



Small and Medium Enterprise in Bangladesh-Prospects and Challenges

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Abstract- Small and medium-sized enterprises (SMEs) are the backbone of the national economy in Bangladesh. This sector is playing an important role to develop the economy of our country. The role of SMEs sector is immense to alleviate the poverty from the country as well. Small and Medium enterprises are particularly suitable for the densely populated countries like Bangladesh where SME sector can provide huge employment opportunity with much lower investment. They are expected to create jobs, reduce poverty, and drive a resilient national economy. The International Monetary Fund (IMF) Country Report (2012)¹ indicated that SMEs in Bangladesh accounted for more than 99% of private sector industrial establishments and created job opportunities for 70%–80% of the nonagricultural labor force. In the paper a questionnaire has been constructed and used SPSS 20 version software to analyze the data This paper is, therefore, an attempt to analyze various issues, prospects and challenges of financing this particular sector and find out the ways to overcome these challenges. It will also survey various literatures and reports on the concerned field and recommend supporting actions to help this highly prospective industrial sector to operate in a fully yielding manner.

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GJMBR - C Classification : *JELCode : P12*



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Small and Medium Enterprise in Bangladesh- Prospects and Challenges

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Abstract- Small and medium-sized enterprises (SMEs) are the backbone of the national economy in Bangladesh. This sector is playing an important role to develop the economy of our country. The role of SMEs sector is immense to alleviate the poverty from the country as well. Small and Medium enterprises are particularly suitable for the densely populated countries like Bangladesh where SME sector can provide huge employment opportunity with much lower investment. They are expected to create jobs, reduce poverty, and drive a resilient national economy. The International Monetary Fund (IMF) Country Report (2012)¹ indicated that SMEs in Bangladesh accounted for more than 99% of private sector industrial establishments and created job opportunities for 70%–80% of the nonagricultural labor force. In the paper a questionnaire has been constructed and used SPSS 20 version software to analyze the data. This paper is, therefore, an attempt to analyze various issues, prospects and challenges of financing this particular sector and find out the ways to overcome these challenges. It will also survey various literatures and reports on the concerned field and recommend supporting actions to help this highly prospective industrial sector to operate in a fully yielding manner.

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I. INTRODUCTION

In almost every part of the world, limited access to finance is considered a key constraint to private sector growth. This is especially true for SMEs of our country as they are facing different types of problems for availing institutional finance though SMEs play a dominantly important role in the national economy of Bangladesh by making up over 90 per cent of industrial enterprises, providing employment to 4 out of 5 industrial workers and contributing to over one-third of industrial value-added to gross domestic product (GDP). The relative SME share in manufacturing value-added is much higher and estimated to vary between 45 to 50 per cent of totaling value-added generated by the manufacturing industries sector. Further as important sources of new business creation and developing new entrepreneurial talents, these industries provide the much needed dynamism and vitality to the national economy. Implementation of poverty alleviation action programs and strategies is a systematic and continuous effort in Bangladesh. For that purpose, the Poverty

Reduction Strategy of the government has clearly identified some core principles and parameters both at macro and micro levels for reducing the existing poverty level at least half within 2015 as targeted in the Millennium Development Goals (MDGs). Rapid and sustainable growth of SMEs is undoubtedly one vehicle for accelerating national economic growth to the point of having a measurable impact in the way of reduction of poverty and unemployment, generation of more employment. More than 90% of the industrial enterprises in Bangladesh are in the SME size-class. Generally, SMEs are labor intensive with relatively low capital intensity. The SME also poses a character of privilege as cost effective and comparative cost advantages in nature. The SME policy strategies have been formulated to assist in the achievement of the goals and targets the MDGs set by the Government.

II. RATIONALE OF THE STUDY

From the sequence of our analysis it seems that for the economic development of Bangladesh SMEs can play a vital role. Small and medium Enterprises act as the most cost-effective and worthwhile means of providing employment and injecting dynamism into industrial growth, both for poverty alleviation and for contribution to the GDP. At present SME sector is facing a lot of problems. Bangladesh government is trying to develop the SME sector through different policy measures even though the rate of development is not up to expectations. There is a huge prospect to develop this sector.

III. LITERATURE REVIEW

Raihan (2001) observes that the 50.53 percent of SMEs have no access to formal source of finance. Only 35.79 percent of SMEs enjoy unrestricted access to the formal credit. The rest (13.68 percent) of them have restricted access to the formal credit. Bank credit is used by small percentage of entrepreneurs and provides financing of generally less than 20 percent of their total outlay. Majority of the SMEs (59.6 percent) seek finance for their working capital needs from banks, although only a half of them get loan from banks.

Ahmed, (1999) pointed out that due to the lack of national quality policy and adequate support system, and also due to the lack of credibility of the quality certification authority, SMEs of Bangladesh have failed to ensure the quality of products and services both in

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domestic and international markets. He also argues that access to finance possess as one of the most important problems for the SMEs in Bangladesh. Lack of investment or operating funds remains as one of the most prominent complains of the SMEs in Bangladesh.

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Rahman and Mahmood (2007) mentions that Small and Medium Enterprises are the backbone of the economy in countries like Bangladesh. SMEs suffer from common constraints such as lack of capital, difficulties in procuring raw materials, lack of access to relevant business information, low technological capabilities, problems caused by cumbersome and costly bureaucratic procedures, and policies and regulations that generate market distortions. However, with proper domestic policy support from the government, and an eye towards global market trends, SMEs can build capacity and reap the rewards of globalization.

Hasan and Islam (2008) identifies that banks usually do not express interest towards SME financing. The reason behind this conservativeness is higher operational cost, less return and high risk associated with the SME financing. Due to small loan size the operational cost is higher and they require intensive monitoring and supervision. The main reason for higher risk is that the small and medium entrepreneurs are highly unlikely to comply with the collateral requirements as typically they do not have immovable properties. With the excuse of collateral sometimes banks and non-bank financial institutions are reluctant to finance SMEs.

Bangladesh Bank Report (2008) says, the key reasons behind the SMEs are not entering into manufacturing but are financial constrains, dismal state of utilities, technology and policy discriminations. On the other hand, Bank and others financial institutions generally prefer large enterprise clients because of lower transition costs, and greater availability of collateral. The SMEs also fall outside the reach of micro finance

schemes, and thus are compelled to depend on formal sources of funds at much higher interest rates, the Bangladesh Bank report said. The BB report, however, said that other interrelated problems like shortage of short and long term finance, lack of modern technology and lack of promotional support services are major obstacles in the way of development of the SMEs sector. Higher growth of the Small and Medium Enterprises (SMEs) can help cut poverty to a satisfactory level by eliminating various prejudices against labour intensive and creating jobs for the skilled manpower in the SME sector.

Growth of SMEs in developing countries is certainly a desirable goal in view of their perceived contribution to decentralized job creation and generation of output (*Chen, 2011*). In developing economy like Bangladesh, SMEs play a significant role in the development of the economy by creating employment opportunities and producing useful machine substitutes and machinery parts saving huge amount of foreign currency for our country (*Chowdhury, 2008*).

About 6.0 million SMEs are actively performing in Bangladesh which were contributing 25 per cent of the total GDP, employing about 31 million people and providing 75 per cent of household income. Various categories of SMEs together contribute between 80 to 85 per cent of industrial employment and 23 percent of total employment in Bangladesh (*Chowdhury, 2008*).

IV. OBJECTIVE OF THE STUDY

To identify the present scenario of SME sector in Bangladesh.

To highlight the prospects of SME sector in Bangladesh.

To identify the problems of SME sector in Bangladesh and Recommend some suggestions to overcome those problems.

V. METHODOLOGY OF THE STUDY

Data mainly gathered from 50 respondents by conducting some interviews with SME Bankers and selected SME Entrepreneurs. In-depth interview technique has been used because through this approach, the deep rooted issues regarding the problems have come out plus many factors that could stimulate growth of SME were also figured out. 5 points likert scale has been used in this paper. Data has also been collected from secondary sources. The study analyses published books, newspapers, magazines, different published research works, reports of various government authorities and websites.

a) *Definition of SME*

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

Table 1 : Definition of Small Enterprise

Serial No.	Sector	Fixed Asset other than Land and Building (Tk.)	Employed Manpower (not above)
01.	Service	50,000-50,00,000	25
02.	Business	50,000-50,00,000	25
03.	Industrial	50,000-1,50,00,000	50

b) *Definition of Medium Enterprise*

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

Table 2 : Definition of Medium Enterprise

Serial No.	Sector	Fixed Asset other than Land and Building (Tk.)	Employed Manpower (not above)
01.	Service	50,00,000-10,00,00,000	50
02.	Business	50,00,000-10,00,00,000	50
03.	Industrial	1,50,00,000-20,00,00,000	150

c) *Present Scenario of SMEs in Bangladesh*

The Industry sector plays an important role in the socio-economic development of Bangladesh. According to BBS estimates (base year: 2005-06), the contribution of the broad industry sector to real GDP stood at 29 percent in FY 2012-13, which increased to 29.61 percent in FY 2013-14. Among the fifteen sectors of GDP, the broad industry sector includes four sectors namely mining and quarrying; manufacturing; electricity

and gas and water supply; and construction. The contribution of the manufacturing sector is the highest in GDP. In FY 2012-13, the contribution of manufacturing sector in GDP was 19 percent which reached to 19.45 percent in FY 2013-14. The volume and growth performance of the manufacturing sector from FY 2006-07 to FY 2013-14 is shown in Table 8.1 according to the base year 2005-06:

Table 1 : Volume and Growth Rate of Manufacturing Sector

(At constant prices of 2005-06)(In Crore Tk.)

Type of Industry	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Small & Cottage	16112.9 (9.48)	17264.6 (7.15)	18525.3 (7.30)	20039.5 (8.17)	21176.0 (5.67)	22569.1 (6.58)	24557.9 (8.81)	26179.8 (6.60)
Medium-Large	65499.6 (10.80)	70331.2 (7.38)	74933.6 (6.54)	79631.4 (6.27)	88475.3 (11.11)	97998.3 (10.76)	108436.2 (10.65)	118364.0 (9.16)
Total	81612.5 (10.54)	87595.8 (7.33)	93458.9 (6.69)	99670.9 (6.65)	109651.4 (10.01)	120567.4 (9.96)	132994.1 (10.31)	144543.8 (8.68)

Source: Bangladesh Bureau of Statistics. * Provisional. Note: Figures in parentheses indicate rate of growth.

VI. NATIONAL INDUSTRIAL POLICY

In order to accelerate the pace of industrialization in the country, the Government announced the National Industrial Policy 2010. The important and underlying objectives of the policy include generation of productive employment, mainstreaming women in the industrialization process and poverty alleviation. Proper strategies have been set out in the industrial policy to implement all these aims and objectives. Combined efforts are being put in to implement the policy and necessary steps are being taken to preserve consumer's interest in consultation with concerned ministries and other stakeholders.

In the 'Sixth Five Year Plan (SFYP): 2011-2015' and 'Outline Perspective Plan of Bangladesh (2010-2021): Making Vision 2021 A Reality' pledges have been made to build a modern and vibrant industrial sector with the aim of reducing unemployment, hunger and poverty. Indications have been made in these documents to undertake short, medium and long term programmes to accelerate economic growth.

a) *Quantum Index of Production of Manufacturing Industries*

The Quantum Index of Production (QIP) is an important tool for measuring the production performance of manufacturing industries. Data available

from Bangladesh Bureau of Statistics (BBS) shows that QIP (2005-06=100), representing medium to large-scale industries, rose to 195.19 in FY 2012-13 from

108.76 in FY 2006-07. In FY 2013-14, the QIP average index stood at 211.29. Table 8.2 shows the index during FY 2006-07 to FY 2013-14.

Table 2 : Quantum Index of Production for Medium to Large Scale Manufacturing Industries

Fiscal Year	FY 2006-07 to FY 2013-14 (2005-06=100)							
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Medium to Large Scale Industries	108.76	117.5	127.47	135.01	157.89	174.92	195.19	211.29

Source: Bangladesh Bureau of Statistics.

VII. PROSPECTS OF SME'S FINANCING

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

Numerous surveys have been conducted in Bangladesh on the impacts and prospects of SMEs. These surveys found that there were almost 6 million micro, small and medium enterprises (MSMEs), which included enterprises with "up to 100 workers" employing a total of 31 million people, equivalent to 40 per cent of the population of the country of age 15 years and above (ICG & MIDAS, 2003).

The survey also found that the industrial structure of SMEs consisted of primarily wholesale and retail trade and repairs (40 per cent), production and sale of agricultural goods (22 percent), services (15 percent), and manufacturing only (14 per cent). It reflects on the very fact that the large unused potential for expansion in manufacture and production could be exploited contributing significantly to the national economy. Another vital finding of the surveys under discussion was that SMEs contributed nearly to 25 per cent of the GDP in 2003 (ICG & MIDAS, 2003).

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

Being an over-populated nation Bangladesh needs labor-intensive organizations like SMEs.. This is a suitable for countries like Bangladesh where skilled labors are not available at all. SMEs can also create more jobs than large enterprises at lower costs. SMEs are providing a diversified range of products at a lower price in local market. People are getting SME products at a lower price. Government has established an independent SME foundation to help and encourage the people to join in this sector for the development of SMEs. Recently Asian Development Bank (ADB) has provided some fund for SME sector development in Bangladesh.

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

VIII. FINDINGS AND ANALYSIS

Distribution of entrepreneurs whether or not they take bank loan to operate their SME

Table 1

Whether or not take loan by entrepreneurs from banks	Number	Percentage (%)
yes	30	60
No	20	40
Total	50	100

Source: Survey of SME entrepreneurs

60% that means a large number of SME entrepreneurs take bank loan to operate their SME business which is very remarkable. However about 4 out of 10 do not take bank loan to run their business.

Table 2 : The infrastructure facility Of SME is satisfactory

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	12	24.0	24.0
	Disagree	17	34.0	58.0
	Neutral	4	8.0	66.0
	Agree	16	32.0	98.0
	Strongly agree	1	2.0	100.0
	Total	50	100.0	100.0

Source: Field Survey

From the above table it is found that most of the respondents are not satisfied about the infrastructure facility of SME and 32% of the respondents are agreed.

Table 3 : The products of SME are highly standard

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	17	34.0	34.0
	Neutral	16	32.0	66.0
	Agree	16	32.0	98.0
	Strongly agree	1	2.0	100.0
	Total	50	100.0	100.0

Source: Field Survey

It is found that 34% of the respondents opine that they are disagreed about the statement and 32% of the respondents are agreed and neutral.

Table 4 : Training facilities are arranged regularly for SME workers and entrepreneurs

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	12	24.0	24.0
	Disagree	19	38.0	62.0
	Neutral	4	8.0	70.0
	Agree	14	28.0	98.0
	Strongly agree	1	2.0	100.0
	Total	50	100.0	100.0

Source: Field Survey

It is found that majorities (38%) of the respondents are disagreed about the statement and 28% of the respondents are agreed.

Table 5 : Workshops and seminars are organized regularly

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	9	18.0	18.0
	Disagree	18	36.0	54.0
	Neutral	4	8.0	62.0
	Agree	15	30.0	92.0
	Strongly agree	4	8.0	100.0
	Total	50	100.0	100.0

Source: Field Survey

It is found that 18% of the respondents are strongly disagreed and 36% of the respondents are disagreed and 30% of the respondents are agreed about the statement.

Table 6 : Modern technology are ensured for the development of SME Sector

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	29	58.0	58.0	58.0
Neutral	4	8.0	8.0	66.0
Valid Agree	16	32.0	32.0	98.0
Strongly agree	1	2.0	2.0	100.0
Total	50	100.0	100.0	

Source: Field Survey

Majority of the respondents opine that modern technologies are not ensured properly for the development of SME sector.

a) Challenges for SME Financing

The main driving force in SME promotion in Bangladesh is in the growth of agro-based processing and essential consumer goods products. Many institutions at the national level are providing assistance to entrepreneurs through SMEs in the country. Industrial credit in Bangladesh is financed through government-sponsored industrial banks; commercial banks and specialized financial institutions (ESCAP, 2003).

- i. *Inability to Market SME Product*: The present and future growth prospect of any product depends to a large extent upon marketing activity. This requires having a well-planned marketing strategy including advertisement campaign as well as resources for implementing that strategy. Unfortunately, SME entrepreneurs are at the bitter end in this respect as they cannot make adequate investments in marketing and also lack necessary marketing skills.
- ii. *Inability to Maintain Product Quality*: A major constraint to the sustainability of SME growth in Bangladesh is the inability to maintain the quality of SME products. At present Bangladesh produces mostly common consumer goods which are labor-intensive and require relatively simple technology. But due to poor quality these products cannot stand competition from imported products. The challenge for Bangladesh today is not in competing with high-tech products of developed countries but to make its SME sector survive competition from its rivals.
- iii. *Lack of Skilled Technicians and Workers*: Lack of skilled manpower is a perennial problem in Bangladesh. This problem is particularly acute for small and medium scale export oriented enterprises. Bangladesh has made large inroads in the world's apparel market through commendable performance of RMG sector. However, the value addition of the products is low. Despite high demand, Bangladesh cannot make much entry into high value fashion wear exports due to dearth of

trained workers. Supply capacity is thus constrained by non-availability of skilled workers.

- iv. *Poor Management Skills of Entrepreneurs*: In the modern day economy, managerial skills for undertaking planning, marketing, and cash-flow management are vital for survival of an industry, small or large. SME entrepreneurs in Bangladesh are very much lacking in managerial skills and are not used to strategic planning. It is natural that they are unable to survive market failures. The concept of managerial training for SME entrepreneurs is yet to take root in Bangladesh.
- v. *Lack of Quality Assurance*: Govt. has failed to frame a national quality policy, provide adequate support systems and establish a national quality certification authority. As a consequence SME of Bangladesh has failed to ensure the quality of their products and services both in local and international market.
- vi. *Resource Scarcity*: In Bangladesh scarcity of raw materials hinder the ability of SME to be export oriented and limits its ability to reach more advanced stages of international business.
- vii. *High Employee Turnover*: Due to limited growth of SME most of the skilled employees leave SMEs. Levy (2003) observed that SMEs are knowledge creators but poor at knowledge retention. High employee turnover is a major obstacle for the progress of this sector.
- viii. *Absence of Modern Technology*: Many SMEs have failed to adopt modern technology. Handling operation of the business becomes difficult without using update technology. It cannot be imagine now competing around the world with the absence of modern technology. Without the proper use of modern technology, we will lag behind.
- ix. *Poor Physical Infrastructure*: Inadequate supply of necessary utilities like electricity, water, roads and highways hinder the growth of SME sector. Moreover unfavorable geographical conditions increase the transportation cost.
- x. *Lack of Entrepreneurship Skills*: Conservative attitude towards risk, lack of vision, ability to make

plan and implementing those hinder the growth of SME in Bangladesh. Most of the people engaged in this business have no proper innovation skills.

- xi. *Access to Market and Lack of Awareness Regarding the Importance of Marketing Tool:* For SME, owing a retail space is very expensive in the major cities in Bangladesh. As a result many customers are not interested to buy products and services from SMEs. Because they can't judge the quality until they physically examined the product. Most of the cases SMEs in Bangladesh are not able to use the Integrated Marketing Communication (IMC) tools. But these tools play the role of important stimulus to motivate the customers and retain them. The country does not have enough marketing capability and resources to invest in marketing.
- xii. *High Interest Rate:* Most of our SME entrepreneurs are starting business by taking loan from banks. But there is high interest rate on such loans. It is not so easy to rise fixed and working capital from banks, since banks are not so willing to provide loan of small size for high monitoring cost.
- xiii. *Lack of Commitment to Innovation and Customer Satisfaction:* Ernesto (2005) stated that to keep in pace with international competition, firms of all size are challenged to improve and innovate their products processes constantly. But in Bangladesh SMEs are still not relating the importance of satisfying and retaining customers by offering novel and desired benefits.
- xiv. *Lack of Research and Development Facilities:* Most of the developed nations spend a lion's share in this sector to develop their industry but we do not invest huge amount in this sector for the development of our industry.

IX. SUGGESTIONS AND RECOMMENDATIONS

SMEs will continue to be the major driving force for income and employment generation in Bangladesh. The future for entrepreneurship appears to be very bright. We are living in the age of the entrepreneur, with entrepreneurship endorsed by government, business community, educational institutions, society, and corporations. Development of SMEs in Bangladesh is the need of the hour to raise the standard of living of the people of our country. The modest suggestions and recommendations are given below:

a) *Enhancing Access to SME Finance*

Access to institutional finance for SMEs is still greatly limited. Less than 30% SMEs have access to institutional loans. Enhancing access to institutional finance by 50% of SME entrepreneurs may be a target

within next five years through strengthening SME foundation, motivating institutional sources of financing to provide access to the deserving loan applicants.

b) *Development of SME Infrastructure*

Infrastructure development is a prerequisite to efficient development and financing of SMEs. Currently, the most severe constraint that hinder the development of SMEs is the lack of infrastructure (e.g., roads, gas and electricity), limited access to market opportunities, technology, expertise and business information and communication. Providing appropriate infrastructure for SME growth should be given priority.

c) *Quality of SME Products*

Poor quality of products is a big setback for expansion of SME business and SME sector as a whole. Measures for quality improvement and standardization of SME products have to be one of the targets. The BSTI may be made more effective in monitoring quality of product both for domestic market and for exports.

d) *Training Facilities for SME workers and Entrepreneur*

Bangladeshi workers are very good at learning production skills and copying them. However, training facilities for SME workers and development of entrepreneurial skills are not adequate in our country. Some training Institutes like the Training Institute of BSCIC impart training but it is not utilized properly. Special programs are to be undertaken for the establishment of training institutes regarding entrepreneurship development.

e) *Organizing Trade Fairs, Symposiums, Workshops on SMEs on Regular Basis*

At present workshops and symposiums on SMEs are held by different organizations and think tanks, but these are held infrequently and not in any systematic manner. A plan for holding seminars, workshops, trade fairs, etc. on a regular basis should be formulated.

f) *Setting Help Desks in Banks and Business Promotion Bodies with Internet Facilities*

To extend the outreach of SME development particularly in respect of women entrepreneurs, a Help Desk with computer and internet facilities should be set up in bank branches dealing with SME finance as well as in all chambers of commerce and industry and other trade promotional bodies.

g) *Use of modern technology*

Product design and technology is a very important aspect of SME development. Most SMEs are characterized by indigenous technology and they are involved in improving their existing production techniques and processes. If there is no use of modern technology and innovation does not take place in an indigenous sector, enterprises become uncompetitive.

h) Proper implementation of SME policy

Government has formulated SME policy to accept SMEs as an indispensable player in growth acceleration and poverty reduction. To this end government has introduced various strategies and provides facilities and incentives for development and growth of SMEs. So this policy must be implemented properly.

i) Role of NGO

Government, financial institutions and Non Government Organizations (NGOs) may take necessary steps to ensure uninterrupted financial support to the prospective SMEs in Bangladesh. In order to encourage women entrepreneurship govt. may; involve women entrepreneurs in policy formulation and implementation. Arrange funds for women entrepreneurs. Provide necessary training to women entrepreneurs in rural and urban area of Bangladesh.

In this era of intense competition continuous planning and quality improvement act as a prerequisite for the survival of SMEs. In order to improve the quality SMEs can follow the Just in Time (JIT) philosophy and use Total Quality Management (TQM) and can ensure the improvement of quality and productivity at a time. Restriction may be imposed on import of SMEs' products, which are available in Bangladesh.

X. CONCLUSION

Modern time is the golden time of business. Now a day the idea of SME business is also developed. So definitely it's a matter of thing that, how to established an idea-with different technique. The SME business in Bangladesh have a strong position in the to days competitive market. SME entrepreneurs are continuously upgrading themselves with a view to be competitive and to remain the best. As the experiences of SME finance in Bangladesh suggest, there is critical need for putting in place a credit delivery system that evaluates the credit worthiness of borrowers, on a basis other than fixed asset ownership. The evaluation may require examining transaction records of the borrowers, assessing the value of movable assets etc. There will also be the need for enhanced post disbursement monitoring. An effective SME finance policy will have to cover such enhanced cost of credit administration. In addition to credit guarantee or refinancing facility there will have to be adequate rediscount facility for the primary lender to accommodate these costs. Such credit line also needs to be made available to non-bank institutions such as the NGOs. The financing scheme should also include special provisions for women entrepreneurs. Indeed, the implementation of appropriate policies and strategies is a prerequisite to harness sustainable competitiveness of SMEs around the country. Suggestive remarks have been stipulated in this write up. With that paradigm, proactive policy is

essential to enact them. The first step this regard is to make firm's fully aware of the competitive challenges they have to face. The next step is to help SMEs prepare to meet the challenge by understanding their strengths and weaknesses and providing the inputs they need to help them upgrade. The main inputs are finance, market information, training, infrastructure development, R&D, management tools, technology, skills and links with institutions for support services.

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