

Report On  
SME Financing & It's Impact on Our Economy

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the  
requirements for the degree of  
BBA

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BRAC University  
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## **Declaration**

It is hereby declared that

1. The internship report submitted is my own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

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## **Letter of Transmittal**

Riyashad Ahmed

Assistant Professor & EMBA Co-ordinator,

BRAC Business School

BRAC University

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Subject: Submission of Internship report.

Dear Sir,

With due respect and gratification I would like to inform that, I have completed my internship report titled “SME Financing & It’s Impact on Our Economy” according to your given instruction. Working on this report gives me the opportunity to learn about SME in a more detailed and exhaustive manner.

The report will replicate an inclusive picture of SME Financing in our country. Moreover, every chapter of this report will disclose every steps of the research format used for better extraction of information as well as for reaching a credible outcome and analysis on the research work.

In preparing this report I have tried to abide by the Instructions you have rendered about writing and presentation of the report. Nonetheless I am willing to shed light on any discrepancies if arises.

Thank you for giving me the opportunity to work on this topic. This will definitely enhance my knowhow and insight regarding the subject matter I have worked on.

Sincerely yours,

---

Anika Tanjin

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BRAC Business School

BRAC University

Date: January 09, 2020

## **Acknowledgement**

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Finally I would like to take this opportunity to thank all the people who has helped and supported with their thoughts, ideas, tips and assistance. Without all of your cooperation it would not be possible to finish this work within the given time frame.

## **Executive Summary**

In this report attempt has been made to portray an analysis regarding Small and Medium Enterprise financing in Bangladesh and its potentiality. To bring a meaningful insight in the research work a survey was also been conducted with the clients of IDLC Finance Ltd. & the people in my social circle. In addition, the research was conducted by gathering information from the secondary sources e.g. online journals, newspaper articles, research statistics of national and international think-tanks. After gathering the required data, SPSS, MS Office and MS excel was used to find out optimum information from the sample and then analysis was done to figure out the outcome. In conclusion it is found that, though SME financing is believed as the most potential source of financing in battling unemployment and poverty but it is yet to be the tool for that purpose judging by the present method of financing. So to enhance the performance of SME financing as par its prospective, recommendations are stated at the end to draw the conclusion of the project.

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## **List of Acronyms**

ADB- Asian Development Bank

BWCCI- Bangladesh Women Chamber of Commerce & Industry

NASCIB- National Association of Small & Cottage Industries of Bangladesh.

FBCCI- Federation of Bangladesh Chambers of Commerce & Industries

DCCI- Dhaka Chamber of Commerce & Industry

BIBM- Bangladesh Institute of Bank Management

BBTA- Bangladesh Bank Training Academy

IDA- International Development Association



# **Chapter 1**

## **Generalities to the study**

### **1.1 Introduction**

Loan from small and medium-sized enterprises (SMEs) means providing financial help by financial institutions

for small and medium-sized enterprises. Financial institutions offer loans for working capital transactions, business expansion and purchase of heavy equipment for small and medium-sized industries. A newly introduced initiative called SME and Special Program Division introduced by Bangladesh Bank on 31-12-2009 is designed for advancement of the SME sector in Bangladesh as well as the implementation of SME loan management in this sector. A variety of projects, services and policy initiatives have been taken by the SME and Special Program Division to grow and enhance small and medium-sized enterprises.

In case of bank/non-bank financial institutions, according to the SME and Special Program Division Industrial Policy-2010, held on 19.06.2011, the inclusion of SMEs is given below:

Necessary actions and programs to ensure funding for the growth of SME institutions has been initiated by Bangladesh Bank and SME Foundation. In an addition to that, commercial banks and financial institutions are interested to fund SME institutions and such initiatives are playing an important role to raise economic growth, reduce unemployment. On the other hand, opening new sectors of business, eliminating poverty, reducing economical difference as well as ensuring equality and empowering women are the best outcome. In a developing country like Bangladesh, The role of small and medium industries is immense and most industries covered by the SME sector. Furthermore, gaining the ability to produce import substitute products, this sector and its industries are playing an incredible role.

According to the National Industrial Policy Order 2010, modifications of the definitions of small and medium enterprises (SME) proved that Bangladesh Bank has played significant role for the betterment of banks and financial enterprises.

### **Medium Industry/Enterprise**

According to the redefinition of SME introduced by Bangladesh Bank, medium industry enterprises in manufacturing would be defined by the amount of assets worth minimum Taka 100 to max 300 million (substitute by land and factory building, and including replacement value) and/or 100 to 250 workers.

Medium enterprises will be those which employ 50 to 100 workers and have assets (defined as above) worth Taka 10 to 150 million, if we consider service industry and business sector.

According to the data provided above any business industry fulfilling the above criteria will be considered as large industry though other conditions might included.

### **Small Industry/Enterprise**

In manufacturing, small industry/enterprise would be defined by estimating assets worth Taka 5 to 100 million (defined as above) and/or having 25 to 99 workers.

A bit different condition might show in case of service industry and business, small enterprises will be those which employ 10 to 25 and have assets (defined as above) worth Taka 500,000 to 10 million.

### **Micro Industry/Enterprise**

In assembling, small scale industry/undertaking would be those with resources worth Taka 500,000 to 5 million (characterized as above) as well as 10 to 24 laborers or less.

In administration industry and in business, smaller scale ventures will be those which utilize 10 or less individuals and have resources (characterized as above) worth Taka 500,000 or less.

### **Small scale industry/Enterprise**

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### **Women Entrepreneurs**

On the off chance that a lady is the owner of an exclusive business or the proprietor of in any event 51 percent of an organization or a privately owned business enrolled under business entities, at that point she would be viewed as a lady business visionary. The roundabout said bungalow and miniaturized scale enterprises would starting now and into the foreseeable future be remembered for Bangladesh Bank's SME advance approaches and projects.

### **SME Financing & the economy of Bangladesh:**

A vast number of small and medium enterprises (SME) in Bangladesh is meant to be the potential change maker and a statistics shown by private organization related to the SME proved that around 40% gross manufacturing output, 80% of industrial employment and approximately 25% of the total labor force of economic growth of Bangladesh is one of the greatest outcome of these small and medium business industries. In an addition to that the contribution of these small and medium enterprises to the GDP was 23% in 2017-18.

In comparison between the large and medium or small industries in Bangladesh, small or medium enterprises mostly contribute in a cumulative form in this developing economy. Here I discussed some points with how the SME plays its role to develop the economy to go up and fluent. In view of present economic development effort in Bangladesh, These are reflected in the following performance /activities of this sector: During the Fourth Five year plan, a total of 0.35 million jobs were created against the target of 0.4 million. During the period from 2000- 01 contribution of SME sector to GDP remained above 4.5% though there was a declination in the advances by the banking sector.

In case of labor force, Small and Medium enterprises have created 1/4<sup>th</sup> of the total employment which is the main reason to create new job opportunities. Within a developing country like Bangladesh, if the main target is to eliminate poverty as well as reducing the economical difference by increasing the income of the people living in the rural area, then SME sector is the best we can get and use. SME sector has certain positive sides rather than the others. For an example, energy efficiency, low labor cost, enough manpower and basic infrastructure help SME sector cause less environmental risk. This kind of resources may not

be utilized in our country properly which causes slower development of our economy. Most of the small and medium sized industries are labor centered and most of its work is dependent on man power which actually solves the unemployment problem. Now, let's focus on the power of our rural sector. Here we will be able to see that we are more resourceful than any other country in case of handicrafts and art. As this can be turned into a new service of the next small industry. In conclusion, we can say that SME is playing an amazing role to make our economy growth faster every day.

### **Helping LDC economies:**

A general question on everyone's mind is, "what are the most important factors to make particular country's economy rich?" As in the past couple of decades, a country's reputation is much more acceptable if its economy is rich. Therefore, knowing the answer of this question is a must. Couple of important factors to answer the question is given below:

1. **Employment of the most people:** SME is playing an amazing role to create such opportunities. On the other hand, as SME creates new small businesses and industries and during this whole process it reduces the number of unemployment. SME also help a business model to grow faster and in a developed way which will actually create more job opportunities for unemployed people. This is just another way to reduce the economical difference between different earning class people.
2. **Creating enough job opportunities:** As I have discussed already this point, SME is undoubtedly creating new job opportunities and helping us to build a powerful economy.
3. **Reducing monopoly business:** Whenever an economy is fair to each and every side, pricing and its characteristics help everyone within that economy to boost up. In brief, SME reduces monopoly, increase competition in a fair way, indirectly create a stable market, makes the products and services better which carries out a stable and helpful market for both the consumers and suppliers.

To conclude, we need to mention couple of other facilities provided or created by the SME. Such as, helping to create bigger industries or creating its base as well as backing up. Increasing performance, more competitive market, fair and stable market is also its highlighted positive side.

### **Problems faced in LDC economics:**

1. Unemployment can cause a terrible effect on the economy as this can slower the process of building a strong economy.
2. Income inequality is just another possible outcome of a lower developed economy. Mostly, in a LDC economy income difference is everywhere as the rich get richer and the people with lower income can't really help themselves to improve their situation whereas SME help them as well. As a result the economy becomes stable and grows faster.

### **Bangladesh Bank regulations regarding SME financing**

Bangladesh Bank has established SME financing as an important part of the national economy as SME (small and medium sized enterprises) requires small amount of funding, vastly solves the unemployment problem, creates the base for large business as well. To build a strong economy, its necessary to reduce the rate of poverty and SME is widely considered as the best way of doing that in our economy. A variety of programs and laws to ensure an effective SME infrastructure plan has introduced by Bangladesh Bank by capitalizing on these impacts. These impacts are described in the below section:

**Refinancing scheme:** Bangladesh Bank is providing refinancing scheme which is funded by Bangladesh Bank, IDA, and ADB. This scheme is for the enterprises for their growth and development.

**Dedicated desk:** Bangladesh Bank is giving very much priority to SME department and treating it not less than a distinct department. Dedication desk is for any queries related to SME.

**SME service center:** Bangladesh bank asked every bank and NBFIs to open a social facility platform by which women entrepreneurs will be benefited.

**Area approach method:** The institutions must have branches on the basis of geographical division. They must open three branches in rural area before opening a branch in urban area. This will reduce the discrimination between rural and urban area.

**Separate business strategy:** Guideline from Bangladesh Bank provides instruction for availing a separate business strategy for SME purpose. This will make the things easy and less documentation will be required.

**Priority:** According to guideline, prioritized groups will be women entrepreneurs and small enterprises.

**Training:** Banks and NBFIs have to arrange trainings for entrepreneurs. Moreover, BBTA, BIBM, DCCI, FBCCI, NASCIB, BWCCI and SME Foundation and so on organizations will conduct training for the stakeholders of marketing, skill, and technology and SME development.

**Interest rate:** Interest rate for SME loan is not like ordinary loans. Range of interest should be convenient for everyone. For women, it should be less than the interest rate of the banks (less than 5%).

**Financing amount:** SME financing is raised up a lot which is up to 50 million BDT. For small enterprises, financing amount is from 50 thousand to 5 million BDT.

**Grace period:** There should be moratorium period provided by banks and NBFIs along with SME loan facility.

**Collateral:** Guideline says that SME loans can be provided to 2,500,000 without any collateral. Hypothecation and machineries have also the consideration. Besides, Banks and NBFIs are directed choose clients and facilitated amount on the basis of due diligence.

**Assistance:** Banks and NBFIs can take help and consultancy for non-government organizations and private organizations for avoiding fraud borrowers and bad debt.

**Availability of information:** Every related information regarding SME loans like sector wise products, credit flow, rate of default, employment creation, loan amount, interest rate etc. should displayed and advertised visibly so that all the clients can get those easily. This will enable the clients to choose the most convenient and the best option for themselves.

**Emphasize on refinancing:** 100% claim is directed to refinance by Bangladesh Bank for increasing of employment and higher production. It is applicable for manufacturing and service center.

### **Technical aspects that banks and NBFIs follow for SME financing:**

- Value of mortgage (land, building, and apartment) is defined clearly. FSV (Forced Sale Value) is 100-120%. On the basis of loan provider and FSV apartment and commercial space value have to be 75-85% of the market value.
- For financing against registered property (mortgage), lawyer's advice is needed for 'good right' realization.
- Loan which is below 3-4 million from 3 or more banks and NBFIs will be considered ineligible.
- Clients who receives loan from other institutions will be eligible for this scheme after five successful installments.
- An existing client will be eligible if he/she is regular regarding the payment of his/her installments.
- The proprietor's age should be within 20 to 60 years and the debtor, on the other hand, would be within 25 to 50 years of age.
- The submission of ECC report is compulsory for manufacturing businesses in funding over 2.50 million.
- The net value of the guarantors compared to the amount of the facility.
- Commercial authorization updated and reasonable TIN and NID.
- Employee names, wages, posts and documents regarding monthly wages.
- IRC (Import Certificate of Registration) and IRE (Export & Import Certificate).
- Inventory and price of stocked products
- Substantial amount of bank transactions in proportion to income.
- The last year's sales and bank transactions.
- List of payables and receivables.
- Database of major providers and current stock information including inventory data.
- The consumer must have a valid and strong CIB without a SS (Sub Standard Loan).
- DSCR after the loan facility has been made available.
- Debt ratio to equity before and after the loan amount has been approved.
- Certification from the authority is approved e.g. BSTI Certificate (For Food manufacturing Companies, DC Permit (For Fuel and Acid Industry), Petro Bangla Certificate (For Fuel and Octane Enterprise), etc.
- Database of the company's current client base.

- RJSC issued certificate of incorporation and Memorandum of Articles.
- Resolution of the agreement to lend private limited company.
- Certification of education.
- Billing documents of telephone and electricity bill.
- Agreement of that particular business establishment's shop or house or office.

## **1.2 Research Objective**

1. Setting the consumers behavior based on interests rate, procedures regarding loan taking and its acceptance etc.
2. Finding out the satisfaction level of consumers while accepting SME loan.
3. Finding out the ratio between interest rate and customer satisfaction level.
4. Knowing the ratio between loan accepting guidance and consumer's satisfaction level.
5. Knowing the effects of SME funding on the overall economy.

## **1.3 Statement of the problem**

To ensure constant increase and economic improvement of the country one must solve two major problems named as unemployment and poverty rate. In order to understand the exact conditions of these problems, an extend analysis of the variables associated with them is simply arranged and discussed furthermore.

A facinating fact struck me hard while I tried to find out about the current unemployment condition in bangladesh is that not only the people deprived of adequate education are unemployed but also almost 92.4% educated youth in our country is unemployed. Creating new jobs or opening new job spheres for the new generation is not an easy job as the population is increasing day by day. Government and the private farms as well as SME are working very hard to cope-up with this current situation. Though SME is considered to solve this employment single handedly but that is not the reality. To discuss the present condition on



poverty, different studies proved that, about 41.6m people is leading their miserable life with the vicious circle of poverty which is almost 26% of the total amount of the present population Bangladesh.

Unemployment is the major reason behind such a pernicious situation which also indicates that even being an unemployed person for a certain amount of time drags people under the minimal wage line and decoys them in the cycle of poverty. As the main drawback of our economy to increase poverty is unemployment and positive side of our economy is that the ratio between unemployment and poverty rate is decreasing day by day as the SME is creating new jobs and opportunities every day. Now the main factor is regarding the usage of resources. The main question is how we are going to use our resources and what could be the best possible ways to focus on while using our main resources?

While using our resources, the best way will be utilizing it on a single segment that will solve both problems single handedly. We have to find a single way of solving these two rather than two individual solutions. To solve these problems we need a sustainable funding scheme. A better sustainable scheme than the others that will provide encouragement to the people to become an entrepreneur rather than falling behind being an unemployed person dragging the economy downwards. Though the reality in our economy is quite opposite. Finding out the main reason behind this is not that hard because mostly people find out different schemes or solutions provided by the government seems just like another burden to themselves rather than the jackpot machine. For an example micro financing has been working effectively in our country for nearly 33 years but it does not seem to be that much effective if we see the current statistics regarding the economic situation of people with less income. Some studies have shown that almost 40m people throughout the country is still leads their life by remaining below the poverty line and this statistics was published in 2016. To bring out a solution for these entire all we have to do is making proper schemes that will encourage people to take

loans, to start new business and to help them while building a better future for them as well. The schemes related to SME funding should support this kind of structured regulations.

Let's take IDLC Udbhabon product as an example. Here this project was designed to help the entrepreneur by providing loans for the start-ups based on the industry of information and technology. The main problem of not accepting the loans by the unemployed people is that they consider loans as a burden and if this can be replaced with some user friendly regulations which will encourage people to take loans to start something of their own. Basically, initial job of micro-financing is to offering people different loaning schemes, helping them to build their own income source, creating enough opportunities so that they can empower themselves but the associate burden with micro-financing is not avoidable. With great help they were charging interest and this amount of interest sometimes acted as unbearable burden as sometimes people were unable to fold their luck and there was the extra amount of the many that they must to pay. In some cases people were able to make their fortune wheel rotate but if they were unable to do that then the loan just did final job to make their situation worst. Sometimes not paying the debt even turned themselves as homeless. Furthermore, if we focus on the basic need of a man in need of a loan then we will find out that the particular person is not searching anything but a job which will ensure his 3 meals per day and proper shelter for their family. This is the best part of SME that SME can offer a job to that jobless person and this method is much more applicable and affordable as loaning money to the poor seems riskier for the both end. But securing a way for regular cash flow to the particular family themselves is not. So by providing a proper guideline and training can make this whole process risk free and sometimes the properly trained borrower might be turned as an example of success for the others. Reason behind the success of trained person than the random poor uneducated is described below:

1. Because they will take less dividend in terms of business formation, opposite to poor.

2. Basic needs of themselves can help them to stick with their work or business or whatever they were offered to do. For an example, if that work or business help themselves to provide food them whether the business booms up or go downward they will try their best to make it work whereas a random poor people might easily give up.
3. Lack of information and illiteracy of a poor people can create blockage for him.
4. Normally someone without a proper training might not know about creating such opportunities for others as they have a tendency of “satisfied with less” which is not benefactor at all.

According to the data provided by BBS there are approximately 50.76million poor people living in Bangladesh and the number of illiterate is approx. 40.64 million. With the help of a rational comparison we can state that mostly the illiterate people are poor. Though this assumption is not 100 percent accurate as insome of the cases some people might be illiterate but not poor. But to generalize the current situation and the economy shows us that mostly the people remain as a poor due to the lack of knowledge, proper training, proper education and lack of opportunities as well. Based on the explanation and possible reasoning described earlier an approximate assumption can be stated that the perfect client for the SME financing are the properly trained poor people and those who are out of poverty. Now the main problem that will come up that who will provide jobs to them as they are illiterate and has only a little knowledge to do something on their own. So according to the stated reasons and explanation above, it can be presumed that, poor illiterate people are not the rational client base for loan facility. Rather they are the one who should be involved in jobs until they are out of the confinements of poverty. So, the question here can be who will provide the poor jobs? Now the answer should lies on the outcome. Which will bring the best output in terms of lower risks and higher success? In terms of these two, the answer should be those people who claimed their basic rights already and almost free from the poverty should provide higher

success rate but there lies a contradiction with the micro-finance policy. But by following these steps, even jobless uneducated person can create chances like new job opportunities for others. Now, this is the best way to build a strong economy and reducing poverty.

What could be possible difficulties or problems faced by the Small- and medium-sized enterprises? According to owner's statement, Small- and medium-sized enterprises don't get loans easily though the statement and statistics from the bank side state differently. From the documents provided by the banks shows that, within 12 months an extra Taka 124,276 crore was added in the outstanding amount with the previous amount of Taka 673,920 crore in 2017.

Based on the data provided by Bangladesh Bank, In 2016 loan disbursement to SMEs rose from Taka 141,935 crore to Taka 161,811 crore the following year,. Later, in 2018, SME loan disbursement was Taka 114,461 crore. Gradually we can see that, a huge amount of money was flowing as loans for the SMEs though the owner of the SMEs stated that they are not getting that much amount of money that they needed. According to their statement, people who are getting loan from the Bangladesh bank are not actual SMEs and these are pre-planned scams by the banks which they uses to meet the goal set by Bangladesh bank and enjoys its profits also though rules are stated that almost 20 percent of all the bank loans should spend for the SMEs. Basically they were trying to say that this loans are mostly fake and a replacement of other loans that they provide. Reasoning behind these scams seems logical as the interest rate for SMEs is quite lower than the other loans. In numerical number, the ratio of the interest for the same amount of money provided for the other loans provide at least 4 times than the SMEs provides. They also added that, most of newly started SMEs don't get loans easily though these loans are surely a must thing to them as they have just started their journey.

This research is done by focusing on present customer satisfaction of SME loan and this study should be helpful in case of learning about the consumers, their choices, behavior towards the institution that provide loans and loan providing guidelines, rules and regulations. Moreover, the pros and cons that influence or discourage customers to accept SME loan by

the customer will be the highlighted topic for this research paper. In brief, this document will be helpful to those who want to gain knowledge about the impact of SME financing on the economy of Bangladesh.

#### **1.4 Scope of Research**

The kind of study is a relationship between the variables like interest rate & convenience of getting loan & customer's satisfaction. In this study it was being tried to see how the independent variables are affecting customer satisfaction of SME loan. I basically did online survey which makes it easier for me to do the survey. The respondents were unknown but if they had any confusion about the survey questions they had the option to ask me since I shared the link on their Email & message inbox which provides a way for the respondent to contact if necessary. The survey was really cost effective which indicates that I did not need to spend much for this. Since it was an online survey, it consumes less time comparatively.

#### **Target, population, sample**

The population in this study is the people of Bangladesh because they are large in number. I flagged a way for SME loan provider to be launched in this emerging market to help in making the economic life of people better & the target in this research are the customers of SME loan in Dhaka City & near Dhaka city. I took a sample of 107 people who have taken SME loan & assessing their attitude towards this idea of SME loan service.

#### **Variables**

The independent variables are interest rates, procedures of taking loan & types of business & the dependent variable is customer satisfaction.

## **Measurement**

For the research instrument we set (16) sixteen questions which were given to 107 (one hundred & seven) respondents and we got responses from all the one hundred & seven respondents.

### **1.5 Limitations of the study**

- The survey was limited to the customers of IDLC Finance Ltd. & few from society only, so it cannot be comprehensive to all the SME owners.
- The samples size is narrowed to 107 customers only.
- The study is grounded upon primary data, so any incorrect information provided by the respondents may mislead the findings.

### **1.6 Significance of the study**

This study is beneficial for SME loan providers since they will have an overall idea about the customer's satisfaction level & they will also come to know about the expectations of customer & the concerns of customer.

The study will also help the economists since they will come to know about the initial impact of availing SME loan to people & also how it affects the economy of Bangladesh in the long run which will help them to decide the next steps accordingly for the betterment of the economy of Bangladesh.

## **Chapter 2**

### **Literature Review**

Literature review means the major topics that we have prepared to organize our research on. For this research no particular theory or model was followed. This is a descriptive research that explores the borrower satisfaction on SME loan.

In the present SME sector of Bangladesh, by different studies were conducted by foreign & national experts to describe its nature and consumers behavior. Some the well-known author and experts opinin are stated below. According to Chowdhury (2007), the characteristics of Bangladesh SME is can be declared and understood by its low capitalization & limited assets, geographical diversity & high morality, lower credit knowledge, very limited access to formal source of credit, cash intensity in transaction, very limited record keeping habit, poor record keeping habit, poor financial disclosure on account of tax issues, high risk perception has led to high borrowing costs. In an addition to that Uddin (2008), has stated that mostly in the developing countries, the efficiency of the economy is mainly influenced by macroeconomic policy environment & the overall contribution of SME financing. Sinky (2002), states that to acquire and establish a good relationship with the customers each and every bank should utilize their relationship in order because no matter what the amount is, as the number of customers of each bank will increase will clarify that their quality is better than the others. Chowdhury, Azam& Islam (2012), state that almost 25% to 35% of world produced exports SME's contribution and SMEs are increasing the necessity of different products. A brief discussion about the availability of SME loan, deduction of the interest, easier procedures while accepting loans, lower infrastructure cost, and new initiative regarding the training facility for entrepreneur should be the main focus for a country like ours is said by Sarkar, Islam &Khalek (2018). Along with that, Yousuf& Rahman (2014), finds these astonishing facts that SME financing is now constructing the economy with the

help of our banking system and in near future this would be considered as the greatest breakthrough.

## **Chapter 3**

### **Research Methodology**

This chapter focuses on the process, method, collection, identification, classification and interpretation of raw data gather and used for the purpose of our research. This section therefore includes the type of research I have conducted, methods that are being applied, sample, research instruments, data collection and finally the treatment of the data. The full description has been given below:

#### **3.1 Methods of Research Used**

“SME Financing & It’s Impact on Our Economy” research is a descriptive research which is a popular research methodology used among business organizations. This research focuses on find out how satisfied consumers are with the overall idea of providing SME loan. The topic “SME Financing & It’s Impact on Our Economy” Seeks to understand how consumers of SME loan truly fell about the overall procedures, interest rate and impact of it. Therefore, such descriptive researches require high qualitative data to extract their true thoughts and feelings. I have used online survey through Google form as it is one of the most convenient and cheapest methods to gather effective data at the fastest possible time.

#### **Research Method**

For this study I have created close-ended structured questions, which allows respondents to state their thoughts conveniently. Therefore, I have collected primary data for this study. The survey consists of people of different age groups, background, gender and occupation. Doing so helps me to understand consumers prospective on different levels.



## **3.2 Respondents & Sampling Procedures**

### **Population**

Target population refers to the total groups of people from which samples can be taken. The target population for this research refers to all the consumers of SME loan to understand their current attitude to this loan & future actions whether they will take this loan in future or not.

### **Sample**

Sample is a subset of large population who were chosen for being a part of the research therefore represents the entire population. When taking sample I chose a diverse range of respondents such as different age groups, gender, and background& business types to generate a diverse understanding.

### **Sample Size**

Sample size is an important determination since the size of the sample will play a major role in replicating the target population. A high sample size enables understand the issue more in-depth and thereby come to a more solid conclusion. In order to conduct this research I have taken 107 respondents for this survey. I have gathered information from our 107 sample in different groups.

### **Sampling procedures**

For this research I have conducted Non-Probability Sampling as population is unknown. In order to reach the samples I applied convenience-sampling technique since it is the most popular product and is highly effective. Further, using this method requires no cost and can be the fastest route to attaining samples from target population. To get my respondents I have simply sent links of my Google form online which enabled me to get fast and effective responses, meaning it is a form of internet sampling as it was conducted fully online.

## **3.3 Research Instruments/Questionnaire**

For my research I have conducted a survey and for the survey I have prepared a closed-ended questionnaire. The survey questionnaire consists of sixteen questions that generate high quality and in-depth views and feelings towards SME loan. While preparing my questionnaire I have used several techniques, the most popular Likert scale has also been implemented in my questionnaire survey along with others such as screening question,

attitude question and demographic question. The questions are measured by using nominal, ordinal and interval scale.

### **3.4 Collection of Data**

When it comes to collecting data since it is a descriptive research that I have conducted it requires me to focus heavily on primary data collection from people who have and are currently using SME loan in their business. Since my survey was conducted online via Google form it was a Self-administered questionnaire. However I have made it very simple to understand. In the case of questionnaire distribution I have simply used Google Forms as its very convenient and easy to use both in case of sending and receiving and most importantly free of cost. I have shared the link for the questionnaire to different groups of people online via social media and email enabling me to attain out respondents effectively and efficiently.

### **3.5 Statistical Treatment of Data**

After collecting 107 responses, I have used SPSS statistical software to calculate the arithmetic mean, standard deviation and variance and also done reliability analysis based on the responses. I also used frequencies and Bar Charts to display raw data and interpreting the outcome of the survey. With SPSS, I have been able to get better output and proper analysis of the research.

## Chapter 4

### Presentation of Data and Critical Discussion of Results

#### 4.1 Analysis of Responses with Charts

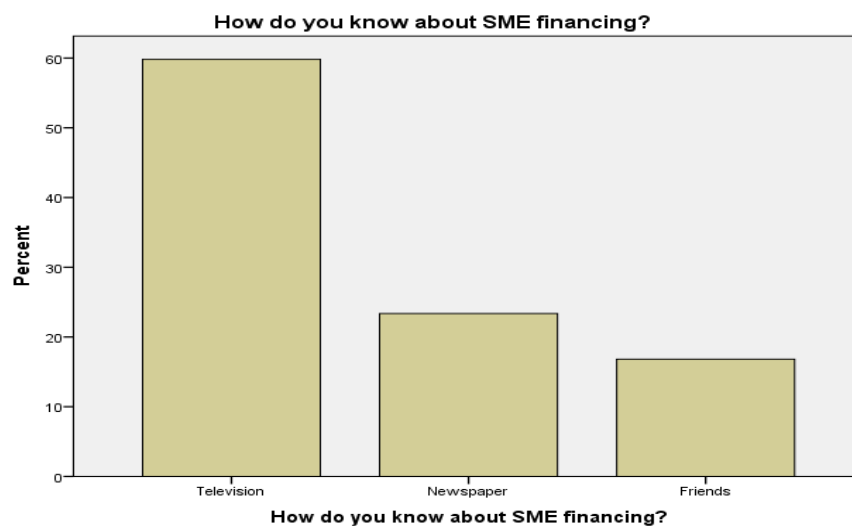
##### Statistics

How do you know about SME financing?

N	Valid	107
	Missing	0

How do you know about SME financing?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Television	64	59.8	59.8	59.8
Newspaper	25	23.4	23.4	83.2
Friends	18	16.8	16.8	100.0
Total	107	100.0	100.0	



## Statistics

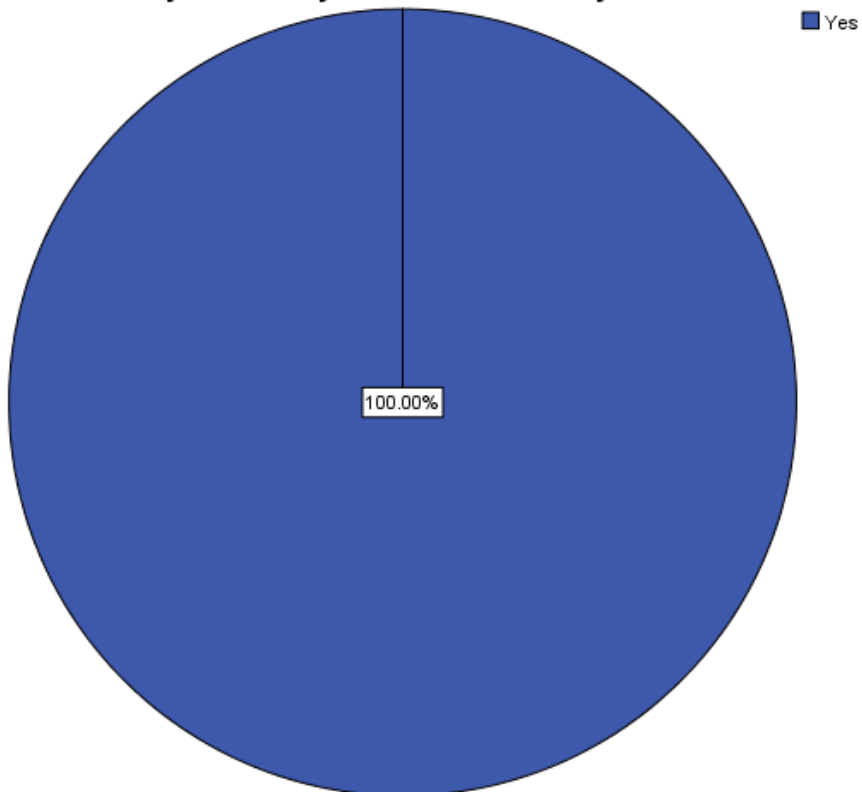
Do you own any business for which you have taken SME loan?

Valid	107
Missing	0

Do you own any business for which you have taken SME loan?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	107	100.0	100.0	100.0

Do you own any business for which you have taken SME loan?



## Statistics

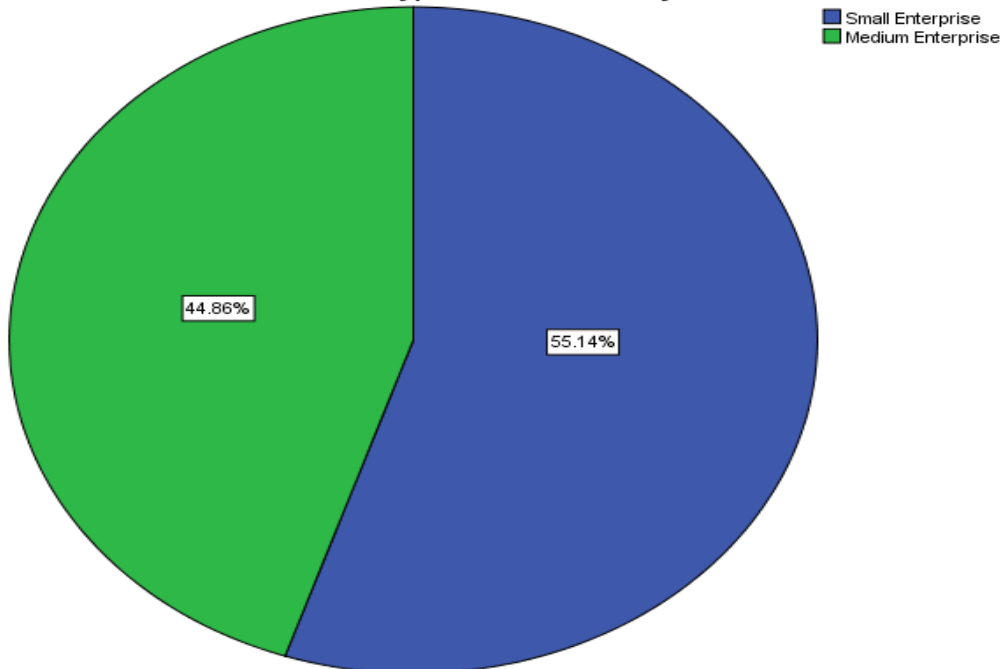
Which type of business do you own?

N	Valid	107
	Missing	0

Which type of business do you own?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Small Enterprise	59	55.1	55.1	55.1
	Medium Enterprise	48	44.9	44.9	100.0
	Total	107	100.0	100.0	

Which type of business do you own?



## Statistics

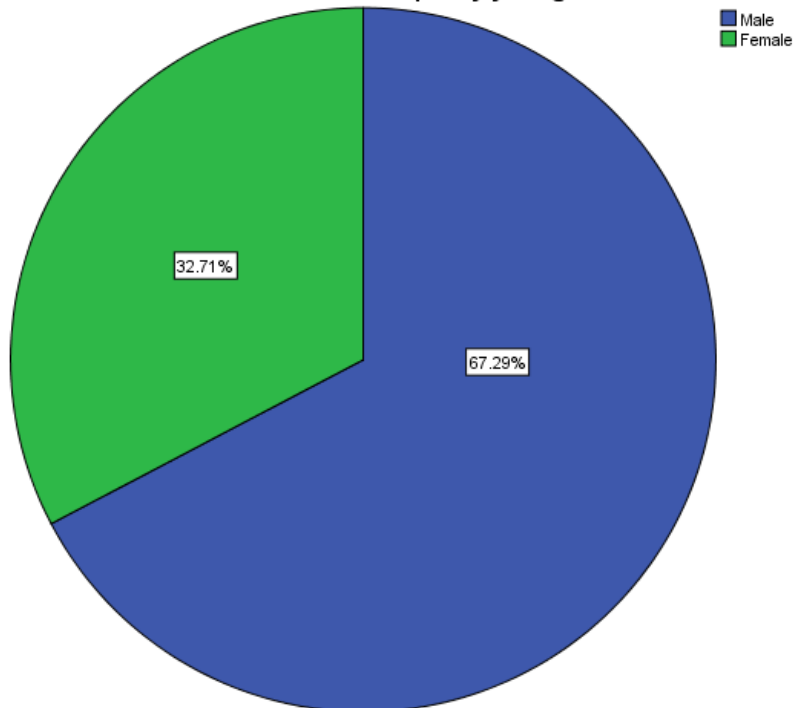
Please specify your gender-

Valid	107
Missing	0

Please specify your gender-

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	72	67.3	67.3	67.3
Female	35	32.7	32.7	100.0
Total	107	100.0	100.0	

Please specify your gender-



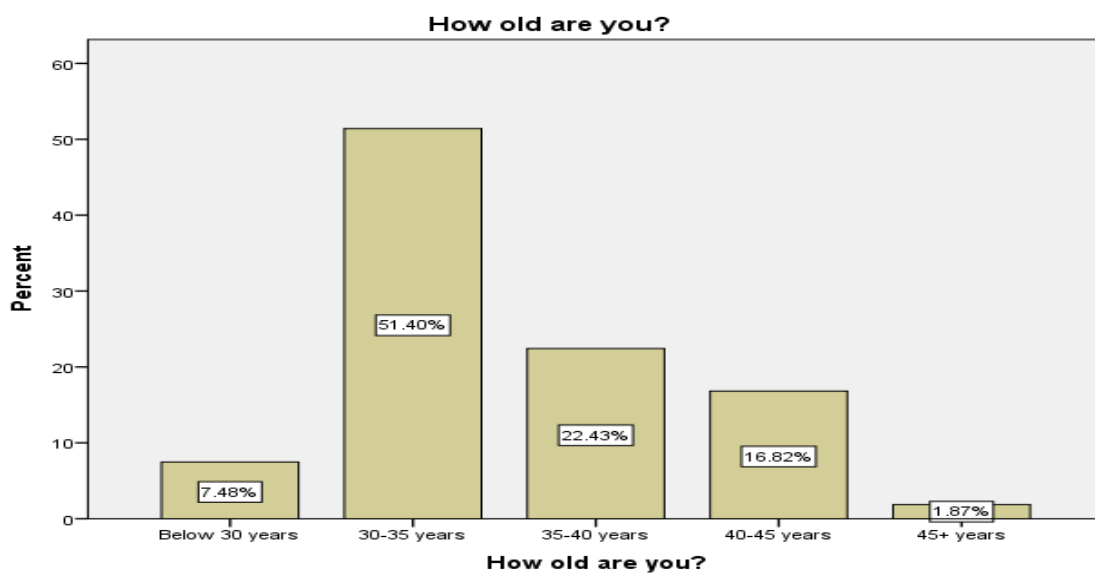
## Statistics

How old are you?

Valid	107
Missing	0

How old are you?

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 30 years	8	7.5	7.5	7.5
30-35 years	55	51.4	51.4	58.9
35-40 years	24	22.4	22.4	81.3
40-45 years	18	16.8	16.8	98.1
45+ years	2	1.9	1.9	100.0
Total	107	100.0	100.0	



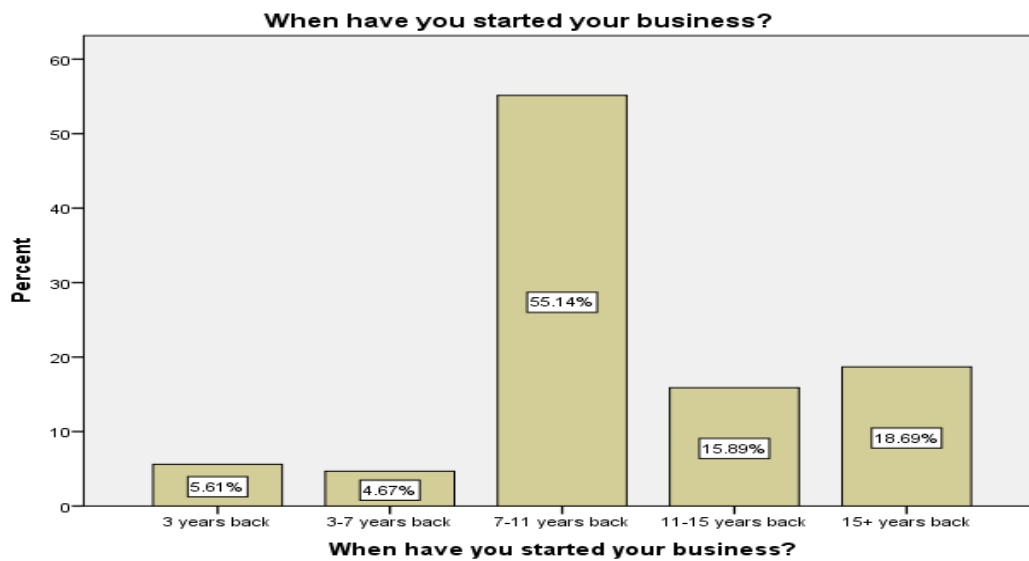
## Statistics

When have you started your business?

Valid	107
Missing	0

**When have you started your business?**

	Frequency	Percent	Valid Percent	Cumulative Percent
3 years back	6	5.6	5.6	5.6
3-7 years back	5	4.7	4.7	10.3
7-11 years back	59	55.1	55.1	65.4
11-15 years back	17	15.9	15.9	81.3
15+ years back	20	18.7	18.7	100.0
Total	107	100.0	100.0	





## Statistics

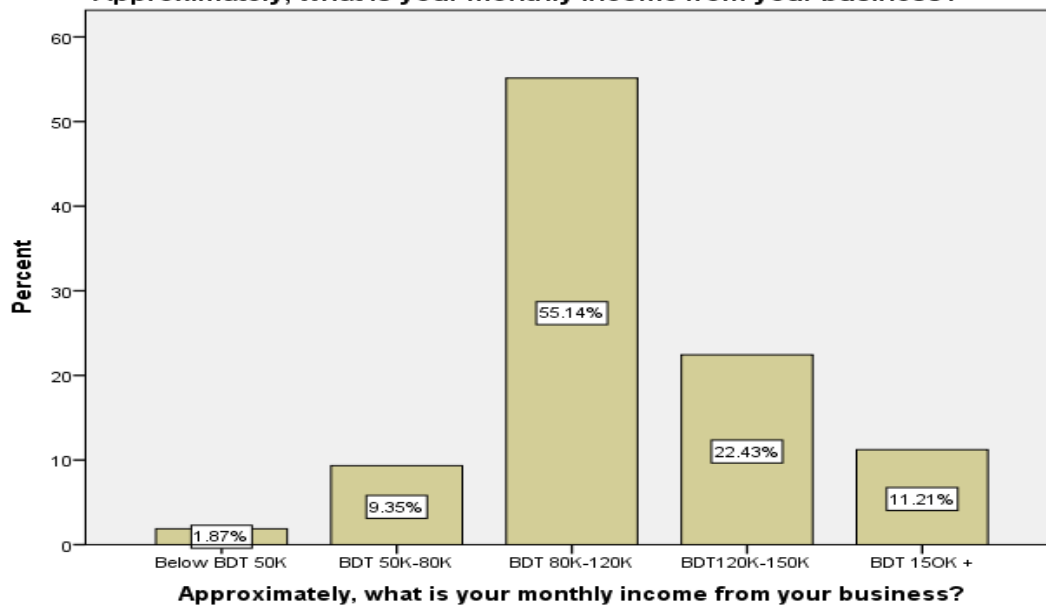
Approximately, what is your monthly income from your business?

N	Valid	107
	Missing	0

Approximately, what is your monthly income from your business?

	Frequency	Percent	Valid Percent	Cumulative Percent
Below BDT 50K	2	1.9	1.9	1.9
BDT 50K-80K	10	9.3	9.3	11.2
BDT 80K-120K	59	55.1	55.1	66.4
BDT120K-150K	24	22.4	22.4	88.8
BDT 150K +	12	11.2	11.2	100.0
Total	107	100.0	100.0	

Approximately, what is your monthly income from your business?



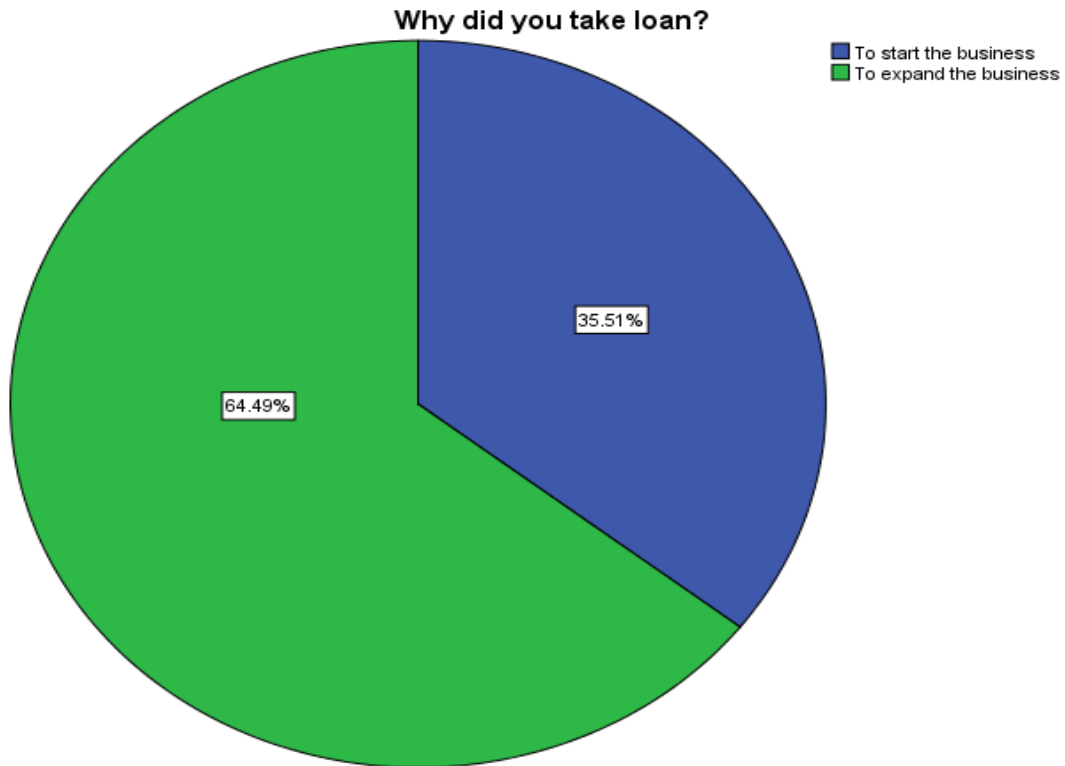
## Statistics

Why did you take loan?

N	Valid	107
	Missing	0

Why did you take loan?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To start the business	38	35.5	35.5	35.5
	To expand the business	69	64.5	64.5	100.0
	Total	107	100.0	100.0	



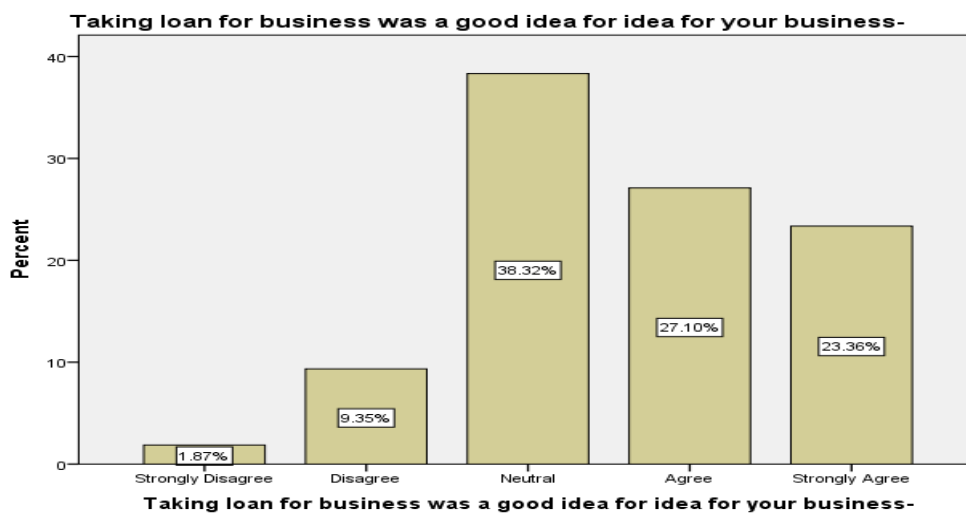
## Statistics

Taking loan for business was a good idea for idea for your business-

N	Valid	107
	Missing	0

**Taking loan for business was a good idea for idea for your business-**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	1.9	1.9	1.9
	Disagree	10	9.3	9.3	11.2
	Neutral	41	38.3	38.3	49.5
	Agree	29	27.1	27.1	76.6
	Strongly Agree	25	23.4	23.4	100.0
	Total	107	100.0	100.0	



## Statistics

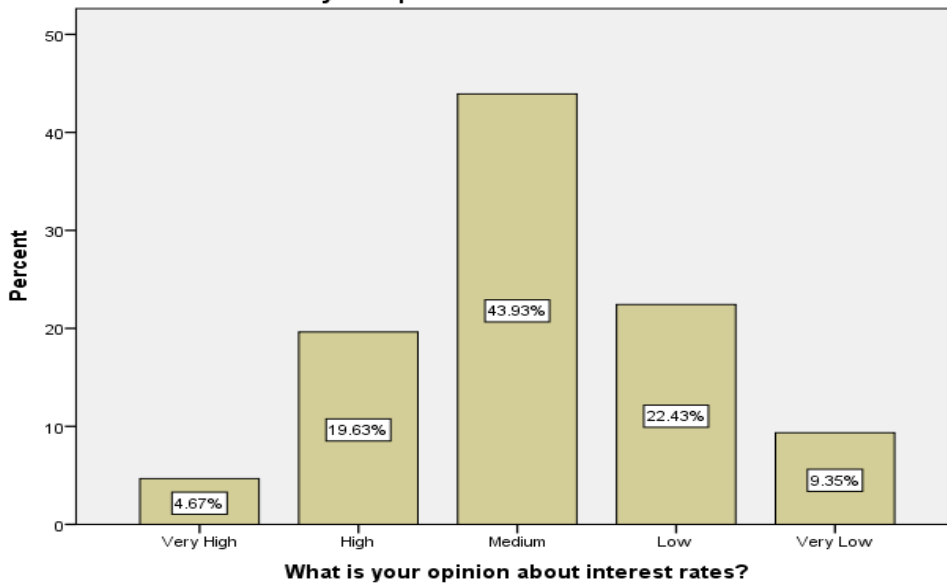
What is your opinion about interest rates?

Valid	107
Missing	0

What is your opinion about interest rates?

	Frequency	Percent	Valid Percent	Cumulative Percent
Very High	5	4.7	4.7	4.7
High	21	19.6	19.6	24.3
Medium	47	43.9	43.9	68.2
Low	24	22.4	22.4	90.7
Very Low	10	9.3	9.3	100.0
Total	107	100.0	100.0	

What is your opinion about interest rates?



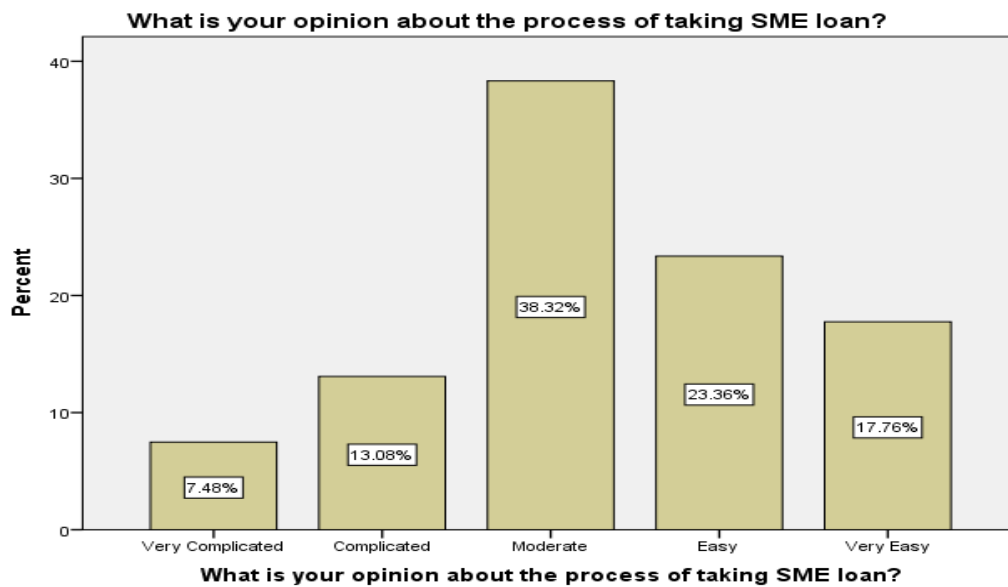
## Statistics

What is your opinion about the process of taking SME loan?

N	Valid	107
	Missing	0

What is your opinion about the process of taking SME loan?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Complicated	8	7.5	7.5	7.5
	Complicated	14	13.1	13.1	20.6
	Moderate	41	38.3	38.3	58.9
	Easy	25	23.4	23.4	82.2
	Very Easy	19	17.8	17.8	100.0
	Total	107	100.0	100.0	



## Statistics

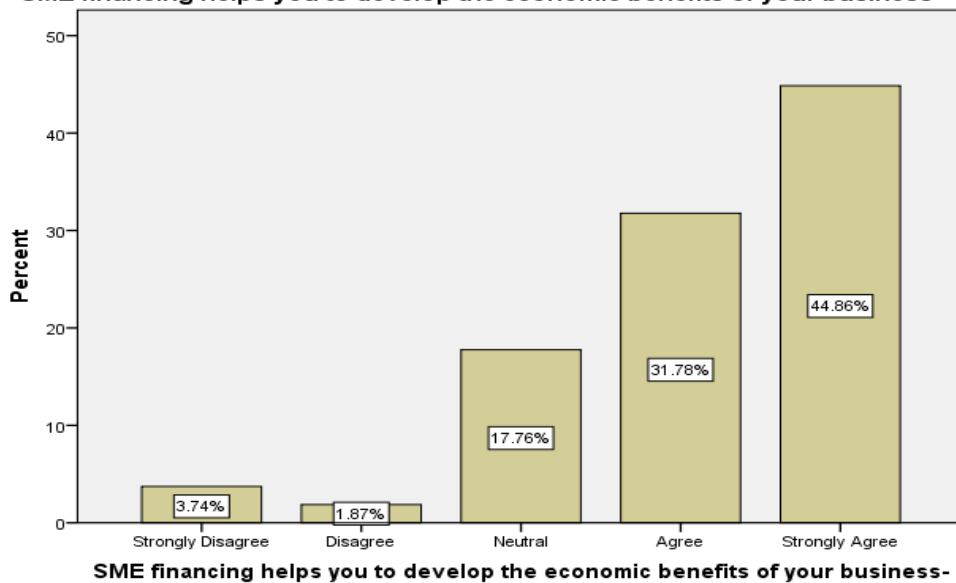
SME financing helps you to develop the economic benefits of your business-

N	Valid	107
	Missing	0

**SME financing helps you to develop the economic benefits of your business-**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	3.7	3.7	3.7
	Disagree	2	1.9	1.9	5.6
	Neutral	19	17.8	17.8	23.4
	Agree	34	31.8	31.8	55.1
	Strongly Agree	48	44.9	44.9	100.0
	Total	107	100.0	100.0	

**SME financing helps you to develop the economic benefits of your business-**



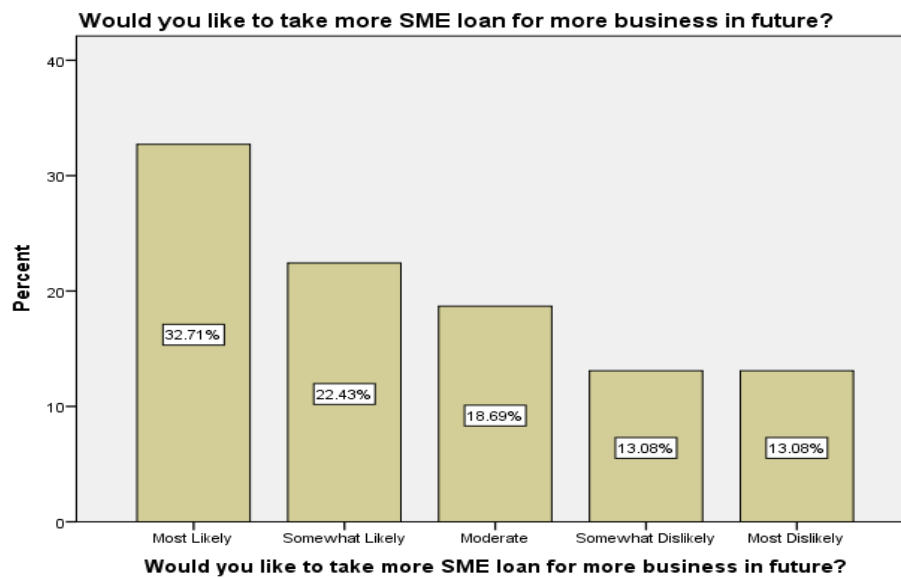
## Statistics

Would you like to take more SME loan for more business in future?

N	Valid	107
	Missing	0

**Would you like to take more SME loan for more business in future?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Most Likely	35	32.7	32.7	32.7
	Somewhat Likely	24	22.4	22.4	55.1
	Moderate	20	18.7	18.7	73.8
	Somewhat Dislikely	14	13.1	13.1	86.9
	Most Dislikely	14	13.1	13.1	100.0
	Total	107	100.0	100.0	



## Statistics

Are you satisfied with the whole idea of SME financing?

N	Valid	107
	Missing	0

**Are you satisfied with the whole idea of SME financing?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highly Satisfied	11	10.3	10.3	10.3
	Satisfied	38	35.5	35.5	45.8
	Moderate	25	23.4	23.4	69.2
	Dissatisfied	17	15.9	15.9	85.0
	Highly Dissatisfied	16	15.0	15.0	100.0
	Total	107	100.0	100.0	





## 4.2 Reliability Analysis

**Case Processing Summary**

		N	%
	Valid	107	100.0
Cases	Excluded <sup>a</sup>	0	.0
	Total	107	100.0

a. List wise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	N of Items
.722	15

It shows that the Cronbach's Alpha is .72 which is  $>.70$  indicates that it is good & acceptable. However, I have used only 16 questions & the sample size is limited to 107 which is also low. If more questions & sample could be used then it would be even better or best.

## **Chapter 5**

### **Summary, Conclusion and Recommendation**

#### **5.1 Summary of Findings**

The main objective of this research was to find out the satisfaction level of consumers towards SME loan & its impact on our economy. The survey was conducted on SME business owners who have taken SME loan for their business. Among them about 55% are owner of medium sized business & almost 45% are the owner of small sized business shows that comparatively medium sized business owners are ahead of small sized business owners in case of taking loan. It also shows that the people aged 30-35 years who have started their business 7-11 years back take more loan. More than half of the consumers of SME loan has a monthly income of 80k-120k. It shows that most of the people take loans expand their business rather starting business. Most of the people think that the idea of taking loan for their business was a good idea for them as it proves beneficial for their business & they are willing to take loan for their business in future as well. About the interest rate & the procedures of taking loan, most of them possesses a neutral idea that means they are neither so happy nor very upset about it. Overall they are satisfied with the idea of availing SME loan as it is beneficial for developing their economical health.

#### **5.2 Conclusion**

To conclude, it can be said that consumers of SME loan are satisfied with it & it has positive impact on our economy as it helps to grow the SME sector which is a great concern of our economy. However, there are still room for improving so that more people will be inspired to take loan to improve their economic condition & make a contribution to the economy of country.

### 5.3 Recommendation

Here is some recommendation for further development of this sector-

- Saving the business contracts properly should be the main focus of an entrepreneur.
- By Increasing the competitiveness among the entrepreneurs one can ensure sustainable development.
- Using insurance system can create a risk free environment.
- Succeeding a single service center where entrepreneurs get different approvals.
- Support the development of the working environment of small and medium industries.
- Availability of information in case of SMEs products on local and international markets.
- Mutual understanding and co-operation and regular communication among SME entrepreneurs can be of great help.
- Encouraging the banks through introduction of Credit Guarantee Scheme facility.

Banking services should be just like as another right after the five basic rights of the people and numerous numbers of examples are out there already proved that with the proper guidance and banking help one young entrepreneur can rise to the very top of its success. So to build a better economy or to keep running the growth of an economy we must provide the customers with better facility, easy access to the credit and moreover a better financial help with proper user friendly banking service. To maintain these facts certain steps should be taken and those are described below:

- To make a better communication system between the entrepreneurs and the customer and a digital platform would be great to solve that problem.
- Regionally proper marketing with the help of local and national organization can help entrepreneurs in case of selling their products.

- Learning e-commerce could a basic knowledge for the entrepreneurs as this could help them to sell their products all over the world.
- Ensuring the funding for them.

Over all, to ensure success for the entrepreneurs every bank or local, international, national welfare organization should come forward to fund or to promote their business which will actually help themselves to outrun their bad luck and improving the economy as well. Not only the government or the bank but also every concerned people must know that in a developing country like Bangladesh SMEs' development could be best choice and possibly best we have. As SMEs will reduce poverty, creates self-employment and offer employment opportunities to others. We should always remember that no such things are naturally big enough, it's the hard work, passion, dedication and proper nourishment that makes it big.

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