

Financing Small and Medium Enterprises: A Study with Microlevel Data Analysis in Bangladesh

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Abstract - The objective of the study is to analyze the problem of SMEs loan management at Jamuna bank, Asulia branch. Some hypotheses have been set in the research to test the efficacy of the problems of SMEs financing. The data for the study were collected both from primary and secondary sources. The study tested three hypotheses for the study. The problems that are associated with SME loan management are not preparing proper financial statement which creates problem for the bank, judging financial standings, profitability and credibility. SMEs are not maintaining proper licensing which makes SMEs difficult to trace, create problem for the bank maintaining records, and decreases SMEs credibility to the bankers. JBL considers promotion for the product like Over Draft, Time Loan, and Term Loan to be adequate in SMEs sector. Banks can trace SMEs better, can lower their cost of capital, and can give efficient service if they grant loan cluster wise. As the SMEs in Bangladesh are habituated to operating in a semi-formal manner and banks are probably one of the most formalized institutions in our country, a big gap has opened up. The first step for Jamuna Bank Limited would be to minimize this gap by relaxing bank procedures. The bank should develop an official credit-rating system in easier way, even if in a limited manner, as soon as possible so that they can have some idea about the reliability of their SME clients. The objectives of the study are fulfilled despite some limitations. The problems are identified in this paper through detailed analysis of collected data. On the other hand the problems that JBL faced in designing proper financial products for SMEs are also identified. At the end, this study has tried to offer some suggestions to overcome those problems. If the problems can be solved the transaction between SMEs and Jamuna Bank Limited will be increased.

1. Introduction

1.1 Background of the Study

Small and Medium Enterprises (SMEs) all over the world have been playing a crucial role in promoting economic development as well as industrial production. In particular, SMEs provide the necessary foundations for sustained growth and rising income in the less developed and transitional economies. SME financing is a topic of significant research interest to academics and an issue of great importance to the policymakers of Bangladesh and around the world. Economic as well as technical and social arguments warrant the promotion of SMEs as they create large scale, low-cost employment opportunities, use locally available inputs and technologies, mobilize small and scattered private savings, develop entrepreneurship, and correct the regional imbalance in development that exists in developing countries. Despite all these potentials, SMEs are disappearing, abandoning the potential role they could have played in economic development. These studies have identified the major obstacles that include, but not limited to financing, infrastructure facilities, taxes and regulations, and stability in policies. Access to financing continues to be one of the most significant challenges for the growth and survival of SMEs especially innovative ones. (S. M. Akterujjaman, 2010)

This paper focuses on the financial constraints that SMEs face in Bangladesh. In Bangladesh, commercial banks are not interested to finance SMEs because of the high risk and high supervision cost associated with this type of financing. (The Daily Star 2006) Absence of sound collateral puts SMEs at a relative disadvantage. However, this study has found that some (Brac Bank, UCBL, SIBL,) of the commercial banks have some “innovative” products or services targeting at SMEs only, while others have “repackaged” some of their existing products as SME products. It is generally recognized that SMEs have a significant role in employment generation, poverty reduction and overall economic growth, especially for a developing economy like Bangladesh. SMEs are typically labor-intensive industries with relatively low capital intensity. As such, for a country like Bangladesh, which is labor abundant and capital scarce, SMEs have a natural comparative advantage. (S. M. Akterujjaman, 2010)

1.2 Statement of the Problem

Despite the role of SMEs in the economy of Bangladesh, the financial constraints they face in their operations are daunting and this has a negative impact on their development and also limited their potential to drive the national economy as expected. This is worrying for a developing economy without the requisite infrastructure and technology to attract big businesses in large numbers. If these problems can be solved, the economy of Bangladesh will develop.

1.3 Review of Literature

With respect to the SME sector of Bangladesh, foreign and national experts undertook some studies.

Some of the notable ones are:

Sl	Year	Source	Descriptions
01	2006	The Daily Star	Mentioned that many SME owners are to face difficulties when they require bank loans. In fact, SME financing has recently been identified by experts as one of the major problems faced by SMEs in Bangladesh.
02	2006	Mahmud, W. Institutional Reform and the Informal Sector (IRIS), Dhaka	The SMEs have very limited bank finance, which is only around 10 percent, while self-finance remains the major source of their finance contributing 76.5 percent of fixed capital and 51.8 percent of working capital.
03	2005	Berger, A. N. and G. E. Udell. Policy Research Working Paper-4481.	Bangladesh's SMEs identified lack of finance as the major issue, with 55% SMEs reporting it. Bribes (21%), orders/marketing of product (28%), lack of knowledge (12%), and license for work (8%), along with new technology (8%) were also considered as major issues. Without the much vital capital, they have little chance of growth or even sustenance in this mobile world. This study has tried to pinpoint, through empirical research, the major, problems faced by SMEs and banks in Bangladesh in relation to financing and has provided recommendations based on the findings to improve the situation.
04	2003	Rosen, H. World Bank Institute.	Mentioned that SMEs make up the largest portion of the employment base in many developing countries and, indeed, are often the foundations of the local private sector. The entrepreneurs behind them could and should play a much larger role in development, but too often are held back by a lack of ready access to financing from local formal sector financial institutions.
05	2011	S. M. Nasrul quadir and DR. Mohammad Saleh Jahur	They are argued that SMEs of Bangladesh have been vulnerable to frequent policy changes of Government from time to time. Besides, they are facing severe competition in and outside the country. As a result, the profitability of SMEs has got squeezed and many of them have got financially distressed. Besides, Entrepreneurs of SMEs .
06	2012	Iftikhar Hussain, Zeeshan Farooq and Waheed Akhtar	They are opined that Across the South Asia, the contribution of SMEs to the overall economic growth and the GDP is high. It is estimated that SMEs contribute 50% of Bangladesh's industrial GDP and provide employment to 82% of the total industrial sector employment. In Nepal, SMEs constitute more than 98% of all establishments and contribute 63% of the value-added segment. In India, SMEs' contribution to GDP is 30 %.
07	2008	Dr Khondaker Golam Moazzem	He showed that in the Sixth Five Year Plan (6th FYP) acceleration of GDP growth (from 6.1 percent in FY 2010 to 8.0 per cent in FY2015) has been targeted through excelling the performance of industrial sector, particularly of the manufacturing sector. The growth of the manufacturing sector will have to be attained through improvement of existing enterprises and also by creating new ones. However, an overwhelming number of these enterprises are micro (having less than 10 workers), small (10-49 workers) and medium (50-99 workers) enterprises, usually called MSMEs/SMEs.
08	2007	Dr. Sharif Bhuiyan	He found like many other countries, informal sector in Bangladesh does not exist in a vacuum. There are clear interconnectedness, partnership and continuity with the formal sector – maintaining a two way flow of labor, goods, finances etc between the two sectors. In Bangladesh rapid transformation of the informal sector may not be possible, feasible and/or sustainable. Policy initiatives to formalize the informal sector should therefore adopt a gradualist approach.

09	2004	International Finance Corporation. World Bank Group	IFC Annual Review report mentioned that in almost every part of the world limited access to finance is one of the biggest obstacles to private sector growth. This is especially true for smaller firms that have minimum influence on policy reform.
10	2010	S. M. AKTERUJJAMAN, Journal of Business and Technology (Dhaka)Volume– V, Issue– 02,	He came into a conclusion that SMEs are a fundamental part of the economic fabric in developing countries, and they play a crucial role in furthering growth, innovation and prosperity. Unfortunately, they are strongly restricted in accessing the capital that they require to grow and expand, with nearly half of SMEs in developing countries rating access to finance as a major Constraint.
11	2013	Tanbir Ahmed Chowdhury and Kashfia, Districts East West University Center for Research and Training Working Paper No 4.	In the process of economic development Small and Medium Enterprises (SMEs) play a pivotal role in poverty alleviation and rapid industrialization of the developing countries like Bangladesh. In this paper we tried to appraise the Problems and Prospects of SMEs in Bangladesh. We observed from the research that non availability of adequate credit, complex loan granting procedure, inadequate infrastructure facilities.
12	2010	Lind, Marchal, Wathen, Statistical Techniques in Business and Economics (Fourteenth Edition) Chapter 3, page 86	$avg = \frac{\sum fx}{n} \& S = \sqrt{\frac{\sum f(x-avg)^2}{n-1}}$ <p>The mean and the standard deviation calculated from the data grouped into a frequency distribution are usually close to the values calculated from raw data.</p>
13	2014	www.investopedia.com/terms/c/coefficientofvariation.asp	$cv = \frac{S}{avg}$ <p>The coefficient of variation (CV) refers to a statistical measure of the distribution of data points in a data series around the mean. It represents the ratio of the standard deviation to the mean. The coefficient of variation is a helpful statistic in comparing the degree of variation from one data series to the other, although the means are considerably different from each other.</p>
14	2010	Lind, Marchal, Wathen, Statistical Techniques in Business and Economics (Fourteenth Edition) Chapter 8, page 279	$Z = \frac{x - avg}{s}$ <p>Hypothesis testing is a confirmatory analysis of statistical data to make decisions. The decisions are usually made by conducting null hypothesis test.</p>

1.4 Justification for the Study

It is realized by studying the past researches of the researchers that the main problem of SME sectors in Bangladesh is that the amount of idle money is increasing day by day and the productive laborers of Bangladesh are not being utilized in proper places.

The present study on problems of SME financing by Jamuna Bank Ltd, Ashulia Branch is a modest attempt to prove empirically the problems of SME loans especially in the context of Bangladesh which could be claimed to be an addition in the existing body of knowledge. Here lays, the justification of the study.

1.5 Objectives of the Study

General Objective

1. General objective of the study is to find out the major problems of SME loan management of Jamuna Bank Ltd, Asulia Branch, Savar, Dhaka.

Specific Objective

1. To identify the problems in designing proper financial products for the SMEs.
2. To recommend ways and means to overcome the problems related to SME loan management, Asulia branch, Savar, Dhaka.

1.6 Limitations of the study

Since this report is only for academic purpose, there were some limitations in this study which are shown as follows:

Small and Medium Enterprises and its financing is a vast subject, but this study covers very specific and limited areas. Therefore, converting such broad area into a short form was a challenge for the researcher. The report was completed based on secondary and primary data which had to be summarized by me. Therefore there might be few errors.

While executing the research for three months in Jamuna Bank, Ashulia branch, a lot of difficulties have been faced by the researcher especially in data collection. When the SME loan statement was needed by the researcher, the officers expressed their negative attitude at the initial stage but finally to offer some SME loan forms. Some officers aborted some questions in the questionnaires and rendered all positive information. They created restrictions in questions to the clients. So, the researcher was bound to visit the client’s house to collect data.

2. Methodology of the Study

2.1. Sources of data

Data for the study were collected both from secondary and primary sources.

2.1.1 Secondary sources

Source	Nature of data
Annual Report 2011-13 of Jamuna Bank Ltd.	An overview the JBL
Visit the JBL website“www.jamunabankbd.com ”	Types of SMEs Loan
Different publications regarding banking functions, operation, and transactions policies.	Account Opening, Loan & Advance, Clearing, Deposits, FDR, MSS
Official documents	Balance sheet analysis, Types of SMEs loan.
File study	Jamuna Bank, Asulia branch.

2.1.2 Primary sources

Data collected form primary sources were based on the following ways

- Selection of study area: Jamuna Bank Limited, Asulia Branch, Jamgara, savar, Dhaka.
- Selection of study sample

$N = \text{total population} = 100$ (90 Clients & 10 officers), $n = \text{sample population} = 25$ (20 Clients & 5 officers)

In the study, no conventional systems of sampling procedure have been followed. Rather convenient sampling procedures were used considering time and other logistic facilities available at the disposal of the researcher. According 25 respondents which constituted 25% of the total population was the total sample strength of the study.

- Instrument for data Collection: Data for the study were collected by interview from two categories of clients such as Bank Officials & SME clients for which two types of interview schedules were prepared & pretested before finalization.
- Data Collection: Data were collected by the researcher himself. It took twelve days to complete the whole data collection process.
- Analysis & processing of data: The collected data were then processed and analyzed by simple tabular technique, averages and hypotheses. Researcher used graphical representation, frequency table and raw data table (Appendix-A). It will eventually lead me to the conclusion of his survey.

2.2 Data Analysis Methods

A five-point Linker type scale statements were used to measure the variables where 1 stands for strongly disagree/very low and 3 stands for strongly agree/very high effect on the statements. Multiple- item measures were developed for each psychological construct. After collection of primary data, hypotheses were formulated and Z-test is used to test the hypotheses with 0.05 level of statistical significance.

2.2.1 Hypothesis Formulation

Research hypothesis is an unproven statement, which helps the researcher to draw the suggestion on his hypothetical assumption whether it is true or false based on some specific statistical tests. For this study, the following hypotheses (at 95% confidence level) are developed, which are also to be tested.

Hypothesis 1

H0: SMEs do not prepare proper financial statement.

H1: SMEs prepare proper financial statement.

Hypothesis 2

H0: Jamuna Bank Limited grants large loan for the SMEs.

H1: Jamuna Bank Limited does not grant large loan for the SMEs.

Hypothesis 3

H0: Cost of operation for the bank will go down if the bank grants SME loan cluster wise.

H1: Cost of operation for the bank will not go down if the bank grants SME loan cluster wise.

3. Results and Discussions

An analysis is generated from the interview schedule to fulfill the objectives of the study. The number of respondents was 5 officers & 20 customer of Jamuna Bank Limited, Asulia Branch. For the convenience of analysis the researcher has calculated the percentage of the responses. For the ease of better understanding, the researcher has presented the information of percentage under five headings (Agree ‘High, Neither Agree or Nor Disagree, Moderate, and Disagree ‘Low). Several judgments are being made from the responses of the employees of Jamuna Bank Ltd. to validate the objectives of the study.

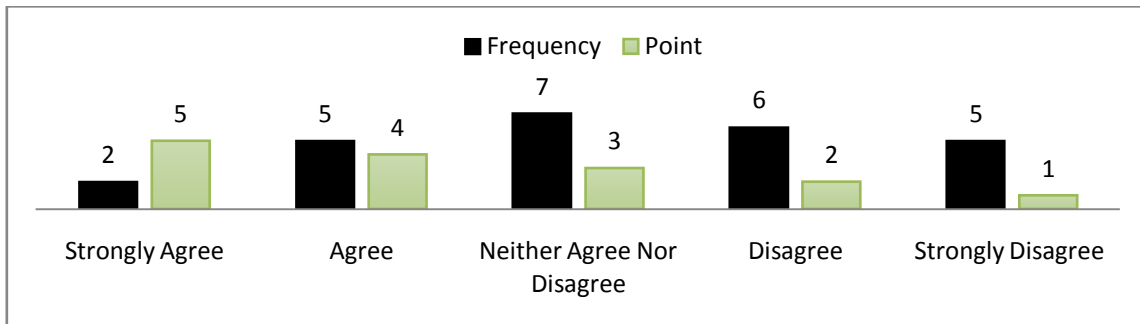
Table 1: The summary of the questionnaire and the calculations

Questions	No of Respondent					Total
	Strongly Agree (SA)	Agree(A)	Neutral(N)	Disagree(D)	Strongly Disagree (SD)	
1. SMEs prepare proper financial statement	2	5	7	6	5	25
2. Jamuna Bank Limited at Asulia Branch grant large loan for the SMEs	8	10	4	2	1	25
3. Responses on granting loan as cluster wise	9	8	6	1	1	25
4. SMEs maintain proper licensing	1	1	5	15	3	25
5. Responses on affects on SMEs ability to repay loans technology for Upgraded.	7	8	5	3	2	25

Source: - Field survey (2013)

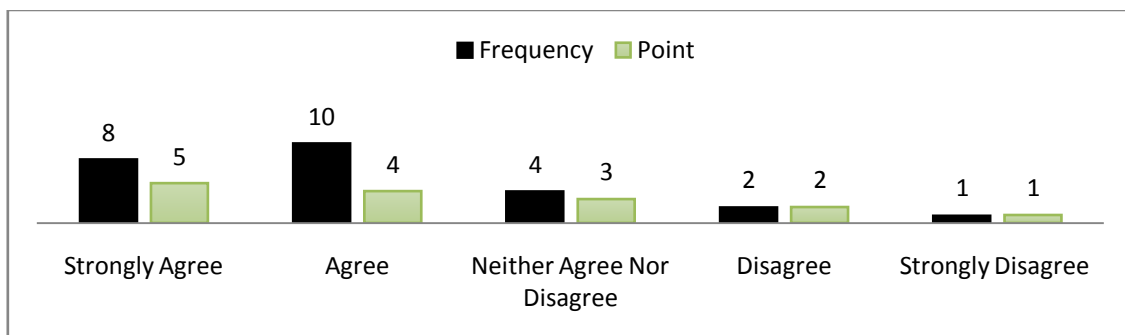
Explanations of the table for better presentation of the table, some graphical presentation are given below.

Figure 3.1: SMEs prepare proper financial statement



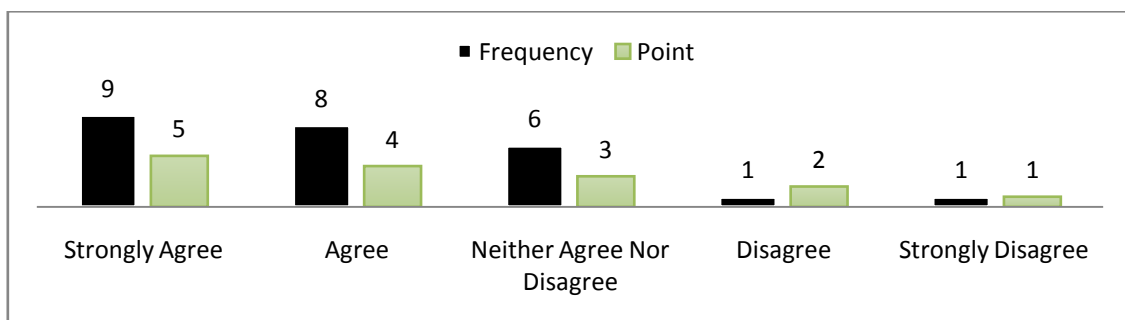
It is observed in the graphical presentation that 7 respondents have marked tick (✓) on “Neither Agree/ nor Disagree”, 5 respondents have marked tick (✓) on “Strongly Disagree”, and only 2 respondents have marked tick (✓) on “Strongly agree”. The study finds that SMEs are not preparing proper financial statement which creates problem for the bank in judging financial standings, agree, profitability and credibility.

Figure 3.2: Jamuna Bank Limited at Asulia Branch grant large loan for the SMEs



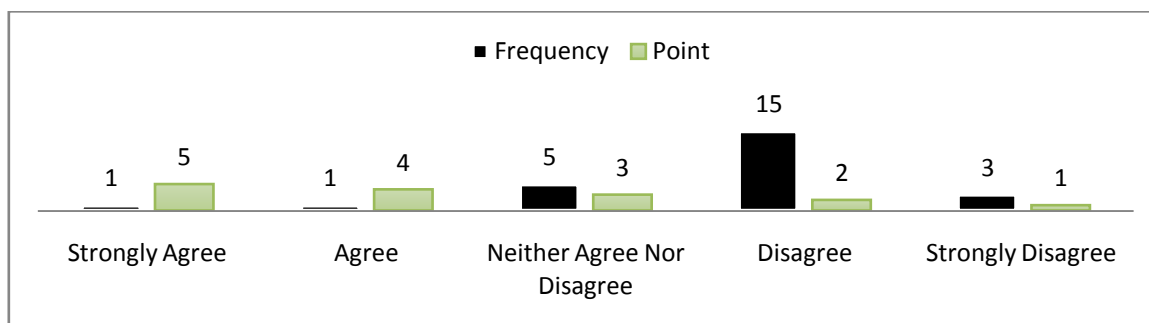
It is observed in the graphical presentation that 4 respondents have marked tick (✓) on “Neither Agree/ nor Disagree”, 8 respondents have marked tick (✓) on “Strongly Agree”, and only 1 respondents have marked tick (✓) on “Strongly Disagree”. It is clearly evident that Jamuna Bank Limited grant large loan for the SMEs

Figure 3.3: Responses on granting loan as cluster wise



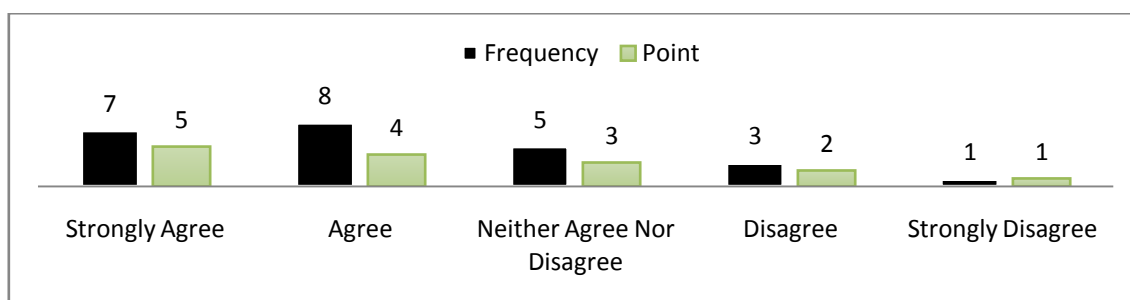
It is observed in the graphical presentation that 6 respondents have marked tick (✓) on “Neither Agree/ nor Disagree”, 9 respondents have marked tick (✓) on “Strongly Agree”, and only 1 respondents have marked tick (✓) on “Strongly Disagree”. That JBL will get advantages it grants loan cluster wise

Figure 3.4: SMEs maintain proper licensing



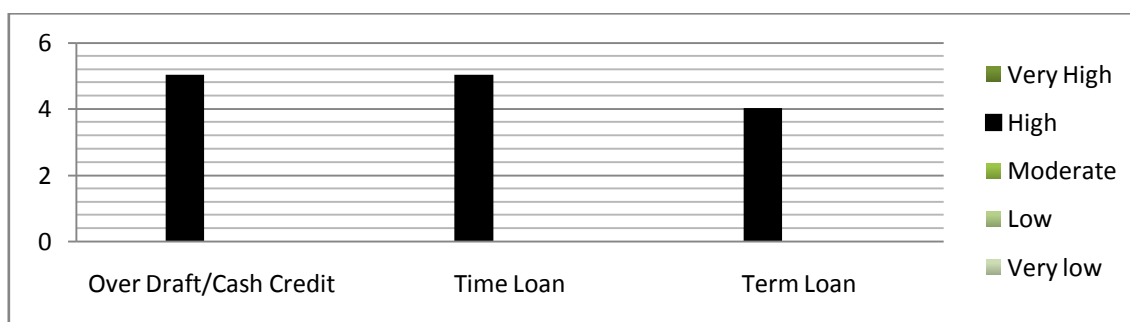
It is observed in the graphical presentation that 15 respondents have marked tick (✓) on “Disagree”, 5 respondents have marked tick (✓) on “Neither Agree/ nor Disagree”, 3 respondents have marked tick (✓) on “Strongly Disagree”, and only 1 respondents have marked tick (✓) on “Strongly Agree”. It is also observed that SMEs are not maintaining proper licensing.

Figure 3.5: Responses on affects on SMEs ability to repay loans for Upgraded technology



It is observed in the graphical presentation that 5 respondents have marked tick (✓) on “Neither Agree/ nor Disagree”, 7 respondents have marked tick (✓) on “Strongly Agree”, and only 1 respondents have marked tick (✓) on “Strongly Disagree”. Bank employees were asked whether lack of upgraded technology affects SMEs ability to repay loans. It is observed that Upgraded technology has high affects on SMEs ability to repay loans.

Figure 3.6: Responses on consideration of JBL for promotion of the products



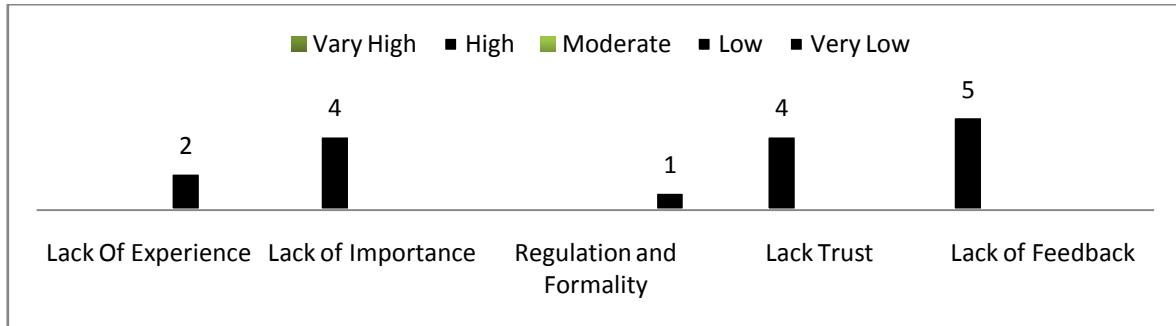
It is observed in this graphical presentation that 5 respondents marked “Over Draft/cash credit” as high for promotional product. Other 5 respondents marked “Time loan” as high for promotional product and 4 others marked “Term loan” as high for promotional product. It is revealed that JBL highly considers that promotional measures are needed for the products like over draft and time loan.

Bank employees were asked whether they consider informal loan providers as your competitor. It is clearly observed that Here JBL does not consider informal loan providers as its competitor.

Items	Yes	No
Consider informal loan providers as your competitor	Yes	✓ No

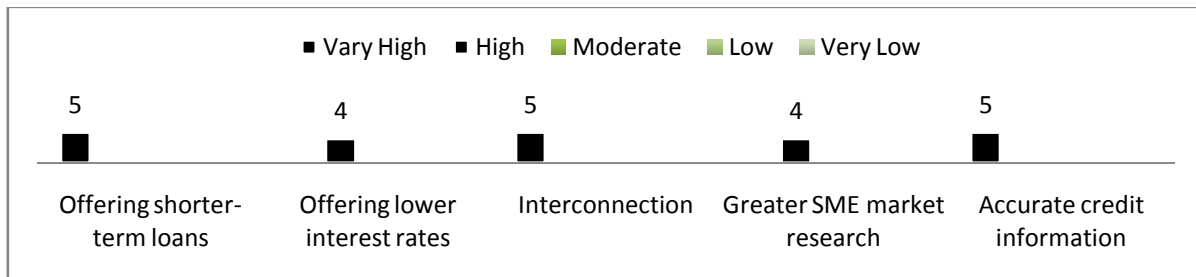
Respondents were asked that are the main reasons why they are not yet able to design such products (from the perspective of SMEs) for them.

Figure 3.7: Responses on the ability to design appropriate financial products for SME segment



This graphical presentation shows that for “Design appropriate financial product for SME segment”, 2 respondents have marked “Lack of Experience” as low, 4 respondents have marked “Lack of importance” as high, 1 marked “Regulation and Formality” as very low; another 4, “Lack of trust” as high; and other 4, “Lack of Feedback” as very High. It reveals that Bank is not yet able to design appropriate financial products for SME segment due to higher level of lack of importance, lack of trust and very high level of lack of feedback from the SME owners.

Figure 3.8: Responses on favors that can improve the quality of SME loan offering



This graphical presentation shows that for “improve the quality of SME loan offering”, 5 respondents have marked “Offering shorter-term loans” as very high, 4 respondents have marked “Offering lower interest rates” as high, 5 marked “Interconnection” as very high; another 4, “Greater SME market research” as high; and other 4, “Accurate credit information” as very High. It indicates that shorter-term loans, interconnection between individual and SME loans, accurate credit rating information have very high affect while offering lower interest rates, greater SME market research have high affect that will improve the quality of SME loan offering.

4. Analysis of the study

4.1 Analysis of data

Table 2: Summery of the data Analysis

Data	Avg	σ	Cv
1.SMEs prepare proper financial statement	2.72	1.24	0.45
2.Jamuna Bank Asulia Branch Limited grant large loan for the SMEs	3.88	1.35	0.35
3.Responses on granting loan as cluster wise	3.92	1.16	0.30
4.SMEs maintain proper licensing	2.28	0.87	0.38
5.Responses on affects on SMEs ability to repay loans for Upgraded technology	3.56	1.31	0.37

It can be proved here that SMEs do not prepare financial statement and SMEs do not maintain proper licensing. Because the average of these data was below standard 3. It can also be proved that Jamuna Bank Ashulia Branch limited grants large loan for the SMEs, Responds on granting loan as cluster wise, Responds on affects on SMEs ability to repay loans for upgraded technology. Because the average of these data was above standard 3. The detail of this table has been shown in Appendix-A.

Source: - Field survey (2013)

4.2 Hypotheses Testing

Data were analyzed with a liker type 5-point scale ranging from strongly disagreed (1) to strongly agreed (5). In this study weighted average value of 5 has been considered as the optimum level for every case. Z test is done to test hypotheses 1-3.

Table-3
1. Hypotheses

Confidence level	Z value (Table)	Z value (Calculated)	Decision
95%	2.064	0.839	Null hypothesis is accepted
<i>Null hypothesis in hypothesis 1 stated that SMEs do not prepare proper financial statement. However, the null hypothesis is supported as the calculated z value (0.839) is more than the tabulated value (2.064). That is SMEs do not prepare proper financial statement.</i>			

Table-4
2. Hypotheses

Confidence level	Z value (Table)	Z value (Calculated)	Decision
95%	-2.064	-2.889	Null hypothesis is rejected
<i>Hypothesis 2 stated that Jamuna Bank Limited grants large loan for the SMEs. This hypothesis is not significant as the calculated value (-2.889) is more than the tabulated value (-2.064). Thus it appears that Jamuna Bank Limited does not grant large loan for the SMEs.</i>			

Table-5
3. Hypotheses

Confidence level	Z value (Table)	Z value (Calculated)	Decision
95%	-2.064	-3.966	Null hypothesis is rejected
<i>Hypothesis 3 posited that Cost of operation for the bank will go down, if the bank grants SME loan cluster wise. This hypothesis is not also significant as the calculated value (-3.966) is more than the tabulated value (-2.064), suggesting cost of operation for the bank will not go down, if the bank grants SME loan cluster wise.</i>			

5. Summary of research findings

There are various problems that are associated with SME loan management. The findings of the analysis and interpretations are as follows:

- SMEs are not preparing proper financial statement which creates problem for the bank judging financial standings, profitability and credibility.
- SMEs are not maintaining proper licensing which makes SMEs difficult to trace, create problem for the bank maintaining records, and decrease SMEs credibility to the bankers.
- Upgraded technology affects SMEs ability to repay loans.
- JBL considers promotion for the product like Over Draft, Time Loan, and Term Loan to be adequate in SMEs sector.
- Payback period suggested by banker is 1-3 years.
- Bank does not consider informal loan providers as its competitors.
- Bank is ready to grant loan to SMEs as a cluster.
- Banks can trace SMEs better, can lower their cost of capital, and can give efficient service if they grant loan cluster wise.

- Bank is not yet able to design appropriate financial products for SME segment due to lack of importance and lack of feedback from SME owners.
- Shorter-term loans and lower interest rates will improve the quality of SME loan offering.
- Bank improves current SME offering through interconnection between individual and SME loans so that higher amounts can be extracted.
- Accurate credit rating information will improve the quality of SME loan offering.
- Non-Availability of finance hinders the growth of SMEs in Jamuna Bank. It is reflected that about 40% of the investigate entrepreneurs mention that loan granting procedures are very complex and about entrepreneurs 10% mention that their loan applications have been rejected.
- One of the main barriers to the development of SMEs in Jamuna Bank is inadequate technologies. Many SMEs have failed to adopt modern technology due to the shortage of adequate fund.

6. Recommendations and Conclusions

6.1 Recommendations

- As the SMEs in Bangladesh are habituated to operating in a semi-formal manner and banks are probably one of the most formalized institutions in our country, a big gap has opened up. The first step for Jamuna Bank Limited would be to minimize this gap by relaxing bank procedures.
- The bank should develop an official credit-rating system in easier way, even if in a limited manner, as soon as possible so that they can have some idea about the reliability of their SME clients.
- As mentioned earlier, the banks consider the credit rating system vital to their dealing with the broader SMEs. As bank like JBL already has that structure and other banks have the same clients dealing in other types of loans, the banks can greatly benefit themselves if they cooperate within themselves regarding credit rating and previous history.
- The public commercial banks and Bangladesh Bank also have SME funds or separate SME sectors, but, according to the private banks, these are considered highly inefficient and corrupted. In fact, their practice of corruption has actually affected the loan structure of private banks. As such, the private or commercial banks require urgent cooperation with the government and public banks to decide on a uniform structure.
- There is some unhealthy competition among the private banks regarding SME loans. Unfortunately, this has not been happening in a perfectly legal manner either. This is happened due to loan structure differences between these banks which are being exploited negatively.
- Except for some public banks, most of the commercial banks operating on the SME sector are novices and have little knowledge of the market. As a banker said, they are learning by mistakes. One way they can significantly climb up the learning curve would be through market research. For effective market research, JBL needs to work together with other banks.
- Institutional Network: Development should be done on institutional network through public-private support partnership would be more effective in SMEs financing by pooling the unused or surplus funds available around the country. To make it viable, restructuring of the existing public agencies as well as private support institutions are required.

6.2 Conclusions

The SME sector in many developing countries has usually been neglected and discriminated against in terms of access to government attention, access to finance, management and marketing expertise and technology, as compared with large enterprises. SMEs in Bangladesh contribute significantly to manufacturing growth and employment creation. There are around 27,000 medium sized enterprises and around 150,000 small-scale enterprises in the country. At present, 80 percent of manufacturing establishments are SMEs, accounting for 80 percent of the labor force, 50 percent of the output of the sector and 5 percent of GDP. SMEs provide vital linkages to larger enterprises, particularly in the high-growth export sector, and also form part of the core business activities in both rural and urban areas. The objectives of the study are fulfilled despite some limitations. The problems are identified in this paper through detailed analysis of collected data. On the other hand the problems that JBL faced in designing proper financial products for SMEs are also identified. At the end, this study has tried to offer some suggestions to overcome those problems. If the problems can be solved the transaction between SMEs and Jamuna Bank Limited will be increased.

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APPENDIX

Comments of the Survey

By considering all issues we can say that the problem of SME Banking

To find out whether the ‘lack of investment and operating funds hinder the growth of SMEs, the following analysis is conducted:

Table-6: SMEs prepare proper financial statement

Degree of response	x	f	Fx	Avg	x-avg	f(x-avg) ²	σ	Cv
SA	5	2	10	2.72	2.28	10.39	1.24	0.45
A	4	5	20		1.28	8.19		
N	3	7	21		0.28	0.55		
D	2	6	12		-0.72	3.11		
SD	1	5	5		-1.72	14.79		
Total		25	68		1.04	37.03		

The average is equal to 2.72. Which are smaller than the standard 3. So that conclusion drawn from the above calculation is SMEs does not prepare proper financial statement. And the coefficient of variance is .45

Source: - Field survey (2013).

Table-7: Jamuna Bank Asulia Branch Limited grant large loan for the SMEs

Degree of response	x	f	fx	Avg	x-avg	f(x-avg) ²	σ	cv
SA	5	8	40	3.88	1.12	10.035	1.35	.35
A	4	10	40		0.62	3.844		
N	3	4	12		-0.88	3.098		
D	2	2	4		-1.88	7.069		
SD	1	1	1		-2.88	8.294		
Total		25	97		-3.9	32.34		

The average is equal to 3.88. Which is better than the standard 3. So we can conclude drawn from the above calculation is that the most of the people agree with their Jamuna Bank Asulia Branch Limited grant large loan for the SMEs. And the coefficient of variance is 0.35

Source: - Field survey (2013).

Table-8: Responses on granting loan as cluster wise

Degree of response	x	f	Fx	Avg	x-avg	f(x-avg) ²	σ	Cv
SA	5	9	45	3.92	1.08	10.497	1.16	0.30
A	4	8	32		0.08	0.051		
N	3	6	18		-0.92	5.074		
D	2	1	2		-1.92	3.686		
SD	1	1	1		-2.92	8.526		
Total		25	98		-4.6	27.834		

The average is equal to. 3.92. Which is greater than the standard 3. So the conclusion drawn from the above calculation is that granting loan as cluster wise. And the coefficient of variance is 0.30

Source: - Field survey (2013).

Table-9: SMEs maintain proper licensing

Degree of response	x	f	fx	Avg	x-avg	f(x-avg) ²	σ	Cv
SA	5	1	5	2.28	2.72	7.3984	0.87	0.38
A	4	1	4		1.72	2.9584		
N	3	5	15		0.72	2.592		
D	2	15	30		-0.28	0.1568		
SD	1	3	3		-1.28	4.9152		
Total		25	57		3.6	18.0208		

The average is equal to. 2.28. Which is smaller than the standard 3. So the conclusion drawn from the above calculation is SMEs maintain does not proper licensing. And the coefficient if variance is 0.38

Source: - Field survey (2013).

Table-10: Responses on affects on SMEs ability to repay loans for Upgraded technology

Degree of response	x	f	fx	Avg	x-avg	f(x-avg) ²	σ	Cv
SA	5	7	35	3.56	1.44	14.5152	1.31	0.37
A	4	8	32		0.44	1.5488		
N	3	5	15		-0.56	1.568		
D	2	3	6		-1.56	7.300		
SD	1	2	2		-2.56	6.554		
Total		25	90		-2.8	31.486		

The average is equal to. 3.56. Which is greater than the standard 3. So the conclusion drawn from the above calculation is responses on affects on SMEs ability to repay loans for Upgraded technology. And the coefficient if variance is 0.37

Source: - Field survey (2013).

Table-11: How long SMEs need the loan

How long SMEs need the loan	% of Respondents
1 year	30%
2 year	70%
3-4 year	00%
More than 4 years	00%
Total	100%

Table 11. shows that for how many years these SMEs

Source: Field survey (2013).

Table -12: Why institutional sources fail to provide SME loans

Reasons for what institutional sources fail to provide SME loans	% of Respondents
High interest rate	60%
Too much paper work	30%
Lack of proper contact with SME	10%
Total	100%

Table 13. shows that most of the institutional sources fail to provide SME loans due to high interest rate, approximately 60% SME loan holders response about that but some also think that too much paper work is also responsible for failure.

Source: Field survey (2013).

Table -13: How do the SME entrepreneurs get loans from banks?

	% of Respondents
Credit approval against the bank	50%
Fixed deposit against the loans	20%
Fulfilling adequate collateral re-quirements	30%
Total	100%

Shows that almost all of the SME entrepreneurs get loans from banks via credit approval against the bank. Some clients get loans via fixed deposit against the loans but it provides less amount what they applied for.

Source: Field survey (2013).

Table-14: Where are the credits used?

	% of Respondents
Meeting salary & daily expenses	00%
Purchase of raw materials	60%
To pay their creditors	20%
Over draft facilities	20%
Total	100%
Shows that 60% entrepreneurs used the credit to purchase raw materials and 20% used it to pay their creditors and the rest are for enjoying overdraft facilities.	

Source: Field survey (2013).

Table -15: What are the obstacles faced by the SMEs in getting loans

	% of Respondents
Lack of collateral assets	20%
High interest on govt. bonds	20%
Lack of ability to draw business plan	20%
High rate of non performance loans in banking sector	10%
Lack of long term relationship	30%
Total	100%
shows that the main obstacles faced by the SMEs in getting loans due to lack of long term relationship with the financial Institutions, almost 20% client think about that and the rest obstacles are lack of collateral asset, High interest on government bonds, Lack of ability to draw business plan, High rate of nonperforming loans in banking sector.	

Source: Field survey (2013).

Table-16: Is restructuring of the Credit Information Bureau (CIB) with resources a must to help SMEs and financial institutions for SMEs finance and development?

	% of Respondents
Yes	100%
No	00%
Total	100%
Shows that all of the SME entrepreneurs agree to restructure the CIB to get information regarding credit history, bank and firm's performances etc and to help SMEs and financial institutions for SMEs finance and development.	

Source: Field survey (2013).

Table-17: Distribution of respondents by their nature of organization

Nature of Organization	Frequency	Percent
Electronics & Electrical Product	1	5%
Light Engineering & Metal working	2	10%
Knit ware & Readymade Garments	13	65%
Health care & Diagnostic	3	15%
Education service	1	5%
Total	20	100%
Shows the distribution of respondents he by nature to their organizations. It seems SMEs are diversified in nature. The highest number of SME Knit ware & Readymade Garments in nature. It is also reflected that growth of health care and diagnostics also showing an encouraging picture. So it is observed that SMEs are involved in diversified production and service activities.		

Source: Field survey (2013).

Table-18: Distribution of respondents by their reason of self finance

Reason of Self Finance	Frequency	Percent
Personal reason	8	40%
Complexity of taking loan	8	40%
Rejection of loan application	2	10%
Have not taken loan	2	10%
Total	20	100%

* The total frequency is 20. We tried to investigate the reasons for self financing. About 40% of the respondents mentioned that due to complex loan sanctioning they were reluctant to take loan and 10% mentioned that their loan applications rejected and the remaining 40% were reluctant to take loan for their personal reasons. Hence, financial institution may try to minimize the complexity of loan sanctioning mechanism.

Source: Field survey (2013).

Table-19: Types of SMEs loan

Types of SMEs Loan	Frequency	Percent
Jamuna Jantrik	10	40.0
Jamuna Sommriddhi	7	28.0
Jamuna Swabolombi	8	32.0
Jamuna Bonik	00	
Jamuna Chalantika	00	
Jamuna Green	00	
Jamuna Nari Uddogh	00	
Jamuna NGO Shohojogi	00	
Jamuna Shachchondo	00	
Total	25	100.0

* The total frequency is 20. Among the Jamuna Jantrik 40%, Jamuna Sommriddhi 28%, Jamuna Swabolombi 32%, But other loans item are not uses.

Source: Field survey (2013).

Table 20: Time requirements of getting loan

Days/ Months	Frequency	Percent
7 - 15 Days	02	10.0
15 - 30 Days	05	25.0
2 - 3 Months	07	35.0
Above	06	30.0
Total	20	100.0

* The total frequency is 20. Shows the length of time required to approve the loan. It is reflected that 10% of the loanee received loan within 7-15 days, 25% of the loanee received loan within 15-30 days. It is also observed that 35% of the investigated loanes received the loan after 2 months. 20% of the investigated loanes received the loan after 3 months.

Source: Field survey (2013).

Table-21: Procedure of loan application

Loan Application Procedure	Frequency	Percent
Easy	13	65%
Tough	07	35%
Total	20	100%

* The total frequency is 20. Table 17 tries to identify the procedure of loan application. Among the respondents 54% mentioned that loan application procedure was easy but 46% mentioned the procedure to be tough.

Table-22: Getting loan within reasonable time period

Reasonable Time	Frequency	Percent
Yes	09	45%
No	11	55%
Total	20	100%

* The total frequency is 20. Table 23 shows the picture of time requirements availing of loan facility. 45% of the respondents mentioned that they received the loan reasonable time. But 55% mentioned that they did not receive the loan in reasonable time. So, it is needed to ensure that financial institutions should expedite the loan sanction procedure.

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