

## **INVESTIGATING THE PERFORMANCE OF SME SECTOR IN BANGLADESH: AN EVALUATIVE STUDY**

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**ABSTRACT:** *Small and Medium Enterprises (SMEs) are recognized worldwide as engines of economic growth. The commonly perceived merits often emphasized for their promotion especially in the developing countries like Bangladesh include their relatively high labor intensity, dependence on indigenous skills and technology, contributions to entrepreneurship development and innovativeness and growth of industrial linkages. The aim of this paper is to assess the performance and contribution of Small and Medium Enterprises (SMEs) in the development of Bangladesh. Descriptive statistical tools were used to assess the performance and productivity of SMEs. Study results revealed that SMEs have noteworthy contribution to GDP (gross domestic product), employment generation, poverty alleviation, women empowerment and small and cottage industry sector. It is also found that the performance of SMEs is not satisfactory enough of the country may be due to lack of sufficient financing, lack of skilled workers and political instability. The authors also tried to recommend some suggestions for overcoming the lacking.*

**KEYWORDS:** SME, Performance analysis, GDP, Bangladesh

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## **INTRODUCTION**

There is no denying the fact that Bangladesh needs a sustained level of development of small and medium enterprises (SMEs) in order to reduce poverty. This is also necessary to reach the targets set by the United Nations (UN) in the Millennium Development Goals (MDGs). It is expected that this urgency is sufficiently reflected in government's pro-poor policies, especially Poverty Reduction Strategy Paper (PRSP). Having predominance of agro-based economic activities, low level of technological development, lack of availability of highly skilled labourers, small scale businesses have been suitably developed in the country. Considering the country's level of economic growth, composition of resources, level of global integration, and growing urbanization, there is ample scope for developing diversified and new SMEs in agriculture, manufacturing and service sectors. Thus scope of employment can be widened both in rural and urban areas, which will help to reduce income inequality between urban and rural areas. SMEs' contribution to the economy is well-known. According to BSCIC (1994), small and cottage industries accounted for 89 per cent of total industrial establishments

in 1989/90. About 87 per cent of total employment and more than 50 per cent of total manufacturing value added originated from SMEs. In another estimate, there are 55,916 small industry units and 511,612 cottage industry units, which provide employment of nearly 3 million people. When handlooms are added, the number of cottage industry units alone shoots up above 600,000 (BSCIC, 1994). SMEs achieved considerable growth in different sub-sectors like, paper, printing and publishing; non-metallic mineral products; metal products; chemical; food, beverage and tobacco.

Considering presences of SMEs in Bangladesh economy, it is found that almost 90 per cent of the private enterprises are SMEs and about 70-80 per cent of non-agricultural workforce are working there. The SMEs contributed up to 25 per cent of GDP including about 40 per cent of gross manufacturing output and around 25 per cent of the total labor force (Mintoo, 2007).

### Definition of SME

Different countries and organizations define SME differently. The Government of Bangladesh has categorized SME into two broad classes

- Manufacturing enterprise
- Non-Manufacturing activities

**Manufacturing enterprise:** It can be divided into two categories;

**Small enterprise :** an enterprise would be treated as small if, in current market prices, the replacement cost of plant, machinery and other parts/components, fixtures, support utility, and associated technical services by way of capitalized costs (of turn-key consultancy services, for example), etc, excluding land and building, were to up to Tk. 15 million;

**Medium enterprise :** an enterprise would be treated as medium if, in current market prices, the replacement cost of plant, machinery and other parts/components, fixtures, support utility, and associated technical services by way of capitalized costs (of turn-key consultancy services, for example), etc, excluding land and building, were to up to Tk. 100 million;

**Non-manufacturing activities** (such as trading or other services)It also can be divided into two categories;

**Small enterprise:** an enterprise should be treated as small if it has less than 25 workers, in full-time equivalents;

**Medium enterprise:** an enterprise should be treated as small if it has between 25 and 100 employees.

### LITERATURE REVIEW:

The history of small business has been one of the most prime concerns for the different groups or stakeholders and it involves with controversial stories in economic development in the world. The role of small business in an economy has frequently been weakened and even misinterpreted. In the past, small businesses were believed to impede economic growth by attracting scarce resources from their larger counterparts (Audre-tsch, et al.,2000)

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 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.

Bangladesh Bank Report (2008) says, the key reasons behind the SMEs are not entering into manufacturing but are financial constraints, 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.

However, the later part of this literature, it is clearly reveal the positive impact of SMEs as the SMEs are found in all sectors of the economy, they are dominant in trade followed by services (Hartog, J. 2005). In a study about SME sector of Bangladesh Miah(2007) stated that SMEs are involved with the paucity of self-fund, sources of financing, modern technology; high rate of interest, irregular/inadequate supply of power, poor physical infrastructure and high transportation cost, poor information about market opportunities and requirements, inadequate availability of raw materials, lack of skilled technicians and workers, lack of research & development facilities, fierce competition, absence of effective and transparent legal system, difficulties in accessing technology, credit constraints, low access to business services, constraint of quality of human resources, low awareness, low lobbying capacity, rapid changes in policy environment. Moreover it is worth mentionable in the context of Bangladesh SME is characterized by low capitalization and limited assets, geographical diversity and high mortality, poor credit knowledge, very limited access to formal source of credit, cash intensity in transactions, very limited record keeping habit, poor financial disclosure on account of tax issues, high risk perception has led to high borrowing (Chowdhury 2007)

About 60 to 65 per cent of SMEs are located outside the metropolitan areas of Dhaka and Chittagong. SMEs are providing job opportunities to about 70 to 80 per cent of the non-agricultural labor force (Ahmed, 2009). The SME share in manufacturing value added to GDP varies at 28 per cent- 30 per cent (Ahmed, 1999).

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The prior studies on SMEs in developing countries provide a basic understating of SMEs contribution to economic development. This research is a step towards identifying SMEs contribution and performance considering different aspects of economy of Bangladesh. In this paper, the focus is on the contribution of SMEs and their performance in Bangladesh in the backdrop of various aspects of the economy of Bangladesh.

### **Objectives of the Study**

Small and medium enterprises (SMEs) are one of the principal driving forces in economic development. The SMEs also can generate employment opportunity through diversification of economic activities in the economy. However, there are several factors which must be addressed to ensure effectiveness of SMEs.

The present study focuses on the assessment of SME performance and productivity and the way of enhancing the SME growth. Some policy recommendations are also made.

### **The specific objectives of the study are**

- I. To examine the contribution of SMEs in the economy of Bangladesh,
- II. To analyze the current status of the access of SMEs in formal source of fund.,
- III. To suggest some specific recommendations for future growth of SMEs in Bangladesh

### **METHODOLOGY OF THE STUDY**

Descriptive statistical tools were used to assess the performance of SMEs. . Data have been collected from different sources like the publications of Bangladesh Bank, Bangladesh Bureau of Statistics, Ministry of Finance, World Bank and relevant writings of some scholars. The collected data have been processed manually in the present form in order to make the study more informative, analytical and useful for the users.

### **Small and Medium Enterprise (SME)**

One of the potential and dominating sectors in private enterprises is the Small and Medium Enterprises (SMEs) that helps solve unemployment problem through the creation of new innovative employment opportunities. Considering this fact, the SMEs sector contributes substantially in economic development by expanding business activities and in foreign

currency earnings, Bangladesh Bank is continuing its effort to channeling loans to SMEs. The SMEs sector eventually helps improve the life style of marginal income group, empower women and thereby reduce disparity between men and women. With a view to further development of the sector, the refinancing facilities of Bangladesh Bank are being continued. Currently, Bangladesh Bank Fund, IDA (EGBMP) Fund and ADB-1 Fund, ADB-2 Fund, JICA fund, Women Entrepreneur Fund and New Entrepreneurs Fund in Cottage, Micro and Small Sector are used to refinance to SMEs is performed.

Although there are several obstacles, Bangladesh Bank monitors and supervises the role of all Banks and NBFIs in financing and development of SMEs. During FY2013-14, banks and NBFIs have disbursed altogether an amount of Tk.90,605.15 crore against 5,78,018 SMEs which scored a 14.19 percent growth as compared to that of FY2012-13. On the other hand, Tk.3, 643.11 crore have been disbursed against 28,983 women led SMEs during FY2013-14 and the disbursement increased by 47.35 percent than that of FY 2012-13.

### **Achieving Millennium Development Goals: Role of SME**

United Nations has set Millennium Development Goals (MDGs) for all countries, especially for developing and least developed countries in order to halve the level of poverty that existed in 1990s. Bangladesh has so far made considerable progress on the goals related to social issues. For example, in case of goal 3 i.e. to promote gender equality and empower women, the ratio of girls to boys in primary education has already reached the expected level, while the ratio is much lower at the tertiary level. In case of goal 2, i.e. to achieve universal primary education, the net enrolment rate in primary education in the base year was 74 per cent, while in 2005 it reached 83 per cent, but the target is 100 per cent. For details on Bangladesh's status on MDGs, please see Appendix 1. In case of economic issues related to MDGs, progress is relatively slower. For example, in case of goal 1, i.e. to eradicate extreme poverty and hunger, proportion of people below \$1 per day income level, the progress so far (2005) is 49.6 per cent of people below the line, against the base year figure of 59 per cent, although the target set for 2015 is 29.4 per cent; similarly proportion of people in extreme poverty line declined from 28 per cent in the base year to 20 per cent in 2005 as against the target of 14 per cent. Therefore, a large difference exists between current progress and the target set in the MDGs. In case of goal 2, i.e. to achieve universal primary education, the net enrolment rate in primary education in the base year was 74 per cent, while in 2005 it reached 83 per cent, but the target is 100 per cent. Again, in case of goal 4, i.e. to develop a global partnership for development, the unemployment rate of 15-24 year-old people is 8 per cent. It indicates that unless sufficient employment is created for poor and unskilled labour force both in urban and rural areas, the targets set at MDGs would not be easy to achieve at a considerable level. In this context, huge investment is required for the development of small, cottage and medium scale industries, which will be able to absorb labour force at sufficient amount and ensure a sustained income for the poor. MDG targets should be appropriately reflected in the proposed SME policy of the country. Moreover, keeping the MDG targets in mind, government should appropriately distribute its resources on priority basis in different sectors. This should be reflected in government's PRS implementation as well.

### **SMEs Contribution to GDP**

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.

### 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**

FY 2006-07 to FY 2013-14 (2005-06=100)

Fiscal Year	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.

### Financial Institutions Contribution on SME Growth

In order to expand and development of SME sector, Bangladesh Bank has been continuing its

refinancing facilities during FY2013-14 for Banks and NBFIs as against their financing to SMEs. It is mentioned that Bangladesh Bank introduced refinancing facilities from Bangladesh Bank Fund, IDA (EGBMP) Fund and ADB-1 Fund, ADB-2 Fund, JICA fund, Women Entrepreneur Fund and New Entrepreneurs Fund in Cottage, Micro and Small Sector. However, refinancing was stopped from IDA fund in September 2009 and ADB-1 Fund in June 2011 as the total allocation has already been used up.

Despite several impediments, all Banks and NBFIs have come forward for financing and development of SMEs under close monitoring and supervision of Bangladesh Bank. During FY 2013-14, banks and NBFIs have disbursed altogether an amount of Tk.90,605.15 crore as credit against 578,018 SMEs which scored a 14.19 percent growth as compared to that of FY 2012-13. On the other hand, an amount of Tk.3,643.11 crore have been disbursed against

28,983 women led SMEs during the same period of FY 2013-14 and the disbursement increased by 47.35 percent than that of FY 2012-13.

In addition to regular financing by Banks and NBFIs to SME enterprises, Bangladesh Bank is injecting medium to long-term finances to enterprises through Banks and NBFIs by dint of its refinance schemes. Bangladesh Bank, with the help of Government and different development partners, is implementing 4 refinance facilities to banks and NBFIs against their disbursed SME credit. All these funds are in revolving nature. Sector and purpose wise details statement of refinancing to SMEs sector are shown in Table 8.3.

**Table 3: Summary Information on SME Refinancing (Up to June 2014)**

Sl. No	Name of Fund	Amount Refinance (Taka in Crore)				No. of Beneficiary (sector wise)			
		Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
a)	Bangladesh Bank Fund	384.85	594.13	242.25	1,221.23	5,018	5,913	1,759	12,690
b)	IDA(EGBMP) Fund	80.34	132.47	99.80	312.61	1,368	1,306	486	3,160
c)	ADB-1Fund	144.48	132.27	58.19	334.94	800	2,096	368	3,264
d)	ADB-2Fund	-	568.39	178.56	746.95	3,765	7,435	2,445	13,645
e)	JICA FSPDSME Fund	6.97	39.13	149.77	195.87	185	8	78	271
f)	Women led Enterprises	161.07	423.44	192.82	777.33	3,450	4,789	1,392	9,631
<b>Total</b>		<b>777.71</b>	<b>1,889.83</b>	<b>921.39</b>	<b>3,588.93</b>	<b>14,586</b>	<b>21,547</b>	<b>6,528</b>	<b>42,661</b>

**Bangladesh Bank Fund**

Name of Fund	Amount Refinance (Taka in Crore)				No. of Beneficiary (sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
Bank (20)	349.22	289.00	70.48	708.70	3,111	3,949	818	7,878
Non-Bank(23)	35.63	305.13	171.77	513.30	1,907	1,964	941	4,812
<b>Total</b>	<b>384.85</b>	<b>594.13</b>	<b>242.25</b>	<b>1,221.23</b>	<b>5,018</b>	<b>5,913</b>	<b>1,759</b>	<b>12,690</b>

**IDA (EGBMP) Fund\***

Name of Fund	Amount Refinance (Taka in Crore)				No. of Beneficiary (sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
Bank (17)	73.07	75.73	28.51	177.31	973	1,167	79	2,219
Non-Bank(15)	7.26	56.74	71.30	135.30	395	139	407	941
<b>Total</b>	<b>80.34</b>	<b>132.47</b>	<b>99.80</b>	<b>312.61</b>	<b>1,368</b>	<b>1,306</b>	<b>486</b>	<b>3,160</b>

**c) ADB-1 Fund\*\***

Name of Fund	Amount Refinance (Taka in Crore)				No. of Beneficiary (sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
Bank (9)	144.32	90.95	34.17	269.44	657	1,893	155	2,705
Non-Bank(7)	0.16	41.32	24.02	65.50	143	203	213	559
<b>Total</b>	<b>144.48</b>	<b>132.27</b>	<b>58.19</b>	<b>334.94</b>	<b>800</b>	<b>2,096</b>	<b>368</b>	<b>3,264</b>



**d) ADB-2 Fund\*\*\***

Name of Fund	Amount Refinance (Taka in Crore)				No. of Beneficiary (sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
Bank (19)	-	300.88	86.83	387.70	2,246	5,319	1,230	8,795
Non-Bank(13)	-	267.51	91.73	359.25	1,519	2,116	1,215	4,850
<b>Total</b>	<b>-</b>	<b>568.39</b>	<b>178.56</b>	<b>746.95</b>	<b>3,765</b>	<b>7,435</b>	<b>2,445</b>	<b>13,645</b>

**e) JICA FSPDSME Fund**

Name of Fund	Amount Refinance (Taka in Crore)				No. of Beneficiary (sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
Bank (25)+ Non-Bank(21)	6.97	39.13	149.77	195.87	185	8	78	271

**Women led Enterprises**

Name of Fund	Amount Refinance (Taka in Crore)				No. of Beneficiary (sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
Bank (22)	129.66	260.85	116.26	506.77	2,116	3,539	1,005	6,660
Non-Bank(20)	31.41	162.59	76.57	270.57	1,334	1,250	387	2,894
<b>Total</b>	<b>161.07</b>	<b>423.44</b>	<b>192.83</b>	<b>777.33</b>	<b>3,450</b>	<b>4,789</b>	<b>1,392</b>	<b>9,631</b>

Source: Bangladesh Bank \*Disbursement from IDA fund has been completed in June 2011.

\*\* Disbursement from ADB fund-1 has been completed in September 2009.

\*\*\* Disbursement from ADB fund-2 has been completed in December 2013.

**Bangladesh Textiles Mills Corporation (BTMC)**

BTMC has been continuing its production activities by introducing 'Service Charge System' since FY 1996-97. In the "Service Charge System", the contracted yarn dealers/parties supply required raw materials to the mills for producing yarn and payment is made to BTMC on the basis of certain service charge rate per unit. The responsibility of marketing of yarn lies on the service charge parties.

At the end of FY 2013-14, 22 Units of 18 Mills (running, closed/laid-off) were under BTMC. At present 4 mills are in operation under the service charge system, 1 mills are in rent and production activities of 11 mills has been suspended due to non-availability of service charge parties. A process is underway to set-up a "Textile Polli" in Khulna Textile Mills Ltd, Khulna and The Chittaranjan Cotton Mills Ltd. Nrayanganj. Up to June 2014, BTMC paid Tk.19.37 crore to Government exchequer in the form of Tax and VAT since the introduction of Service Charge System.

In FY 2013-14, a total of 1.98 million kg of yarn was produced in the mills under Service Charge System which was 1.67 million kg a year earlier. After the introduction of Service Charge System, BTMC has discontinued producing fabrics since FY 1997-98 and closed down all the weaving units since then. The year-wise installed capacity and production of BTMC during the period from FY 2001-02 to FY 2013-14 is shown in Table 8.5.

**Table 5: Year-wise Installed Capacity and Production of BTMC**

<b>FY</b>	<b>Spindles (Installed Capacity)</b>	<b>Yarn Production (Million kg)</b>
2001-02	356,384	14.43
2002-03	304,296	9.36
2003-04	199,840	9.71
2004-05	199,840	9.48
2005-06	199,840	7.99
2006-07	195,088	8.87
2007-08	195,088	7.95
2008-09	176,512	2.33
2009-10	176,512	1.14
2010-11	176,512	2.40
2011-12	176,512	0.93
2012-13	168,968	1.67
2013-14	186,264	1.98

*Source: Bangladesh Textile Mills Corporation*

Most of the mills of BTMC had been laid-off for long period. Necessary reforms have been taken for running profitably those laid-off mills.

### Bangladesh Handloom, Sericulture and Silk Industry

Handloom industry used to occupy the second position after agriculture in respect of generating rural employment. According to Handloom Census 2003, the handloom industry can produce 830 million metres of fabrics per year, which can meet considerable domestic demand for clothes. This industry employ about 0.9 million people directly and 0.6 million

People indirectly. There are about 0.51 million handlooms in the country out of which 0.31 million looms are in operation and the remaining 0.20 million are closed due to non-availability of working capital. Value addition of handloom industry is about Tk. 15,000 million per annum.

The handloom industry has been revitalized for overall development and well- being of weavers by providing working capital, raw materials and organizational assistance. Bangladesh Handloom Board (BHB) provided working capital to the poor weavers under a micro-credit programme amounting to Tk. 26.60 million in FY 2013-14. The board has provided a cumulative micro-credit of Tk. 576.90 million up to FY 2013-14. Table 8.6 shows the distribution of loan, recovery and recovery percentage:

**Table 6: Distribution of Loan, Recovery and Recovery Percentage by Bangladesh Handloom Board (In Million Taka)**

FY	Distribution	Recovery	Rate of Recovery (%)
Cumulative up to (June, 2003)	215.80	70.10	32.48
2003-04	80.70	36.20	44.86
2004-05	91.60	31.20	34.06
2005-06	46.80	36.00	76.92
2006-07	33.10	40.80	123.26
2007-08	6.00	23.40	390.00
2008-09	6.95	24.66	354.82
2009-10	15.92	20.83	130.84
2010-11	13.60	19.70	144.85
2011-12	21.20	19.70	92.92
2012-13	18.63	28.90	155.13
2013-14	26.60	23.90	89.85
Cumulative (Up to June 2014)	576.90	375.40	65.07

*Source: Bangladesh Handloom Board, Ministry of Textiles and Jute*

In the case of sericulture and silk industry, Bangladesh Sericulture Development Board (BSDB) has been established by merging the three sericulture relevant bodies namely, Bangladesh Sericulture Board (BSB), Bangladesh Sericulture Research and Training Institute (BSRTI) and Bangladesh Silk Foundation (BSF) under the 'Bangladesh Sericulture Board Law 2013'. For the overall development of sericulture and silk industry, various development programmes are being implemented jointly by BSDB or independently by the above three bodies.

At the initiative of both public and private sectors, different projects are being implemented for expansion and development of sericulture and silk in the country. Under these projects,

activities like production of disease- free layings (DFLs), cocoons, silk yarn and silk fabrics, setting up of sericulture garden and villages, providing training to the people involved in silk and sericulture industry are being carried out. The production statistics of Disease Free Layings (DFLs), silk cocoon, silk yarn and impart training in public sector from FY 2003-04 to FY 2013-14 are shown in below.

**Table 7: Production of DFL's, Silk Cocoon, Silk Yarn and Silk Fabrics in Public Sector**

<b>Fiscal Year</b>	<b>DFL's (No. in Lakh)</b>	<b>Silk Cocoon (Lakh Kg.)</b>	<b>Silk Yarn ('000 kg.)</b>	<b>Impart Training (Persons)</b>
2003-04	3.42	1.22	0.08	420
2004-05	3.22	1.21	0.07	600
2005-06	3.66	1.60	1.30	-
2006-07	3.73	1.63	1.05	-
2007-08	3.46	1.44	0.36	-
2008-09	4.03	1.56	0.75	1280
2009-10	5.50	1.47	1.29	2360
2010-11	4.67	1.76	2.14	1536
2011-12	4.43	1.80	2.66	857
2012-13	4.42	1.22	1.65	641
2013-14	4.17	0.98	1.13	522

*Source: Ministry of Textiles and Jute.*

### **Bangladesh Small and Cottage Industries Corporation (BSCIC)**

Bangladesh Small and Cottage Industries Corporation (BSCIC) has been playing the role for development and promotion of small industries in the private sector. With this aim, BSCIC provides necessary services and facilities to the private entrepreneurs. Various programmes have been implemented intended to provide support in the form of industry facilitating centres, industrial estates, skill development centres, small and cottage industries training industries (SCITI), and design centres under the institutional framework of BSCIC.

Up to June 2014, a total of 9,779 industrial plots have been allotted in favour of 5,678 industrial units in 74 industrial estates of BSCIC throughout the country. At present, as many as 4,104 units are in operation. During FY 2013-14, 92 industrial plots have been allotted in favour of

56 industrial units. Total investment in these 74 industrial estates up to June 2014 is Tk. 18,897.14 crore. These units produced goods worth of Tk. 42,508.82 crore in FY 2013-14, out of which products worth of Tk. 23,746.25 crore were exported. Most of the export proceeds came from hosiery and knitwear products. An amount of Tk. 2,499.78 crore has been paid as revenue to the Government by these industrial units of BSCIC's industrial estates.

During FY 2013-14, the number of small & cottage industrial units established under direct and indirect assistance from BSCIC stood at 5,941 and 4,630 respectively. The total amount of investment in these industrial units was Tk. 1,715.51 crore. Of this investment, a total of Tk. 953.36 crore was financed as loan assistance by Banks, BSCIC and other Institutions; Tk. 476.12 crore came as entrepreneurs' equity and the rest Tk. 285.53 crore was invested entirely by the entrepreneurs from their own fund. As an outcome of the above investment, as many as 94,966 individuals got employment and among them women constitute a major part.

Apart from the mentioned activities, BSCIC has imparted training to 10,280 entrepreneurs, technicians, managers and others in FY 2013-14. Moreover, BSCIC helped different large industries to get supply of machinery and spare parts under the sub-contracting programmes. Besides, about 59,960 acres of land in the coastal area of Cox's Bazar and Chittagong districts has been brought under salt cultivation during FY 2013-14 in which about 42,484 salt growers were engaged with the salt production. During this production season 17.53 lakh MT of salt has been produced with direct and indirect assistance from BSCIC. Alongside, BSCIC is also doing some other activities such as providing credit facilities for poverty alleviation, implementing few development projects, establishing industrial park, estate and special economic zone and so on.

## FINDINGS AND CONCLUSION

There is no doubt that SMEs are playing an important role for the overall development of Bangladesh. Most of the countries have been emphasizing now on this sector. From the above table it is clearly evident that this sector is becoming a pioneer and leading sector in Bangladesh. If proper strategies and policies are implemented in this sector, Bangladesh will be able to earn huge foreign currency from this sector. Today, SME remains the engine of economic growth by offering large-scale employment and income earning opportunities at relatively low costs, especially in the rural areas. It also strengthens the economic efforts to achieve high and sustainable growth, which is a prerequisite for an escape from widespread poverty and socio-economic deficit.

The significance of the SMEs is that it is a labor intensive industry which can create source more employment opportunity in the developed countries. Considering significant contribution of SMEs on overall growth and sustainable economic development, it is imperative to take necessary steps towards facilitating growth of SMEs in Bangladesh, which includes:

**Proper implementation of SME policy:** Government must formulate SME policy to accept SMEs as an indispensable player in the growth of business and to reduce poverty. Without proper policy, the acceleration of this sector will not be possible. So the policy must be implemented properly.

**Quality Policy:** Product quality is an integral part of international competitiveness worldwide. There is a need for national quality policy, which should define the goals and the actions of the country towards quality. Such policy has to be explicitly explained, harmonized with international needs and knowledge, accepted and applied by governments as well as by non-governmental organizations in order to increase the competitiveness of national products and services.

**Infrastructure facility:**

Supply of power, gas, water, and telephone should be uninterrupted and obtaining connections hassle free. Quality of essential services will have a critical place in the development and growth of SMEs.

**Financial services:**

There is a great need for improving different aspects of financial services for SMEs, such as seed money, leasing, venture capital and investment funding. There is a lack of availability of long-term loans for SMEs. Interest rates are still high and exchange rate risks are considerable. All these factors limit the development of SMEs. Finance, both short and long term, should therefore be provided at market cost.

**Business support services:**

A number of business support services are lacking in the business environment for SMEs. These services can be provided and developed by the public or private sectors.

**Training Facilities for SME workers and Entrepreneurship:**

Training facilities for developing entrepreneurial and managerial skills are not adequate in the country. Public-private sector partnership and cooperation is required to extend these facilities. BSCIC must play an active role to this end. Government should take steps to make BSCIC an active organization for development of SME sector.

**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. In the context of Bangladesh as well, an interaction between SME needs and research institutes may thus be mutually beneficial and can help improve the competitiveness of domestic enterprises.

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