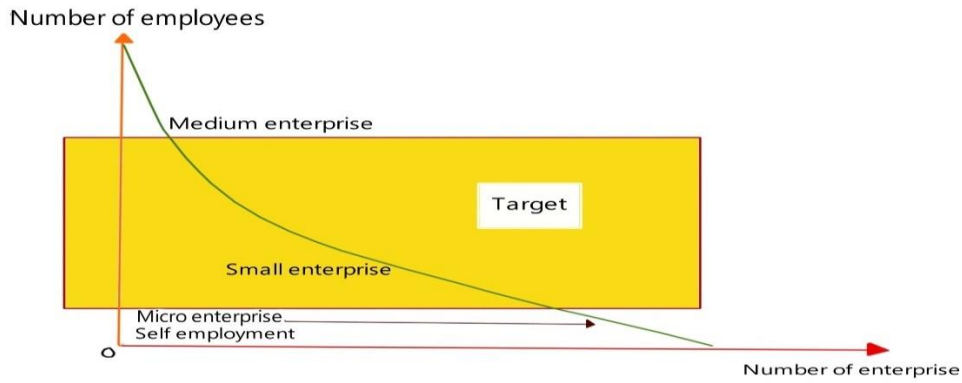
²⁰ . Bangladesh Bank, *Annual Repori 2019-20*, p. 70.

²¹ . www.adb.org/documents/speeches/2018/, accessed on 20/05/2018

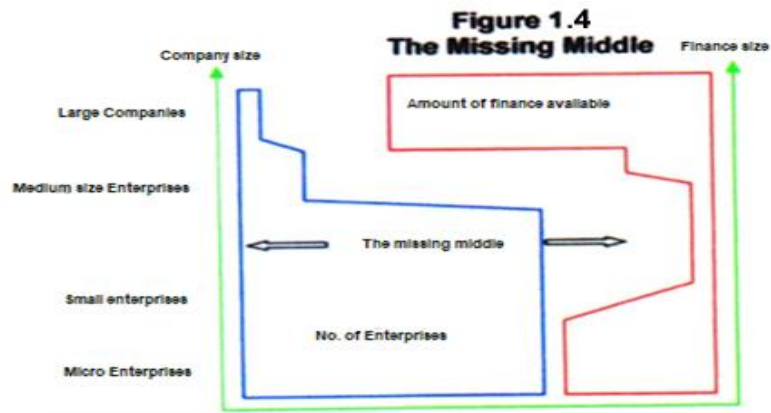
²² .Md. Motiur RAllman Khan, *SMEs in Compettwe Magete* (Tokyo: ARO, 2012), pp. 10, 20.

Sub Sector needs more than Tk. 12 thousands crore. in coming six years only from upgrading its plants and technologies with long term planning and initiatives.²³

Figure 1.3
The Enterprise Financing Gap



Source; Dalbarg Global Development Advisors From Talk to Walk: Ideas to Optimize Development impact, Report of the Taskforce on Capaaty for Program Detivery: A Clinton Global Inttiative Commitment. Sept- 2006. (www.milkeninstrute.org/pdf/)



²³ . M. Kamai Uddin, p. 7.

In this connection, experience shows that the financial institutions are reluctant to extend their assistance to SMEs including LEEs due to some constraints in SMEs sub-sector of Light Engineering. Now a comprehensive study is necessary to identify all these problems and suggest remedies for strengthening SMEs as well as LEEs and to explore into the environment and trends of financing issues. It is also necessary to know what are the constraints to financing LEEs as well as SMEs, to what extent administrative, and policy reforms facilitate SME financing, what kinds of difficulties are faced by the LE Women Entrepreneurs in pursuing of institutional credit, and what are the role of the concerned agencies in facilitating SME financing. In the recent past years, partial studies were conducted in this field. No comprehensive study has been carried out regarding LEE financing issues before. So, this field claims a thorough investigation. Again, literature review reveals that there remains knowledge gap in this field.

1.4.4 Literature Review of Existing Literature on Women entrepreneurs:

Socioeconomic Characteristics, Hindrances/Challenges of Starting and Running Businesses :

According to the ILO, women's work, both paid and unpaid, may be considered as the single most important poverty-reducing factor in developing Economics (Heintz, 2016). Higher female participation in the labour market and greater earnings could have a positive influence on social development of the households through higher expenditure on school enrollment for children (Aguirre and others 2012; Miller 2008). OECD (2012) has also noted that women's participation in economic activities increases investment in children's education, health and nutrition.

Economic activities can create financial accessibility for women, which may increase their empowerment as well. Evidences suggest that the degree of impacts of economic activities on women's empowerment often depends on the place and source of economic activities. Hossain et al (2004) found that household's economic activities have a weak impact of empowerment and therefore this study has suggested promoting female education for a better job in the non-agriculture sector and improvement of the infrastructure for easy mobility of women. Anderson and Eswaran (2009) have investigated the determinants of female autonomy within households using data obtained from rural Bangladesh. The findings of this study suggest that earning provides women with more autonomy. Moreover, the study reveals that employment outside their husband's farm, contributes more to women's autonomy. Kabeer (1997) noted that access to earnings did not in itself serve as evidence of improvements in bargaining power in the home.

Gender equality can be positively enhanced by economic growth, by reducing poverty and increasing opportunities (Duflo, E. 2012). Lack of labour market opportunities for women may have contributed to unequal treatment. Even at their households- parents have lower aspiration for their daughters than their sons and female teenagers have lower aspiration for themselves. Beaman et al (2011) conducted a study in the West Bengal of India and found that 86 per cent of parents in the areas covered in their study wanted their daughters to be either a housewife or whatever her in laws decide. Thus, the participation of women in economic activities is still a household decision rather the decision of the woman herself.

Women's empowerment and economic development are strongly related, but economic development alone is insufficient to ensure significant progress of women's empowerment. This suggested policy actions that favour women at the expense of men (Duflo, E. 2012). Stotsky

(2006) points that women's relative lack of opportunities in developing countries inhibits economic growth, while at the same time, economic growth leads to improvements in their disadvantaged conditions.

SMEs play a significant role in the economic growth of developing countries through creating vast employment opportunities and contributing to the national output and exports. In most Asian countries the SME's create more than 60 to 70 percent of the employment and provides livelihoods for three-fourths of the workforce. (Ahmed, U. M. 2015).

The age of majority (41.6%) of the women entrepreneurs in Bangladesh was between 31 to 40 years and relatively educated, about 70 percent of them completed SSC. Most of the women who enter into self-businesses are married (82 percent) and more than one-third (35 percent) came from business families (SMEF, 2009). The characteristics of the women entrepreneurs vary based on where they live Women entrepreneurs in the Dhaka Metropolitan Area are mostly married young adults with kids. They are educated and belong to the middle-income families. In addition, most of the women entrepreneurs in Dhaka came from families who had a business background. Moyeen and Huq also mentioned that these women entrepreneurs in urban areas were hugely benefited by a business background of their husbands and many of them enjoyed assistance from their husband. (Moyeen and Haq, 1994, Salla, B 2017). It was identified that household necessities of the less educated women in the rural areas are the main factor responsible for the emergence of rural women as women entrepreneurs (Kanti and Nallar,2014).

Women in households mostly engage in agricultural activities, partnership, business family trade, etc.. They (rural women) involve in businesses related to bamboo and cane-work and other core, crafts like sewing, garments making, embroidery etc (Kanti and Nallar, 2015).

In Bangladesh, most of the women (more than two-third i.e. 70%) came to business to meet their basic necessities of their households. A lot of these women complained about receiving negative vibes from villagers and family members for starting their own business (Kanti and Nallar,2016). Only a few businesses were handled by women, but in most cases, men dealt with the issues related to the business. Women could only prevent the interferences of the men in group-based enterprises. Unlike the urban areas, social norms play a huge role in restricting women inside their houses in rural areas. The study also found that social customs restricted women's mobility in many ways, but women entrepreneurs in urban areas are in much better condition (Ahmed, N. 1991). Many women entrepreneurs also declared that they faced resistance from their husband, parents, in-laws, and neighbors while starting a business of their own (Kanti and Nallar,2017).

Industrialization can be spread out in the large geographical areas through the encouragement of SME women entrepreneurship and promoting innovation. SMEs in Bangladesh have very little access to finance in the formal sector which creates a visible absence of new and innovative credit schemes and financial instruments that exist in other countries like Malaysia and the Philippines which generate the flow of institutional funds to the SME sector. According to the study of Ahmed (2009) between 1992 and 2007 the SMEs in Bangladesh enjoyed a only 2 to 5 percent share loans while SMEs enjoyed only 4 to 10 percent the of working capital loan. In 2016 there were about 1 million potential SME borrowers and the potential loan size was around Tk.255 billion. But the supply remained at Tk.88.9 billion. Such a gap between demand and supply of SME loans resulted in 'frustrated credit demand' in the country while many other studies reveal that only twenty-five to thirty percent of capital requirements are fulfilled by bank loans. Since June 2019, banks and non-bank financial institutions disbursed 42.43 billion take together. It is also to be taken into consideration that in some cases, refinancing schemes proved to be an unsuccessful case of ensuring gender balance and geographical parity. In June 2017, a substantial rise in the share of SME loans was witnessed compared to outstanding loans at 22% from 10.9% in June 2006 (Ahmed, M.U. 2017).

In Bangladesh, most of the women came to businesses to meet the basic necessity of their households and they had to go through constraints such as lack of a credit facilities and market opportunities. As women entrepreneurs, they also face difficulties to manage the business properly, for example, collecting raw materials and receiving lower prices for the products due to

the middlemen. To increase the contribution of women entry in the national economy, both government and private sector initiatives are necessary. (Chowdhury, R. M M, Masuda M. 2012). It was found that these women entrepreneurs faced difficulties in running a business professionally due to a lack of essential business skills, which can be improved by providing appropriate and relevant formal training. (Moyeen and Haq, 2011; Salla, B 2017). Women entrepreneurs were mostly involved in the business of ready-made garments, embroidery, herbal medicine and food products like pickles, dry Fish, etc. had proper access to technology, market, and packaging facilities (Salla, B 2017).

Saleh, Abu, (2005) found that 80 percent of women entrepreneurs, who had undergone trainings had no business background or experience. Most of the women (90 percent) came to the business for their own will and faced difficulties in marketing their products. They (rural women) have no formal training to the business and gained all the experience about crafts from either their families or neighbors and they had to go through constraints like the lack of credit facilities and market opportunities to earn a living (Kanti and Nallar, 2010). Financial troubles, managerial difficulties, etc. are the biggest problems they face while running their businesses (Moyeen and Haque 2011). Khondker (2012) mentioned certain measures, i.e. appropriate training (both for the potential women entrepreneurs and relevant persons of the financial institutions), technical and financial help to women entrepreneurs who are in their initial stage and ,also ensuring security for them. In addition, they need a proper knowledge for social norms so that it does not become a constraint for women who want to step out of their houses (Khondker, 2011).

Momen, and Rahman (2013) found that no correlation between women entrepreneurs' success and bank assistance, project preparation, machinery selection, etc. among the women entrepreneurs operating in the Industrial area near Dhaka city. They also found a negative correlation exists between investment and the level of success and no exact correlation exists between age and success, education and success, and experience and success. The reason behind this was increased overhead cost, the fund, which was borrowed, and high-interest rates. It is also noted that in some cases, refinancing schemes failed to ensure gender balance and geographical parity. Women who are involved in businesses encourage women empowerment in their own families as well. About 12% of these women's incomes are controlled by their husbands and 73% of the males control their income by themselves (Kanti and Nallar 2011).

As most women lack negotiation and managerial skills, this research reveals the importance of providing negotiation and managerial skills for women through facilitating various training programs. A. Talukder et al. (2017) attempts to assess the major hindrances to achieving competitiveness and growth for the light engineering MSMEs in the changed scenario. Light engineering talents of Dholaikhal and Jinjira have long been a lifeline for the manufacturing industries and automobile sector of Bangladesh. Recent studies have shown that they are passing through hard times and the government institutions are not supporting them to face the challenges and exploit the opportunities of their competitiveness and growth. First generation light engineering entrepreneurs have passed on the sector to the next generation. Much around them has changed (A. Talukder & Jallan, 2017). On the other hand, several operational barriers are found in the LE sector of Bangladesh which are: inflow of cheap foreign LE products, backdated technology, little interest in upgrading technology, changes in customer product needs, shortages of staff, loss of interest in working in the LE factories, lack of policy support, harassment by public agencies, stagnation of local demand, old machines, small shops, dirty environment, entrepreneurs being worker-turned-owners etc. (A. Talukder & Jallan, 2018). Demand-side analysis is needed to measure perceptions and attitudes of buyers towards local spare parts. Local spare parts aren't far behind imported ones when it comes to product qualities (Allmad & Jallan, 2017). These products have both domestic and international demand and the demand would only be growing due to rapid Industrialization (Banik & Swarna, 2018).

Humphrey , Schmit and (From 2000-2011)

Upgrading mainly refers to lower costs, increasing efficiency, and increasing the value adding activities (Humphrey and Schmitz, 2000; Kaplinsky and Readman, 2010 in Laven, 2011). Upgrading is the only way to sustain a competitive advantage i.e. to move to more sophisticated types (Porter, 2010). Upgrading is usually defined as the ability to produce a better product more efficiently, or to move into skilled activities (Pietrobell and Rabellot, 2011). Upgrading in any industry is necessary to make better products and services, to make them more efficiently or move into more skilled activities (Porter, 2001; Kaplinsky, 2000 in Humphrey and Schmitz, 2002). Humphrey and Schmitz (2000) identified four types of upgrading: (a) process upgrading: process upgrading means „transforming inputs into outputs more efficiently by reorganizing the production system or introducing superior technology” Example- footwear producers in the Sinos Valley of Brazil. It involves acquiring new machinery, implementing a quality control program, shortening delivery times, reducing waste, and in general providing a more efficient transformation of inputs into outputs (Navas- Alemaín, 2011); (b) product upgrading: product upgrading means „moving into more sophisticated product lines in terms of increased unit values”. Example- the apparel commodity chain in Asia. It involves introducing new products, changing designs, improving quality, and producing a more sophisticated final output (Navas-Alemaín, 2011); (c) functional upgrading: functional upgrading means „acquiring new, superior functions in the chain, such as design or marketing, or abandoning existing lower-value-added functions, to focus on higher-value-added activities”. Example- Torreón’s blue jeans industry upgrading from maquila to “full-package” manufacturing. It involves moving from higher margin and difficult-to-replicate activities such as original design, branding, and marketing (Navas-Alemaín, 2011); (d) intersectoral upgrading: intersectoral upgrading means „applying the competence acquired in a particular function to move into a new sector”. Example - the use of competence in producing televisions in Taiwan to make monitors and then to upgrade into the computer sector; (e) upgrading of marketing linkages: marketing In Bangladesh, the study on light engineering clusters in the international context is very limited. Even there is no consensus among scholars to define the light engineering firms. Therefore, no widely accepted universal definition can be referred (Uddin, 2010). It varies from country to country as the definition of mini; micro, small, medium, and large industries vary from country to country. According to Uddin (2010), Light Engineering (LE) industry consists of firms which production process is involved in engineering or technology, require small capital investment, and the product category includes metal products, electrical, electronics, and electromechanical products. Rabbani (2005) defined LE as “Light Engineering should have a local engineering aspect in the design of a product or its making, i.e., where indigenous engineering intellect or skill has a contribution. In Bangladesh, Light Engineering firms are micro or small in sizes that produce spare parts and supporting materials for other industries. In fact, a very few number of studies conducted on light engineering industry of Bangladesh. Recently some studies have taken place on the characteristics, existing problems, future prospects, government role, private-public collaboration, technology use, innovation progress, and policy issues related to the light engineering sector (Uddin, 2010; Ahmed and Bakht, 2010; Quadir and MAllmud, 2011, Rabbani, 2012). These studies cover limited issues, and still different significant issues related to light engineering industry are unexplored. Specifically, no study has been taken yet to see the situation of light engineering enterprises from cluster up-gradation perspective. This study gap creates a scope to explore the upgrading condition of the light engineering cluster.

Moore [17] says that, traditionally known competitive business strategies like networks, strategic alliances, and virtual organizations are not enough to explain outcome of competition. James Moore [17] sets up a new metaphor for competition drawn from the study of biology and social

systems. He suggests that a company be viewed not as a member of a single industry but as a part of a business ecosystem that crosses a variety of industries. In a business ecosystem, companies "co-evolve" around a new innovation, working cooperatively and competitively to support new products and satisfy customer needs.

R.M Kanter [18] stresses that all the pieces of an economy come together in particular places, and that their strength and interactions determine prosperity and economic growth. In Silicon Valley there is a sense that an enterprise prospers only because it is surrounded by lots of resources that help it to succeed, beyond the resources it controls. The same is true for all Industrial sectors including LE in any economy including in Bangladesh. There are various institutions that contribute to the ecosystem of an industry. A total of 36 institutions were identified that directly influence LE sector in Bangladesh. Among them the following influence the LE sector most, which give a good picture of the state of LE business ecosystem in Bangladesh. Ahmed Uddin (2010)

In Bangladesh, the study on light engineering clusters in the international context is very limited. Even there is no consensus among scholars to define the light engineering firms. Therefore, no widely accepted universal definition can be referred (Uddin, 2010). It varies from country to country as the definition of micro, small, medium, and large industries vary from country to country. According to Uddin (2010), Light Engineering (LE) industry consists of firms which production process is involved in engineering or technology, require small capital investment, and the product category includes metal products, electrical, electronics, and electromechanical products. Rabbani (2005) defined LE as "Light Engineering should have a local engineering aspect in the design of a product or its making, i.e., where indigenous engineering intellect or skill has a contribution. In Bangladesh, Light Engineering firms are micro or small in size that produce spare parts and supporting materials for other industries. In fact, a very few studies conducted on light engineering industry of Bangladesh. Recently some studies have taken place on the characteristics, existing problems, prospects, government role, private-public collaboration, technology use, innovation progress, and policy issues related to the light engineering sector (Uddin, 2010; Ahmed and Bakht, 2010; Quadir and MAllmud, 2009, Rabbani, 2005). These studies cover limited issues, and still different significant issues related to the light engineering industry are unexplored. Specifically, no study has been taken yet to see the situation of light engineering enterprises from a cluster up-gradation perspective. This study gap creates a scope to explore the upgrading condition of the light engineering cluster.

Ahmed(2010)²⁴

This book titled "The Financing of Small-Scale Industries: A Study of Bangladesh and Japan" contains the understanding and analysis of the nature of the financial problems of Small-Scale Industries (SSIs) in Bangladesh about the Japanese experiences. Mere the author discusses about the definition and development of SSIs, and the institutional lending agencies and their involvement in SSIs financing. The writer also discusses the major credit programmes for the SSIs and constraints in accessing to finance. The data used in this study are gathered from many case studies of small industry credit programmes carried out by the author and from a large survey made all over Bangladesh conducted under RISP in which the author himself was a

²⁴ . Momtaz Uddin Allmed, *The Financing of Small Scale Industries: A Study of Bangladesh and Japan* (Dhaka: University of Dhaka, 2010).

consultant. This book that has been written on small women owned enterprises has not envisaged the medium women owned enterprises with respect to the contemporary definition. So, the SME sector now demands for a fresh study to meet the knowledge gap. But this book helps significantly in making the present research work.

ARO (2012)²⁵:

This is a report titled "SMEs in Competitive Markets" made from a survey on role and adaptation of SMEs under the changing Industrial structures. This includes national reports of 14 member countries including Bangladesh, India, Republic of China, Singapore etc., where Industrial structures, policies, support services, current status of SMEs, technological, financial and marketing assistances of that countries are discussed. This report also includes the problems of SMEs significantly along with capacity utilization, role of the Governments, changing global business environment, trade liberalization, etc. Bangladesh side has been covered here with simply a report that has not stated the financing issues in its fuller necessity and content. In this report, actually it is tried to present an overview of SMEs of that ARO member countries. It does not serve the totality of purposes in understanding the trends of SME financing in Bangladesh.

ARO (2012)²⁶:

This is also a report titled "Enhancing SME Competitiveness in the Age of Globalization" in which some papers on different aspects of SMEs written by the experts of APO member countries are placed here. Development of SMEs in global context, strategy for quality promotion of SMEs in developing countries, their productivity, environmental protection, technological innovation, venture Capital financing, Women Entrepreneurship development, IT application in SMEs, human resource management, and finally, the challenges of SMEs are discussed in these papers of the report. It is expected in this report that the papers will shed new light on SME development in the region and provide the needs in this regard in the knowledge era. This report gives an overall thought on SME development in the developing Economics but does not fill up the gap of academic research on SME financing especially for the flourishing of the Industrial sector of Bangladesh. But this report helps the researcher to run well with his own research field.

Chowdhury(1989)²⁷:

The article titled 'Credit Relations and Factor Productivity in Bangladesh's Handloom Economy' written by Nuimuddin Chowdhury is to analyze the credit relations in the handloom industries and its influences on establishment factor productivity. The dependence of handloom

²⁵ S.A. Khader and C P. Gupta (ed.), *SMEs in Competitive Markets* (Tokyo: ARO, 2012).

²⁶ S.A. Khader and C.P. Gupta (ed.), *Enhancing SME Competitiveness in the Age of Globalization* (Tokyo: APO, 2012).

²⁷ . Nuimuddin Chowdhury, "Bangladesh's Handloom Economy in Transition: A Case of Unequal Growth, Structural Adjustment and Economic Mobility Amid Laissez-Faire Markets: A Synthesis", *The Quarterly Journal of Bangladesh Institute of Development Studies* Vol XVII, Nos. 1 & 2, 1989.

establishments on trade credit regarding their size-classes, yarn purchases, factor productivity etc., is investigated in this study. That is, partially it covers the financing matters as well as the informal and formal sources of credit.

Mere the researcher uses stratified random sampling. But the present researcher works with purposive sampling. The study that analyzes only the credit relations in handloom sector is carried out about two decades ago. But the present researcher has searched on overall financing issues of LEE sector with purposive sampling.

Chowdhury & Bhuiyan (1997)²⁸:

This article titled 'An Insight into Women Entrepreneurship and Small Enterprise Development in Japan: Some Lessons for Bangladesh'¹ discusses the state of Women Entrepreneurship and small enterprise development in Japan. It shows that how Women Entrepreneurship and small enterprise development makes the socio-Economic growth of Japan easier. A brief history of socio-Economic development of Japan, her policies and strategies for Women Entrepreneurship and small enterprise development and the role of her government are shown in this article. The essayists focus on the government's policies and strategies relating to financing, subcontracting as a strategy for small enterprise development. The authors also identify the constraints of Women Entrepreneurship and files up some lessons for Bangladesh through analyzing the state of Women Entrepreneurship and small enterprise development in Japan. In this article, only secondary sources data are used. No indication is claimed about the methodology by which the study is carried out. Here the financing issues of SMEs including LEEs of Bangladesh that the present researcher has searched have not been discussed.

Chowdhury (1991)²⁹:

The article titled 'Management of Working Capital in Small Scale Industries: A Case Study'¹ critically examines the systems of management of working Capital in the small scale industries of Bangladesh. The study also includes the structural allocation, and credit and cash management policy of working Capital for small scale industries of Bangladesh. The study also examines the efficiency and identifies the specific problems in the management of working Capital with the evaluation of the inventory management techniques applied to the study units. This study includes five types of small scale industries, namely, food and allied, textiles, paper and printing, chemicals and pharmaceuticals, and engineering. The area of the study was limited to Chittagong district covering a period of five years from 1985 to 1990. But the present

²⁸ . A. J. M. Nuruddin Chowdhury & Bashir Almed Bhuiyan, "An Insight into Women Entrepreneurship and Small Enterprise Development in Japan: Some Lessons for Bangladesh", *Chittagong University Studies* (commerce), Voi. 13,1997, pp. 1-18.

²⁹ Dr. Ranjit Kumar Chowdhury, "Management of Working Capital in Small Scale Industries: A Case Study", *Chittagong University Studies* (commerce), Voi. 7, 1991

researcher covers the areas of Dhaka, Bogra and Comilla districts where the study is conducted on Light Engineering Sub-sector(LES).

Mahmood(2001)³⁰:

The study titled 'Growth of Industrial Women Entrepreneurship in Bangladesh: A Study of Bank Financed Engineering Industries' has assessed the suitability of the environment for Women Entrepreneurship growth in selected engineering industries. The researcher also analyzes the effect of bank finance on Women Entrepreneurship growth, background of Women Entrepreneurs, and the relationship between Women Entrepreneurs and Women Entrepreneurship growth. Mere the constraints to LEEs, financing status of SMEs, institutional credit facilities etc., have not been discussed very seriously. Even the study undertaken at the beginning of the 1990s is now of limited utility. But, it helps the present researcher to carry out his own study.

Pareek(1978)³¹:

The study titled 'Financing of Small-Scale Industries in a Developing Economy' prepared by Pareek is to emphasize on analyzing the role of different agencies especially the financial institutions by which finance is provided in the small scale industries. Simultaneously, it also intends to identify financial problems faced by Women Entrepreneurs in Rajasthan. The article has been written from Indian Economy perspective. It does not cover the financing activities of LEE sector of Bangladesh. But it helps the present researcher in carrying out his own study.

Reza, Ahmed & Mahmud (1992)³²:

The book titled "Small and Medium-Scale Women owned enterprises in Industrial Development" contains various aspects of SMIs, say, the analysis of the Economic performance of selected SMIs in Bangladesh, constraints to SMIs development, the evaluation of the contribution of SMIs support programmes. Mere SMIs have been defined on employment basis. It does not have the total coverage of the present definitions of SMEs. Financing issues of SMEs have not been discussed well here. The draft of this book that has also been made about two decades ago lacks of the relevance from present socio Economic perspective though, no doubt, it has been so conducive for this present study.

³⁰ . Ahmed MALLmood, "Growth of Industrial Women Entrepreneurship in Bangladesh: A Study of Bank Financed Engineering Industrial "PhD Thesis, IBS ,Rajshahi University 2001.

³¹ H. S. Pareek, *Financing of Small-scale Industries in a Developing Economy* (New Delhi: National Publishing House, 1978).

³² . Sadrul Reza, M.U. Allmed & WALLiduddin MAllmud, *Small and Medium-sesie Women owned enterprises in Industrial Development: The Bangladesh Experience* (Dhaka: Academic Publishers, 1992)

³³ . Md. Zillur Rahman, "Agro-based Industrial Corecredit Management: A Study of Bangladesh Krishi Bank", PhDThesis, IBS, RU, March 2001.

Rahman1998)³³:

In this study titled 'Agro-based Industrial Credit Management: A Study of Bangladesh Krishi Bank' prepared by RAllman intends to analyze the growth trend of BKB on agro-based Industrial credit management, management effectiveness of agro-Industrial credit and its subsequent impact on BKB's performance, it also examines the existing credit management policies and operational procedures of BKB. It also identifies the problems of operative management at different levels and explained the appraisal System of BKB's agro-Industrial credit. It also ascertains the socio-economic characteristics of the Women Entrepreneurs. The researcher uses mainly the method of documentar/ analysis to realize the set objectives of the study. He also makes desk study on appraisal reports as prepared by the BKB. The primary data are supplemented by direct observation and informal discussions with the concerned persons. He also carries out micro level field survey. In this study, institutional credit management and its flaws in BKB are discussed. But the present researcher works with the tools of documentar/ analysis, evaluative approach, exploratory approach and survey research. Mere the study effort is to investigate into SME including LEE financing issues.

Rahman (2001)³⁴:

This study titled "Women Entrepreneurship Development through Islamic Banks in Bangladesh" included the role of IBs in promoting Women Entrepreneurship in Bangladesh. It also evaluated the necessity of interest free banking. Contribution of IBs to total investment of women owned enterprises, their recovery and profitability performance, key elements of promoting Women Entrepreneurship, risk factors, operational, legal and administrative mechanisms are the subject matter of this search. This study also evaluated the mode of investment in non-interest bearing banking in this arena. This study had an endeavour to identify the problems of Women Entrepreneurship development in this country and to suggest measures for overcoming these barriers. In this research, the evolution of Islamic Banking in Bangladesh and its performance are discussed. But financing issues regarding SMEs of Bangladesh have not been considered in designing and carrying out the research. The whole research is done from Islamic perspective in lieu of the commonly prevalent capitalistic economy.

Sardar (2000)³⁵:

In this book titled "Small Enterprise Development in Bangladesh: The Nature and Effectiveness of Support Services", the author discusses about the aspects of small enterprise development, conceptual framework for evaluation of support services and concerned institutions. He did not neglect any single detail of support services for small enterprise development. But he also uses

³⁴ A. N. M. Abdur RAllman, "Women Entrepreneurship Development through Islamic Banks in Bangladesh", PhDThesis, IBS, RU, November2001.

³⁵ . Dr. JAllangir H. Sarder, *Small Enterprise Development in Bangladesh* (Dhaka: Dhaka University Publication Bureau, 2000).

the term SME as well as small enterprise on only employment basis referring to such an establishment with a maximum of 49 full-time employees that does not cover the definition of medium women owned enterprises in present context. Here SME financing issues have not been discussed in detail. This book also helps enrich the present researcher in this field and complete the study of financing SME.

Siddiquee, Islam & Rahman (2006)³⁶:

The article titled "Revisiting SME Financing in Bangladesh¹" contains the financial constraints to SME financing, definitions of SMEs, contribution of the banking sector in promoting SMEs, and credit products and services for SMEs in Bangladesh. But what kinds of methodologies used are not stated here. Any footnote has not been given for clarifying and defending the information sources taken in this paper. Here almost all aspects of SME financing in Bangladesh are poorly presented. The description of this article accentuates knowledge gap regarding challenges in financing, sources of funds, legal framework, financial agencies, export financing, administrative reforms, etc. that claims a fresh comprehensive study on SME financing of Bangladesh.

Saleh & Ndubisi (2008)³⁷:

The article titled "SME Development in Malaysia: Domestic and Global Challenges" gives an overview of SMEs of Malaysia, and her domestic and global challenges. It also included SME policies and Government programmes of Malaysia. Mere a narrowed avenue is made on the issues of SME financing. It helps to plan the present study.

Roy(1997)³⁸:

The study titled "Rural Financing by RajshAlli Krishi Unnayan Bank: A Study of Selected Branches in RajshAlli District of Bangladesh" conducted by Provash Chandra Roy intends to analyze financing activities, credit allocation, pattern of credit use, factors affecting the repayment of loans and guidelines for financing strategies in the light of practical constraints. Disbursement and recovery trend in agricultural lending, problems in deploying agricultural credit are the subject matter of this study. It only covers the selected branches of RajshAlli district. All kinds of loans irrespective of whether they are for rice cultivation or Industrial purposes are envisaged here. Simple random sampling procedure is taken. Here the researcher did not consider the SME as well as LEE financing issues of Bangladesh.

³⁶ . Mohammad Moniruzzaman Siddiquee, K. M. Zillidul Islam & Masud Ibn Rahman, "Revisiting SME Financing in Bangladesh", *Daffodil International University Journal of Business and Economics*. Vol. 1, No. 1, July 2006.

³⁷ . All Saiman Saleh & Nelson Oly Ndubisi, *Small and Medium Size Women owned enterprises in East Asia* (Cheltenham: Edward Elgar Publishing, 2008).

³⁸ . Provash Chandra Roy, "Rural Financing by RajshAlli Krishi Unnayan Bank: A Study of Selected Branches in RajshAlli District of Bangladesh", an unpublished PhD Dissertation, IBS, RajshAlli University, 1997.

1.4.5 Research Gap:

Literature gap also known as research gap, refers to the existing knowledge or understanding of a particular research topic or research area that has not been adequately addressed or explored in the past research literature.

In the above Articles it is seen that most of the researchers conducted their research works from different socio-economic perspectives and dimensions. No researchers discussed about the following dimensions:

How do Institutional policies & support influence Women Entrepreneur's development and growth? Why do Women Entrepreneurs are not interested in manufacturing sector, especially in the Light Engineering sub-sector where the government has given priority to Women Entrepreneurs with re-financing funds at low rate of interest? Did not come out from the previous research in SMEs. Therefore, there is a research gap here which has been identified and explained in the present research by the researcher.

Is there any difference between the Experimental Group's performance & Control Group's performance? This type of answer did not come out from the previous research. So, there is a research gap here and for that reason, researcher can fill up this gap by the present study.

Does the financial barrier in the development of Women Entrepreneurship more than that of nonfinancial barrier? This type of experiment was not done before. So, there is a research gap here that has been explored by the present study.

What is the correlation between close monitoring by the regulatory authority and Women Entrepreneurship growth in the SME sector? This type of research was not done before. So, there is a research gap here and the researcher has tried to contribute to filling up this gap by the present study.

Does SME Foundation have the structural capacity and ability to develop Entrepreneurs in the SME sector in Bangladesh? This type of research was not done before. So, there is a research gap here and researchers can contribute to filling up this gap by the present study.

1.4.6 Statement of the Problem:

The poor countries like Bangladesh can not accumulate huge amount of Capital to transform their Economy into large scale Industrialisation due to inability of resource creation and utilization along with low rate of literacy, low rate of saving, lack of updated technological knowledge, low rate of Women participation(7.2%) in SME sector but in Light Engineerin sub sector of SMEs it is 1 percent (approximately), this 1 percent Women Entrepreneurship in Light Engineering manufacturing sub sector is very poor for achieving SDGs within 2030 by Bangladesh . Almost all of their business women-owned enterprises that run with the paucity of required amount of capital fall into SME categories. Mere, SMEs are dominant in the industry sector, but SMEs in

Light Engineering manufacturing sub sector of SMEs through Women Entrepreneurship is highly imperative for ensuring SDGs . Table 1.1 shows the scenario of Industrial establishments and its employment. Mere, there are some 73,360 establishments with some 1.5m workers in the SME sector. The table also shows that about 93.6% of total establishments are SMEs of Bangladesh while only 44.4% of total Industrial employment is provided by this sector.³⁹ 20 to 25 percent of employment are achieved from SME sector. Therefore, Light Engineering (LE) Manufacturing sub sector of SMEs is highly required for Bangladesh Economy to generate more employment and to generate foreign currency for the country and for the reason Bangladesh Bank (BB) has given top most priority in this thrust sector for Women Entrepreneurs.

1.4.7 Objectives of the Study:

Broad Objective: The broad objective of the study is to investigate into the existing environment , trends and problems of financing for Women Entrepreneurs in Light Engineering (LE) sub-sector of SMEs where Industrial Policy of 2022 has given top most priority for Women Entrepreneurs.

Specific Objectives: The specific objectives of the study are as follows:

1. To analyse the present status of financing in Women owned Light Engineering sub-sector of SMEs in Bangladesh.
2. To evaluate the administrative and policy reforms taken by the Bangladesh Government for facilitating Women Entrepreneurs in SMEs, especially in LEE financing,
3. To assess the role of the concerned agencies in facilitating Women Entrepreneurs financing in Light Engineering sub sector of SMEs in Bangladesh.
4. To identify the opportunities and challenges the Women Entrepreneurs are facing in Light Engineering sub sector of SMEs in Bangladesh and to provide some recommendations to overcome the challenges faced by the Women Entrepreneurs.

1.4.8 Justification of the Study:

As a developing country, Bangladesh is striving to strengthen Economic growth and create a widened avenue of huge employment for making the economy of the densely populated country stable and robust. For this, only SMEs, especially Light Engineering (LE) sub –sector of SMEs can ensure Sustainable Economic growth for the Economy through enhancing Women Entrepreneurship Development . Women are comprising about fifty percent (Approximately) of total population of Bangladesh, it would not be possible to ensure Sustainable Development Goals (SDGs) without ensuring Women Entrepreneurship Development (WED). On the other hand, Light Engineering sub-sector of SMEs is a vital sector of the Economy because it has high

³⁹ Mohammad Ayub Miah, *An Overview of SMEs in Bangladesh* (Dhaka: Ministry of Industry, September 2016), p. 5; Mere those establishments are envisaged as SME that employ workers between 10 and 99.

potentially to generate revenues amounting to \$ 8 Billion yearly(As per study of BEOIA in 2020). In addition to this, Bangladesh Government declared LE as Year of the product in 2020 by realising its Economic importance. Due to these reason , researcher has accepted Light Engineering in his research field to explore its potentiality for the sake of Bangladesh Economy. The low level of Capital, tradition bound technology, agro based resources and huge number of cheap labour can make the SME sector the 'engine of development' through increasing production and employment. But for this, R and D activities of SME have not been advanced much. Moreover, a very few studies on the financing issues of SMEs were carried out in the economy. Even no study on financing of LEEs run by Women Entrepreneurs was conducted before at M Phil / Ph.D. level.

This study will provide better understanding about Industrial Economic literature in Bangladesh perspective. Students, scholars and academicians of finance and economics will be benefited from the findings of the study. The results also will be of convenience to the policy makers regarding the industry sector of Bangladesh. In the very recent years, the developing countries with the assistance of WB and ADB are working to expand SME sector for achieving the goals determined in PRSP and MDGs . Bangladesh is also following the way in the light of the Industrial Policy-2022 where most of the thrust sectors are of SME categories. But, financing is the prime problem for SME development in the country. This study, of course, will help in finding out to resolving this problem. A few researchers work on the financing issues of SMEs about more than a decade ago. But the present situation in this arena claims a fresh investigation in its financing problems. Moreover, no such research works have been done regarding the questions raised from the literatures reviewed. This is, however, a right time to undertake the study to facilitate financing of SMEs in Bangladesh. As LEI is the mother sector within the SME categories for most of the Economic activities of a country, this study is planned on such women owned enterprises for in-depth investigation.

1.4.9 Scope of the Study:

The study mainly addresses some specific financing issues of Light Engineering Enterprise (LEE) manufacturing sub sector of SMEs of Bangladesh. All financing issues of SMEs of the country are not the subject matter of conducting the study and this is not possible for the researcher alone. The researcher has only accepted Financing Role of Financial Institutes(Formal Institutions) towards Women Entrepreneurs Owned Light Engineering sub sector of SMEs in his research area due to its Economic importance. Other Roles of the Institutes like Marketing , Training, R&D etc are also discussed lightly in this research to make the study more worthy. The most crucial issues regarding financing are included in the research work according to research objectives. The study has inserted some important variables and indicators of SME financing. The objectives of the study are made to achieve from the research through focusing on the changing global business environment, globalization, trade liberalization, present global Economic perspectives, potentials of SMEs, necessity of importing capital machineries,

international networking and necessity of financing SMEs. The study also has investigation into the present scenario of SME financing, the availability of institutional credit facilities, and demand and supply sides issues of SME finance. Besides these, evaluation of administrative and policy reforms, role of the concerned agencies, problems and challenges of SME financing, investment climate and potentials of both the SME and financial sector are also addressed in the study.

1.5 Limitations of the Study:

The study also had some limitations. They are as follows:

- With the new definitions of SMEs given by BB and Ministry of Industry(MoI) the proposed study is a fresh one and still now the SME sector of Bangladesh did not move forward with a strong database that could enrich the research work much.
- Limited database of Women Entrepreneurs because of less number of Women Entrepreneurs in Light Engineering sector in SME in Bangladesh..On the other hand, only Light Engineering Manufacturing has been covered, Light Engineering Trading had not been covered in this research.
- Informal Institutes are not within the purview of this study area.
- Financial support was not enough to conduct the study. As a result, the researcher had to spend a long time for completing the field-level survey. Simultaneously, and could not take branches of all the FIs for sample survey and had to conduct survey on the officials of FIs within a few districts of the country..
- Then directory on LEEs was yet to be published completely and updated database has not been developed so far. So, the researcher had to take sample respondents purposively. It was also somewhat difficult to select the LEE units to be surveyed around the study areas.
- There is a dearth of segregated data on SME financing of the country and the LEE sector like other SMEs of the country has no data and Information in details. For this reason, the researcher could not provide enough discussions on the sector in his dissertation. However, researcher has made satisfactory analysis of data,

1.5.1 Methodology of the study:

Research Methodology refers to the systematic approach and techniques employed by the researcher to conduct a study. It encompasses the overall process and procedures followed to gather data,analyse information,and draw conclusions in academic research.

Research Methodology involves making decisions about the appropriate research design, data collection methods, sampling techniques, data analysis procedures,and interpretation of results.

1.5.2 Methods of the study:

This is an evaluative type of research. Survey method and documentary analysis method has been applied. A mixed research method(Quallitative and Quantitative research methods)has been used to make the research meaningful and worthy.

1.5.3 Types of Data:

Both qualltative and quantitative data have been used in this research.to make research more comprehensive.

1.5.4 Primary Data Sources:

Primary data has been collected through Questionnaire from sample units as shown in the sample matrix.(Questionnaire has been shown in Appendix-A).

1.5.5 Data Collection:

Primary data collection method:

Quantitative and qualltative data has been collected through close-ended and open ended questionnaires, in-depth interviews, discussions with the SME Women Entrepreneurs in LE sub-sector, concerned officials of Financial Institutions and officials of concerned government offices according to the researh objectives of this study.

Secondary Data Sources:

Secondary data has been collected from the officiai statistics, annual reports of financial institutes, SME Policy, Industrial Policy, Women Development Policy,etc and , books, Journals, daily newspapers, domestic and international periodicals, etc. Social media, and websites also been used to get relevant secondary data.

1.5.6 Questionnaire Development:

Required questionnaires have been made to collect necessary primary data to achieving the objectives set in the study. Questionnaires are pre-tested on respondents in the study areas before conducting the final survey.

1.5.7 Data Analysis - Quantitative Data:

After data entry in SPSS and processing data, quantitative data are analyzed by using mean, frequency distribution, graph, chart Table, and Multiple Regression model . The findings are

presented in tabular and graphical forms. Computer is used in tabulating and processing data. The SPSS programme was one of the important key tools for processing and analyzing data..

Qualitative Data:

Qualitative data are collected from government's policy papers on SME, official statistics, reports, documents, and dissertations, books and journals through inductive method. Data collected from primary sources, say, in depth interview, discussion with the concerned officials of financial institutes and concerned government officials, BWCCI, etc.

1.5.8 Sampling and Sample Size:

The sample of the study are selected purposively for achieving the objectives of the study.. Respondents are taken from Light Engineering(Manufacturing only, Trading of 600 Women Entrepreneurs in Light Engineering Manufacturing Industr(LE, Research Population) sub sector of SMEs 140(Sample Size 23% of the Population) has been taken purposively to attain research objectives.Light Engineering Women Entrepreneurs in Manufacturing of Light Engineering(Trading ,Service of LE had been excluded)in this study.That means, 210 was Sample size(140 WE in LE plus 12 Government Officials plus 45 concerned Financial Institutes Executive plus 5 Successful Women Entrepreneurs from other sectors,plus 3 scholars in SME plus 5 Business leaders from Chamber of Commerce & Industry, total respondents 210) This 210 Sample size is sufficient because , Sample Population(N) are homogeneous in characteristics. The concerned officials of the financial institutions are 21% as respondents in this study. The rest of the percentage (7%) includes concerned government executives, scholars on SME , Women Entrepreneurs of SME and other sub-sectors. Interviews with close- ended and open-ended questionnaires are taken only from those respondents who are being closely related to functioning of LEEs owned by Women Entrepreneurs. The number of respondents taken from different categories is 210 in total.. Different types of questions were formulated for the respondents to collect primary data. The sample size and sample frame are shown in the sample matrix,

Table1.5
Sample Matrix

| Stratum | No. of the Respondents (Sample) | | | Total | |
|---|---|---------------------------|----------------------------|-----------|-----|
| Women Entrepreneurs of light Engineering Sub sector | Study Area | Small Women Entrepreneurs | Medium Women Entrepreneurs | Sub-total | 210 |
| | Thana | 117(83.57%) | 23% | | |
| | Dhaka Sutrapur Comilla/BSCI Bogra,BSCIC | | | | |
| | No. of the Respondents | | | | |
| Govt. Executives | BB SMEF Mol BSCIC SCITI | | | 12 | |
| Concerned persons of the financial Institutions | Banks NBFIS | | | 45 | |
| Scholars | | | | 3 | |
| Business leaders/ SME experts | | | | 5 | |
| Successful Women Entrepreneurs from other SME sub sectors | | | | 5 | |

1.5.9 Study Area Selection:

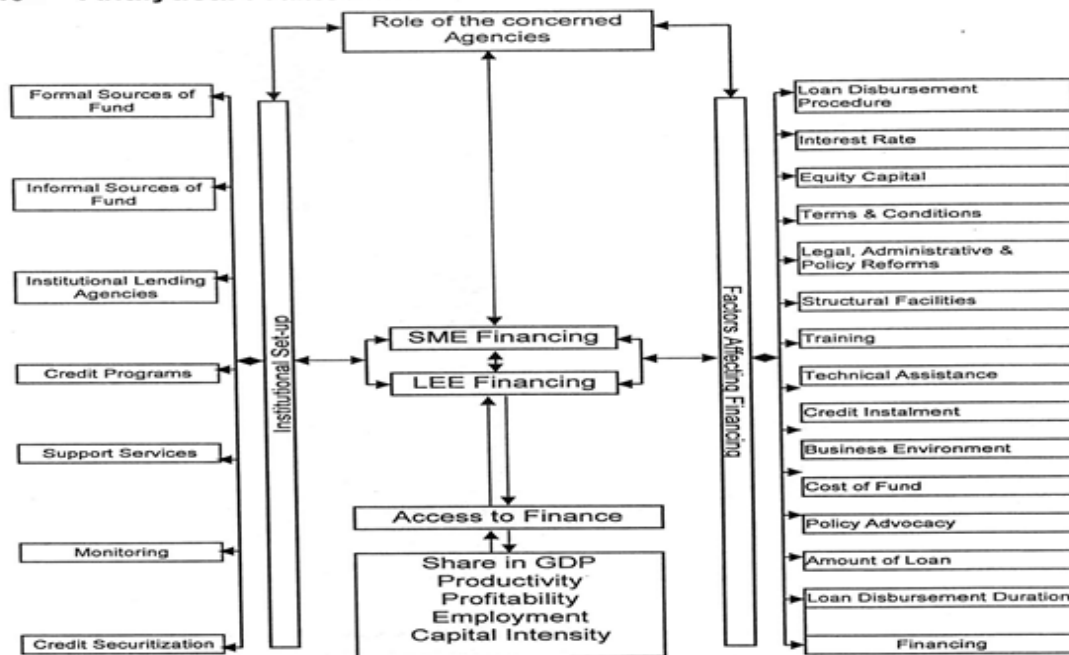
Four districts were purposively selected for sample survey. Those were Dhaka district, Kutwall Thana, Chittagong district, Comilla district and Bogra district. BSCIC Industrial area were selected to conduct survey. Sutrapur Thana (Dholai Khal based) is one of the densest areas of Light Engineering women owned enterprises in Bangladesh.. Another 25 clusters of Light Engineering women owned enterprises have been grown up around the country. One of them is in Comilla Kutwall Thana under Comilla district which is another potential LEE cluster in Bangladesh . Finally, Bogra Sadar Thana was also included due to its importance for Light Engineering Manufacturing Enterprises(LEEs).

1.5.9 Logical Framework Matrix

| Objectives | variables | data sources | Analytical Tools | Assumed Findings |
|---|--|---------------------|---|--|
| 1. To analyse the role of SMEs and examine the necessity of financing SMEs in the changing business environment at home and abroad. | Business environment, volume of international trade, market competitori, employment, import, export, human resource development etc. | Secondary | Documentary analysis, evaluative approach | In the changing global business environment, the importance of SME financing regarding employment, Economic growth, and international trade are appraised. |
| 2. To review the present status of SME financing in Bangladesh | No. of SMEs, fund sources, Women Entrepreneurs, nature of credit requirements, | Secondary | Inductive method & Documentary analysis | There is the scope of obtaining the present status of SME financing in Bangladesh. |
| 3. To evaluate the administrative and policy reforms taken in facilitating SME as well as LEE financing | SME performances, government, financial institutions, BB, International agencies | Primary & Secondary | Documentary analysis, evaluative approach | The extents of changes in SME performances due to having reforms in this regard are identified. |
| 4. To assess the role of the concerned agencies in facilitating SME financing in Bangladesh | Role of the concerned agencies, volume of investment in SME, loan recovery and default, | Primary & Secondary | Inductive method, content analysis, in depth interview, dose ended and open-ended questionnaire frequency distribution, regression, correlation | The effects on the volume of SME finance due to the role of the concerned agencies are measured |
| 5. To examine institutional credit facilities for LEEs in Bangladesh | Financial institutions, fund, interest rate, collateral, access to finance, owner's equity, other agencies etc. | Primary & Secondary | Inductive method, documentary analysis, Open-ended and dose ended questionnaire, frequency distribution correlation, regression, Mean etc. | The relationship between institutional credit and SME growth will be observed |

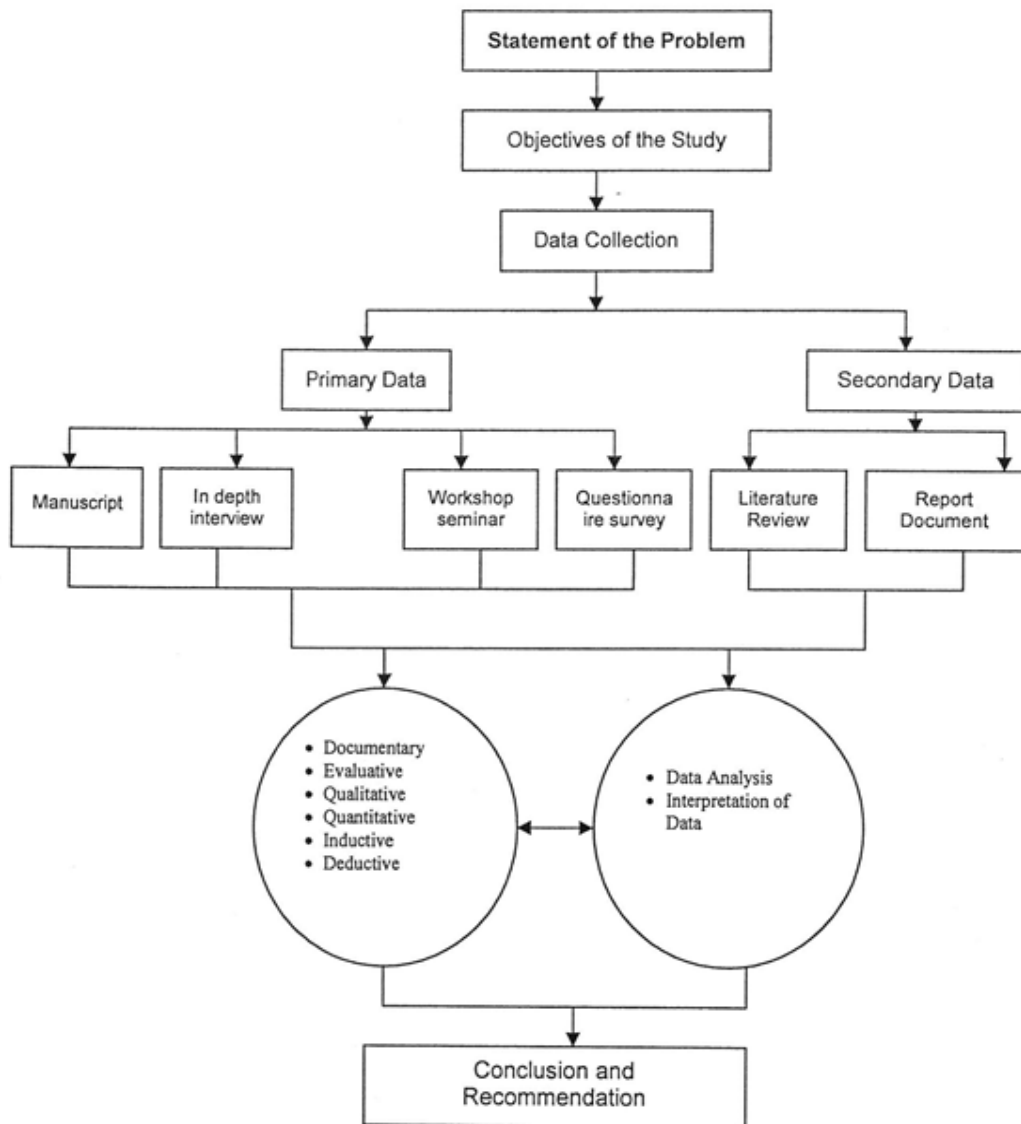
| | | | | |
|--|--|---------------------|---|---|
| 6.To identify the problems and challenges in financing of LEEs of Bangladesh | Women Entrepreneurs, constraints, circumstances, present conditions of institutions etc. | Primary & Secondary | Inductive and Deductive methods, documentary analysis, interview using dose ended and open ended questionnaire, discussion with the selected Women Entrepreneurs, and govt. authority, case study | How the SMEs especially the Light Engineering units arefacing challenges are observed |
|--|--|---------------------|---|---|

1.6 Analytical Framework



Source: Researcher

1.6.1 Diagram of the Research Design



Source: Researcher

1.6 Conclusion

At present ,the economy requires to accelerate GDP growth from 5.5 percent to 8 to10 percent in order to achieve desired economic development for ensuring middle income country by the year 2025. Mere agriculture contributes significantly and she provides over 68 percent of total employment. But the application of Capital intensive technology and adopting mechanization in agriculture are now offsetting the opportunity of increasing employment. The scope lies only on SMEs of the manufacturing sector of the economy, For this, heaping up of huge finance in this sector is necessary for yielding a lot of growth and creating a significant number of employments. But SME financing that is being obstructed due to lot of challenges claims a comprehensive study in the present domestic and global perspective. In the developing Economics, there is a dearth of comparative data and analyses on SME financing initiatives. It is crucial to know information about who is doing what, where and how. It needs to know what the policy obstacles are. It is also necessary to know how national research systems can become more responsive to the concerns of all stakeholders.⁴⁰ In this regard, this study is conducive in penetrating the research gaps in SME financing. This study of only one sub sector (LES) of SMEs also helps get findings with accuracy that can give understanding on financing issues of SMEs in the country.

Chapter 2

SME Financing and Related Conceptual Issues

2. Introduction:

The contribution of SMEs to the economic development of Bangladesh is significant as the sector is still now labour intensive with its short gestation period for having rapid economic growth and employment creation. It is also thought that the sector is also playing vital role in achieving the development goals set in the MDGs especially in alleviating poverty, eradicating hunger and empowering women. Bangladesh is now being affected with the challenges of trade liberalization due to signing of the agreements under WTO, SAFTA and SAAPTA. Like other countries SME is also being considered as 'Engine of Economic Growth' because of its needs for small amount of investment, employment creation at low cost, opportunity of rapid human resource development and also having the scopes to bridge up between agriculture and industry from socio-economic point of view in Bangladesh. But, in spite of having such potentials, the government is yet to build up database on this sector. Only an enterprise survey held one decade ago is providing some data and information on the industry sector where SMEs are not defined clearly. So, this chapter is on the basis of that survey and other subsequent studies conducted on the sector but it is not the total picture of SMEs of the country. The LEE sub-sector is also focused in this chapter, as the sample survey from enterprise point of view is held on this sub sector. It is written by using documentary analysis method.

2.1 Basic Concepts and Definitions:

An asymmetry is found among the definitions of SMEs from both domestic and international perspectives. No uniformity has been maintained in case of defining SMEs due to different socio-economic conditions among the countries. That is, there are no universally accepted definitions of SMEs. Both the women owned enterprises are defined from two aspects: one is the size of labour force employed in the enterprise in question and the other is the turnover of that firm and /or its assets. Though there is a common definition where SMEs include registered business with less than 250 employees⁴¹, it has considerable variations around the world. The definitions of SMEs used by the World Bank Group are given here:

⁴¹. The SME Banking Knowledge Guide', prepared by IFC, 2017, p. 9.

2.2 Small Enterprise:

An enterprise is treated as 'Small Enterprise'¹ in which the number of total employees is between 10 and 50 and total assets/total sales are between \$100,000 and \$3 million

2.3 Medium-Sized Enterprise:

An enterprise is treated as 'Medium Enterprise' in which the number of total employees is between 50 and 300 and total assets/total annual sales are between \$3 million and \$15 million.

According to World Bank Group, a firm must have to meet two of three maximum requirements for employees, assets or annual sales for qualifying as SME. On the other hand, IFC Global Financial Market Department uses loan size as a proxy in banks that can not report according to SME firm size. It is less than \$100,000 for small enterprise and less than \$1 million for medium enterprise. Even it may be less than \$2 million for some advanced countries in case of financing the medium ones. From global context, many banks now use annual sales figures.⁴²

SMEs defined by BB and Mol in its Industrial policies have no uniformity in their firm size, number of employment and assets. Even the present definitions are also different from each other. It should be noted that the definitions are determined from trade, service and manufacturing concerns. Here, the definitions of SMEs defined by BB and Mol according to the present IP'2010, which are given below:

2.4 Ways and Forms of Institutional Financing:

This study basically covers all ways and forms of financing which are potentially accessible to manufacturing SMEs. The necessary forms of financing are 1. equity financing, 2. debt financing, and 3. quasi-equity financing.

(i) Equity Financing⁴³:

Private equity, in fact, gets importance. The public limited companies are not considered in case of such equity financing here. Such financing covers venture capital investment, government sponsored investment and other business angles. This includes seed financing, start-up financing, early-stage financing, expansion financing and so on. Seed financing means such funding which is to invest for research, initial assessment and initial development of a product or business concept. Start-up finance is used for product development and initial marketing of a company. Seed financing and start-up financing are combined to be treated as early-stage financing. Financing provided at later-stages are considered as expansion financing when an enterprise

⁴² Roberto Zavatta, 'Financing Technology Entrepreneurs and SMEs in Developing Countries', infoDev, World Bank; Available at <http://www.infoDev.org/publications>. P.15.

⁴³ Roberto Zavatta, 'Financing Technology Entrepreneurs and SMEs in Developing Countries', infoDev, World Bank; Available at <http://www.infoDev.org/publications> p 17 ⁷ *ibid*, p. 17. *

progressively expands its production base and commercial outreach. Such financing is done successively such as first-stage, second-stage, third-stage expansion financing and so on. There is another form of financing called Management Buyout/Buyin (MBO/MBI). Such transaction is usually associated with fundamental changes in ownership of an enterprise.

(ii) Debt Financing⁴⁴:

Debt financing includes institutional lending and credit guarantee schemes. Commercial lending means short-term—often in the form of overdraft, medium-term and long-term financing while credit guarantee schemes help facilitate access to institutional finance.

(iii) Quasi-equity Financing⁴⁵:

Quasi-equity is a broad category that includes a range of hybrid financial instruments and they have some features of both equity and debt financing to in somewhat varied forms. The prime instruments are preferred shares, convertible bonds, shareholder loans and profit/revenue sharing schemes etc. Preferred shares and convertible bonds seem to be closer to equity and are dealt with by specialized operators such as mezzanine funds, venture capitalists and angel investors. Angel investors and DFIs deal with shareholder loans. Preferred shares have preference over ordinary share according to priority in receipt of dividends and upon liquidations and, sometimes preferential voting rights. Convertible bonds are financial securities that pay fixed or variable interest and such bonds can be converted into ordinary or preferred shares under certain circumstances and pre-agreed upon terms. Shareholder loans are called unsecured debt instruments which carry a fixed and/or variable interest. On the other hand, revenue and profit sharing schemes are some kinds of contractual arrangements that involve the establishment of an unincorporated joint venture. The profit/revenue shares may refer to the performance of the whole enterprise or to a specific transaction.

Such types of institutional financing mentioned above sometimes may be complements or substitutes to each other. Sometimes debt financing, shareholder loans and profit/revenue sharing mechanisms may largely replace private equity. It is also true that the institutional financing structure may vary from country to country because each country has different tradition, cultures and perspective in her business, company laws, legal framework, policies, socio-economic conditions etc.

⁴⁴ *Ibid*, p. 17.

⁴⁵ *Ibid*, p. 17.

2.5 The Concept of Financing Gap:

The concept of 'Financing Gap' generally refers to a shortage of capital supply in meeting demand of an enterprise. It does not mean the scarcity of funds for financing SMEs in a given financial System⁴⁶. In spite of having abundance of funds in a financial System financing gap may prevail in case of meeting demand of SMEs. It occurs due to having high risk, high transaction cost, lack of required amount of assets as surety, more moribund nature existed in the sector and in this regard, the FIs show conservative attitude in extending finance. Still now, financing gap is existed both in the developed and developing countries but the actual gap and the perceived gap for a country may differ and it claims a clear distinction. For the developing countries like Bangladesh, SME entrepreneurs have to confront various difficulties for having access to finance and the perceived financing gap is likely to be high compared to that of actual gap. It is found from investigation that in most cases, the eligible entrepreneurs have reluctance to go to the FIs though they have demand for finance. If the SME entrepreneurs can merit that financing can not be obtained due to certain problems and market imperfections, the actual gap then can be determined in financing SMEs.

Although it is necessary to have a precise measurement of the financing gap for analyzing individual investment and lending decisions it may not be possible due to the complexities from operational and conceptual perspectives. For this reason, most analyses on financing gap are qualitative based on the evidences provided by the borrowers and the operating modalities of lending institutions⁴⁷.

Financing gap is generally analyzed as based on the supply side of finance where the constraints related to the behaviour of financiers, and the legal, administrative and policy frameworks of the FIs are considered in determining the gap. But, the 'demand side' constraints related to the behaviour of the entrepreneurs and other socio-cultural-political-economic factors may also influence the gap in case of financing SMEs in an economy.

2.6 Theoretical Basis of the Financing Gap:

The concept of the 'financing gap' is sometimes debatable for whether the meaning of it is significant or not. Such debate is also the part of the literature of development finance for more than two decades. In the past, according to some analysts, such financing gap is said to be meaningful if the authorities intervene in the market and maintain the interest rate below equilibrium level in the economy which inevitably leads to excess demand for loanable funds. According to their opinion, without keeping the interest rate below market clearing level such

⁴⁶ . *Ibid*, p. 18.

⁴⁷ *Ibid*.,p.18.

financing gap can not exist. It is thought that if risk is increased, the providers of financial resources also increase the interest at such a rate which brings equilibrium level between the supply of and demand for credit in the economy. But, a ground breaking article written by Stiglitz and Weiss (1981) where the problems of financial market are focused significantly. In spite of prevailing market equilibrium the financial markets face problems for which the banks need to undertake credit rationing. On account of asymmetric information and agency problems the banks are in difficulties in ascertaining the nature of risks and monitoring the women owned enterprises financed in the meantime⁴⁸. The FIs also have reluctance to some extent to use interest rate changes for compensating the risks because it may endanger loan portfolio of the institutions. For this reason, some entrepreneurs get loan from all of the identical applicants. Simultaneously, some of the women entrepreneurs remained outside the access to finance can be identified. So, whether the financing gap emerges for setting the interest rate below equilibrium level is not beyond debate.

2.7 The Basic Features of SMEs Regarding Financing Gap:

SMEs have wider variance in profitability and growth than that of the large women owned enterprises. The survival rate of such women owned enterprises is significantly lower than that of large women owned enterprises. It is found from a study that a manufacturing firm belonging to less than 20 employees was five times more likely to fail in a given year than a larger firm (Storey, 1995)⁴⁹.

The financial situation of an enterprise can not be separated from its owner as he uses transport, home etc. both for himself and the firm and even sometimes his labour spent in that firm can not be priced. Intergenerational succession is generally involved with ownership and management of that firm. Estate tax can also not be ascertained excluding the business. But there exists legal and administrative framework of corporate governance in case of large women owned enterprises.

A large firm can always maintain individually in its functioning. The relationship between SMEs and the FIs is not better than that of the large women owned enterprises. While large women owned enterprises borrow from the FIs at a lower rate of interest, SMEs significantly depend on informal finance supplied by the acquaintances of the entrepreneurs and some of them borrow partially from the formal financial market at such a rate of interest that may be higher than that of the large ones.

⁴⁸ OECD, The SME Financing Gap”, Vol.1, Theory and Practice, Paris, France, 2016, pp. 17-18

⁴⁹ 12/b/d., p. 18.

Trade credit supplied by non-financial entities has also important role in case of financing SMEs. The analysts argue in favour of trade credit development for SMEs in the emerging financial market⁵⁰.

Asymmetry in information of formal finance remained in the sector considerably affects the accessibility of firms to SME finance compared to that of the large women owned enterprises. It is happened in the sector due to the lack of experience and training on business of such entrepreneurs and operating in an uncertain investment and production environment⁵¹.

It is so complex to assess SMEs in spite of having no distortion in financial market while it is easier for the larger ones. For this reason, a large number of SMEs can not take finance from the financial market.

It was found from study that many SMEs had trends to shun formal financial System and operate in the informal economy because of collateral problems and want of capital. As the SMEs in the formal financial market got less importance from the financiers, there is little incentive for firms to produce credible accounts and operate transparently. In such situation, the SME entrepreneurs prefer to operate in the informal economy and feel comfort to conceal in lieu of exposing them for avoiding burdens of related regulation and taxation⁵².

2.8 Several Kinds of Financing Gap:

Several kinds of financing gap exist in the economies. In some countries the financial System suffers from various structural weaknesses where SMEs are failed to obtain finance. in this condition, the FIs are generally emerged for maximizing profit Ahead of the large women owned enterprises brushing the SMEs aside. Then the SMEs tend to informal sources of finance and remain with low productivity, less employment, low quality production, traditional technology and poor market networking. It is especially happening in emerging markets where the full potentials of the sector remain unutilized. Financing gap may exist if in an economy credit-based finance gets more importance than equity finance. It implies that the SME sector relies less on capital market than the financial sector where banks are dominating institutions intended for debt financing. To overcome this situation a mix reforms in the overall economic environment and special programme of SME finance are required⁵³.

In some countries SMEs may account for large share of activity and GDP compared to that of large women owned enterprises but there may have lack of dynamic SMEs that generally

⁵⁰ . Ibid.,p.19

⁵¹ . Ibid.,p.19

⁵² Ibid.,p.19

⁵³ Ibid.,p.19

includes the high-tech ones. It is a policy objective to develop high growth SMEs while it is not necessary to have broad based reforms in the financial sector and policies to specifically support the SMEs of that economy. But, that economy needs such policy measures for having targeted high growth SMEs⁵⁴.

The other kind of 'financing gap' may be somewhat strategic where an economy has glorious success in developing techniques that can yield the SMEs of high growth potentials. It is suggested that the countries in this category can help design more effective policies and take appropriate measures⁵⁵.

If the legal and regulatory framework and their application are not favourable to ensure and support the SME credit lenders, the degree of keeping them reluctant to finance SMEs increases acutely. The confidence level of the lenders depends significantly on the legal and regulatory framework of the financial sector where the legal system can ensure the relations between lenders and borrowers. It also discloses relevant information both for the lenders and borrowers regarding financing.

Lack of information of financing obstructs the demand side of finance. In spite of having expertise in the borrowers' own specialties, they often remain unknown about finance available for them in the financial market. Financiers offer an array of financial products but entrepreneurs often have cursory familiarity with those opportunities⁵⁶.

2.9 Business Environment:

The institutional framework provides support for ensuring an entrepreneurial SME business environment especially for the FIs such as banks and other intermediaries so that they can opt for the potential borrowers based on the financial prospects, build up productive relationship with them and take necessary measures in case of delinquent borrowers⁵⁷. With such ensured environment the FIs can deal with the creditworthy SMEs in the economy. Now many women owned enterprises are becoming public limited companies through enlisting in the capital market and as a result, dealings with and financing the larger women owned enterprises are now being the matter of forfeiture for banks. In such a situation, banks can emphasize on 'middle market lending' like SME finance with proper utilization of their skills in credit assessment and other forms of risk management with a view to earning profit through building long-term relationships with clients,

⁵⁴ . *Ibid.*, p. 26.

⁵⁵ *Ibid.*, p. 26.

⁵⁶ *Ibid.*, p. 27.

⁵⁷ *Ibid.*, p. 41

The SMEs have also the nature and scopes to operate in the informal financial markets and remain themselves far from necessary distance though the banks and other FIs have willingness to get them as stakeholder. The SMEs can behave so from their vulnerability concern as they have to reveal their financial status that can bring the sword of taxation and other regulations. As a result, cost of doing business may increase and engender disincentives for SMEs on account of obtaining such finance. Even sometimes these entrepreneurs utter that they are rather better served remaining in the informal system due to the fear of high taxation, bureaucratic complexity and even the net of corruption. Such reluctance of SMEs in taking formal finance also implies institutional incapability and lack of other required measures while existing legal, regulatory and administrative compulsion does not seem to be friendly to such entrepreneurs.⁵⁸

2.3 SME Financing and Its Present Context:

A significant number of SMEs have dependence on informal sources of finance. Formal source is the banking sector or financial sector that includes banks, NBFIs, microfinance institutions (MFIs), and other related institutions where commercial banks are the most important financial intermediaries in an economy. In the developed economies, the formal financial sectors as well as banks have made significant strides in serving the SME sector in recent years while many FIs have only started to expand their operations into the sector and many of them are still experimenting with different approaches.

⁵⁸ *Ibid.*, p. 41.

2.3.1 SME Financing Market:

In poor and developing countries SME have historically the lack of access to financial products and services. MFIs are emerged with a view to serving the micro women owned enterprises and the banking institutions typically favour the large ones. SMEs stay in the middle where there is a finance gap commonly stated as the 'Missing Middle', But, in recent years, SME financing is being grown up and treated as a profitable business to the FIs.

Although SMEs are important for an economy, such women owned enterprises can not be fostered with financial products and services. According to World Bank's Enterprise Surveys and Investment Climate Assessments, cost of finance is one of the greatest obstacles to their growth and access to finance.⁵⁹ The FIs should provide financial products and services for having investment in the sector as SMEs also need qualified staff to perform financial functions. Simultaneously, short-term and long-term debts and working capital loans from the formal sources can help the sector grow significant.

SMEs also require operational support that can be met by FIs with non-lending products, such as deposits and savings, transactional products and, advisory services. Such products can effectively enable SMEs to outsource financial functions to the FIs. Deposit and saving products provide basic financial management tools to help organize revenue and savings abreast of businesses. Mutual funds and other investment products also have business with those opportunities of having earnings on excess capital. SMEs get more access to available cash due to the existence of transactional products. Such products such as automatic payroll and payment collection, debit cards, and currency exchange help lower the cost of doing business and streamline potentially complicated process. Advisory services like reliable financial statements, business plan, appropriate financing products etc. can increase access to finance for SMEs by enhancing their capacity to apply for credit⁶⁰.

In the past, the FIs had the perception that financing of SME is risky, costly and difficult to serve. But, according to evidences, FIs as well as banks are now able to resolve that obstacles and challenges. For these FIs, now it is called the SME unmet demand for financial services. It is now thought that it is an opportunity for the FIs to extend their financial services to SMEs with a view to earning more profit.⁶¹ In this regard, it is quoted below for better understanding from the 'SME Banking Knowledge Guide' prepared by IFC:

Many banks now report that they perceive significant opportunities in SME sector. Survey data from multiple studies show that rather than overlooking or avoiding the market banks have begun to target SMEs as a profitable segment. For example, a recent survey of 91 banks in 45 developed and developing countries- *Bank Financing for SMEs around the World*- found that these banks overwhelmingly perceived the SME sector as a large market with good prospects.

The recent increase in bank's commitment to the SME sector has been tested by the current (2009) global financial crisis. However, even in Latin America, a region that has expressed some uncertainty about the future for SMEs, a 2008 survey of banks found that about three-quarters of large and mid-sized banks, and half of small banks still consider SMEs to be a strategic part of bank business. In addition, about 90 percent of large and mid-sized banks report having an active policy to finance SMEs. While these numbers represent a slight decrease when compared with a

⁵⁹. Thorsten Beck (2007), Financing components of SMEs in Developing Countries: Evidence, Determinants and Solutions. Washington, D.C: WB, Actually it is taken from 'SME Banking knowledge Guide' prepared by IFC, p. 12. & Beck, Thorsten, Asli Demirgüç, Kunt and Voislav Maksimovic (2006), *Determinations of Financing Obstacles*. Washington for D.C.: WB.

⁶⁰. SME Banking Knowledge Guide, p. 13.

⁶¹ de la Torre, Augusto, Maria S. Martinez Feria, and Sergio L. Schmukler, *Bank Involvement with SMEs: Beyond Relationship Lending*. Washington D. C.: WB (2009). It should be noted here that it is taken from SME Banking Knowledge Guide prepared by IFC, p. 14,

2006 version of the survey, they indicate that targeting SMEs has become the rule, rather than exception, for most banks.⁶²

New business models have been developed to serve the small women owned enterprises where SME financing operations include sophisticated high-volume approaches, use of statistical inputs in credit risk assessment and some non-lending products. Risk-adjusted pricing models are also important tools that enable the banks to serve SMEs profitably. Now banks are being able to incorporate the risks of serving SMEs into their pricing of financial products. Even now some of the banks are able in calculating risk with a view to developing multiple pricing approaches within the SME segment⁶³

2.3.2 The Operating Environment:

The operating environment in the SME banking industry is better in the developed countries than that of the developing countries. The small women owned enterprises of a developed country have more access to finance than any enterprise of any size in a developing country. More collateral, higher interest rates and less lending are the common features in SME banking industry in the developing countries. But with improved

operating environment bank innovation is enabling to enhance the growth of SME banking in spite of having such historical challenges. In the operational field, SME financing is impeded by regulatory bottlenecks, weak legal framework and macroeconomic factors where both supply and demand sides are affected. Regulatory obstacles may obstruct profitability of a FI and may compel it to lessen finance for SMEs. Simultaneously, SMEs may also show unwillingness to have more access to finance and choose to remain outside the formal financial market. Weak legal framework is another one of the important impediments. It increases uncertainty and risks in having recovery of loan disbursed and financed by the FIs. Even SMEs may remain reluctant to take loan on account of imposing conditions upon them by the FIs through seizing the opportunity of weakness in prevailed legal framework. Macroeconomic factors such as Fiscal measures, import and export policies, savings, investment climate etc. can hamper financing of SMEs in an economy.

2.3.3 Risk Management:

The FIs have to always work with risk, a core function as they have to get return back the money disbursed to the clients along with profit. Even such function of a FI is more core for SME financing because of having less information to manage risks. SMEs always remain in vulnerability especially in the developing economies for lesser amount of capital investment and fixed asset, and uncertainty in productivity, marketing, competition, substitutability and so on. For these reasons, risks are glued with SME credit, strategies and operations of the FIs. Credit risk

⁶² . *Ibid.*, p. 14.

⁶³ . *Ibid.*, p. 14.

and higher lending costs are significantly considered in case of managing risks in this regard. Credit risk emerges from the fear of the FIs of forfeiting the amount financed to the SME clients along with the profit as SMEs have the lack of required collateral to leverage between profit and risk. As a result, the FIs compel to limit the size of the amount to be financed in SMEs. Cost of financing SMEs is high as the FIs require more transactions like individual retail customers and also require more supervision for a small amount of finance compared to that of large corporations.

2.3.4 Lending Technology:

Figure 2.1
Lending Technologies⁶⁴

| Technology | Information source | Screening and underwriting policies | Contract structure | Monitoring mechanisms |
|---|--|--|--|---|
| <i>Small business : creditscoring</i> | Hard information (data points) about the enterprise | Based on the SME's score in a statistical model ⁶⁴ ; | No collateral required, higher interest rates | Observation of timely repayments • |
| <i>Financial statement Lending</i> | Audited financial statements | Based on the strength (and credibility) of the SME's financial ratios | Contracts may vary but future cash flow is primary | Ongoing review of financial statements |
| <i>Relationship lending</i> | "Soft information on the SME, owner, and community, gathered over time | Based primarily on the decision or recommendation of the loan officer | Variety of structures | Continued Observation of the enterprise's performance on all dimensions of its banking relationship |
| <i>factoring</i> | Value of collateral: accounts receivable | Based on the quality of the enterprise's clients | Factor purchases the accounts receivable outright, thus taking over credit and collections | Lender owns the accounts receivable |
| <i>Asset-based lending</i> | Value of collateral; accounts receivable or inventory | Based on value of collateral | Primary method of repayment is asset collateral | Problematic, as value of the assets must be regularly |
| <i>Leasing</i> | Value of the asset leased | Based on value of the asset | Lease or purchase asset and rents to borrower, who may often purchase at end of lease | Observation of timely repayments |
| <i>Fixed – asset lending</i> | Value of collateral real estate, equipment | Based on the assessed market value of the asset, and coverage ratios measuring the SME's ability to service debt • | Collateral (asset) worth over 100 percent of loan, " throughout amortization schedule; lien prevents borrower from selling asset | updated Observation of timely repayments |

Source: SME Banking Knowledge Guide [Berger and Udell (2006) "A more complete conceptual framework for SME finance"]

⁶⁴ *Ibid.*, p. 35.

2.3.5 Approaching the Challenges of Serving SMEs:

Banks approach the challenges of serving SMEs by adopting a standard banking value chain framework consisting of five discrete stages: (1) understanding the market, (2) developing products and services, (3) acquiring and screening clients, (4) serving clients, and (5) managing information and knowledge. Figure-2.2 shows an overview of the key functions within each stage of the banking value chain in the context of serving SMEs, i.e. the "SME banking value chain"⁶⁵.

⁶⁵ **These** five stages of SME banking value chain are determined according to the 'SME Banking Knowledge Guide' prepared by IFC, pp. 25-27.

Figure; 2.2

Approaches to Risk Management⁶⁶

| Risk Management | | | | | |
|--|--|--|---|---|---|
| | Understand the SME market | Develop products & services | Acquire & screen SME clients | Serve SME clients | Manage information & knowledge |
| Approaches to managing credit risk | <ul style="list-style-type: none"> Quantify risks in target market by leveraging existing research & other bank data where possible | <ul style="list-style-type: none"> Develop loan pricing models that match client risk profile | <ul style="list-style-type: none"> Lend to current clients first, learning from portfolio information | <ul style="list-style-type: none"> Dedicate staff to spot signs of SME default early & directly engage with SME to minimize losses | <ul style="list-style-type: none"> Establish centralized teams to monitor loan data for risks & early warning signs, & to incorporate data into improved credit policies |
| | <ul style="list-style-type: none"> Sub-segment the SME market by risk profile, & target according to bank risk appetite | <ul style="list-style-type: none"> Incorporate innovative forms of collateral, such as accounts receivable | <ul style="list-style-type: none"> Use internal rating & scoring methods to assess loans/clients | <ul style="list-style-type: none"> Provide advisory services to assist SMEs in cash flow management | <ul style="list-style-type: none"> Use portfolio data to customize models for statistical credit scoring |
| | <ul style="list-style-type: none"> Enhance predictive capabilities by gathering information on local SME success factors | <ul style="list-style-type: none"> Prioritize role of non-lending products in establishing customer relationship & providing predictive data | <ul style="list-style-type: none"> Separate sales from credit approval for more rigorous underwriting | <ul style="list-style-type: none"> Provide advisory services to assist SMEs in cash flow management | <ul style="list-style-type: none"> Use portfolio data to customize models for statistical credit scoring |
| Approaches to managing risk of excessive cost to serve | <ul style="list-style-type: none"> Inform pricing & operational approach by understanding level & nature of unmet SME demand, including service preferences | <ul style="list-style-type: none"> Use sophisticated but standardized products to minimize transaction costs | <ul style="list-style-type: none"> Focus customer acquisition on clients "Close to" the current portfolio | <ul style="list-style-type: none"> Dedicate process & staff to SME segment to streamline operations | <ul style="list-style-type: none"> Enhance profitability analysis capabilities to disaggregate revenue & costs by key units (branch, product, client) |
| | <ul style="list-style-type: none"> Segment the market in order to identify & limit effects of cost drivers linked to SME characteristics | <ul style="list-style-type: none"> increase the overall value of each SME client by offering & bundling a wide variety of products & services | <ul style="list-style-type: none"> Separate business development from relationship management for efficiency | <ul style="list-style-type: none"> Use direct channels like branches & call centres to reduce relationship management cost | <ul style="list-style-type: none"> Learn from & apply cost-saving innovations discovered at branches |
| | | | <ul style="list-style-type: none"> Use automated screening processes to reduce underwriting costs | <ul style="list-style-type: none"> Adjust level of personal service to SME size or value | |

⁶⁶ .Ibid.,p.27

2.3.6 Managing the Credit Risks⁶⁷:

The actual or perceived risk of default is one of the primary constraints to providing credit for the SMEs. It is related to lending of SMEs. If such risks emerged from default can be successfully managed, it will be easier to serve SME markets. There are some stages for the FIs to overcome with a view to managing credit risks. In the first stage of SME financing value chain concerned officials of a FI require to understand the SME market. They can assess the target market to quantify risks that will help determine pricing models in financing SMEs in future. Identifying the success factors of financing SMEs is also necessary. SME sector should be segmented according to risks profile for gathering and analyzing data and information and then a specific approach should be determined for a specific segment of the SME market. At the second stage, the FIs need to develop such products and services that can decrease risks in case of expending finance. It will help determine pricing structure and profitability of financing SMEs. Mere FIs can incorporate innovative forms of collateral in lieu of traditional forms. They also can establish customer relationship and provide predictive data by giving emphasis on using non-lending products in financing process. In the third stage of the value chain, it is necessary to acquire and screen SME clients for managing credit risk. For analyzing risks, FIs need to understand the business drivers, cash flow generation, default probability etc. Decentralization is necessary to select eligible clients and take credit decisions. Simultaneously, internal rating, credit scoring tools is also the important components in screening the eligible SME clients. The credit underwriters also should have investigation into the related sources of all information as information asymmetry may exist in this screening process. In the fourth stage of value chain the FIs need to serve SME clients where problem loans be addressed initially. To address problem loan means to have ability to react quickly to arrears, to consolidate the relationship between financier and client, to ensure profit, and to minimize losses if it is unavoidable. For serving the clients, the FIs should have strong information System and view recoveries not with respect to a legal burden, but to a proactive financier-client relationship function. Finally, the FIs require to manage³⁰ *SME Banking knowledge Guide*, pp. 27-29.

information and knowledge with a view to minimizing credit risk. Mere information will have to be collected on the SME loan portfolio so that the FIs can detect those SME projects to be non-performing in the near future and take necessary measure. To analyze portfolio-data, to develop credit scoring models and to design rating and scoring tools properly are also indispensable for estimating probable loan default. The FIs need to acquire information and knowledge from all of the stages of SME financing value chain and gather experience for having gradual advancement in managing credit risks.

⁶⁷ . *SME Banking knowledge Guide*, pp. 27-29

2.3.7 Sources of Fund and Fund Management:

Fund management is one of the prime components in the process of SME financing. Fund is generally used as cash, working capital and total financial resources. The FIs need to ensure efficient management of funds by providing them to profitable projects. Fund should be provided to the stakeholders in time so that they can have best uses of it. Simultaneously, the financiers will then consider all kinds of probable financial risks. As an intermediary, FI contributes to capital formation by collecting fund from the depositors and lending it to the borrowers.⁶⁸ The nature and magnitude of funds of a FI basically depends on economic condition of a country, bank-depositor relationship, stability of financial System, monetary policy of the Central Bank and so on. Funds come from four sources. These are capital fund, deposit fund, Central Bank's fund and foreign fund. Capital fund is owner's fund while deposit fund is collected from various deposit schemes of a FI. Such deposit fund creation depends on people's financial strength, the monetary policy of the Central Bank and the Fiscal measures of the government. Foreign funds collected from various donor countries and agencies are also contributing significantly to SME financing. The government of a country also provides funds for SME financing as its part of ADP, Industrial Policy and Fifth Five Year Plan.

2.3.8 Conclusion

The definition of SMEs varies from country to country. In the developing countries like Bangladesh size of SMEs is smaller compared to that of the developed countries with respect to net asset value and employment level. It implies that the strength of the FIs in case of financing SMEs also differs among the countries. Despite such situation the FIs perceive risk and high cost in financing SMEs as such entrepreneurs have the lack of required collateral. That is, there occurs financing gap for SMEs both in the developing and developed countries. In the past, the FIs could not develop appropriate tools such as innovative lending technologies, risk management systems, social collateral etc. for increasing access to finance along with necessary support services to be provided by the concerned agencies of the government in question. Here, Japan that develops a host of instruments to support the sector is one of the pioneer countries and that experience can be shared by Bangladesh.

⁶⁸. Mohammad Ahsan Habib, *Industrial Financing by Commercial Bank in Bangladesh with Special Reference to Basic Bank Limited*. PhD dissertation. (Rajshahi: Institute of Bangladesh Studies(IBS), University of Rajshahi, 1997), pp. 110-112.

Chapter -3

Primary data Analysis by using Multiple Regression Model, Cluster Analysis and Characteristics of the Selected Enterprises, FIs and respondents from the field survey.

3.0 About Multiple Regression Model :

The multiple regression equation is a powerful analytical tool that has evolved from its development in statistics to its extensive applications across various fields. Initially conceived as an extension of simple linear regression, it has grown to accommodate the complexities of multiple independent variables. The equation, which includes coefficients representing each independent variable's impact and an intercept term, facilitates the prediction of a dependent variable based on a combination of these factors. Its development emerged from the need to understand how multiple variables collectively influence outcomes, making it a fundamental statistical technique. In its application, multiple regression is extensively used in fields like economics, social sciences, and health research to analyze intricate relationships, model complex systems, and make predictions. Researchers employ it to uncover hidden patterns, evaluate the significance of various factors, and inform decision-making processes. Ultimately, the multiple regression equation stands as a versatile and indispensable tool for unraveling the intricacies of real-world phenomena and supporting data-driven decision-making.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \varepsilon$$

In this equation:

Y represents the dependent variable you want to predict or explain.

X₁, X₂, X₃, ... are the independent variables.

β₀ is the intercept (constant term).

β₁, β₂, β₃, ... are the coefficients for the independent variables, representing their impact on the dependent variable.

ε represents the error term, which accounts for the variability in

Y that is not explained by the independent variables.

The equation captures the linear relationship between the dependent variable and multiple independent variables, allowing for predictions and analysis of their interrelationships.

3.1 Research Variables:

Research variable are the elements or characteristics that researchers study, measure, or analyze in their research. In this research on the " Institutional Role in the Development of Women Entrepreneurship in SME sector in Bangladesh,"

Research objectives suggest several potential research variables which are as follows:

1. **Financing Status:** This variable refers to the current financial situation of women-owned businesses in the Light Engineering sub-sector of SMEs in Bangladesh. It may include measures of capital, loans, revenues, and profitability.
2. **Administrative and Policy Reforms :**This variable involves examining changes and reforms made by the Government of Bangladesh in policies and administrative procedures related to supporting and facilitating women entrepreneurs in the form of technical education and training in the SME sector, particularly in Light Engineering financing.
3. **Role of Concerned Agencies:** This variable explores the functions and contributions of various organizations or agencies in facilitating financing for women entrepreneurs in the Light Engineering sub-sector. It could encompass government agencies, financial institutions, NGOs, or other entities.
4. **Opportunities and Challenges:** This variable encompasses the opportunities and obstacles faced by women entrepreneurs in the Light Engineering sub-sector. It may include factors such as market opportunities, access to resources, competition, regulatory challenges, and socio-cultural factors. Each of these variables would require data collection and analysis to assess their current status, impact, and relationship within the context of the research objectives.

Specific research Variables which are generated from Questionnaire are as follows:

Dependent Variable (Women Entrepreneurship Development in Light Engineering sub sector of SMEs)

Independent Variables:

There are many Independent/control Variables those are briefly explained as under:

1. **Age group of Women Entrepreneurs:** This is control Variable in research .
2. **Family profile:** This is also Control Variable in this research.
3. **Education of Women Entrepreneurs:** This is Independent Variable in this research .
4. **Financing Role of Banks and Financial Institutes:** This a predictor or Independent Variable in this research.
5. **Policy and administrative Role of the Government to regulate Light Engineering sub sector of SMEs in Bangladesh:** This is a predictor or Independent Variable in this research.
6. **Interest rate:** This is a predictor or Independent Variable in this research
7. **Technical training to get refinancing Loan of Bangladesh:** This is a predictor or Independent Variable in this research.
8. **Support services from Women Chamber of Commerce and Industry:** This is a predictor or Independent Variable in this case.
9. **Societal outlook towards Women Entrepreneurship Development :** This is also control Variable in this research.
10. **Access to information related to Light Engineering sector:** This is a predictor or Independent Variable in this research.
11. **R&D in Light Engineering sector:** This is a predictor or Independent Variable in this research.
12. **Knowledge of Business laws and regulations:** This is a predictor or Independent

Variable in this research

13. Challenges of Light Engineering Manufacturing Industry: This is a predictor or Independent Variable in this research
14. Loan from BASIC Bank: This is a predictor or Independent Variable in this research
15. Special Budget allocation by the Government for Light Engineering sector: This is a predictor or Independent Variable in this research
16. Competition from International and local market: This is a predictor or Independent Variable in this research.
17. Skill Labour force for Light Engineering sector: This is a predictor or Independent Variable in this research.
18. Requirement of more inclusive financial services for Light Engineering sector: This is a predictor or Independent Variable in this research
19. Constraints of Women Entrepreneurs in Light Engineering sector: This is also a predictor or Independent Variable in this research
20. Infrastructural facilities created by BSCIC for Light Engineering: This is a predictor or Independent Variable in this research

3.2 Primary data analysis by using Multiple regression model:

In this regression analysis, we are examining the relationship between the dependent variable "WED_LEE" and a set of independent variables, each represented by their unstandardized coefficients (B), standardized coefficients (Beta), t-statistics (t), and p-values (Sig.). Let's interpret the Beta values and p-values for each variable: The constant term has a substantial Beta value of 0.713 and a highly significant p-value of 0.000, indicating that even when all other independent variables are zero, there is a significant baseline expectation for the dependent variable. The "Age group" variable has a small but statistically significant negative (Beta:-0.153) on the dependent variable. It suggests that as age group increases, there is a slight decrease in the dependent variable. "Religion" has a positive effect (Beta: 0.036) on the dependent variable, and this relationship is statistically significant. It implies that certain religious affiliations may influence the dependent variable positively. "Education" has a notable negative impact (Beta: -0.412) on the dependent variable, with a statistically significant p-value of 0.029. This suggests that higher levels of education may lead to lower values of the dependent variable. That means, "Technical Education" is highly needed to develop Women Entrepreneurship in Light Engineering (LE) sub sector of SMEs in Bangladesh. It is found in the field survey that only 5 percent Women Entrepreneurs have technical education . The "Location of the firm" has a positive influence (Beta: 0.140) on the dependent variable, and this relationship is statistically significant. It indicates that the geographical location of the business can impact the dependent variable positively. Increasing the "Amount of total capital invested" is associated with a positive impact (Beta: 0.232) on the dependent variable, and this relationship is statistically significant. It suggests that access to financial resources can enhance the dependent variable. The "Number of

employees" has a positive influence (Beta: 0.049) on the dependent variable, and this relationship is statistically significant. It implies that having more employees may lead to increase in the dependent variable in Medium Enterprise and less employees will determine Small Enterprise. A higher "Percentage of skilled, trained employees" positively influences the dependent variable (Beta: 0.083), and this relationship is statistically significant. It suggests that having a greater proportion of skilled employees will increase the dependent variable. "Gross profit Margin" has a small but statistically significant positive impact (Beta: 0.050) on the dependent variable, implying that higher gross profit margins will lead to higher values of the dependent variable. Having prior business experience has a positive effect (Beta: 0.067) on the dependent variable, and this relationship is statistically significant. It suggests that prior experience will influence the dependent variable positively. The choice of the "Light Engineering business" has a positive impact (Beta: 0.205) on the dependent variable, and this relationship is statistically significant. It implies that selecting this particular business type may increase the dependent variable. The variable "Condition of this business" has a positive impact (Beta: 0.164) on the dependent variable, and this relationship is statistically significant with a low p-value of 0.002. This suggests that businesses facing favorable conditions tend to higher values for the dependent variable. The "Sources of fund" variable has a strong positive influence (Beta: 0.835) on the dependent variable, and this relationship is highly statistically significant with a p-value of 0.000. It indicates that having diverse and robust sources of funding significantly increases the dependent variable. Receiving a loan and the "Amount of loan received" have a positive impact (Beta: 0.197) on the dependent variable, and this relationship is statistically significant with a p-value of 0.003. It suggests that obtaining loans and their amounts contribute positively to the dependent variable. The purposes for which a loan is taken positively influence the dependent variable (Beta: 0.220), and this relationship is statistically significant with a p-value of 0.006. It implies that loans used for specific purposes enhance the dependent variable. Taking a loan from certain institutions has a positive impact (Beta: 0.201) on the dependent variable, and this relationship is statistically significant with a p-value of 0.004. It suggests that the choice of lending institutions can influence the dependent variable positively. The "Rate of interest" on loans positively affects the dependent variable (Beta: 0.202), and this relationship is statistically significant with a p-value of 0.005. It implies that favorable interest rates on loans contribute positively to the dependent variable. Facing difficulties when obtaining loans has a negative impact (Beta: -0.171) on the dependent variable, and this relationship is statistically significant with a p-value of 0.005. It suggests that encountering obstacles in loan acquisition can influence the dependent variable inversely. The requirement of mandatory training for loan approval has a negative influence (Beta: -0.049) on the dependent variable, and this relationship is statistically significant with a p-

value of 0.007. It implies that mandatory training may deter entrepreneurial development. Efficient credit managers and officials positively impact the dependent variable (Beta: 0.121), and this relationship is highly statistically significant with a p-value of 0.000. It suggests that efficient loan disbursement processes contribute significantly to the dependent variable. Certain lending institutions have a positive influence (Beta: 0.092) on the dependent variable, and this relationship is statistically significant with a p-value of 0.009. It indicates that loans from specific institutions contribute positively to the dependent variable. Using computer software for business management positively affects the dependent variable (Beta: 0.126), and this relationship is statistically significant with a p-value of 0.003. It implies that utilizing software for business operations enhances the dependent variable. Providing training facilities for employees has a positive impact (Beta: 0.124) on the dependent variable, and this relationship is statistically significant with a p-value of 0.005. It suggests that offering training facilities will have direct positive effects on the dependent variable. The variable "Business plan preparation knowledge" has a positive impact (Beta: 0.142) on the dependent variable, and this relationship is statistically significant with a p-value of 0.002. This implies that having the knowledge to prepare a business plan for obtaining financing from banks or institutions will help entrepreneurial development. Being familiar with business laws, regulations, and policies has a positive influence (Beta: 0.184) on the dependent variable, and this relationship is statistically significant with a p-value of 0.010. It suggests that having knowledge in this area will help to overcome challenges or complexities in entrepreneurial development. The necessity of specific factors for light engineering sector financing has a positive impact (Beta: 0.322) on the dependent variable, and this relationship is highly statistically significant with a p-value of 0.001. It indicates that perceiving these factors as necessary for entrepreneurial development. Identifying and prioritizing problems in financing light engineering enterprises have a strong positive influence (Beta: 0.303) on the dependent variable, and this relationship is statistically significant with a p-value of 0.002. It suggests that recognizing and addressing these issues can enhance entrepreneurial development in Light Engineering sub sector of SMEs. The necessity for changes in administrative, legal laws, and policies for the well-being of enterprises has a small positive impact (Beta: 0.032) on the dependent variable, and this relationship is statistically significant with a p-value of 0.005. It implies that perceiving such changes as necessary will have a positive effect on entrepreneurial development. The desire for institutional credit has a strong positive impact (Beta: 0.360) on the dependent variable, and this relationship is highly statistically significant with a p-value of 0.002. It suggests that the aspiration for institutional credit significantly contributes to entrepreneurial development. The percentage of credit desired for importing raw materials through LC support positively effects the dependent variable (Beta: 0.013), and this relationship is statistically

significant with a p-value of 0.003. It indicates that a high percentage may have a high positive impact on entrepreneurial development. The perceived role of BSCIC in supporting finance for the light engineering sector has a strong negative influence (Beta: -0.299) on the dependent variable, and this relationship is statistically significant with a p-value of 0.002.

It suggests that the perceived role of BSCIC may hinder entrepreneurial development of Women Entrepreneurs if BSCIC is not modernized by Skilled and motivated manpowers with clear accountability and empowering with clear financing authority to invest. Applying to BASIC bank for a loan has a strong positive impact (Beta: 0.323) on the dependent variable, and this relationship is highly statistically significant with a p-value of 0.000. It implies that loan applications to BASIC bank significantly contribute to entrepreneurial development. Obtaining a loan from BASIC bank positively influences the dependent variable (Beta: 0.070), and this relationship is statistically significant with a p-value of 0.030. It suggests that receiving loans from BASIC bank has a positive impact on entrepreneurial development. The political environment's favorability for LEE investment has a positive impact (Beta: 0.202) on the dependent variable, and this relationship is statistically significant with a p-value of 0.009. It implies that political conditions will positively influence entrepreneurial development in the light engineering sector. Government initiatives to promote significant investment in the LEE sector have a strong positive impact (Beta: 0.311) on the dependent variable, and this relationship is statistically significant with a p-value of 0.002. It indicates that government actions can significantly enhance entrepreneurial development in this sector. The perception that increasing R&D activities is necessary has a strong positive impact (Beta: 0.237) on the dependent variable, and this relationship is highly statistically significant with a p-value of 0.000. It suggests that emphasizing R&D activities significantly contributes to entrepreneurial development. Identifying constraints in materializing R&D results negatively influences the dependent variable (Beta: -0.267), and this relationship is statistically significant with a p-value of 0.010. It implies that recognizing and addressing these constraints may hinder entrepreneurial development. Factors that have a negative impact on the firm positively influence the dependent variable (Beta: -0.330), and this relationship is statistically significant with a p-value of 0.001. It suggests that addressing these negative factors can enhance entrepreneurial development. Facing competition in the international market positively impacts the dependent variable (Beta: 0.140), and this relationship is statistically significant with a p-value of 0.005. It implies that international competition can have a positive effect on entrepreneurial development. Strategies to advance the firm in the international competition positively influence the dependent variable (Beta: 0.313), and this relationship is statistically significant with a p-value of 0.002. It suggests that adopting effective strategies can significantly contribute to entrepreneurial development in the international market.

The perception of insufficient market demand both domestically and abroad has a positive impact (Beta: 0.032) on the dependent variable, and this relationship is statistically significant with a p-value of 0.005. It implies that concerns about prospective market demand which has potential growth motivation for Women Entrepreneurs(WE). Identifying requirements to meet market demand has a strong positive influence (Beta: 0.281) on the dependent variable, and this relationship is statistically significant with a p-value of 0.010. It suggests that recognizing and addressing these requirements can have a positive effect on entrepreneurial development.

Coefficients/Regression Table ^{Table 3.0}

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|---|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 0.713 | .036 | | 20.059 | .000 |
| | Age group | -.013 | .018 | -0.153 | -2.757 | .001 |
| | Religion | 0.007 | .031 | 0.036 | 3.228 | .010 |
| | Education | -0.061 | .028 | -0.412 | -2.217 | .029 |
| | Location of the firm | 0.021 | .030 | 0.140 | 2.693 | .010 |
| | Amount of total capital invested | 0.046 | .037 | 0.232 | 2.237 | .019 |
| | Number of employee | 0.022 | .055 | 0.049 | 2.402 | .009 |
| | Percentage of Skilled, trained employees: | 0.013 | .023 | 0.083 | 3.574 | .007 |
| | Gross profit Margin | 0.014 | .037 | 0.050 | 2.365 | .006 |
| | Did you have experience before starting business? | 0.030 | .048 | 0.067 | 3.636 | .006 |
| | Why have you chosen this Light Engineering business ? | 0.031 | .031 | 0.205 | 1.998 | .001 |
| | What is the condition of your business? | 0.045 | .036 | 0.164 | 3.261 | .002 |

| | | | | | |
|---|--------|------|--------|--------|------|
| What are the sources of your fund? | 0.084 | .020 | 0.835 | 4.122 | .000 |
| If yes, what amount of loan was received by you | 0.017 | .020 | 0.197 | 3.839 | .003 |
| If yes, for what purposes you have taken loan? | 0.058 | .034 | 0.220 | 2.734 | .006 |
| If yes, from which institutions you have taken loan? | 0.032 | .024 | 0.201 | 2.308 | .004 |
| If yes, what should be the rate of interest? | 0.041 | .028 | 0.202 | 2.468 | .005 |
| If yes, what types of difficulties? | -.027 | .031 | -0.171 | -2.854 | .005 |
| If yes, was such training mandatory for getting loan? | -0.022 | .045 | -0.049 | 2.487 | .007 |
| If yes, are the credit managers and officials efficient in disbursing loan? | 0.054 | .062 | 0.121 | 2.988 | .000 |
| If yes, which institutions give loan? | 0.016 | .023 | 0.092 | 1.695 | .009 |
| Do you have computer software to manage your business? | 0.057 | .060 | 0.126 | 2.953 | .003 |
| Do you provide training facilities for your employees? | 0.056 | .059 | 0.124 | 2.949 | .005 |
| Do you know how to prepare a business plan to have bank/ institutional finance? | 0.064 | .054 | 0.142 | 3.178 | .002 |

| | | | | | |
|--|-------|------|--------|--------|------|
| Are you familiar with business laws, regulations and policies? | 0.083 | .075 | 0.184 | 2.110 | .010 |
| Which of the followings are necessary for light engineering sector financing? | 0.027 | .016 | 0.322 | 2.764 | .001 |
| Write down the problems in financing light engineering enterprises in order of severity. | 0.020 | .013 | 0.303 | 2.479 | .002 |
| Is it necessary to have changes in administrative, legal laws and policies for WE? | 0.014 | .055 | 0.032 | 2.261 | .005 |
| At present, do you want institutional credit? | 0.165 | .052 | 0.360 | 3.187 | .002 |
| If yes, how much (%) do you want for your firm for LC importing rawmaterials in the form of LC support ? | 0.004 | .029 | 0.013 | 3.135 | .003 |
| What is the role of BSCIC in supporting LEE finance for WE? | -.058 | .037 | -0.299 | -2.561 | .002 |
| Have you applied to BASIC bank for loan? | 0.024 | .062 | 0.323 | 3.437 | .000 |
| If yes, have you got loan from BASIC bank? | 0.031 | .065 | 0.070 | 2.484 | .030 |
| Does politics favourable for LEE investment for WE? | 0.001 | .056 | 0.202 | 2.014 | .009 |

| | | | | | |
|--|-------|------|--------|--------|------|
| What should the government undertake for huge investment in LEE sector? | .028 | .018 | .311 | 2.603 | .002 |
| Is it necessary to increase research and Development (R&D) activities? | .088 | .054 | .237 | 3.474 | .000 |
| What are the constraints in materializing the results of R&D activities? | -.052 | .036 | -0.267 | -2.452 | .010 |
| Which of the followings make negative effect on your firm? | -.044 | .021 | -0.330 | 2.071 | .001 |
| Does your firm confront competition with international market? | .064 | .063 | .140 | 2.011 | .005 |
| If yes, how can your firm be advanced in this race? | .029 | .019 | .313 | 2.519 | .002 |
| Has market enough demand in home and abroad for your products? | 0.014 | .055 | 0.032 | 2.261 | .005 |
| If no, what are your requirements that can help to meet demand? | 0.039 | .021 | 0.281 | 1.835 | .010 |

3.3 ANOVA Table in Regression Analysis:

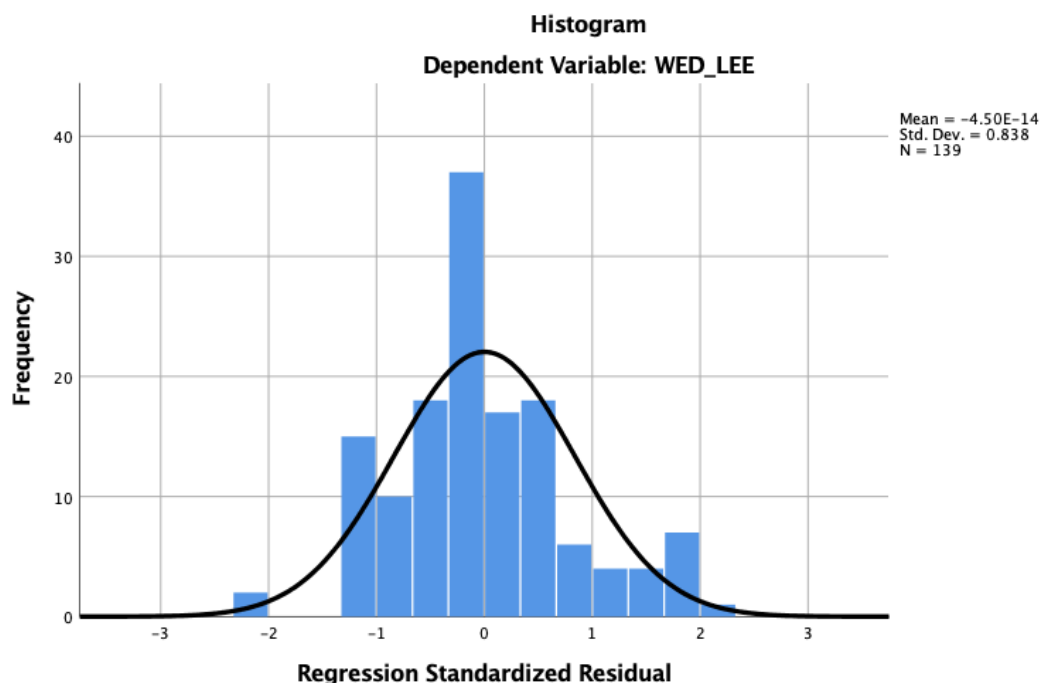
The ANOVA table provided summarizes the results of a regression analysis. In this table, we have three main components: Regression, Residual, and Total. Each of these components is associated with specific values that provide essential information about the model's performance. The Regression Sum of Squares represents the total variation in the dependent variable (the outcome the researcher is trying to predict) that is explained by the regression model. In this case, the regression model explains 6.811 units of variation. This is the number of predictors in the model. In this analysis, there are 41 degrees of freedom associated with the regression component. The Mean Square is calculated by dividing the Sum of Squares by the Degrees of Freedom. It represents the average variation explained by each predictor. In this case, it is 0.166. The F-statistic is a measure of the overall significance of the regression model. It tells us if the predictors collectively have a significant impact on the dependent variable. Here, the F-statistic is 86.120, indicating a significant relationship. The significance value (p-value) associated with the F-statistic is very close to zero (0.000b), which suggests that the regression model is highly significant. In other words, the relationship between the predictors and the dependent variable is not due to random chance. The Residual Sum of Squares represents the unexplained or residual variation in the dependent variable. It is the variation that the regression model couldn't account for. In this case, it is 0.187. The degrees of freedom associated with the residuals are 97. This is essentially the number of data points minus the number of predictors. The Mean Square for the residuals measures the average unexplained variation per degree of freedom. In this case, it is 0.002. The Total Sum of Squares represents the total variation in the dependent variable without considering the regression model. It is the sum of the explained (Regression SS) and unexplained (Residual SS) variation. Here, it is 6.998. The total degrees of freedom are 138, which is the sum of the degrees of freedom for the regression and residuals. In summary, this ANOVA table shows that the regression model has a significant overall impact on the dependent variable, as indicated by the highly significant F-statistic ($p < 0.001$). The regression model explains a substantial portion of the total variation in the dependent variable (6.811 out of 6.998). However, there is still some unexplained variation (0.187), which is represented by the Residual component. This residual variation may be due to factors not included in the model or random noise. Overall, the results suggest that the regression model is a good fit for the data and provides valuable insights into the relationship between the predictors and the dependent variable.

| ANOVA ^a Table 3.1 | | | | | | |
|------------------------------|------------|----------------|-----|-------------|--------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 6.811 | 41 | .166 | 86.120 | .000 ^b |
| | Residual | .187 | 97 | .002 | | |
| | Total | 6.998 | 138 | | | |

3.4 Graphs in Regression Analysis:

The graph does provide the impression that the assumption regarding the normality of the residuals is accepted. The histogram has a single peak located at 0, making it unimodal and symmetrical. It may be deduced from this that the residuals follow a normal distribution. In addition to this, the standard deviation of the residuals is 0.912, and the mean of the residuals is extremely close to 0. This suggests that there are no large outliers in the residuals and that they are uniformly distributed around the mean.

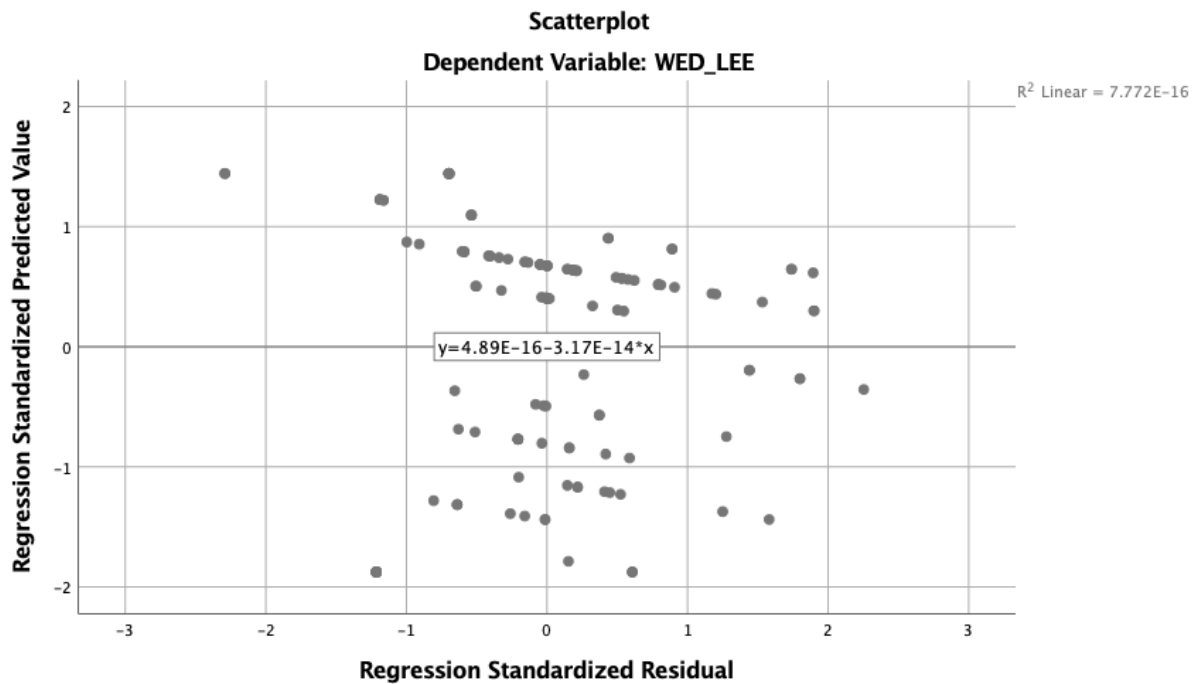
Graph 3.2



Assumption of normality and homogeneity of variance is validated by the graph's depiction of the data. The assumption of normality looks at the distribution of the residuals, whereas the assumption of homogeneity of variance looks at the variance of the residuals. Both of these

assumptions are concerned with the residuals. The graph demonstrates that there is no relationship between the regression standardized residual and the residual, which is a suitable approach to evaluate either of these assumptions.

Graph 3.3



3.5 Model Summary in Regression Analysis:

The Model Summary table provides important information about the goodness of fit and overall performance of the regression model. This indicates the model number or iteration, which is typically relevant when we have multiple models to compare. The R-value (correlation coefficient) measures the strength and direction of the linear relationship between the independent variables and the dependent variable. In this case, R is approximately 0.987, which suggests a very strong positive linear relationship between the independent and dependent variables. R-squared is also known as the coefficient of determination. It represents the proportion of variance in the dependent variable that is explained by the independent variables in the model. An R^2 value of approximately 0.973 means that about 97.3% of the variability in the dependent variable is accounted for by the independent variables in the model. This indicates a very high level of explanatory power. The adjusted R^2 value takes into account the number of predictors in the model and adjusts R^2 accordingly. It penalizes the inclusion of irrelevant variables. An adjusted R^2 of approximately 0.962 is still quite high and suggests that the model remains a good fit even after accounting for the number of predictors. This represents the

standard error of the residuals, which is a measure of how well the model's predictions match the actual data points. A lower standard error indicates that the model's predictions are closer to the actual values. In this case, the standard error of the estimate is approximately 0.04392, which means that, on average, the model's predictions are expected to be off by about 0.04392 units from the actual values. Overall, the high R^2 value and the low standard error of the estimate suggest that the regression model is a very good fit for the data, indicating that it effectively explains and predicts the variability in the dependent variable based on the independent variables.

Table- 3.4

| <i>Model Summary^b</i> | | | | |
|----------------------------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .987 ^a | .973 | .962 | .04392 |

About Cluster Analysis

Cluster Analysis is a data analysis technique used in statistics and machine learning to group similar data points or objects into clusters or segments based on their characteristics or attributes. The goal of cluster analysis is to find natural groupings within a dataset, where items within the same cluster are more similar to each other than to those in other clusters. It is an unsupervised learning method, meaning it doesn't rely on predefined categories or labels but instead identifies patterns and structures within the data.

3.6 Importance of Cluster Analysis:

Cluster analysis is important for several reasons:

- **Pattern Discovery:** It helps reveal hidden patterns and structures within complex datasets, making it easier to understand and interpret the data.
- **Data Reduction:** By grouping similar data points, cluster analysis can reduce the dimensionality of a dataset, simplifying further analysis.
- **Segmentation:** It is widely used in marketing to segment customers based on their preferences, allowing businesses to tailor their products or services to different customer groups.
- **Anomaly Detection:** It can identify outliers or unusual data points that do not belong to any cluster, which can be valuable for detecting anomalies or errors.

- Image and Text Analysis: In fields like computer vision and natural language processing, cluster analysis is used for tasks such as image segmentation and document clustering.

3.7 Cluster Analysis Mathematical Process:

The mathematical process of cluster analysis involves defining a distance or similarity metric between data points and then applying clustering algorithms to group data points based on this metric. Common distance metrics include Euclidean distance and cosine similarity. The process typically consists of the following steps:

- Data Preparation: Collect and preprocess the data, ensuring it is in a suitable format and that missing values or outliers are handled appropriately.
- Similarity or Distance Calculation: Compute the similarity or distance between each pair of data points, creating a distance matrix.
- Clustering Algorithm Selection: Choose a clustering algorithm based on the data's characteristics and the goals of the analysis. Common algorithms include k-means, hierarchical clustering, and DBSCAN.
- Clustering: Apply the chosen algorithm to partition the data into clusters. The number of clusters may be predetermined or determined by the algorithm.
- Interpretation and Evaluation: Interpret the results, examine the quality of the clusters, and evaluate the validity of the clustering solution using appropriate metrics.

The specific mathematical details vary depending on the chosen algorithm and distance metric, but the general process involves these fundamental steps to group similar data points into clusters.

3.8 Cluster Analysis Interpretation:

Initial Cluster Centers:

The initial cluster centers indicate the starting points for the cluster analysis. These values serve as the basis for the iterative process of forming clusters. In this case, Cluster 1 (Cumilla & Bogra) starts with an initial center of 0.71, and Cluster 2 (Dhaka & Chittagong) begins with an initial center of 1.47. These values provide the algorithm with a reference point from which it refines and assigns data points to clusters based on their similarity.

| <i>Initial Cluster Centers</i> | | |
|--------------------------------|---------|------|
| | Cluster | |
| | 1 | 2 |
| WED-LEE | .71 | 1.47 |

3.9 Iteration History:

The iteration history table is essential for understanding the algorithm's convergence. It records the changes in cluster centers across iterations. In the first iteration, both clusters experienced changes in their centers. However, by the second iteration, no further changes occurred, indicating that the algorithm had reached convergence. The maximum absolute coordinate change of 0.000 suggests that the cluster centers stabilized. The minimum distance between the initial centers, 0.752, indicates the starting separation between the clusters.

| <i>Iteration History^a</i> | | |
|--------------------------------------|---------------------------|------|
| Iteration | Change in Cluster Centers | |
| | 1 | 2 |
| 1 | .188 | .133 |
| 2 | .000 | .000 |

3.4 Final Cluster Centers:

The final cluster centers represent the cluster centroids after convergence. Cluster 1 has a final center of 0.90, while Cluster 2 has a center of 1.33. These values are the result of the clustering algorithm's efforts to group data points based on similarity, and they provide insight into the central tendencies of the clusters.

| <i>Final Cluster Centers</i> | | |
|------------------------------|---------|------|
| | Cluster | |
| | 1 | 2 |
| WED-LEE | .90 | 1.33 |

ANOVA Table:

The ANOVA table examines the variance in the variable WED_LEE across the identified clusters. The highly significant F-statistic (702.141) and a p-value of 0.000 indicate that there are substantial differences in the mean values of WED_LEE between the clusters. However, it's important to note that the analysis was designed to create clusters that maximize differences among cases, and the p-values should be interpreted cautiously, as they do not test the hypothesis that the cluster means are equal but rather provide descriptive information about the differences among clusters.

| ANOVA | | | | | | |
|---------|-------------|----|-------------|-----|---------|------|
| | Cluster | | Error | | F | Sig. |
| | Mean Square | df | Mean Square | df | | |
| WED-LEE | 5.919 | 1 | .008 | 138 | 702.141 | .000 |

3.4.1 Number of Cases in each Cluster:

This table reveals the distribution of cases among the identified clusters. Cluster 1 (Cumilla & Bogra) contains 50 cases, while Cluster -2 (Dhaka & Chittagong) comprises 90 cases, totaling 140 valid cases. There are no missing cases in this analysis, ensuring that all cases are accounted for in the clustering.

| <i>Number of Cases in each Cluster</i> | | |
|--|---|---------|
| Cluster | 1 | 50.000 |
| | 2 | 90.000 |
| Valid | | 140.000 |
| Missing | | .000 |

In summary, the cluster analysis successfully grouped cases into two distinct clusters based on the variable WED_LEE. The clusters were well-defined and demonstrated differences in the means of WED_LEE, although it's crucial to remember that these clusters were formed with specific objectives in mind, primarily for descriptive purposes.

3.4.2 Concluding remarks or final message to the researcher:

In conclusion, the cluster analysis conducted on the provided data has yielded valuable insights into the grouping of cases based on the variable WED_LEE. The analysis successfully identified two distinct clusters, each with its own set of characteristics and central tendencies. These clusters were formed with the intention of maximizing differences among cases, and as such, they serve as a useful tool for descriptive purposes.

It is worth noting that certain variables, such as educational qualification, knowledge of the Light Engineering business, constraints in materializing R&D results, and market demand, have shown significant impacts on the formation of these clusters. These findings provide valuable directions for further investigation and strategic decision-making.

However, it's important for the researcher to keep in mind that the clusters were created with specific objectives and may not necessarily represent causal relationships. The statistical significance observed in the ANOVA tests reflects the differences between clusters but should be interpreted cautiously, as it doesn't test the hypothesis that cluster means are equal.

In moving forward, the researcher may consider exploring the practical implications of these clusters, such as tailoring business strategies, marketing efforts, or resource allocation to better serve the unique needs of each cluster. Additionally, further research and analysis can delve deeper into understanding the underlying factors contributing to these cluster formations.

Overall, this cluster analysis serves as a valuable starting point for gaining insights into the data and can guide future research and decision-making processes. It highlights the significance of certain variables in influencing cluster formations and opens avenues for exploring how these insights can be applied for better business outcomes and strategic planning.

In conclusion, it is understood from Cluster Analysis that Cluster -1(Cumilla& Bogra) has almost homogeneous characteristic and better position in terms growth of Women Entrepreneurship in Light Engineering Sub Sector of SMEs in comparison with Cluster-2(Dhaka & Chittagong) and its substantial reasons are as follows:

- i) In Cumilla and Bogra districts(Cluster-1) Supporting services like financing, monitoring, group synergy effects, societal influence are positive because of its long history of Light Engineering industry and societal awareness programmes . Moreover, cluster-1 has skilled labour source due to its long historical backbround of LEE.
- ii) On the other hand, Dhaka and Chittagong districts (Cluster-2) are main two districts, Dhaka district is densely populated district and industrial establishing cost is very high,and

government policy is to improve its pollution level. Due to this reason, government policy support, Dhaka district did not get much importance for Light Engineering industry. On the other hand, Chittagong district is historically important for port city and its has the advantages of setting up heavy industrial establishment in maximum level. On the other hand, Women Entrepreneurship Development in Light Engineering sub sector of SMEs did not develop considerably due to the societal outlook of Chittagong people. Traditionally, Chittagong people are more conservative and due to that reason, society of Chittagong discourages Women to become Entrepreneurs. However, now a days, due to government policy support for Light Engineering sub sector of SMEs, Women Entrepreneurs backed by male from the family are encouraging and in future, more WE will be developed in Light Engineering sector.

3.4.3 Light Engineering Industry Sector:

The sample survey with a questionnaire made for the Women Entrepreneurs is conducted in the light engineering sub sector of SMEs of the country. The LEEs are established on and around the country with the emergence of 25 clusters in 25 districts. Although it is stated in the IPs of the country that the sector has got importance significantly, the reality is that the sector still stays with infancy. Most of the enterprises are on the road side and their operation goes on in an adverse environment. The infrastructure level of the sector is poor and the artisans have very minimum formal technological knowledge. The machineries used in the enterprises are old, conventional and semi- modern. Strictly speaking, in the era of globalization and high technology, the tools and techniques are almost obsolete. In the production process, the application of Atomic Absorption Spectrometer for material testing is still absent and a very insignificant number of enterprises use conventional chemical analytical laboratories for material testing¹. The SMEs in most cases do not have any formal office management System.

The sector significantly contributes to GDP of the economy through creating employment, producing import substitute products and increasing export volumes now. The sector is not only crucial for value addition but also necessary for the successful continuation of industrial process as it supplies the most proportion of capital machineries of almost all other industries of an economy. Even it is an important segment of the economy due to the labour intensive nature of the industry and that's why, the sector claims investment injection so that the workforce remained idle in the economy get better opportunity to be employed. Although it is heard that the government has taken various initiatives, say, trade liberalization, financial sector reform, institutional reforms, etc., but the investigation at grass root level does not prove it.² It is true that the country will have to wait to yield fruit and in the mean time, the export growth of the sector is increasing. Field level inquiry into the gamut of the sector gives the understanding that effective government intervention Ahead of the policy measures is necessary. More institutional, legal and

policy measures, and proper mentoring and monitoring to realize all reforms along with huge finance are a must for the expansion of the sector. Light Engineering Industry is one of the important sub sectors of SMEs in the country, it is such a segment of production that provides capital machineries and spares to all industries including it. It is envisaged as thrust sector in both IP' 2016 and IP¹ 2022 while in the Export Policy 2018-21, it gets highest priority. SME Foundation also emphasizes on this sector treating it as one of the booster sectors. Every thing is true but each of the steps is just taken in pen and paper under the umbrella of bureaucroreacy and political robbery.

1. International Trade Centre, *A Strategy for Deveìoping the Light Engineering Sector in Bangladesh*, A paper preparaci under Bangladesh Quality Support Programma Component 2 and funded by the European Union, August 2018, p. 18.

² *Ibd.*, p. 15.

One of the prime clusters is emerged in Dhaka where the SMEs of the sector mainly have concentration on the productions of capital machinery, bicycle, construction of equipments and spare parts of automobiles, industries, mills and maintenance works etc. Bogra is another important place where 60 percent agricultural equipments of total demand of the country are being produced under Light Engineering sector. Besides these, foundry, spare parts of industries, cylinder, and maintenance work are also being produced and provided at a large scale. The Women Entrepreneurs of this area are now creating hope to export their products abroad. About six thousand artisans and workers are employed directly while about 3 or 4 lacs people of this area are involved with its various types of functions of this sector. On the north end of the country, the SMEs of the sector concentrate their productions of spare parts of automobiles, railway, industries and maintenance work while on the south east end, they also produce spare parts of automobiles, industries and maintenance work along with the activities of ship breaking. More concentration is found on the production of spare parts of industries and maintenance work in and around Bogra. On the south-west end of the country the SMEs produce especially spare parts of industries and provide maintenance works.

A number of measures have been taken for the development of the sector. In the IPs' 2016 and 2022, the sector is envisaged as the thrust sector due to its importance in the economy. The government declared the sector as the highest priority sector in the Export Policy 2018-21 along with 10 percent cash incentives given for stimulating its export volume. She has also formed 'Light Engineering Product Business Promotion Council (LEPBPC) under the MoC in the light of industry and export policies for its overall development. SME Foundation after its inception is working to have National Action Plan for accelerating its technological upgradation and transfer through arranging Expert Consultation Meeting. Recently, Japan International Cooperation Agency (JICA) is also conducting research for its development Ahead of the necessity of the sector as it supplies spares, equipments and machineries to other important Industries of the country. Abreast of this, International Trade Centre (ITC) has also finalized Light Engineering Vision Document which is going to be realized from 2008 through having diagnosis. Mol has included the sector in the "Skills Development Project" financed by ADB. Simultaneously, BUET, BITAC, BISCIC, SEDF, CATALYST are also the important agencies which are working for human resource development, capacity building, increasing market facility, upgrading technical skills and introducing modern technology in the country.

3.4.4 Period of Establishment of the Enterprises Surveyed:

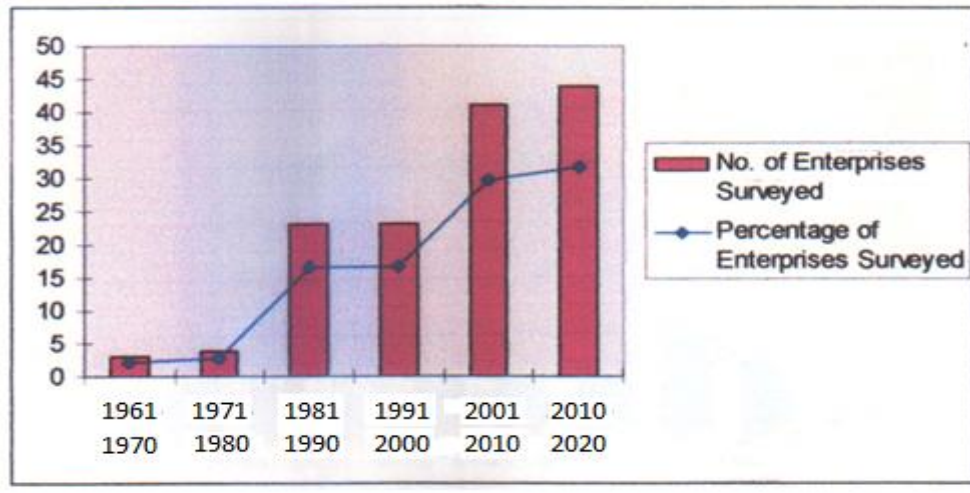
All of the enterprises surveyed are established after 1970. That is, from the beginning of the Bangladesh, these engineering workshops surveyed starts to grow up in the country. Table-3.5 and Figure 3.6 show that about 5.1 percent enterprises are established before the independence of the country. The rest 94.9 percent of these enterprises are established after the independence. About 16.7 percent enterprises get birth after 1970's and the same percentage of the enterprises surveyed grows up in the 2001 and 2010. It is also significant that most of the enterprises taken are established after 2010 (2011-2020).

Table 3.5 Period of Establishment of the Enterprises Surveyed:

| Period of Establishment | No. of Enterprises Surveyed | Percentage of Enterprises Surveyed |
|-------------------------|-----------------------------|------------------------------------|
| 1981-1990 | 23 | 16.42 |
| 1991-2000 | 25 | 17.86 |
| 2001-2010 | 45 | 32.14 |
| 2011-2020 | 47 | 33.57 |
| | 140 | 100 |
| | | |

Bouree: Field Survey.

Figure 3.6
Period of Establishment of the Enterprises Surveyed



Source: **Field Survey**

Table 2.1 also shows that the growth of SMEs is increasing gradually after independence of Bangladesh and its development trend is satisfactory.

3.4.5 Age of the Women Entrepreneurs Surveyed:

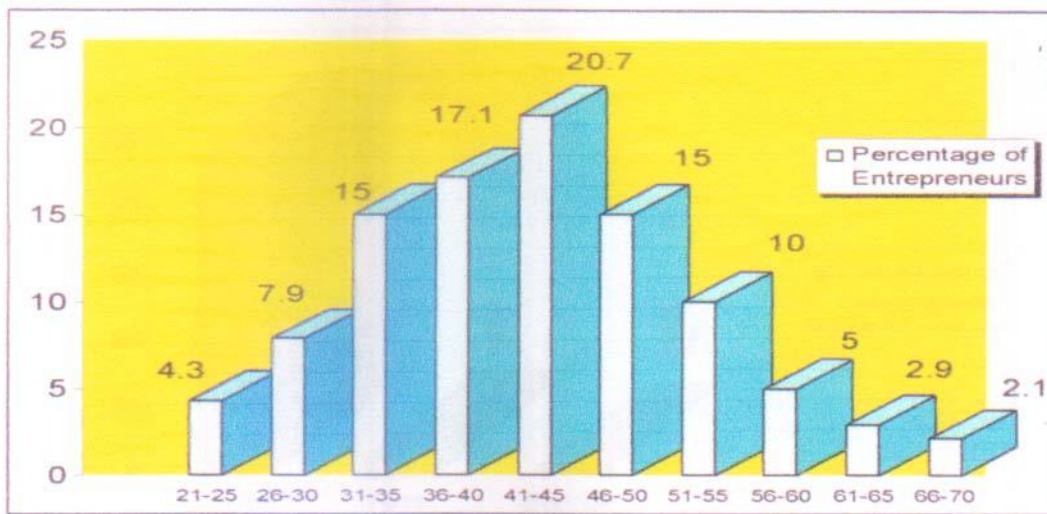
The study is conducted among 140 Women Entrepreneurs of Light Engineering Sub sector of SMEs. Their ages range from 20 to 70. Table-3.7 and Figure 3.8 show that the highest 20.7 percent respondents are of 41-45 years old. 77.8 percent Women Entrepreneurs remain between 30 and 55 years of age. The average age of the Women Entrepreneurs surveyed is 42.21.

Table 3.7
Frequency Distribution of Age of the Women Entrepreneurs Surveyed

| St No | Age | No. of Women Entrepreneurs (N= 140) | Percentage of Women Entrepreneurs | Mean |
|-------|-------|-------------------------------------|-----------------------------------|-------|
| 1 | 21-25 | 6 | 4.3 | 42,21 |
| 2 | 26-30 | 11 | 7.9 | |
| 3 | 31-35 | 21 | 15.0 | |
| 4 | 36-40 | 24 | 17.1 | |
| 5 | 41-45 | 29 | 20.7 | |
| 6 | 46-60 | 21 | 15 | |
| 7 | 51-55 | 14 | 10 | |
| 8 | 56-60 | 7 | 5 | |
| 9 | 61-65 | 4 | 2.9 | |
| 10 | 66-70 | 3 | 2.1 | |

Source: **Field Survey.**

Figure 3.8
Distribution of Age of the Enterprises Surveyed



Source: Field Survey:

3.4.6 Distribution of Women Entrepreneurs from Religion Perspective

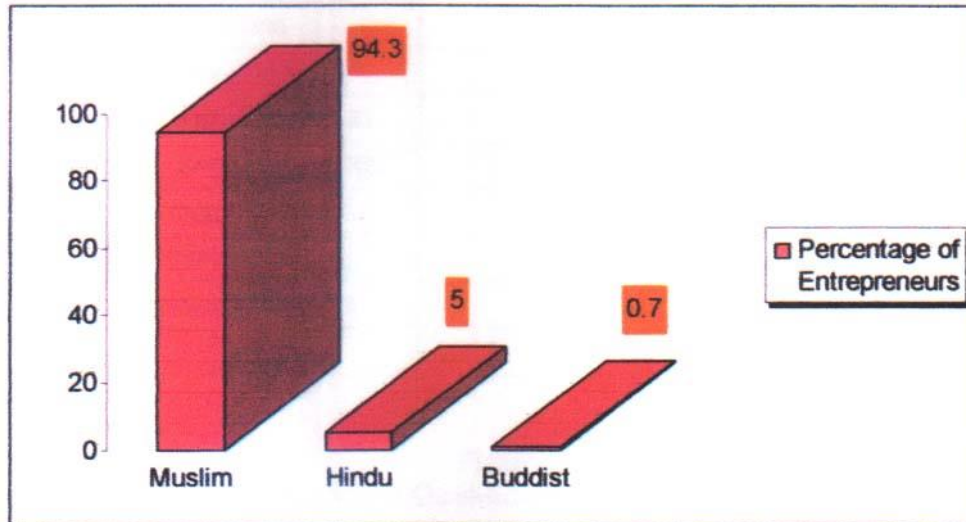
The people of the country are of different religions though most of them are Muslims followed by the Hindus. Then Buddhist, Christian and different endogenous people are also living here as the minorities of the country. But, in this study, Women Entrepreneurs surveyed are of only three religions. Table-3.9 and Figure 3.4 show that about 94.3 percent Women Entrepreneurs are Muslim while Hindu are 5 percent Only one man of the Women Entrepreneurs surveyed is Buddhist.

Table 3.9
Distribution of Women Entrepreneurs from Religion Perspective

| SI No. | Response Category | No. of Women Entrepreneurs | Percentage of Women Entrepreneurs |
|--------|-------------------|----------------------------|-----------------------------------|
| 1 | Muslim | 132 | 94.3 |
| 2 | Hindu | 7 | 5.0 |
| 3 | Buddhist | 1 | 0.7 |
| | Total | 140 | 100 |

Source Field Survey.

Figure 3.4
Distribution of Entrepreneurs from Religion Perspective



Source: Field Survey,

It implies that the lion's share of SMEs in the LEE sector is possessed by the Muslim Women Entrepreneurs though the study is conducted purposively with respect to the 'Small and 'Medium' categories of the LE enterprises. Religion perspective has not been considered in its purposive sampling. This study is conducted in and around the hubs of LEEs at Dhaka, Comilla and Bogra where no tribal people and Christians are found as owner of such enterprises.

3.4.7 Educational Qualifications of the Women Entrepreneurs Surveyed

The number of Women Entrepreneurs surveyed is 140. Most of them have educational qualification below higher secondary level*. Table-3.4.1 and Figure 3.4.2 show that about 15.71 percent Women Entrepreneurs are illiterate and 15.0 percent have primary level education. About 33.57 percent Women Entrepreneurs have read up to class X and 15.71 percent are with higher secondary level education. That is, about 80 percent Women Entrepreneurs do not take higher education. About 12.86 percent SME owners have graduation degree while 5.72 percent have post graduation. About 5.72 percent Women Entrepreneurs take technical and vocational education. It implies that most of the SME Women Entrepreneurs of LES are not technically educated and even a very insignificant number of them take technical and vocational degree.

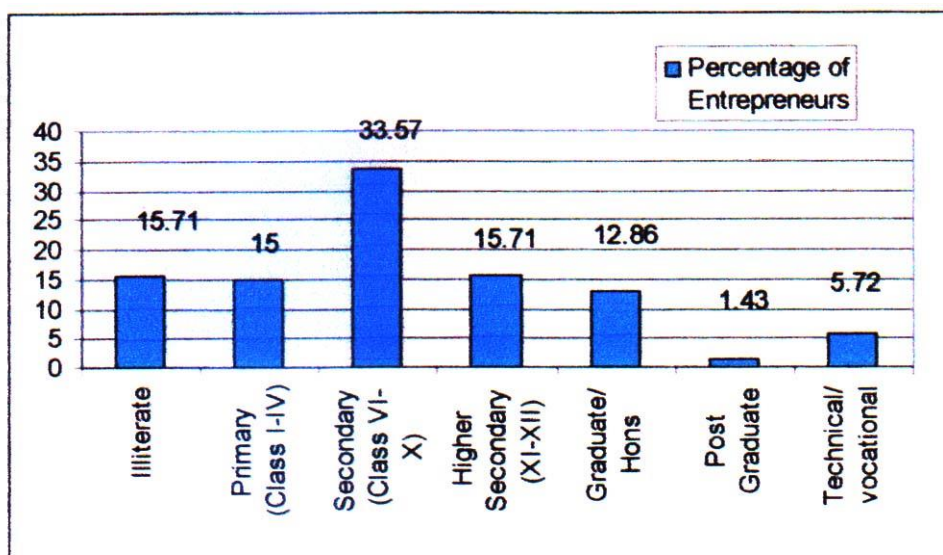
Table 3.4.1 Distribution of Educational Qualification of the Women Entrepreneurs Surveyed

| a. NO. | Educational Qualification | No, of Women Entrepreneurs | Percentage of Women Entrepreneurs |
|--------------|---------------------------|----------------------------|-----------------------------------|
| 1 | SE/Illiterate | 22 | 15.71 |
| 2 | Primary (Class I-V) | 21 | 15.0 |
| 3 | Secondary (Class V-X) | 47 | 33.57 |
| 4 | Higher Secondary (X-XII) | 22 | 15.71 |
| 5 | Graduate/ Hons | 18 | 12.86 |
| 6 | Post Graduate | 2 | 1.43 |
| 7 | Technical/ vocational | 8 | 5.72 |
| Tota! | | 140 | 100 |

Source: Field Survey.

Figure 3.4.2

Distribution of Educational Qualification of the Women Entrepreneurs Surveyed



Source: Field Survey

3.4.8 Educational Qualification of the Respondents of FIs

Most of the operational officers in the FIs are highly qualified. Table-3.4.3 shows that only 1 respondent passes SSC. The number of respondents passed HSC is 4. Graduate and post graduate respondents are 11 and 28 respectively. Technical education is taken by only one person. That is, about 62.22 percent operational officers surveyed have post graduation degree. It is also mentionable that those respondents taken SSC and HSC degrees are the officers of the NGOs, cooperatives and Grameen Bank etc.

Table 3.4.3 Distribution of Educational Qualifications of the Respondents of FIs:

| SI. No. | Educational Qualification | No. Respondents | Percentage of Respondents |
|---------|---------------------------|-----------------|---------------------------|
| 1 | Ssc | 1 | 2.2 |
| 2 | HSC | 4 | 8.89 |
| 3 | Graduate/ Hons | 11 | 24.44 |
| 4 | Post Graduate | 28 | 62.22 |
| 5 | Technical Education | 1 | 2.2 |
| Tota! | | 45 | 100 |

Source: Field Survey.

3.4.9 Types of Enterprises Surveyed:

Two kinds of enterprises are surveyed for this study in the LE sector of the country. These are small enterprises and medium enterprises. Table-3.4.4 and Figure 3.4.5 show that the number of small enterprises surveyed is 117 and it is 23 for medium enterprises. That is, 83.57 percent enterprises are small and 16.43 percent are medium enterprises. Mere only manufacturing enterprises are surveyed where the 'Small' and 'Medium' categories are determined according to investment volume.

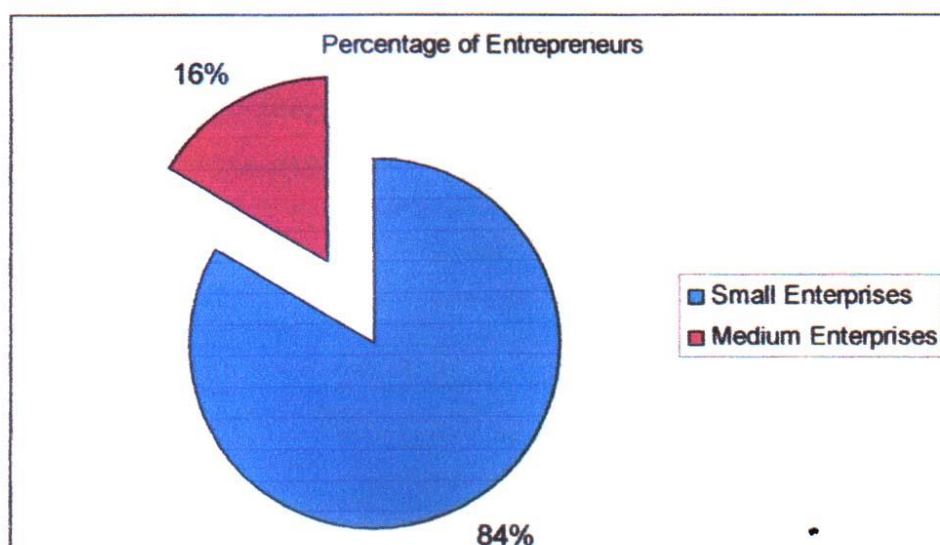
Table 3.4.4 Types of the Enterprises Surveyed:

| SI. No. | Type of Enterprises | No. of Enterprises (N=140) | Percentage of Women Entrepreneurs |
|---------|---------------------|----------------------------|-----------------------------------|
| 1 | Small Enterprises | 117 | 83.57 |
| 2 | Medium Enterprises | 23 | 16.43 |

Source: Ftd Survey.

Figure 3.4.5

Types of the Enterprises Surveyed



Source: Field Survey

3.5 Distribution of the Officiate of FIs Surveyed

The researcher selects 16 FIs of the country purposively for sample survey. The respondents are taken from 45 branches of those FIs. These branches are situated in Dhaka, Chittagong, RajshAlli, Comilla, B. Baria, Peni, and Laxmipur. The prime four banks such as BRAC Bank Ltd., Sonall Bank Ltd, National Bank Ltd., and Dutch-Bangla Bank Ltd. get priority in this survey. Maximum 16 branches of BRAC Bank Ltd. are envisaged as samples for the survey followed by Sonall Bank with its 7 branches. Besides these, one branchi of Grameen Bank, 2 branches of NGOs and one branch of a cooperative society are also taken in the sample survey. Although it is recognized that Grameen Bank, NGOs and cooperative societies provide microfinance these organizations are now scalling up their finance from microfinance to SME finance. At present, the PCBs are especially giving priority SME finance compared to that of the other FIs of the country. Bangladesh Bank as the controlling authority of the FIs are now making compulsion on them to provide SME finance at a certain rate under the various schemes undertaken for this purpose.

Table 3.4.6 Distribution of the Officiate of FIs Surveyed

| SI. No. | Nameof the FIs | No. of the Officials Surveyed | Percentageof the Officials Surveyed |
|---------|------------------------------------|-------------------------------|-------------------------------------|
| 1 | National Bank Ltd. (NBL) | 3 | 6.67 |
| 2 | BRAC Bank Ltd (BBL) | 16 | 35.56 |
| 3 | Sonall Bank Ltd. | 7 | 15.56 |
| 4 | Prime Bank | 1 | 2.22 |
| 5 | Al ArafAll (slami Bank | 2 | 4.44 |
| 6 | Dutch-Bangla Bank Ltd. (DBBL) | 3 | 6.67 |
| 7 | IFIC Bank | 1 | 2.22 |
| 8 | AB Bank | 1 | 2.22 |
| 9 | Janata Bank | 1 | 2.22 |
| 10 | NCC Bank | 1 | 2.22 |
| 11 | Grameen Bank | 1 | 2.22 |
| 12 | Cooperative Society Ltd | 1 | 2.22 |
| 13 | Jamuna Bank | 3 | 6.67 |
| 14 | NGOs | 2 | 4.44 |
| 15 | Standard Bank | 1 | 2.22 |
| 16 | (slami Bank Bangladesh Ltd. (IBBL) | 1 | 2.22 |
| Total | | 45 | 100 |

Source: Field Survey.

3.5.1 Distribution of Executives, Scholars and Others Surveyed

This study selects those persons as respondents who are related to and familiar with the SME as well as the LEE sector of the country. Executives are taken for sample survey and interview from Mol, BB, BISCIC, SMEF, PCB and NCB. Mere, Table-3.4.7 shows that the number of executives taken is 10. Four scholars who are veteran in this field are taken as respondent. Simultaneously, business leaders of SMEs, successful Women Entrepreneurs and journalists are also taken for this sample survey. The researcher takes 25 sample respondents from this group in this survey.

Table 3.4.7 Distribution of Executives, Scholars and Other Concerned Persons

| SI. No. | Executives, Scholars and Others | No. of the Respondents |
|---------|---------------------------------|------------------------|
| 1 | Govt. Executives | 10 |
| 2 | Scholars | 4 |
| 3 | Concerned Business Leaders | 2 |
| 4 | Successful Women Entrepreneurs | 5 |
| 5 | Concerned Journalists | 2 |
| 6 | Banker (Executive) | 2 |
| Total | | 25 |

Source: Field Survey.

3.5.2 Conclusion

All basic information on SMEs as well as LEEs are given here in details as the study intends to have an investigation into some specific issues of SME financing. Abreast of this, other basic information regarding the sample survey conducted for the research is given in details so that the readers can get a justification of the survey. The background of the study is built up with such information collected through questionnaire survey.

Chapter 4

Present Scenario of Financing SMEs in Bangladesh

4.0 Introduction:

The people of Bangladesh are creative in and capable of having innovation in manufacturing activities with their heritage and tradition for hundreds of years especially in textile, navigation and other diversified handicrafts. They have the abundance of cheap labour, agricultural raw materials, metals from ship-breaking (for light engineering production) and a huge number of youths with dormant potentials. The country also has endeavour in her state policies and planning from last thirty years to nurse and flourish small industries as well as SMEs though it is yet to be yielded with expectation due to some causes. Financing is significantly one of them. The developed countries, say, Japan, Germany, and South Korea have designed a variety of products, packages and services for easing SME financing and reducing its lending cost. Bangladesh is also now striving for reaching at an expected level through designing fresh policy strategies like other developing countries. The chapter includes historical background of SME financing, existing financial System of financing and monitoring of the sector, and the current status of SME finance of the country. The chapter is written based on secondary/ sources.

4.1 Historical Perspective of SME Financing:

The endeavour is started from the then government since 1957 when East Pakistan Small Industries Corporation (EPSIC) had been established to assist Small Scale Industries (SSIs), though the amount was only about Tk. 0.75 million. Abreast of this, Pakistan Industrial Credit and Finance Corporation (PICFC) established at private sector that could provide credit to SMEs up to Tk. 2.5 million at that time. Other FIs including Investment Corporation of Pakistan (ICP), Export Promotion Fund (EPF) and National Investment Trust (NIT) mainly concerned about the large enterprises had role for SME financing indirectly. Informal money market, relatives and the cooperative banks were the sources of funds in this sector. All other financial institutions along with Industrial Development Bank of Pakistan (IDBP) were not favourable in financing SSIs of East Pakistan¹. A significant level of growth in the number of financial institutions and programmes for small enterprises has had but a very insignificant proportion of the total number of them has been covered by such programmes². During that period, the vital role of SMEs is recognized but, in fact, there was no policy base for, though a favour was gone to large enterprises³. Then the financial institutions are not grown up well to finance this sector along with necessary support services.

In independent Bangladesh, the government establishes two specialized financial institutions named Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Shangstha (BSRS) while Investment Corporation of Bangladesh (ICB) started in 1976 is to provide equity finance and debenture investment for medium and large enterprises. In place of EPSIC, Bangladesh Small Industries Corporation (BSIC) is formed for the flourishing of SCIs providing a variety of facilities including investment up to Tk. 2.5 million. In 1975, Bangladesh Cottage Industries Corporation (BCIC) is set up envisaging the potentials of small and cottage enterprises paying priority to that of rural localities. Subsequently, BCIC and BSIC get single identity named Bangladesh Small and Cottage Industries Corporation (BSCIC). In 1974, Bangladesh Handicrafts Marketing Corporation (BHMC) is established to provide marketing assistance to SSIs sector under the shadow of BSCIC's monitoring activities.

In the 1980s, a few banks and NBFIs are established of which BASIC Bank Ltd., Micro Industries Development Assistance Society (MIDAS), Micro Enterprise Development Organization (MEDO) are important ones. In the 1990s, Small Enterprise Development Project (SEDP) starts functioning under the supervision of BB through the finance programmes of Uttara Bank Ltd. and NORAD. SEDP supplies loans to the Industrial Women Entrepreneurs through operating credit programmes. One is District Development Credit Line (DDLC) and the other is Innovative Industries Credit Line (IICL). From that time, some NGOs like Grameen Bank, BRAC, and KARITAS are also contributing in financing SMEs as well as small enterprises.

After the emergence of Bangladesh establishment of large scale industries through state ownership with a view to realizing socialism taken in the constitution as one of the four fundamental principles of the state influence the sector. The Industrial Policy 1972 was also made following that creed of the constitution. The subsequent Industrial policy is framed in 1975 where private ownership is encouraged enough in industrialization process of the country. Then the Industrial Policy 1978 is also to pave the way of private Women Entrepreneurship but SMEs did not have so flourishing. The Industrial Policy 1982 undertakes more programmes than before to promote and stabilize the privatized industrialization. But the SME sector, in fact, gets priority status for its development in the Industrial Policy 1986 where some special incentives including financial policy measures are taken for SMEs. This policy revised for times up to 1992 which states to open up window for SME financing by FIs (banks and others) that must provide fund from their resources for small enterprise development. Debt-equity ratio is determined as 80 percent with the probability of introducing Credit Guarantee Scheme under the joint effort of BSCIC and Shadharan Bima Corporation (SBC).

¹ Momtaz Uddin Ahmed, *The Financing of Small Scale Industries: A Study of Bangladesh and Japan* (Dhaka: University of Dhaka, 1987), pp. 36-37.

² Dr. Jallangir H Sarder, *Small Enterprise Development in Bangladesh* (Dhaka: Dhaka University Publication Bureau, 2000), p. 39.

³ *Ibid* .,p.40.

It is also stated in this declaration that the banking System will provide fund for reviving the morbid SMEs and for enhancing subcontracting. BSCIC that is empowered indeed in this policy gets right to provide financial assistance to some thrust sectors of SMEs with drawing special attention to women, educated youths, skilled technical personnel, engineers, wage earners and their dependents. Almost all kinds of institutional loans to be monitored by BSCIC are stated in the policy. Finally, this policy states that special credit programmes will be stimulated easing the procedural and collateral hurdles.⁴ According to the Industrial Policies declared, in the 80s and the 90s, the mainstream credit policies did not defend small enterprise financing though there was a compulsion for all commercial banks that they had to lend 5 percent of their investable funds to the small enterprise sector. Foreign aids received from donor agencies and local funds constitute the flow of SME finance under BB contrai. Then some institutions such as, BSCIC, MIDAS, and Small Enterprise Development Project (SEDP) play role in financing private sector SMEs. Although, all these policies have contained the goods for SME development, the real picture was not satisfactory because of flaws having in the lending operations of the Fls. Up to 1990,

these loan programmes were unable to meet the requirements of two-third clients of total SME Women Entrepreneurs⁵. After 1990, about Tk.4,932.2 million is made available as credit under 19 different credit programmes. In the year 1997-1998, a total of 24082 small and cottage enterprises get approval of financial assistance under 25 credit. programmes and then the actual amount of loans disbursed is Tk. 728.79 crore⁶.

In the Fifth Five-Year Plan and the socioeconomic policy of the government, it has given priority in developing small and cottage industries as well as SME sector. Then allocations of Tk. 1,089.89 million and Tk. 125,246.97 million were made to the public and private sectors respectively for promoting the small enterprise sector so as to raise its contribution to 8.5 per cent of GDP within 2022⁷.

The World Bank (WB) has undertaken SME lending projects since 1973 in Latin America, Africa, Europe and South Asia aiming at achieving economic growth, increasing employment and alleviating poverty in the recipient countries⁸.

⁴ Dr. JAllangir H. Sarder, pp. 72-74.

Although SME sector is so potential in the country, institutional finance is meagre to accelerate investment while family, friends and informal sources are to contribute to its scant of flourishing. Banks and Financial Institutions (FIs) having no eagerness to provide finance are still now contributing insignificantly though a few institutions, say, BASIC Bank, BRAC Bank are claiming that they have extended their programmes much in this regard. But the real scenario found from a study conducted by Khallli is that about 65 percent Women Entrepreneurs of the sector establish SMEs at their own residences; more than 50 percent of them do not apply for institutional loans while about 45 per cent could hardly be able to achieve the less than required amount of bank loan. He also has showed that only 16 percent of those who apply for institutional credit get the amount they have wanted, 29 percent could avail themselves of the facility partially and the rest 28 percent do not avail⁹. All kinds of commercial banks and FIs, in fact, disburse loan to their clients on the basis of ownership of collateral which can obviate risk of payment and in this regard, large scale industries are favoured by them since they have difference in scoring credit.

But only about 15 to 20 percent Women Entrepreneurs of SMEs are able to pay such surety for which financial institutions become affirmative and the lion's share of SMEs are deprived of formal finance¹⁰. Before 2005, most of the amount of finance goes to large enterprise sector and a little was for the SMEs. From that year, the SME sector gets momentum with the fund of \$30 million under Small and Medium Enterprise Sector Development Program (SMESDP) of BB¹¹.

In Industrial Policy 2022, SMEs get importance to create employment opportunities, eradicate poverty and enhance economic growth Ahead of the targets set in MDGs and PRSP. Here, the government declares to provide financial support for establishing SMEs with an encouragement to develop Women Entrepreneurship in cooperation with the institutions established under the Mol, such as BSCIC, BITAC, BIM, NPO, and SCITI.¹² According to this policy, Ministry of Industry together with the efforts of Bangladesh Bank (BB) has been undertaking various measures to increase the volume of investment collecting funds from the International Agencies, say, WB, IFC, MICA and ADB. Bangladesh Bank in collaboration with Mol has efforts to have administrative, legal and policy reforms in the financial institutions so that the SME sector can agglomerate huge finance at reasonable rates of interest. But, strictly speaking, now the sector has little of progress. From a study, it is projected that if the country wants to create jobs for her 25 million entrants in this sector, she will require about BDT 1,842 billion whereas the present reality is noi of pleasure¹³. But it is hopeful that the policy makers and other concerned personnel who could have drawn attention to this sector for its huge employment opportunity have now initiated multifarious programmes along with providing

⁵ *Ibid.*, pp. 84, 138. * *Ibid.*, pp. 138-139.

⁷ ARO, *SMEs in Competitive Markets*, p. 3. ⁸ Leila Webster, "Fifteen Years of World Bank Lending for Small and Medium Enterprises, Small Enterprise Development", *An International Journal*, Voi. 1, No. 1, 1990, p. 17. ⁹ M. A. Baqi Khallli, "Business and Carrier", *Daily Jai Jai Din*, 17 September 2006, p. 4.

finance through commercial banks and FIs on behalf of the government especially from 2002¹⁴.

Bangladesh is now trying to come out of her veil in determining policies regarding trade, commerce and industrialization, and meanwhile, she has liberalized trade policy, introduced privatization with free market economy. Of course, there was somewhat pressure from the donor agencies, such as WB, IMF, and ADB. As a result, the SME sector has to confront global competitiveness and simultaneously, it also has scopes in the economy.

increasing production using indigenous artisans, agro based environment friendly raw materials, ship breaking metals, cheap labours with having enhancement in connecting Women Entrepreneurs to global market. But, it is only possible when, at first, Women Entrepreneurs will be attached to low cost institutional finance.

10. Ayub Mia, *An Overview of SMEs in Bangladesh* (Dhaka: Ministry of Industry, 2006).

11. Mohammad Moniruzzaman Siddiquee, K. M. ZAllidul Tslam & Masud Ib'n RAllman, "Revisiting SME Financing in Bangladesh", *Daffodil International University Journal of Business and Economics*. Voi. 1, No. 1, July 2006, p. 77.

¹² *Industrial Policy 2005*, p. 21.

¹³ Abdul Awal Minto, "SMEs in Bangladesh", *CCAI Journal*, Voi. 1, 2006, p. 49.¹⁴ *Bangladesh Economic Review-2008*, p. 95.

4.2 Light Engineering Enterprise Perspective:

At present, about Tk. 80 thousands crore have been invested in this sector.¹⁵ The volume of export of this sector is increasing day by day though its import volume is also becoming high. Table-4.0 shows export-import figures of LES. The amount of exports is \$85 million and \$111 million for the years 2017-2018 and 2018-2019 respectively. In 2018-2019, the amount increased to \$237 million and then import has also increased to \$1929 million. It implies that the LEEs of Bangladesh have potentials and those gradually can decrease import volume through producing import substitute goods and services. Bangladesh exports Light Engineering products abroad worth of \$236.91 million but its global demand is worth of \$6 trillion.¹⁶ It also implies that the volume of export of LEI products can be increased through the accumulation of huge finance in this sector. But, no special finance facility is available for Light Engineering Enterprise Sub Sector (LES) in the country's financial system. Only one programme named 'Sector Development Business Services (SDBS) programme financed by foreign fund provides loans and other support services to this sub sector along with Agri-business and RMG sub sectors of SMEs. Besides, the existing financial system of the country provides finance to LES like all other sub sectors. Most of the light engineering enterprises are basically funded by informal sources, say, self, family, friends, relatives and money lenders. Complex procedures of getting loan from the FIs, collateral problem, FI's reluctance in providing SME loan etc., are the impediments in the way of institutional finance for LES.

Table 4.0
Export and Import of Light Engineering Products:

| Year | Export (million US \$) | Import (million US \$) |
|-----------|------------------------|------------------------|
| 2016-2017 | 85 | 1211 |
| 2017-2018 | 111 | 1458 |
| 2018-2019 | 237 | 1929 |

Source: Bangladesh Economic Review-2020, cited from the paper 'Problems and Potentials of Light Engineering Industry' written by Abdur Razzaque, director of SN/JEF.

15. IBIBP. 4.

16 Abdur Razzaque., pp. 1-2.

4.3 SME Assistance and Funding by International Agencies:

A very significant proportion of fund in this sector comes from entrepreneur himself, family members, relatives and friends. Besides, the formal financial sector comprises 15 commercial and specialized banks, three nationalized banks, 21 NBFIs and a number of cooperatives in the country. Some NGOs including The Grameen Bank and Bangladesh Rural Advancement Committee (BRAC) are also contributing to the financing of small and micro enterprises. Almost all of the FIs still now inculcate traditional attitude in lending to this sector negating small Women Entrepreneurs due to collateral problem. Simultaneously, a number of other constraints like high and compound interest rate, government policy, corruption etc., are pushing the sector aside. Nevertheless, the SME sector is moving forward and now deep rooted with the establishment of a desk by BB and opening up of a SME cell by Mol while another pivotal organization SME Foundation is also working in this respect.

4.4 International Agencies:

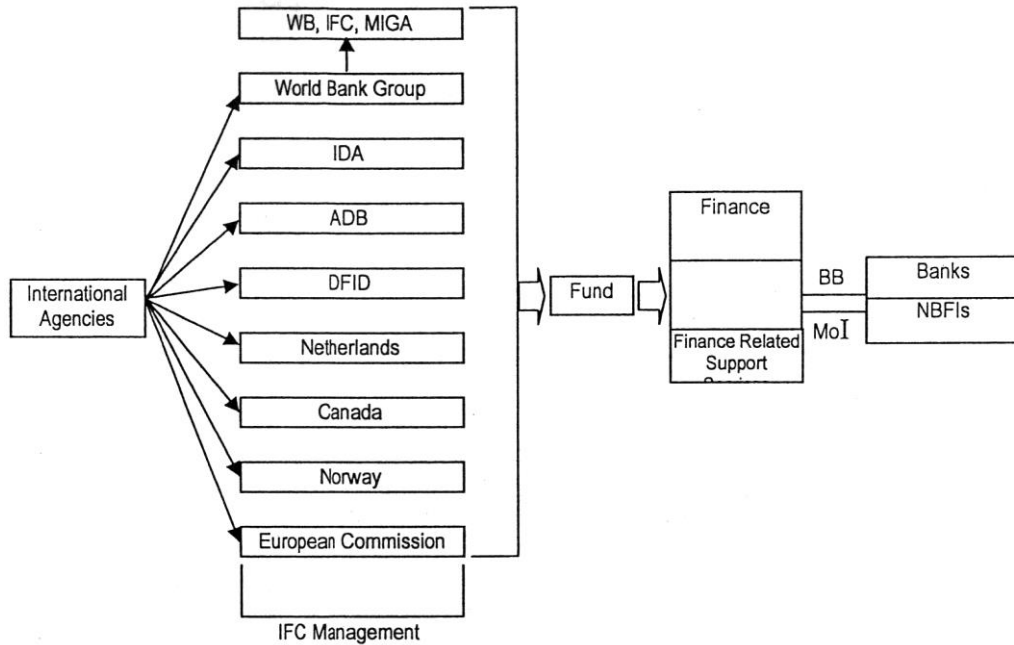
A number of international agencies, say, WB, ADB are assisting and funding the SME sector of Bangladesh. IFC, a Washington based private sector arm of the World Bank group that provides finance and advisory services with its micro and small lending department is working with a fund of about \$500 million for financing the institutions of the world. It provides 9 programmes including technical assistance and Advisory Services to the development of the SME sector. Its lending programme for SMEs is called South Asia Development Facility which is located in Dhaka. IFC has also five approaches for micro and small business lending. These are establishing Greenfield financial institutions, scaling up and transforming NGOs into formal financial institutions (FFIs), introducing micro and small business finance Windows in commercial banking, developing linkages between micro financial institutions (MFIs) and commercial banks, and creating Wholesale investment vehicles to provide capital to microfinance institutions¹⁷.

IFC in collaboration with Finance Ltd. and the Bangladesh Leasing and Finance Companies Association also introduces operating lease with a view to having access to finance of the SMEs for the country. This operating lease that will be SME friendly, collateral free and less expensive than traditional leasing, can be utilized for renting equipment, vehicles and technology required for everyday business. The Figure 4.1

shows the international SME assistance schematic model where the overseas financing process of this sector is depicted.

¹⁷ www.pksf-bd.org

Figure 4.1
International SME Assistance Schematic Model



Source: Researcher.

4.5 Types of Assistance a) SEDF:

Dhaka is the hub of the programme SEDF in operating its lending activities on a commercial basis to cover Bangladesh and north east India with an overall budget of about \$38 million where about 80 percent of its cumulative funding has gone to Bangladesh. Actually, it is a grant-based technical assistance co financed by a donor group consisting of DFID, IFC, Netherlands, European Commission, ADB, Canada and Norway; and managed by International Finance Corporation (IFC) that was initiated in 2003 as a private sector development programme with a view to eradicating poverty through upgrading SME sector. It is also not to provide funding or loan directly to the FIs or enterprises¹⁸.

¹⁸ Arne wig, FarAll Ghuznavi, Alf Morten, *Mid-Term Review of the Country Programme (MoU: 2003-2008) between Norway and Bangladesh* (Bergen, Norway: Chr. Michelsen Institute), p. 26.

b) A2F Programme:

Access to Finance (A2F) Program has been initiated to increase access to finance to SMEs so that they can do better performance and increase competitiveness that will in turn lead to economic growth and poverty reduction¹⁹. It provides support services to some selected FIs called Partner Financial Institutions (PFIs) to enhance capacity to serve SMEs. It helps innovate and stimulate new financial products including leasing facilities and services, such as, establishing SME departments within the banks in collaboration with BB. This programme also serves training facilities to local private and nationalized commercial banks in five core risk areas.

e) Sector Development Business Services (SDBS):

SDBS programme deals with service providers in the sector value chains to develop the major economic sectors of the country. Mere, the goals are achieved through partnership with lead firms, industry associations, financial institutions and business service providers. At present, it emphasizes on agri-business, light engineering (LES) and readymade garments (RMG).

d) Business-Enabling Environment (BEE):

The BEE programme is for identifying the problems the SMEs confront and provides means of intervention in promoting policy and regulation. Various studies such as Investment Climate Assessment and Doing Business are undertaken in this regard. The goal of this programme is to facilitate the irnpediments of business formation, efficient operations and expansion. It consists of five components such as (i) intra/ extra-regional trade; (ii) development of a policy and regulatory framework for SMEs; (iii) environmental and social responsibility business programmes in the sectors where SEDF is involved, (iv) gender; and (v) knowledge centres. With these components the BEE programme undertakes research on trade constraints, capacity building, and investment climate; and it makes reports on doing business. This programme also includes activities to have congenial business environment and to increase social responsibilities in flourishing business. It works to make the Women Entrepreneurs efficient in the SME sector. Training and «nproving access to finance, business information and services are also significant parts of its programme.

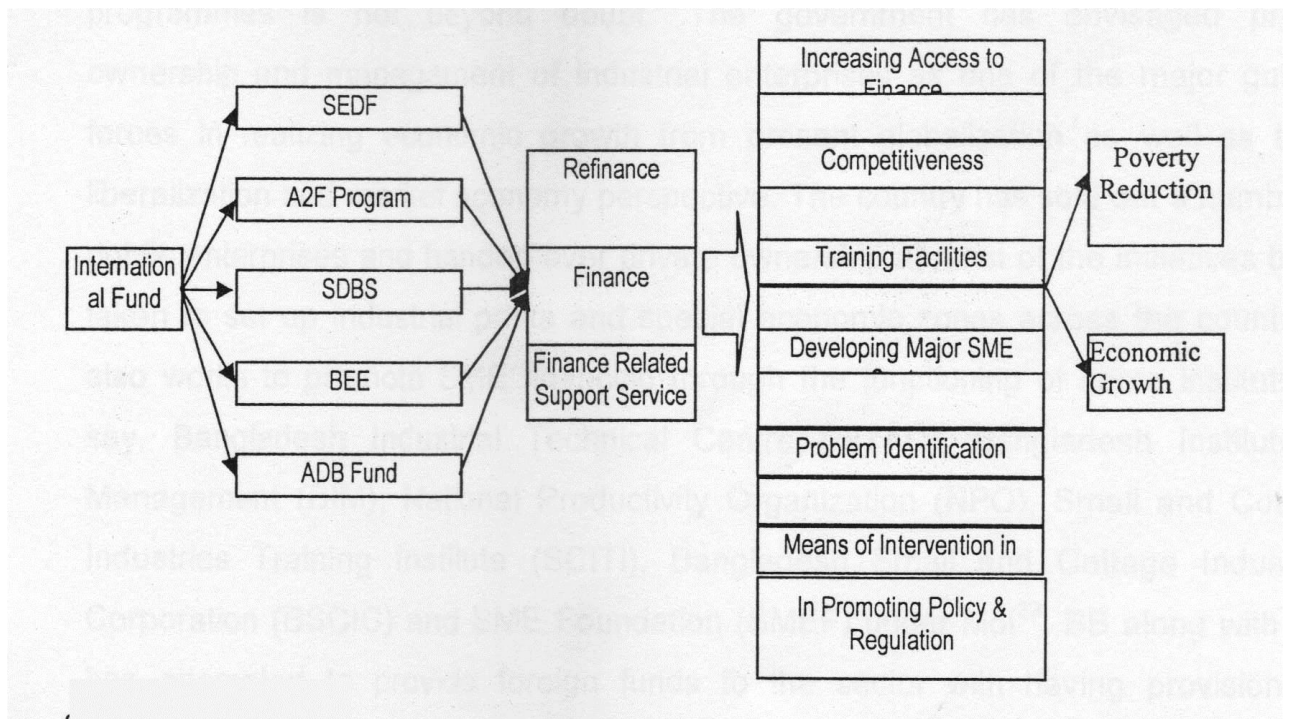
¹⁹ *ibid.*

e) ADB Fund:

Asian Development Bank (ADB) has also provided a fund of \$0.03b under a loan agreement with the government for financing this sector in Bangladesh. At present, about Tk. 1.90b has been refinanced under this fund up to end June 2008 against 1764 enterprises²⁰.

The Figure 4.2 shows International SME Assistance Programs Schematic Model that gives the total picture of various types of SME assistances provided by the donors and other agencies. Such types of programmes are launched for reducing poverty and increasing economic growth of the country through developing SME Women Entrepreneurship.

Figure 4.2 International SME Assistance Programs Schematic Model



Source: Researcher.

²⁰ Annual Report 2007-08, BB, pp. 79-80.

4.6 Monitoring of Bangladesh Bank and the Government:

As a central bank, Bangladesh Bank has taken a host of programmes and policies aiming to have rapid increase in financing of SME sector so that job opportunities creation and overall improvement of the country's economic situation can take place in a right direction.

Under the new directives of BB, all the commercial banks will have to disburse a minimum of 40 percent of total SME fund to small enterprises and the rest of the amount for the medium enterprises. BB monitors the loan disbursement performance of the FIs on a quarterly basis. It also emphasizes that the banks and NBFIs will have to disburse a minimum of 15 percent of their SME fund to Women Entrepreneurs in lieu of the existing 10 percent as Women Entrepreneurship is encouraged in the Industrial Policy 2005²¹.

After 2005, the government has undertaken liberal trade policy with the free market economy. She is to take various programmes, such as, liberalization of imports, rationalization of tariff structure, reduction in tariff rate, flexible exchange rate policy, export promotion etc. to speed up export-led industrialization with a view to achieving rapid growth in the sector as well as the SME sector though the effectiveness of such programmes is not beyond doubt.²² The government has envisaged private ownership and management of Industrial enterprises as one of the major guiding forces in realizing economic growth from present globalization as well as trade liberalization and market economy perspective. The country has sold out a number of public enterprises and handed over private ownership abreast of the initiatives being taken to set up Industrial parks and special economic zones across the country. It also works to promote SME financing through the functioning of some institutions, say, Bangladesh Industrial Technical Centre (BITAC), Bangladesh Institute of Management (BIM), National Productivity Organization (NPO), Small and Cottage Industries Training Institute (SCITI), Bangladesh Small and Cottage Industries Corporation (BSCIC) and SME Foundation (SMEF) under MoI²³. BB along with MoI has attempted to provide foreign funds to the sector with having provisions of favourable debt equity ratio, special interest rates and credit guarantee schemes with the directives to FIs regarding working capital loans, use of standardized documentation procedure and time ceiling for credit sanctioning and its disbursement. But in spite of having such arrangement, the amount of finance in this sector is insignificant²⁴.

²¹ *The Daily Financial Express*, 7 May 2008.

²² Md. Motiur RAlman Khan, *SMEs in Competitive Markets* (Tokyo- ARO 2002) p 21 ²³ *Industrial Policy 2005*, MoI, p.

²⁴ ⁴ Najmul Hossain, *Constraints to SME Development in Bangladesh*, a report of JOBS Programme, p. 6.

4.7 Refinance Scheme of BB:

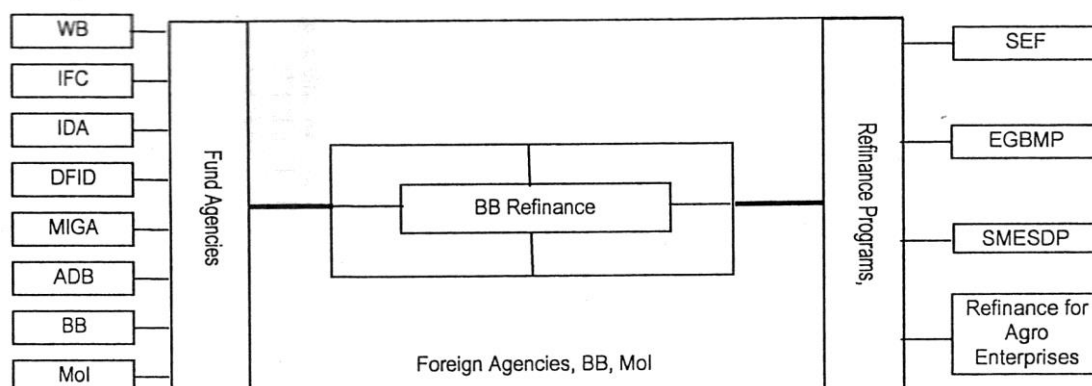
Bangladesh Bank has disbursed Tk. 8.51b to different commercial banks and NBFIs for refinancing the SME sector under a variety of schemes up to 30 June 2008. It has taken steps to expand long term credit base under some special schemes and programmes in the FY 2017-2018. Up to 30 June 2018, about Tk. 0.89b are disbursed to agro based industries that have possessed fixed asset worth of Tk. 0.5b at bank rate under the 100 percent refinance scheme from BB's own fund. It has also initiated another refinance scheme named 'Small Women Entrepreneurs Fund' (SEF) of Tk. 5b with a view to disbursing through 38 banks and NBFIs at bank rate and the amount refinanced to 4630 enterprises up to 30 June 2018 is about Tk. 4.09b. The returned amounts of instalments paid by the clients are also being refinanced to SME Women Entrepreneurs on account of high demand. The total amount of SEF is given from BB's fund.

Another fund raised to Tk.1.12b including \$10m of IDA under 'Enterprises Growth and Bank Modernization Program (EGBMP)' is also on going for refinancing the SMEs. From the outset of the project to 30 June 2008, about Tk.1.63b is disbursed to the Women Entrepreneurs through 24 banks and Fls. Asian Development Bank (ADB) has also funded \$30m to refinance SMEs under a loan agreement and the amount disbursed among 14 banks and Fls up to June 2018 is Tk. 1.90b against 1764 enterprises(All categories of SMEs). Under the aforesaid schemes and programmes, about Tk. 7.62b has been refinanced to the SME sector up to 30 June 2018 against 8356 enterprises(All categories of SMEs).

SME Sector Development Program (SMESDP), a programme of the SME Cell under MoI also provides fund for Bangladesh Bank's refinance scheme. Under the SMESDP, ADB signs an agreement with BB to provide a fund of \$30m. From this fund, about Tk.265.58 crore has been refinanced by 8 banks and 7 NBFIs to 2573 enterprises within March 2019. Up to March 2019, BB has provided Tk. 1117.72 crore in total for refinancing the sector of which BB's fund is Tk.645.75 crore, ADB's fund is Tk. 265.58 crore and IDA's fund is Tk. 206.39 crore²⁵. Mere Figure 4.3 shows Bangladesh Bank Refinance Scheme Schematic model.

25. *Bangladesh Economic Review 2009*, MoF, GOB, p. 97.

Figure 4.3
Bangladesh Bank Refinance Scheme Schematic Model



Source: Researcher

Table 4.4 shows the amounts provided by BB, WB, and ADB to banks and NBFIs up to March 2018 since the outset of the refinance scheme. It shows that about Tk. 6167m are refinanced to 14 banks and 20 NBFIs till March 2018 of which Tk. 3,290m (51%) are disbursed to banks and Tk. 2,876m (49%) to NBFIs. But only 14 out of 50 banks are favoured for availing facilities from BB. Again, out of 29 NBFIs, only 20 are getting refinance facilities. Among the banks, only three of them (BRAC Bank, Eastern Bank and, Dhaka Bank) have the coverage of more than 50% of this refinance facility. For Financial Institutions (FIs) sector, 48% are covered by MIDAS, Uttara Finance and IDLC .

Table 4.4
SME Refinance by BB

| Name of banks/FIs | Amount refinanced (million Tk) | | | | No. of beneficiary enterprises | Average amount refinanced per enterprise |
|------------------------|--------------------------------|----------|-----------|-------|--------------------------------|--|
| | Working capital | Mid term | Long term | Total | | |
| NCC Bank Ltd. | 21.6 | 155.0 | 14.8 | 191.4 | 796 | 0.2 |
| Jamuna Bank Ltd. | 164.8 | 29.3 | 15.4 | 209.5 | 152 | 1.4 |
| National Bank Ltd. | 15.0 | 0.0 | 0.0 | 15.0 | 4 | 3.8 |
| ONE Bank Ltd. | 197.1 | 141.8 | 14.8 | 353.7 | 445 | 0.8 |
| Premier Bank Ltd. | 239.0 | 24.5 | 9.3 | 272.8 | 227 | 1.2 |
| BRAC Bank Ltd. | 48.6 | 637.8 | 0.0 | 686.4 | 1,736 | 0.4 |
| Southeast Bank Ltd. | 81.2 | 3.2 | 3.5 | 87.9 | 86 | 1.0 |
| Dutch Bangla Bank Ltd. | 100.8 | 1.3 | 0.0 | 102.1 | 56 | 1.8 |
| Mercantile Bank Ltd. | 0.8 | 34.2 | 0.0 | 35.0 | 344 | 0.1 |
| Eastem Bank Ltd. | 113.8 | 262.1 | 240.3 | 616.2 | 581 | 1.1 |
| Dhaka Bank Ltd. | 326.5 | 149.8 | 0.0 | 476.3 | 553 | 0.9 |

²⁶ Bangladesh Bank, *Financial Sector Review*, Voi. Ili, No. 2, June 2018, p. 27.

Contd. Table 4.4

| Name of banks/Fls | Amount refinanced (million Tk) | | | | No. of beneficiary enterprises | Average amount refinanced per enterprise |
|---|--------------------------------|---------------|---------------|---------------|--------------------------------|--|
| | Working capita! | Mid term | Long term | Total | | |
| Trust Bank Ltd. | 17.6 | 0.4 | 0.6 | 18.6 | 15 | 1.2 |
| Prime Bank Ltd. | 198.1 | 10.7 | 6.9 | 215.7 | 234 | 0.9 |
| Bank Asia Ltd. | 0.3 | 10.0 | 0.0 | 10.3 | 21 | 0.5 |
| Sub Total | 1525.2 | 1460.1 | 305.6 | 3290.6 | 5,250 | 0.6 |
| Financial Institutions | | | | | | |
| Uttara Finance & Investment Ltd. | 8.7 | 123.1 | 360.5 | 492.3 | 279 | 1.8 |
| Prime Finance & Investment Ltd. | 22.5 | 19.0 | 14.3 | 55.8 | 31 | 1.8 |
| MIDAS Financing Ltd. | 0.7 | 325.7 | 168.0 | 494.4 | 776 | 0.6 |
| IDLCof Bangladesh | 7.7 | 317.9 | 82.9 | 408.5 | 348 | 1.2 |
| Phoenix Leasing Co. Ltd. | 11.6 | 54.1 | 71.7 | 137.4 | 129 | 1.1 |
| United Leasing Co. Ltd. | 60.1 | 124.9 | 140.4 | 325.4 | 209 | 1.6 |
| Vanik Bangladesh Ltd. | 0.3 | 0.5 | 0.0 | 0.8 | 2 | 0.4 |
| Bay Leasing | 2.5 | 5.1 | 4.7 | 12.3 | 8 | 1.5 |
| Fidelity Assets & securities Co. Ltd. | 0.0 | 9.0 | 234.5 | 243.5 | 143 | 1.7 |
| Islamic Finance & Investment Ltd. | 6.1 | 120.7 | 23.2 | 150.0 | 125 | 1.2 |
| Peoples Leasing and Financial Services Ltd. | 4.0 | 28.9 | 196.1 | 229.0 | 123 | 1.9 |
| Bangladesh Finance and Investment Ltd. | 0.0 | 12.6 | 59.3 | 71.9 | 25 | 2.9 |
| IIDFC | 17.0 | 29.3 | 58.9 | 105.2 | 67 | 1.6 |
| GSP Financing | 5.0 | 0.0 | 20.8 | 25.8 | 6 | 4.3 |
| National Housing Ltd. | 4.0 | 7.6 | 9.1 | 20.7 | 12 | 1.7 |
| Oman Bangladesh | 0.0 | 1.2 | 4.0 | 5.2 | 21 | 0.2 |
| International Leasing | 4.6 | 31.8 | 24.3 | 60.7 | 26 | 2.3 |
| Union Capital | 5.0 | 3.5 | 9.5 | 18.0 | 7 | 2.6 |
| Fareast Finance and Investment Ltd. | 0.0 | 1.3 | 0.0 | 1.3 | 2 | 0.7 |
| Premier Leasing | 0.0 | 11.4 | 6.7 | 18.1 | 9 | 2.0 |
| Sub Total | 159.8 | 1227.6 | 1488.9 | 2876.3 | 2,348 | 1.2 |
| Grand Total | 1685.0 | 2687.7 | 1794.5 | 6167.2 | 7,598 | 0.8 |

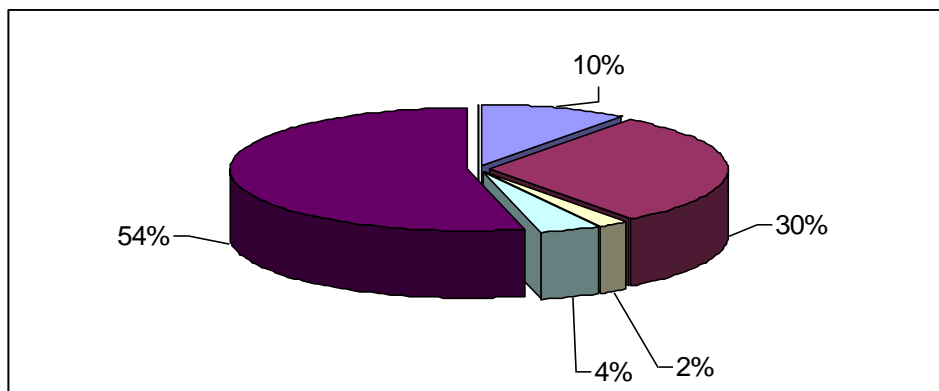
Source: Agricultural Credit and Special Program Department, BB. Upto March 2018

²⁷ *Ibid.*, pp. 26-27.

Figure 4.5 gives the share of scheduled banks and financial institutions in total outstanding SME finance in March 2018. The Private Commercial Banks (PCBs) are in leading position in providing SME loans with 54 percent of total loan given to SMEs and it is followed by State-Owned Commercial Banks (SCBs) and Specialized Banks (SBs). They cover 30 percent and 10 percent respectively. Mere financial institutions and foreign banks provide 4 percent and 2 percent respectively.²⁷ SME Foundation (SMEF) also supplies loan over Tk.2 billion at interest rates of below 10 percent from July 2018 with a view to developing SME sector. The amount is to disburse within the year 2019.

About 80 percent of the fund is to disburse to Small Enterprises and the rest is for the Medium Enterprises. The loan is being distributed through banks under the SME Credit Holding Program ^{2e} As a latest step, fund for 'Refinance Scheme for Small Enterprise Sector' has been raised from Tk. 300 crore to Tk. 500 crore with a view to accelerating the development space of SME sector and it has been effective from 12 June 2018. Simultaneously, fund has also been raised from 10 percent to 15 percent for Women Entrepreneurs for increasing their participation in Industrial development activities of the country. Out of this 15 percent fund, 40 percent will have to be allocated for small Women Entrepreneurs

Figure 4.5
Institutional Share in Total SME Loan



4.8 Programs of SME Financing of BB:

Bangladesh Bank has also undertaken various projects. such as, Investment Promotion and Financing Facility (IPFF), Equity and Women Entrepreneurship Fund (EEF) for financing Women Entrepreneurship and increasing infrastructural facilities for the private sector. EEF also works to help give priority to the Women Entrepreneurs of under developed areas and

²⁷ *Ibid.*, p. 27.

²⁹ *Annual Report 2017-2018*, 88, pp. 37-38.

those of BSCIC Industrial estates. BB as the representative of the government is realizing different projects taken for developing infrastructure through providing finance under Investment Promotion and Financing Facility (IPFF) programme. Another programme named 'Equity and Women Entrepreneurship Fund' (EEF) formed in 2001 with an amount of Tk.1b, an allocation from the then Annual Budget is working to stimulate investment of agro based, food processing and information technology (IT) enterprises which are risk prone but emerging with potentials. BB has undertaken 252 projects worth of Tk.17.0b. It has disbursed about Tk. 4.3b as equity loan up to 30 June 2007³⁰.

Bangladesh Bank (BB) has also introduced factoring approach to ease the working capital problem and it guarantees the small and medium enterprises (SMEs) for enjoying consistent cash flow, cost effectiveness and reduced credit risks. To ensure adequate SME financing, BB has the refinance scheme with its proper guidelines and instructions for the banks and NBFIs in purpose of having huge amount of funds to this thrust sector³¹.

4.9 SME Credit Policy of BB³².

Bangladesh Bank as well as the government has finalized SME Credit Policy this year (2019) for realizing huge amount of finance through the banking and non banking financial systems in more effective ways than before where BB Head Office will monitor as pivot within the three tier monitoring System set in these policy strategies. The concerned branch of a bank will pay proper supervision on the activities of the Women Entrepreneurs at the grass root level so that the goals of finance can be achieved pragmatically. Simultaneously, the zonal office will eye at the monitoring process of that branch regarding SME loan disbursement and its collection. According to the policy strategies, the banks and NBFIs will disburse about Tk. 24 thousand crore in the SME sector of the country for the year FY 2017-2018.

The government is now to have industry-based cluster development through financing at a specific region by a specific bank where a certain industry will emerge based on localization of that industry envisaging its nature and, geographical and historical importance. The Central Bank will also provide support to develop new Women Entrepreneurship abreast of the existing industries, give technical help for their sustainability and services to increase efficiencies and productivity of the

³⁰Annual Report 2017-2018, BB.31.

Financial Sector Review, BB, Voi. Ili, No. 2, June 2008, p. 77.

³² Khudra o' Mazari Enterprise, (SME) Rin Nitimala o' Karmashuchi, SME and Special Programs Department, BB, pp. 5-15.

Women Entrepreneurs. According to the policies taken the government as well as BB will provide programmes for increasing risk taking tolerance of the Women Entrepreneurs, expanding market and enhancing product quality. A committee will work aiming at the development of Industrial cluster while required research and baseline survey will be conducted in this regard. BB has identified 131 industries, trade and services under the SME sector that will be financed and nourished by 12 programmes undertaken with a view to realizing through the banking and non banking financial System of the country.

The policy strategy has reserved a special care for Women Entrepreneurs with a view to having integration in production and employment as they are the prime part of total population of the country. The banks and NBFIs must disburse 15% loan provided under BB refinance scheme for them. They will get loan up to Tk.25 lacs at 10 percent interest rate enjoying relaxation of surety problem only by giving recognition certificate to be taken from BSCIC, SMEF, Handicraft Association, Women Entrepreneurs Association, NASIB and BHW.

4.9.1 Some Concerned Institutions of SME Financing and Finance Related Support Services BASIC Bank Ltd.

The Bank of Small Industries and Commerce (BASIC), as a private bank, established by the then Bank of Credit and Commerce International Foundation, Bangladesh in 1988 has the prime objective of financing small scale industries of the country. But, later on, it is taken over by the government of Bangladesh in 1992. It operates with 28 branches all over the country. According to its Memorandum and Articles of Association of this bank, at least 50 percent of its funds for loan shall have to be used for SME financing. It has disbursed loan in Small Scale Industry sector of Tk. 12243.6m and Tk. 1664.9m for Light Engineering Sub Sector (LES) up to 2006³³. According to 'Agricultural Credit and Special Program' of Bangladesh Bank, the total amount of SME loan given is Tk. 14396.785m up to 30 June 2009. According to its objectives, it works for Industrial development and does commercial banking functions. It is to provide both trade and manufacturing finance for small scale industries (SMEs) and micro enterprises from varied economic fields. In this regard, it offers term loan, say, working capital finance in processing and manufacturing units to develop SMEs with financing and facilitating international trade. It has also the pledge to provide technical and advisory supports to SMEs in order to enabling them to have a survival with success.

³³ *Annual Report 2019*, BASIC Bank Ltd., p. 57.

MIDAS:

At first, it was established in 1982 as an NGO funded by USAID but after a decade, it gets new shape as a limited finance company named Micro Industries Development Assistance and Services (MIDAS). Basically, this private limited company works from its very inception to create employment opportunity through promoting small enterprises of the country. It executes various research activities and undertakes innovative experimental projects for the development of this sector. It is to provide collateral free loan to small enterprises under Micro Enterprise Development Initiatives (MIDI) and Small Enterprise Development (SED) projects. It has another programme for the women named Women Entrepreneurship Development (WED) Cell with a view to giving them business counsel, training, technical and financial support.

BSCIC and BEPZA:

Bangladesh Small and Cottage Industries Corporation (BSCIC) which is one prime mover organization for providing support and promotional services is established under a parliamentary act in 1957. Its important operating Divisions are promotion and extension, projects, marketing, technology and design, estates programmes (EP) and finance. BSCIC and Bangladesh Export Processing Zone Authority are partially related to the financing of SMEs due to their countrywide support services offered for the development of this sector. Basically it works to create and maintain Industrial estates where 61 of them have been established for private investors. Bangladesh Export Processing Zone Authority (BEPZA) as a government organization works to promote, attract, and ease foreign investment in the EPZs for setting up medium and large enterprises. The EPZs ensures congenial investment environment and endeavours to get the enterprises free Of procedural difficulties. The EPZs under BEPZA are being set up as an open-door policy of the government in the globalize free market economy to draw attention of the foreign investors.

FBCCI:

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) consists of 57 chambers of commerce and 142 private sector business associations. This business communities play their roles providing advises and various supports to the government in formulating policies regarding commerce and industry. They contribute to different public forums and organizations involved in socioeconomic activities giving their views on multifarious issues of the economy³⁴. They also arrange workshop, seminar and symposium; and publish reports and Journal on various issues of SMEs.

³⁶ ARO, *SMEs in Competitive Markets*, p. 5.

³⁵ Agricultural Credit and Special Programme Department, BB.

³⁶ *Annual Report 2018-2019* BSRS, p. 43.

SME Service Centre:

Bangladesh Bank has given permission to the FIs to open up SME Service Centres for rendering banking services only to have application, disbursement, monitoring and recovery of loan to SME sector. Such centres will also have separate desk for having priority for the Women Entrepreneurs involved in SME sector. Now almost all of the PCBs have already opened up SME service centres for serving this sector. In FY' 2009-2010, BB has taken decision to give nod for opening up 100 SME Service Centres.

Bangladesh Shilpa Rin Shangstha (BSRS):

BSRS established in 1972 as a development financing institution has two commercial banking branches. Its objectives are to provide credit facilities and assistance to Industrial concerns and to pave the way of Industrial investment. BSRS also serves commercial banking since May, 1997 and provides equity finance, underwriting assistance. As it is concerned with Industrial finance, it provides SME finance. Its total outstanding loan on SME is Tk.336.418m where the manufacturing sector has got Tk.310.922m up to 30 June 2009³⁵. It also has disbursed loan in Engineering Sector of Tk. 11.736m³⁶. In 2010, BSRS and BSB were amalgamated and renamed as Bangladesh Development Bank Limited.

Bangladesh Shilpa Bank (BSB):

BSB established on 31 October 1972 under BSB Order 1972 is a state owned bank with 15 branches all over Bangladesh. It works to accelerate the process of industrialization of the country providing financial assistance and equity support. In order to make SME finance more effective a SME Cell has been opened up by BSB. The cell is concerned to formulate policy guidelines for processing SME loan proposals with the prevalent policy guidelines of the bank. BSB also provides advisory services and assistance to the experienced, skilled and enthusiastic Women Entrepreneurs who have keen interest in establishing small and medium enterprises (SMEs)³⁷. As a prime development financing institution it extends financial assistance both in local and foreign currencies for setting up new Industries and rehabilitation of morbid industries. Now the total outstanding loan on SME sector of this bank is Tk. 3013.217m and Tk.2607.231m is for the manufacturing sector of the country³⁸. After amalgamation as Bangladesh Development Bank Limited (BDBL) it is doing the same functions.

³⁷Annual Report 217-18 , pp. 3-4, 14, 32.

³⁸Agricultural Credit and Special Programme Department, BB.

4.9.2 Institutional Finance:

According to Industrial Policy 2022 and PRSP, SMEs of the country are envisaged as significant means of development and employment. The donor agencies and Bangladesh Government are working altogether to increase and accelerate SME financing by providing fund and finance-related support services. Various programmes, say, SME Refinance Scheme, EEF, SEDF etc. have been initiated to enhance this sector. Mol along with BB is making compulsion for the banks and NBFIs to sanction and disbursing SME loan. As it is uttered by Dr. Atiur RAllman, Governor of BB that financing is the prime problem in this sector, the financing gap and the plight of SME loan disbursement by the FIs within the country's financial system can easily be comprehended.

Table 4.6 Total Outstanding Loan in SME Sector up to 31 December 2018

in lacTk.

| Banks/NBFIs | Total Outstanding Loan in SME Sector | Percentage of SME Loan of the Total Loan Disbursed (%) |
|--------------------------------------|--------------------------------------|--|
| NCBs | | |
| Sonall Bank | 755964.00 | 34.86 |
| Janata Bank | 505540.00 | 37.75 |
| Agrani Bank | 172501.00 | 16.63 |
| Rupall Bank Ltd. | 66988.08 | 14.18 |
| Sub Total | 1500993.08 | 29.91 |
| PCBs | | |
| Ruball Bank Ltd. | 62026.00 | 10.39 |
| Uttara Bank Ltd. | 140964.00 | 38.37 |
| Eastern Bank Ltd. | 34357.03 | 6.13 |
| AB Bank Ltd. | 127588.72 | 39.82 |
| IFIC Bank Ltd. | 67786.00 | 21.16 |
| National Bank Ltd. | 63906.50 | 12.97 |
| United Commercial Bank Ltd. | 32378.11 | 7.33 |
| The City Bank Ltd. | 55754.00 | 16.63 |
| National Credit & Commerce Bank Ltd. | 26120.00 | 5.68 |
| Islami Bank Bangladesh Ltd. | 371547.00 | 19.67 |
| ICB Islami Bank Ltd. | 54309.00 | 36.94 |
| Prime Bank Ltd. | 156882.09 | 21.02 |
| South-East Bank Ltd. | 65952.12 | 10.96 |
| Dhaka Bank Ltd. | 188503.00 | 38.16 |
| AI-Arafa Islami Bank Ltd. | 73817.55 | 24.96 |
| Social Islami Bank Ltd. | 1102.46 | 0.56 |
| Dutch-Bangla Bank Ltd. | 113632.80 | 27.32 |
| Mercantile Bank Ltd. | 6810.84 | 1.64 |
| Standard Bank Ltd. | 12062.59 | 4.45 |
| One Bank Ltd. | 6267.07 | 2.70 |
| Exim Bank Ltd. | 218443.00 | 41.03 |
| The Premier Bank Ltd. | 14769.55 | 4.91 |
| Mutual Trust Bank Ltd. | 6012.19 | 2.11 |

| | | |
|---------------------------------|------------|-------|
| First Security Bank Ltd. | 42736.18 | 17.07 |
| Bank Asia Bank Ltd. | 15240.00 | 3.85 |
| Bangladesh Commercial Bank Ltd. | 0.00 | 0.00 |
| Trust Bank Ltd. | 4904.00 | 1.79 |
| ShAlljalal Islami Bank Ltd. | 28808.28 | 8.42 |
| Jamuna Bank Ltd. | 1867.08 | 0.89 |
| BRAC Bank Ltd. | 330906.00 | 63.16 |
| Sub Total | 2325453.16 | 18.11 |
| FCBs | | |
| Worri Bank Ltd. | 3846.28 | 48.24 |
| HSBC | 6032.29 | 1.78 |
| Standard Chartered Bank Ltd. | 61767.00 | 9.33 |

Contd. Table 4.6

| Banks/NBFIs | Total Outstanding Loan in SME Sector | Percentage of SME Loan of the Total Loan Disbursed (%) |
|-------------------------------------|---|---|
| Commercial Bank of Cylone | 608.00 | 0.65 |
| Habib Bank Ltd. | 702.13 | 2.12 |
| State Bank of India | 607.15 | 0.89 |
| National Bank of Pakistan | 1976.29 | 3.13 |
| Citi Bank NA | 0.00 | 0.00 |
| Bank Al ArafAll Ltd. | 846.00 | 1.18 |
| Sub Total | 76385.14 | 5.06 |
| SCBs | | |
| Bangladesh Shilpa Bank | 29.85 | 0.05 |
| Bangladesh Shilpa Rin Sangstha | 2.67 | 0.01 |
| Bangladesh Krishi Bank | 25862.44 | 3.00 |
| BASIC Bank Ltd. | 240764.03 | 89.99 |
| RajshAlli Krishi Unnayan Bank | 40425.00 | 15.88 |
| Total for Banks | 4209915.37 | 20.20 |
| Sub Total | 307083.99 | 20.94 |
| NBFIs | | |
| SABINCO | 4842.00 | 21.75 |
| IPDC | 550.61 | 1.13 |
| IDLC | 25434.00 | 20.72 |
| United Leasing Co. Ltd. | 22641.00 | 30.75 |
| GSP Finance Company | 10070.00 | 59.25 |
| The UAE-Bangladesh In. Co. Ltd. | 200.00 | 100.00 |
| Union Capital Ltd. | 547.98 | 1.62 |
| Uttara Finance Investments Ltd. | 3351.70 | 4.93 |
| Prime Finance & Investment Ltd. | 7905.78 | 21.52 |
| Phoenix Finance & Invest. Ltd. | 2609.02 | 4.59 |
| Oman-Bangladesh Leasing & Fin. Ltd. | 712.00 | 6.65 |
| BIFC | 108.51 | 0.43 |
| ILF Services Ltd. | 14773.00 | 20.56 |

| | | |
|---|------------|-------|
| IIDFC | 4200.55 | 6.71 |
| Bay Leasing and Invest. Ltd. | 2237.00 | 15.23 |
| Lanka-Bangla Finance | 431 .26 | 0.71 |
| Infrastructure Dev. Co. Ltd. | 0.00 | 0.00 |
| PLF Services Ltd. | 4020.00 | 16.83 |
| Premier Leasing & Finance Ltd. | 500.00 | 1.52 |
| Fareast Finance and Invest. Ltd. | 6506.00 | 36.24 |
| First Lease International Ltd. | 554.67 | 4.22 |
| Bangladesh Finance and Investment Ltd. | 380.01 | 2.52 |
| Islamic Fund & Invest. Ltd. | 3714.64 | 15.41 |
| Fidelity Assets & Securities Co. Ltd. | 4075.58 | 45.10 |
| National Housing Finance & Invest. Ltd. | 0.00 | 0.00 |
| MIDAs Financing Ltd. | 13188.10 | 65.89 |
| Self-employment Finance Ltd. | 484T66 | 14.35 |
| Contd. Table 4.6 | | |
| Delta-BRAC Housing Fin. Corp. Ltd. | 0.00 | 0.00 |
| Sub Total | 134038.07 | 12.64 |
| Grand Total for Banks & NBFIs | 4343953.44 | 19.84 |

Source: Compiled by Researcher, Agricultural Credit & Special Programme Department, BB

However, the present scenario of SME finance is depicted here. From Table 4.6 the total SME outstanding loan situation of Fls is found where the participations of banks and NBFIs are included. The contributions of Nationalized Commercial Banks (NCBs), Private Commercial Banks (PCBs), Foreign Commercial Banks (FCBs), Specialized Commercial Banks (SCBs) and Non Bank Financial Institutions (NBFIs) are given here (Table 4.6). Total amount of SME outstanding loan of NCBs is Tk. 1500993.08 lacs and it is 29.91 percent of its total loan. It implies that SME financing is not enough. Here, Sonall Bank is at the top position with 34.86 percent of total and 14.18 percent is for Rupall Bank Ltd. stayed on the bottom.

30 Private Commercial Banks (PCBs) are also contributing to this sector. The total amount of SME outstanding loan is Tk.2325453.16 lacs and it is 18.11 percent of total loan of PCBs. It means that an insignificant amount of loan is disbursed by the giant financial agent though about 94.6 percent enterprises of the industry sector are SMEs. A few banks of the PCBs have gone Ahead in disbursing SME loan. BRAC Bank Ltd. and EXIM Bank Ltd. are significantly contributing to this sector. The percentages of outstanding loans are 63.16 and 41.03 of total loan respectively for these two banks. It is also significant that the SMEs do not have access to Bangladesh Commercial Bank Ltd. for finance. Among the PCBs, Social Islami Bank Ltd. and Jamuna Bank Ltd. have very scant of contribution to SME sector. Their contributions are 0.56 percent and 0.89 percent respectively of total loan. The Foreign Commercial Banks (FCBs) also disburse loan insignificantly. They provide Tk. 76385.63 lacs and only 5.06 percent of their total outstanding loan is for the SMEs. Worri Bank Ltd. is on the top with 48.24 percent of its total outstanding loan and no amount is disbursed by Citi Bank N A.

The Specialized Commercial Banks (SCBs) have the lion's share in SME finance compared to that of other NCBs, PCBs and FCBs. The total amount of outstanding loan for SME is Tk. 307083.99 lacs and they have provided 20.94 percent of their total outstanding loan. Among the SCBs, BASIC Bank Ltd. is at the leading position in SME financing and RajshAlli Krishi Unnayan Bank is nearer one. They provide 89.99 percent and 15.88 percent respectively of their own total outstanding loan. The contributions of BSB, BSRS and BKB are 0.05 percent, 0.01 percent and 3.0 percent respectively of their own total outstanding loan. The number of Non Bank Financial Institutions (NBFIs) is 28 that are also contributing to SME finance. They have provided Tk. 134038.07 lacs in this sector and it is 12.64 percent of total outstanding loan of their own. The UAE-Bangladesh In. Co. Ltd. has supplied 100 percent loan but its amount of outstanding loan is only Tk. 200 lacs. Besides, in percentage, MIDAS Financing is on the top and the second is GSP Finance Company. Their outstanding SME loans are 65.89 percent and 59.25 percent respectively of their own outstanding loan. The highest amount of SME outstanding loan is provided by United Leasing Company Ltd. and it is Tk. 22641.00 lacs. That is, 30.75 percent of its total outstanding loan. But Infrastructure Dev. Co Ltd. has provided no amount of SME loan. Table 4.7 shows the latest scenario of sector based SME finance by NBFIs. Mere, they have provided Tk. 80727.27 lacs in the manufacturing sector. Again United Leasing Company moves on the top with the amount of Tk. 15939.00 lacs.

Table 4.7
SME Outstanding Loan Disbursed by NBFIs up to 30 June 2018

in lac Tk.

| Bank/NBFIs | Total No. of Enterprises Financed | | | Total Outstanding Loan | | |
|---------------------------------|-----------------------------------|-------|---------|------------------------|---------|----------|
| | Industry | Trade | Service | Industry | Trade | Service |
| SABINCO | 9 | 0 | 0 | 4489.00 | 0.00 | 0.00 |
| IPDC | 4 | 1 | 1 | 317.07 | 29.62 | 32.68 |
| IDLC | 335 | 751 | 275 | 10716.00 | 8912.00 | 7419.00 |
| United Leasing Co. Ltd. | 398 | 167 | 166 | 15939.00 | 3995.00 | 4930.00 |
| GSP Finance Company | 41 | 76 | 42 | 3277.00 | 4418.00 | 2884.00 |
| The UAE-Bangladesh In. Co. Ltd. | 0 | 0 | 1 | 0.00 | 0.00 | 200.00 |
| Union Capital Ltd. | 10 | 10 | 1 | 379.47 | 208.22 | 16.81 |
| Uttara Finance Investments Ltd. | 299 | 1 | 0 | 3508.08 | 0.00 | 0.00 |
| Prime Finance & | 91 | 26 | 57 | 9036.01 | 1506.03 | 15299.90 |

| | | | | | | |
|-------------------------------------|-----|-----|-----|---------|---------|---------|
| Investment Ltd. | | | | | | |
| Phoenix Finance & Invest. Ltd. | 98 | 129 | 39 | 1887.33 | 1497.29 | 288.52 |
| Oman-Bangladesh Leasing & Fin. Ltd. | 7 | 43 | 17 | 157.00 | 882.00 | 395.00 |
| BIFC | 14 | 4 | 7 | 263.47 | 34.74 | 173.47 |
| ILF Services Ltd. | 70 | 22 | 195 | 8984.00 | 817.00 | 9188.00 |
| IIDFC | 197 | 17 | 18 | 4735.64 | 783.94 | 346.28 |
| Bay Leasing and Invest. Ltd. | 47 | 15 | 17 | 1723.00 | 565.00 | 391.00 |
| Lanka-Bangla Finance | 33 | 15 | 5 | 337.11 | 101.07 | 22.03 |
| Infrastructure Dev. Co. Ltd. | 0 | 0 | 0 | • 0.00 | 0.00 | 0.00 |
| PLF Services Ltd. | 42 | 41 | 24 | 2342.00 | 1403.00 | 3417.00 |
| Premier Leasing & Finance Ltd. | 16 | 15 | 9 | 267.00 | 335.00 | 62.00 |
| Fareast Finance and | 52 | 80 | 13 | 3166.00 | 3212.00 | 995.00 |

Contd. Table 4.7

| Bank/NBFIs | Total No. of Enterprises Financed | | | Total Outstanding Loan | | |
|---|-----------------------------------|-------|---------|------------------------|----------|----------|
| | Industry | Trade | Service | Industry | Trade | Service |
| Invest. Ltd. | | | | | | |
| First Lease International Ltd. | 20 | 18 | 32 | 207.02 | 147.87 | 23662 |
| Bangladesh Finance and Investment Ltd. | 2 | 2 | 1 | 52.60 | 24.44 | 5.00 |
| Islamic Fund & Invest. Ltd. | 92 | 208 | 63 | 1072.11 | 2023.80 | 802.20 |
| Fidelity Assets & Securities Co. Ltd. | 48 | 52 | 312 | 499.16 | 1006.47 | 2428.41 |
| National Housing Finance & Invest. Ltd. | 1 | 10 | 8 | 5.00 | 238.90 | 69.01 |
| MIDAS Financing Ltd. | 441 | 967 | 229 | 7099.49 | 3037.47 | 2226.05 |
| Self-employment Finance Ltd. | 10 | 46 | 1 | 267.71 | 745.46 | 29.70 |
| Delta-BRAC Housing Fin. Corp. Ltd. | | 0 | 0 | 0.00 | 0.00 | 0.00 |
| Total | 2377 | 2716 | 1533 | 80727.27 | 35924.32 | 51857.68 |

Source: Compiled by Researcher, Agricultural Credit & Special Programme Department

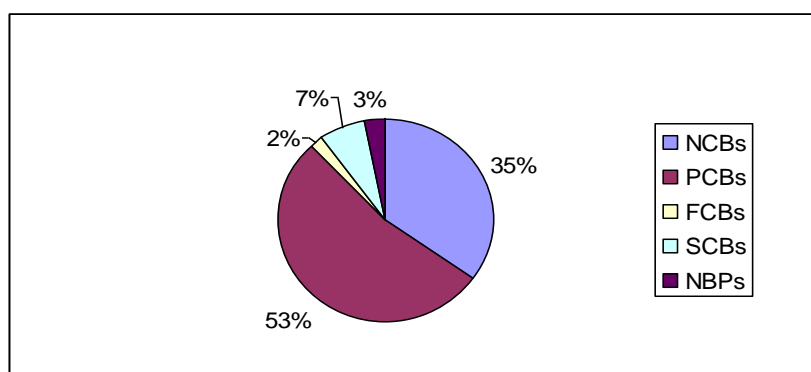
Table 4.8 & Figure 4.9 show total outstanding loans disbursed by the financial sectors of the country at a glance.

Table 4.8
Total Outstanding Loan in SME Sector up to 31 Dec 2018
in lacTk

| Bank/Financial Instrttion | Total outstanding loan | Percentage of S ME Loan {%} |
|--------------------------------------|------------------------|-----------------------------|
| Nationalized Commercial banks (NCBs) | 1500993.08 | 35 |
| Private Commercial Banks (PCBs) | 2325453.16 | 53 |
| Foreign Commercial Banks (FCBs) | 76385.14 | 2 |
| Speciallzed Banks (SCBs) | 307083.99 | 7 |
| NBFIs | 134038.07 | 3 |
| Total | 4343953.44 | 100 |

Source: Compiled by Researcher Agncuttural Credits & special programmes department, BB

Figure 4.9
Percentage Share of Outstanding Loan by Financial Sectors



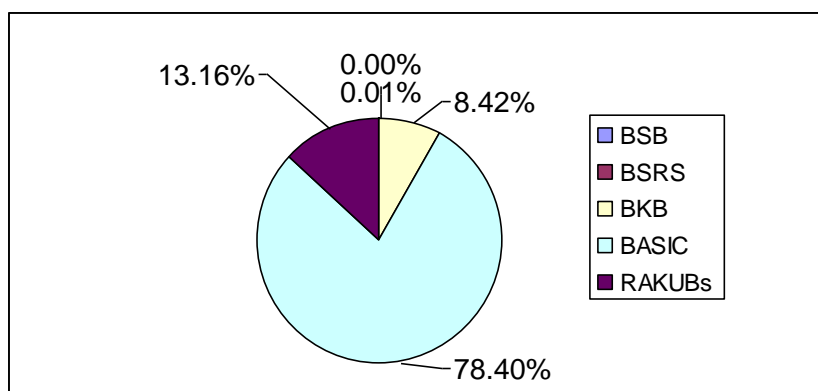
Source: Compiled by Researcher, Agricutural Credits & special programmes department BB
Table 4.6 shows total outstanding loan provided by SCBs where BASIC Bank Ltd. has provided the largest amount of loan to SME sector and the lowest figure is for Bangladesh Shilpa Rin Sangstha (BSRS). Its amount is Tk. 2.9 lacs only. The total outstanding loan given by all SCBs is Tk. 307083.99 lacs. The Figure 4.5.1 shows the percentage shares of SCBs of total outstanding loan to SME sector. BASIC Bank Ltd. covers about 78 percent of disbursed SME loan. Besides, BKB, BSRS, BSB and RAKUB provide 8.42, 0.0009, 0.0097 and 13.16 percent respectively.

Table 4.5
Total Outstanding Loan in SME Sector by SCBs up to 31 December 2018
in lacTk.

| Name of Banks | Total outstanding loan | Percentage of SME loan (%) |
|---------------------------------------|------------------------|----------------------------|
| Bangladesh Shilpa Bank (BSB) | 29.85 | 0.0097 |
| Bangladesh Shilpa Rin Sangstha (BSRS) | 2.67 | 0.0009 |
| Bangladesh Krishi Bank (BKB) | 25862.44 | 8.4219 |
| BASIC Bank Ltd | 240764.03 | 78.4033 |
| RajshAlli Krishi Unnayan Bank (RAKUB) | 40425.00 | 13.1642 |
| Total | 307083.99 | 100.00 |

Source Compiteti by Researcher, Agncuttural Credit & Special Programma Department

Figure 4.5.1
Percentage Shares of Total Outstanding SME
Loan by SCBs up to 31 December 2018



Source: Corrtpiied by Researcher, Agricultural Credit & Special Programme Department

Table 4.5.2 shows tota! SME outstanding loan disbursed by banks to industry sector, The NCBs are on the top with the amount of Tk. 945671.01 lacs. On the other hand, the FCBs provide Tk. 23097.39 lacs only. In the Figure 4.5.3, the percentage share of SME finance by banks to industry (manufacture) sector is depicted. NCBs covers 53 percent of manufacturing SME finance and the PCBs are the second with 35 percent.

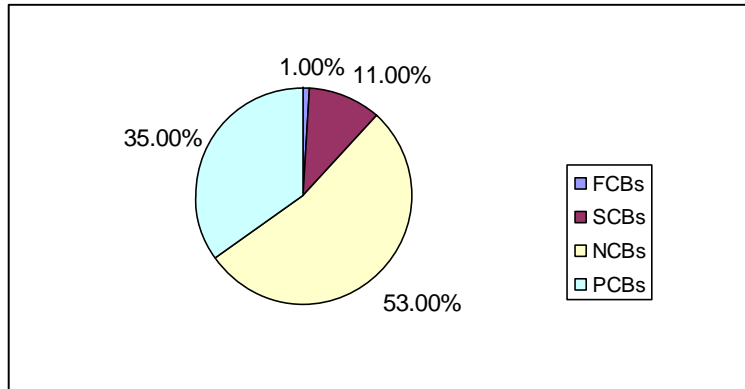
The shares of SCBs and FCBs are 11 percent and 1 percent respectively. But it is menttonable that the SCBs which are especially concerned for SME financing provide less tian that of NCBs and PCBs.

Table 4.5.2
Total SME Loan Disbursed by Banks in Manufacturing
Sector up to 30 June 2018
in lac Tk

| Marne of Banks/Fls | No. of Enterprises Finance | Total amount of loan | Percentage of SME Loan { % } |
|--------------------|----------------------------|----------------------|------------------------------|
| NCBs | 26701 | 94567101 | 53 |
| PCBs | 16154 | 621398.65 | 35 |
| FCBs | 463 | 23097.39 | 1 |
| SCBs | 3087 | 195921.15 | 11 |
| Total | 46405 | 1786088.20 | 100 |

Source: Compiied by Researcher, Agrìcultural Credit & Special Programme Department

Figure 4.5.3
Percentage Shares of SME Outstanding Loan by Banks in Manufacturing Sector
up to 30 June 2018



Source: Compiled by Researcher, Agricultural Credit & Special Programme Department

Table 4.5.4 and Fig.4.5.5 show sector based outstanding loan by SCBs up to 30 June 2009. The amount of outstanding loan in the manufacturing sector disbursed by the SCBs is Tk. 195921.15 iacs against 3080 manufacturing enterprises. BASIC Bank Ltd. has financed 750 enterprises by providing the highest amount of outstanding loan. Here, the amount is Tk. 143967.85 Iacs. But RajshAlli Krishi Unnayan Bank ranks the top wrth respect to the number of enterprises. It has financed 1715 enterprises with the amount of outstanding loan of Tk. 14640 Iacs.

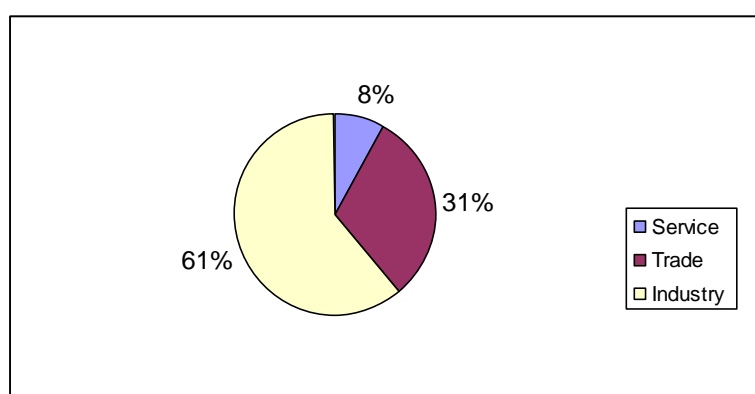
Table 4.5.4
Total SME Outstanding Loan Disbursed by the
Concerned SCBs up to 30 June 2018

in lac Tk

| Bank/FIs | Total No. of enterpriscs firtance | | | Total amount of loan disbursed | | |
|--------------------------------|-----------------------------------|--------|---------|--------------------------------|----------|----------|
| | Industry | Tratte | Service | Industry | Traete | Service |
| Bangladesh Shilpa Bank | 113 | 0 | 43 | 26072.31 | 0 | 4059,86 |
| Bangladesh Shilpa Rin Sangstha | 9 | 0 | 4 | 3109.22 | 0 | 25496 |
| Bangladesh Krishi Bank Ltd | 500 | 3448 | 34 | 8131.77 | 14423.93 | 4394.61 |
| BASIC Bank | 750 | 1258 | 164 | 143967.85 | 71605.08 | 17636.27 |
| RajshAlli Krishi Unnayan Bank | 1715 | 3950 | 0 | 14640.00 | 13232.00 | 0 |
| Total | 3087 | 8656 | 245 | 195921.15 | 99261.01 | 26345.70 |

Source: Comptled by Resercher Agricultural Credit & Special Programmo Department

Figure 4.5.5
Percentage Shares of SME Loan by SCBs to
Three Major Sectors up to 30 June 2018



Source: Compiled by Resercher, AgncuBural Credit & Special Programme Department

In the Figure 4.5.5, the percentage share of SME outstanding loan disbursed by SCBs to three major sectors is shown. The percentage of disbursed SME loan to Industrial enterprises by SCBs is 61 percent. The percentage shares of trade and service sectors are 31 percent and 8 percent respectively. In the year 2010 the FIs provide more than the expected level of finance for the SME sector though the manufacturing sector of SMEs does not get significant amount compared to that of service and trade sectors. Table-4.5.6 shows that the FIs provide about Tk.53543.93crore for SMEs where the manufacturing SMEs get only Tk.15147.72crore. The trade and service sectors get Tk.35040.53crore and Tk.3355.67crore respectively. It implies that the trade sector is getting priority in financing SMEs to the financiers of the country. The NCBs disburse 31.79 percent of their total loan to the SME sector while the PCBs' contribution is 19.12 percent. The SCBs as the concerned agency disburse only 20.64 percent of their total loan disbursed. The FCBs and NBFIs provide only one-tenth of their total loan disbursed in that year. It should be noted here that only one-third of total SME loan disbursed by the FIs goes to the manufacturing sector.

Table 4.5.6
Total SME Outstanding Loan Disbursed by the FIs up to the Year 2018

Tk. Crore.

| SI No. | FIs | Service | Trade | Industry | Total Amount Disbursed for the Year | %of SME loan of Total Loans |
|--------|-------|---------|----------|----------|-------------------------------------|-----------------------------|
| 1 | NCBs | 109.38 | 4165.41 | 3249.19 | 7523.98 | 31.79 |
| 2 | PCBs | 2466.63 | 28548.77 | 9479.17 | 40494.57 | 19.12 |
| 3 | SCBs | 172.73 | 1006.55 | 1515.38 | 2694.66 | 20.64 |
| 4 | FCBs | 185.2 | 642.37 | 306.35 | 1133.93 | 10.21 |
| 5 | NBFIs | 421.73 | 677.43 | 597.63 | 1696.79 | 13.91 |
| 6 | Total | 3355.67 | 35040.53 | 15147.72 | 53543.93 | 100.00 |

4.9.3 Conclusion

It is therefore shown in the above discussion that the present scenario of SME financing is not well enough due to a host of reasons. Only 19.84 percent of total outstanding loan has been provided to SMEs by all bank and NBFIs within the financial System of the country. Besides, the NGOs, Cooperatives are also working with limited finance for the SME sector. The SCBs which are concerned for SME financing could not contribute enough. After 2005, the government becomes aware of this sector and is getting the smell in the offing of SME development movement being raised in the developing countries and abreast of this, the donor agencies are also emphasizing on this sector through their terms and conditions of aids they supply under the name of PRSP, MDG and so on.

The researcher has felt the necessity of SME data bank during the time of writing this chapter as the concerned agencies of the country do not have complete statistical data and information. At present, almost all of the government publications provide data of SSIs, Small and Cottage Industries, Large and Medium Scale Industries but not SME category except BB. The SME financing is much talked about, but the fact is disappointing. A very limited number of assistance products are marketed by the FIs compared to that of Japan, Singapore and South Korea. A scant of support services for materializing SME finance is available here. Even insurance coverage is yet to be provided in the SME finance System of the country. The scenario of sector based financing is so fuzzy. But it can be hoped that required data will be available in the forthcoming future as the government and other concerned wings are working to give a shape of SME database.

Chapter 5

An Evaluation of Administrative and Policy Reforms Undertaken for Facilitating SME Financing

5.0 Introduction:

Various administrative, legal and policy reforms were undertaken for times by the government for industrial development by proclaiming concerned rules, regulations, circulars, and formulating polices. Such reforms, no doubt, help develop the sector though the goals set are yet to be achieved due to having weaknesses and the lack of strong follow up from the government agencies that are trapped into traditional bureaucroreacy. Policies and regulations adopted by government for development of industries have vital role to play as they make the ways of providing support services and finance. The DFIs are generally established as special finance organization to provide finance for the development of industries depending on funds catered by government and donors excluding the opportunities of general banking services. Although the government intends to make cost of finance cheaper in this way, the policies taken favour the large enterprises burdening them by the imposition of different bars from the donors and imposing high lending cost upon the DFIs as they do not have scopes to increase income from general banking service. The policies and regulations undertaken for industrial development ultimately compel the development institutions to inculcate conservative attitude in term lending to small enterprises and finally, the government stays restrained to eye at the potentials of SMEs excluding them from finance. The chapter is intended for having an evaluation of public policy reforms as well as administrative reforms undertaken for facilitating SME finance. It is written based on the secondary sources of data and it includes all industrial policies, SME Policy Strategies and SME Debt Policies of BB. Those policies undertaken after 2000 are analysed in the chapter.

5.1 Credit Policy Reforms Regarding SME Finance :

After the independence, Bangladesh introduced nine industrial policies including the fresh one prepared and finallded in 2010. Before 1982, the country was conservative to some extent in industrialization. She tends to privatized economy through undertaking new policies from the 1980s. Bangladesh, at first, introduces 'Industrial Investment Policy 1973 where nationalization in industrialization process gets top priority along with restrictions imposed on the private sector limiting permissible investment to Tk. 2.5m and on the foreign investors to work only with the public sector equity participation. This policy aims at encouraging medium and large scale Industries brushing the small ones aside for private Women Entrepreneurship with confined amount worth of Tk. 2.5m to be financed. Export is encouraged restricting import but how export

sector can flourish within the infrastructure and business environment was not envisaged explicitly. Encouraging nationalization was, in fact, not the encouragement of industrialization rather than an invitation of danger to devastate its base as it is proved now that only private Women Entrepreneurship can play pivotal role in the development of the sector.

The second industrial policy entitled 'New Industrial Investment Policy 1974' is taken in July 1974 having special attention to overcome the flaws of the previous policy where the small scale Industries as well as the SMEs get importance to some extent along with the large enterprises. The private Women Entrepreneurs get opportunity to invest up to Tk.50m and then it is extended to Tk.100 million. But, the nationalized enterprises get further priority in the policy due to have provisions of providing monetary incentives for more enhancement of the moratorium of nationalization. The consequences the country experiences in the next decades are the moribund nature of the large Industries, stagnant growth of the SMEs, debt default culture in the Fls and less amount of finance disbursed to SME sector. Although various positive measures such as import duty rebate, tax holiday are taken in the policy. Some Fiscal and monetary incentives are also initiated. The third industrial policy entitled 'Revised New Industrial Policy 1975' is substituted after the change of the then political perspective where privatization process is emphasized. The policy includes the provisions of easing investment procedures, amending the constitution to allow denationalization, reviving the capital market, taking a number of export promotion measures and elimination of ceiling to some extent in private investment. Then credit policy is liberalized so that the PCBs and DFIs can increase the volume of loan for investment. The 'New Industrial Policy 1982' comes on track with more flurries of privatization and, fundamental changes in policy reforms and promotional instruments. Then a number of large scale nationalized industries including jute, cotton and textile enterprises were transferred to their local owners. Export diversification and import liberalization are the significant features of the policy while private sector is to play pivotal role in the economy. DFIs and commercial banks get ambit of power to appraise investment project and give approval where time limit is fixed up for them to complete the job. But, no provisions are made to reform the managerial system within the Fls. The NIP also prescribes to launch one stop services for providing all utility services necessary for the establishment of enterprises and their fostering. The policy includes initiating trade liberalization to some extent in duty free importing of raw materials to be used in export good production. In the policy the SMEs are not defined as a specific sector where the medium enterprises are kept in the same bundle coupled with the large enterprises. However, it can be stated that the policy reform bears the positive signs for moving towards a fresh and competitive economy. The fifth industrial policy called 'Revised Industrial Policy 1986 (RIP'1986)' continues deregulation and privatization in its provisions so that the restructuring of programmes

is increased and import activity becomes easier along with incentive packages for increasing export volume. The sixth 'Industrial Policy 1991' is significantly remarkable on account of its provisions on the absolute relaxation given in almost all respects in the economy and on the way paved towards free market economy. More positive and favourable incentives are taken to accelerate both foreign and domestic private investments through eliminating concessionary interest, initiating special credit facilities, removing compulsions in getting permission to set up industries and nullifying the restrictive provisions on the equity participations of foreign investors¹. In the 'Industrial Policy-1991', the regulatory functions regarding SMEs are decentralized to some extent where BSCIC is entitled to exercise a number of selected regulatory functions such as SME registrations, issuance of import pass book, allotment of plot in its industrial estates which had been made separated from the Board of Investment, Controller of Import and Export etc. It has been easy to take such facilities from BSCIC comparing to that of the prior centralized institutions but bureaucratic complexities and inefficiencies of BSCIC are yet to be removed.

According to the IP'1991, BSCIC also secures power to provide finance to some special categories of SMEs² by procuring fund on its own, abreast of financing of bank and DFIs. But, there is no identification about such special categories of SMEs. After the termination of the IP'91 the achievement was nothing on the provision of fund procurement to establish special types of SMEs. The IP 2022 had also the provision for the banks and DFIs where they get at best three months in purpose of processing loan applications so as to overcome financing constraints like lengthy procedure of loan approval while it lacks of having another provision on strong monitoring of BB. Mere, BSCIC is to supervise this time limit of the loan approval process. Actually the concerned authority could be BB for setting such time limit to the banks and DFIs, not BSCIC.

The IP'91 also proposes to introduce Small Industry Credit Guarantee Scheme for facilitating access of SMEs to institutional finance under the coupled collaboration of BSCIC and private Insurance companies. But after the completion of that policy realization period, no such scheme has so far been initiated for securing SME finance³.

The Industrial Policy 2022 is the comprehensive one followed by the second to it where the private sector is to play pivotal role in paving the way of industrialization in the country. For the first time, the policy focuses a clear vision on industrial development of the country and the objectives set in it are outlined enough, one of which is to foster private Women Entrepreneurship with a view to having a sizable industrial sector within a decade in the economy to achieving Sustainable Development Goals by the year 2030

¹. Momtaz Uddin Ahmed, "Small and Cottage Industries Development Policies in Bangladesh. An Analysis of Effectiveness in the Context of Industrial Policy-2022" *Bank Parikrama*, Voi. XXIV, No. 1, March, 2018, p. 10.

² Here SMEs are envisaged as SCIs stated in the IP' 2022 of Bangladesh.

³ Momtaz Uddin Ahmed, p. 11.

5.2 The Industrial Policy' 2005-2022 and SME Financing:

The Industrial Policy-'2022 is the continuity of the IP'1999 but it intends to achieve 30 to 35 percent of GDP from the manufacturing sector and at least 30 percent of employment within a decade Ahead along with more emphasis on the development of SMEs. It is also stated that the private sector will act as prime mover in all respects of economic activity while the government play role as facilitator. The policy emphasizes on privatization, increasing export volumes, enhancing market competitiveness and utilizing domestic resources effectively. It is, in fact, to promote industrialization process of the country. The expansion and development of agro based and agricultural processing industries get priority in the policy. It intends to take measures to ensure world class production, diversification of goods, more value addition and more support to enhance productivity using appropriate and advanced technologies. Women Entrepreneurship is encouraged in case of establishing SMEs in the industrial sector.

Although it is now necessary to establish a separate ministry for SME development, only a cell is opened up under the Mols. The policy also includes provisions to provide facilities with a view to attracting FDI in the country while the investment climate, in fact, has not been made congenial at all. It is cited here that the government has taken initiative to formulate separate SME policy for providing guidance and strategic support for having boom in the sector. But, such additional policy is not necessary as the industrial policy of the country should be formulated based on the policy of SMEs due to the shortage of huge capital for large industrialization here. The good sign of the policy is that the government now wants to take help from other concerned persons such as business leaders, scholars, successful Women Entrepreneurs etc. in its various programmes and reform activities. It is hoped that the policy will help expand planned industrialization and overcome the past failures of industrialization in the country. But, the failures still persists in the economy. It is also cited here that financial, technical, technological and infrastructural facilities will be provided for establishment of SMEs as well as agro based industries. But, no specific guidelines are given here for having the facilities available. What kinds of assistances and incentives will be provided is not explicit. The IP'2005 has some significant loop holes in case of definitions and classifications of industrial enterprises where no uniformity prevails among the definitions made by Mol, BB and the international agencies. According to the policy, 'Small Enterprise' means an enterprise in which the value of fixed asset excluding land and building is under Tk.15 million while it is between Tk.50 thousands and Tk.15 million as defined by BB. On the other hand, 'Medium Enterprise' means an enterprise in which the value of fixed asset other than land and building is between Tk.15 million and Tk.100 million according to the IP'2022 while it is between Tk.15 million and Tk.200 million determined by BB⁴. It is cited here that the definitions given in the policy may be changed over time and variation of location. Is it at all

necessary to have such changes? Why will it be changed and differed within a short period of time? So, it indicates the dearth of coordination among the concerned agencies of the government.

It is good that the policy includes incentive packages (tax exemption from dual taxation, tax holiday, taxation at a reduced rate etc.) to support enterprises of the thrust sectors determined here though the facilities will be provided through appraisal of the concerned agencies of the government. Simultaneously, the other utility agencies will provide various services for SME development and wherever possible, these authorities will create one-stop service centres. But, all kinds of facilities and utility services should be provided by a single specialized agency where red tapism and so called bureaucroreacy will not hamper the effort of the government.

The chapter 7 of the policy entitled 'Revenue and Financial Incentives' includes a number of measures to support the enterprises relaxing tax and duties where agroprocessing, computer software and textile industries get more opportunities comparing to that of the others. But, light engineering, leather and footwear and, plastic industries could be envisaged in the list. In spite of being one of the prime needs, financing issues could not have better coverage. It is stated here that the FIs will be encouraged to fix the interest rates on industrial loans at minimum level. The consequence is that now the average interest rate of SME loan in the FIs is above 15 percent⁵. No specific instruction is given to realize that minimum rate of interest for industrial loan. It is also cited here that under the incentive schemes, activities of the Equity and Women Entrepreneurship Fund (EEF) will be intensified to give priority to Women Entrepreneurs of both underdeveloped areas and BSCIC industrial enclaves. That is,

⁴ The IP'2022, Chapter 4 and Annual Report 2017-2018, p. 184, BB.

⁵ The rate is found from field survey of this research.

only a narrowed, single window is open with a view to providing SME loan. Abreast of this, it is stated that steps will be taken to create an industry fund under BB, strengthen the SCBs, establish a country fund, expand the capital market, create an endeavour fund, and rationalize the tax holiday System. Creation of such funds, strictly speaking, is so crucial to ease SME finance and realize it with a grand amount. But, what will be the sources of those funds and how will these be collected have not been clarified well.

The policy includes the provisions with a view to increasing productivity, enhancing Women Entrepreneurship and establishing linkages. But, the untold problems are corruption, red tapism, bureaucratic complexities, inefficient administrative System, poor managerial system, want of proper institutions and adverse production environment, etc. The policy does not have any measure to overcome such problems for consolidating the industrialization process of the country. Even, the investment criteria taken in this policy are also so traditional where there is no possibility to have huge industrial investment in the country. For attracting FDI, the country has welcomed the foreign investors with an attractive bundle of incentives though the possibility is too little because the real loop holes have not been addressed in the policy. The Board of Investment (BoI) has the responsibility to provide one-stop services with a view to quickening the setting up of industries. But, what kinds of enterprises will get such facilities has not been clarified well in the policy. One of the important objectives of the IP'2005 is to help attain competitive efficiency by developing technology and providing an environmentally friendly industrial production system. Licensing process will be simplified to have such technology and a subsidiary corporate culture will be established to assimilate the changing technologies and to have consistent planned human resource development. But, it is necessary to create opportunity to take foreign training, establish new technology and research institutes and bring foreign technologist. These are not attached to the provisions of the policy. Even, any kind of financial assistance is not cited here.

However, the IP'2005 is good one for moving towards privatization where the SME sector is envisaged as driving force. An effort is found in it to cope with global market competition and in this regard, the SME sector gets priority for strengthening the industrialization process as it is now followed by the developed and developing countries of the world. Although, finance is one of the major problems for

industrialization in the country, it didn't get importance comprehensively in the policy. It is felt going through the policy that it is simply a routine work of the bureaucrats followed by the previous one, not formulated in a conscious way. It has set a significant number of goals which were not possible to achieve in such a socio-economic-political situation of the country where measures on financing issues are insignificantly taken.

5.3 The Industrial Policy 2022 and the Issues on SME Financing:

The IP'2022 is followed by the previous ones where privatization as well as industrialization gets top priority and the vision of the country is to make her a country of middle income within 2025. The IP'2022 intends to achieve 8 percent of GDP growth rate in 2022 and 10 percent in 2024 along with the target set for transforming the country into 'Digital Bangladesh' within 2024. Moreover, the SME sector is treated as the driving force of industrialization to create the opportunity of employment of at least one person of a family and alleviate poverty with more employment creation. According to the policy, the government is undertaking integrated programmes to increase the contribution of industry sector to GDP from 28 percent to 40 percent and to employment from 16 percent to 25 percent so that a broad based economic development can take place.

The industry sector will move forward following the path of private Women Entrepreneurship while the government play role as a facilitator. Public Private Partnership (PPP) will also contribute to the continuous growth of the economy. The policy includes the provisions of developing local industries, import substituting industrialization and export based production along with having world class goods. Localization of industry is also envisaged with importance especially in case of SME development. Apart from domestic investment, FDI is inspired. It is hoped that the SMEs and cottage industries will contribute to huge employment and poverty reduction. The SMEs will get equitable treatment both in rural and urban areas in case of development. The industry sector will be connected with regional and International network of the global economy. If it is possible and viable, labour intensive industries will get more priority than capital intensive industries. The government from now on will eye specially to make the jute industry profitable and to have diversification in its production. It is hopeful that the government has drawn its attention to the development of SME as it is now being followed by other developing countries especially of Asia and Africa. It is well known that finance for the first time is a must for its development. But, the more significant thing is that the SME sector now needs institutional and financial reforms to realize its expected development because the flow of finance to the sector is still now meagre. Around 25 percent of SME finance now goes to manufacturing SMEs⁶ while the present study says it is only 4.89 percent⁷. That is, access to finance of the manufacturing SMEs is so insignificant. The IP'2016 did not have such provision in its objectives to ease and increase SME finance.

The IP'2022 is more pragmatic than ever before because of addressing almost all corners of industrialization process in a developing economy. Privatization, denationalization, giving priority on agro-based and labour intensive industries, taking initiatives to revive the sick units and transforming the government companies into public limited companies are the good steps

taken in the policy. But, the light engineering sector (LES) could get priority like agro-based industries because it is the mother industry of all other industries in an economy. It is so significant that the government wants to transform the state-owned enterprises into public limited companies which will help in more capital formation and consolidate the industrialization process of the country. According to the policy, the concerned agencies will be more conscious and prompt than before to provide effective one-stop services for the establishment of new enterprises. But, will all kinds of the enterprises get such opportunity? It is not clarified here. Simultaneously, the government will take steps to reduce cost of doing business taking guidelines from the concerned institutions like Setter Business Forum (BBF). It emphasizes on power generation and infrastructure development. But, no specific target has been set though it is cited to have private sector participation along with state effort.

Finance is so crucial for the development of the industry sector. But, like the industrial policies of the past no significant provision is added to the present policy. Only it is stated that necessary reform programmes within the FIs will be undertaken with a view to meeting the demand for long-term finance. in the industry sector. But, the nature of reforms, source of fund and fund for whom- these issues are not clarified well in the policy. A special chapter on various steps and programmes of SME financing could be written in details for the policy.

It is also hopeful that an information and data bank will be established with the help of Bangladesh Bureau of Statistics (BBS) and other support service agencies where the investors will be entitled to have required information on investment facility, market opportunity, source of capital machineries and technology. The most potential sectors that are in the priority list will be identified to foster them with business friendly support. Inspiration and legal facilities will be paid on industrial innovation, technology development and intellectual property right. These are good signs for future SME sector.

6. Bangladesh Bank data.

⁷ Field Survey data

It is so significant that the necessity is felt to the authority to restructure the textile sector through attracting fresh investment, modernizing the existed capital machineries and technology, and developing backward linkages. But, at present, a separate RMG policy strategy is necessary to make the sector second to none and unique in the global market. Simultaneously, jute, poultry, dairy and leather sectors also get importance where new investment, diversification of products, modernization and development of backward linkages are encouraged in the policy. But, in spite of being the basic sector, LES could not deserve such position as it is given for these industries.

The definitions of SMEs in the policy were not consistent with that of the IP'2005 and BB. In the IP'2019, amount of fixed assets excluding land and building is between Tk.50 lacs and Tk.100 millions while it is below Tk.15 millions in the IP'2005. According to BB, it is between Tk.50 thousands and Tk.15 millions. On the other hand, in the IP'2022, the amount of fixed assets of a medium enterprise is between Tk.100 millions and Tk.300 millions while it is between Tk.15 millions and Tk.100 million in the IP'2022.

It is stated in the policy that the government has liberalized the principles of investment as well as industrialization through making the role of bureaucracy investment friendly. Tariff exemption on the import of capital machinery will be given on the basis of region where the industries of underdeveloped areas will get priority. The government intends to have infrastructural development, establishment of economic zone and incentive packages for industries in the northern districts such as greater Rangpur, Dinajpur, Rajshahi etc. The locally produced goods will get VAT exemption. The investment limit on plant, machineries and equipment of small and cottage industries has been increased from Tk.15 lacs to Tk.25 lacs so that such enterprises can get tax exemption facilities. Simultaneously, the annual turnover of an enterprise is now Tk.40 lacs in lieu of Tk.24 lacs to determine VAT. That is, the SME sector will get more facilities. But, it is not stated here whether the VAT and tax structure will be changed or not. Both domestic and foreign investors will get same treatment and there will be no discrimination between public and private investment in case of taxation. It is okay that the foreign investors will get various facilities. But, the domestic private investors who are taking risk and engaging in production accepting the adverse investment climate of the country should get more facilities than that of the others.

8. IP'2016, *IP'2022 and Annual Report*, BB, p. 184

The policy of the government is to make the SME sector as a driving force with a view to upgrading living standard, achieving economic growth and eradicating poverty. The government is committed to encourage the Women Entrepreneurs and to enforce the sector providing adequate loan and training. BB is continuously providing SME loan under its refinance scheme. A single FI for industrial investment will be established combining BSB and BSRS. According to the policy, 15 percent of total SME loan will compulsorily be disbursed among the Women Entrepreneurs and the interest rate will be only 10 percent. But, if the present perspective is envisaged, a separate SME Bank is necessary to meet the present demand at a minimum rate of interest. If the real eligible Women Entrepreneurs are deprived of finance due to the provision of women priority in case of disbursing SME loan, the industrialization process will be impeded seriously.

According to the policy, the government will establish a number of economic zones where export and local market oriented enterprises will be established. After enacting the Economic Zone Act, no industrial estate or EPZ will be established. Such economic zones will not only establish certain Industries but also will include backward linkages along with the development of agriculture and services. It is, no doubt, a good step for the government. But, there is no specific indication that where and in which areas such economic zones will be established. EPZ and industrial estates are necessary for an economy. The necessity of them can never end in spite of having such economic zones. Mere, establishing economic zones is a massive programme for the government where EPZ, domestic processing zone, commercial belt, high-tech Park, ICT village and software Technology Park will be established. All required support services will be provided along with tax and duty incentives. But, is the government capable of establishing such mega industrial complex? No indication is given here about the source of fund, time limit, area selection, technological support and so on. It is also expected that if economic zones are established, domestic and foreign investment flow will increase. Without having and ensuring favourable investment climate in the economy such expectation will surely be an absurd thing. It is also told in the policy that PPP is in the priority list to have ventures in such economic zones. But, there are no specific guidelines about the way and activities of PPP. The good sign is that the government intends to establish industrial park in those economic zones where industrial clusters will be set up to provide assembly operation of a specific product. The government also has a plan to realize One District One Product (ODOP) formula Ahead of such economic zone.

There are some incentives for the export-oriented industries and export linkages for which the government will provide full support consistent to the export policy. The capital machineries imported for these industries will get special tariff exemption with easy custom clearance. All kinds of jute goods and diversified jute products innovated with new technologies will be treated

as export of import-substitute items. Bonded warehouse facilities will also be provided in case of import of raw materials to be used in export good production. Export credit guarantee schema will be expanded and intensified. Every thing in the policy is good. But, for the establishment and development of import-substitute industries, such incentive packages are not given in it.

The government has emphasized on technology transfer and assimilation of technologies in the industrialization process of the country. One of the prime goals of the policy is to take steps in quest of increasing productivity of the industries by incorporating cost-effective and environment friendly technologies. In this regard, the government will encourage the universities and technical institutes to open up courses on industrial technology. Simultaneously, the individual innovators and sector wise research will also get incentives in case of innovation and technology upgradation. The government will encourage the enterprises engaged in tools and machinery production to work with the existed technology and technical institutions with a view to having sustainable indigenous technologies for the development of small and cottage Industries. The Women Entrepreneurs and the concerned organizations will be involved in such high-tech manufacturing production where SMEF, BSCIC etc., will provide support. But, only such encouragement is not enough to expand technology based education in the country. Now it is necessary to take specific programmes and action which are absent in the policy. Much more hopes and dreams have been yearned here to have innovation and upgradation of technologies. Only a few measures that are necessary and realistic could be enough for this.

A chapter is added to the IP'2022 on human capital formation. It is stated here that both domestic and foreign support will be taken for human resource development. A number of steps will be taken to create an Women Entrepreneurship culture in the country where introducing lessons on Women Entrepreneurship development in the curriculum will be one of the important measures. The private sector will get opportunity to invest for the establishment of vocational and training institutes under PPP. Besides these, the government will provide support for corporate leadership development, local and foreign training, guidebook and database development of the industry sector, and worker's skill development. The government will open up a Job Hunt Cell to explore foreign job market for the educated people of the country. These are the programmes stated in the policy. But, the policy didn't include any provision on ensuring quality education and quality teachers both in the technical and general educational institutions. Significant number of students, technologists and technicians should be sent to the developed countries with a view to studying technology and its transfer. At present, infrastructure is being expanded but the qualitative standard of education is aggravating day by day. To increase technology based and vocational institutions is very essential in the country.

One of the significant flaws of the policy is that any review or appraisal of the previous policy has not been added here but it was necessary to have the lesson for the future. Various kinds of FIs are now working to finance the SMEs. These are bank, finance company, cooperatives, NGO, Enterprise Owners' Association, BISCIC and BB. The sector is also getting fund from various foreign organizations. The IP'2022 has not clarified the role and financing strategies of such institutions.

5.4 Budget 2021-22:

The SME sector gets special attention in the Budget 2021-22 for the first time where a target has been set to disburse loan of Tk.23,995 crore through bank and NBFIs where Women Entrepreneurs are in priority. Besides, a significant amount of Tk. 1,541 crore has been refinanced under the Bangladesh Bank Refinance Scheme to 15,672 SMEs from three funds up to April 2021. It is also told in the budget speech that a directive has already been issued to the banks for establishing 'Women Entrepreneur Dedicated Desk' so that the industry sector can get equitable and integrated development. Although the SME sector has got special treatment in this budget it is not different one compared to that of the previous ones where targets are set well but their realization is significantly insignificant. In the present budget, there is no directive for which SMEs will get first priority in getting finance. The consequence will be that the financier's eye will go to the 'trade' and 'service' sectors excluding the comparatively risk prone manufacturing SMEs. Simultaneously, the priority given to Women Entrepreneurs will not be reasonable if the real Women Entrepreneurs become deprived of adequate finance due to such favour

5.5 Some Important Institutional and Administrative Reforms:

The administrative Changes are being brought on the basis of industrial policies, seventh five year plans (2016-2020) and Eighth Five year Plan (2021-2025)and PRSPs where SMEs have got importance for achieving the Sustainable Development Goals(SDGs) goals set, such as employment and economic growth. In the IP' 2022 the SME sector is envisaged as a privileged sector. In the PRSP (pfiaSG 1&2), SMEs as well as export-oriented Industries are emphasized. The government is committed to facilitate SME development through its administrative changes along with that of legal, regulatory and policies. The government is to undertake various programmes to have reconstruction and integration in infrastructure, human resource mobilization, Women Entrepreneurship, congenial environment, marketing, exporting and so on with the help of ADB in collaboration with SMESDP of Mo I. in this regard, Mol has made administrative changes in its functionaries.

The government of the country has brought changes in its administrative functionaries creating some agencies to implement the present policy strategies taken for SME development with a view to solving employment and to increase economic growth. SME Cell is newly added to Mol in

2019 as its wing for providing functions in implementing policies and interventions. It is, in fact, the centre from where the government can supply power for strengthening the sector. The creation of the cell indicates the positive will of the government to expand SME industrialization though the effort behind the sector is not spontaneous and awakening rather simply an imposed venture influenced by some foreign factors, say, donor agencies, development strategies of Japan, South Korea, China, Malaysia, Singapore etc. In the same year, the government has constituted an SME Taskforce under the prime care of the principal secretary to the prime Minister attaching to her office. It is a blend of the government, the private sector, the academicians and the civil society. The Taskforce has made a report in 2019 and according to its essence; the government has undertaken SME Policy Strategies' 2015 for development of the sector in the country. The government also constituted another organization named 'Small and Medium Enterprises Advisory Panel' (SMEAP) under MoI as is stated in the SME Policy Strategies to serve the sector with development, technical and structural advisories. The organization also consists of the similar as is done for SME Policy Strategies⁹. The steps taken by the government for SME development are, no doubt, indicating its positive attitude but the would-be achievement as was thought at the very inception of the above stated government wings is yet to be fulfilled and claims appraisal though the new IP'2022 is already launched without addressing the flaws and gaps. From field survey, it is proved that the benefits yielded from such new administrative changes did not reach on the threshold of the manufacturing industries of the country except the trading and service sectors that have got the boom causing high inflation and inspiring import. Government of Bangladesh (GOB) has undertaken a scheme named Export Credit Guarantee Insurance (ECGI) for dealing with credit risk regarding export trade. Its administration has been entrusted to Shadharan Bima Corporation (SBC) that has created a separate department named Export Credit Guarantee Department (ECGD) with a view to dealing with export credit insurance. But SBC as a public commercial organization is not in fact apt to serve such promotional scheme while SBC itself is advised by MoC to transform ECGD into a separate corporation and diversify the scheme; otherwise, its goal could not be achieved. ADB also has given consent to make it a corporation as it is in India, Srilanka, Malaysia, South Korea, Hong Kong and Australia¹⁰.

⁹ Mohammad Ayub MiAll, *A Report on the Overview of SMEs in Bangladesh*, SMESDP, MoI, GOB. September, 2018.

5.6 Financing Policies and Credit Programmes of BB:

BB has undertaken policies with a view to having an epoch making change in SME development through huge amount of finance in this sector. Foreign fund along with government funds are being supplied for its flourishing. Among three prime sub sectors of SMEs, manufacturing is very important. But in its policies, no clarification is found about the disbursement of that fund and no emphasis is paid upon its crucial manufacturing sector except the matter of Women Entrepreneurship. As a result, the fact is disappointing that only 3% (found in field survey) of total SME loan has been disbursed to the manufacturing sector while the lion's share is distributed to the trading and service enterprises. It should be predetermined that what the percentage of such fund will be for manufacturing. Even a sub-sector based finance portfolio is indispensable for this sector where the manufacturing enterprises must stay Ahead much.

BB policies also differ from that of Mol from definitional point. For medium enterprises the total amount of investment excluding land and building will not exceed Tk. 20crore according to the definition of BB while it is Tk. 30crore in case of Mol. It is a significant flaw of the policies formulated both by BB and Mol that indicates a gap of coordination between the important organs of the state of finance and industry. The policies taken by BB are well framed but its management level lacks efficiencies while the commercial banks and NBFIs are not abiding by The directions of BB. For instance, it has been observed that expected amount of loan is not being provided for the Women Entrepreneurs though they are entitled for getting minimum 15 percent of SME loan from banks and NBFIs as are advised by BB¹¹. For having effectiveness of such policies formulated for SME finance BB needs to enhance follow up and take proper measures againstthe commercial banks and NBFIs.

Atiur RAllman, Mohammad Hossain, Mohammad Abu Eusuf, "How Flexible are the Financial Services to the Export Sector in Bangladesh", *Bangladesh Journal of Political Economy*, Voi. 22, Nos. 1 & 2, 2016, pp. 346-347.

The SME sector is considered one of the prime factors of economic development by the government. The indicative target of disbursing SME loan has been set for the first time from 2016. The banks and NBFIs will provide finance among the SME Women Entrepreneurs. But, the target set for disbursing loan is only for the FY 2018-2019, not for certain duration. Even such indicative target for disbursing loan has not been set for the manufacturing SMEs though it is now necessary. Women Entrepreneurs have got more priority in SME financing policies. As fund is limited, giving priority of the Women Entrepreneurs may deprive of the eligible Women Entrepreneurs. According to this policy, the banks and NBFIs will be able to provide loan up to Tk.25 lacs to the Women Entrepreneurs without any collateral under the refinance scheme of BB while only personal guarantee is enough to have finance. The Women Entrepreneurs will get loan at bank rate+5% interest under Refinance Scheme. Mere, the problem is that the net benefit from such loan disbursement may not be optimum if such facility is not given to eligible clients irrespective of gender. It may be correct that the Women Entrepreneurs will be the top priority as they are the half of total population of the country. But it is the question whether the real and eligible Women Entrepreneurs are getting that loan facilities or not. Mere, there is a scope to be misused of such finance in the name of Women Entrepreneurs.

It is also assured that the FIs will establish special Advice and Service Centre in their selected branches and ensure service friendly environment for the women clients. But such service centres may also provide support for all Women Entrepreneurs irrespective of gender.

in the credit policies of BB the credit limit is determined between Tk.5000.0 and Tk.50, 00,000. But, such limit should be more widened especially for those medium enterprises that possess fixed assets worth of Tk.30 crore.

It is positive that BB has decided to issue licence for opening up new SME branch in lieu of SME Service Centre of FIs. Mere, the prerequisite of having opportunity to have a licence is the success of achieving the indicative target of disbursing SME loan of that FI in question. But, the criterion of giving such licence should be on the basis of disbursing manufacturing loan.

Cluster-based area approach cited in the policy is, no doubt, good for manufacturing SME development in the country. The FIs are told to provide loan Ahead of this approach. But along with the FIs, all other concerned support service providers should have to move forward with a view to building capacity so that the firms can easily repay their debts and sustainable.

11. Bangladesh Bank, *BB Quarterly*, Jan-March, 2019, p. 27.

According to the debt policy of SME, the Fls will make self cluster development policy and inform BB. But such policy formulation given to such commercial Fls may not be realized effectively as they want only to optimize profit. BSCIC or SMEF may work for such cluster development policy formulation. It is stated in the policy that the banks themselves have the right to determine the rate of interest on SME loan though those banks have to give information about the rate determined by them to BB in no time. But, it is not wise to have such right of the PCBs in determining the rate of interest of SME loan. The reality is that the PCBs do not have eagerness to finance the manufacturing SMEs. So, the determination of interest rate by the Fls may never favour the SME Women Entrepreneurs. Although the current debt policy seems to be positive, no provisions have not been taken to ensure investment climate and effective marketing so that the Women Entrepreneurs can decrease cost of production and widen profit margin by utilizing all available support services. Although it is emphasized to arrange training programmes for building capacity, specific programmes should be designed by BB as well as other concerned agencies for the stakeholders. The SME debt policy of BB should be formulated only for the manufacturing SMEs, not for that of service and trade sectors. At present, trade and service SME financing does not encounter any significant constraint while industrial financing is facing various challenges at every stage. So, such debt policy of BB will only be for manufacturing SMEs.

5.7 Donor Agencies and cost of Finance:

Donor agencies are now providing funds for SME finance and also for its technical and capacity building programmes as it happens for microcredit supply in the country. They are naturally stayed elsewhere from the country and the projects to which they provide funding or they don't have any decision making authority in the local office. Simultaneously, the cost of providing finance to the grassroot level is so high⁷. Most of the development projects financed by that donor agencies always lack of proper management and become victim of traditional bureaucoreacy of the country. The programmes taken for technical help and capacity building are not designed in accordance with the country's perspective.

5.8 BSCIC:

The most important pivotal organization is BSCIC in this arena in the country for development of SMEs through catering assistance and support services. It is of more importance that it is providing industrial plots and other infrastructural support services for setting up some mature SMEs across the country though such facilities are not forked out easily to real Women Entrepreneurs. But, it has now an avalanche of irresponsibilities in almost all respects to provide supports to SMEs along with inefficiencies like other public institutions which are sterile and practicing bureaucoreacy in a stereotype manner. The operating divisions of BSCIC are (i)

promotion and extension; (ii) projects; (iii) marketing, technology and design. Women Entrepreneurship Development Program (WEDP) and financing are also two important tasks for the organization. About 63 percent of its revenue budget is allocated to the Promotion and Extension (P&E), the flagship division of it. It is found from field survey that they have very insignificant role in promoting and extending SMEs though the number of industrial Women Entrepreneurs has risen from 34219 in 2010 to 64704 in 2017-18⁸. Mohammad Ayub MiAll, the then project director of SMESDP has remarked that BSCIC did not bring entrepreneurial development of Schumpeterian type that has been spotted by some in lieu of spotting by any one of the Women Entrepreneurs whereas such development policies are necessary for Bangladesh, a country of capital scarcity. The organization is, in fact, not modernized and not of well managerial performance while the production environment within the estates is in deplorable conditions. It is also found from investigation that the real small Women Entrepreneurs have so insignificant access for establishing Industries to its estates.

The amount of SME finance of the organization is also so poor as it provides around Tk. 50 thousand only.

5.9 SME Foundation:

SMEs are stated as 'driving force' of economic development of a country, especially for developing country SMEs are vital sector for ensuring Sustainable Development Goals (SDGs). The National Task Force on SME, SME Advisory Panel and ADB have tuned altogether to establish SME Foundation (SMEF) as a separate specialized institution with a view to assist the sector prioritizing development. In the mean time, Tk.200 crore is given to its endowment while in FY 2017-18 MoI also has given Tk. 100 crore along with Tk.5 crore as seed money to its fund. It has been established as an apex institute dedicated to SME development under Ministry of Industry (MoI) of the government of Bangladesh.

5.9.1 Role of Financial Institutions, Bangladesh bank, NBFIs, BASIC Bank:

Apart from government, FI play significant role in case of financing SMEs of an economy. What will be the nature of that role played by the FIs depends on the existing policies, natural and human resources, source of fund, political commitment, business environment, market situation, profitability, legal support and so on. The Central Bank has the responsibility to formulate financing policies, control the FIs and monitor the finance programmes of the FIs engaged in financing. The concerned SCBs have the specific role for the development of SMEs while the PCBs also have no scope to sidestep the public policies.

Bangladesh Bank:

Bangladesh Bank (BB) as a central bank is to shoulder the responsibility and to play its role as a main authority for enhancing SME finance and flourishing of this sector. It has the positive role for years in SME financing. It has well planning and policy strategies to channel fund to this sector. Donor's funds have also been linked up to that of the country's own by it to support SME finance and other services. BB has undertaken various programmes and debt policy strategies for the commercial banks and NBFIs to finance and nourish this sector. Recently it has opened up 'SME and Special Programs Department'¹ by separating it from 'Special Programs and Agricultural Credit Department' to help the sector and its stakeholders. The Governor of this bank is hopeful in having a robust industrial sector under Vision 2021 where SME can play a vital role. BB has also intention to develop fresh and innovative financial products to market them by the FIs for SME Women Entrepreneurs⁹. It has taken a series of measures including setting up of SME service centres to strengthen financing of the sector. Equity Women Entrepreneurship Fund (EEF) is one of the important programmes of BB undertaken for SME finance. But its procedure of providing finance is so cumbersome and it requires necessary policy support and frequent monitoring. It has so far sanctioned Tk. 840m for software, food processing and agro based industries while other sectors especially LEE sector is yet to get importance¹⁰.

Banks and NBFIs:

In institutional financing commercial banks and NBFIs play vital role at grass root level through disbursing loan to Women Entrepreneurs. But it is so explicit from field survey that the authorities have negative mindset in giving loan to the SME Women Entrepreneurs and fail to provide services, say, project design, product development and market linkage. At present, the new generation PCBs are supplying finance only to trade and service sector with a very insignificant contribution to the manufacturing SMEs. Apparently, the FIs seems to be in favour of manufacturing SME but the reality is so alarming as it is found from field survey shown in Table-4.6 of Chapter 4. It is found that the FIs provide only 4.89 percent of total industrial loan for the manufacturing SMEs of the LES.

BASIC Bank':

The BASIC Bank Limited is now a state owned bank as the government of Bangladesh takes over 100 percent ownership of the bank in the 1990s. According to its objectives, it is a blend of development and commercial banking functions. It is to provide both trade and manufacturing finance for small scale industries (SMEs) and micro enterprises from various economic fields. In this regard, it offers term loan, say,

working capital finance in processing and manufacturing units to develop SMEs with financing and facilitating international trade. It has also the pledge to provide technical and advisory supports to SMEs in order to enabling them to have a survival with success¹¹.

It was established to achieving the objectives stated above but still now its role is very insignificant in its services. It has provided 53.43 percent loan for SMEs and micro enterprises (MEs) of its total loans and advances through only 28 branches all over the country up to 2018¹². It is apparent from field survey that its contribution to LEE sector is uncountable in spite of having 89 percent recovery rate of project loan. Most of the Women Entrepreneurs interviewed do not have proper information about its finance and it is almost unknown to them. The government did not pay attention well spreading its success over the country by opening up more branches of the bank.

5.9.2 Conclusion

At present, it is necessary to evaluate the previous industrial policies especially on those goals set to achieve in the industrialization process of the country with a view to identifying the bottlenecks remained behind the failures of policy realization. No appraisal about how much has been achieved from the previous one is found in the present policies. It seems to be the routine work of the bureaucrats just to formulate. An ample of goals has been set in the policies in lieu of some specific goals consistent to the existing resources and capability of the government and finally, these policies have yielded very negligible outcomes. Frequent policy changes want of feasibility in policy realization, lack of coordination among the concerned agencies, red tapeism, bureaucratic complexities, want of follow up, gap between the policies and the practice, acute dependence on the bureaucrats in policy formulation, policy making without envisaging the research findings and want of political commitment in taking effective measures are the prime features of such policy and administrative reforms of the country.

Chapter 6

Institutional Credit Facilities for SMES as Well as LEEs

6.0 Introduction:

It is generally known that 'SMEs' are called 'Missing Middle' due to their limited access to finance as they possess small amount of asset in investment which can not assure the financiers of the money they will supply and consequently, the credit risk obstructs finance in the potential sector. The developed and the other emerging countries at the beginning have taken various effective measures to ease SME finance with a view to having industrialized economy. As a poor, developing country, Bangladesh had also efforts to some extent before and after the independence to be developed through flourishing small scale Industries though the success is of little due to lot of reasons. In the recently passed years, some countries like South Korea, Singapore, Malaysia, and China do very well in the sector where SME is envisaged as the 'Engine of Economic Development'. Simultaneously, in the policy strategies given by the donor agencies for developing countries like Bangladesh,

SMEs get priority, especially women entrepreneurs have been given priority for granting loan with an anticipation of achieving desired economic development. After 2000, according to the emphasising of SMEs in the IP'2016 the country undertakes some administrative and policy reforms for building capacity of the sector. MoI along with Bangladesh Bank (BB) take various programmes and credit policy strategies for facilitating SME finance prioritizing women in SME sector. In this regards, BB has responsibilities over the FIs to enhance financing of SMEs. At present, the private banks and other NBFIs have somewhat interest to finance the sector though they have keen interest especially on the service and trade sectors in lieu of the manufacturing SMEs. Still now informal finance exists here. Access to institutional finance of the SME, Women Entrepreneurs is yet limited because of the reluctance from both supply and demand sides of finance.

A field survey among LEEs, financiers and other concerned personnel is conducted to find out the condition of institutional finance at field level of the sector. These primary data and information along with secondary sources are used in writing the chapter. It includes the availability of institutional credit activities; economic and financial perspectives of the women owned enterprises surveyed; present scenario of field level finance; trends of finance; attitude of both the financiers and Women Entrepreneurs towards institutional finance; and the necessity of formal finance of the LEE sector.

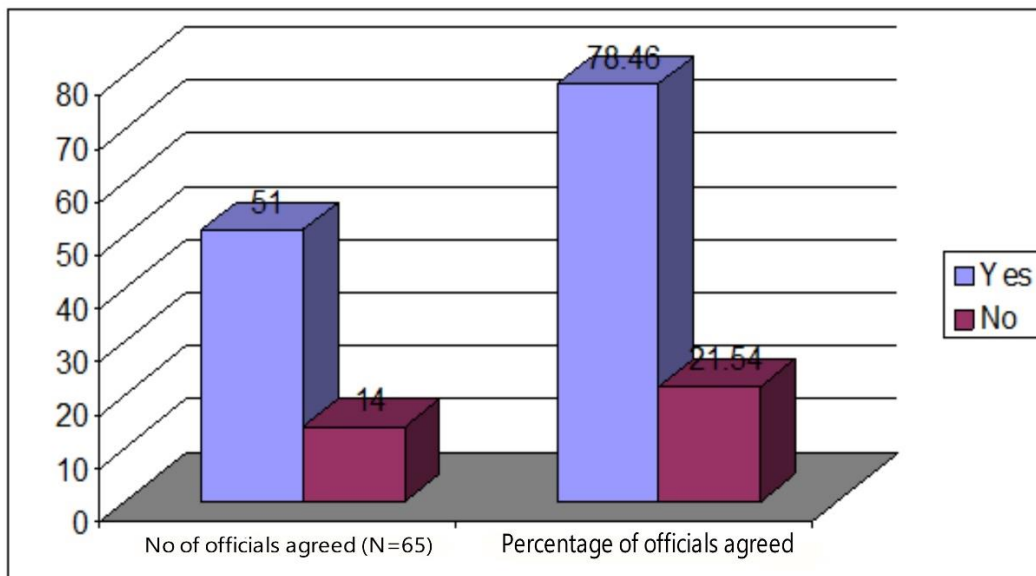
6.1 Institutional Financing of SMEs at Field Level:

The government of the country has formulated various policies for building capacity both from *Une* supply side where the financiers can become risk-free in financing the SMEs and the demand side where the Women Entrepreneurs can activate efficient management System in quest of having enhanced capacity to survive and being profitable. Finally, the government intends to increase better access of the SMEs to finance. International agencies such as IFC, BB, Mol altogether are funding through the FIs to the sector. Simultaneously, at present, the banking sector is now inflated with liquidity. It is observed from the opinions of the respondents surveyed in this research.

Table 6.0
Opinion on the Sufficiency of Fund for SME Financing

| SI. No. | Response Category | No. of Officials Agreed (N=65) | Percentage of Officials Agreed |
|---------|-------------------|--------------------------------|--------------------------------|
| 1 | Yes | 51 | 78.46 |
| 2 | No | 14 | 21.54 |

Source: Field Survey.



Source : Field Survey

About 78.46 percent respondents say that fund *is* not a problem (see Table-6& Figure 6) while only 21.54 percent of them think the opposite. The real problem in this regard is the financier's mindset that is being remained unchanged and to find out the real Women Entrepreneurs for financing by easing collateral hurdle.

6.2 Investment Level of the LEEs Surveyed

The number of small women owned enterprises surveyed is 117 and it is 23 for medium women owned enterprises. Table-6.1 shows that the mean amount of asset value of the small women owned enterprises is Tk.24.94 lacs and it is Tk.419.57 lacs for the medium women owned enterprises. But, the asset ceilings for small and medium women owned enterprises are Tk.150 lacs and Tk.2000 lacs respectively. If comparison is made between the mean asset values of the SMEs surveyed and the asset ceilings given by BB, it is found that the real investment as well as finance level of the SMEs in this sector is very low. It implies that the SMEs are yet to have required amount of finance from the FIs of the country.

Table 6.1 Mean Investment Levels of SMEs in the LES Surveyed

| SI. No. | Types of Women owned enterprises | No. of Women owned enterprises | Mean Amount of Investment |
|---------|----------------------------------|--------------------------------|---------------------------|
| 1 | Small Women owned enterprises | 117 | 24.94 lacs |
| 2 | Medium Women owned enterprises | 23 | 41 9.57 lacs |

Source: Field Survey.

6.3 Small Women owned enterprises and Investment Level:

Table-6.2 shows that the range of asset values of such women owned enterprises is between Tk.1.50 lacs and Tk.100 lacs. No small enterprise is found of having total asset worth of more than Tk.1 crore. Most of the women owned enterprises possess assets within Tk. 60 lacs. About 95.73 percent women owned enterprises have invested up to Tk.60 lacs and 63.25 percent women owned enterprises remain within Tk.20 lacs of investment. Only 5 women owned enterprises have invested above Tk.60 lacs.

Table 6.2
Distribution of Small Women owned enterprises According to Level of Investment

| SI. No. | Level of Investment (Tk. lacs) | No. of Women owned enterprises | Percentage of Women owned enterprises |
|---------|--------------------------------|--------------------------------|---------------------------------------|
| 1 | 1-10 | 8 | 6.84 |
| 2 | 11-20 | 66 | 56.41 |
| 3 | 21-30 | 25 | 21.37 |
| 4 | 31-40 | 5 | 4.27 |
| 5 | 41-50 | 6 | 5.13 |
| 6 | 51-60 | 2 | 1.71 |
| 7 | 61-70 | - | - |
| 8 | 71-80 | 4 | 3.42 |
| 9 | 81-90 | - | - |
| 10 | 91-100 | 1 | 0.85 |
| | Total | 117 | 100 |

Source: Field Survey.

6.4 Medium Enterprise and Investment Level:

The number of medium women owned enterprises surveyed is 23 and it is 16.43 percent of total number of women owned enterprises surveyed in this study. Table-6.3 shows the distribution of medium women owned enterprises according to investment level where the range of asset values is between Tk.151 lacs and Tk.2150 lacs. But, most of the women owned enterprises have invested below Tk.350 lacs. The table shows that about 82.6 percent women owned enterprises have invested from Tk.150 lacs to Tk.350 lacs. On the other hand about 13 percent women owned enterprises possess the level of investments above Tk. 1000 lacs. Only one enterprise has invested around Tk. 2000 lacs.

Table 6.3**Distribution of Medium Women owned enterprises According to Investment Level**

| SI. No. | Level of Investment (Tk. lacs) | Medium Women owned enterprises | |
|---------|--------------------------------|--------------------------------|------|
| | | No. | % |
| 1 | 151-350 | 19 | 82.6 |
| 2 | 351-550 | 1 | 4.3 |
| 3 | 551-750 | - | - |
| 4 | 751-950 | - | - |
| 5 | 951-1150 | - | - |
| 6 | 1151-1350 | - | - |
| 7 | 1351-1550 | 1 | 4.3 |
| 8 | 1551-1750 | 1 | 4.3 |
| 9 | 1751-1950 | - | - |
| 10 | 1951-2150 | 1 | 4.3 |
| | Total | 23 | 100 |

Source: Field Survey.

6.5 Sources of Finance in LEE Sector:

The LEE sector takes finance from different sources. Most of the Women Entrepreneurs depend on more than one source for having finance simultaneously. Among them self and family finances are significant, while the others are friends and relatives, money lender, bank, NBFIs, cooperatives and NGOs. Abreast of formal finance, the LEEs still depend on informal finance as was in the past though the situation has now been ameliorated. The cooperatives and NGOs that are generally engaged in microfinance are now scaling up finance to SME finance to some extent. Their terms and conditions in financing women owned enterprises are easier in comparison with that of the banks and NBFIs.

Table 6.4 Sources of Finance of the Women owned enterprises Surveyed

| SI. No. | Multiple Response Category | Small Women owned enterprises (N=117) | | Medium Women owned enterprises (N=23) | | Total (N-140) | % |
|---------|----------------------------|---------------------------------------|------|---------------------------------------|------|---------------|------|
| | | No. | % | No. | % | | |
| 1 | Self | 72 | 61.5 | 13 | 56.5 | 85 | 60.7 |
| 2 | Family | 62 | 53.0 | 15 | 65.2 | 77 | 55.0 |
| 3 | Friends& Relatives | 39 | 33.3 | 6 | 26.1 | 45 | 32.1 |
| 4 | Money Lender | 10 | 8.5 | 4 | 17.4 | 14 | 10.0 |
| 5 | Bank | 26 | 22.2 | 13 | 56.5 | 39 | 27.9 |
| 6 | NBFIs | 10 | 8.5 | 4 | 17.4 | 14 | 10.0 |
| 7 | Cooperatives | 4 | 3.4 | 1 | 4.3 | 5 | 3.6 |
| 8 | NGOs | 3 | 2.6 | - | - | 3 | 2.1 |

Source: Field Survey.

Table-6.4 shows the sources of LEE finance found from field survey. It also shows the pictures of both small and medium women owned enterprises individually while related information for SME as a single sector is available here. Most of the small and medium women owned enterprises use self and family finance. About 60.7 percent Women Entrepreneurs have self finance where it is 61.5 percent for small Women Entrepreneurs and 56.5 percent for medium Women Entrepreneurs. The sources of finance from family, friends and relatives are 55.0 and 32.1 percent respectively while it is 10.0 percent for money lenders. Here, it is interesting to note that the number of medium Women Entrepreneurs took finance from money lenders is greater than that of the small Women Entrepreneurs. Besides the informal finance, the women owned enterprises depend on formal finance. Only 27.9 percent women owned enterprises use bank finance where the medium women owned enterprises are staying somewhat ahead than that of the small ones. For small women owned enterprises, 43 percent of them have the access to institutional finance while it is 78.2 percent for the medium women owned enterprises.

For bank finance, it is 26 percent for the small women owned enterprises while it is 56.5 percent for the medium women owned enterprises. About 10 percent finance comes from the NBFIs while the cooperatives and NGOs provide 3.6 and 2.1 percents respectively in case of financing SMEs. It is also interesting that about 10 percent small Women Entrepreneurs go to the money lenders while about 17.4 percent medium women owned enterprises take finance from this source. That is, the medium women owned enterprises have more dependence on money lending

than that of the small women owned enterprises. However, the banking sector is dominating in case of financing SMEs while the cooperatives and NGOs are also added in contributing to this sector. But the implication found from comparing between informal and formal sources of finance is that the informal finance sector is still prevailing in financing SMEs in the country.

6.6 SME Finance and Rate of Interest:

The present financing scenario of the SME sector is not, in fact, hopeful as the units of the FIs do not finance any significant amount. Tabel-6.3 shows that each of the units finances Tk. 6.27 crore on average while the minimum amount is Tk. 0.08 crore financed by one and the maximum amount is Tk. 37.0 crore financed by another one of the units of FIs surveyed. It means that no significant amount of finance goes to the sector. The FIs also provide very low amount of finance for manufacturing SMEs. Only 4.89 percent of total Industrial loan disbursed by each unit of the FIs is distributed to the industrial SMEs. Most of the units of FIs have financed 0-5 percent of their total Industrial loan in manufacturing SMEs. Only one unit surveyed has disbursed 50 percent of total Industrial loan to manufacturing SMEs. From field level survey it is also found that the rate of interest as the cost of finance is significantly high. The average rate of interest is 15.66 percent where the minimum rate is 13 percent and the maximum rate is 20 percent. Actually these rates of interests are accounted for formal rates the FIs show publicly. From the researcher's computing point of view, more 3 percent is added to the formal rate of interest as other relevant charges. Then the average rate stands to 18.66 percent and the maximum rate is 23 percent! Table-6.5 also shows relevant pictures about the disbursed amounts of outstanding loans with a comparison between the NCBs and PCBs surveyed. The average outstanding loan per unit of the NCBs surveyed is Tk. 5.34 crore while it is Tk. 6.80 crore. for the PCBs indicating the better position the PCBs hold in financing SMEs. Among the FIs surveyed Al Arafall Islami Bank is in the top position with the average outstanding loan disbursed of Tk. 13.64 crore. and the least amount (Tk. 0.75 crore.) is disbursed by NCC Bank. The second position is for BRAC Bank Ltd. with the amount of Tk. 10.82 crore. followed by AB Bank with the amount of outstanding loan of Tk. 10.66 crore. It is found that Grameen Bank, some NGOs and cooperative societies are scaling up their micro finance to SME finance.

Table 6.5
Basic Information about the FIs Surveyed

| Basic Information | Mean | Minimum | Maximum |
|---|--------------------|-----------------|-------------------|
| Amount of SME Outstanding Loan Per Unit of the FIs | Tk. 6.27 crore. | Tk.08 crore. | Tk.37.0 crore. |
| Percentage of Manufacturing SME Loan of Total Industrial Loan Per Unit of the FIs | 4.89 % | 0.0 % | 50% |
| Rate of Interest | 11.66% | 12% | 15% |

Source: Field Survey.

Table 6.6
Average Amount of Total Outstanding Loan Disbursed by the FIs Surveyed
(Tk. Crore.)

| SI. No. | Name of the FIs | No. of Units/ FI | Average Amount of Outstanding Loan | Average Amount of Outstanding Loan for NCBs | Average Amount of Outstanding Loan for PCBs |
|---------|-----------------|------------------|------------------------------------|---|---|
| 1 | Sonall Bank | 7 | 7.19 | 5.34 | 6.80 |
| 2 | Janata Bank | 1 | 3.50 | | |
| 3 | NBL | 3 | 8.33 | | |
| 4 | BBL | 16 | 10.82 | | |
| 5 | PBL | 1 | 7.00 | | |
| 6 | AAIBL | 2 | 13.64 | | |
| 7 | DBBL | 3 | 2.97 | | |
| 8 | IFIC | 1 | 7.00 | | |
| 9 | AB | 1 | 10.66 | | |
| 10 | NCC | 1 | .75 | | |
| 11 | Grameen Bank | 1 | 3.5 | | |
| 12 | JBBL | 3 | 5.5 | | |
| 13 | Islami Bank | 1 | 5.4 | | |
| 14 | Standard Bank | 1 | 6.00 | | |
| 15 | NGOs | 3 | 1.75 | | |
| | Total | 45 | 94.01 | | |

Source: Field Survey.

Interest rate as cost of SME finance is comparatively high. Table-6.7 shows that the average rate of interest for the NCBs is 9.5 percent and it is 10 percent for the PCBs. The real figures will be 11.5 percent and 13.25 percent if more 3 percent of other hidden charges are added to them. The rate of interest for the NCBs is low but financing situation is disappointing due to poor management and unfair means. The rates of interest for the PCBs are so high especially for the manufacturing SMEs because of high risk. In this Situation, the trade and service sectors of SMEs are getting priority for financing from the financier's point of view and the manufacturers feel the fear of indebted due to such high rate of interest. The cost of SME finance is

so high for Grameen Bank and it is 20 percent followed by BRAC Bank with 17.8 percent interest. Actually both the banks are now following the successful micro financing systems innovated for the predecessor NGOs of the country for such SME finance.

Table 6.7
Interest Rate of the FIs for Giving Loan to SMEs

| SI. No. | Name of the FIs | Rate of Interest | Average Rate of Interest | |
|---------|----------------------|------------------|--------------------------|------|
| | | | NCBs | PCBs |
| 1 | Sonall Bank | 13.0 | 9.5 | 10 |
| 2 | Janata Bank | 10.0 | | |
| 3 | NBL | 16.0 | | |
| 4 | BRAC Bank | 17.8 | | |
| 5 | Prime Bank | 17.0 | | |
| 6 | Al Arafa Islami Bank | 17.0 | | |
| 7 | DBBL | 14.0 | | |
| 8 | IFIC Bank | 15.0 | | |
| 9 | AB Bank | 14.0 | | |
| 10 | NCC Bank | 16.0 | | |
| 11 | Grameen Bank | 20.0 | | |
| 12 | Jamuna Bank | 16.0 | | |
| 13 | Standard Bank | 16.0 | | |

Source: Field Survey.

6.7 Contribution of the FIs in Financing LEEs:

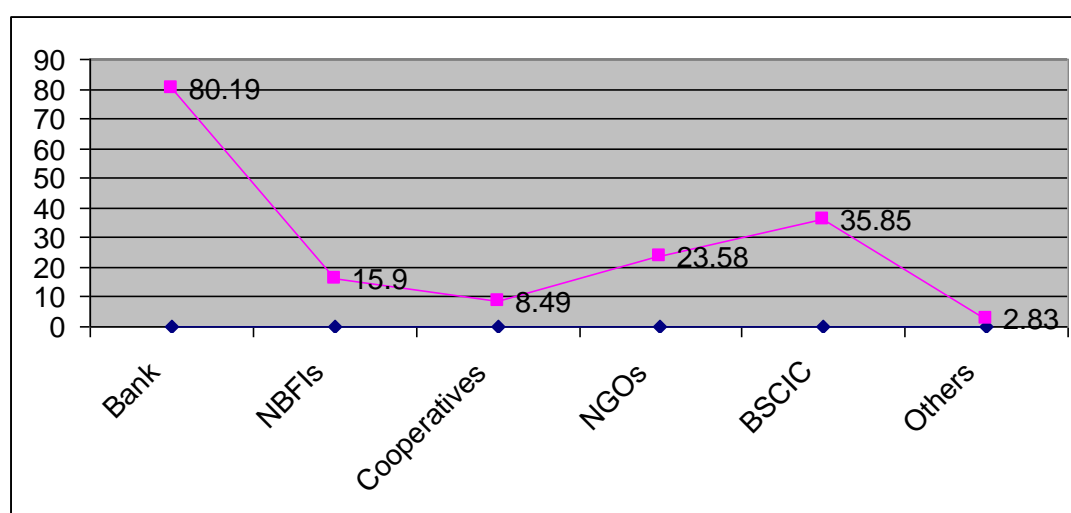
At present, different kinds of FIs are contributing to SME finance. Traditionally, the banking sector is pioneer in SME financing though the finance companies (here, NBFIs include only leasing and finance companies) are also serving the sector. BSCIC, cooperatives, NGOs and other financial organizations now finance the SME sector. .

Table 6.8
Contribution of the FIs to Financing LEEs

| SI. No. | Multiple Response Category | No. of Entrepreneurs (N=106) | Women Agreed | Percentage of the Women Entrepreneurs Agreed |
|---------|----------------------------|------------------------------|--------------|--|
| 1 | Bank | 85 | | 80.19 |
| 2 | NBFIs | 16 | | 15.09 |
| 3 | Cooperatives | 9 | | 8.49 |
| 4 | NGOs | 25 | | 23.58 |
| 5 | BSCIC | 38 | | 35.85 |
| 6 | Others | 3 | | 2.83 |

Source: Field Survey.

Figure 6.9
Contribution of the FIs to Financing LEEs



Source Field Survey.

Table-6.8 and Figure 6.9 show the information on the contribution of FIs in financing LEEs found from field survey, about 80.19 percent respondents say about the contribution of banking sector, while 15.09 percent of them give opinion in favour of the NBFIs. About 35.85 respondents recognize the contribution of BSCIC. The important thing here is that the cooperatives and NGOs all together are now contributing to the LEE sector and 32.07 percent respondents affirm it in the survey. Here, 23.5 percent respondents agree with the role of NGOs in financing the sector. It is also comprehended that the NGOs are now scaling up their microfinance to SME finance.

6.8 Access to Finance:

It is stated before that most of the LEEs do not go to the FIs for getting finance due to having different impediments and information gap. Table-8.10 and Figure 8.3 show that about 51.55 percent Women Entrepreneurs didn't take loan while only 48.45 percent of them avail finance of the FIs. The percentage (48.45%), in fact, does not indicate total access Of the LEEs to SME finance on account of the existence of a number of Women Entrepreneurs who get finance less than the amount they expect from the FIs. Table-6.10 and Figure 6.7 show the real picture of 6ME finance in the country where almost one-third of the Women Entrepreneurs do not get finance as they expect. According to survey data, 74.61 percent Women Entrepreneurs get less than expected amount of loan while only 25.39 percent of them can avail finance of their expectation. It implies that 45 percent of the LEEs do not have absolute access to SME finance.

Table 6.10

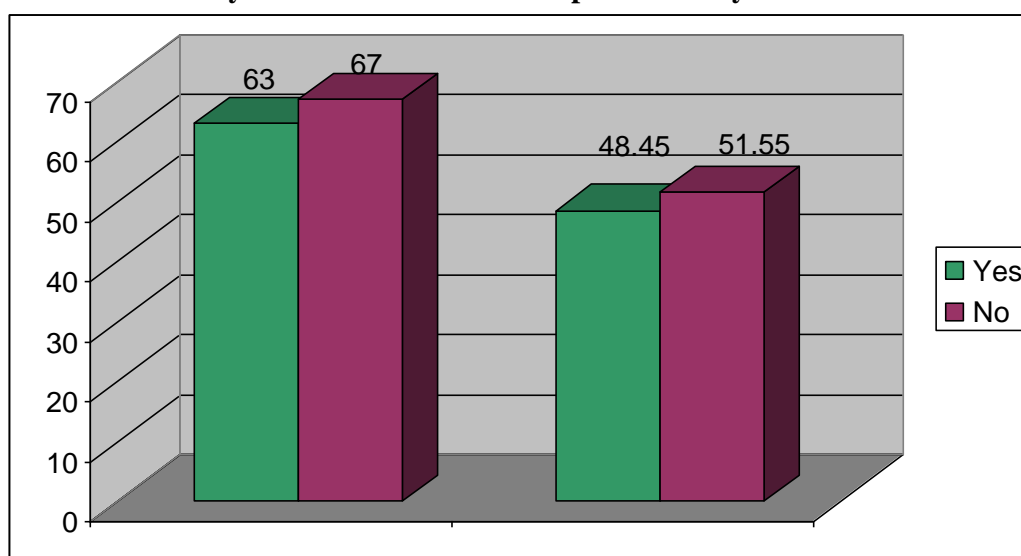
Loan Taken from FIs by the Women owned enterprises Surveyed

| SI No | Women owned enterprises Taken Loan | No. Women Entrepreneurs Agreed(N=130) | Percentage of Women Entrepreneurs Agreed |
|-------|------------------------------------|---------------------------------------|--|
| 1 | Yes | 63 | 48.45 |
| 2 | No | 67 | 51.55 |

Source: Field Survey.

Figure 6.7

Loan Taken from FIs by the Women owned enterprises Surveyed



Source: Field Survey.

Table 6.7.1

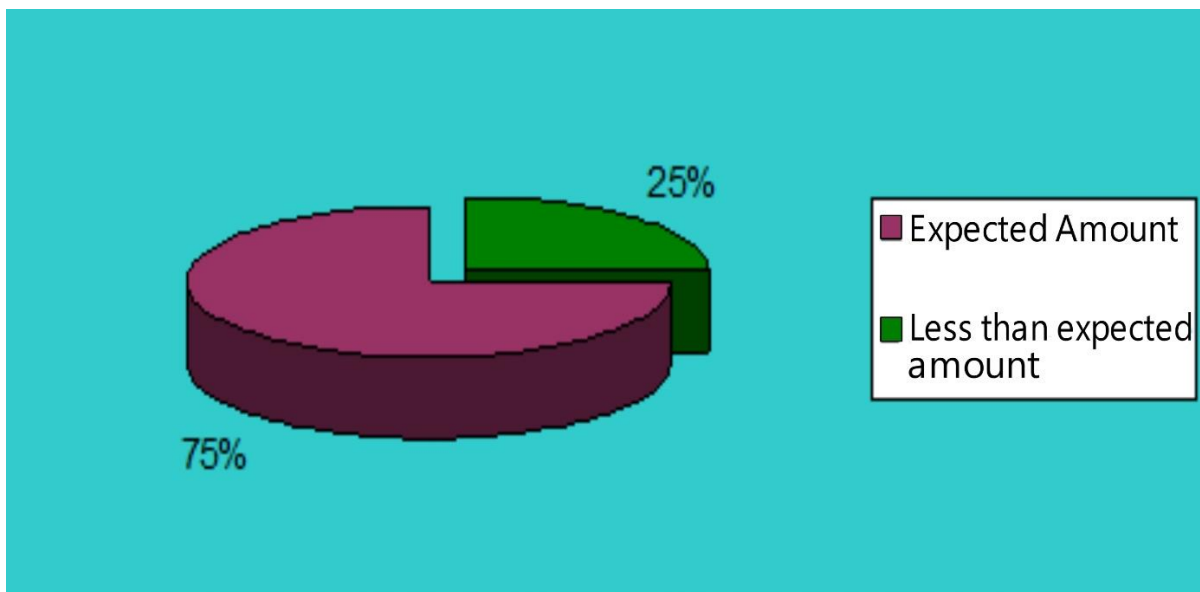
Loan Amount Received by the Women Entrepreneurs Surveyed

| SL. No. | Amount of Loan | No. of Women Entrepreneurs Agreed (N=63) | Percentage of Women Entrepreneurs Agreed |
|---------|-----------------------------------|--|--|
| 1 | Expected Amount of Loan | 16 | 25.39 |
| 2 | Less than Expected Amount of Loan | 47 | 74.61 |

Source: Field Survey.

Figure 6.7.2

Loan Amount Received by the Women Entrepreneurs Surveyed



Source: Field Survey.

It is also found from field survey that the rates of interest prevailed in the FIs are high compared to that of the other countries where SMEs have flourished well. That is, cost of taking finance from the Ffs is significantly high for the SME Women Entrepreneurs. Table-6.7.1 and Figure 6.7.2 show that more than half of the respondents approve of the interest rates as high prevailed in the FIs. The percentage of them is 61.8 while 30.9 percent say that it is not high. Only 7.4 percent respondents affirm the rates of interest as reasonable. That is, 38.3 percent respondents in total do not agree with the opinion of high interest rates prevailed in the FIs while 61.8 percent

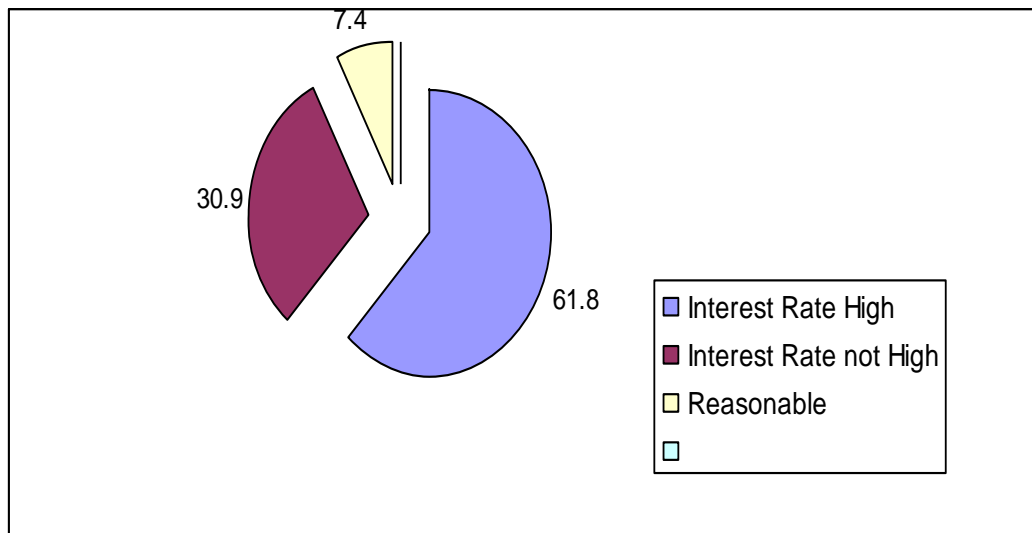
respondents have opposed this. So, it implies that the high rate of interest is one of the bottlenecks in the way of increasing access to formal finance.

Table 6.7.3
Opinions on the Current interest Rates of FIs Given by the Women Entrepreneurs
Surveyed

| SI. No. | Responso Category | Opinion | |
|---------|------------------------|---------|------|
| | | No. | % |
| 1 | Interest Rate High | 42 | 61.8 |
| 2 | Interest Rate not High | 21 | 30.9 |
| 3 | Reasonable | 5 | 7.4 |

Source: Field Survey.

Figure 6.7.3
Opinions on the Current Interest Rates of FIs Given by the Women Entrepreneurs
Surveyed



Source: Field Survey

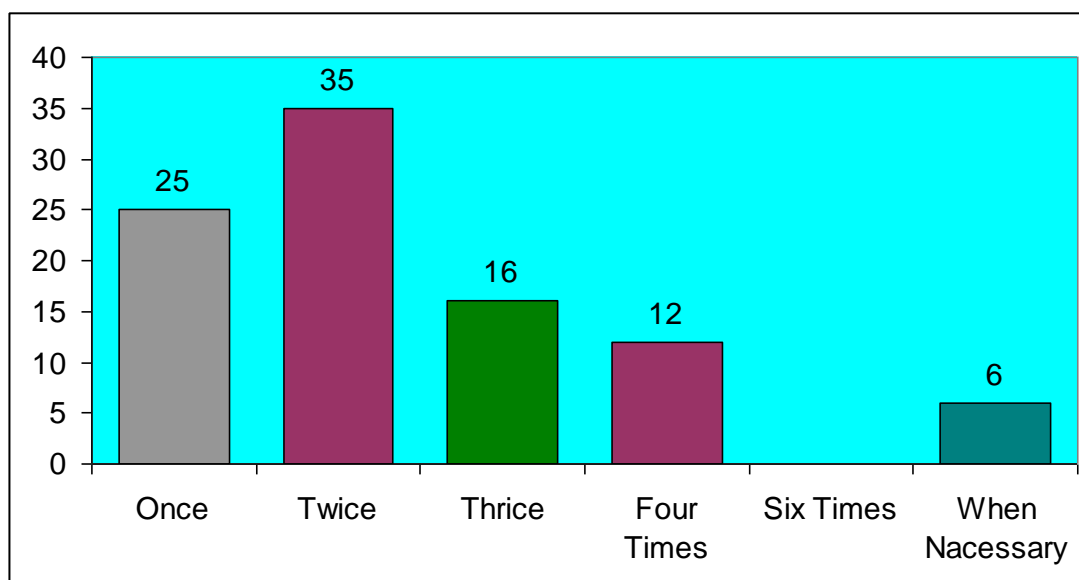
It is found from investigation that the intensity of taking loan from the FIs is not significantly high. Table-6.7.4 and Figure 6.7.5 show that about 26.98 percent Women Entrepreneurs take loan for once while 36.51 percent of them take for twice and it is 17.46 percent in case of taking loan for thrice. Only 11.11 percent Women Entrepreneurs take loan for four times and 7.94 percent of them take for when necessary. The implication of such data and information is that about 63.43 percent Women Entrepreneurs take loan for at best two times from the FIs. It means that access to SME formal finance is still now very limited.

Table 6.7.4
Distribution of Women Entrepreneurs Taken Loan for Times

| SI No. | No. of Loans | No of Women Entrepreneurs (N=63) | Percentage of the Women Entrepreneurs |
|--------|----------------|----------------------------------|---------------------------------------|
| 1 | Once | 17 | 26.98 |
| 2 | Twice | 23 | 36.51 |
| 3 | Thrice | 11 | 17.46 |
| 4 | Four Times | 7 | 11.11 |
| 7 | When Necessary | 5 | 7.94 |

Source: Field Survey.

Figure 6.7.5 Distribution of Women Entrepreneurs Taken Loan for Times



Source: Field Survey

6.9 Required Typical Documents for SME Loan:

Complexities in getting finance from the banks and FIs are revealed from a long list of papers and documents wanted from the SME borrowers. It is found from another survey that *the* business owners have to go to the FIs on an average 15 times for one loan while the frequency of visits for getting a loan from money lender is 3, from an association 2.5, from friends and relatives 2.25¹. Mere, the list of such typical documents is given below:

1. Trade License/ certificate of incorporation,
2. Tax identification number (TIN),

3. Income statement from bank to be taken from current account,
4. Land purchase deed,
5. Via deed,
6. C/S (Cadastra! Survey) record for land,
7. S/A (State Acquisition Survey) record for land,
8. R/S (Revised Survey) record for land,
9. Non-encumbrance certificate,
10. Mortgage registration,
11. Land valuation certificate,
12. Fourcopies of application for loan,
13. Project profile,
14. Credit Information Bureau (CIB) report of BB,
15. Certificate of ability to provide equity,
16. Land map from sub-registry office,
17. Building plan,
18. Clearance certificate from electricity office, and
19. Nationality certificate².

Strictly speaking, the collection of such papers and documents in getting SME loan is very difficult and cumbersome for the Women Entrepreneurs. For this reason, they don't have the demand for SME loan from FIs in spite of having necessity. Even, sometimes they prefer informal finance to institutional finance due to such complexity.

¹ *Hand BOOk on Women Owned SMEs: ChaUenges and Opportunities in Po/ides and Programmes*, whwe the information was taken from another source (Choudhury and Raihan, 2000).

6.9.1 Qualifying for Loan after Application :

It is found from field survey that a significant number of SME Women Entrepreneurs did not apply for loan. Most of them take all information before applying for loan. An applicant will qualified for SME loan if applicants can fulfil a number of specific conditions. These are good infrastructure of his firm, capability of repay, collateral, having self capital, good moral character, good business, respectability, reliability, reality of project, trade license, national ID card, Nationality certificate, survival duration of enterprise, age of Women Entrepreneurs guarantor, having sales register and other income source of entrepreneur etc. In this regard, those who are envisaged to themselves qualified generally apply for SME loan. For this reason, a very significant number of applicants can qualified for loan after application.

Table 6.7.6

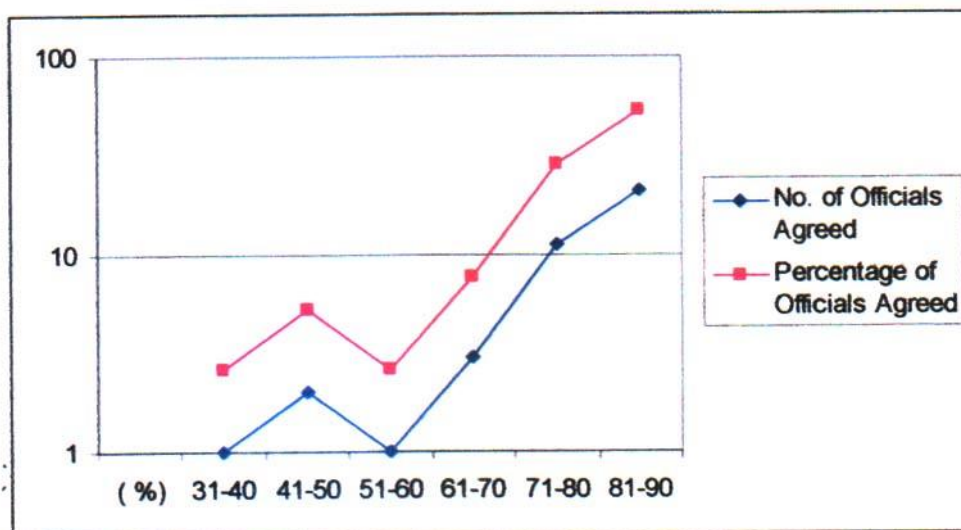
Percentage of Applicants Who Qualified for Loan after Application

| SI No, | Response of Women Entrepreneurs got Loan after Application | No. of Officiate Agreed (N=39) | Percentage of Officiate Agreed |
|---------------|---|---------------------------------------|---------------------------------------|
| 1 | 31-40 | 1 | 2.6 |
| 2 | 41-50 | 2 | 5.2 |
| 3 | 51-60 | 1 | 2.6 |
| 4 | 61-70 | 3 | 7.7 |
| 5 | 71-80 | 11 | 28.2 |
| 6 | 81-90 | 21 | 53.7 |
| 7 | 91-100 | - | - |

Source: Field Survey.

² *Ibid.*, This list of documents is finally taken from the source (Chowdhury and Raihan, 2000) along with the field level information.

Figure 6.7.7
Percentage of Applicants Who Qualified for Loan after Application



Source: Field Survey.

Table 6.7.6 and Figure 6.7.7 show that 53.7 percent respondents say that about 81-90 percent applicants qualified after application for SME loan while only 2.6 percent of them say that about 31-40 percent applicants qualified after application. Moreover, it is told by 81.9 percent respondents that above 70 percent applicants get SME loan after application. But the real scenario is revealed from supply side point of view in Table-6.7.6 and Figure 6.7.7 where 52.9 percent Women Entrepreneurs applied for loan and 45.0 percent did not apply. About 21 percent Women Entrepreneurs showed interest to apply in future. It implies that 47.2 percent of them remain outside unapplied for SME loan. It is tote that a significant number of Women Entrepreneurs got loan after application. From the supply Side consideration, the researcher found as Table 6.6 shows that about 85.14 percent get loan after application which is fairiy consistent with the opinion taken from the respondents of the Fls. Only 14.86 percent Women Entrepreneurs are deprived of getting institutional finance for their women owned enterprises.

Table 6.7.8
Percentage of Women Entrepreneurs applied/ not applied for loan in the Fls

| Si. No. | Types of Women Entrepreneurs | No. of Women owned enterprises | % |
|---------|--|--------------------------------|------|
| 1 | Women Entrepreneurs Applied for Loan | 74 | 52.9 |
| 2 | Women Entrepreneurs not Applied for Loan | 63 | 45.0 |
| 3 | Errtrepreneurs Having Plan to Apply | 3 | 2.1 |

Source: Field Survey.

Figure 6.7.9 Percentage of Women Entrepreneurs applied/ not applied for Loan in the Fls

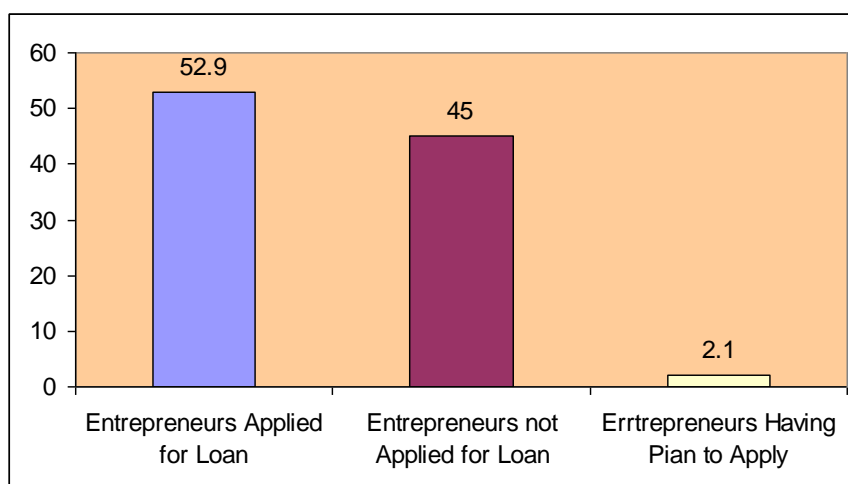


Table 6.8
Percentage of Women Entrepreneurs Applied Who Got Loan or Not

| SI. No. | No. of Enirepreneurs Applied for Loan | Women Entrepreneurs Got Loan | | Women Entrepreneurs did not Get Loan | |
|---------|---------------------------------------|------------------------------|-------|--------------------------------------|-------|
| | | No. | % | No. | % |
| 1 | 74 | 63 | 85.14 | 11 | 14.86 |

Source: Field Survey.

6.9.2 Time Duration Required in Getting Loan:

The procedure of providing SME finance is lengthy and cumbersome for the Women Entrepreneurs. Different kinds of barriers obstruct the Women Entrepreneurs in getting finance. .. The obstacles faced in the loan sanctioning process are being removed within such privatized Fls. However, the lengthy procedure of the Fls which takes long span of time in providing finance is still predominant over the SME sector. Tabte-6.8.1 and Figure 6.8.2 show that about 45.2 percent Women Entrepreneurs got loan after passing one month of applying and 24.2 percent of them got loan after two months. The most significant thing is that the Fls take two to five months to provide finance stated by the Women Entrepreneurs surveyed. As a result, they remain reluctant in getting finance from the formal financial sector,

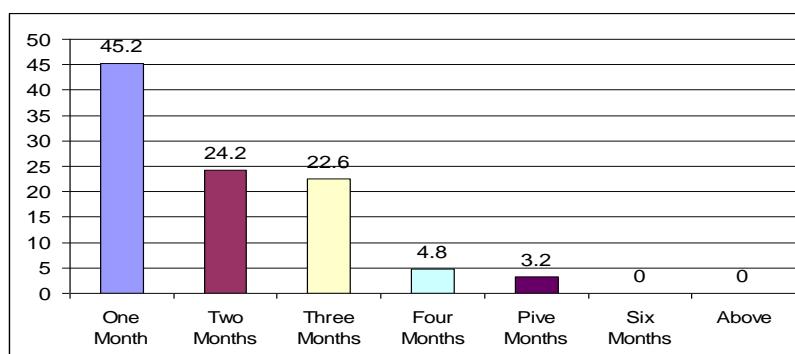
Table 6.8.1

Time Duration Required in Getting Loan by the Women Entrepreneurs Surveyed

| SI. No. | Time Duration | No. of Women Entrepreneurs Agreed | Percentage of Women Entrepreneurs Agreed |
|---------|---------------|-----------------------------------|--|
| 1 | One Month | 28 | 45.2 |
| 2 | Two Months | 15 | 24.2 |
| 3 | Three Months | 14 | 22.6 |
| 4 | Four Months | 3 | 4.8 |
| 5 | Pive Months | 2 | 3.2 |
| 6 | Six Months | | - |
| 7. | Above | | - |

source: Field Survey.

Figure 6.8.2 Time Duration Required in Getting Loan by the Women Entrepreneurs Surveyed



Source Field Survey.

6.9.3 Loan Sanctioning Procedure:

Like all other administrative sections of the country, the Fls are also not free from bureaucroatic complexities. The administration as well as the management of such institutions is traditionally inefficient due to having ili motive of the concemed personnel as they are not beyond dishonesty, corruption, moral degradation, irresponsibility, unfitness and nepotism. For this reason, general Women Entrepreneurs doni want to appty for finance and keep them simply satisfied with self finance or other sources of informal finance The public Fls are so inefficient in this regard compared to that of the private Fls. From field survey it is found that getting loan after application requires one to five months and within this duration the Women Entrepreneurs have to fuel much along with the uncertainty. Then they cani take production decision as the uncertainty of getting loan, changing market situation and incurring fixed cost tend to foil all plans Table 6.8.3 and Figure 6.8.4 show the picture at grass root level. Nere the respondents give their opinions on delay of file processing and lengthy procedure in getting loan from the Fls. About 76 percent respondents affirm it as acute while only 24 percent thinks that it is not a problem. The severity of this problem is the cause in taking time of loan approval .

Table 6.8.3

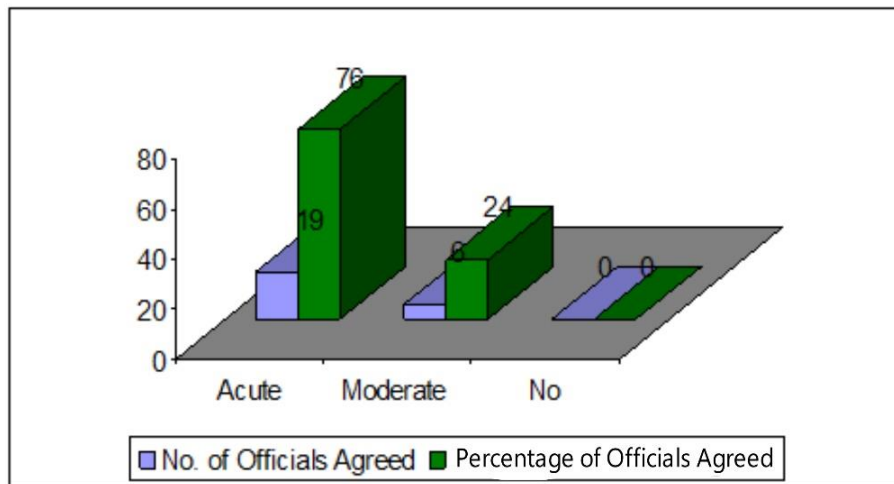
Opinion about the Delay of File Processing and Loan Sanctioning Process Encountered from Sample Respondents

| SI. No. | Responso Category | No. of Offidals of Fls Agreed (N=25) | Percentage of Officiate Agreed |
|---------|-------------------|--------------------------------------|--------------------------------|
| 1 | Acute | 19 | 76 |
| 2 | Moderate | 6 | 24 |
| 3 | No | - | - |

Source: Filed Survey.

Figure 6.8.4

Opinion about the Delay of File Processing and Loan Sanctioning Process Encountered from Sample Respondents



Source: Filed Survey

6.9.4 Problems Faced by the Women Entrepreneurs in Getting Loan:

There is an ample of bottlenecks in the way of financing SME in the country. These problems are discussteti in Chapter-8 in details. As the SMEs belong to smallamounts of duratte assets the Fls generally do not eye at them because financing is so risk prone nere. In this situation, the financers select some of such Women Entrepreneurs for financing knotting a bundle of terms and conditions. As a result, tie Women Entrepreneurs have to confront many problems in getting loan from the Fls.

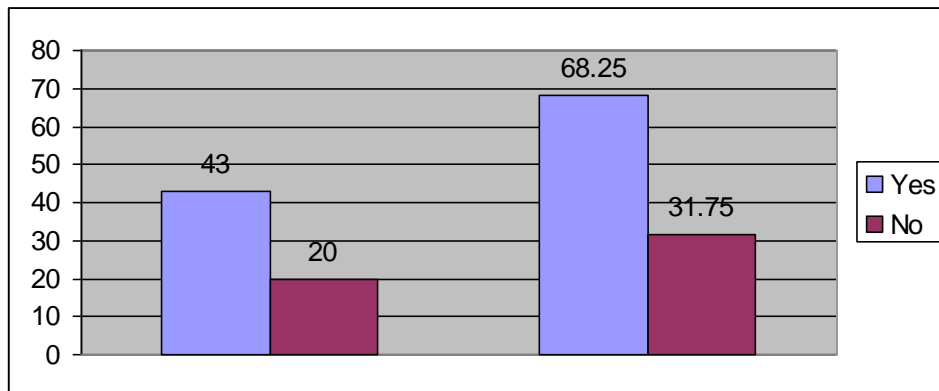
Table 6.8.5

Opinions on the Problems Faced by the Women Entrepreneurs Surveyed

| SI. No. | Opinioo | No. of Women Entrepreneurs Agreed (N=63) | Percentage of the Women Entrepreneurs Agreed |
|---------|---------|--|--|
| 1 | Yes | 43 | 68.25 |
| 2 | No | 20 | 31.75 |

Source: Field Survey

Figure 6.8.6 Opinions on the Problems Faced by the Women Entrepreneurs Surveyed



Source: Field Survey:

Opinion on the problems faced by the respondents is taken only from those Women Entrepreneurs who have taken institutional finance. Table-6.8.5 and Figure 6.8.6 show that 68.25 percent Women Entrepreneurs face various problems in getting loan whiie only 31.75 percent Women Entrepreneurs get loan without any suffering. From investigation it is found that those Women Entrepreneurs who have available collateral against loan and good relationship with the financers get required amount of loan without any suffering.

6.9.5 Institutional Credit for Whom:

Institutional credit always favours the large Enterprises both male and women owned enterprises as they have surety against finance provided for them. Such collateral security assures the FIs to finance those women owned enterprises that the money given to them is almost free of risk. It is observed that the manufacturing SMEs get very insignificant amount of finance due to their incapability of returning that finance back to its owner and having uncertainty in successful production. So, the large women owned enterprises and the SMEs of trade and service sectors get priority to the financers

6.9.6 Causes of Giving Priority to Large Enterprises both Male and Women owned enterprises

Generally large women owned enterprises get priority to the financiers in lieu of the SMEs on account of some causes. The most important causes from Bangladesh perspective are cited by the respondents in this research. Firstly, large women owned enterprises largely invested and they have sufficient asset to mortgage for loan; or to keep them as surety against the amount they take as loan. That is, they have available collateral for taking loan from the FIs. Secondly, as the large women owned enterprises take big amount of loan from a FI, the financier has opportunity to gain more net return due to having low lending cost in financing that enterprise. If the financier wants to finance the same amount to SMEs he needs more human resource and other costs because of the significant number of SMEs will be required for. Thirdly, the large women owned enterprises have available collateral for having access to finance along with low cost of production, high productivity and better marketing facilities. So here risk is low. Fourthly, the large women owned enterprises are dominant in the market due to their giant coverage, expansion and publicity. As a result, in financing competition they hold their position strictly ahead compared to that of the SMEs in the country. Consequently they get priority. Finally, the large women owned enterprises are established generally by the business magnets who have political influence and are deemed as 'Pressure Group'¹. Then finance channels its way to large women owned enterprises. The data of the Table-6.8.7 and Figure 6.8.8 imply the same significance where 83.33 percent respondents say that having collateral security was the number one cause for giving priority to the large women owned enterprises by the financiers. A couple of causes are envisaged as the second prime cause where 75 percent respondents affirmed that low lending cost and low risk tend the financiers to eye at the large women owned enterprises. 8.33 percent respondents say that dominance of the large women owned enterprises and political influence of their owners are the other causes for getting priority of the large Enterprises owned by both male and female.

Table6.8.7

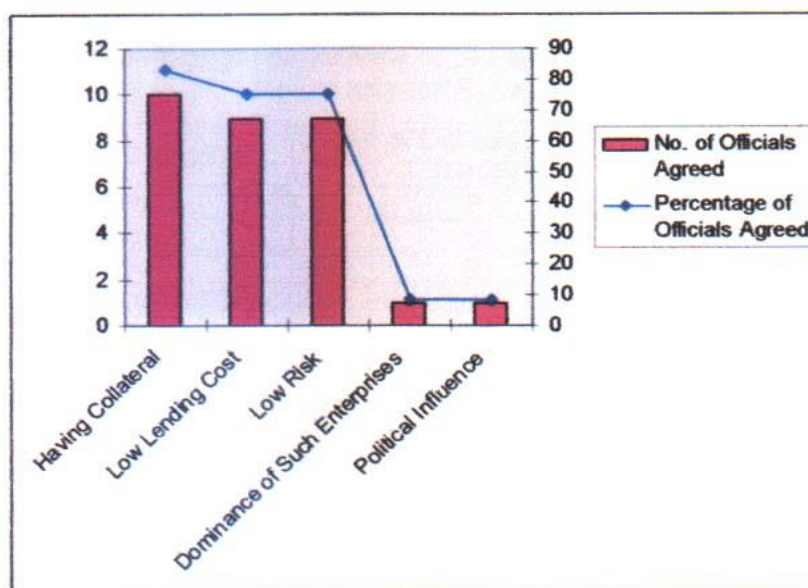
Causes of Giving Priority to Large Women owned enterprises

| SI. No | Multiple Responso Category | No. of Officials Agreed | Percentage of Officials Agreed |
|--------|---|-------------------------|--------------------------------|
| 1 | Haying Cotlateral | 10 | 83.33 |
| 2 | Low Lending Cost | 9 | 75 |
| 3 | Low Risk | 9 | 75 |
| 4 | Dominance of Such Women owned enterprises | 1 | 8.33 |
| 5 | Political Influence | 1 | 8.33 |

Source: Field Survey.

Figure 6.8.8

Causes of Giving Priority to Large Women owned enterprises



Source: Field Survey.

6.9.7 Demand Side Issues in the LEE Sector:

The women owned enterprises surveyed, the operational officers of FIs and other concerned personnel have given opinions on the demand side issues of SME as well as LEE financing which have been framed in tabular form wrth a view to drawing inference from those processed data and information. From thts discussion, the real situation of institutional financing inside and outside the sector will be explicit and it will help understand the challenges and its pragmatic condition at grass root Level

6.9.8 Poor Management of the Women owned enterprises:

The management System within the women owned enterprises is not so efficient for increasing productivity as well as profitability of them. Modern management System helps increase efficiency of a firm that can increase productivity and it yields more profit. More profit build up capacity of the women owned enterprises in taking more advances from the Fls. But, the women owned enterprises surveyed in the LEE sector are staying in the mtdde of the scale with respect to the efficiency of those women owned enterprises. Table-6.8.9 and Figure 6.9 show that only 2 percent respondent affirms the efficiency of the enterprise management System while 32 percent see it as acute problem for the women owned enterprises. 60 percent of the respondents envisage the management of such women owned enterprises as moderate. That is, 92 percent respondents don't nave nod to their management efficiency.

Table 6.8.9

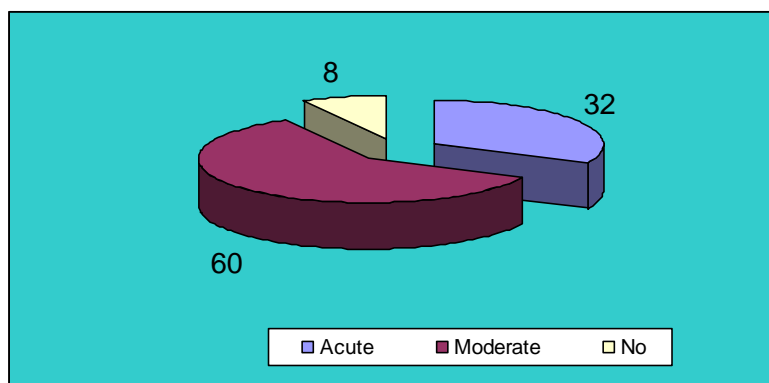
Opinions about the Poor Management of the Women Entrepreneurs Encountered from Respondents Surveyed

| SI No. | Response Category | No. of Officiate Agreed (N=25) | Percentage of Officiate Agreed |
|--------|-------------------|--------------------------------|--------------------------------|
| 1 | Acute | 8 | 32 |
| 2 | Moderate | 15 | 60 |
| 3 | No | 2 | 8 |

Source. Field Survey.

Figure 6.9

Opinions about the Poor Management of the Women Entrepreneurs Encountered from Respondents Surveyed



Source: Field Survey.

6.9.9 Misuse of Loan:

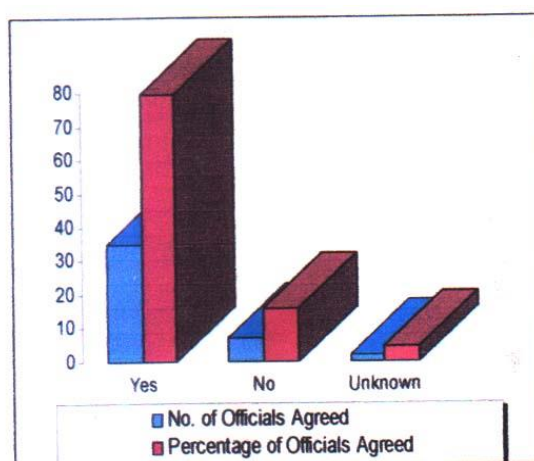
The countries like Bangladesh where there is a dearth of democracy and good governance have acute problem of having misuse of loan money done by the Women Entrepreneurs. In some cases they show false project before the project appraisal officers to take loan and then the amount is diverted to another purposes. Table-6.9.1 and Figure-6.9.2 show that about 79.5 percent respondents agree with the misuse of loan done by the Women Entrepreneurs while only 15.9 percent of them disagree on this issue and it is unknown to 4.5 percent respondents. It implies that misuse of loan taken by the SME Women Entrepreneurs are one of the prime causes of having risk for the financiers in financing such women owned enterprises. Simultaneously, it also implies that the operational officers are not skilled in selecting the real eligible Women Entrepreneurs for financing.

Table 6.9.1
Opinions of the FIs Officials about the Misuse of Loan done by the Women Entrepreneurs

| Sl. No. | Response Category | No. of Officials Agreed ! (N=44) | Percentage of Officials Agreed |
|---------|-------------------|-------------------------------------|--------------------------------|
| 1 | Yes | 35 | 79.5 |
| 2 | No | 7 | 15.9 |
| 3 | Unknown | 2 | 4.5 |

Source: Field Survey.

Figure 6.9.2 Opinions of the FIs Officials about the Misuse of Loan Done by the Women Entrepreneurs



6.10 Informal Finance and the LEEs:

Like all other studies conducted in the past, the present study also affirms the existence of informal finance in the SME sector. The entrepreneurs predominantly depend on such finance taken from family, friends, relatives and professional money lenders. Most of those informal financiers generally lend money with high rate of interest and hence, they can't cope with such excessive cost. After also that, sometimes they prefer informal finance to institutional finance.

6.10.1 Borrowing from Friends and Relatives:

Borrowing from friends and relatives for financing of SMEs is a common phenomenon in Women Entrepreneurship financing of the country. The previous studies conducted on small scale industries identify the existence of such informal finance. The present study also finds its prevalence in the country.

Table 6.9.3

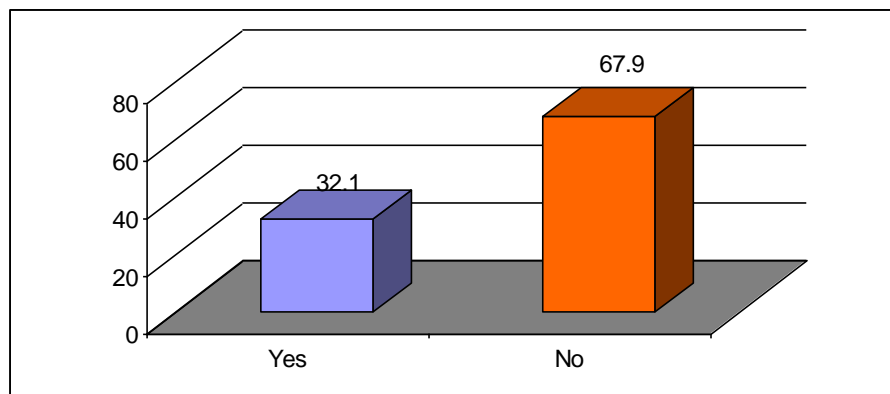
Borrowing from Friends and Relatives by the Women Entrepreneurs Surveyed

| St. No. | Response Category | No. of Women Entrepreneurs Agreed (N=140) | Percentage of Entrepreneurs Agreed |
|---------|-------------------|---|------------------------------------|
| 1 | Yes | 45 | 32.1 |
| 2 | No | 95 | 67.9 |

Source Field Survey.

Figure 6.9.4

Borrowing from Friends and Relatives by the Women Entrepreneurs Surveyed



Source: Field Survey.

Table-6.9.3 and Figure 6.9.4 show that about 32.1 percent Women Entrepreneurs borrow from their friends and relatives with a view to increasing capital in their business. About 13.3 percent Women Entrepreneurs have to pay interest and charges for such borrowing from their friends and relatives and about 86.7 percent Women Entrepreneurs surveyed do not have to pay interest. Due to this reason, they feel that it is easier to take informal finance than going to the FIs. It does not

need to face such lengthy and cumbersome procedures Of institutional finance. Here, it is also found that most of the Women Entrepreneurs (67.9 percent). at present, do not borrow from friends and relatives for SME business though the existence of informal finance still prevaii in the society.

6.10.2 Financing from Money lender:

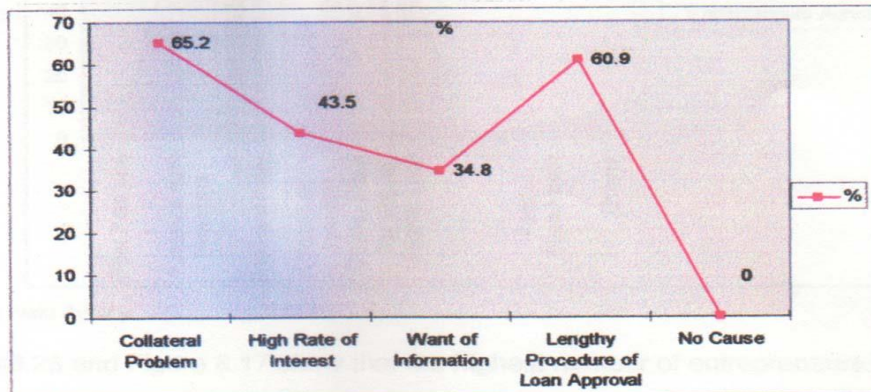
The causes of giving preference to finance taken from money lenders are shown in Table-6.9.5 and Figure 6.9.6 The causes are Jack of collateral, high rate of interest, want of proper information about financing of the Fls and the lengthy procedure of loan approvai. About 65.2 percent respondents say that lack of collateral is one of the causes to go to money lenders for finance while 60.9 percent of them agree with the problem of lengthy procedure of loan approvai in the Fls. 43.5 percent respondents say that high rate of interest is one of the causes to go to money lenders while 34.8 percent of them ateo affirm of the want of information in getting formal finance as a cause of going to the money lenders.

Table6.9.5
Causes of Going to the Money lender in Lieu of Institutional Finance

| Sl. No | Multiple Response Category | No. of Women Entrepreneurs Agreed (N=23) | % |
|--------|--|--|------|
| 1 | Collateral Problem | 15 | 65.2 |
| 2 | High Rate of Interest | 10 | 43.5 |
| 3 | Want of information | 8 | 34.8 |
| 4. | Lengthy Procedure of Institutionalaf Loan Approvai | 14 | 60.9 |
| 5 | No Cause | - | - |

Source Field Survey.

Figure 6.9.6
Causes of Going to the Money lender in Lieu of Instittutnal Finance



Source: Field Survey

6.10.3 Factors that influence Women Entrepreneurs in Repayment:

it is found from investigation that the rate of repayment of loan is not so bad for SMEs of the country. There are some factors that influence the Women Entrepreneurs to pay instalment of loan regularly According to field survey the factors are (1) peer pressure, (2) pressure from financiers, (3) Self motivation, (4) advises of the operational officers of Fls, (5) In quest of getting further loan, (6) fear of being punished for default etc.

Table 6.9.7
Factors that Influenced Women Entrepreneurs in Loan Repayment

| S. No. | Multiple Response Category | No. of Women Entrepreneurs Agreed | Percentage of the Women Entrepreneurs Agreed |
|--------|---|-----------------------------------|--|
| 1 | Peer Pressure | 2 | 3.0 |
| 2 | Pressure from Financers | 50 | 74.6 |
| 3 | Spontaneously | 44 | 65.7 |
| 4 | Advises of the Operating Officials of the Fls | 16 | 23.9 |
| 5 | For Taking Further Loan | 40 | 59.7 |
| 6 | Fear of Punishment | 3 | 4.5 |
| 7 | Others | 6 | 9.0 |

Source. Field Survey.

Figure 6.9.8 Factors that Influenced Women Entrepreneurs in Loan Repayment

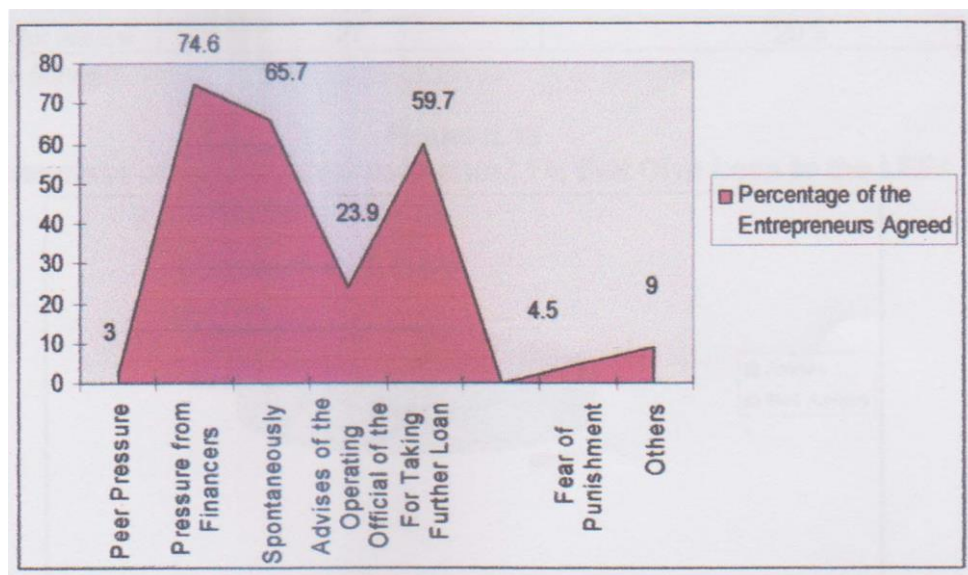


Table-6.9.7 and Figure-6.9.8 show that the highest number of Women Entrepreneurs pay their instalment regularly due to having pressure from the financiers. About 65.7 percent Women Entrepreneurs pay their instalment spontaneously while 59.7 percent pay due to their perception of getting further loan from the Fls. About 12.5 percent pay instalment of loan on account of fear of punishment and other causes. Moreover, it is positive that most of the Women Entrepreneurs want

to repay their loan for such causes that should be but the significant thing is that pressure from family, friends and relatives is scoreap More significant is that only 4.5 percent borrowers feel the fear of punishment for being defaulted.

6.10.4 Awareness of the Women Entrepreneurs about Institutional Finance:

Sometimes the Women Entrepreneurs of SMEs are not informed of institutional finance due to having wrong perception about such finance or other causes. From field survey it is found that about 79.7 percent Women Entrepreneurs are aware of institutional finance while 20.3 percent of them do not keep any information about institutional loan It is shown in Table-6.9.9 and Figure 6.10. The significance of this information is that still now one-fifth of the total Women Entrepreneurs surveyed do not think of institutional finance in the country.

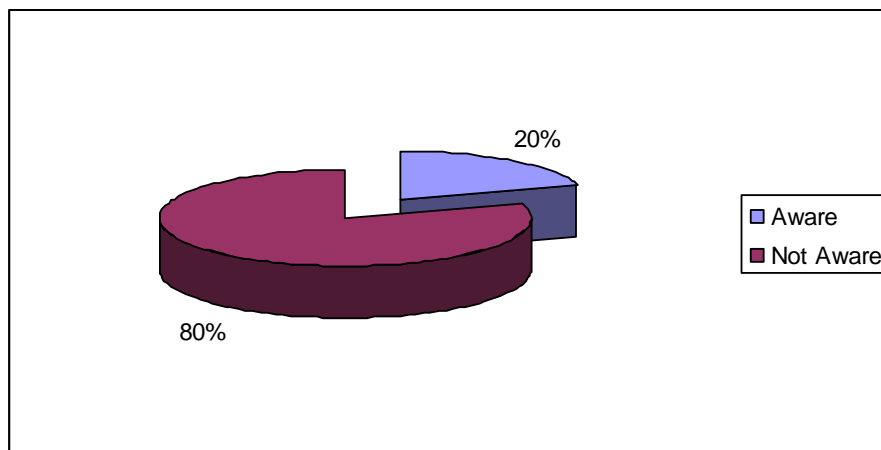
Table 6.9.9
Awareness of the Women Entrepreneurs about Fls that Give Loan to the LEEs

| SI. No. | Awareness | No. of Women Entrepreneurs Agreed (N=133) | Percentage of the Women Entrepreneurs Agreed |
|---------|-----------|---|--|
| 1 | Aware | 106 | 79.7 |
| 2 | Not Aware | 27 | 20.3 |

Source: Field Survey.

Figure 6.10

Awareness of the Women Entrepreneurs about Fls that Give Loan to the LEEs



Source : Filed Survey

6.10.5 Keeping Account, Record and Financial Analysis:

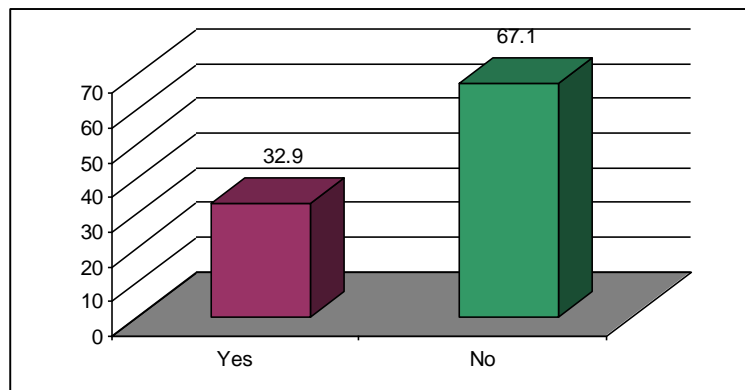
Those women owned enterprises which keep accounts, record and take financial analysis into account in the business are envisaged as better for financing to the financiers. But, in the field survey it is found that most of the women owned enterprises do not keep these. Table-6.10.1 and Figure 6.10.2 show that 32.9 percent women owned enterprises keep accounts, record etc. while 67.1 percent of them don't have such formal register. Strictly speaking, most of the Women Entrepreneurs are not well educated and their women owned enterprises are yet to be institutionalized. The managerial as well as the administrative structures of such women owned enterprises are still not well framed though these are necessary to apply for loan to the FIs.

Table.6.10.1
Opinions on Keeping Account, Record and Having Financial Analysis

| SI. No. | Opinion | No of Women Entrepreneurs Agreed (N=140) | Percentage of the Women Entrepreneurs Agreed |
|---------|---------|--|--|
| 1 | Yes | 46 | 32.9 |
| 2 | No | 94 | 67.1 |

Source: Field Survey.

Figure 6.10.2
Opinions on Keeping Account, Record and Having Financial Analysis



Source; Field Survey.

6.10.6 Use of Computer:

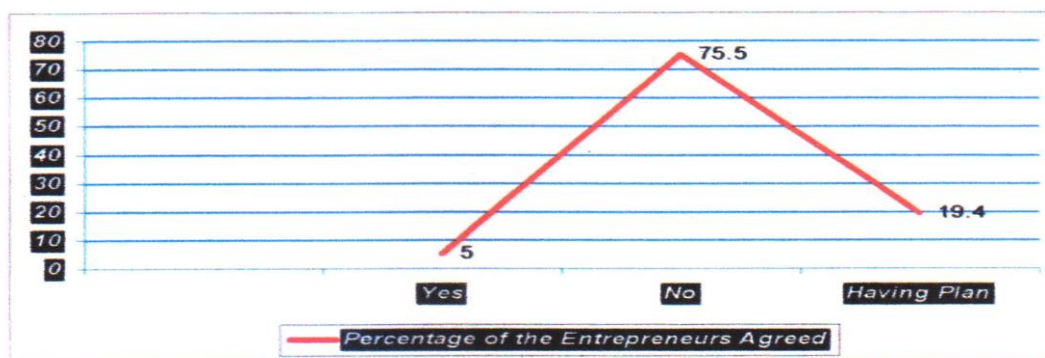
Use of computer in an enterprise is necessary to increase efficiency, and to enhance financial and economic strength. Computer can provide all kinds of accounts, records and other related documents that are indispensable for preparing required papers and documents of loan application. It also decreases the cost of enterprise, that is, computer use in an enterprise is conducive to getting more finance from the FIs.

Table 6.10.3
Opinions on Use of Computer

| SI No | Opinton | No of Women Entrepreneurs Agreed (N=139) | Percentage of the Women Entrepreneurs Agreed |
|-------|-------------|--|--|
| 1 | Yes | 7 | 5.0 |
| 2 | No | 105 | 75.5 |
| 3 | Having Plan | 27 | 19.4 |

Source: FieW Survey.

Figure 6.10.4
Opinions on Use of Computer



Source: Field Survey.

From field survey it is found that most of the SMEs in the LES do not use computer for keeping accounts update. Table-6.10.3 and Figure 6.10.4 show that about 75.5 percent Women Entrepreneurs do not use computer in their women owned enterprises white only19.4 percent feel to take computer in future. Only 5.0 percent respondents use computer in their women owned enterprises. It implies that about 95 percent women owned enterprises are still now away from using computer.

6.10.7 Business Retateti Information:

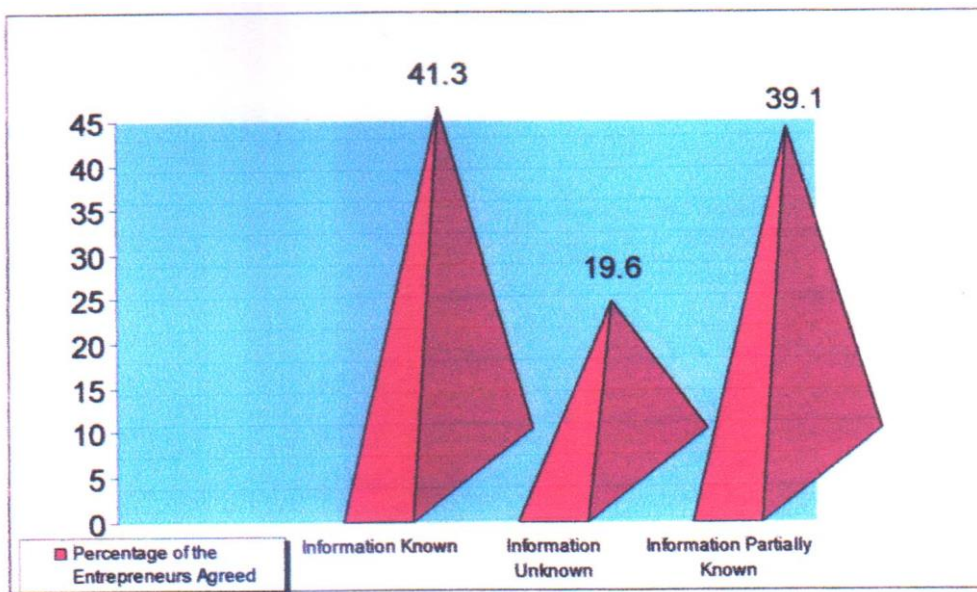
It is found from investigation that the Women Entrepreneurs of the SME sector do not know all the business related information. To have information about the concemed backward and forward linkages are necessary for the Women Entrepreneurs as it ensures cost effective production of women owned enterprises. In this regard, the SMEs of the LEE sector are not well informed. Table-6.10.5 and Figure 6.10.6 show that 41.3 percent Women Entrepreneurs know such information while 19.6 percentjof them do not know. 39.1 percent Women Entrepreneurs have partialai information. It implies that about 58.7 percent Women Entrepreneurs are staying behind from the well execution of their women owned enterprises. Similariy, they have very limited scope to have access to formal finance.

Table 6.10.5
Opinion on Business Related Information

| Sl. No. | Opinion | No. of Women Entrepreneurs Agreed (N=138) | Percentage of the Women Entrepreneurs Agreed |
|---------|-----------------------------|---|--|
| 1 | Information Known | 57 | 41.3 |
| 2 | Information Unknown | 27 | 19.6 |
| 3 | Information Partially Known | 54 | 39.1 |

Source: Field Survey

Figure 6.10.6
Opinion on Business Related Information



Source: Field Survey

6.10.8 Training Facilities Provided by the Women Entrepreneurs:

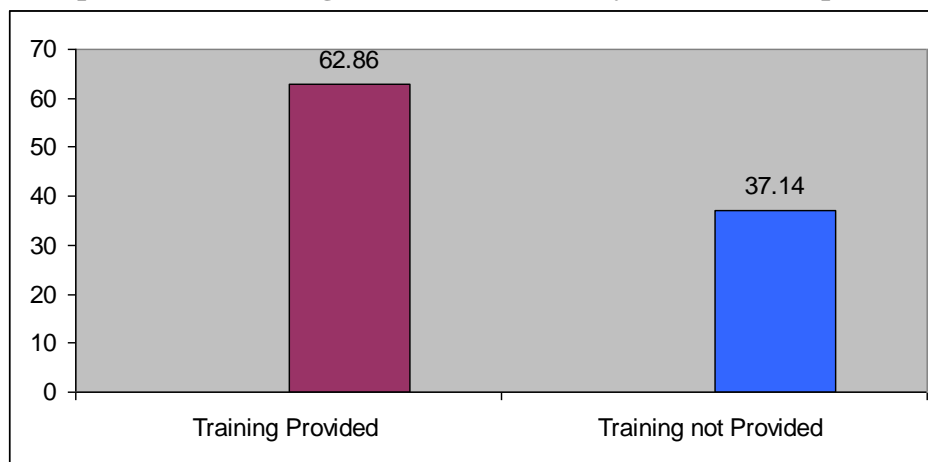
It is the responsibility of the Women Entrepreneurs to provide required training facilities for their workers and artisans. It is known from investigation that the Women Entrepreneurs of the LEE sector provide formal training very insignificantly for their artisans and technicians. The labourers at first come to such engineering workshops with a view to being an artisan, They work here and learn gradually, They acquire technical and pragmatic knowledge though they have the shortage of academic knowledge of technology.

Table 6.10.7
Opinions on Training Facilities Provided by Women Entrepreneurs

| Sl. No | Opinion | No of Women Entrepreneurs Agreed (N=138) | Percentage of the Women Entrepreneurs Agreed |
|--------|-----------------------|--|--|
| 1 | Training Provided | 88 | 62,86 |
| 2 | Training not Provided | 52 | 37,14 |

Source: Field Survey.

Figure 6.10.8 Opinions on Training Facilities Provided by Women Entrepreneurs



Source: Field Survey.

The information shown in Table-6.10.5 and Figure 6.10.8 is, in fact, about both formal and informal training provided by the owners of the women owned enterprises. In most cases, the owner of an enterprise is envisaged as the head of all technicians. Simultaneously, he is also the trainer to his followers who provides technical and practical knowledge for making them efficient. In this regard, Table-6.10.7 and Figure 6.10.8 show that about 62.86 percent Women Entrepreneurs provide training for the workers of their women owned enterprises while 37.14 percent of them do not provide training facilities.

6.10.9 Preparing Business Plan / Project Proposal for Getting Loan:

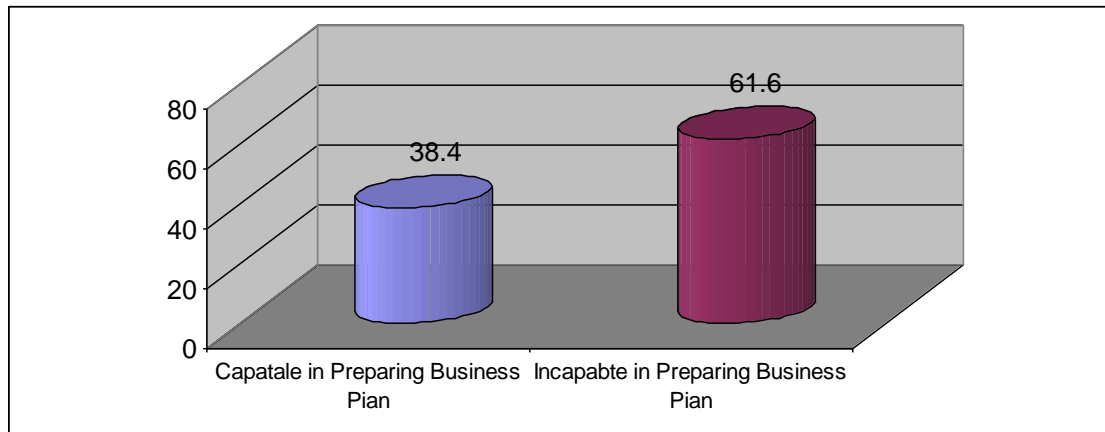
Most of the SMEs in the LES have the shortage of being professional and perfect in their business. Lacking is especially keen in financial purposes of the women owned enterprises. Most of them hold their overall position below maturity level. Knowledge of the Women Entrepreneurs about the financial System of an enterprise is limited, Table-6.10.9 and Figure 6.11 show that 38.4 percent Women Entrepreneurs know how to prepare a business plan or project proposal to be submitted to the FIs for getting loan while 61.6 percent of them are incapable of making so. This implies that the sector is still now not ready to get access to huge finance.

Table 6.10.9
Opinion on Making Business Plan/ project Proposal for Getting Loan by the Women Entrepreneurs

| SI No. | Opinion | No. of Women Entrepreneurs Agreed (N=138) | Percentage of the Women Entrepreneurs Agreed |
|--------|--------------------------------------|---|--|
| 1 | Capable in Preparing Business Plan | 53 | 38.4 |
| 2 | Incapable in Preparing Business Plan | 85 | 61.6 |

Source: Field Survey.

Figure 6.11
Opinion on Making Business Plan/ project Proposal for Getting Loan by the Women Entrepreneurs



6.11 Understanding Financial Statement by Women Entrepreneurs:

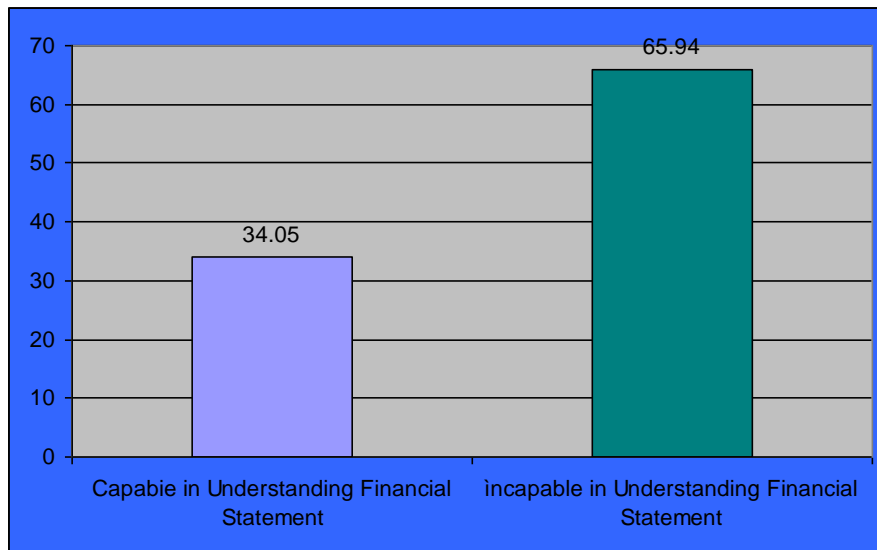
It is found from investigation that a significant number of Women Entrepreneurs are not so educated so that they can be familiar with the economic and financial terminologies used in the financial statement of an enterprise. Even most of the women owned enterprises do not maintain any register for keeping accounts. These women owned enterprises have not been reached at such level where financial statement is required. Table-6.11.1 and Figure 6.11.2 show the same thing found from field survey. Mere, 34.05 percent Women Entrepreneurs are capable of preparing and understanding financial statement while 65.94 percent of them incapable in this regard. It implies that such women owned enterprises need more support services from both public and private agencies to be apt to take institutional finance.

Table 6.11.1
Opinions on Understanding Financial Statement by the Women Entrepreneurs Surveyed

| Sl. No. | Opinion | No. of Women Entrepreneurs Agreed (N=138) | Percentage of the Women Entrepreneurs Agreed |
|---------|--|---|--|
| 1 | Capable in Understanding Financial Statement | 47 | 34.05 |
| 2 | incapable in Understanding Financial Statement | 91 | 65.94 |

Source; Field Survey

Figure 6.11.2
Opinions on Understanding Financial Statement by the Women Entrepreneurs Surveyed



6.11.1 Familiarity with Business Related Laws and Poicies:

There are business related laws, circulars and policies which are framed by the concerned agencies such as Mol, NBR, Board of Investment, and BB of the government. These are so essential for the Women Entrepreneurs to take investment decisions and project financing. Such laws, circulars and policies contro! and influence business activities and sometimes open up opportunities for the Women Entrepreneurs. The FIs also provide finance to the women owned enterprises envisaging these perspectives. But, at field level survey the researcher finds that most Of tfe Women Entrepreneurs are not familiar with such public laws, circulars and policies. Table-6.11.3 and Figure 6.11.4 show that 71.01 percent entrepreneUSRs are not familiar with these whiie only 28.99 percent of them are informed in this regard.

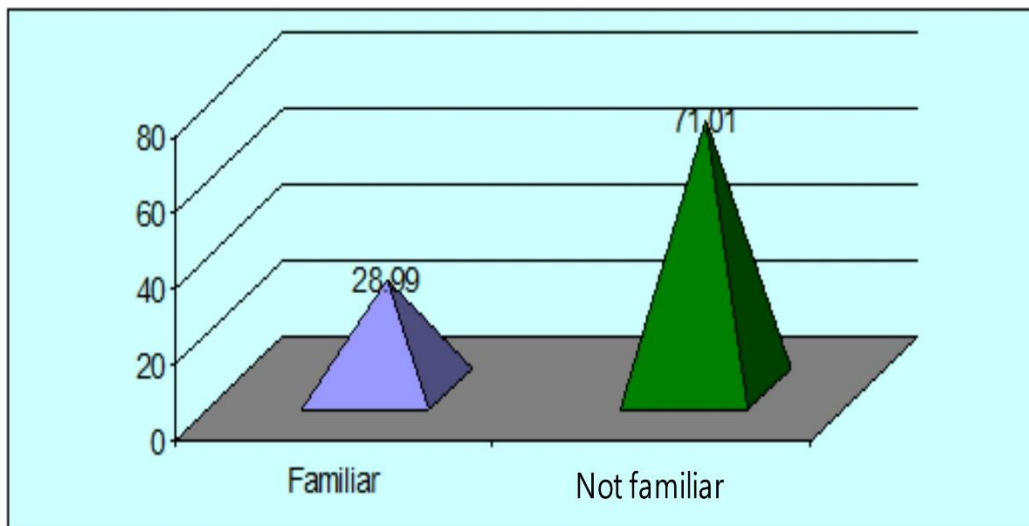
Table 6.11.3

Opinions on Familiarity with Business Related Laws, Circular and Policies Given by the Women Entrepreneurs Surveyed

| SI No. | Opinion | No of Women Entrepreneurs Agreed (N=138) | Percentage of the Women Entrepreneurs Agreed |
|--------|--------------|--|--|
| 1 | Familiar | 40 | 28.99 |
| 2 | Not Familiar | 98 | 71.01 |

Figure 6.11.4

Opinions on Familiarity with Business Related Laws, Circular and Policies Given by the Women Entrepreneurs Surveyed



Source: Field Survey.

6.11.2 Supply Side Issues of Financing SMEs:

The respondents of the study also give opinion on various financing issues that affect the supply of SME finance. At present, the financiers are reluctant to provide finance to the manufacturing SMEs on account of having different problems and complexities. Moreover, the opinions given on various financing issues will help understand the gamut of financing from the financier's point of view.

6.11.3 Factors that influence the Officers in Joining Their Firms:

Job satisfaction is so significant for doing better in the activities assigned for one in the office. Those who do not have interest and potentials in working with Women Entrepreneurship can never yield the best. From investigation it is found that most of the officers who are serving the

FIs join for getting merely a job with a view to earning livelihood in the country. As the socio-economic condition of the country is not good and unemployment problem is severe the competition is so high in the jobmarket, As a result, people can't join such an institution which related to their education and expertise, in most cases, the Officials working in the FIs take job facing such problems.

Table 6.11.5

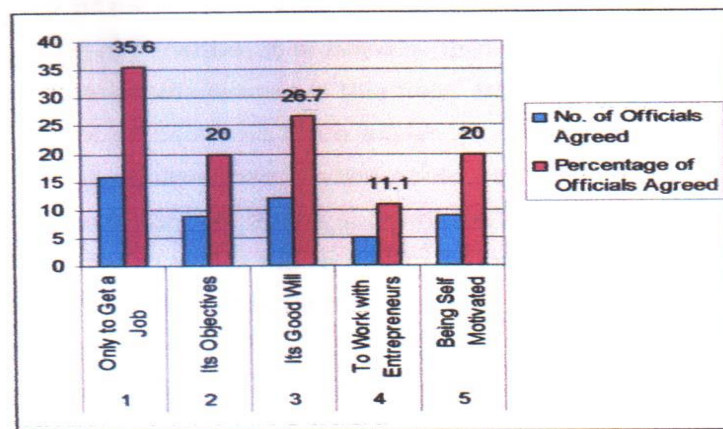
Factors that Motivate the FIs Officiate Surveyed in Joining Their Institutions

| Sl No. | Factors | No. of Officials Agreed (N=51) | Percentage of Officials Agreed |
|--------|---------------------------------|--------------------------------|--------------------------------|
| 1 | Only to Get a Job | 16 | 35.6 |
| 2 | Its Objectives | 9 | 20 |
| 3 | Its Good job | 12 | 26,7 |
| 4 | LOVE TO Work with Entrepreneurs | 5 | 11.1 |
| 5 i | Being Self Motivated | 9 | 20 |

Source: Field Survey.

Table 6.11.6

Factors that Motivate the FIs Officiate Surveyed Joining Their Institutions



Source: Field Survey

In field survey it is found that most of the officiate didn't take job following the objectives of the institutions. They also didn't consider the consistency of their education and expertise to the nature of their job. Table-6.11.5 and Figure6.11.6 show that 35.6 percent Officials join FIs only to get a job while 26,7 percent of them join their institution on account of good will of those Institutions. About 20 percent Officials join the Ffs being seff-motivated. On the other hand, only 31.1 percent officiate join their institutions considering working with Women Entrepreneurship and the motto of their offices. That is, about 82.3 percent Officials join the FIs being motivateti by different causes other than expertise or fancy for Women Entrepreneurship.

6.11.4 Experience of the Fls Officials:

Most of the operational officers do not have experience before joining the present institutions. Although the Fls are taking various measures to increase efficiency of such officers related to SME financing such as finance related formal training, recroreuiting highly educateci personnel, human resource development programmes etc., some problems like want of experience of the concerned officials still remain in the financial System. Table-6.11.7 and Figure 6.11.8 show that only 24.4 percent officials have prior experience while 75.6 percent of them do not have any experience before joining the present Fls in question. Table -8.35 shows this picture in details where only 11 persons out of 45 officials surveyed have prior experience and 34 persons of them have no experience before joining the present institution. 60 percent of them have experience of three years and, or below it while 40 percent have four or more than four years of experience. It is hopeful that a significant number of operational officers in the Fls are experienced in this field. But, from efficiency perspective of the country, 40 percent officers who have experience of less than two years are, in fact, not well trained and experienced. As the sector is so vulnerable and is of low amount of fixed asset per enterprise it needs sophisticated and more experienced operational officers so that they can select the real Women Entrepreneurs for financing. Strictly speaking, most of the operational officers get experience from the NGOs and other Fls where they have dealt with micro and small women owned enterprises which are not consistent with the present concept and definition of SMEs.

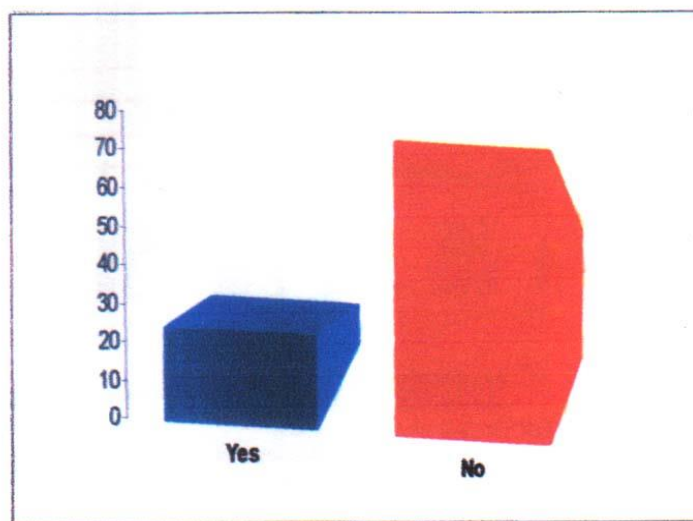
Table 6.11.7

Prior Experience of the Fls' Officials Surveyed

| SI. No. | Response Category | No. of Officials Agreed (N=45) | Percentage of Officials Agreed |
|---------|-------------------|-----------------------------------|-----------------------------------|
| 1 | Yes | 11 | 24.4 |
| 2 | No | 34 | 75.6 |

Source: Field Survey.

Figure 6.11.8
Prior Experience of the Fls Officials Surveyed



Source; Field Survey.

6.11.5 Time Duration of Experiences of the Officials of Fls:

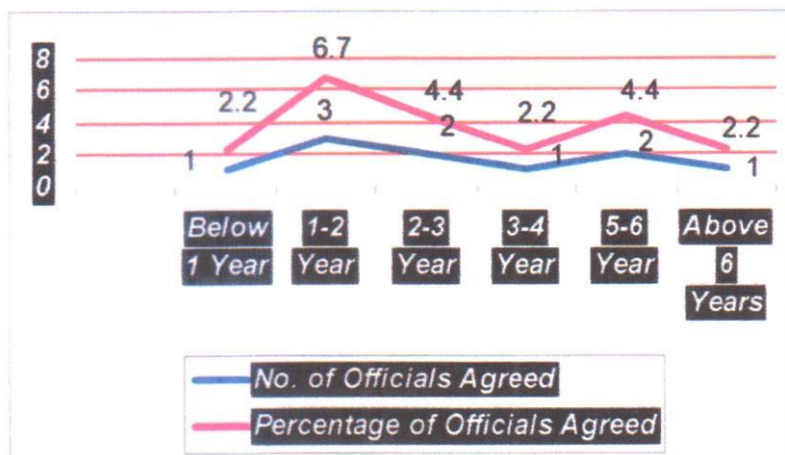
It is shown in Table-6.11.9 and Figure 6.12 that only 22.1 percent operational Officials of the Fls have prior experience before joining the present institutions. That is, 77.9 percent Officials of the Fls did not have experience. Among them about 8.9 percent Officials have less than 2 years of experience while about 6.6 percent of them have more than 5 years of experience.

Table 6.11.9
Time Duration of Experiences the Fls Official Take Before Joining the Present Institution

| Si No. | Duration of Experience | No of Officials Agreed N=45 | Percentage of Officials Agreed |
|--------|------------------------|--------------------------------|--------------------------------|
| 1 | Below 1 Year | 1 | 2.2 |
| 2 | 1-2 Year | 3 | 6.7 |
| 3 | 2-3 Year | 2 | 4.4 |
| 4 | 4-5 Year | 1 | 2.2 |
| 5 | 5-6 Year | 2 | 4.4 |
| 6 | Above 6 Years | 1 | 2.2 |

Source: Field Survey.

Figure 6.12
Time Duration of Experiences the FIs Officials Take Before Joining the Present institutton



Source: Field Suivey.

It implies that only an insignificant number of operational Officials are recruited by the FIs for providing SME finance. It also indicates the lacking of intereste of financiers indirectly to finance the SMEs

6.11.6 Deallngs with SME Clients per Day:

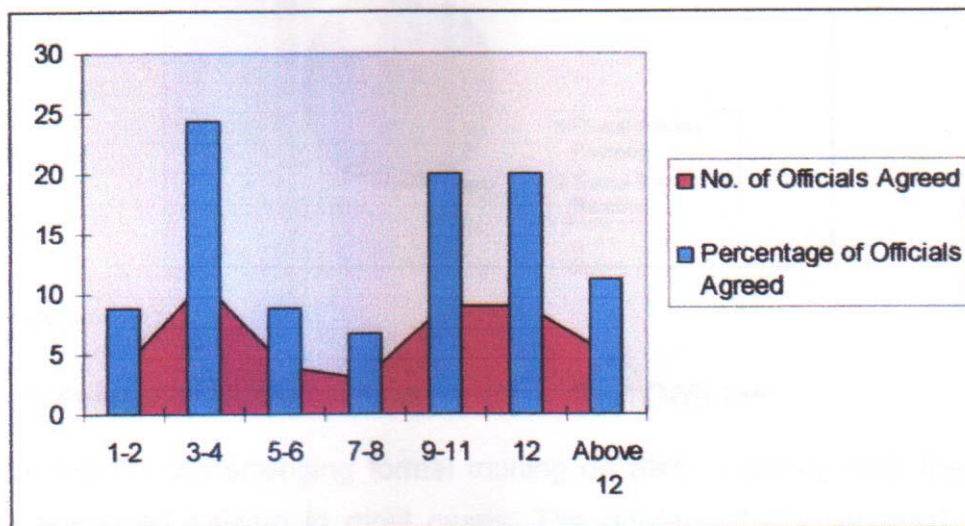
The concemed officiate of the FIs give opinions on the deallngs with SME clients. Table-6.12.1 and Figure 6.12.2 show that about 24.4 percent Officials as well as financing units deal with 3-4 SME Women Entrepreneurs per day and it is the highest number of them while 1-2 SME clients are dealt by minimum number of Officials (4). From fieW survey it is found that about 46.7 percent units of the FIs deal with above 9 SME Women Entrepreneurs per day though the number of manufacturing SME diente of them is insignificant.

Table 6.12.1
Dealings with SME Client per Day by the Fls Officials Surveyed

| Sl. No. | SME Clients | No. of Officiate Agreed | Percentage of Officiate Agreed |
|---------|-------------|-------------------------|--------------------------------|
| 1 | 1-2 | 4 | 89 |
| 2 | 3-4 | 11 | 24.4 |
| 3 | 5-6 | 4 | 8.9 |
| 4 | 7-8 | 3 | 6.7 |
| 5 | 9-10 | 9 | 20 |
| 6 | 11-12 | 9 | 20 |

Source: Field Survey.

Figure 6.12.2 Dealings with SME Clients per Day by the Fls Officiate Surveyed



Source: Field Survey,

6.11.7 Formal Training on SME Financing:

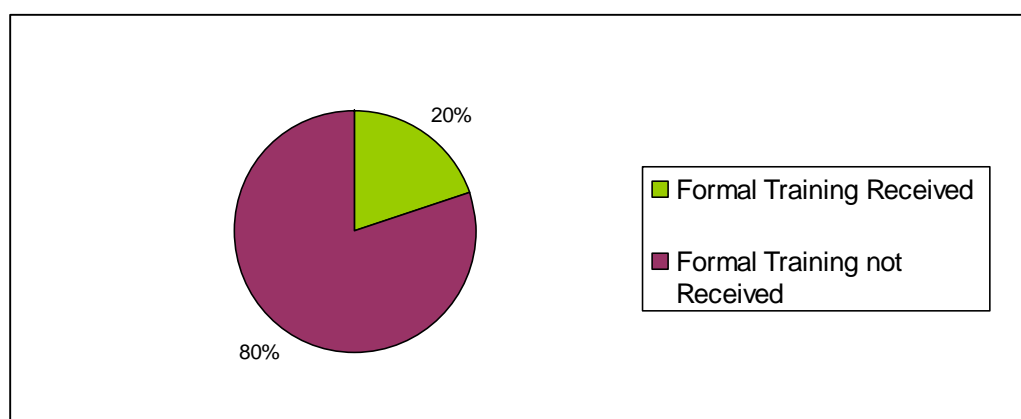
The Fls are now giving importance on human resource management. Most of the operational officers recruited for SME financing are highly educated. About 63.3 percent of the officials are post graduate. That is, resourceful persons are being recruited by the Fls. Table-6.12.3 and Figure 6.12.4 show that 80 percent respondents agree with receiving formal training on SME finance and only 20 percent of them oppose it. Now the PCBs, NGOs and NCBs have designed training programmes for the concerned officials as the government and BB have given emphasis on it. But it was found from investigation that the duration of such training is only two or three weeks. So, duration of training is not enough for understanding the ins and outs of SME financing.

Table 6.12.3
Opinions on Receiving Formal Training on SME Finance

| SI. No | Responso Category | No. of Officiate Agreed (N=45) | Percentage of Officials Agreed |
|--------|-------------------|--------------------------------|--------------------------------|
| 1 | Yes | 36 | 80 |
| 2 | No | 9 | 20 |

Soouree: Field Survey.

Figure 6.12.4
Opinions on Receiving Formal Training on SME Finance



Source: Field Survey.

6.11.8 Advanced Training Taken by the Fls' Officials:

Although the Fls are arranging formal training on SME financing well, they do not provide advanced training in most cases, The officials of Fls surveyed feel that spec'iaiziation and advanced training on SME financing are as necessary from present perspective as the sector is being prioritized by the goverment, donors and policy makers. Tabte-6.12.5 and Figure 56.12.6 show that 40 percent respondents are affirmative about advanced training provided by the Fls while 60 percent respondents feel the want of advanced training.

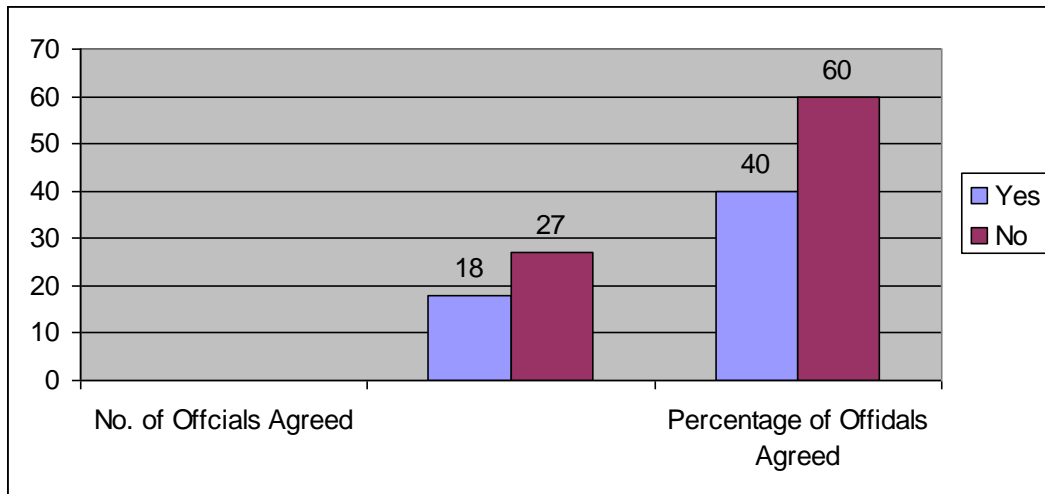
Table 6.12.5 Advanced Training on SME Finance Taken by the Fls' Officials

| SI. No. | Response Category | No. of Officials Agreed | Percentage of Offidals Agreed |
|---------|-------------------|-------------------------|-------------------------------|
| 1 | Yes | 18 | 40 |
| 2 | No | 27 | 60 |

Source: Field Survey

Figure 6.12.6

Advanced Training on SME Finance Taken by the Fls' Officials



Source: Field Survey

6.11.9 Unfair Means of Fls:

Adopting unfair means is a common phenomenon in institutional finance approval in the country. The state-owned Fls are more corrupted than that of the private Fls. Although the officiate of the Fls do not recognize significant the existence of corruption among them, the other respondents utter about this with so importance.

Table 6.12.7

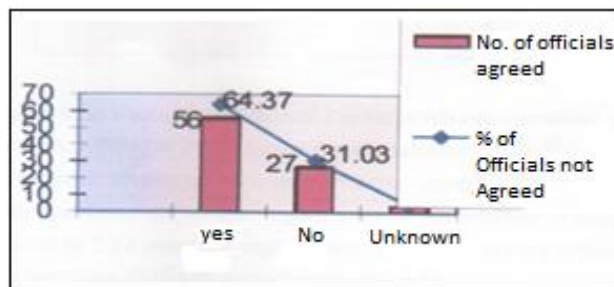
Opinions on Unfair Means of the Fls' Official/ Personnel in Approving SME Loan

| SI. No | Response Category | No. of Officiate Agreed (N=87) | Percentage of Officiate Agreed |
|--------|-------------------|--------------------------------|--------------------------------|
| 1 | Yes | 56 | 64.37 |
| 2 | No | 27 | 31.03 |
| 3 | Unknown | 4 | 0460 |

source: Field Survey.

Figure 6.12.8

Opinions on Unfair Means of the Fls Official/ Personnel in Approving SME Loan



Source. Field Survey.

Table 6.12.7 and Figure 6.12.8 show that about 64.37 percent respondents agree with the existence of unfair means in the FIs in case of SME finance while 31.03 percent disagree with this. To 4.6 percent Women Entrepreneurs the answer is unknown. It implies that in most cases the FIs are plunged into corruption.

6.12 Attitude of Financers in Financing SME:

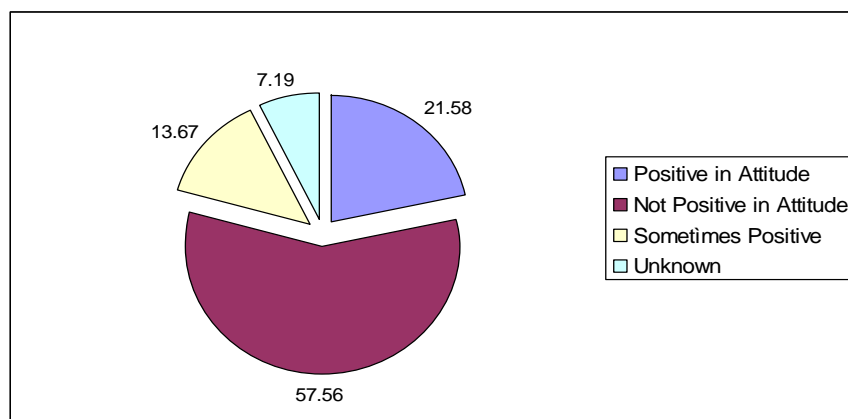
The financers of the FIs have such a mindset that financing of SMEs is so risk prone as they have no sufficient collateral security and cost of finance in this case is high. For this reason, the real eligible Women Entrepreneurs become deprived of getting institutional finance.

Table 6.12.9
Opinions about the Attitude of the Concerned Authority to Finance SMEs

| SI. No. | Opinion | No. of Officiate Agreed (N=139) | Percentage of Officiate Agreed |
|---------|--------------------------|---------------------------------|--------------------------------|
| 1 | Positive in Attitude | 30 | 21.58 |
| 2 | Not Positive in Attitude | 80 | 57.56 |
| 3 | Sometimes Positive | 19 | 13.67 |
| 4 | Unknown | 10 | 7.19 |

Bouree: Field Survey.

Figure 6.13
Opinions about the Attitude of the Concerned Authority to Finance SMEs



Source: Field Survey

Table-6.12.9 and Figure 6.13 show the opinion of the respondents surveyed about the attitude of the financers, Although 21.58 percent respondents say that the attitude of the financers is positive, 57.56 percent respondents oppose this. About 13.67 percent say that the financers are in this regard sometimes positive in attitude and the answer is unknown to 7.19 percent respondents. It implies that the attitude of the financers in case of financing SMEs is yet to be positive fully.

6.12.1 Insurance Coverage:

As the SME sector is so vulnerable from financing point of view it needs taking measures by both public and private support service agencies. Japan is an example for the country has provided various support services to secure SME finance of the country. Insurance coverage is one of the safety nets to protect the financiers from risk. Insurance coverage is also existed in financing SMEs of the country.

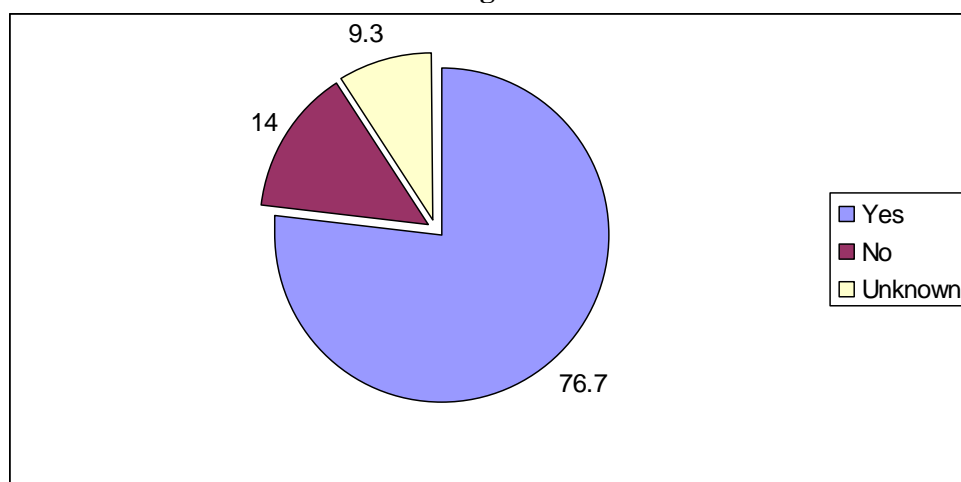
Table 6.13.1
Insurance Coverage for SME Finance

| Sl. No | Response Category | No of Officials Agreed (N=43) | Percentage of Officials Agreed |
|--------|-------------------|-------------------------------|--------------------------------|
| 1 | Yes | 33 | 76.7 |
| 2 | No | 6 | 14 |
| 3 | Unknown | 4 | 9.3 |

Source: Field Survey

Figure 6.13.2

Insurance Coverage for SME Finance



Source: Field Survey

From field survey it is found that 76.7 percent respondents affirm of insurance coverage with the finance taken from the FIs while 14 percent nullifies it and 9 percent has no information about this matter. It is shown in Table-6.13.1 and Figure 6.13.2, But, the Women Entrepreneurs are not beyond suspicion about the effectiveness of such insurance coverage in SME finance in the country.

6.12.2 Pressure from External Sources:

Administration as well as management of FIs in the country is influenced by some ones outside the institutions in case of diverting finance to unviable projects through depriving the eligible Women Entrepreneurs of their right. The operational officers of the FIs surveyed give opinions on this issue, Table-6.13.3 and Figure 6.13.4 show 16 percent respondents evaluate it as acute.

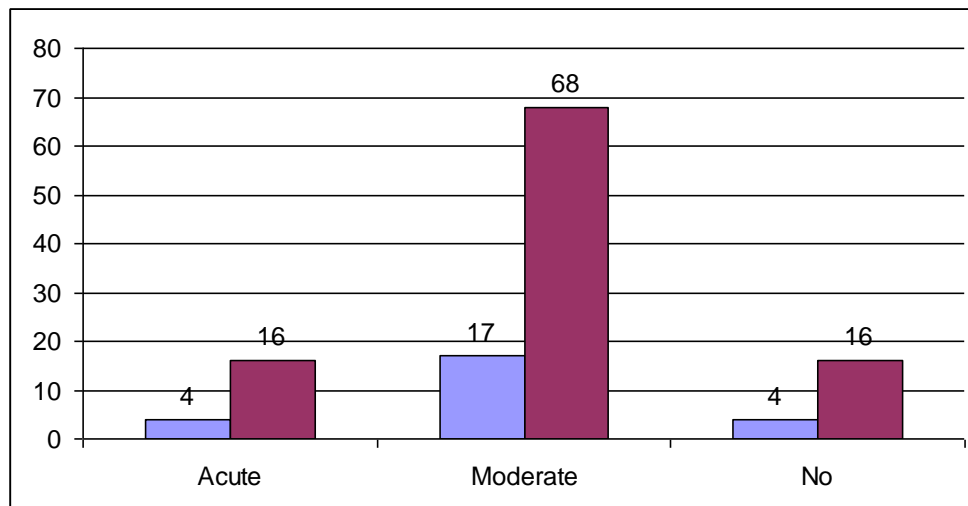
According to the opinions of 68 percent respondents, it is moderate and only 4 percent respondents do not recognize such external pressure in this regard. Considering the first and second of the response categories it is found that 84 percent respondents affirm the existence of external pressure that misleads the concerned personnel in selecting unviable SME projects. The public FIs are comparatively suffering from external pressures especially on account of political predominance over these institutions. Directors recruited from outside the FIs, ministers, politicians and the concerned bureaucrats generally influence and compel the concerned authority for approval of finance. On the other hand, the private banks and NBFIs are comparatively better in position but not absolutely free of all kinds of illegal claims.

Table 6.13.3
Opinions about the Pressure from External Sources that Lead to Selecting Unviable Project Encountered from FIs' Officials Surveyed

| SI. No. | Response Category | No. of Officials Agreed (N=25) | Percentage of Officials Agreed |
|---------|-------------------|--------------------------------|--------------------------------|
| 1 | Acute | 4 | 16 |
| 2 | Moderate | 17 | 68 |
| 3 | No | 4 | 16 |

Source: Field Survey.

Figure 6.13.4
Opinions about the Pressure from External Sources that Lead to Selecting Unviable Project Encountered from FIs' Officials Surveyed



No of Officials Agreed

6.12.3 Motivational Programs for the Officials of FIs:

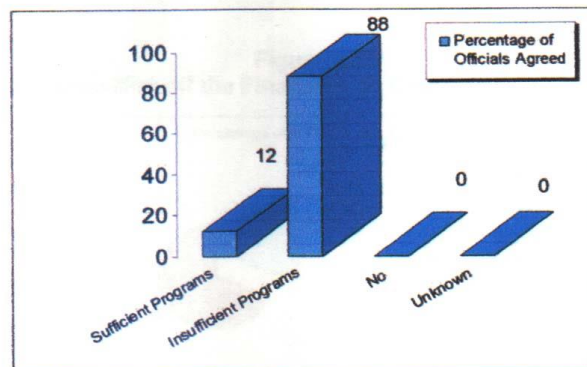
To increase efficiency of the officials various motivational programmes are undertaken by the institutions in question. Such programmes help build up capacity of the operational officials in selecting eligible Women Entrepreneurs, identifying related problems, enhancing monitoring and achieving target. Sufficient motivational programmes have not been designed for the concerned officials of SME financing in the FIs.

Table 6.13.5
Opinions about Having Motivational Program for the Officials of FIs

| SI No | Response Category | No. of Officials Agreed (N=25) | Percentage of Officials Agreed |
|-------|-----------------------|-----------------------------------|--------------------------------|
| 1 | Sufficient Programs | 3 | 12 |
| 2 | Insufficient Programs | 22 | 88 |
| 3 | No | - | - |
| 4 | Unknown | - | - |

Source: Field Survey.

Figure 6.13.6
Opinions about Having Motivational Program for the Officials of FIs



Source: Field Survey.

Table-6.13.5 and Figure 6.13.6 show that 88 percent respondents affirm of the insufficiency of motivational programmes while only 12 percent of them agree with having sufficient programmes and no one said about the absence of motivational programmes in the FIs. Among the motivational programmes the FIs are providing now, training and circulars of BB are the important ones.

6.12.4 Counselling of the Fls* Officiate on Business and Loan Repayment:

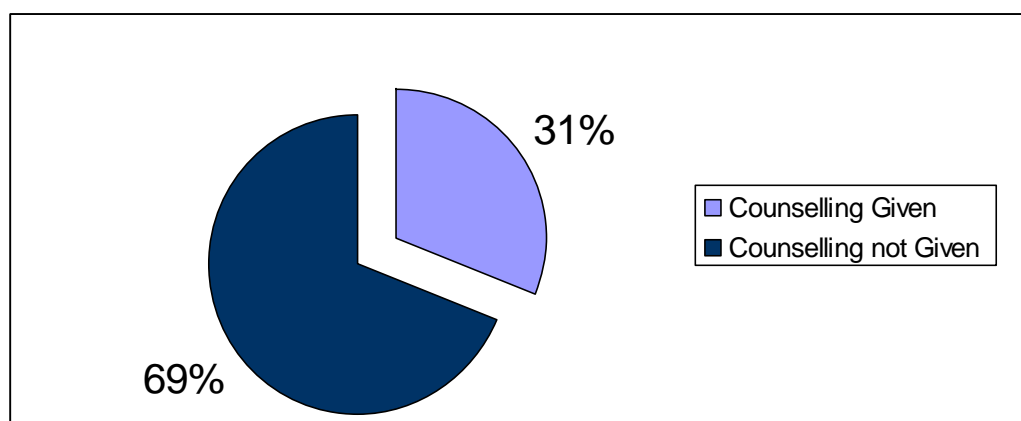
Counselling of the operational officers is one of the ways to make good relationship with borrowers aiming at getting the invested money with profit smoothly. Abreast of this, counselling about SME financing and investment help the Women Entrepreneurs in taking decision and utilizing capital to be invested in their women owned enterprises. But, counselling of the operational officers of Fls is not of satisfactory at grass root level Table 6.13.7 and Figure 6.13.8 show that most of the Field level officers of Fls do not counsel the Women Entrepreneurs on their business and loan repayment. About 68.75 percent Women Entrepreneurs say that such counselling is not provided by the operational officers while only 31.25 percent of them affirm in favour of the Fls.

Table 6.13.7
Opinion on Counselling off the Financers on Business and Loan Repayment

| Sl. No. | Nature of Counseling | No. of Women Entrepreneurs Agreed (N=64) | Percentage of the Women Entrepreneurs Agreed |
|---------|-----------------------|--|--|
| 1 | Counselling Given | 20 | 31.25 |
| 2 | Counselling not Given | 44 | 68.75 |

Source: Field Survey.

Figure 6.13.8
Opinion on Counselling off the Financers on Business and Loan Repayment



Source: Field Survey.

6.12.5 Financial Appraisals Prepared Traditionally:

Financial appraisals of finance projects are prepared in a routine and stereotype manner in the Fls. The tools used in appraising project proposal are so traditional that the real Women Entrepreneurs in most times remain outside the finance facilities available in the country. Such traditional tools of appraising project proposal are collateral, documents, previous background of the Women Entrepreneurs regarding finance, relationship with the bankers, current profitability of business, having reference, business of trade and service sectors, having several business sections and so

on. The project appraisal officers don't explore the potentials of business, dedication and devotion of the new business. They always give priority to trade and service sectors in lieu of the manufacturing SMEs. They don't have fair search to find out the real Women Entrepreneurs for financing. Current profit earning is the motto of such financiers. Waiting for future profit from the flourished industries having long run finance is now impossible to the financiers.

Table 6.13.9

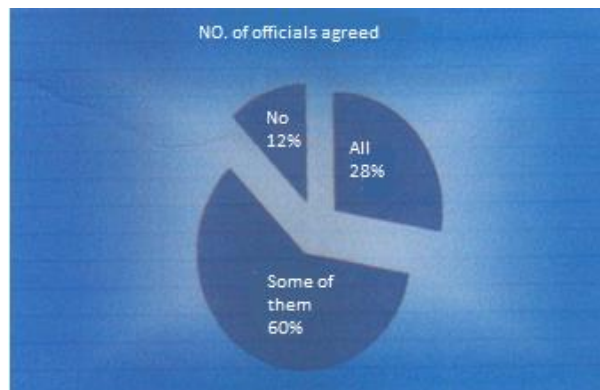
Opinion about the Financial Appraisals Preparation in a Routine and Stereotype Manner

| SI. No. | Response Category | No of Respondents Agreed (N=25) | Percentage of Respondents Agreed |
|---------|-------------------|------------------------------------|----------------------------------|
| 1 | All | 7 | 28 |
| 2 | Some of Them | 15 | 60 |
| 3 | No | 3 | 12 |

Source: Field Survey.

Figure 6.14

Opinion about the Financial Appraisals Prepared in a Routine and Stereotype Manner



Source: Field Survey.

It is observed from field investigation and other searches of the researcher. Here, Table-6.13.9 and Figure 6.14 show 28 percent respondents agree with that, 'the project proposals are appraised traditionally'. About 60 percent respondents say that it is happened sometimes and only 12 percent respondents say that project appraising is good. It implies that still now the financial sector of the country could not be modernized in case of reaching on the threshold of the real Women Entrepreneurs.

6.12.6 Types of Decision Making Process of the FIs Management:

Decision is made in three ways which did not get approval of finance projects by the management of the FIs. Most of the FIs follow the prevalent rules and regulations of the FIs. Some FIs take decision through discussion between different levels of the management and clients. Some of the institutions follow the both.

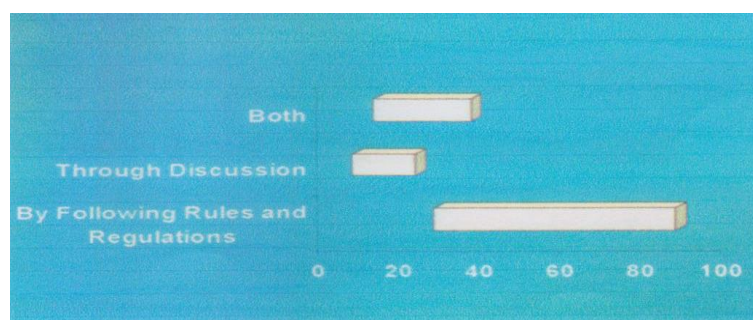
Table 6.14.1
Types of Decision Making Process Followed by FIs Management

| SI No | Response Category | No. of Officials Agreed | Percentage of Officiate Agreed |
|-------|------------------------------------|-------------------------|--------------------------------|
| 1 | By Foliowing Rules and Regulations | 27 | 60 |
| | Through Discussion | 7 | 15.6 |
| 3 | Both | 11 | 24.4 |

Source: Field Survey.

Table-6.14.1 and Figure6.14.2 show that 60 percent financiers only follow the rules and regulations of the FIs in question. About 15.6 percent take decision through discussion and 24.4 percent follow the both. It has been found from investigation that the NCBs follow only the rules and regulations prevailed in those institutions. On the other hand, the PCBs especially follow both the ways in sanctioning finance projects.

Figure 6.14.2
Types of Decision Making Process Followed by FIs Management



Source: Field Survey,

6.12.7 Decision Taking on SME Loan Approval:

Decision is made at different levels of management of the FIs. For some loan projects the related office gives approval in the FIs. Sometimes final approval of all kinds of finance projects is always made by head office of some FIs. In some FIs the Zonal office takes final decision. Sometimes the area office of some FIs is the authority to provide finance. In some specific FIs, say, NGOs, cooperatives, Grameen Bank, branch office itself can take decision on loan approval.

6.12.8 Nature of Administration of the FIs in Case of Financing SMEs:

Administration of the FIs to finance SMEs is of different kinds and nature. It is found from investigation that the nature of administration in the FIs to finance SMEs is centralized, decentralized and both. Table-6.14.3 and Figure 6.14.-4 show that about 15.6 percent officials of the FIs say that they have the centralized administration for SME project financing while 42.2

percent say about the decentralized administration of their institutions. According to the opinions of 42.2 percent Officials, both types of administration are followed in their FIs.

Table 6.14.3 Types of Administration the FIs Follow to Finance SMEs

| SI. No | Response Category | No. of Officials Agreed (N=45) | Percentage of Officials Agreed |
|--------|-------------------|-----------------------------------|--------------------------------|
| 1 | Centralized | 7 | 15.6 |
| 2 | Decentralized | 19 | 42.2 |
| 3 | Both | 19 | 42.2 |

Source: Field Survey.

Figure 6.14.4

Types of Administration the FIs Follow to Finance SMEs



Source: Field Survey.

It implies that most of the FIs have now been modernized in this regard. The NCBs are, in fact, still now with centralized administration. These institutions are decentralized in a very few cases. For PCBs, both types of administration are existed in SME financing.

6.12.9 Independence of the Operational Officers in Selecting Eligible client:

In most cases the operational officers of the FIs are free of any influences in selecting real Women Entrepreneurs for financing. But, the NCBs are confronting different kinds of problems in this regard. Both internal and external influence obstructs the fair selection of SME clients in financing SMEs of the country.

Table 6.14.5

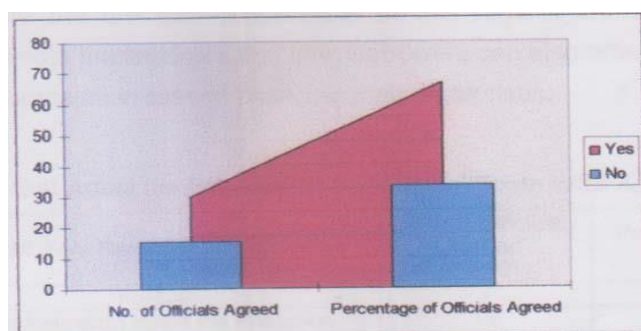
Independence of FIs' Officials in Selecting Eligible Borrowers for SME Project Finance

| St No | Response Category | No. of Officials Agreed (N=45) | Percentage of Officials Agreed |
|-------|-------------------|-----------------------------------|--------------------------------|
| 1 | Yes | 30 | 66.7 |
| 2 | No | 15 | 33.3 |

Source: Field Survey.

Figure 6.15.6

Independence of Fls Officials in Selecting Eligible Borrowers for SME Project Finance



Source: Field Survey.

Table-6.14.5 and Figure 6.14.6 show that about 66.7 percent operational officers of the Fls say that they have independence in selecting real Women Entrepreneurs for financing SMEs while 33.3 percent say that they have no independence in this regard.

Table 6.14.7

Independence of the Officials of NCBs and PCBs in Selecting Real Eligible Borrowers for SME Project Finance

| SI. No. | Name of Banks | No. of Respondents Agreed (N=70) | | Percentage of Respondents ,, Agreed | |
|---------|---------------|----------------------------------|----|-------------------------------------|-------|
| | | Yes | No | Yes | No |
| 1 | NCBs | 35 | 35 | 50,0 | 50.0 |
| 2 | PCBs | 49 | 21 | 70.0 | 30.00 |

Source: Field Survey

Mere, Table-6.14.7 shows more specifically that 50 percent respondents are in favour of having independence of the operational officials of NCBs in selecting eligible borrowers while other 50 percents disagree with this view point. Por PCBs, 70 percent respondents say that the operational officials have independence in selecting eligible borrowers and only 20 percent of them oppose it. It implies that the PCBs are now in better position compared to that of the NCBs in this regard.

6.13 Factors That Affect the Fair Selection of SME Women Entrepreneurs:

A number of factors obstruct the independence of the operational officials in selecting eligible borrowers of the SME sector. Most of the prime factors are identified in Table-6.14.8. Internal administrative systems of the Fls affect the fair selection of Women Entrepreneurs very significantly. In this regard, influence of directors of the Fls, inefficiency of the managers, the conventional attitude of the financiers about SME finance, political dominance and the

government bureaucracy impede the selection process of finance projects. Besides these, collateral barrier and corruption of the officials of the FIs are also responsible in this regard. Sometimes insufficient information of both the financiers and loan borrowers can also affect the fair selection of SME Women Entrepreneurs in case of financing their women owned enterprises.

Table 6.14.8 Factors that Affect the Fair Selection of SME Client Who Apply for Loan

| SI. No. | Multiple Response Category | No. of Officials Agreed (N=68) | Percentage of Officials Agreed |
|---------|---|--------------------------------|--------------------------------|
| 1 | Political | 7 | 15.6 |
| 2 | Administration Inside the Institution | 13 | 28.9 |
| 3 | Directors of the Institution | 2 | 4.4 |
| 4 | Want of Information | 8 | 17.8 |
| 5 | Inefficiency of the Managers/ Officials | 4 | 8.9 |
| 6 | High Officials Outside the Institution | 7 | 15.6 |
| 7 | Conventional Attitudes of the Financers about SME Finance | 8 | 17.8 |
| 8 | Collateral | 9 | 20 |
| 9 | Unfair Means | 10 | 20.2 |

Source: Field Survey.

6.13.1 SME Loan Project Monitoring:

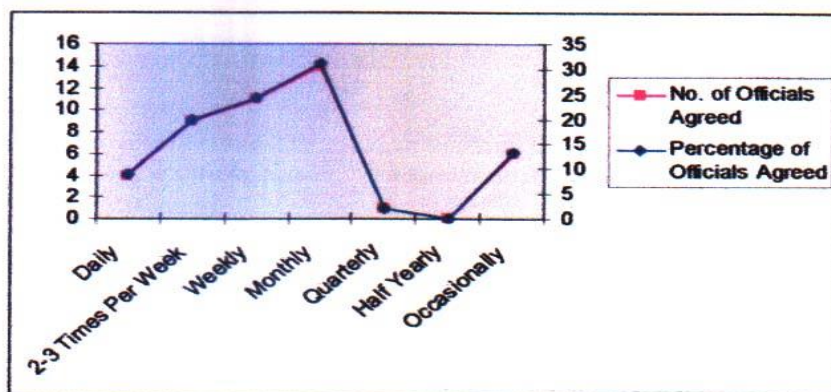
Regular monitoring of loan project increases cost of finance on account of the requirement of more manpower and time. For this reason, the operational officials of the FIs do not visit their financed projects regularly. Table-6.14.9 and Figure 6.15 show that 8.9 percent Officials communicate to their SME Women Entrepreneurs on daily basis. 20 percent Officials visit their finance projects for 2-3 times a week while 24.4 percent visit weekly. Most of the operational officers correspond to the borrowers monthly and the percentage of them is 31.1. About 2.2 percent officials visit their loan project quarterly and 13.3 percent go to the borrowers occasionally.

Table 6.14.9 Visiting (Monitoring) SME Loan Projects by the FIs' Officials Surveyed

| Sl. No | Response Category | No. of Officials Agreed (N=45) | Percentage of Officials Agreed |
|--------|--------------------|--------------------------------|--------------------------------|
| 1 | Daily | 4 | 8.9 |
| 2 | 2-3 Times Per Week | 9 | 20 |
| 3 | Weekly | 11 | 24.4 |
| 4 | Monthly | 14 | 31.1 |
| 5 | Quarterly | 1 | 2.2 |
| 6 | Half Yearly | - | - |
| 7 | Occasionally | 6 | 13.3 |

Source Field Survey

Figure 6.15
Visiting (Monitoring) SME Loan Projects by the FIs' Officials Surveyed



Source: Field Survey.

The NGOs and cooperatives generally monitor their loan projects regularly. At present, some PCBs such as BRAC Bank Limited have emphasized their monitoring in case of SME finance following the microfinance monitoring System prevalent in the NGOs of the country. The monitoring System of the NCBs is not at all good.

6.13.2 Relationship between SME Clients and FIs' officials:

The overall relationship between operational Officials and SME clients are still now not warm. But it is found from investigation that good relationship between financiers and SME clients can increase SME finance and make such financed project successful. If the Women Entrepreneurs can become so intimate with the financiers, it helps them to finance more in this sector. Table-6.15.1 does not show data on such overall relationship between financier and SME borrowers. It just shows about having understanding of the operational officers with SME borrowers at field level.

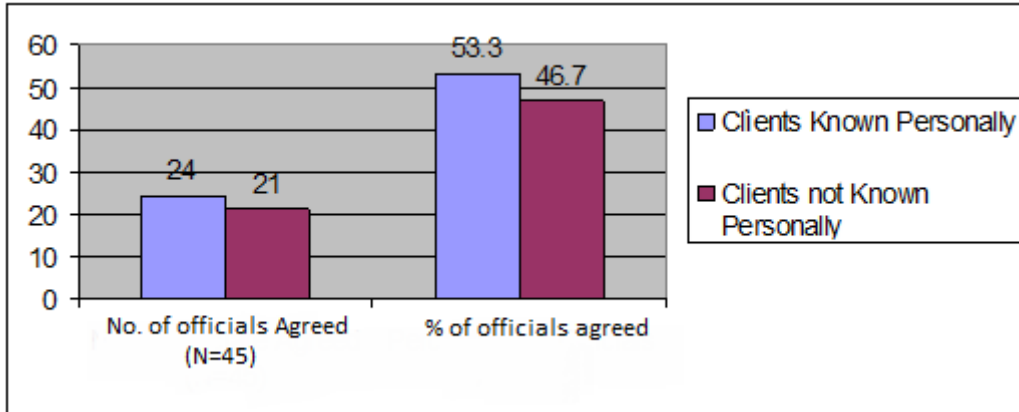
Table 6.15.1 Understanding with the SME Clients of the FIs' Officials

| Sl. No. | Response Category | No. of Officiate Agreed (N=45) | Percentage of Officials Agreed |
|---------|------------------------------|--------------------------------|--------------------------------|
| 1 | Clients Known Personally | 24 | 53.3 |
| 2 | Clients not Known Personally | 21 | 46.7 |

Source Field Survey.

Figure 6.15.2 Understanding with the SME Clients of the Fls' Officials

| Response Category | No. of Officiate Agreed (N=45) | Percentage of Officials Agreed |
|------------------------------|--------------------------------|--------------------------------|
| Clients Known Personally | 24 | 53.3 |
| Clients not Known Personally | 21 | 46.7 |



Source: Field Survey

Table-6.15.1 and Figure 6.15.2 show that about 53.3 percent operational officiate know the SME credit borrowers personally and 46.7 percent of them disagree with this. It implies that still now the Fls couldn't reach fully to SME stakeholders with required amount of finance. It also implies that making financier-borrower relationship is yet in the culminateti stage though it is coreuciai to avert risk in case of such financing.

6.13.3 Effectiveness of Training on SME Finance:

Training provided by the Fls on SME finance is, in fact, not effettive. AltftOUQfi it necessary to provide such trainings based on the nature and circumstances of SMEs, the authority of the financiers give so formal and^l traditional trainings of financing.

Table – 6.15.3
Opinions on the Effectiveness of Formal Training of SME Finance Received by the Fls' Officiate

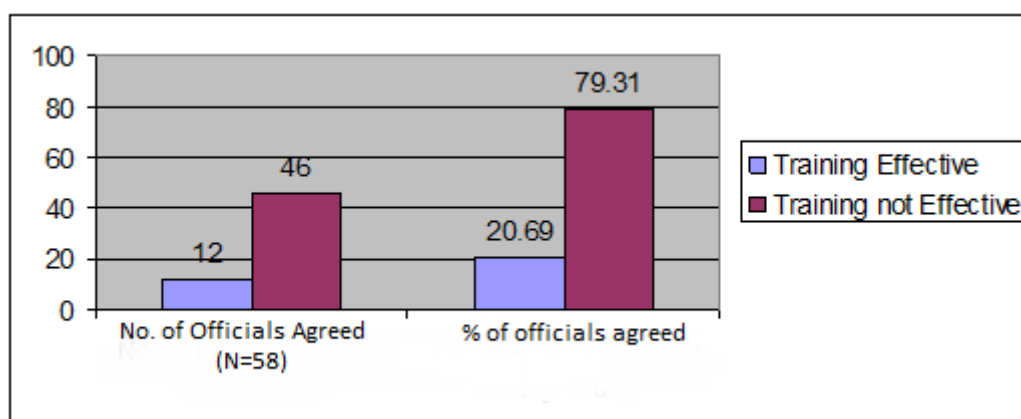
| SI. No. | Response Category | No. of Officiate Agreed (N=58) | Percentage of Officiate Agreed |
|---------|------------------------|--------------------------------|--------------------------------|
| 1 | Training Effective | 12 | 20.69 |
| 2 | Training not Effective | 46 | 79.31 |

Source: Field Survey.

Figure 6.15.4

Opinions on the Effectiveness of Formal Training of SME Finance Received by the Fls' Officiate

| Response Category | No. of Officials Agreed (N=58) | Percentage of Officials Agreed |
|------------------------|--------------------------------|--------------------------------|
| Training Effective | 12 | 20.69 |
| Training not Effective | 46 | 79.31 |



Source: Field Survey.

Table-6.15.3 and Figure 6.15.4 show that about 79.31 percent respondents disagree with; the effectiveness of training provided for the operational officials by the Fls. About 20.69 percent respondents say that such trainings are effective.

6.13.4 Necessity of Institutional Credit in LES:

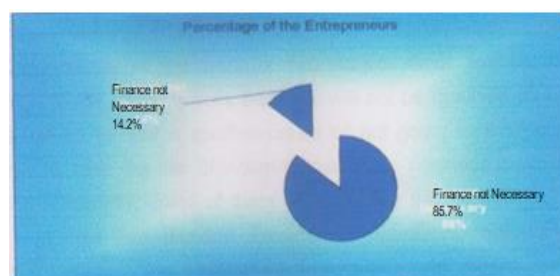
The SMEs as well as the LEEs always fall short of institutional finance. Most of the Women Entrepreneurs of the sector feel the necessity of finance. From field survey it is found that 55 percent of the Women Entrepreneurs didn't take finance from the Fls. A significant number of them have no access to formal finance while those Women Entrepreneurs got loan from the Fls also don't have absolute access in this regard.

**Table 6.15.5
Necessity of Finance for Those Who Yet to Apply For**

| SI. No. | Requirement | No. of Women Entrepreneurs (N=63) | Percentage of the Women Entrepreneurs |
|---------|-----------------------|-----------------------------------|---------------------------------------|
| 1 | Finance Necessary | 54 | 85.7 |
| 2 | Finance noi Necessary | 9 | 14.3 |

Source: Field Survey.

Figure 6.15.6 Necessity of Finance for Those Who Yet to Apply For



Source: Field Survey.

Table-6.15.5 and Figure 6.15.6 show that those who are yet to apply for SME loan to the FIs also feel the necessity of finance keenly. About 85.7 percent Women Entrepreneurs of them think that finance is necessary in the sector while only 14.3 percent of them don't feel the necessity of taking finance from FIs.

6.13.5 Causes of not Going to the FIs:

Although most of the Women Entrepreneurs need institutional finance they don't have access due to some causes Firstly, the cost of finance is very high. According to the field survey the high rate of interest is one of the prime causes of not going to the FIs in spite of having necessity of loan. Table-6.15.7 and Figure 6.15.8 show that 34.3 percent respondents do not go to the FIs for finance due to high rate of interest. Secondly, the lengthy procedure of getting loan is important cause. About 31.4 percent respondents don't have eagerness to go to the FIs for taking finance on account of such cumbersome procedure Thirdly, want of collateral is another important cause of not going to the FIs. The financiers want security of their money to get return back with profit. So, having fixed asset to be mortgaged to them against the loan they supply is one of the preconditions in getting loan. In this regard, about 29.3 percent Women Entrepreneurs say that they do not go to the FIs for loan as they do not have collateral. Fourthly, the stakeholders need required all papers, such as trade license, deeds of land, project proposal etc. to apply for loan to the FIs. But it is not easy for the Women Entrepreneurs and many of them don't want to suffer in getting such finance. Fifthly, many of the Women Entrepreneurs do not have information about SME finance. At present, different kinds of FIs including the PCBs, NGOs, cooperatives are working to provide finance to the SMEs where terms and conditions are being relaxed for the small and medium Women Entrepreneurs. They also have information gap about what kinds of documents are required and where they have to go for. In this regard, 25.7 percent respondents tell about the want of information about finance. Sixthly, the pre assumption of the Women Entrepreneurs that they will not be qualified for loan and merely the time will be wasted is another cause of not going to the FIs. Seventhly, the Women Entrepreneurs have the fear of incurring loss in the business that may tend them to be indebted. Eighthly, some of them did not have the necessity of finance before though it is now their demand. Finally, the operational officers of the FIs are sometimes corrupted. That's why, the Women Entrepreneurs keep them away from the FIs.

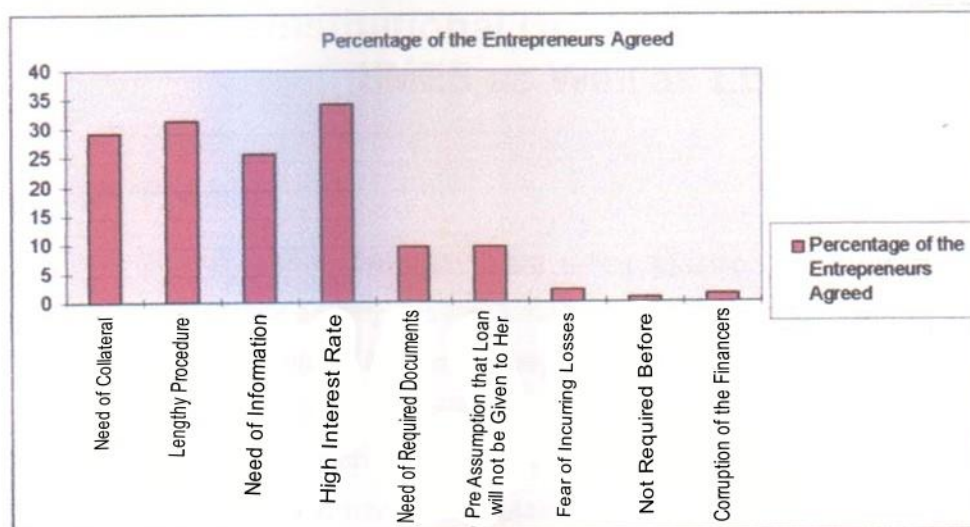
Table 6.15.7

Causes of not Going to the Financers in Spite of Having Necessity of Loan

| Sl. No. | Causes | No. of Women Entrepreneurs Agreed (N=201) | Percentage of the Women Entrepreneurs Agreed |
|---------|---|---|--|
| 1 | Need of Collateral | 41 | 29.3 |
| 2 | Lengthy Procedure | 44 | 31.4 |
| 3 | Need of Information | 36 | 25.7 |
| 4 | High Interest Rate | 48 | 34.3 |
| 5 | Need of Required Documents | 13 | 9.3 |
| 6 | Pre Assumption that Loan will not be Given to Her | 13 | 9.3 |
| 7 | Fear of Incurring Losses | 3 | 2.1 |
| 8 | Not Required Before | 1 | 0.7 |
| 9 | Corruption of the Financers | 2 | 1.4 |

Source: Field Survey.

Figure 6.15.8 Causes of not Going to the Financers in Spite of Having Necessity of Loan



Source: Field Survey.

6.13.6 Conclusion

The SME sector depends more on informal finance than institutional finance. But it is also true here that money is not a problem. But the financiers have reluctance to provide SME finance due to the constraints and challenges cited above simultaneously, the SME Women Entrepreneurs are also not eligible fully for having necessary institutional finance for some supply side impediments. There are also some social-economic-politico-cultural challenges that hinder SME finance significantly. The financiers generally prefer large women owned enterprises to SMEs as they perceive that financing of SMEs is risky and costly. High rate of interest, lack of required collateral, high cost of finance, cumbersome procedure of loan approval etc., existed in the way of institutional financing. Most of the FIs provide SME finance significantly but a very insignificant amount of that finance goes to the manufacturing SME sector.. Only 48 percent Women Entrepreneurs have access to finance where most of them did not get expected amount of money from the FIs. Medium women owned enterprises have more accessibility than that of the small ones. That is, the total investment environment in the sector is still now not congenial for having huge finance.

Chapter 7

The Problems, Challenges and Opportunities of Financing SMEs and LEEs

7.0 Introduction:

The more opportunities to seize in the SME sector, the more are the challenges and hurdles in the way of having a pool of institutional finance. The lacking of SME finance is not only the problem in developing countries like Bangladesh but also it is envisaged the same to some extent in the economics of developed countries. The SMEs do not have the sizable amount of fixed asset to be eligible for having finance. Lending cost is high and in most cases, these are so risk prone to the financiers. That's why, the lion's share of Industrial finance goes to the micro and large enterprise sectors and the SMEs remain 'missing' in the middle. Besides this, a host of constraints and challenges are also impeding the flow of SME finance in the country. Simultaneously, the sector can open up the door of opportunities and potentials in the economy where establishment of such enterprises is more viable than that of the large enterprises. It is found from the study that if it is possible to increase institutional finance in an enterprise of the sector, the profitability and growth of it can be increased. That is, the more is the investment in the sector, the higher is the rate of profit, and the more is the potentials. The researcher discusses the constraints and challenges to SME finance and the opportunities as well as the potentials by making relationship between the dependent and independent variables such as education, experience, formal finance, informal finance, profit etc., in the chapter. Both primary and secondary sources of data are incorporated here. ALL the constraints discussed are identified by sample survey.

7.1 Limited Access to Finance:

Access to finance of SMEs is limited due to the systematic and institutional nature of them that engenders a variety of adverse factors especially the persistence of high transaction cost and high risk¹. The DFIs of the government and the commercial FIs finance such enterprises where the DFIs prefer the large enterprises and the commercial FIs have fancy for financing the creditworthy business, such as trade and service enterprises². The SMEs in the LEE sector do not make bank-client relationship envisaged as reputation collateral to the financiers due to undergoing of suffering for getting SME loan. Although micro finance is available in the country, it is given only for the micro enterprises.

1. Thitapha Watanaputtipaisan, *Four Proposals for Improved Financing of SME Development in ASEAN*", p. 14 (It is taken from internet and published in *Asian Development Review*, Vol. 20, No. 2, December 2013).

an insignificant number of manufacturing SMEs get access to institutional finance. Even some manufacturing SMEs which are capable to fulfil all requirements to have institutional loan are also reluctant to take loan due to some causes such as fear of being indebted, thinking of having in subsistence level, cumbersome procedures of getting loan etc. That is, the manufacturing SMEs are, in fact, the 'Missing Middle' in case of having institutional finance.

7.2 The Challenges of SME Financing:

Both demand side and supply side challenges are encountered in this research. Simultaneously, loopholes of support services and flaws of other factors to facilitate SME finance are envisaged as constraints to LEE financing. As a nation Bangladesh has a lot of problems, say, want of rationalism in value System, socio-cultural mindset, want of patriotism, poor human resource, want of assimilation of technology, want of integration in development activities, failure in developing human resource that are impeding SME sector as well as its finance. Colonial attitude in bureaucroreacy of the country is also another prime challenge that yields regressive managerial performances and consequently she always encounters the story of unsuccessful in manufacturing field. Nere, such all challenges will be stated gradually. Table-7.0 shows the ranking of constraints to the SMEs of LEE sector with respect to the opinions of the respondents in this study at a birds eye view. The number of constraints to the SMEs found from field survey is 44. There are three kinds of constraints. These are demand side constraints, supply side constraints and general constraints.

2. *Ibid.*, pp. 14-15 (Thitapha Watanapruttipaisan, *Four Proposals for Improved Financing of SME Development in ASEAN.*)

Table 7.0
Constraints to SME Finance Encountered from Sample Respondents

| SI. No. | Multiple Response Category | No. Sample Respondents Agreed (N=205) | Percentage of Sample Respondents Agreed | Rank |
|----------------|---|--|--|-------------|
| 1. | Collateral | 111 | 54.15 | I |
| 2. | Lengthy Procedure | 110 | 53.66 | II |
| 3. | High Cost of Finance | 106 | 51.71 | III |
| 4. | High Interest Rate | 70 | 34.15 | IV |
| 5. | Domestic and Foreign Competition | 99 | 48.29 | V |
| 6. | Low Productivity | 99 | 48.29 | V |
| 7. | Want of Raw Materials | 92 | 44.88 | VII |
| 8. | Corruption | 79 | 38.56 | VII! |
| 9. | Attitude | 70 | 34.15 | IX |
| 10. | Misuse of Loan | 70 | 34.15 | IX |
| 11. | Law & Order Situation | 70 | 34.15 | IX |
| 12. | High Risk | 66 | 32.19 | X |
| 13. | Want of Information | 66 | 32.19 | X |
| 14. | Management Problem of Financer | 64 | 31.23 | XI |
| 15. | Management Problems of SME Owners | 64 | 31.23 | XI |
| 16. | Over Due | 64 | 31.22 | XI |
| 17. | Want of Fund | 62 | 30.24 | XII |
| 18. | Lack of Honest Women entrepreneurs | 56 | 27.32 | XIII |
| 19. | High Cost of Production | 56 | 27.32 | XIII |
| 20. | Lack of Necessary Policy Reform | 54 | 26.34 | XIV |
| 21. | Loan Diversion | 51 | 24.88 | XV |
| 22. | Want of Required Papers | 48 | 23.41 | XVII |
| 23. | Want of Support Services | 48 | 23.41 | XVII |
| 24. | Want of Freedom in Decision Making of the Fls Officials | 45 | 21.95 | XVIII |
| 25. | Socio-cultural Mindset and Value System | 41 | 20.0 | XIX |
| 26. | Want of Appropriate Financial Products | 41 | 20.0 | XIX |
| 27. | Capital Deficit | 38 | 18.56 | XX |
| 28. | Lack of Political Commitment | 38 | 18.56 | XX |
| 19. | Lack of Experience | 37 | 18.05 | XXI |
| 30. | Legal Problem | 35 | 17.07 | XXII |
| 31. | Desire for Excessive Profit of the Fls | 32 | 15.61 | XXIII |
| 32. | Want of Trained Officials | 31 | 15.12 | XXIV |
| 33. | Political and Other | 26 | 12.68 | XXVI |

| | | | | |
|-----|--|----|-------|------------|
| | Influence | | | |
| 34. | Want of Specialized Finance Institutions | 25 | 12.19 | XXVII |
| 35. | Lack of Govt. Follow up | 23 | 11.22 | XXVII I |

| SI. No. | Multiple Response Category | No. Sample Respondents Agreed (N=205) | Percentage of Sample Respondents Agreed | Rank |
|---------|-----------------------------------|---------------------------------------|---|--------|
| 36. | Want of Reference | 23 | 11.22 | XXVIII |
| 37. | Disappearing with Loan Money | 22 | 10.73 | XXIX |
| 38. | Marketing Problem | 19 | 9.27 | XXX |
| 39. | Lack of Awareness | 13 | 6.34 | XXXI |
| 40. | Want of Subsidy and Fund Creation | 7 | 3.41 | XXXII |

Source: Field Survey.

7.3 Demand Side Constraints:

Demand side constraints mean such kinds of constraints to SMEs which affect the demand for finance in this sector. Demand for finance comes from entrepreneur's side. So, these problems of SME are mainly confronted by them. The demand side constraints are explained below.

(i) Collateral

Want of collateral security of the SME Women entrepreneurs is the number one problem which is identified by respondents of this sample survey. About 54.15 percent respondents agree with this point of view. It is known that the SMEs generally belong to small amount of capital and the owners of these firms have no such required level of fixed asset. For this reason, the financiers do not take risk giving them loan. They always feel the fear of being looser by financing the SMEs and hence, the Women entrepreneurs become deprived of getting finance in this situation.

(ii) Lengthy Procedure

Lengthy procedure of getting finance from the FIs seems to be the number two problem to the respondents. About 53.66 percent Women entrepreneurs agree with this point of view. It is found from grass root level investigation that most of the SME Women entrepreneurs don't want to be suffered in getting loan. For getting finance they have to apply for loan to the FIs for which a number of papers and documents are They have to go to the FIs frequently with spend in) of time, money

(iii) High Rate of Interest

Rate of interest of SME loan in the FIs is envisaged so high by the respondents of this study. About 34.15 percent of them agreed of the high rate of interest and it is number four impediments in SME financing to them. The average rate of interest at grass root level for NCBs is 11.5 percent and it is 16.25 percent for PCBs³. More 3.0 percent other costs can be added to these rates. Then the rates of interest stand to 14.5 percent and 19.25 percent respectively. Due to such high rate of interest, SME loan of the FIs is so expensive to the Women entrepreneurs of this sector. Most of the enterprises in the country still remain at infant level. Technology used in these firms is not updated and the artisans are not so skilled at all. Raw materials are not available and the overall cost of production is high. As a result, the rate of return yielded from SME business can't surpass the rate of cost the Women entrepreneurs have to pay for taking finance from the FIs. So, high rate of interest in case of financing SMEs is a hindrance to the Women entrepreneurs.

(iv) Corruption

Corruption, nepotism are the common phenomena of the society in this country. The FIs are not different ones in adopting unfair means in case of financing SMEs of the country. The investigation at grass root level gives information that corruption is the number eight constraints to SME finance in LEE sector. About 38.56 percent respondents agree with this point of view in this study. Adopting unfair means are happened at different levels and in different ways within in the FIs. From the operational officers to directors of a FI may be involved with corruption with a view to fulfilling their own interest. The researcher finds in most cases that the concerned personnel of that FI claim 10 percent money of the total approved amount to borrower in question.

(v) Want of Information

Want of information about institutional finance of SME is one of the important constraints. It is found from investigation that about 32.19 percent respondents agree to this point of view. It is the number ten bottleneck identified by the respondents of 3. The rates are found from the operational officers at grass root level. It is also shown in chapter six (Table-20) this study. Mere, information means the awareness about the financing agencies; procedure of applying for loan; required papers and documents; and so on. Most of the Women entrepreneurs of the sector are not educated well. They have not good communication with the contemporary market of financial products available for financing SMEs of the country. They are not so aware and informed of the financing agents available around them. They do not know how to apply for loan and what are the requirements.

(vi) High Cost of Production :High cost of production is another important constraint to SME finance. According to the opinion of the sample respondents, it is the number XIII barrier and it is

recognized by 27.32 percent respondents. Technology used in SME production is not updated with respect to global context and labour productivity is not better off. Want of congenial environment, power crisis, want of other raw materials etc. are the prime causes of increasing cost of production in this sector. Due to such high cost of production, profit margin becomes low. As a result, the Women entrepreneurs can't cope with the rate of interest of loan money they take from the Fls.

(vii) Capital Deficit

Capital deficit is also one of the prime constraints to SME institutional finance. It is identified as the number twenty constraint by 18.56 percent sample respondents of the study. Mere, capital means the produced means of production. Capital deficit engenders distortion in production as it compels the producer to use unskilled labour, less quality raw materials, low productive technology, inefficient management and weak market networking in the total production and marketing process. As a result, the firm in question yields low profit. But the financiers always seek such enterprises that have high profitability and potentials. Capital deficit is a vicious circle. If an enterprise is in capital deficit it becomes low productive. Again, as it is low productive it yields low amount of profit followed by poor capability to gain more capital and more finance.

(ix) Want of Required Papers and Documents

Lack of necessary papers and documents is another important barrier to SME finance. It is the seventeenth constraint, identified by the sample respondents of the study. About 23.41 percent respondents state this problem of having shortage in SME finance at field level. Most of the Women entrepreneurs lack in having required papers and other documents necessary for loan approval. It is one of the prime constraints identified by the sample respondents to SME finance. Business licence, environmental clearance paper, land registration, different kinds of deeds, formal papers of business activities etc. are wanted with the application of SME loan from the clients. But, in most cases, the Women entrepreneurs can't provide such necessary papers and documents with their application.

(x) Want of Reference

Want of reference is also one of the important barriers to SME finance. About 11.22 percent sample respondents agree with this point of view. Most of the Women entrepreneurs don't have such influential persons whom can be shown as reference to the authority of the Fls for having easy approval of loan. It should be noted here that sometimes the Fls expect such reference as the surety against their money disbursed to the clients. Reference is deemed as custodian of the financed money to the Fls.

(xi) Lack of Awareness

Lack of awareness of the SME Women entrepreneurs about facilities and finance available for business is also an important problem identified by the respondents of this study. Most of the Women entrepreneurs are not well educated and informed of all required information for their business. Business is always deemed as a game of intelligence where self consciousness is indispensable. But, the Women entrepreneurs of this sector inculcate the attitude of keeping themselves at subsistence level. Their thinking and dreams can't get Wide Avenue in their lives. They do not avail themselves of the opportunities available for them. So, in spite of having interest of the financiers to finance some enterprises eligible for loan they can't bring them into coverage.

7.4 Supply Side Constraints:

Supply side constraints mean those constraints to SMEs which obstruct the supply of finance in the sector. Such constraints are faced by the financiers of Fls. In most cases the problems are generated by the Women entrepreneurs of SMEs. Here, such supply side constraints to SMEs are discussed .

(i) High Cost of Finance

High cost of finance is the third prime constraint to SME finance according to the opinions of the respondents. About 51.71 percent respondents say that cost of finance in case of SME financing is so high. As the size of capital is small, SMEs require small amount of loan for which the financiers have to bear more cost of supervision. But, they can provide big amount of credit to large enterprises with the same cost of supervision the SMEs require. Even the probability of being looser by financing SME is more than that of large enterprises.

(ii) Attitude of the Financers

The financiers inculcate such attitude that most of the SME owners are incapable of returning back the money they are given to invest in their business. As they have no required amount of fixed asset as surety in their business they seem to be the most risk prone to the financiers in case of getting back that finance they provide. There are some causes for growing up such attitude of the financiers in the Fls. They got lesson from their prior experience though the selection of Women entrepreneurs for financing in most cases is wrong. The present study shows that loan recovery is always of satisfactory if the operational officers are trained up and experienced; monitoring is strengthened well; relationship between financiers and Women entrepreneurs is good and finally, entrepreneur's selection is fair. So, the present study proves that inculcating such attitude in SME financing has no relevance from present perspective. It is, in fact, one of the significant bottlenecks in SME financing.

(iii) Misuse of Loan

Misuse of loan is another constraint to SME finance. It is the number nine problem of financing SMEs in the country as identified by the respondents of this study. About 34.15 percent respondents tick off this on the list of constraints. Misuse of loan is happened in case of SMEs due to a host of reasons. Inefficient management, deceptive attitude, unskilled labour, corruption within the enterprises are the prime causes of being misuse of loan in this sector.

(iv) High Risk

High risk of financing SME is one of the significant constraints found from this investigation. It is the number ten barrier identified by respondents. About 32.19 percent respondents agree with that, high risk to the financiers make them conservative in case of undertaking finance project. Mere, high risk means the overall risk emerged from low market demand; want of better quality of product; production environment; inefficiency of management of the enterprises; low amount of fixed asset; aggravating law and order situation; weak legal support in favour of the financiers and so on.

(v) Misguiding Information from the Women entrepreneurs

Sometimes Women entrepreneurs misguide the finance authority and the operational officials of the FIs giving wrong information about their business. They attach false papers and documents to their applications for finance. In the name of false business they take loan and in most cases such finance projects incur losses. So, such kind of problems of financing SMEs is also a significant constraint. It is also the tenth constraint to SME financing. About 32.19 percent respondents agree to this point of view.

(vi) Management Problem of the Financers

Inefficiency in administration and management of the FIs sometimes causes SME finance project unsuccessful. Wrong selection of Women entrepreneurs for financing, insufficient level of project monitoring, want of good relationship between financiers and borrowers, employment of inexperienced persons in the different levels of the institutions etc., are responsible for the failure of management in the FIs. The financiers as well as the operational officials are specifically mostly inefficient in case of manufacturing SME financing.

(vii) Management Problems of the SME Owners

Management problem of the SME owners is the number XI constraint to SME finance. About 31.22 percent respondents agree with this point of view. Inefficiency in management of the SME enterprises causes to decrease productivity at firm level. Most of the Women entrepreneurs are not well educated. They don't have any official decorum and knowledge on office management. In most cases, no registrar is kept in their firms. In lieu of separate office room they use their

workshops as office and no required number of registrar books is used properly. The real picture of their expenditure and earning is not kept regularly. As the SMEs are surviving , immaturity at field level, these fall on the category of infant industry. No concerned officiate are employed in most of the enterprises. Although some of the enterprises have such officiate, most of them are not efficient and honest. It is also true that the Women entrepreneurs can't create efficient management due to the want of capital, low productivity, low market demand and competition with others. As a result, their profit margin is scant and hence they can't spend much for creating efficient management in their enterprises.

(viii) Over Due

Over due of instalment payment is another important barrier to SME finance. It is also the number XI constraint found from field survey. About 31.22 percent respondents affirm this point of view in the sample survey. The Women entrepreneurs of SMEs can't pay instalment of their loan regularly. Especially, the respondents of Fls emphasize on this point of view. The financiers are not interested to finance SMEs on account of such inability of the Women entrepreneurs in regular payment of instalment. It increases risks of the financiers in financing SMEs.

(ix) Fund Deficit

Want of fund for financing SMEs is another bottleneck in this sector. It is the number XII constraint found from sample survey. About 30.24 percent respondents give affirmative answer in favour of this point of view. Fund crisis in all respects is a common phenomenon in the poor developing countries like Bangladesh. Most of the government schemes, say, BB Refinance Scheme for SME financing are being undertaken with the assistance of the WB, IFC etc. Such donor organizations not only give money but also impose different types of terms and conditions with those funds. In the domestic Fls funds are in fact available but these are not for financing the manufacturing SMEs of the country.

(x) Insignificant Number of Honest Women entrepreneurs

The number of honest Women entrepreneurs for financing SMEs is very insignificant. About 27.32 percent respondents recognize Women entrepreneurs for SME financing but the number of such Women entrepreneurs is not significant at all. In most cases, the requirements of applying for SME loan are not fulfilled and attached properly and honestly. A gap always exists between the commitment of Women entrepreneurs and the practice.

(xi) Want of Freedom in Decision Making of the Concerned Fls Officiate

The concerned officials of the Fls don't have enough freedom in decision making regarding SME financing. BB and Mol are the pivotal authority in compiling policies and regulations imposed on the operating Fls where opinions of the grass root level are not envisaged with importance.

Simultaneously, the operational officials within the FIs also don't have freedom in selecting Women entrepreneurs for SME financing. In most cases, they have to select financing project according to the principles of that institution and given rules and regulations. They don't have freedom in making decision about SME project selection. The zone offices and head offices of the FIs are almost the sole authority in selecting Women entrepreneurs for SME financing. This is the number eighteenth constraint to SME finance identified in the field investigation. About 21.95 respondents agree with this point of view.

(xii) Want of Appropriate Financial Products

The want of appropriate financial products is also another important constraint to financing SMEs of the country. It is the number nineteenth constraint coupled with the problem 'Socio-cultural mindset' according to field survey. About 20.0 percent sample respondents agree with this point of view. Required number of appropriate financial products has not been developed in the FIs of the country so that the SME Women entrepreneurs can avail of finance. Most of the financial products are so traditional and these are not entrepreneur friendly. High rate of interest, improper coverage of insurance, high instalment of loan, disfavoured terms and conditions, scantiness of loan amount, insufficiency of support services and incentives are the general characteristics of the prevalent financial products available in the FIs of the country. Innovative SME finance along with venture capital financing still has not been emerged in the credit market of the country.

(xiii) Desire for Excessive Profit of the FIs

The desire for earning excessive profit of the FIs from financing SMEs is also another important bottleneck in the way of financing the sector. It is the twenty third constraint to LEE finance identified from field survey. About 15.61 percent respondents agree with this point of view. Profit margin as well as the rate of interest of the FIs in case of financing LEEs is so high due to the desire for excessive profit of the FIs. As the SMEs are so risk prone and cost of finance is higher than that of the large enterprises, the FIs always tend to finance the larger firms and hence the smaller ones become deprived of getting required amount of finance.

(xiv) Loan Diversion

Loan diversion also impedes the supply of SME finance. It is the number fifteen constraint to financing SME identified by the sample respondents in the study. About 24.88 percent respondents agree with this point of view. The operational officers of the FIs can't be sure of the amount disbursed whether the client will collect capital with that given money for his enterprise or not as they have prior experience and information about such diversion of that loan money. It is frequently happened that the SME Women entrepreneurs divert their loan money to another purposes though it is shown for their existed business enterprises. It indicates the dishonesty and the lacking of dedication to business of the Women entrepreneurs in this sector.

(xv) Lack of Experience

Lack of experience of the operating officials of the FIs is one of the significant barriers of SME finance in the country. It is the twenty first constraint identified by the sample respondents of the study. About 18.05 percent respondents ascribe such lack of experience of the operating officials to the unmet situation of SME finance. The officials of the FIs are not efficient in selecting real Women entrepreneurs for financing their projects due to the lacking of prior experience in this field. Due to this problem unviable SME projects are financed while some growing and potential projects remain outside the finance coverage. As a result, the FIs incur losses and the ultimate growth of this sector lags behind.

(xvi) Want of Trained Officiate

Want of trained officiate in the Fls is also one of the prime constraints to SME finance. It is the twenty fourth constraint identified by the sample respondents of the study. It is found from field investigation that necessary training programmes have not been undertaken by the Fls for increasing effectiveness of SME financing. In most cases, short term training programmes are taken for the operating officials. Due to the insufficiency of proper training on SME financing of the officials in the Fls, the SME sector is not getting the required portion of Industrial finance.

(xvii) High Target Setting for the Officials of Fls

Sometimes high target set by the Fls upon the officials for disbursing loan to SME clients also may be harmful for successful financing. As a problem it is identified by the sample respondents of the study. About 14.15 percent respondents agree with this point of view. Such target setting for disbursing a certain amount of money by eacrorei of those officials causes defaulting in case of SME finance. The consequence is that the Fls turn away with that fund and the SMEs have to survive with the stigma of incapability to repay.

(xvii) Want of Specialized Finance Institutions

Although BASIC bank and MIDAS work as specialized finance institutions for SME financing, their contribution is very insignificant. BSCIC also contribute very insignificantly. At present, BB has taken initiative and given directive to all PCBs and NCBs for starting SME banking compulsorily. But, the PCBs and NCBs are preferring trade and service based SMEs to manufacturing SMEs. In this situation, specialized finance institutions are necessary to finance the manufacturing SMEs of the country.

(ixx) Disappearing with Loan Money

Disappearing with loan money of the SME clients is also a problem in case of SME finance. About 10.73 percent sample respondents agree with this point of view. Especially the clients of small enterprises that belong to a scant amount of capital in their firms disappear with such loan money disbursed by the Fls. Sometimes such clients arrange false business shop and apply for loan to the Fls. After getting that amount they disappear. This problem impedes the supply of SME finance.

7.5 General Constraints:

General constraints to SME finance are those which do not affect the demand for and supply of finance directly. These constraints affect the productivity of a firm, labour skill, market demand, profitability, production environment, product quality, market competition, choice of consumers, export-import volume and so on. Finally, these obstacles also have impact upon the demand for and supply of finance. These seriously affect the effectiveness of SME finance.

(i) Domestic and Foreign Competition

Domestic and foreign competition of SMEs is another important obstacle in the way of making finance effective and successful. About 48.29 percent respondents agree with this point of view. It is the number five constraint to SME finance according to this study. In the global free market economy, almost all of the commodities have to compete with the substitutes both domestically and globally. Similarly, the SMEs of LEE sector also has to face such kinds of competition. Generally, market competition affects the price of a product. The more is the competition the less is the price of that product. If cost of production is high and competition is more intensified, the profitability of that product must decrease. In this situation, institutional finance becomes more risk prone.

(ii) Low Productivity

Low productivity of SMEs in the LEE sector is another indirect constraint to finance. It is also the number five constraint in case of SME finance. About 48.29 percent respondents give opinion on this issue. As the enterprises are yet to be mature the productivity of those are low. Besides this, most of the workers and technicians are unskilled. Technologies used in production are in most cases back dated and tradition bound. Consequently, the productivity of such enterprises is low. Low productivity engenders low profitability that discourages the Women entrepreneurs in taking finance from the FIs.

(iii) Low Market Demand

Low market demand of the produced commodities in the LEE sector is the number six constraint to SME finance according to the opinion of the respondents of this study. About 45.85 percent respondents say that low market of the products of SMEs affect finance negatively. Although the country is a big market of huge number of population, most of the consumers' purchasing power is not so high. Especially in the LEE sector, mills and factories have not been established well enough so that the market demand for machineries and spare parts can increase in the country. Low market demand for commodities causes low profitability of enterprises and for this reason, institutional finance becomes discouraged.

(iv) Want of Raw Materials and High Cost

Insufficiency of raw materials is one of the prime general constraints to SME finance. It is the number seven constraint envisaged by the respondents in this study. About 44.88 percent respondents agree with this point of view. In some sectors of the country, raw materials are available but a significant number of SMEs have to depend on the import of raw materials that requires high expense of the Women entrepreneurs. It is known that backward and forward linkages of industries have not been flourished enough in the country. Consequently, shortage of raw materials along with the dependence on import is continuing in the manufacturing enterprises. It implies that the SMEs have to bear high cost of production. It also indicates the decrease of profit and growth of firms. Consequently, SME finance does not accelerate in this sector.

(v) Law and Order Situation

Deterioration of law and order situation of the country is another prime constraint to the expansion of SME finance according to the opinion of respondents. It is also the number nine constraint in this study. About 34.15 percent respondents say that the deterioration of law and order situation is one of the causes of growing low level of investment in this sector. Political unrest, crimes, illegal claims of the terrorists to the owners of SMEs, want of good governance, political strike, natta! are frequently happening in the country. As a result, production, marketing, export and import activities are hampered. Finally, financing becomes discouraged in this sector.

(vi) Socio-Cultural Mindset and Value System

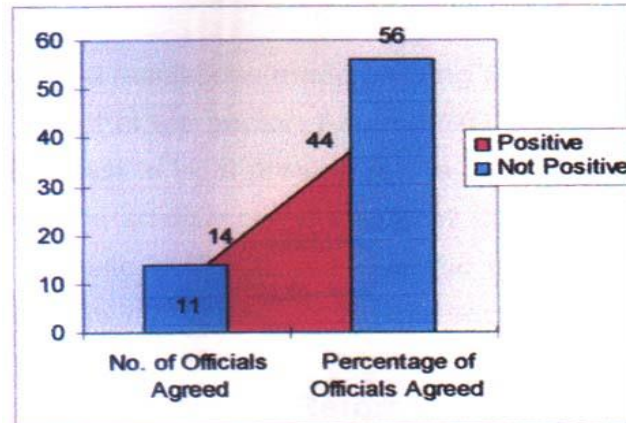
Although it is identified as the nineteenth constraint to SME finances according to the field level investigation, it is a very significant impediment in the way of SME finance and its flourishing. Most of the people in the society have the trend to keep them on a subsistence level in their economic activities and livelihood. The Women entrepreneurs don't have risk-taking attitude in their manufacturing activities. It is found from sample survey that some Women entrepreneurs don't have eagerness to get loan. Some of them say that self money is enough. Some of them say that taking loan is so cumbersome. They have to undergo much suffering in case of getting loan from the Fls. Some of them have the fear of being indebted for taking loan. It indicates a socio-cultural mindset inculcated within the people of the country. The donors and the financiers are also the same in case of funding and financing such enterprises. Most of the people of all corners of the society are conservative in their thinking and dreaming. They have a mindset (and prejudice and superstitions) on their consumption, capital and wealth due to the functioning of culture and religion prevailed in the society. Abreast of this, the prevailed education System is not working well in changing and broadening out looking of people of the society. The deficiency of creative and innovative man power in the country is acute. As a result, such negative mindset of people is not being changed in the society.

Table 7.1
Opinions about the Value System in Flourishing Business and Economic Development in the Country

| SI. No. | Response Category | No. of Officials Agreed (N=25) | Percentage of Officials Agreed |
|---------|-------------------|-----------------------------------|--------------------------------|
| 1 | Positive | 11 | 44 |
| 2 | Not Positive | 14 | 56 |

Bouree: Field Survey.

Figure 7.2
Opinion about the Value System in Flourishing Business and Economic
Development in the Country



Source : Field Survey

Table-7.1 and Figure 7.2 show opinion on the value System prevailed in the society. About 44 percent respondents (here, these 25 respondents are taken as scholars, concerned government executives, Women entrepreneurs, journalists, economists etc.) opine that the prevalent value System in the society is positive in case of favouring the SME sector while 56 percent respondents oppose on this issue. It implies that more than half of total respondents in the sample survey opine that the prevalent value System is not so favourable for Women entrepreneurship development.

(vii) Lack of Political Commitment

Lack of political commitment is a very significant constraint to SME finance as well as SME development. This constraint is identified by 18.56 percent sample respondents of the study as a twenty number constraint to SME finance coupled with the constraint 'Capital deficit'. Here, political commitment means that the politicians as well as the ministers of the government must devote to that specific goal until it has been achieved and realized. Political leaders inside and outside the government of the country are not committed to their assigned programmes and activities. Some of the respondents of this study make remark that there is lack of cordial efforts of the government and the administrators. After liberation, a host of programmes were taken in the Industrial policies and the five year plans for the development of small scale industries of the country. But the goals determined in the office have not been achieved due to the lack of commitment of the government as well as the politicians.

(viii) Legal Problem

The existed laws and regulations made pivoting SME finance are also not favourable for the enhancement of the sector. About 17.07 percent respondents asserted to such insufficiency of finance to legal problems. It is the twenty second problem according to the opinion of the sample respondents of the study. The prevalent incentives, environment of starting business, bureaucratic complexities, and laws of financing SME are not so apt to increase finance in this sector.

(ix) Lack of Necessary Policy Reform and Its Realization

Lack of necessary policy reform and its realization is another significant barrier to SME development and financing. It is the fourteenth constraint to SME finance identified by the sample respondents of this study. About 26.34 percent respondents asserted this problem to the insufficiency of SME finance in the country. In most cases, necessary reforms of policies have not been made with a view to increasing SME finance though those policies taken in that time have been remained unrealized. The policies taken in the previous decades have been made depending on the bureaucratic process of the country. Especially, the monitoring System prevailed for policy realization is fully depended on bureaucratic administration in the country. As a result, policy implementation is disappointing from the above findings

(x) VAT-TaxRate

High rates of VAT imposed on the value addition of SME products and other taxes are also an important problem in the way of SME finance. About 24.39 percent respondents of the study agree with this point of view. The Women entrepreneurs of the LEE sector say that custom duty in case of export and import should be reduced if the government truly wants the development of this sector.

(xi) Insufficiency of Support Services

Insufficient support services being provided by the concerned agencies are also impeding the development and financing of the sector. It is the seventeenth constraint coupled with the problem of having insufficient papers and documents to be attached with the application of loan approval in the Fls. About 23.41 percent sample respondents ascribe such insufficiency of support services to the narrowed SME finance in the country. The support service provider agencies are Mol, BB, SMEF, BSCIC, SCITI, BIBM, FBCCI etc. Besides these, all other concerned ministries, business communities, foreign agencies and, all other research and training institutes also provide support services for the development and financing of the sector. The inefficiency of the government support service provider agencies is responsible for being the SME sector unflourished in the country while effective support services are indispensable. Innovative incentives and support

services are also now necessary to move the sector forward. The government needs to initiate such support services that will be finance friendly.

(xii) Political and Other Influences

External factors, say political and other influences also impede the supply of finance in the SME sector. The financial sector becomes victimized due to political influence in the previous decades in the country. Especially, the public sector FIs are influenced seriously by such external factors. Political persons, bureaucrats and directors of the FIs were the prime factors of such external forces. Then there happens unviable Industrial project financing. Consequently, the financial sector yields the default culture in the country. Due to such political influence, the administration as well as the management of the FIs can't run with their natural trends. As a result, the eligible Women entrepreneurs are deprived of getting the money from the FIs.

(xiii) Lack of Government Follow up

Government has the efforts to develop the SME sector for years. Necessary policies, rules and regulations have been made along with many programmes undertaken before. But, the bureaucratic administration of the government are responsible for being such goals failed because they didn't have follow up behind those programmes taken for SME development. In this regard, such lack of government's follow up is also a significant constraint to SME finance. About 11.22 percent sample respondents agree with this point of view in this study. The government as well as the bureaucrats are not committed to realize the policies and programmes they have determined for both the industry and financial sector of the country. Consequently, the monitoring System remained weak in the administration.

(xiv) Marketing Problem

Marketing problem of the produced commodities is also alarming to some enterprises. Marketing problem indicates the narrowness of the domestic market and, the lack of information and communication about the global market of those products. It also means the problem of less quality production and more competition with other goods of home and abroad. Due to such problem most of the firms can't produce their products at optimum level and hence cost of production becomes higher. Productivity goes down. Low productivity indicates the utilization of the factors of production below optimum level. Such narrowed profit margin or loss tends those enterprises to morbidity. Simultaneously, the financiers also become panicked.

(xv) Want of Subsidy and Fund Creation

It is well known that the SMEs are so vulnerable in case of survival in the market. For this reason, the financiers don't want to take risk by financing them. In this situation, the government and the concerned business communities need to subsidize their firms along with the creation of a fund to

overcome such vulnerability and face the emergency. Due to the absence of having such programmes, the SMEs can't sustain the load of taking institutional finance. If such programmes are taken by the government and the concerned business body, capacity of the enterprises will build up rapidly and sustainability to repay loan money will also increase gradually.

7.6 Some Challenges Concerning Financing Issues :

Besides the constraints written above, there are some important challenges which need to overcome for SME financing in the country. The concerned authorities will have to undertake various programmes so that the challenges can be faced successfully. These challenges are as follows:

(i) Cost of Doing Business

In Bangladesh cost of starting a business is so high compared to that of developed countries. It is around Tk. 15,600.00 (\$130) for small business operators. The Procedural steps of starting business are eight and it is so tiresome and delayed procedure of getting permission. It will discourage the spirit of the Women entrepreneurs in having initiative for firm establishment. As IFC, a private sector arm of WB suggests that the cost of starting business should be of Tk. 3,200.00 (\$27). Procedural steps should be deducted from eight to four and the average number of days to have a completion in such procedural activities should be 66 to 74⁴.

(ii) The Would-be Interest Rate for SME Loan

It is found from sample survey that the high rate of interest is one of the three prime constraints to SME finance. The mean rate of interest found from field survey is 15.66%. Other related charges are more than 3% (according to the investigation of the researcher). Finally, the rate will be 18.66%. The range of real interest rates prevailed in the financial market is 16%-23%. Due to such high rates of interest the SMEs don't have access to institutional finance in the country. But, the expectation of mass people is that interest rate of SME loan should be low. Table-7.3 shows that the officials of the FIs also want low rate of interest. About 66.66 percent officials give opinions that the interest rate should be below 12 percent, while almost all of the Women entrepreneurs surveyed of this sector give opinion for a single digit rate. So, both the government and the FIs have to come into consensus to reduce the rate of interest in case of financing SMEs of the country.

Table 7.3
The would-be Interest Rate for SME Loan

| SI. No. | Interest Rate (%) | Enterprises | FIs |
|---------|-------------------|--|------------------------------------|
| | | Percentage of Women entrepreneurs Agreed (%) | Percentage of Officials Agreed (%) |
| 1 | 5-6 | 26.67 | 3.3 |
| 2 | 7-8 | 56.67 | 10 |
| 3 | 9-10 | 16.67 | 20 |
| 4 | 11-12 | 0.0 | 33.3 |
| 5 | 13-14 | 0.0 | 30 |
| 6 | 15-16 | 0.0 | 3.3 |

Source: Field Survey

(iii) Effective Research and Training on SME Financing

At present, it is necessary to arrange effective research and training by the concerned authority with a view to easing SME finance of the country. Research is⁴ *The Financial Express*, 16.02.2018. necessary to have innovation and tools for increasing the volume of finance with sustainability. Training of the officials of the FIs is indispensable for financing the real eligible Women entrepreneurs of the sector. The concerned research institutes will have to undertake various research programmes regarding SME financing. Government can establish new specialized research and training institutes for providing the current necessity. On the other hand, various training programmes are also suggested by the respondents of the study. They suggest short run and long run training on SME financing. Various training programmes on financing, credit risk, monitoring, mortgage, efficiency, entrepreneur selection and so on should be arranged.

(iv) Poor Management System

The managers and officials of both the FIs and enterprises are not skilled enough to achieve goals of their institutions through managing the financial aspects. It is found from investigation that the ability of the Women entrepreneurs to comply with the lending procedure of the FIs is simply mediocre. Management capability of them is also not better off. The Women entrepreneurs lack positive entrepreneurial attitude in their business and don't have commitment in honestly utilization of loan taken from the FIs. The enterprises are not well equipped to execute their offices. Even most of the Women entrepreneurs do not keep sales and other necessary registers.

The decision making process of the FIs is centralized in most cases of financing SMEs. The management System of the FIs has to confront internal and external pressures that lead to selecting unviable project for financing. These FIs always want to maximize profit in choosing the SMEs of trade and service sectors and disfavour those of the manufacturing sector.

(v) Necessity of Supplementary Financing

The FIs as well as the government of the country has the lack of sufficient supplementary financing or credit enhancement arrangement that include credit guarantee, export-import bridging finance and refinance, venture capital, equipment leasing, inventory financing or factoring , and credit risk insurance. These are clearly necessary in developing countries like Bangladesh for expanding investment base and funding opportunities for business⁵. The government along with BB should have to take initiative to help arrange such facilities with a view to sustain SME financing in the country. Especially, the DFIs will have to move forward with a supplementary financing package facility for the Women entrepreneurs. Even the government can explore the possibility and viability of launching equity market through listing the emerging companies under the Stock Exchange of the country as a separate capital market for SMEs.

(vi) Enhancement of Effective Support Services

Credit guarantee mechanism is a successful instrument to support the SME financing projects. The government, trade bodies, FIs will have to undertake such schemes so that risk can be mitigated in case of financing SMEs. The credit guarantee corporations of Japan are working successfully continuing such schemes to ensure the viability of the SMEs for financing. Under these programmes Japan also has reinsurance mechanism to increase the viability of SME finance projects⁶. But, such mechanisms are meagre in the country though it is necessary to make them available to all of the institutions involved in SME financing. The concerned organizations should accumulate fund with a view to enhancing such programmes.

⁵ *Ibid.*, p. 17 (Thitapha Watanapruttipaisan, *Four Proposals for Improved Financing of SME Development in ASEAN.*)

(vii) Venture Financing

The country needs venture capital financing schemes for SMEs. Many Asian countries, such as Japan, Korea, and Singapore are now taking venture finance. According to the estimation of the Association of Small and Medium Enterprises of Singapore, some 35 percent of SMEs of that country take fund from the venture capitalists. Although venture capital finance is provided only for some of the SMEs from the totality, it is so crucial for widening investment base of this sector. The most convenience of taking venture finance is that it does not require stringent documentation from the Women entrepreneurs. The venture capitalists depend on the evaluation of the ideas and concepts of enterprises⁷. So, the venture capitalists can attract the potential SMEs for financing in this sector.

(viii) Capital Market Expansion and Equity Finance

It is indispensable to expand the capital market through listing the SMEs in the Stock Exchange Commission (SEC) of the country. As the banks and NBFIs are reluctant to provide required amount of finance, capital market may be a source of finance for long-term and start up investment of this sector. Some Asian countries have considered a move away from bank intermediation in favour of capital market and it is thought that this promising approach can reduce non-availability of credit for the SMEs⁸. Equity market is also necessary to tap the source of funding for SMEs in the country. Malaysia is an example for the country where some 351 medium sized and start-up companies have been successfully listed in the year end 2014 according to the Second Board and MESDAQ. Another survey indicates that about 20.2 percent of SME source financing come from the sale of equity in the manufacturing sector of Malaysia⁹.

⁶ *Ibid.*, p. 51 (Thitapha Watanaputtipaisan, *Four Proposals for Improved Financing of SME Development in ASEAN.*)

⁷ *Ibid.*, pp. 19-20 (Thitapha Watanaputtipaisan, *Four Proposals for Improved Financing of SME Development in ASEAN.*)

(ix) Outreaching of Credit Guarantee Mechanism

Undertaking credit guarantee scheme to share risk of financing SME is also indispensable for defending this sector. Many countries like Japan, China, Germany have such programmes as a strong feature of their development framework. The government as well as the trade bodies can create funds to support SME finance. The credit guarantee corporations of Japan always provide support in every prefecture with a view to ensuring a wide outreach and have reinsurance mechanisms to ensure the viability of SME financing projects¹⁰. As most of the SME projects are vulnerable in the country, credit guarantee schemes are so necessary to make such projects viable.

7.7 Other Domestic Challenges and the Opportunities:

Although almost all kinds of constraints to SME finance are portrayed in details above some other important domestic challenges persist to be discussed here. Bangladesh still now is not ready to make her industry sector world class. She needs to go a long path through integrating all socio-economic- politico aspects of the country. As a nation she needs good leadership, stable democratic practice, good governance, effective management system, patriotism, proper education, mission and vision. She has to develop infrastructure, human resource, communication, technology, information process, quality education, international relation, public health, production environment and national integrity.

Opportunity should be opened up for all so that everybody can get scopes to utilize his/her talents in the working field. Poverty reduction and knowledge dissemination process should be more accelerated because both these ways can increase basic capability and strength for sustainable economic growth and development. It should be noted here that the present financial system of the country is now so inflated with liquidity but the FIs can't disburse that money to the SMEs due to the fear of forfeiture. If such socio-economic-politico integration takes place the natural level of SME financing, no doubt, will be upward promptly. Here, some important challenges are identified from this study.

⁸ RAM Consultancy Services Sdn Bhd, "SME Access to Financing: Addressing the Supply Side of SME Financing", *Finsi Main Report*, July 2005. REPSF Project No. 04/003, p. 18.

9. *Ibid.*, p. 18 (SME Access to Financing: Addressing the Supply Side of SME Financing).

¹⁰ *Ibid.*, p.51 (SME Access to Financing: Addressing the Supply Side of SME Financing)

(i) Power Crisis

It is perhaps not necessary to utter that power crisis is so acute permanently in the country. It is also known to all that power generation is indispensable and inevitable for getting a boom in the Industrial sector. Almost all of the respondents in this study have uttered about the crisis of electricity and gas in their workshops when they have been asked about power situation. From now the government should have to take short term and long term plan and programmes for generating power with sufficiency.

(ii) SME-Friendly Legislation

The government as well as the concerned authority will have to protect the interests of the SMEs under the legal framework. Provisions that are of SME friendly should be incorporated into the existing laws to remove all impediments faced by the SMEs on account of the size and the nature of their operations. The concerned authorities will have to amend and incorporate the existing laws regarding employment, export-import, registration, utility services, environment and all financial functioning.

(iii) ICT and SME Sector

Electronic and ICT sectors now play vitalrole connecting different parts of the world and speeding up the rate of information exchange. These are also necessary for being beneficiar/ of gioballzation. ICT can decrease the cost of total production chain and widen marketing facilities. Project assessment to the financers becomes easier if it is incorporated into the functioning and management of the companies. But, the SME sector as well as the LEE sector lags far behind in incorporating ICT in business communication.

¹ *Ibid.*, p. 102 (SME Access to Financing: Addressing the Supply Side of SME Financing).

(iv) Human Resource Development

Human resource development with respect to the goals set in the Industrial policies is a must for having the country industrialized within certain duration. For this, the concerned agencies will have to take initiatives at different phases of plan and industrialization process. Firstly, the government will have to change in the existing traditional education System. About two-third of the educational institutions will have to be transformed from general education to technology education. Even in all cases, education System will inculcate the spirit of Women entrepreneurship. It should be noted here that Germany, a pioneer in SME development gets success through changing her education policies where necessary measures have been taken at different levels of education¹². Secondly, various types of research and development wings will have to be established by government and non government initiatives in every concerned institutions of the country. The government, Fls, trade bodies can play role by establishing research institutions. BB, association of the PCBs, Mol, MoC, MoF, SMEF and any private organization can undertake such research programmes for SME development. Thirdly, it is also necessary to establish a significant number of training institutes abreast of research facilities so that the country can get a pool of highly trained and skilled workforce in the manufacturing sector. In fact, training is necessary at all levels of the workforce to have efficiency in management, technology assimilation, pragmatic knowledge and increased productivity in the production of an industry. Fourthly, free flow of information among Women entrepreneurs is also a must for the development of the sector. The Women entrepreneurs must have to be well informed of consumer's demand, raw materials, product marketing, market competition, government's policies, existing legal framework, export-import situation and above all, the opportunities available for getting finance. Finally, information technology must have to be incorporated into the total process of industrialization in the country. Incorporating ICT into Women entrepreneurship financing will make information available for both the financiers and borrowers. The financier's lending technologies will then function well for the assessment of SME projects in case of financing and the borrowers will also get information available for buying financial services from them.

¹² *Ibid.*, p. 102 (SME Access to Financing: Addressing the Supply Side of SME Financing.)

7.8 Necessity of Changes:

Those countries which have done well in SMEs have brought changes in administration, legal laws and concerned policies. Bangladesh has also taken measures to some extent by establishing SME celi, SMEF under Mol. Bangladesh Bank (BB) has reformed its SME Section and Special Program Department as a separate department for SME programmes of the bank. The country also brings policy changes in her Industrial Policies along with the changes in concerned tax structure, enterprise registration and functional domain of financing. But such changes are still now not enough for SME development.

Table 7.4

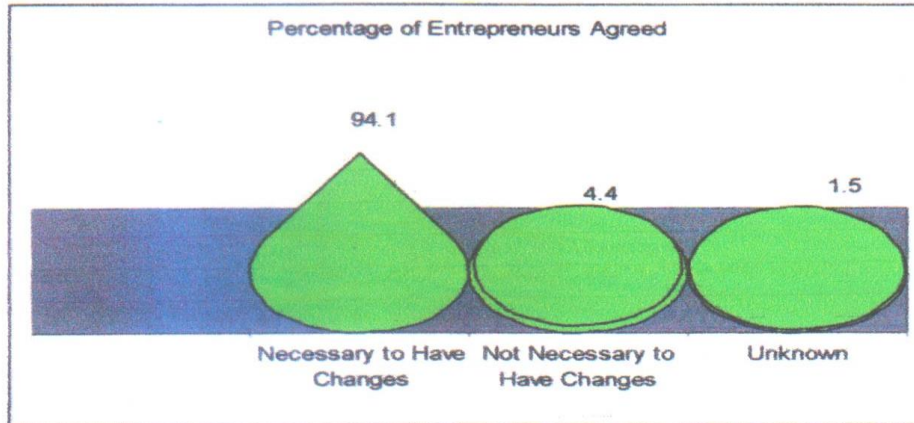
Opinions on the Necessity of Changes in Administration, Legal Laws and Policies Given by the Women entrepreneurs Surveyed

| Sl. No. | Opinions | No. of Women entrepreneurs Agreed (N=135) | Percentage of Women entrepreneurs Agreed |
|----------------|-------------------------------|--|---|
| 1 | Necessary to Have Changes | 127 | 94.1 |
| 2 | Not Necessary to Have Changes | 6 | 4.4 |
| 3 | Unknown | 2 | 1.5 |

Source: Field Survey

Figure 7.5

Opinions on the Necessity of Changes in Administration, Legal Laws and Policies Given by the Women entrepreneurs Surveyed



Source: **Field Survey**

The respondents of the study give opinion to have more reforms in this regard. Table-7.4 and Figure 7.5 show that about 94.1 percent respondents feel the necessity of more changes in the concerned administrative body, legal laws and policies while only 4.4 percent of them are in opposition. This implies that more administrative, legal and policy reforms are necessary for SME development in the country.

7.9 How to increase Profitability and Potentials of SME:

The Women entrepreneurs, policy makers, scholars and experts are now agree to the point that the SMEs of different sub-sectors can accelerate growth and employment in the economy if measures are taken in a planned way. If the government under take both short run and long run programmes to have positive changes in education, institutional financing, technology upgradation, investment level, training etc., the sector, no doubt, will expand rapidly and become more sustainable. Moreover, the potentials of growth and profitability of the sector are shown.

7.9.1 Relationship between Education and Profitability:

It is generally recognized that the educated people do better in entrepreneurship development. It is proved once again from the present study conducted among the Women entrepreneurs of the LEEs. Table-7.6 shows that the illiterate Women entrepreneurs incur more loss when compared to that of the educated Women entrepreneurs. About 96.29 percent enterprises are profitable while 3.71 percent of them are loss incurring. It is

mentionable that those enterprises earned zero profit (Break Even Level) are also included in the profitable enterprises.

Table 7.6
Relationship between Education and Profitability

| SI. No. | Education Level | No. of Enterprises Profitable _L (_{N=135}) | No. Enterprises that Incur Loss |
|---------|---------------------|--|------------------------------------|
| 1 | Illiterate | 18(81.8%) | 4(18.2%) |
| 2 | Primary | 20(100%) | 0 (0.0%) |
| 3 | Secondary/ | 45(100%) | 0 (0.0%) |
| 4 | Higher Secondary | 21 (100%) | 0 (0.0%) |
| 5 | Bachelor | 16(94.1%) | 1 (5.9%) |
| 6 | Post Graduate | 2(100%) | 0 (0.0%) |
| 7 | Technical Education | 8(100%) | 0 (0.0%) |

Source: Field Survey

It shows that those Women entrepreneurs who obtained higher education and technical education do better in SME business. Even those who have primary education earn normal profit(Break Even) in their business because of having technical knowledge in this field. Only 18.2 percent illiterate Women entrepreneurs incur loss and 81.8 percent of them earn profit. But it is found from the study that almost all of the illiterate Women entrepreneurs are technicians in this field. Once upon a time they were workers in other workshops and then they become owners of engineering firms. So, they incur loss on account of their illiteracy and earn profit due to technical know-how. The implication of the above data in Table-9.5 is that higher education and technology based education can make the SME finance effective and the business profitable.

7.9.2 Profitability of the Enterprises Which had Taken Institutional Finance:

When an enterprise can make continuous profit in business it becomes sustainable. The present study gives information that those enterprises taken bank finance have more sustainability.

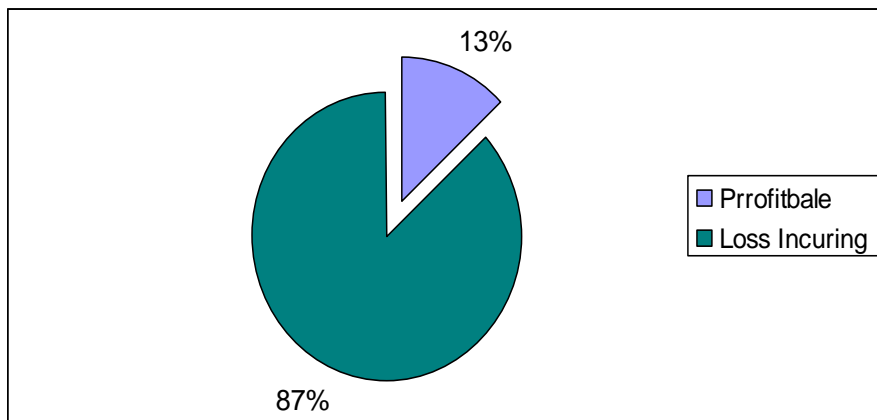
Table 7.7

Profitability of the Enterprises that have Taken Institutional Finance

| SI. No. | Profitability | Enterprises | | | |
|---------|----------------|-------------|--------|-------|-------|
| | | Small | Medium | Total | % |
| 1 | Profitable | 38 | 11 | 55 | 87.30 |
| 2 | Loss Incurring | 8 | 00 | 08 | 12.70 |

Source: Field Survey

Figure 7.8
Profitability of the Enterprises that have Taken Institutional Finance



Source: Field Survey

Table-7.7 and Figure 7.8 show that about 87.30 percent SMEs of the LES are profitable with taking institutional finance while only 12.70 percent are of loss incurring. The medium enterprises of huge capital do not incur loss. It implies that the larger the enterprises taken institutional finance, the higher the rate of profit in business. It also implies that the enterprises which get required amount of Institutional finance can earn more profit. That is, the greater is the size of finance of an enterprise, the higher is the sustainability and growth of that enterprise.

7.9.3 Profitability and Finance:

Finance taken from the FIs, say, bank, finance company, cooperatives, NGOs by Women entrepreneurs is considered here as formal finance. On the other hand, informal finance means such finance which is taken from family, friends, relatives and money lenders. It is found from the present study that the enterprises taken formal finance are more profitable than the enterprises taken informal finance from informal sources of fund.

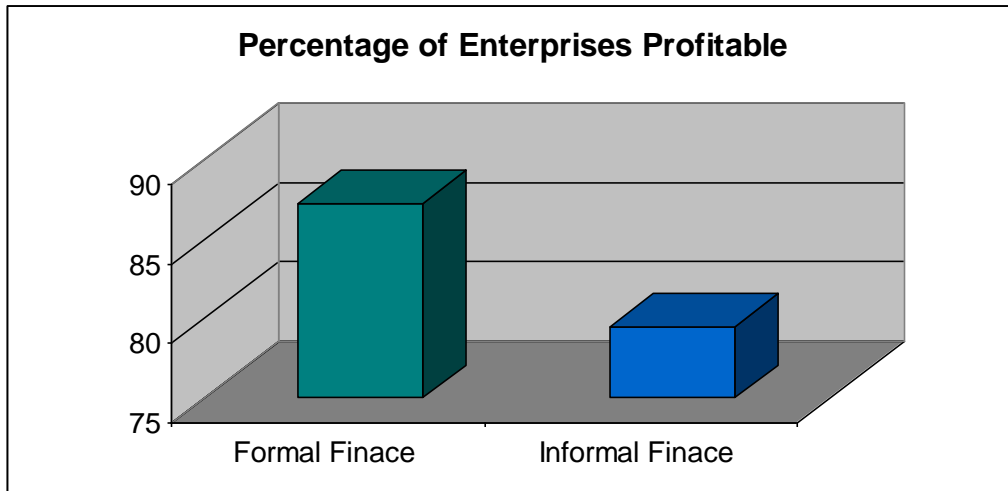
Table 7.9
Profitability of the Enterprises Regarding Formal Finance and Informal Finance

| SI. No. | Kinds of Finance Taken | No. of Enterprises | No. of Enterprises Profitable | Percentage of Enterprises Profitable |
|---------|------------------------|--------------------|-------------------------------|--------------------------------------|
| 1 | Formal Finance | 63 | 55 | 87.30 |
| 2 | Informal Finance | 83 | 66 | 79.52 |

Source: Field Survey

Figure 7.8

Profitability of the Enterprises Regarding Formal Finance and informal



Source: Field Survey

Table-7.9 and Figure 7.8 show that about 87.30 percent enterprises taken formal finance are profitable while 79.52 percent enterprises taken informal finance earn profit. It implies that the enterprises which take required amount of finance from the FIs are profitable and sustainable. The significance of the matter is that the enterprises, in fact, do not always get required amount of finance from the informal sources of fund. But, the FIs can provide big amount that help survive the errterprises with profit and sustainability,

7.9.4 Investment Level and Profitability of the SMEs:

Table-7.8.1 and Table-9.9 show the levels of investment in the SMEs surveyed with the percentage of profitability of them. Table-7.8.1 shows that only 5 small enterprises incur loss and 23 enterprises eam zero profit(Break Even). But, 89 enterprises eam profit. Here, it is also shown that profitability increases gradually with the increase of the level of investment. Those enterprises invested more than Tk. 40 lacs earn hundred percent profit.

Table 7.8.1
Investment Level and the Profitability of the Small Enterprises Surveyed

| SI. No. | Level of Investment | No. of Enterprises | Profitable Enterprises | | Enterprises Incurred Loss | | Enterprises with No Profit(BEP) | |
|---------|---------------------|--------------------|------------------------|------------|---------------------------|------------|---------------------------------|------------|
| | | | No. | Percentage | No. | Percentage | No. | Percentage |
| 1 | 1-10 | 8 | 5 | 62.5 | 2 | 25 | 1 | 12.5 |
| 2 | 11-20 | 66 | 47 | 71.21 | 3 | 4.55 | 16 | 24.24 |
| 3 | 21-30 | 25 | 20 | 80.00 | | | 5 | 20 |
| 4 | 31-40 | 5 | 4 | 80.00 | | | 1 | 12.5 |
| 5 | 41-50 | 6 | 6 | 100.0 | | | | |
| 6 | 51-60 | 2 | 2 | 100.0 | | | | |
| 7 | 61-70 | | - | | | | | |
| 8 | 71-80 | 4 | 4 | 100.0 | | | | |
| 9 | 81-90 | . | - | - | | | | |
| 10 | 91-100 | 1 | 1 | 100.0 | | | | |
| 11 | 101-110 | - | - | - | | | | |
| 12 | 111-120 | - | - | - | | | | |
| 13 | 121-130 | - | - | - | | | | |
| 14 | 131-140 | - | - | - | | | | |
| 15 | 141-149 | - | - | - | | | | |
| | Total | 117 | 89 | | 5 | | 23 | |

Source: Field Survey

Table 7.8.2
Investment Level and the Profitability of the Medium Enterprises Surveyed

| SI. No. | Level of Investment (Tk. lacs) | Medium Enterprises | | Enterprises Profitable | | Enterprises Incurred Loss | | Enterprises With Zero Profit | |
|---------|--------------------------------|--------------------|------|------------------------|-------|---------------------------|---|------------------------------|------|
| | | No. | % | No. | % | No. | % | No. | % |
| 1 | 151-350 | 19 | 82.6 | 18 | 94.74 | - | - | 1 | 5.26 |
| 2 | 351-550 | 1 | 4.3 | 1 | 100.0 | - | - | - | - |
| 3 | 551-750 | - | - | - | - | - | - | - | - |
| 4 | 751-950 | - | - | - | - | - | - | . | - |
| 5 | 951-1150 | - | - | - | - | - | . | . | - |
| 6 | 1151-1350 | - | - | - | - | - | - | - | - |
| 7 | 1351-1550 | 1 | 4.3 | 1 | 100.0 | . | . | . | - |
| 8 | 1551-1750 | 1 | 4.3 | - | - | - | - | 1 | 5.26 |
| 9 | 1751-1950 | - | - | - | - | - | - | - | - |
| 10 | 1951-2150 | 1 | 4.3 | 1 | 100.0 | - | - | - | - |
| | Total | 23 | 100 | 21 | | 00 | | 02 | |

Source: Field Survey

Table-7.8.1 also shows that the level of total asset invested in the medium enterprises surveyed in the present study. Here, no medium enterprise surveyed incurs loss. Only 2 enterprises earn zero profit and 20 of them are profitable. That is, 86.96 percent medium enterprises are profitable. The most significant thing is that both the Table-7.8.1 and Table-7.8.2 show that if investment increases, the rate of profitability also increases. These data indicate that if finance can be increased in the SMEs of LEE sector, the business can be more profitable.

7.9.5 Entrepreneur's Experience and Profitability of the Enterprises Surveyed

It is found from the study that most of the Women entrepreneurs start their business after taking prior experience in this field. Table-7. shows that 82.3 percent enterprises started with experience are profitable while only 2.7 percent of them incur loss. On the other hand, those Women entrepreneurs started business without experience do less well than that of the experienced Women entrepreneurs. Here, 63 percent enterprises are profitable and 29.6 percent earn zero profit. 7.4 percent enterprises are loser. It implies that financing is more effective for those SMEs which started with experience.

Table 7.8.3
Profitability of the Enterprises Started with Experience

| Sl. No. | Types of Enterprises | No. of Profitable Enterprises | % | No. of Loser Enterprises | % | No. of Zero Profit Enterprises | % |
|---------|---|-------------------------------|------|--------------------------|-----|--------------------------------|------|
| 1 | Enterprises Started With Experiences | 93 | 82.3 | 3 | 2.7 | 17 | 15 |
| 2 | Enterprises Started Without Experiences | 17 | 63.0 | 2 | 7.4 | 8 | 29.6 |

7.9.6 Conclusion

The study shows that a significant number of constraints are still now obstructing SME finance as well as SME development.. The country also has some overall challenges that hinder in creating a congenial investment climate for SMEs. If such challenges could be overcome, an ample of opportunities of the sector will be created and finance will be eased significantly. The study shows that the more is the volume of finance, the higher is the rate of profitability of SME business. Here, one of the prime challenges of the sector is to increase finance where finance includes other supplementary challenges. power generation, expansion of broad-based quality education, substitution of general educational institutions into technical and vocational institutions, incorporation of ICT into SME financing programmes, making SME friendly legislation, outreaching of credit guarantee mechanism, venture financing, innovation of lending technologies and providing necessary effective support services are also now the significant challenges in financing SMEs of the country. Simultaneously, socio-cultural mindset, value System, high rate of interest, collateral, lengthy procedure of loan approval, lack of domestic and international networking in all respects, want of honest and dedicated Women entrepreneurs, internal and external influences in selecting SME project, lack of follow-up in realizing policies and bureaucratic complexities are the important bottlenecks in case of increasing SME finance. The government needs political commitment, administrative reforms and uprooting

corruption in this regard. The total education System is also not conducive to the development of SME Women entrepreneurship where people can't learn to conceive grand dreams. They hanker after for being millionaire over night through trading and brokering in lieu of building their career with perseverance and devotion. Women entrepreneurship has not been addressed in the concerned educational curricular of the country. To initiate modern technologies excluding the tradition bound production process used in the SMEs and to transform such infant and immature enterprises into real and perfect Industrial units are also challenges in this regard. If such challenges are faced successfully, the present industrialization process of the country will be accelerated.

Chapter-8

Summary, Recommendations and Conclusion

8.0 Introduction:

As a poor and developing country Bangladesh has a shortage of required amount of capital needed for large scale industrialization. But, she has cheap labours, creative technicians, labour intensive technologies and raw materials which can help develop the SME sector. Although it is so potential, it faces a lot of problems where financing is significant one. The FIs generally favour the large Women owned enterprises due to low transaction cost and availability of collateral. The SMEs also remain outside the reach of microfinance. Then they have to depend on informal finance with high rate of interest. Even most of the Women entrepreneurs restrain them from taking finance from any kind of sources. But, now the sector needs a pool of huge amount of finance. In this regard, it is crucial to have an investigation into the various issues of financing such as present status of SME financing, problems and challenges, role of the concerned agencies, administrative and policy reforms, investment climate etc.

The study is accomplished following evaluative method of research along with the help of survey method and documentary analysis method. Both quantitative and qualitative data are used as primary and secondary sources. Data are collected through dose ended questionnaire, in-depth interview, discussion, seminar, workshop, and published and unpublished sources. The number of sample respondents selected purposively is 210 where concerned WE in LE manufacturing sub sector of SMEs, officials of the FIs and Women Entrepreneurs(WE) of LES are envisaged as respondents. The selected study areas are Sutrapur Thana from Dhaka and Kutwali Thanas from Comilla and Bogra. The FIs are selected from Dhaka, Comilla and greater Chittagong district for the convenience of the research.

8.1 The Key Findings

The key findings of the research are discussed here with details. The major findings have been written here as a summary of the total research. The introduction of the chapter includes the objectives and methodology of the study followed by the key findings where the subsequent chapters are envisaged gradually as under:

8.2 Characteristics of the Selected Women owned enterprises, Fls and the Selected Respondents:

The LEE sector is called the 'Basic Sector' due to its production of capital machineries of the other Industrial sectors of an economy. It is also envisaged as one of the thrust sectors of Bangladesh economy in the Industrial policies of the country. Basically, the sector provides capital machineries, spare parts of automobiles and industries, agricultural equipments, bicycle and so on. It gets the highest priority in the export policy of the country. Various concerned agencies are now working with a view to developing the sector.

The Women owned enterprises taken for sample survey are established between 2010-2020 . The average age of the Women entrepreneurs surveyed is 42.21 years. About 94.3 percent of them are Muslims while 5 percent of them are Hindu. The SME Women entrepreneurs of LES are not highly educated. About 15 percent are illiterate though some of them have technical knowledge only 5 percent . The number of Women owned enterprises surveyed is 140 where small and medium Women owned enterprises are 117 (83.57%) and 23 (16.43%) respectively. This Sample size 140 (out of 600 LE manufacturing Women Entrepreneurs database of BSCIC) that means about 23 percent of total Light Engineering Women Entrepreneurs Population. On the other hand, respondents' characteristics are almost homogeneous.

Educational qualification of the officials of the Fls surveyed is comparatively good. About 1.43percent respondents have post graduation degree and most of those having SSC and HSC level educations are the officials of NGOs, cooperatives and Grameen Bank. The researcher has taken 45 respondents from 45 branches of 16 Fls purposively where most of them are banks. BRAC Bank Limited has got priority in selecting respondents due to the significant credit coverage in the SME sector. The researcher also purposively selected 25 sample respondents including government executives, experts, scholars, successful Women entrepreneurs, artisans and journallsts along with the officiate of Fls and SME Women entrepreneurs for the research.

8.3 The Changing Global Business Environment and the Necessity of SME Finance:

The changing global business environments, opportunities for the SMEs of the country, and for this, the necessities of SME financing are the issues to discuss in the Chapter 2. Bangladesh is now added with the global trade liberalization process and facing market competitiveness while international trade is going to be duty free to a great extent along with the gradual withdrawal of facilities like GSP the country is entitled for. On the other hand, the current global economic meltdown has brought an ample of opportunities such as capital machinery import for establishment of new import substitute industries at cheap price, exporting indigenous and environment friendly goods produced in the labour intensive industries, attracting FDI, creating job market in the abroad and so on. After the 1990s, the country starts to undergo the privatized

market economy and from then, she has to face global market competition as she then becomes a signatory to various multilateral and regional trade agreements. Simultaneously, no sizable amount of FDI is coming in spite of having incentive packages due to adverse investment climate in the economy. Trade liberalization seemed to be a formidable multiplier of economic growth and prosperity is also coupled with the risks of widening inequalities and disparities within a country and among the nations abreast of its potentials. At present, the volume of import has been increased more than that of export in the economy. The issues on food security, environment friendly industry, sustainable development etc., are also now getting importance and in this regard, Bangladesh can be a giant partner to supply her agro-based products including food and diversified jute items in the global market through developing the SME sector of the country. Bangladesh is also a sizable market along with a pool of cheap labour force for global investment and product market. She has now more accessibility to information, technology, market exploration, international capital and resource mobilization. These are the problems and potentials where SME can meet both the situation successfully if FDI and domestic finance are available in the sector along with other measures for ensuring congenial investment climate.

In such situation, the country needs to take long run programmes, measures for building capacity, and reforms in legal, regulatory and administrative frameworks in all respects, and to create required amount of fund to finance SMEs. The sector requires huge amount of credit and assistance packages, skilling up, mentoring and monitoring so that the opportunities can be utilized to cope with market competition. She has to take necessary measures on available power generation, infrastructural development, technology transfer, technology based education, good governance, human resource development, corruption and bureaucratic complexities. It is also necessary to follow market based production model and to innovate lending technologies to facilitate SME financing. The foreign policies should be executed with a view to having them to date with giving more emphasis on man power and RMG export. It is also indispensable to increase international market networking and to take measures on tariff structure and dumping. The corporations now need subcontracting in their production process due to increasing market competitiveness where the SMEs of the country can contribute.

8.4 Present Scenario of Financing SMEs in Bangladesh:

Various programmes on the development of small scale Industries are undertaken since Pakistan regime but these were not grown up well and sufficient to finance the sector. Financial products and support services were not available and sufficient at that time. Then it was the SSIs sector which is, in fact, not consistent with the present definitions of SMEs.

After independence, Bangladesh undertakes policies with a view to nationalizing the Industries and the large Women owned enterprises get priority. In the 1980s, privatization gets priority and

steps are taken to develop the sector though the definitions of SMEs still then have not been determined. The policies taken are good but there exists flaws in the lending operations of the Fls. The loan programmes were unable to meet the total requirements of the SME clients. The Fls still then favours the large Women owned enterprises. In the 2000s, the sector is treated as the driving force of the economy in the Industrial policies. A variety of financing programmes under domestic and foreign funds is now contributing to the sector through the Fls. The amount of total outstanding loan disbursed up to December 2018 by the Fls in the sector is Tk.4343953.44 lacs where the NCBs disburse 35 percent and it is 53 percent for the PCBs of total loan. The SCBs provide 7 percent loan while it is 3 percent for the NBFIs. Among the SCBs, the BASIC Bank has provided the lion's share of SME loan and it is about 78 percent of total loan disbursed by the SCBs up to June 2008.

The banks have provided loan of Tk.46405 lacs in the manufacturing sector up to June 2019. The NCBs provide 53 percent and the PCBs provide 35 percent of total manufacturing loan while it is only 11 percent for the SCBs. The FCBs contribution is only 1 percent. The manufacturing sector gets 61 percent of total SME loan disbursed by the SCBs where RAKUB is in the top position in financing the manufacturing SMEs followed by BASIC Bank. Only 3087 manufacturing Women owned enterprises are financed by the SCBs where RAKUB has financed 1715 Women owned enterprises and it is 750 for BASIC Bank.

8.5 An Evaluation of Administrative and Policy Reforms Undertaken for Facilitating SME Financing

All policies regarding SME finance are evaluated here. Before the 1980s, nationalization as well as large scale industrialization gets top priority in the government policies where restrictions are imposed on the private sector. The permissible investment for the private sector was limited while the foreign investors could work with the public sector equity participation. Export is encouraged and import is restricted though investment climate was not favourable for export growth. Then the country experience the moribund nature of the large Women owned enterprises, stagnant growth of SMEs and debt default culture in the Fls and less amount of finance disbursed to SME sector. After the 1980s, fundamental changes are brought through encouraging privatization in the economy and opening up commercial Fls. Export diversification and import liberalization are made in the policies. The policies bear such features that tend the country to competitive economy. In the 1990s, the country enters into free market economy.

More privatization, incentives for both domestic and foreign investment, decentralization etc., are the main features of the then policies. In the policies, decentralization in the regulations of SMEs is brought and BSCIC gets authorization for SME finance and its supervision to some extent.

Although it is cited in the policies to introduce credit guarantee scheme, it has not been initiated. Private Women entrepreneurship is encouraged with a clear vision of having Industrial development. After 2000, the private sector is considered in the policies as prime mover in all respects of economic activity where the SME sector is treated as the driving force of the economy. Women Entrepreneurship is also encouraged here. The policies intend to have increased productivity, quality production, product diversification, enhanced market competitiveness and technology upgradation along with emphasis on agro-based and agro-processing industries. But, no specific guidelines were given here to realize these targets. No specific instruction is cited in the policies to have a pool of huge capital as well as SME finance. What kinds of incentives and assistance will be provided were not determined.

Only a cell in lieu of a separate ministry has been established for SME development. In the policies, incentive packages are given to have FDI and private investment but there are no significant measures taken for ensuring investment climate. Such more policies and hundreds of goals in this regard may never bring the success. The bottlenecks such as corruption, red tapism, bureaucratic complexities, inefficient management System and lack of congenial environment have not been addressed in these policies.

The policies also intend to overcome the failures of the previous policies but still now such failures persist in the economy. There is no consistency in the definitions of SMEs made by MoI, BB and other international agencies. Incentive packages, support services and one-stop services will be provided by various agencies though it should be provided by a single agency. It is cited to create funds including industry fund under BB, country fund and endeavour fund and also to strengthen SCBs but these have not been done in spite of being crucial.

Women Entrepreneurs will get priority in SME loan from the FIs but it may deprive the eligible persons. According to the policy, BSB and BSRS are now combined as a single DFI named BDBL with a view to increasing Industrial finance. Although it is crucial to take foreign training, establish technological institutions and research institutes and bring foreign technologists, these have not been attached to the provisions of the policies.

8.6 An Assessment of the Role of the Concerned Agencies in Facilitating SME Financing

Before the 1980's, the then government prioritizes the large Women owned enterprises with a view to enhancing the nationalization process. Such spirit of industrialization impedes the growth of the small scale industries and yields morbidity and vulnerability in the sector. The government has the lacking of political commitment and politicizes the nationalized Women owned enterprises. After 1975, domestic and private investment gets more importance though the authority starts to sell the public Women owned enterprises at cheap prices especially to those who had no so entrepreneurial background.

After the 1980's the government moves towards privatization and open market economy. Then the DFIs and FIs get more opportunity and international trade tends to liberalization. But, the bitter experience is that the vested quarters in the government favour trading and importing in lieu of fostering the manufacturing SMEs. The government ends up its responsibility only by formulating policies, not by providing strong follow-up to realize that policies. It is true that the government has brought some important administrative and institutional changes now that will help increase finance in the sector. But still now most of the proportion of finance goes to service and trade sectors of SME. Lack of political commitment, bureaucracy, corruption, lack of investment climate, lack of follow-up, existence of vested quarters, unpragmatic and unviable policies, and inefficiencies in management are the outcomes debounced due to the role of the concerned agencies.

The concerned agencies do not consider the consequences of research in policy formulation. No database has been build up still now. They supply information and data in a routine and stereotype manner. No segregate data on different kinds of SMEs are found. As a result, it is not possible to know the contribution of the sector to GDP of the economy. The role of NBR is not likely to be favourable for SME finance. The tax regime is still now not SME friendly. The finished goods get comparative advantage than the locally manufactured goods. The donor agencies provide SME finance but they don't have direct supervision. Even the cost of their finance at grass root level is so high. The services of BSCIC are not reached to the real eligible Women entrepreneurs. The amount of SME finance, it provides is insignificant. BB is now playing positive role in facilitating SME finance to some extent. It has opened up a separate SME department and has the intention to develop new financial products to finance SMEs. It has already taken various measures including SME service centres of the commercial banks to strengthen financing of the sector. Although it is true that it is not contributing well in building up a unique database on SME financing.

BASIC Bank Limited is concerned in providing SME finance and related support services. But still now its role is not positive. It has disbursed only 53.43 percent loan for SMEs and MEs of its total loans and advances through 28 branches only. Its contribution to the LEE sub sector is uncountable though its loan recovery is 89 percent. Most of the Women entrepreneurs surveyed did not have proper information about its finance. MIDAS is another concerned NBFIs that provide finance mostly in the urban areas. The sample respondents reply in negation on its contribution to the SMEs of LES. BSB and BSRS which are now combined as BDBL also have insignificant role in financing manufacturing SMEs. Finally, the related business communities can provide finance, marketing facilities, research and other support services. But most of the Women entrepreneurs of the LES are not the members of those associations. According to

investigation, most of the respondents can't identify the services the business communities provide for them. That is, the role of the association is insignificant.

8.7 Institutional Credit Facilities for SMES as Well as LEEs:

At present, the banks and NBNFIs including finance companies, NGOs, cooperatives are gradually increasing finance to the SMEs of service and trade sectors in lieu of the manufacturing SMEs. It is also observed from the field survey that fund is not a problem now for financing SMEs but manufacturing SMEs still now are deprived of finance. In the LES, the average amount of investment of each small enterprise is Tk.24.94 lacs while it is Tk.419.57 lacs for a medium enterprise.

The sources of institutional finance are banks, finance company, cooperatives, NGOs, Owner's Associations and BSCIC while the informal sources are self, family, friends and relatives, and money lenders. Sometimes, the small Women entrepreneurs take money from the brokers and big Women owned enterprises in advance in case of subcontracting. Some of them take finance from different sources at a time. About 60 percent Women entrepreneurs say that they have taken self finance while family finance is taken by 55 percent Women entrepreneurs. It is 32 percent for friends and relatives. About 10 percent Women entrepreneurs are still now involved with money lenders for having finance. About 43.6 percent Women entrepreneurs have got access to institutional finance while 27.9 percent of total Women entrepreneurs have access to bank finance. For small Women owned enterprises, 43 percent of them have the access to institutional finance while it is 78.2 percent for the medium Women owned enterprises. For bank finance, it is 26 percent for the small Women owned enterprises while it is 56.5 percent for the medium Women owned enterprises. The NGOs and cooperatives are now scaling up their micro finance to SME finance to some extent. But, informal finance is still now prevailing in the SME sector.

The average amount of SME outstanding loan disbursed per unit of the Fls is Tk.6.27 crore. The percentage of manufacturing loan of total SME loan is 4.89 percent and the average rate of interest of SME finance is 15.66 percent. Minimum rate of interest is 13 percent while maximum rate of interest is 20 percent found from field survey. The average amount of outstanding loan disbursed by the NCBs per unit of the Fls is Tk.5.34 crore. while it is Tk.6.80 crore. for the PCBs. The NCBs supply SME loan at 11.5 percent interest and for the PCBs it is 16.25 percent.

The LEEs surveyed take loan from one or more than one sources. About 80.19 percent Women entrepreneurs have taken loan from banks while 15.09 percent of them take from the finance companies (NBNFIs). About 35.85 percent Women entrepreneurs get loan from BSCIC and it is 23.58 percent for the NGOs along with the finance form cooperatives taken by 8.49 percent Women entrepreneurs.

Most of the Women entrepreneurs didn't get expected amount of loan. About 25.39 percent get expected amount while 74.61 percent get less than expected amount of loan from the FIs. About 61.8 percent respondents say that the interest rate of SME finance is high and 30.9 percent of them replied 'No'. About 26.98 percent Women entrepreneurs take loan for once while 36.51 percent of them take the same for twice and 17.46 percent for thrice.

According to field survey, about 52.9 percent Women entrepreneurs have applied for loan while 45 percent of them have not applied and 85.14 percent applicants get loan. Most of the applicants (80-90%) get loan after application. Actually, Women entrepreneurs applied for loan with the anticipation of being eligible.

It is observed from investigation that the loan sanctioning procedure is lengthy. About 45.2 percent borrowers need one month of duration in getting loan while 24.2 percent of them get after two months and 22.6 percent borrowers get after three months.

About 76 percent respondents of FIs say that the delay of loan approval process is acute while 24 percent say 'Moderate'. About 68.25 percent Women entrepreneurs have faced problems in getting loan. The significant thing is that the large Women owned enterprises and the SMEs of service and trade sectors are in the priority list of the financiers.

8.8 Demand Side Issues:

The operational officiate of the FIs give opinion on the issues that affect the demand for SME loan. About 32 percent respondents say that the management condition of the Women owned enterprises was so poor while it is envisaged as moderate to 60 percent respondents. Most of the respondents also say about misuse of loan done by the Women entrepreneurs.

Like other previous study, informal finance is also found in this study. About 32.1 percent borrow from friends and relatives while 10 percent Women entrepreneurs go to the money lenders.

Most of the Women entrepreneurs (79.7%) are aware of institutional finance and 20.3 percent are not informed of this. About 67.1 percent of them do not keep account, record etc., and do not know financial analysis. About 94.9 percent Women entrepreneurs still now do not use computer in their business. About 58.7 percent of them are not well known about business related all information. About 62.86 percent Women entrepreneurs provide training facilities for their technicians and workers. Most of the Women entrepreneurs don't have well understanding on making business plan or project proposal, business related laws, circular and policies, and financial statement.

8.9 Supply Side Issues:

The respondents of FIs also give opinions on the issues that affect the supply of SME loan. About 75.6 percent respondents don't have prior experience before joining the present institutions on SME financing. About 60 percent officials deal with 7-8 SME clients per day while 40 percent of

them deal with 8-12 persons. Although most of them got formal training on SME financing, they don't have proper advanced training. Even most of the respondents say that the trainings provided for them are not so effective. Unfair means in the FIs affect loan approval and it is agreed by 64.37 percent respondents. The respondents (71.23%) also affirm the negative attitude of the financiers in financing SMEs.

Sometimes pressure from external sources influences SME finance though it is acute in the government FIs. Motivational programmes and counselling are not enough for having effective financing from the FI's point of view. Financial appraisals are prepared in a routine and stereotype manner. Most of the FIs follow the traditional rules and regulations in their decision making process. Administration of the FIs regarding SME financing has not been decentralized fully. A significant number of operational officials don't have independence in selecting SME finance project.

Fair selection of eligible Women entrepreneurs are affected by internal and external influences, lack of information, inefficiency of the managers/ operational officials of FIs, conventional attitude of the financiers, value System, collateral and unfair means. The operational officials do not monitor the SME loan projects regularly. Although the PCB's monitoring is better than that of the NCBs and SCBs.

Building up relationship is so important in getting SME loan from the FIs but it has not been improved enough between the managers of the FIs and Women entrepreneurs. At present, it is found from investigation into the SMEs of LES that 85.7 percent Women entrepreneurs have comprehended its necessity.

8.9.1 The Challenges and Opportunities of Financing SMEs:

The systematic and institutional nature of SMEs obstructs their access to finance. About 44 constraints are identified in the present study. Some of them are envisaged so significant to the researcher though the ranking of that constraints made by the respondents is different. These are lack of bank-client relationship, thinking of keeping one in subsistence level, high rate of interest, cumbersome procedure and requirements of loan approval, want of rationality in value System, socio-cultural mindset, poor human resource, want of assimilation of technology, disintegration in development activities, colonial attitude of the bureaucrats, collateral, high risk, want of information, lack of honest Women entrepreneurs and officials, lack of political commitment, lack of experience, lack of legal and regulatory measures, want of proper support services, lack of government follow-up, political and other influences, want of trained operational officials, lack of awareness, lack of international networking and market linkages, and so on.

There are some challenges that will have to overcome for increasing finance in the sector. Cost of doing business is so high compared to that of the developed countries. Simultaneously, the

procedural steps of establishing an enterprise are also more than that of those countries. Such cost should be reduced to a reasonable amount and the procedural steps should have to be the minimum. Now the rate of interest of SME loan is between 16 percent and 23 percent where the respondent's expectation is to have it in a single digit. The other requirements are efficient research and training on SME financing, efficient management System, supplementary finance, effective support services, venture financing, capital market expansion, increasing equity finance and outreaching of credit guarantee mechanism.

At present, power generation, SME friendly legislation and human resource development are the crying need in this sector. Research on Women entrepreneurship development, introducing Women entrepreneurship in the curriculum, starting up broad based technical and vocational education are also the prerequisite for SME development in the country. Incorporation of electronics and ICT into programmes of the sector is indispensable for networking in all respects. The sector needs to be dated bringing changes in administration, legal laws and concerned policies.

The present study shows that education is positively correlated to the profitability of SME business. So, building up an educated society is a challenge today. Institutional finance and investment level are also positively correlated to the profitability of SMEs. Almost 87.30 percent Women-owned enterprises taken formal finance are profitable while about 79.52 percent Women-owned enterprises taken informal finance are profitable. That is, those Women-owned enterprises taking institutional finance are more profitable than those Male owned enterprises taken informal finance. Again, if finance can be increased in an enterprise, it may be a profitable business. Entrepreneur's experience is also correlated to the profitability of SME business. About 82.3 percent Women owned enterprises started with experience are profitable while it is 63.0 percent for those Women owned enterprises started without experience.

8.9.2 Recommendations:

- The government should build up a database of the SME sector of the country especially on its financing activities. It also should provide sector wise segregate data.
- The government should rationalize the tax and tariff structure with a view to enhancing SME production, networking market, increasing export, importing capital machinery along with necessary changes in legal and regulatory framework in all respects.
- The government should undertake long run pragmatic programmes to flourish labour intensive, indigenous and environment friendly production such as agro-based, food, diversified jute, RMG and light engineering items. Backward and forward linkages in all respects especially in case of Light Engineering sub sector of SMEs which can help brand the country in the arena of international trade should be developed.

- The government indispensably should start up broad-based technical and vocational education with more effectiveness in the country through substituting most of the general educational institutions into technological ones. Women entrepreneurship also should be included in the curricular of the country.
- The government should create a grand fund only for financing manufacturing SMEs. The amount of manufacturing SME finance should be more than that of the trade and service SMEs. All government and donor funds should go to the manufacturing SMEs in lieu of trade and service because manufacturing industries can ensure Sustainable Economic Development of the country.
- The government and the other concerned agencies should design specific programs such as foreign training, incorporating high-tech machineries into production process, increasing international cooperation in quest of technology assimilation, exploring global trade networking and increasing access to electronic and ICT etc.
- The SMEs should follow market based production model in their production System. These Women owned enterprises also should produce following cluster networking as well as assembly operation in production process with a view to increasing productivity and market competitiveness under well planned Industrial park.
- The definitions of SMEs given by Mol, BB and other support service agencies should be uniform for the economy. The concerned agencies should provide all data and information following that given specific definitions.
- The SCBs should provide finance only for the manufacturing SMEs as well as Industrial Women owned enterprises in lieu of service and trade sub sectors. At least, one of the banks should be transformed into a SME bank which will not work for earning profit except its maintenance cost recovery. The bank will work with manufacturing SMEs where interest rate of financing will be the minimum.
- The government should formulate pragmatic financing policies as well Industrial policies with some specific goals in lieu of hundreds of goals as set in the present stereotype policies. The concerned persons of the government should have to be committed and responsible in realizing such policies along with strong mentoring system.
- The government should establish a separate ministry for SMEs where the functionaries will be incorporated with the experts of the sector and bring administrative reforms in the support service provider agencies along with BSCIC.
- The government should take accurate measures in policies and practices to ensure investment and financing climate. Especially the government should emphasize on power

generation, infrastructural development, administrative reforms, uprooting corruption, one stop services, eradication of bureaucratic

- complexities, technology upgradation, labour's skill development, linkage development, ensuring world class tourism facilities, consolidation of international relationship and realization of economy based foreign policies.
- Abreast of banks and NBFIs, the NGOs, cooperatives and other FIs should scale up their microfinance to SME finance to a great extent as they are now starting this job insignificantly.
- The monitoring systems of the NGOs in case of disbursing and collecting micro credit may be applied by the FIs for financing SMEs. BRAC Bank is now following the system successfully in their SME service centres.
- The government should have political commitment in realizing development programmes and restrain from politicization in any activities regarding the industry sector and its financing.
- The government as well as the concerned agencies should consider the outcomes of research conducted in the mean time in formulating related policies and programmes. It should utilize the research and training institutes effectively according to present demand of the nation.
- According to investigation fund is not a problem now for SME financing. So, it is not necessary to take conditional foreign aid from the donor agencies. The government should take technical help from abroad.
- The Owner's Associations of the SMEs should provide finance at a low rate of interest, necessary training, other financial help and capital machineries on rental basis. They should contribute to related research and accumulate huge fund as a cooperative for the development of the sub sectors of SMEs.
- The FIs should innovate new lending technologies for financing SMEs. These may be of transaction lending and relationship lending. Transaction lending technologies are based on quantitative data, e.g. financial statements, bank account details, credit scores etc., while relationship lending technologies are based on qualitative data, e.g. track record, management capability, market share, banking relationship etc. The DFIs as well as the FIs should provide
- finance for the manufacturing SMEs at a low rate of interest which will accelerate economic growth and employment. As a result, the FIs will ultimately get maximum benefit due to a cumulative effect on the economy and an increase in money velocity.

- The government, owner's associations and the FIs should play role in building banker-client relationship, and provide surety and social collateral on behalf of the SMEs for getting approval of finance. The FIs also should simplify the cumbersome procedure of getting loan.
- The government as well as the concerned agencies should increase effective support services with a view to having betterment in management condition of SMEs, efficiency of factors of production, use of ICT in their business, market networking and access to required information.
- The government, FIs and the concerned agencies should recruit experienced officials for the purpose of SME financing and provide effective training on financing of manufacturing SMEs. The agencies should increase monitoring of SME finance project and the operational officials should have to make good relationship with the Women entrepreneurs of the finance projects in question. The FIs also should provide more motivational programmes and counselling in quest of having expected recovery of loan.
- It is found from the study that the loan recovery rate is so good. So, the mindset of the financiers should be changed now in case of providing more SME finance. The value System prevailed in the society lacks of rationality. So, the government should introduce such modern educational system which will make people creative, logical, optimistic and patriotic.
- The government should nullify the traditional bureaucroreacy through bringing comprehensive reforms in public administration. The concerned organs of the government should be directed by those persons who have expertise in that relevant field. Political and other influences in selecting SME finance project should be condemned and ousted.
- Development of LEE sector is a prerequisite for Industrial development in a country. So, the government and other agencies should undertake mega plan and programmes for enhancing this sub sector of SMEs with special consideration. Establishment of Industrial park in those areas where the important clusters of LEIs have emerged is inevitable and indispensable. The corporations should start cluster networking in their production process.

8.9.3 Conclusion

SME as a sector of the economy is coming to be in the spot light but its sub sectors, say, LEEs are still yet to be well shaped with database. All required data and information were not available to have a completion in writing financing issues of the sub sector. Both BB and Mol do not have all data and information for a specific sub sector of SMEs in Bangladesh. It is essential to motivate

more Women Entrepreneurs in Light Engineering sector in order to achieve Sustainable Development Goals(SDGs) within 2030. Women population are half of the total population of Bangladesh. It would be difficult to achieve SDGs without the progress of Women in every vital sector of the economy.

The nature and practice of bureaucracy of the country is one of the prime challenges in the way of economic development as well as SME development. It causes scope of corruption, delay in providing required permit, favours import dependence in stead of self production, nullify the potentials of industrialisation as the bureaucracy have inculcation in mind that they are the main hindrance in the administrative hierarchy.

Most of the Women entrepreneurs have completed their education at best at secondary level while a significant portion of them do not have institutional education on their profession. After working in a workshop for certain duration they have established their Women owned enterprises. The artisans and labourers are also not educated well. Most of them are experienced but lack of institutional technical knowledge. Almost all of the Women entrepreneurs and technicians are not well informed of business and relevant functions of their profession. Their consciousness and capability to address all variables used in the questionnaires in answering are marked poor. Strictly speaking, Women entrepreneurship and labour productivity levels are still now inefficient and immature staying behind much enough compared to that of global perspective. It is therefore essential for the government and other stakeholders to look after the SME sub sector and to take adequate care of it. In conclusion, it is researcher's anticipation that this research may act as "Hawthorne Study effect" among the Women Entrepreneurs as well as researchers through which much Women Entrepreneurs will get motivation to take initiative in Light Engineering sub sector of SMEs and thus this sector will get right direction from the policy makers of the country in future.

8.9.4 Suggestions for Further Research:

The present study is important one for getting information which is necessary to take measures on the financing issues of manufacturing Light Engineering sub sector of SMEs. But there are scopes of conducting more research projects on the various issues of SMEs in the country. Each of the 11 booster sectors of SME categories identified in the present Industrial policies needs separate studies with a view to providing new information, ideas, concepts and remedies regarding SMEs. Even more rigorous studies may be undertaken on the sector wise financing issues and support services. The same study can be undertaken on a certain FI such as BB, PCBs, SCBs, BASIC Bank Limited, BRAC Bank Limited etc and academicians to explore more dimensions of SMEs for the economic development of the country.

Appendices

Appendix A

Set-1

Code No

Sl. No.

Questionnaire for the Women Women Entrepreneurs of SMEs
 Department of Management Information Systems(MIS)
 University of Dhaka

Title: “Institutional Role in the Development of Women Entrepreneurship in Small and Medium Enterprises(SMEs)in Bangladesh”

Ph.D research Fellow: ABM Siddique , Session: 2017-2018

Confidentiality :The objective of this study is only to provide academic purpose. You are therefore requested to provide basic Information and views as well as opinions by filling in the questionnaire. Your answers are merely confidential. It is not necessary to answer any questions that you don't want and upon you whether the interview is to be continued or not. The questionnaire is anonymous and you are not asked to sign it. However, your honest answers to these questions will help us understand better about this burning issue (SME Financing for WE) of the day. We would greatly appreciate your help in responding to this survey. The survey will take about 20 minutes to ask the questions. Would you be willing to participate?"

Date of Interview:.....Place of Interview:.....
 Please put tick (V) mark where suitable

Section A: Interviewee's Personal Profile

1. Name(not mandatory):.....
2. Sex: (1) Male (2) Female
3. Age:.
4. Religiomi: (1) Muslim (2) Hindu (3) Buddhist (4) Christian (5) Others

Section B: Interviewee's Background & Family Profile

| Stratum (Variatale) Resfyidents | Education | | | | | | | Main occupation. |
|------------------------------------|-----------|---------------------|------------------------|----------------------|-----------------------|---------------|-----------------------|------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
| | Untere | Primaty (class I-V) | Secondary (Class VI-X) | Higher. Sec.(XI-XII) | Graduate (Pass/Hon's) | Posi Graduate | Technical/ vocational | |
| 5. Self | | | | | | | | |
| 6. Grand father | | | | | | | | |
| 7. Father | | | | | | | | |
| 8. Mother | | | | | | | | |
| 9. Bro-ther(s) | 1 | | | | | | | |
| | 2 | | | | | | | |
| | 3 | | | | | | | |
| 10. Sis- ter(s) | 1 | | | | | | | |
| | 2 | | | | | | | |
| | 3 | | | | | | | |

Section C: Firm's Profile

11. Date of establishment
12. Locationofthefirm: 1. Dhaka 2. Urban 3. Semiurban 4. rural
13. Type of the firm: 1. small 2. medium
14. Amount of total capitai invested:
15. Institutional loan : 1. yes 2. no
16. Number of employees:
17. Number of women labour:
18. Number of Skilled, trained employees:
19. Production per day in taka:
20. Production cost per day in taka:

Section D: Finance and Credit Perspective

21. Did you have experience before starting business? 1. Yes 2. No
 22. If yes from whom? 1. grandfather 2. father 3. brother 4. from other enterprises 5. others 6. Foreign enterprises
 23. Why have you chosen this business? 1. Profitability 2. Family business 3. Experience 4. Motivation from others 5. for earning livelihood being a technician 6. only for earning livelihood
 24. What is the condition of your business? 1. profitable 2. loss incurring 3. earning no profit.
 25. What are the sources of your fund? 1. Personal 2. family 3. friends and relatives 4. money lender 5. Banks 6. NBFIs 7. cooperatives 8. others

26. What are the amounts of your capital taken from above sources.

| 1. personal | 2. family | Friends and relatives | S.land lord | 4.banks | Financial institutions | Total |
|-------------|-----------|-----------------------|-------------|---------|------------------------|-------|
| Tk. | Tk. | Tk. | Tk. | Tk. | Tk. | |

27. Have you taken loan from money lender? 1. Yes 2. no
 28. If yes, why have you taken loan from money lender not going to the banks/NBFIs? 1. collateral problem 2. high interest rate 3. Lack of information 4. cumbersome procedure.
 29. If yes, in which terms and conditions you have taken loan from money lender? Ans: 1. Payment with interest
 30. Have you taken loan from friends and relatives? 1. yes 2. no
 31. If yes, what were the terms and conditions? Ans: 1. To return with interest 2. To return without interest
 32. Have you ever applied for institutional loan? 1. yes 2. no 3. having plan
 33. If yes, have you got loan? 1. yes 2. no
 34. If no, write down the causes. 1. want of collateral 2. want of required papers 3. negative attitude of the financiers 4. corruption
 35. If yes, when did you receive it after application? 1. 1 month 2. 2 months 3. 3 months 4. 4 months
 36. If yes, what amount of loan was received by you? 1. Expected amount 2. less than expected amount 3. none
 37. If yes, for what purposes you have taken loan? 1. firm establishment 2. working capital 3. for other purposes
 38. If yes, from which institutions you have taken loan? 1. banks 2. NBFIs 3. cooperatives 4. NGOs 5. others
 39. If yes, write the name of the institute. Ans: 1. Sonali bank 2. Janata bank 3. Agrani bank 4. Uttara bank 5. BRAC bank 6. NGO 7. Cooperatives
 40. If yes, how did you receive the loan? 1. Infull 2. Instalment
 41. If yes, write the rate of interest and, the terms and conditions of loan in receiving and repayment. Ans: 1. collateral 2. interest 3. payment by instalment 4. payment within the duration 5. without collateral and interest rate: 1. 2.
 42. If yes, do you think that the interest rate is high? 1. Yes 2. no
 43. If yes, what should be the rate of interest? Ans: 1.)2-5% 2). 6-8% 3) 9-10% 4). above 10%
 44. If yes, is there any credit guarantee scheme and credit insurance in favour of your loan? 1. yes 2. no
 45. If you do not apply for loan, don't you need bank loan? 1. yes 2. no
 46. If yes, why didn't you apply for loan from banks or other institutions? Ans: 1. want of surety 2. Lengthy procedure 3. want of information 4. high interest rate 5. want of required papers 6. Pre assumption that loan will not be given 7. fear of being indebted 8. Requirement not felt before 9. Corruption
 47. If no, why don't you want bank/ institutional loan? Ans: 1. Self capital enough 2. Not thought about 3. As the business condition not good 4. Not felt 5. Fear of being indebted
 48. If you get loan, did you face any other difficulties in getting loan? 1. yes 2. no
 49. If yes, what types of difficulties? Ans: 1. collateral 2. lengthy procedure 3. corruption 4. negative attitude of the finances 5. want of required papers 6. formalities 7. only short term loan
 50. If yes, did the bank/ institution conduct any investigation before loan approval? 1. yes 2. no
 51. If you get loan, did you take any training before getting loan? 1. yes 2. no
 52. If yes, for how long? Ans: 1. one week 2. two weeks 3. three weeks 4. one month 5. more than one month
 53. If yes, was such training mandatory for getting loan? 1. yes 2. no
 54. If yes, how many times loans did you receive till now? 1). 1 2). 2 3.) 3 4.) 4
 55. If yes, do you repay instalment regularly? 1. yes 2. no
 56. If yes, which of the followings encourage you to do so? 1. peer pressure 2. pressure from the lenders 3. self motivation 4. motivation from bank officials 5. expecting new loan 6. fear of punishment 7. any other reasons
 57. If yes, are the credit managers and officials efficient in disbursing loan? 1. yes 2. no
 58. If yes, do the credit officials supervise your project/ firm regularly? 1. yes 2. no
 59. If yes, do they give suggestions regarding your business? 1. yes 2. no
 60. For more than one loan, write down other names of bank or financial institutions
 61. Do you know that banks and other institutions give loan to light engineering firms? 1. yes 2. no
 62. If yes, which institutions give loan? 1. bank 2. NBFIs 3. cooperatives 4. NGOs 5. BISCIC 6. others
 63. Have you ever got any grant or financial assistance from govt./foreign/organization? 1. yes 2. no
 64. Do you maintain financial analysis, accounting, record keeping etc.? 1. yes 2. no
 65. Do you have computer software to manage your business? 1. yes 2. no 3. having plan
 66. Do you know all the information of your business? 1. yes 2. no

67. Do you provide training facilities for your employees? 1. yes 2. no
68. Do you know how to prepare a business plan to have bank/ institutional finance? 1. yes 2. no
69. Do you know the ins and outs of a financial statement? 1. yes 2. no
70. Are you familiar with business laws, regulations and policies? 1. yes 2. no
71. Are the lender officials positive in attitude to give loan to the SMEs? 1. Yes 2. No 3. unknown 4. sometimes
72. Do you think that credit lenders can select the women women entrepreneurs eligible for loan? 1. yes 2. no 3. sometimes 4. unknown
73. Which of the followings are necessary for light engineering sector financing? 1. SME bank 2. govt. fund formation 3. SME cooperative bank 4. Finance related training 5. Industrial park 6. Credit securitization 7. Credit at low interest rate 8. Including women entrepreneurship in education System 9. Extensive technical education 10. Easing procedures for institutional credit 11. Capital market formation for SMEs 12. Foreign assistance 13. NGO's participation in SME/ LEE financing 14. Credit sanction for clusters (a group of women entrepreneurs) of enterprises
74. Write down the problems in financing light engineering enterprises in order of severity. 1. electricity () 2. Skilled technician () 3. political disturbance () 4. want of raw material () 5. difficulty in obtaining financing 6. contraction of market demand () 7. both domestic and foreign competition () 8. increased production cost 9. unavailability of gas () 10. high cost of fund () 11. space problem 12. want of govt. patronage 13. VAT and tax problem
75. Is it necessary to have changes in administration, legal laws and policies? 1. yes 2. no 3. unknown
76. Is resource allocation necessary for SMEs/ LEEs in govt. budget? 1. yes 2. no
77. What can the financial institutions do for light engineering financing? 1. training 2. loan with low interest rate 3. opening up SME credit booth in convenient areas 4. Collateral free loan selecting eligible women entrepreneurs 5. venture capital 6. Giving the SME credit managers/ officiate training
78. Are business communities (FBCCI, WBCCI) working for SME/ LE development? 1. yes 2 no 3 something
79. If yes, what are they doing for SMEs/ LEEs? 1. training 2. financial support 3. workshop-seminar 4. other support 5. R&D activities
80. If no, what can they do for SMEs/ LEEs? 1. training 2. financial support 3. workshop seminar 4. other support 5. R&D activities 6. marketing facilities 7. effort to get govt. facilities
81. At present, do you want institutional credit? 1. yes 2. no
82. If yes, how much do you want for your firm? Ans: Tk.
83. If yes, do you think that you will get this amount? 1. yes 2. no
84. If yes, for which reasons will you get loan? 1. available surety 2. positive attitude of the financiers 3. available required papers
85. If no, for which reasons will not you get loan? 1. Collateral problem 2. cumbersome procedure 3. negative attitude of the financial managers and officiate 4. no reason
86. What are the problems of SMEs/ Light Engineering other than financing? Ans:
87. What is the role of BSCIC in supporting LEE finance? 1. very good 2. good 3. very bad 4. bad 5. unknown
88. Have you applied to BASIC bank for loan? 1. yes 2. no
89. If yes, have you got loan from BASIC bank? 1. Yes 2. no
90. Do you know the names of any other organizations that help LEEs finance? Ans:
91. Does politics favourable for LEE investment? 1. yes 2. no
92. What should the government undertake for huge investment in LEE sector? 1. long term programme 2. short term programme 3. establishing SME ministry 4. SME bank 5. Industrial park 6. Reforms in all respects 7. training 8. creating real women entrepreneurship 9. establishing research institute 10. making huge technician 11. decreasing VAT and tax problem
93. Is it necessary to increase research and development (R&D) activities? 1. yes 2. no
94. Who are the constraints in materializing the results of R& D activities? 1. Bureaucrats 2. ministers .Politicians 4. None of them
95. Which of the followings make negative effect on your firm? 1. over cost of production 2. unavailability of raw material 3. Want of modern technology 4. want of efficient labour 5. want of available backward and forward linkages 6. want of capital
96. Does your firm confront competition with international market? 1. yes 2. no
97. If yes, how can your firm be advanced in this race? 1. huge financing 2. imposing tariff barrier 3. Congenial investment climate 4. labour efficiency 5. human resource development 6. Investment friendly govt. administration 7. political commitment 8. decreasing tariff 9. improving raw materials
98. Has market demand in home and abroad for your products? 1. yes 2. no
99. If yes, can you provide that demand fully? 1. yes 2. no
100. If no, what are your requirements that can help meet that demand? 1. Sufficient electricity 2. skilled labour 3. capital 4. modern technology 5. Govt patronage 6. other support services

Code No

Sl. No.

Set-2

Questionnaire for the Officials of FIs
Department of Management Information Systems(MIS)
University of Dhaka

Title: " Institutional Role in the Development of Women Entrepreneurship in Small and Medium Enterprise(SMEs) in Bangladesh"

Ph.D research Fellow: ABM Siddique , Session: 2017-2018

Confidentiality and Consent: "The objective of this study is only to provide academic purpose. You are therefore requested to provide basic information and views as well as opinions by filling in the questionnaire. Your answers are merely confidential. It is not necessary to answer any questions that you don't want and upon you whether the interview is to be continued or not. The questionnaire is anonymous and you are not asked to sign it. However, your honest answers to these questions will help us understand better about this burning issue (SME Financing) of the day. We would greatly appreciate your help in responding to this survey. The survey will take about 15 minutes to ask the questions. Would you be willing to participate?"

Date of Interview:.....Place of Interview:.....

Please put tick (√) mark where suitable

Section A: Personal and Official Profiles

1. Name (not mandatory):.....
2. Age:
3. Sex (1) Male (2) Female
4. Educational Qualification
(1) SSC (2) HSC (3) Graduation/Hons (4) Post Gra (5) Technical (6) Others
Graduation Education
5. Name of the institute :
6. Name of the Branch:
7. Designation:
8. Total amount of SME outstanding loan of the branch.....
9. The percentage of SME loan of total industrial loan:.....
10. Total amount of outstanding loan on light engineering enterprises of the branch:.....

Section B: Institutional Finance and Credit Perspective

- 11 For how long are you engaged in SME loan activities in your job?
(1) 1-3 months (2) 3-6 months (3) 6-12months (4) 1-2years (5) above 2 years (6) more than 2 years
- 12 Did you have previous experience to work with Financial Institutions?
- 13 Which of the following motivated you to join the Institute?
(1) Only to get a job (2) Its objectives
(2) it's good will (4) to work with women entrepreneurs
(3) being self motivated (6) Others
- 14 Did you receive any formal training on SME finance? (1) Yes (2) No
- 15 If yes, for how long? (1) [3 days | (2) 1 week (3) 3 weeks (4) | 1 month (5) 2 months (6) Others
- 16 If yes, do you think that such training is enough or effective on SME financing? (1) Yes (2) No
- 17 If no, what types of training do you suggest? (1) SME finance & monitoring training
(2) Sales & negotiation credit analysis BIBM Training (3) Training to increase efficiency
(4) Training on credit risk (5) Training on mortgage (6) Long term training (7) Foundation training
- 18 What are the sources of fund for SME financing? (1) depositor's saving (2) govt.
(2) BB (4) Foreign fund (5) Grants (6) Others (7) Self fund
- 19 Is this amount of fund enough for SME financing? (1) | Yes (2) No

- 20 How many SME clients do you supervise per day? (1) 1-2 (2) 2-4 (3) 4-6 (4) 6-8
 15 | 8-10 | 6 | 10-12 f 7 | above 12
- 21 Do you know the SME debtors personally? (1) Yes (2) No
- 22 How regularly do you (or concerned officials) visit SME loan projects? (1) daily (2) 2-3 times per week
 (3) weekly (4) monthly (5) quarterly (6) halfyearly (7) occasionally (8) others
- 23 What is the percentage of industrial loan given for the SMEs in your FIs?
 Ans:.....
- 24 Is everybody applied eligible for SME loan? (1) Yes (2) No
- 25 If no, what are the requirements to get SME loan? Ans
- 26 What is the percentage of SME applicant who qualify for loan? (1) 30-40% (2) 40-50% (3) 50-60%
 (4) 60-70% (5) 70-80% (6) 80-90% (7) 90-100%
- 27 Do the borrowers pay their instalment regularly? (1) Yes (2) No
- 28 If no, what is the percentage of borrowers who repay regularly?
 (1) 1-5% (2) 5-10% (3) 10-20% (4) 20-30% (5) 30-40% (6) 40-50%
 (7) 50-60% (8) 60-70% (9) 70-80% (10) 80-90%
- 29 Can you select real eligible SME borrowers independently? (1) Yes (2) No
- 30 If no, what are the factors affecting fair selection?
 (1) Political (2) administration of the institute (3) directors of the institute
 (4) want of Information (5) inefficiency of the manager/ officiate
 (6) High officials outside the institute (7) Conventional attitude of the FIs about SME finance
 (8) collateral problem (9) unfair means
- 31 Which of the following gets priority in giving loan?
 (1) SMEs (2) Both (3) Large industries (4) Micro-enterprises
- 32 If large industries get priority, why?
 (1) having collateral (2) low lending cost (3) low risk (4) Dominance (5) political influence
- 33 At which rate of interest do you give SME/ LEE loan? Ans:.....
- 34 Do you think that the rate is high? (1) Yes (2) No (3) Reasonable
- 35 If yes, what should be the rate of interest for SMEs? (1) 6-7% (2) 8-9% (3) 10-11%
 (4) 12-13% (5) 14-15%
- 36 Which of the following are necessary to increase SME finance?
 (1) Establishing SME bank (2) collateral free loan (3) raising govt. fund (4) easing loan procedure
 (5) increasing R&D activities (6) increasing training facility and support services
 (7) necessary reforms (8) Government patronage (9) Selecting real clients (10) Monitoring
 (11) Relationship between banker and clients
- 37 What are your activities assigned for SME loan? Ans:
- 38 What are the constraints to SME financing now?
 (1) Attitude (2) Want of fund (3) Law & order situation *
 (4) Want of specialized finance institutions (5) Want of political commitment (6) Collateral
 (7) Legal problems (8) Lengthy procedure (9) Political and other influence
 (10) Management problems of financier (11) Corruption (12) Desire for excessive profit of the FIs

- (13) Want of support services (14) Want of appropriate financial products (15) Want of policy reform
 (16) Management problems of SME owners (17) Misrepresentation of personal & business informatica
 (18) Misuse of loan money (19) High risk (20) Want of required papers (21) Want of Information
 (22) Highcostoffinance (23) Want of government patronage (24) Socio-cultural mindset
 (25) Want of freedom in decision-making (26) Overdue (27) Capital deficit
 (28) Loan diversion (29) High target setting (30) High interest rate
 (31) Formalities (32) Lack of honest women entrepreneurs (33) Want of trained officers
 (34) Disappearing with loan money
- 39 What are your suggestions to strengthen SME financing?
 (1) Strengthening monitoring (2) Changing mindset (3) Taking social collateral
 (4) SME focused banking (5) SMEs need to maintain sales register (6) Government patronage
 (7) Selecting real clients (8) Huge finance (9) Collateral free loan
 (10) Every bank should have SME service centre (11) Low interest rate (12) BB/Govt. directions
 (13) Training facilities (14) Policy reform (15) Easing loan procedure
 (16) Client's awareness (17) Relationship with banker
- 40 What types of administration your institute follow? (1) centralized (2) decentralized (3) both
- 41 Who takes decision for SME loan sanction at branch level?
 (1) Head office (2) zonal office (3) area office (4) branch office itself
- 42 Whattype of decision making process does your office follow in its management?
 (1) by following rules and regulations (2) through discussion (3) both
- 43 Did you receive any advanced training on SME financing? (1) yes (2) no
- 44 If yes, write down the names of that training programme/ programmes. Ans:
- 45 Did you have any experience at field level with FIs before? (1) Yes (2) no
- 46 If yes, for how long?
 (1) Below 1 year 3-4 years (2) 1-2 years (3) 2-3 years
 (4) 3-4 years (5) 4-5 years (6) above
- 47 Do unfair means of the FI's official/ personnel influence loan approval? (1) yes (2) no
- 48 Is your authority positive in attitude to finance the SMEs of the country? (1) yes (2) no
- 49 What are necessary to materialize SME finance?
 (1) Decreasing interest rate (2) Strong monitoring of BB (3) Every FI should finance SMEs
 (4) Huge investment (5) SME focused banking (6) Increasing training facilities (7) Collateral free loan
 (8) Accountability (9) Easing loan procedure (10) Relationship between clients and banker
 (11) Changing mindset (12) Quick disbursement of loan
- 50 Do the borrowers misuse the loan given for SMEs? (1) yes (2) no
- 51 Write the names of financial products of your institution for SME finance. Ans:
- 52 Do you have credit guarantee scheme and insurance coverage for SME finance? (1) yes (2) no
- 53 Write the problems in SME finance you have experienced practically? Ans:
- 54 Do you have any other comment on this issue? Ans:

Set-3

Questionnaire for the BWCCI/Scholars

Department of Management Information Systems(MIS)

University of Dhakai

Title:” Institutional Role in the Development of Women Entrepreneurship in Small and Medium Enterprises(SMEs)in Bangladesh”

Ph.D research Fellow: ABM Siddique , Session: 2017-2018

Confidentiality and Consent: "The objective of this study is only to serve the academic purpose. You are therefore requested to provide basic information and views as well as opinions by filling in the questionnaire. Your answers are very confidential. It is not necessary to answer any questions that you don't want. The questionnaire is anonymous and you are not asked to sign it. However, your honest answers to these questions will help us understand better about this burning issue (SME Financing) of the day. We would greatly appreciate your help in responding to this survey. The survey will take about 15 minutes to ask the questions. Would you be willing to participate?"

Date of Interview:.....Place of Interview:.....
[Please put tick (V) mark where suitable]

Section A: Respondent's Personal Profile

1. Name(not mandatory).....
2. Age:.....
3. Sex (1) Male (2) Remale
4. Name of the Institution:.....
5. Present Place of Posting:.....
6. (a) Designation:.....(b) Education.....

Section B: Institutional Finance and Credit Perspective

7. Is money problem for SME finance? (1) Yes (2) No
8. Which of the followings obstruct women entrepreneurs in SME (1) attitude (2) lack of fund (3) law and order situation
 - (4) Lack of specialized finance institute (5)lack of political commitment
 - (6) entrepreneur's collateral problem (7) legal and administrative problems
 - (8) lengthy procedure of loan approval (9) political and other influences
 - (10) management problem (11) corruption (12) desire for excessive profit of the FIs
 - (13) lack of support services (14)lack of appropriate financial products (15) want of policy reforms
 - (16) Management problems of SME Enterprises (17) Misguiding information women entrepreneurs
 - (18) Misuse of loan money

| | | | | | |
|----|---|----|------------------------------|----|---------------------|
| 19 | High risk | 20 | Want of required papers | 21 | Want of information |
| 22 | Hiigh cost of finance | 23 | Want of government patronage | 24 | Mindset |
| 25 | Want of freedom in decision making FIs officia Is | 26 | Over due | 27 | Capital deficit |

| | | | | | |
|----|------------------------------|----|------------------------------------|----|------------------------------|
| 28 | Loan diversion | 29 | High target setting | 30 | High interest rate |
| 31 | Formalities | 32 | Lack of honest women entrepreneurs | 33 | want of trained officers |
| 34 | Disappearing with loan money | 35 | Want of government subsidy | 36 | Want of government follow up |
| 37 | Want of reference | 38 | What of experience | 39 | Marketing problem |
| 40 | What of well plan | 41 | Lack of awarance | | |

9 please give your opinions about thè followings:

(1) acute (2) moderate (3) no

a) Inability of women entrepreneurs to comply with thè Fls' lending procedure- acute moderate no

b) Poor management capability of thè women entrepreneurs- (1) acute (2) moderate (3) no

e) pressure from external sources leads to selecting unviable project- (1) acute (2) moderate (3) no

d) Lack of positive entrepreneurial attitude of thè women entrepreneurs- (1) acute (2) moderate (3) no

e) Lack of commitment of thè women entrepreneurs in honestly utilization 1) acute (2) moderate (3) no

f) Delay in file processing and loan sanctioning process- (1) acute (2) moderate (3) no

10. Project financing is challenging one. In this regard, is there any motivational programme from any agencies forthose who are directly involved with SME financing?

1) sufficient programmes (2) insufficient programmes (3) no (4) unknown

11. If there are sufficient programmes, would you please tell why thè quality of operational personnel is not improving as desired?

1 Need to change mindset

12. If 'no' or 'insufficient', what could be done to increase efficiency of that operational personnel?

| | | | | | | | |
|---|---------------------------------|---|--------------------------|---|-----------------------------------|---|---------------------------------------|
| 1 | Finance and monitoring training | 2 | Training on credit risk | 3 | Long term training | 4 | SME finance based training |
| 5 | Training to increase efficiency | 6 | Employing honest officer | 7 | Financers be positive in attitude | 8 | To follow present micro-credit System |

13. What are thè causesof sickness of SME project?

| | | | | | |
|----|------------------------|----|--|----|-----------------------------------|
| 1 | capitai deficit | 2 | financing unviable project | 3 | want of skilled labour |
| 4 | inefficient management | 5 | failure to select real women entrepreneurs for financing | 6 | domestic competition |
| 7 | foreign competition | 8 | inexperienced women entrepreneurs | 9 | want of credit insurance coverage |
| 10 | poor support services | 11 | low market demand | 12 | Low quality product |

| | | | | | |
|----|--------------------------------------|----|------------------|----|----------------|
| 13 | Corrupted official Misuse of loan | 14 | Want of training | 15 | Misuse of loan |
| 16 | Want of government patronage | | | | |

14. Are all of the financial appraisals prepared in a routine and stereotype manner?

(1) all (2) some of them (3) No '

15. Is the role of the government positive in increasing SME finance?

(1) positive (2) not positive (3) sometimes positive (4) unknown

16. If 'positive' or 'sometimes positive', what are the causes of failure in realizing govt. policies for enhancing SME finance?

| | | | |
|-------------------------------------|--------------------------------------|----------------------------|--|
| (1) Lack of political commitment | (2) bureaucracy | (3) corruption | (4) policies not pragmatic and viable |
| (5) existence of vested quarters | (6) want of congenial environment | (7) inefficient persons | (8) want of fund |

(9) Want of follow up

17. Is our legal framework helpful in SME development?

(1) helpful (2) not helpful (3) sometimes helpful (4) unknown

18. Which of the following can increase (1) legal, administrative and policy (2) establishment of SME bank (3) technology education based (4) political commitment (5) undertaking special package programmes (6) maning huge fund (7) Making congenial environment (8) Supplying all information for women entrepreneurship

| | | | | | |
|--|--|--------------------|---------------------------------|------|----------------------------------|
| (9) | infrastructural development | (10) | increasing support services | (11) | positive role of banks and NBFIs |
| (12) | having positive change in our socio-cultural mindset | (13) | establishing industrial park | (14) | far reached plan |
| (15) | Demand based production | (16) | Strengthening monitoring | (17) | To mobilize BASIC Bank/BSCIC |
| (18) | Collateral free loan | (19) | Increasing marketing facilities | (20) | Increasing awareness |
| 19. What can the business communities increasing SME finance? | | | | | |
| (1) | Encouraging manufacturing production | (2) | Increasing marketing facilities | (3) | R&D Need to change mindset |
| (4) | Managing government in favour of SMEs | (5) | Support services | (6) | Training |
| (7) | Fund creation | (8) | Unity | (9) | Need to change mindset |
| 20. Is our value system positive in flourishing business and economic development? (1) Yes (2) No Do | | | | | |
| 21. Do the concerned authorities consider the results of R&D activities conducted in formulating any policy? | | | | | |
| (1) | considered fully (2) partially | (2) not considered | | | |
| (4) | Unknown | | | | |

22. Are R&D activities necessary for SME development of Bangladesh?
(1) Yes (2)

Appendix-B

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