

Problems and Prospects of SME Financing in Developing Countries: Evidence from Bangladesh

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Abstract: *The objective of this study to identify the problem areas and developmental issues attached to entrepreneurship related to small medium enterprises (SMEs) particularly in an underdeveloped country like Bangladesh. 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 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 (2015) indicated that SMEs in Bangladesh accounted for more than 99% of private sector industrial establishments and created job opportunities for 75%–85% of the nonagricultural labor force. Findings of this study are useful for entrepreneurs and policy makers of the country. 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.*

Keywords: *Entrepreneurship, SME, Financing, Industrial sector, Bangladesh*

1 INTRODUCTION

In almost every part of the world, limited access to finance is considered a key constraint to private sector growth. This intense attention in the backdrop of the failure of various structural and trade policy reforms to stimulate any significant response from the private sector is remarkable, and seems to suggest that liberalization measures must be supplemented by pro-active policies to attain the desired goal Bhattacharya (2002). This is especially true for SMEs of our country as they are facing different types of problems for availing institutional finance though SMEs play dominantly important role in the national economy of Bangladesh by making up over 92 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). Bangladesh has thus far failed to maximize the benefits derived from the SME sector, which promises and needs to play a pivotal role in promoting and sustaining the industrial as well as overall economic

growth (Ahmed, 2000, Baker et al., 1993, Ahmed, 2003). 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 mitigation 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).

SMEs have long been believed to be important in supporting economic development within a country (Mazzarol et al., 1999). One of the important roles of SMEs in this context includes poverty alleviation through job creation. Thai SMEs are increasingly seen as creator of new jobs (Swierczek and Ha, 2003) and Vietnamese SMEs employ 64% of industrial workforce. 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 92% 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.

2 REVIEW OF LITERATURE

The word enterprise has been used in a range of contexts and meanings (Bridge and O'Neill, 2012). Chowdhury and Rashid (1996) 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. *(Ahmed et al., 2004)* points out that due to the lack of national quality policy and adequate support system, and also 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 prevails as one of the most important problems for the SMEs in Bangladesh. Lack of investing or operating funds remains as one of the most prominent complains of almost all the SME in Bangladesh. *Sulaiman et al. (2005)* observed that the 50.53 percent of SMEs had no access to formal source of finance. Only 35.79 percent of SMEs enjoy unrestricted access to the formal credit. Of the rest 13.68 percent have restricted access to 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. *Agarwala et al. (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.

Rahman et al. (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 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 (Shamim, 2022).

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 (Baker et al., 1993). 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 and Rashid, 1996). 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 (Hossain, 1998, Islam et al., 2011)

3 OBJECTIVE OF THE STUDY

The main objective of the study is to analyze various issues, prospects and challenges of financing this particular sector and find out the ways to overcome these challenges.

- To identify the present scenario of SME sector in Bangladesh
- To identify the problems of SME in Bangladesh
- To recommend solutions to overcome the problems

4 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.

5 AN OVERVIEW OF SME CONCEPT

5.1 *SME: around the world:*

According to the European Union (2003) SMEs are defined as enterprises which have at most 250 employees and an annual turnover not exceeding 50 million Euros. Further there is the distinction of small enterprises — they have fewer than 50 staff members and less than 10 million Euros turnover — and micro-enterprises (less than 10 persons and 2 million Euros turnover).

According to the World Bank (2006) medium enterprises are defined as enterprises which have at most 300 employees and an annual turnover not exceeding 15 million US dollars. Further there is the distinction of small enterprises — they have fewer than 50 staff members and up to 3 million US dollars turnover — and micro-enterprises have up to 10 persons and \$100,000 turnover.

5.2 *SME in Bangladesh*

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

- a) Manufacturing enterprise
- b) Non Manufacturing activities

5.2.1 **Manufacturing enterprise:**

Manufacturing enterprises can be divided into two categories;

- a) **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;
- b) **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.

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

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

- b) Medium enterprise: an enterprise should be treated as small if it has between 25 and 100 employees. According to Bangladesh Bureau of Statistics different enterprises are defined as;

Size	No. of employees
Micro	0-9
Small	10-49
Medium	50-99
Large	Above 99

6 PRESENT SCENARIO OF SME'S 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 31% in FY 2014-15, which increased to 31.41 percent in FY 2015-16. 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 2014-15, the contribution of manufacturing sector in GDP was 21 percent which reached to 21.45 percent in FY 2015-16. The volume and growth performance of the manufacturing sector from FY 2008-09 to FY 2015-16 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	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
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.

6.1 National Industrial Policy

In order to accelerate the pace of industrialization in the country, the Government announced the National Industrial Policy 2016. 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.

6.2

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 197.19 in FY 2014-15 from 112.76 in FY 2008-09. In FY 2013-14, the QIP average index stood at 219.29. Table 8.2 shows the index during FY 2008-09 to FY 2015-16.

Table 2: Quantum Index of Production for Medium to Large Scale Manufacturing Industries
FY 2008-09 to FY 2015-16 (2005-06=100)

Fiscal Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Medium to Large Scale Industries	112.76	117.5	127.47	135.01	157.8	174.9	197.19	219.29

Source: Bangladesh Bureau of Statistics.

7 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 need 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 per cent), services (15 per cent), 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.

8 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	120	60
No	80	40
Total	200	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	48	24.0	24.0	24.0
	Disagree	68	34.0	34.0	58.0
	Neutral	16	8.0	8.0	66.0
	Agree	64	32.0	32.0	98.0
	Strongly agree	4	2.0	2.0	100.0
	Total	200	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	68	34.0	34.0	34.0
	Neutral	64	32.0	32.0	66.0
	Agree	64	32.0	32.0	98.0
	Strongly agree	4	2.0	2.0	100.0
	Total	200	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	48	24.0	24.0	24.0
	Disagree	76	38.0	38.0	58.0
	Neutral	16	8.0	8.0	66.0
	Agree	56	28.0	28.0	98.0
	Strongly agree	4	2.0	2.0	100.0
	Total	200	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	36	18.0	18.0	18.0
	Disagree	72	36.0	36.0	54.0
	Neutral	16	8.0	8.0	62.0
	Agree	60	30.0	30.0	92.0
	Strongly agree	16	8.0	8.0	100.0
	Total	200	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
Valid	Disagree	116	58.0	58.0	58.0
	Neutral	16	8.0	8.0	66.0
	Agree	64	32.0	32.0	98.0
	Strongly agree	4	2.0	2.0	100.0
	Total	200	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.

9 Constraints of SME sector in Bangladesh

The SME sector in Bangladesh is facing several constraints on broad aspects like policy issues, legal, administrative and regulatory constraints, and financial constraints(Hossain, 1998). Each of the broad aspect consists of several constraints issues. Industrial credit in Bangladesh is financed through government-sponsored industrial banks; commercial banks and specialized financial institutions (ESCAP, 2003). At present SME sector is facing a lot of problems in Bangladesh. Some major problems are as follows;

a) 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.

b) High employee turnover

Due to limited growth of SME most of the skilled employees leave SMEs. (Agarwala et al., 2007, Miah, 2006) observed that SMEs are knowledge creators but poor at knowledge retention.

c) Absence of modern technology

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

d) 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.

e) Financial constraints

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

f) Lack of uniform definition

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

g) Lack of information

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

h) 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.

i) Participation of women entrepreneurs

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

j) 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 (Hasan and Jamil, 2014). 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.

k) Bureaucracy

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

l) Absence of transparent legal system

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

m) Lack of commitment to innovation and customer satisfaction

Hasan and Jamil (2014) 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.

n) 6.14 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.

o) Lack of research and development facilities

It is observed that investment in R&D is still negligible in. 6.16 fierce competitions with the cheaper foreign goods fierce competition with the cheaper goods of China, Taiwan, Korea, India, and Thailand also pose threat to SME in Bangladesh.

10 Recommendations

In order to overcome the above mentioned problems the following suggestions are recommended;

1. Government must have to take adequate measures to ensure the uninterrupted supply of raw materials for SME.
2. Government needs to take appropriate measures to fix the minimum salary/wages of the employees of SME. That will help to minimize the employee turnover.
3. Government and financial institution may provide adequate finance for modernization and technological advancement.
4. Development of infrastructure is essential for the optimum growth of SME. So government of Bangladesh needs to take appropriate policy strategy for the infrastructure development of Bangladesh.
5. Government, financial institutions and Non Government Organizations (NGOs) may take necessary steps to ensure uninterrupted financial support to the prospective SMEs in Bangladesh.
6. Due to the absence of uniform definition the policy formulation and implementations are not possible. Government should take initiative to develop a uniform definition of each category of SMEs.
7. Govt. of Bangladesh should take the initiative to develop web pages exclusively for SME and an integrated SME database. It will reduce the barriers to SME access to global market.
8. In order to ensure the retention of skilled workforce the government should make the entrepreneurial career attractive by minimizing the uncertainty.
9. 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.
10. SME foundation may take appropriate marketing tools to popularize their products.
11. For minimizing red tapes and accelerating the growth of SME government may provide one roof service under the SME foundation.
12. Appropriate legal framework is necessary to ensure the development of SME of Bangladesh.
13. 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.
14. Government should establish a credible certification authority especially for SMEs. So that this sector can obtain a technical evaluation of the quality of their products within a shortest possible time. The certification of the authority should be worldwide accepted. Govt. may also provide assistance to SMEs during the certification process and promote the importance of product certification for international acceptance among the SMEs.

15. Research and Development (R&D) is must for the development and growth of SME. So government must have to invest in R&D for ensuring the intensification of SME of Bangladesh. 7.16 Restriction may be imposed on import of SMEs' products which are available in Bangladesh.

11 CONCLUSION

Small and medium enterprises (SMEs) act as a vital player for the economic growth, poverty alleviation and rapid industrialization of the developing countries like Bangladesh. SMEs are significant in underlying country's economic growth, employment generation and accelerated industrialization. Government of Bangladesh has highlighted the importance of SME in the Industrial Policy-2017. SME has identified by the Ministry of Industries as a 'thrust sector'. As the SME sector is labor intensive, it can create more employment opportunities. For this reason government of Bangladesh has recognized SME as a poverty alleviation tool. SME also foster the development of entrepreneurial skills and innovation. Along with poverty alleviation SME can reduce the urban migration and increased cash flow in rural areas. As a result it will enhance the standard of living in rural areas. Performance of SMEs in Bangladesh is significantly found below the level of international standard. Although government of Bangladesh has taken some initiative to ensure the growth of SME but those steps are not enough at all. But government shows its positive attitude towards this sector. Bangladesh government should continue to give more focuses on some areas, such as arrangement of finance, provide infrastructure facilities, frame appropriate legal framework, establish national quality policy etc. From the sequence of our analysis it seems that for the economic development of Bangladesh SME can play a vital role. We are quite optimistic that if the above mentioned suggestions are implemented then the growth of SME sector in Bangladesh will be accelerated.

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