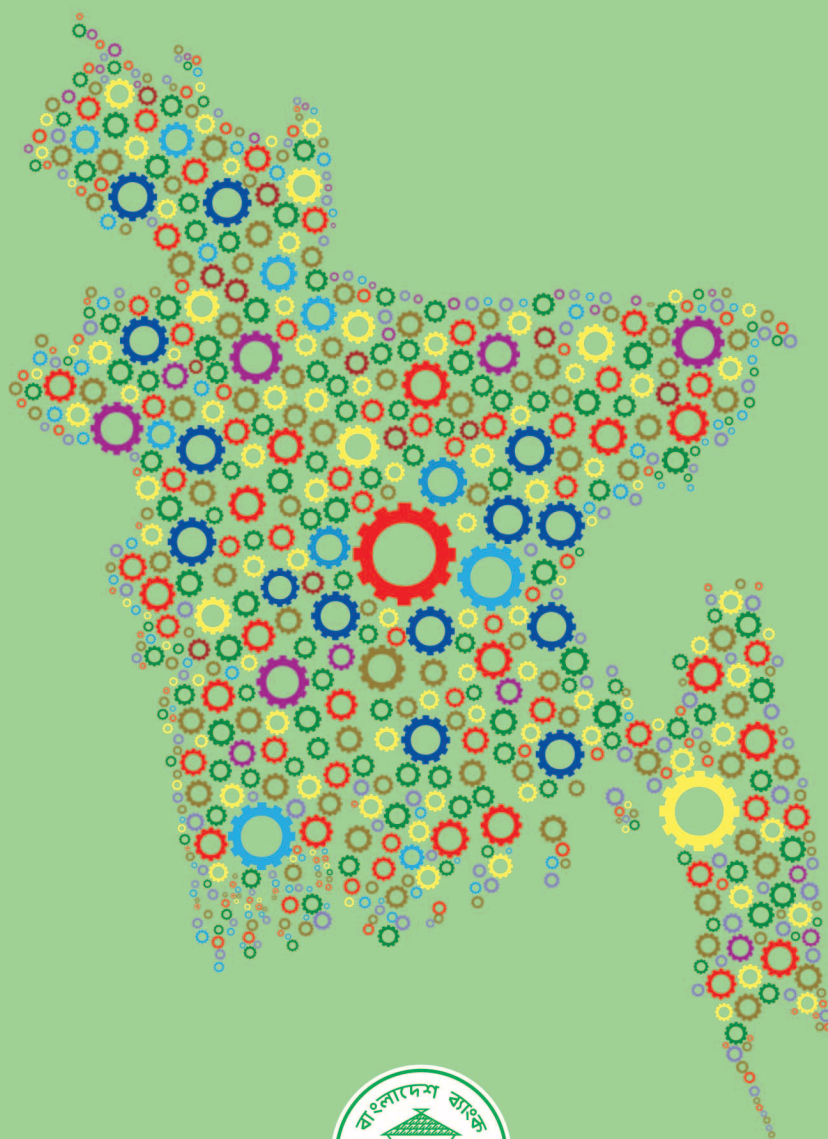


A Survey Report on an Enquiry into the Causes of High Increase in Loans to the Small and Medium Enterprises (SME) and Its Economic Impact



Research Department
Bangladesh Bank
April 2016

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April 2016**

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Preface

In spite of prevailing different shortages (especially lack of electricity and fuel) in the country, an observation of high growth in industrial loans in the April-June quarter of financial year 2009-10 drew attention of policymakers and observers. On that background, with direction of Hon'ble Governor Dr. Atiur Rahman, Research Department of Bangladesh Bank made an analytical report on the basis of secondary data/information in order to investigate and review of the issue, in which it was explained that the main cause (according to the findings received from the analysis of data/information) of high growth of industrial loans was high growth of loans to small and medium enterprises (SME) at that time. But at the same time, the necessity of conducting a survey to get a real picture on proper utilization of loans disbursed to SME sector, development of the sector, growth of SME loans and its economic impact was also emphasized in that report.


In that light, questionnaire based data/information was collected through conducting survey at the field level during about 6 months long through a team comprising of the officers of Research Department, SME and Special Programs Department, Department of Banking Inspection-3, Governor's Secretariat and Statistics Department under the leadership of Economic Adviser Dr. Md. Akhtaruzzaman. On the basis of surveyed data/information, a report with four case studies on "An Enquiry into the Causes of High Increase in Loans to the Small and Medium Enterprises (SME) and Its Economic Impact" was prepared. In the report, different advantages and disadvantages of lenders and borrowers in the SME sector and the contribution of this important sector to the economy were analyzed thoroughly and in view of that some recommendations were made which will help the policymakers and observers to make various important decisions for this sector. .

I wish to thank Chief Economist Dr. Hassan Zaman, Economic Adviser Dr. Md. Akhtaruzzaman, General Manager of SME and Special Programs Department Sukomol Singha Chowdhury and Deputy General Manager Dr. Sayera Yunus for their contributions in preparation of survey questionnaires, report writing and overall direction regarding qualitative improvement of the report, valuable comments, suggestions, etc.

I also like to remember General Manager Md. Akhtaruzzaman of Research Department and General Manger Md. Humaun Kabir of Department of Bank Inspection-3 for their administrative and logistics support in this research work. Besides, my thanks go to the concerned General Managers of outer offices of Bangladesh Bank and officers related in the head offices and branch offices of banks and financial institutions for providing assistance in collection of data/ information at the field level.

Above all, I, on behalf of the team, convey our heartiest gratitude to Hon'ble Governor and Deputy Governor Md. Abul Kasem for giving an opportunity to make this analytical review through conducting such a field level survey by gathering relevant departments under the supervision of Research Department.

Date: Dhaka
April 2016


(Abu Hena Mohd. Razee Hasan)
Deputy Governor

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Executive Summary

The report “**An Enquiry into the Causes of High Increase in Loans to the Small and Medium Enterprises (SME) and Its Economic Impact**” is prepared at the direction of the Hon’ble Governor in order to ensure proper utilization of loans disbursed to the SME sector in 2010 and development of this sector as well as analyze its impact on the economy of the county by collecting questionnaire based data/information through conducting a survey at field level after forming a team comprising of officers of SME and Special Programs Department, Department of Banking Inspection-3, Governor’s Secretariat and Statistics Department under the leadership of Research Department. The outcomes of the survey is presented in a seminar in presence of Governor, Deputy Governors, Chief Economist and officials of relevant departments and their creative comments are taken as well. Afterwards, a summary of this survey is presented in 340th Meeting of Board of Directors of Bangladesh Bank.

Survey team conducted a field level survey during January-June 2012 with a view to inspecting loan receiving 800 SMEs from 400 branches of banks and financial institutions in 64 districts by collecting questionnaire based data/information. It is mentionable that among 800 SMEs some entrepreneurs were absent and some did not provide important information instantly during the survey. Besides, while analyzing data/information of SMEs, it was revealed that some entrepreneurs had supplied inconsistent information. But correct and complete data/information was collected afterwards over telephone from the entrepreneurs who provided inconsistent information and their lender banks/financial institutions. Therefore, the number of enterprises stood at 543 of who gave questionnaire based correct and complete data/information, out of which 55 and 37 were large and micro enterprises respectively. As a result, the number of small and medium enterprises stood at 451 of which 380 and 71 were small and medium enterprises respectively.

Majority of surveyed SME entrepreneurs’ banking transactions were with private commercial bank branches located in Dhaka division. Though most of the entrepreneurs (84.7%) were educated ranging from secondary to post graduate levels, 52.2% of them had no experiences in related business field. Majority of entrepreneurs (92.2%) were men. Most of the enterprises had single ownership (85.4%), small size (84.3%) and belonged to business sector (62.3%) situated in urban areas (72.5%). A large number of enterprises got registration (92.0%) from local authorities (81.8%). More than half of enterprises had no balance sheets. Again most of the available balance sheets were not audited.

Most of enterprises (79.2%) were established as main source of income of the entrepreneurs contributing to local market (62.5%). Majority of enterprises (64.1%) were not accustomed to use information technology (IT). There was lack in efficient manpower in enterprises. In total manpower, industrial sector (65.5%) as well as small sized (62.4%) enterprises occupied the lion’s share. Besides, labour intensive industries were more (52.9%) among the industries. Salary structure of most of the enterprises were consistent with the government announced salary structure and entrepreneurs contributed remarkably for improvement of living standard of workers providing various facilities in addition to salary.

Majority of entrepreneurs received loans by applying themselves knowing terms and conditions of loans. Most of them (59.9%) did not find difficulties to receive loans. Only 35.5% of entrepreneurs sought advices from banks/financial institutions for doing business and majority of them got advices. Most of the received loans (84.5%) by the entrepreneurs were overdraft/cash credit/working capital/*baimuazzal* hypothecation and tenure of those loans were one year or below. Fixed assets (e.g. land/factory/building/flat etc.) were mortgaged to banks/financial institutions as collateral against those loans.

Interest rate on SME loans, provided by banks/financial institutions at field level, was ranging from 10% to 20%. But the weighted average interest rates on loans provided to SME entrepreneurs by banks/financial institutions in 2010 and 2011 were 13.6% and 15.0% respectively. The amount of loan disbursed in 2010 increased significantly (42.6%) as compared to that of 2009 due mainly to new loan received by entrepreneurs and enhancement of the limit of existing loans. The loans received by the entrepreneurs in 2010 were spent mainly in purchase of raw materials and business goods. Most of entrepreneurs (96.7%) repaid loan regularly. On the evaluation of survey team, it was observed that majority of enterprises (87.6%) utilized loan properly.

Structural change was observed in manpower of surveyed enterprises. The age of most of the surveyed small and medium enterprises (53.5%) was within one to 10 years; Majority of them had been established with the manpower of 10 or less. But after the starting, manpower were increasing over time and at the time of survey the number of enterprises with the manpower of 10 or less stood at 37.5 percent. It is apparent from this structural change in manpower that SME loans will contribute to increase employment in the country.

Similarly, structural change was observed in capital of surveyed enterprises also. 89.1 percent of enterprises had primary capital amounting Taka 5 million or less. While running business their capital increased over time and at the time of survey the number of enterprises with capital Taka 5 million or less stood at 36.6 percent. Through this structural change in manpower, it is evident that SME loans will contribute to strengthen the capital base along with business expansion of the enterprises.

Activities of SME loans contributed enough to total loans and profit gains of the branches of banks/financial institutions. Average profit from SME loans in total profit of the branches of banks/financial institutions was 7.5 percent for those whose SME loans remained below 20 percent of total loans. Again, average profit from SME loans in total profit of the branches of banks/financial institutions was 72.0 percent for those whose SME loans remained 80 percent to 100 percent of total loans. This growing contribution in gaining profit by banks and non-bank financial institutions from SME loans plays a supportive role on strengthening their financial base.

Both per capita value addition and profit before tax of 451 enterprises, categorized into nine sectors of GDP, increased. It was estimated that the contribution of beneficiary small and medium enterprises in the financial sector to GDP in 2010 and 2011 was 25.9 percent and 27.0 percent respectively. Progressive contribution of SME sector to GDP can be sustained through the continuation of prioritizing this feasible SME sector of the country and undertaking necessary steps in eradication of various identified barriers in this sector.

Due to definite objectives and background, it was not possible in this survey to highlight a detailed analysis on economic impact of SME loans by splitting sector, size, area, sex, etc. and also clusters development. But considering these issues Research Department of Bangladesh Bank in future can draw necessary advice for cluster development and show economic impact of SME loans by splitting sector, size, area, sex, etc. along with contribution of SME loans to GDP through conducting more extensive surveys.



(Dr. Md. Akhtaruzzaman)
Economic Adviser

Success Story, Problems and Recommendation at a Glance

In spite of time limit some mentionable success stories were observed by the survey team during the conduction of survey at field level (Box-1).

Box-1
Mentionable Success Stories

- ❖ Structural change in manpower and capital of surveyed enterprises;
- ❖ Enhancement of existing loans along with disbursing a lot of new loans among entrepreneurs;
- ❖ Comparatively higher growth in capital, sales, employment and before tax profit of enterprises in rural areas due to disbursement of loans in that area;
- ❖ Comparatively more contribution of industries and small sized enterprises in creating employment;
- ❖ Increasing growth in capital and before tax profit of women entrepreneurs as a result of taking SME loans;
- ❖ Salary structure of most of the enterprises were consistent with the government announced salary structure;
- ❖ Entrepreneurs contributed remarkably for improvement of living standard of workers through providing various facilities in addition to salary;
- ❖ Important contribution of SME sector in gaining profits of surveyed branches of banks/financial institutions;
- ❖ Increasing growth in per capita value addition of small and medium enterprises;
- ❖ Progressive contribution of beneficiary SMEs in the financial sector to GDP;
- ❖ Positive impact of overall economic activities of SMEs due to high growth of loan with a comparatively low interest rate.

Inspite of providing directives to banks/financial institutions for formation of their own inspection team to inspect the borrower SMEs, it was not observed in some banks/financial institutions during the survey at field level. Besides, absence/lacking of own inspection team in some banks/financial institutions was identified as one of the problems/barriers to disburse SME loans. Problems in inspection of SME loans by banks/financial institutions along with some other remarkable problems/barriers are shown in Box-2.

Box-2
Mentionable Problems in the SME Sector

Problems in SME Activities faced by the Head Office of Banks/Financial Institutions

- ❖ Not having definite inspection team;
- ❖ Lack of adequate manpower;
- ❖ Not getting essential logistic support;
- ❖ Not having separate SME department;
- ❖ Not having necessary training of concerned officers
- ❖ Not having clear concept about SME, etc.

Problems in SME Activities faced by Branches of Bank/Financial Institutions

- ❖ Not having experience of most of the entrepreneurs;
- ❖ Not preserving assets and liabilities related information by the entrepreneurs;
- ❖ Entrepreneurs' unwillingness in supplying real information on business;

- ❖ Entrepreneurs' unwillingness in communication with lender bank/financial institution after taking loans
- ❖ Lack in necessary manpower in monitoring loans;
- ❖ Man-directed enterprises are shown in the name of women enterprises for availing extra benefit;
- ❖ Applying loan by the shadow project holder without real project profile;
- ❖ Not having formal training of the entrepreneurs about SME;
- ❖ Entrepreneurs having no or less involvement with necessary information regarding SME loans;
- ❖ Communicating and monitoring problems due to distant business location of the entrepreneurs, etc.

Problems faced by SME Entrepreneurs in Evolving Business

- ❖ Waste in time in receiving loans;
- ❖ Additional imposition of interest or service charge;
- ❖ Evaluation fee for collateral;
- ❖ Shortage of collateral free loans;
- ❖ Unclear definition of SME;
- ❖ Delay in getting payment of goods sold and not utilizing production capacity in want of money;
- ❖ Infrastructure problem;
- ❖ Lack in efficient manpower;
- ❖ Uneven competition with large industries;
- ❖ Water/electricity/gas problem;
- ❖ Fluctuation in exchange rate;
- ❖ National disaster, etc.

Considering the importance of SME in the economy, some remarkable recommendations are shown in Box-3 for the development of the sector through removing the observed problem/barriers;

**Box-3
Recommendations**

The following actions are to be implemented:

- ❖ To increase participation of all level officers and co-ordination of activities for achieving strategic goals of banks/financial institutions;
- ❖ To arrange division-wise training on data entry and preserve data for the concerned officers;
- ❖ To impose and collect fines from the branch of bank/financial institution which is unable to supply data/information at branch level instantly;
- ❖ To encourage banks/financial institutions for disbursing SME loans through local business organizations/associations;
- ❖ To relax the condition of classified loans for refinance considering well-proportion of loans in some fields;
- ❖ Considering well-proportion of loans in some fields, the condition of classified loans for refinance to be relaxed;
- ❖ To involve the new, the disabled and the freedom fighters for availing refinance facilities along with women entrepreneurs among the prioritized;

- ❖ To provide directive from Bangladesh Bank in determination of scope and limit of collecting charge on loan by banks/financial institutions along with ensuring compliance of this directive through onsite supervision;
- ❖ To make necessary change in SME loan inspection guidelines for removing limitation to SME loan inspection (outside of the loan exposure according to SME loan inspection guidelines);
- ❖ To provide definite directive from Bangladesh Bank in reducing time gap between sanction and disbursement of loan for the benefit of borrowers;
- ❖ To give priority to women and rural entrepreneurs with a view to achieving a balanced economic development;
- ❖ To take necessary steps by Government and lender banks/financial institutions for removing barriers to marketization of goods;
- ❖ To provide training on related field for SME entrepreneurs along with encouraging them for training;
- ❖ To take assistance of various electric and print media for publicity regarding SME;
- ❖ To increase awareness among officers of banks/financial institutions about cluster development;
- ❖ To clarify the definition of SME;
- ❖ To supply Bangla version of application form and loan agreement for the benefit of borrowers;
- ❖ To encourage entrepreneurs to use state of the art Information Technology;
- ❖ To provide training to manpower for increasing efficiency with the initiative of Government and non-government organizations (NGOs) along with enterprises;
- ❖ To take no financial instrument which is preserved as collateral into an account as part of loan by banks/financial institutions;
- ❖ To ensure effective separate service desk for the women entrepreneurs in banks/financial institutions;
- ❖ To encourage entrepreneurs to repay loans regularly;
- ❖ To ensure decrease in real interest rate and to ensure maximum 10 percent rate of interest for women entrepreneurs in the SME sector;
- ❖ To establish SMEs as forward and backward linkages of large enterprises;
- ❖ To increase the amount and limit of collateral free loan for greater participation of women in the financial sector; and
- ❖ To encourage banks/financial institutions provide group-based loans for women enterprises.

Chapter 1

Objectives and Method for Conducting Survey on SME Loans

Background

In spite of prevailing different blockades (especially lack of electricity and fuel) in the country, an observation of high growth in industrial loans during the April-June quarter of financial year 2009-10, drew attention of policymakers and observers. On that backdrop with direction of Hon'ble Governor Dr. Atiur Rahman, Research Department of Bangladesh Bank made an analytical report on the basis of secondary data/information in order to investigate and review of the issue. Analyzing the findings received from the analysis of data/information, it was observed that the main cause of high growth of industrial loans during the April-June quarter of financial year 2009-10 was high growth of loans to small and medium enterprises (SMEs).

The amount of total industrial loans disbursed increased by 27.64 percent in 2010 as compared to that in 2009 where size based disbursement of industrial loans - loans to the large, medium and small industries - increased by 22.34 percent, 35.18 percent and 79.26 percent respectively. Similarly, in the analysis of size based loan recovery and outstanding amount of industrial loans, it is observed that loan repayment from the large, medium and small industries increased by 33.59 percent, 30.66 percent and 67.15 percent respectively in 2010 as compared to that of 2009 and outstanding amount of large, medium and small industries increased by 15.64 percent, 28.48 percent and 43.14 percent respectively.

The main cause of high growth in industrial loans during the April-June quarter of financial year 2009-10 was the supportive role played by banks/financial institutions in light of different industry-friendly policies undertaken by Bangladesh Government and Bangladesh Bank along with their obligation to fulfill predetermined own annual target. Besides, an abnormal growth occurred in that quarter due to disbursement of loans more than the target in some cases by banks/financial institutions considering the opportunity of large potentiality of creating employment in industrial sub-sector of SME with a view to understanding the necessity of greater development of this sector.

The expansion of industrial loans is playing supportive role in increasing the contribution to gross national production. In recent years, as a result of encouraging the expansion of small and medium industries along with large industries through disbursement of industrial loans and continuation of other assistance by government and banks/financial institutions, the amount of disbursed industrial loan is growing more and more and the contribution of this important sector of the economy to gross domestic product (GDP) is gradually increasing. In the financial year 2009-10, contribution of industry in the major sectors of GDP at constant market prices was 29.93 percent which gradually increased to 30.38 percent and 31.26 percent in financial years 2010-11 and 2011-12 respectively.

In order to show real picture of SME loan including its real growth and economic impact, it was emphasized in the above mentioned report of Research Department to conduct a field level survey. In that light, a team was formed comprising of officers of SME and Special Programs Department, Department of Banking Inspection-3, Governor's Secretariat and

Statistics Department under the leadership of Research Department for conducting a survey at field level.

Objectives for Conducting Survey

to find causes of growth of disbursing SME loan in 2010 and check its proper utilization;

- a) to check any confusion in the information on disbursing SME loan in 2010;
- b) to evaluate the financial situation of borrower enterprise before and after disbursing SME loan in 2010;
- c) to check the contribution of SME sector in creating employment and
- d) to analyse economic impact of expanding SME loan, etc.

Methods of Conducting Survey

1.1 The conducted survey was accomplished in the following three stages:

First stage – as a primary step scheduled banks and non-bank financial institutions operating in the country were requested through letters to provide assistance to the research team in conducting survey by supplying information on SME loan including year-wise data/information on loan, district-wise amount of disbursement and recovery of loan, district-wise number of borrower enterprises and their address, etc., and also questionnaire based information.

Second stage – in this stage, on the basis of SME loan disbursed amount in 2010, 44 banks and non-bank financial institutions were selected primarily for conducting survey at field level. Considering district-wise outstanding loans, 400 branches of 44 banks and non-bank financial institutions were outlined for district-wise survey. Then questionnaire based data/information was collected through e-mail from head/concerned officer regarding SME loans of these branches. On the basis of that information, two or more borrower enterprises were selected randomly from every branch to visit at field level. While selecting randomly, weights of sector, size, area and sex in total SME loans were also brought in consideration.

Third stage – a survey report was prepared with some definite recommendations through combining and checking consistency of the collected data/information at field level and data/information received from banks and non-bank financial institutions.

Scope of the Survey

1.2 This survey was conducted in 400 branches of 44 banks and financial institutions in 64 districts. Minimum two branches were brought under survey in every district and at least two borrower SMEs from each branch was visited at field level and data/information (Questionnaire ‘C’ set) was collected. Similarly, 400 branches of banks and non-bank financial institutions were visited and data/information (Questionnaire ‘B’ set) was collected on their SME loans activities. Besides, data/information (Questionnaire ‘A’ set) on the activities of SME loans was collected from head offices of 44 banks and non-bank financial institutions.

Team for Conducting Survey

1.3 In order to conduct this survey a team was formed comprising of following 7(seven) officials of different departments of head office of Bangladesh Bank under the leadership of Research Department (Annexure-1).

It is mentionable that according to the direction of General Manager, SME and Special Programs Department, the relevant officers of outer offices of Bangladesh Bank were also involved with the team while conducting region based survey. In that light, two officers at Assistant Director/Deputy Director level from every office (outside Dhaka) of Bangladesh Bank were included in conducting region based survey. While conducting survey in Dhaka region additional two officials from Research Department and Statistics Department were involved in one group and additional two officials from SME and Special Programs Department were involved in the other group.

Chapter-Two

Prior Conducted Survey Results on Small and Medium Enterprises (SME)

- 2.1 Local and foreign researchers have conducted several studies regarding the growth of industrial sector specifically small and medium enterprises (SMEs). In their reviews, they have demonstrated different plans in support of industrial development. The objectives, methodologies, obtained results, recommendations and limitations of some of such reports or surveys are discussed here.
- 2.2 The survey titled “SME and Access to Finance: Evidence, Analysis, Policy and Delivery Mechanism”, conducted by Naim Chowdhury in 2010, was prepared based on the yearly data from 2008 to 2010 (sample period). In this survey, the researcher has discussed various important issues regarding small and medium enterprises (SME) and their loan availability where access to finance was the problem for financial parity. Financing situation of SME enterprises was one of the important discussion points in this research. In this report, the researcher has collected data through conducting a survey of 400 SME enterprises including 179 industrial enterprises. In addition, he incorporated summarized information of two previously done surveys on 3505 and 1298 small and medium enterprises as defined by Bangladesh Bank. To conduct this survey, questionnaires were sent to 46 Banks and 22 NBFIs among which 36 scheduled banks and 21 NBFIs have responded at the proper time. The report was prepared based on the collected data. The author mentioned the observed financing gap in case of funding in SMEs in terms of country’s industrial sector development based on the obtained result in this specified report. According to him, a big portion of SME sector does not have the capacity to receive bank loan based on conventional collateral. Even, they don't earn enough profit to attract investors willing to invest in risky ventures. Moreover, availability of sufficient data in the economy was prohibiting credit assessment and credit scoring by examining financial statement of the enterprises taking credit facility. In the paragraph (page no.-165) titled “Harnessing Information Technology to Enhance Information Visibility for Banks”, Author mentioned the idea on “COSMOS” [Core (Co), SME (SM), Operation (O), Solution (S)-COSMOS] where COSMOS is an economical and fully variant data-base and from this data-base and banks and other financial institutions will be able to collect all relevant data on risk assessment of the small and medium enterprises. In case of COSMOS, the author expressed his opinion to use internet alongside modern technology such as mobile telephone, plastic cards etc. According to him, Bangladesh Bank should consider COSMOS as a signature research and development project. Because Bangladesh Bank’s consent and assistance would encourage banks and SMEs. Above all, SME financing gap which was mentioned in this report would be applicable to any developing economy. However, exclusion of real small industry in this report may be mentioned as a limitation of the study which was not possible due to time constraint.
- 2.3 A survey on the constraints of small and medium enterprises of the country was conducted by Syed Monjur Kader and Naim Abdullah where annual data of 2008 were considered. The aim of this survey was to evaluate the various obstacles faced by SMEs. To conduct the survey, data were collected in two stages, investigation stage and main stage. Some recommendations in terms of survey result were provided to overcome the barriers of small and medium enterprises. It was observed from the survey result that micro and medium enterprises face comparatively more discrimination than large enterprises. According to the authors, large industries had sufficient manpower and

financial capability to tackle sudden methodological change but SMEs were incapable to face threat and proper adaptation due to their size, shock adaptability and incapacity in repercussion. In terms of credit, high interest rate is a major barrier for the growth of SMEs in our country. Utility facilities (electricity, gas etc.) and labour regulatory constraint are considered as the second key barriers. Apart from these, necessary collateral, deficiency of technical skill of workers, lack of raw materials and financing, high price of machineries, uncertainty in protective measurement etc. were considered as barriers to the development of SMEs of the country. Above all, lack of government support to compete in international level was considered to be the foremost barrier for the growth of SMEs. Main limitation of the study was consideration of only five sub industry sectors such as light engineering, agro based industry, fish processing industry, food and chemical substance and drug manufacturing industry instead of all sub industry sectors of SMEs due to lack of time and opportunities.

2.4 In the year 2006, Shamsul Alam and Anwar Ullah conducted a survey titled “SMEs in Bangladesh and their Financing: An analysis and Some Recommendations” on SMEs and their financing where annual data from 1999 to 2004 were used. In this survey, lack of capital and financing for the country’s SMEs was identified as the most noticeable and common problem. That was why SMEs had to rely on various informal sources for their capital and financing which were not favorable for their growth at all. Like other countries of the world, insufficient funding was one of the major barriers for the growth of SMEs in private sector of the country. According to the survey, SMEs contributed nearly 90 percent to industrial sector portion of GDP and approximately 80 percent of the employment. In terms of value addition, SME sector contributed one third of the industrial sector contribution of GDP. The author advised to start a credit delivery process for the country on an emergency basis where borrower would be eligible for the credit facility without ownership of permanent assets. In this case, examination of borrower’s statement of transactions and movable assets would not be necessary however, monitoring after taking credit was given importance. In terms of loan disbursement to women entrepreneurs, it was recommended to train them about competition of current market as well as to inform the ability and weakness of SMEs with the aim to deliver special credit privilege. In addition to the above, necessary equipment (financing, market information, training, research, technology, skill, connection with peer organization etc.) should be provided to women entrepreneurs to tackle threat of the economy. Insufficient time and advantage were reported as main limitations of the survey.

2.5 According to these surveys, barrier on collateral free credit in SMEs, comparatively more discrimination on SMEs to large enterprises, high interest rate in SME credit, necessary collateral, lack of technological skill of labour, prices of raw material and finance, high price of machineries, uncertainty on protection strategy, lack of government support to advance enterprises etc. were reported as major difficulties to the development of the country’s SMEs. However, the main objective of Bangladesh Bank survey was somewhat different in comparison to above all surveys. The main objectives of Bangladesh Bank survey: (1) whether SME credit was utilized in SME sector in true sense (2) whether there were any inconsistencies in SME credit data (3) whether there were any changes in the financial situation of SMEs after receiving SME credit. Besides, similar to above surveys, Bangladesh Bank survey has identified obstacles on SME loan disbursement by bank and financial institutions, barriers on flourishing SME sectors and impact of SME credit in economy. Also, in the Bangladesh Bank survey, the report has been prepared by collecting information from the country’s SME credit providing institutions (branches of banks and financial institutions) and SME entrepreneurs by spot inspection in parallel

with exchanging views with SME credit related officers and entrepreneurs using two separate questionnaires which was the main difference between the discussed Bangladesh Bank survey and the above other surveys. As a result, it was possible from this survey to explore the existing SME credit disbursement and recovery related various advantages and disadvantages which were opined by the bank officials and entrepreneurs.

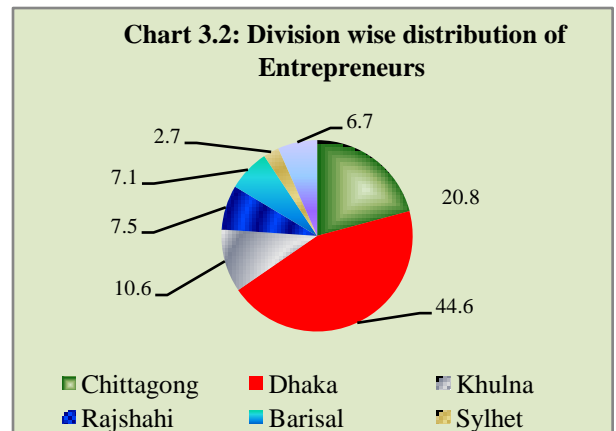
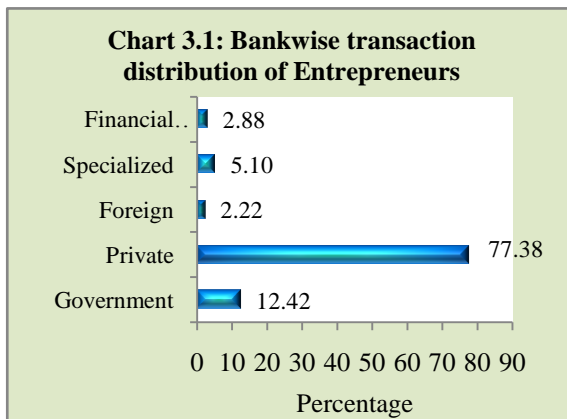
Chapter 3

Features of Surveyed Small and Medium Enterprises

1.1 The survey team conducted countrywide field level on-site inspections of 800 SME borrowers selected from 400 bank branches in 64 districts alongside a survey with a view to collecting questionnaire based data and information in January-June 2012. It is to be mentioned here that, of the surveyed 800 enterprises, some of the entrepreneurs were absent during the inspection and some could not provide important data and information immediately. Also during the analysis of collected data, it was found that some entrepreneurs provided mismatched data. However, this discrepancy in the data and information was removed through telephonic contact with the lender organizations and the borrower enterprises. Due to this issue, the number of enterprises providing full questionnaire based correct data and information was 543 among which micro and large enterprises were 55 and 37 consecutively. As a result, the total number of small and medium enterprises included in the survey was 451, among which 380 enterprises were small sized and 71 enterprises were medium sized.

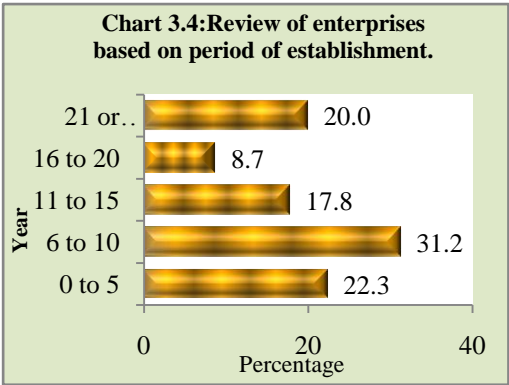
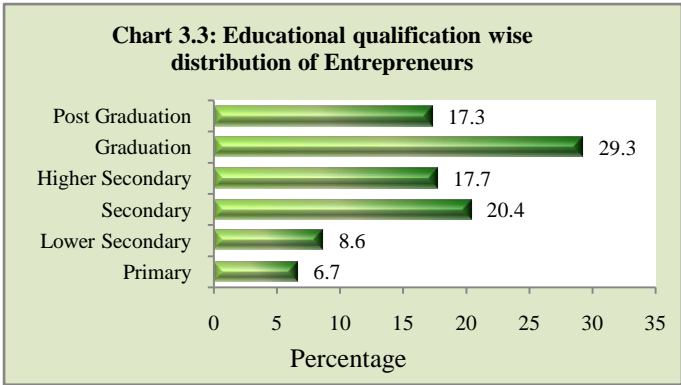
Bank-wise Sample Distribution of Entrepreneurs

3.2 Most of the SME entrepreneurs (77.4%) had banking transactions with private banks (graph-3.1) and most of them (44.6%) were inhabitants of Dhaka division (graph-3.2).



Sample Distribution according to Educational Qualification, Experience of Entrepreneurs and Age of Enterprise

3.3 Though most of the entrepreneurs included in the survey (84.7%) (graph-3.3) had secondary to postgraduate education, 52.1% of SME entrepreneurs had no previous experience in business. Most of the small and medium enterprises (53.5%) were established in the last 1 to 10 years (graph-3.4).

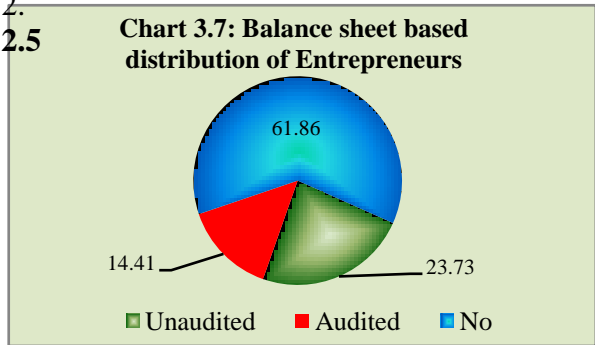
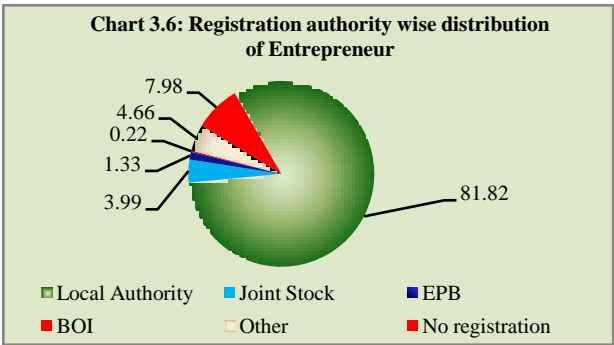


Enterprises' Ownership, Sector, Size, Gender and Region Based Sample Distribution

3.4 Through analysis of surveyed entrepreneurs' information and their enterprises' ownership, gender, size, sector and region, it has been found that, most of them (92.2%) are male and most of the enterprises are proprietorship (85.4%), small sized (84.3%), of trade sector (62.3%) and of these 72.5% are situated in urban areas (graph-3.5).

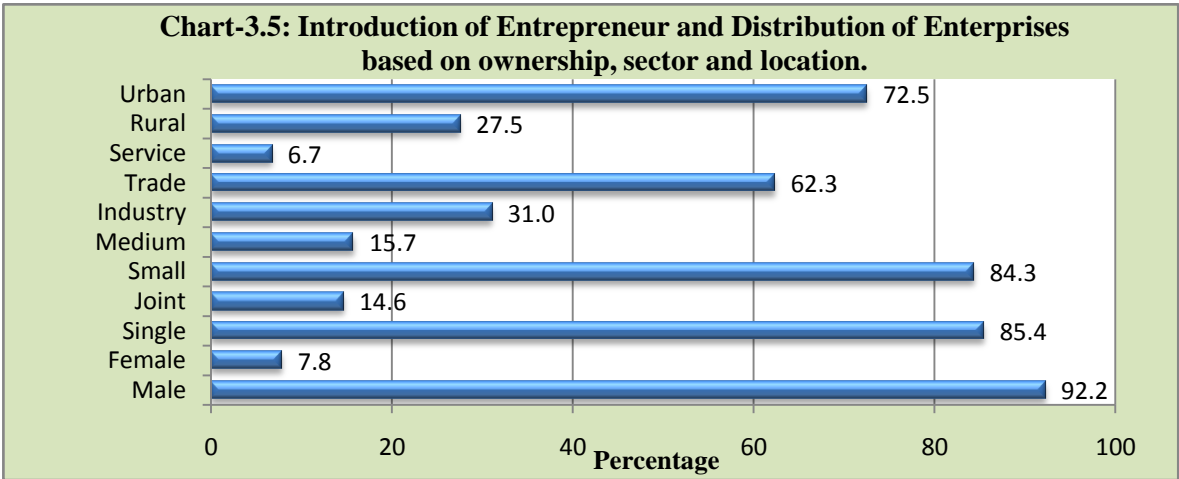
Registration of the Enterprises and Registration Authority

1.5 Analysis of the registration data of the enterprises revealed that most of the enterprises (92%) were registered and majority of these were registered under local authority (Union Parishad, ZillaParishad) (graph-3.6).



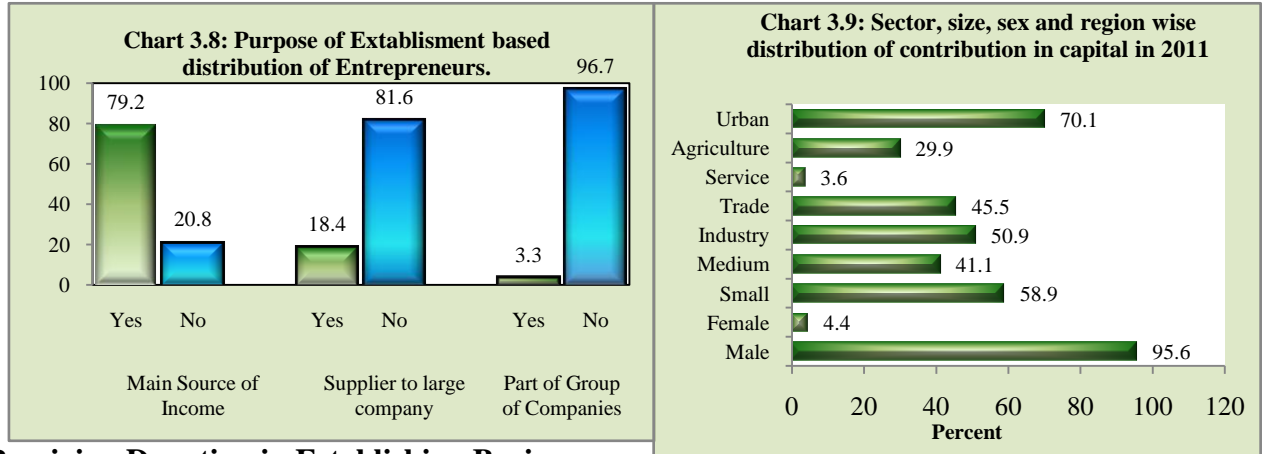
Balance Sheet of the Enterprise

3.6 Inspection of the financial documents of the surveyed enterprises showed that more than half of the enterprises (61.9%) do not prepare balance sheets (graph-3.7). Also, most of the company balance sheets were not audited. Only 14.4% enterprises maintained audited balance sheets.



Sample Distribution of Purpose of Establishing Companies

3.7 Most of the observed companies (79.2%) were the main source of income for the entrepreneurs. However, some enterprises (18.4%) grew as supplier of another large company. It is to be mentioned here that, very small number (3.3%) of enterprises were established as a subsidiary of any group of companies (graph-3.8).



Receiving Donation in Establishing Business

3.8 Examination of donations received by the enterprises revealed that only 3 enterprises received donation while setting up, among which 2 companies received Tk. 2 lac each from local organizations and the other enterprise received Tk. 4 lac from a foreign organization. On the other hand, 99.3% enterprises set up business without any kind of donation.

Information regarding Capital

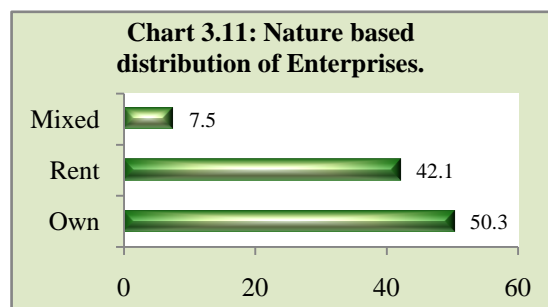
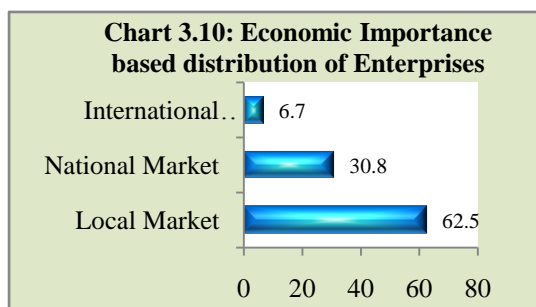
3.9 Upon analysis of the sector, size, gender and location data of capital on the surveyed enterprises it was observed that, enterprises of industry sector (50.9%), small size (58.9%), male ownership (95.6%) and urban areas (70.1%) have the largest contribution (graph-3.9).

Economic Significance of the Enterprises

3.10 Considering the economic significance of the surveyed enterprises, it was found that, they had comparatively larger contribution (62.5%) to the development of local market. In this case, if the companies can be encouraged to produce exportable goods through product diversification, besides providing them financial assistance, the contribution of SME sector in international market may be increased. For example, if banks and NBFIs encourage SME entrepreneurs to produce spicy crops by providing easy credit (at 4% rate), it would help to reduce the import of spicy products and increase the national export income by exporting it.

Land Ownership of Enterprises

3.11 Most of the enterprises (50.3%) are situated in own premises and 42.1% enterprises are operated in rented premises (graph-3.11).



Production Process

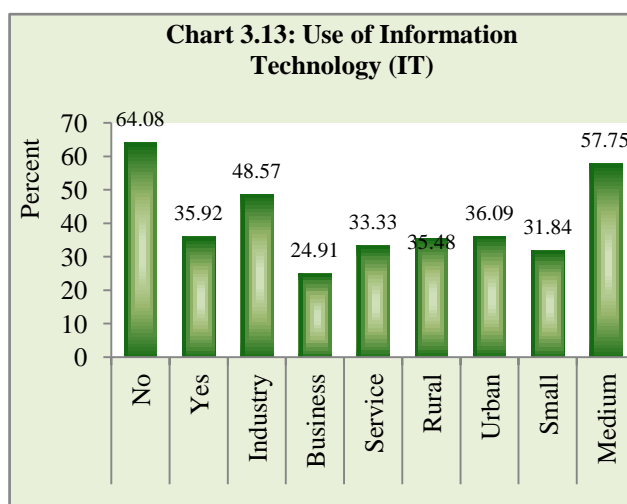
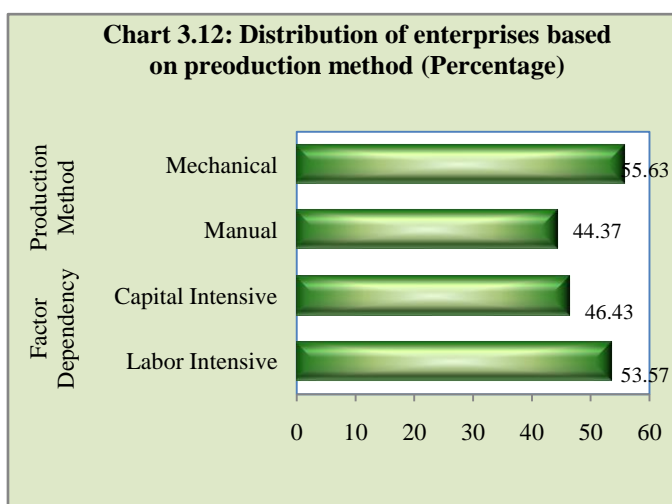
3.12 While observing the material dependency and production process of the surveyed industries, it was noticed that, more than half (52.9%) of the industries are labor intensive and 55.7% of the industries used automated system for production (graph-3.12).

Use of Information Technology (IT)

3.13 The survey revealed that, most of the observed enterprises (64.1%) were not habituated with the use of information technology. It is to be mentioned here that, in case of sector, size-wise and location-wise use of IT, enterprises of industry sector (47.9%); medium size (57.7%) and urban areas (36.1%) are more accustomed (graph-3.13).

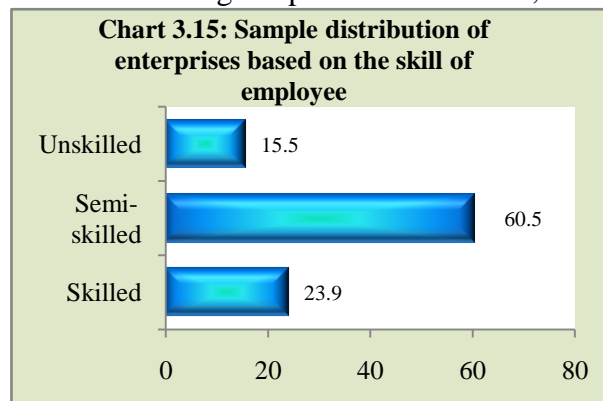
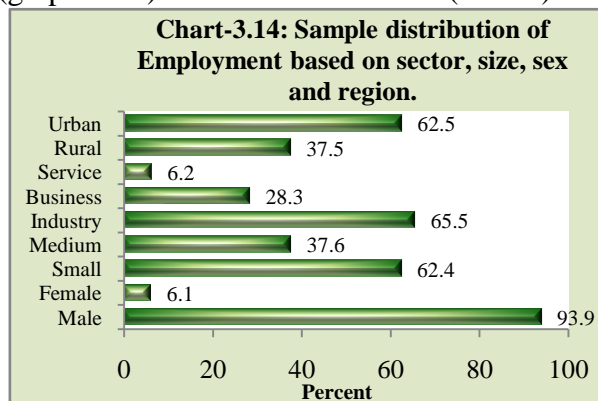
Information regarding Workforce

3.14 Examining the sector, size, gender and location data of workforce of the surveyed enterprises in 2011, it was observed that, enterprises of industry sector (65.5%), small size (62.4%), male ownership (93.9%) and urban areas (62.5%) have the highest contribution (graph-3.14).

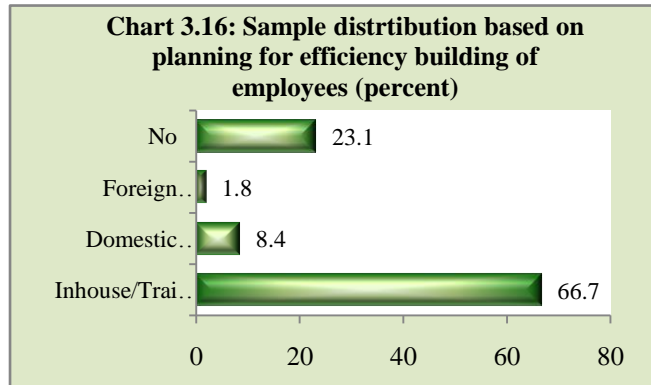


Efficiency of Workforce

3.15 Study of the efficiency of workforce of the surveyed enterprises revealed that, one fourth of the employed workforce is efficient (graph-3.15) and the rest are semi-skilled and unskilled. Though various kinds of trainings are arranged to increase the workforce efficiency, almost one fourth of the total workforce are not getting any kind of training (graph-3.16). Most of the workers (60.5%) achieved skills through experience. However,

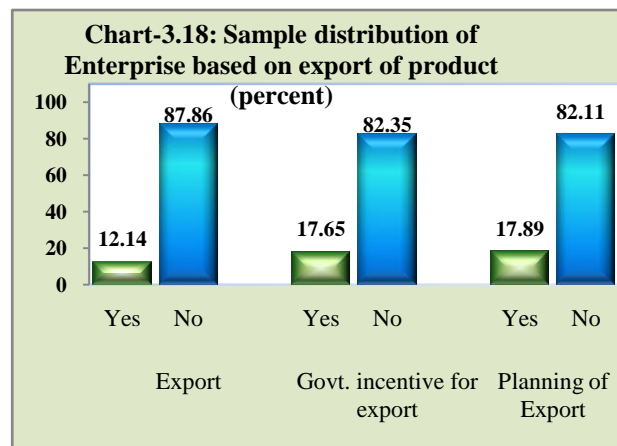
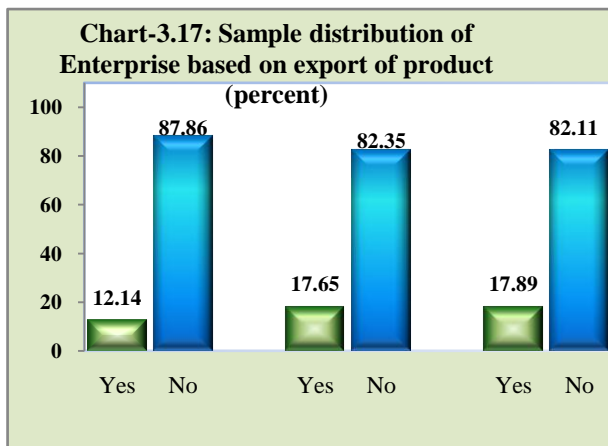


among the small and medium sized enterprises, 66.7% had in-house training facilities, 8.4% had domestic training facilities and 1.8% had foreign training facilities to increase the skill level.



Exporting Products

3.16 Only some enterprises from the industry sector (12.1%) are contributing to the export sector. However, only 17.9% of the surveyed entrepreneurs have future plans for exporting products. It can be mentioned here that, among the exporting enterprises, the number of companies (17.6%) receiving financial aid from the Government is also low. In this situation, besides the lending institutions, other related organizations (SME Foundation, Bangladesh Bank etc.) can play a vital role by providing advice and cooperation to the entrepreneurs for increasing the productivity of the export-oriented goods (graph-3.17).

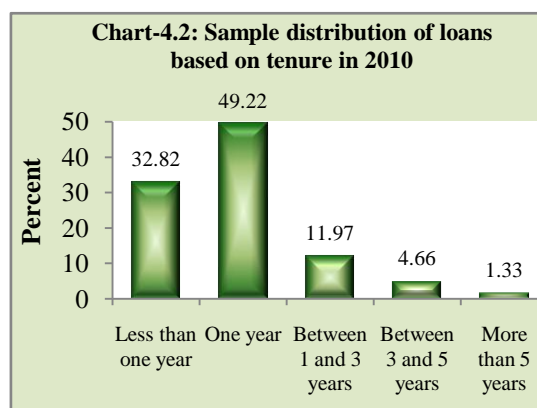
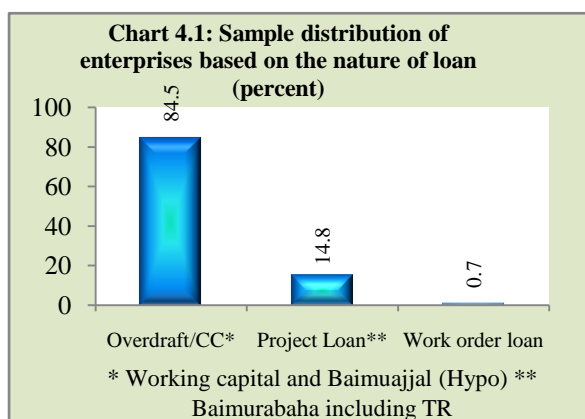


Chapter 4

Credit Related Information of the Small and Medium Enterprises

Nature of Loan

4.1 According to statistics of 2010, nature of the major number of credits were Overdraft/CC/Working Capital/Bai-muazzal Hypo (graph-4.1). It is to be mentioned that, both the entrepreneurs and bankers prefer dealing with these kinds of credit. Higher interest charges in comparison to other loansenable banks and NBFIs to earn higher profit. Also, from the point of view of entrepreneurs, this type of credit is less cumbersome;they use the facility only when necessary and do not have to pay interest when the funds stay unutilized.

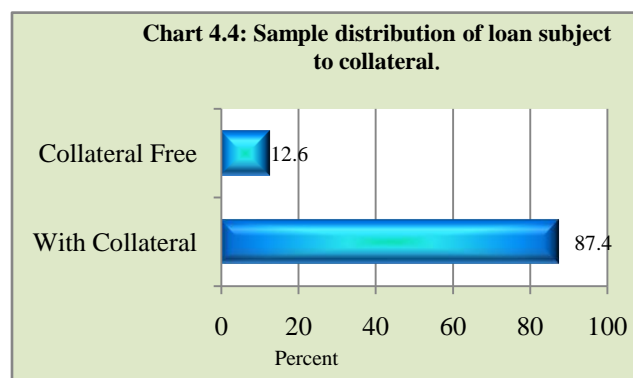
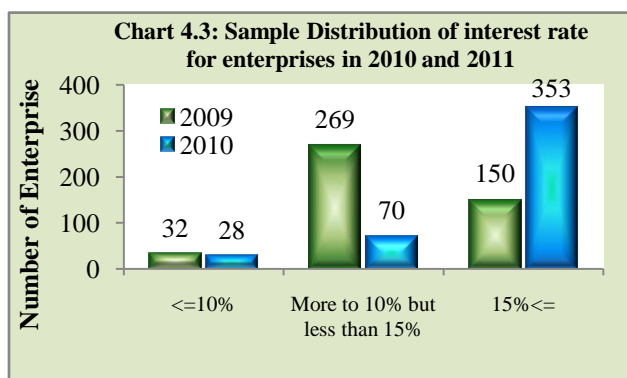


Duration of Credit

4.2 According to data of 2010, duration of majority of the loans (82.0%) of the surveyed enterprises was one year or less (graph-4.2) because most of the credits obtained by the enterprises were of type Overdraft/CC/Working Capital or Bai-muazzal Hypo.

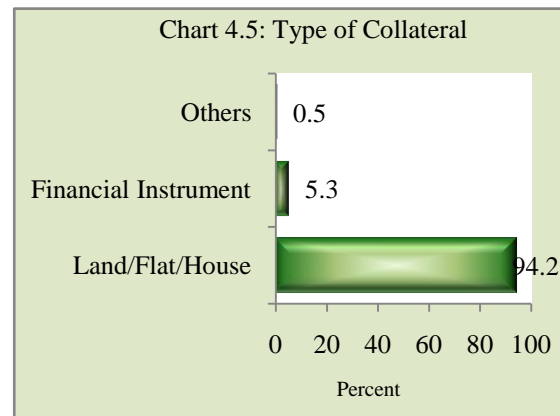
Interest Rate

4.3 Weighted averages of interest rate of SME credits obtained by the surveyed enterprises were 13.57% and 15.03% in the year 2010 and 2011 consecutively. However, the rate of increase in 2011 was very distinct. In 2010, the number of companies taking credit at interest rate of 15% or higher was 150, which was 33.3% of the total number of companies (graph-4.3). In 2011, number of companies taking loan at the same 15% or higher interest rate was 353, which was 78.3% of the total number of companies. Moreover, in some cases, the policy to provide credit to woman entrepreneurs at 10% interest rate was not followed.



State of Collaterals

4.4 Most of the surveyed enterprises (87.4%) provided collaterals against credit (graph-4.4) and majority of them (94%) provided land/factory/buildings/flat as collateral (graph-4.5).

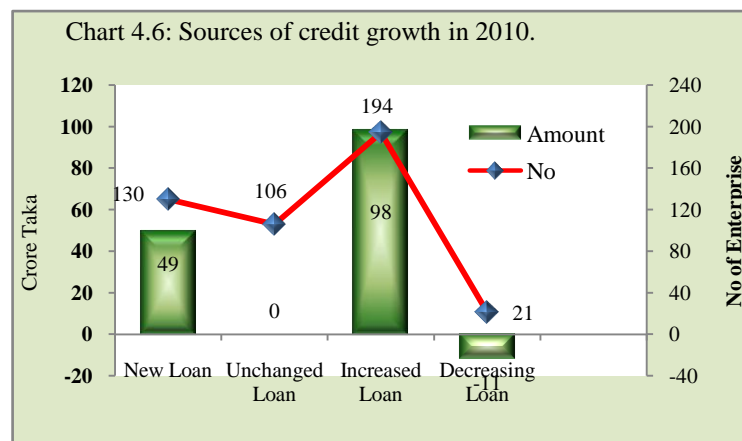


Obtaining Credit

4.5 The surveyed SMEs took Tk. 457.6 crore as credit in 2010 which was Tk. 136.7 crore or 42.6% higher than the year 2009. 130 companies mentioned obtaining new credit facility and 194 companies mentioned extension of existing credit facility as the reasons behind this credit growth (graph-4.6).

Utilization of Credit

4.6 Observing the category-wise utilization of credit by SMEs revealed that, most of the credit was used to purchase industry raw materials (41.1%) and purchase of products (27.5%) for trading purpose (graph-4.7).

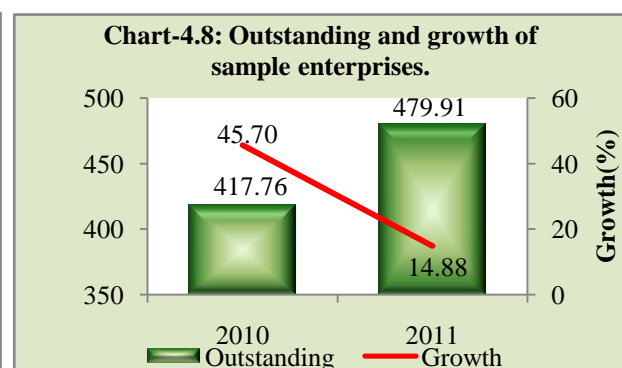
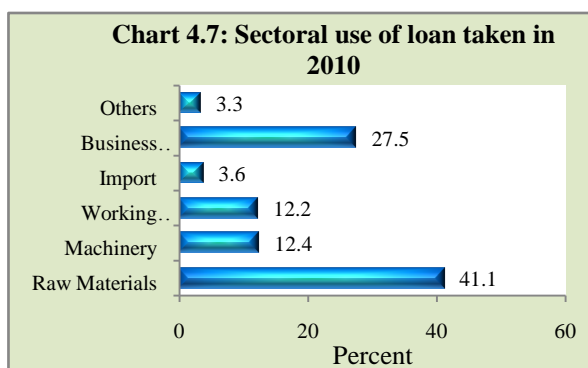


Repayment of Credit

4.7 Though majority of the SME entrepreneurs (96.7%) were regular in credit repayment, part of the credit being unattended had an impact on the increase of outstanding loans of the enterprises. It is to be mentioned here that, the amount of repaid credit of the surveyed companies in 2010 was Tk. 246.2 crore, which was 57.7% of the received credit. In this case, due to limit increase of some existing loans (Overdraft/CC/Working capital/Bai-muazzal) and some other loans being term-loan in nature, it was evident that the amount of repayment was lower than the amount of disbursement.

Status of Outstanding Credit

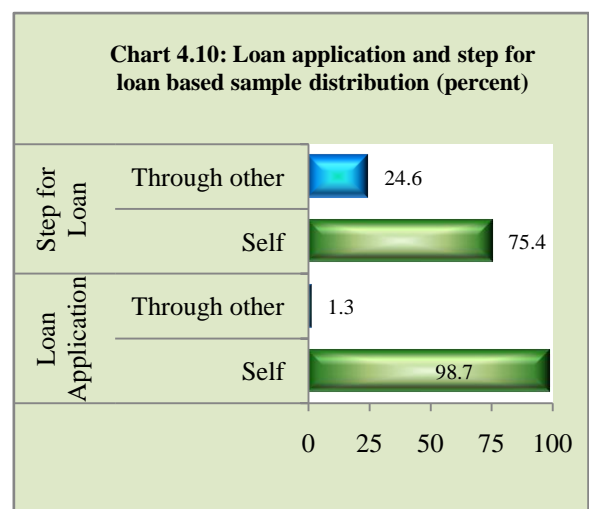
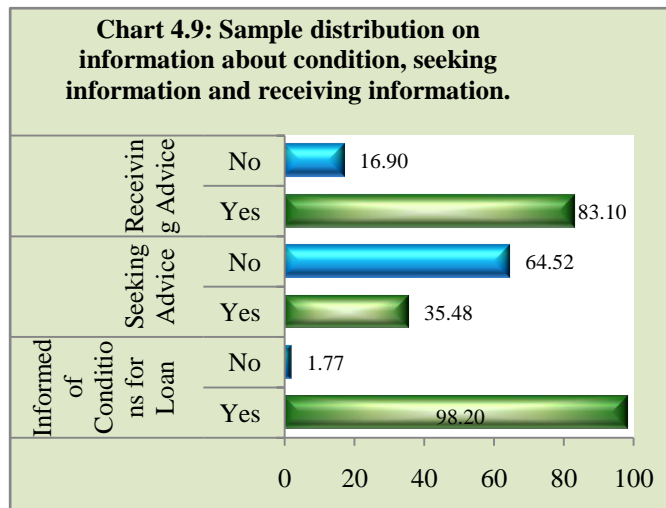
4.8 Going through the growth of outstanding credit of the surveyed enterprises, it was noticed that, in 2010 the growth of outstanding credit was 45.7%, which decreased to 14.9% in 2011 (graph-4.8). It can be mentioned here that, due to business downturn in



2011 in comparison to 2010 and increase in interest rate influenced entrepreneurs' lack of interest to take credit and also low repayment traits among them. These factors were the major influences behind the low outstanding credit growth in 2011.

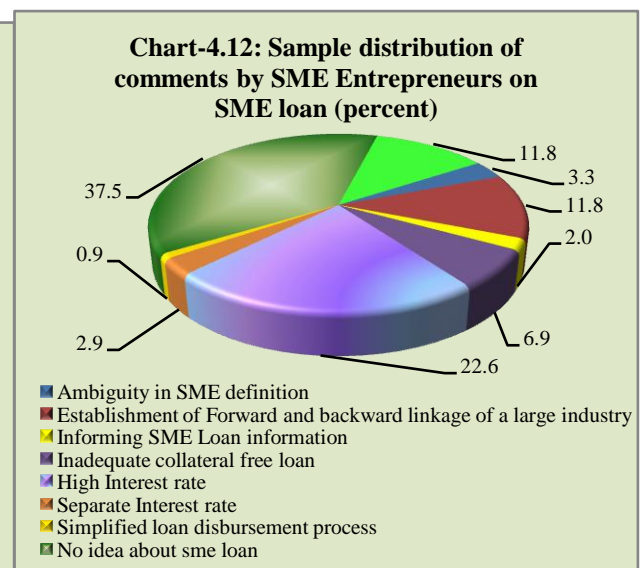
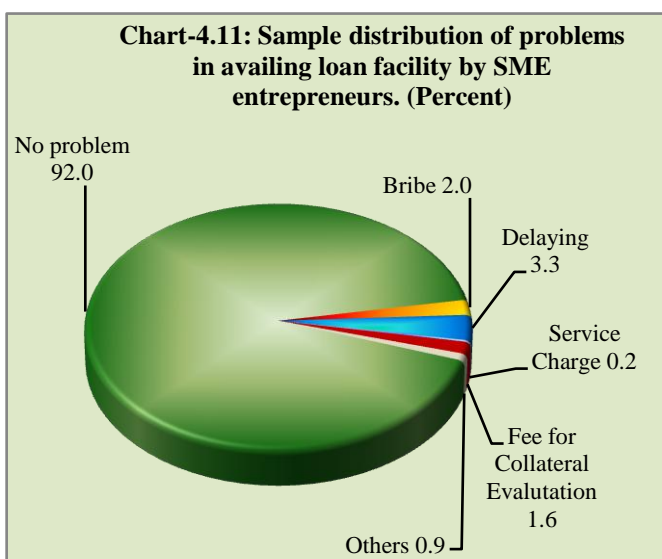
Loan Application, Conditions and Advice

4.9 Almost all the entrepreneurs of the surveyed enterprises applied for credit themselves and received credit knowing all the usual conditions. Three fourth of the entrepreneurs went to the banks themselves and the rest obtained credit through getting inspired by the encouragement of the field level bank officials. A part (35.5%) of the SME entrepreneurs requested the banks and NBFIs for advice regarding credit and its proper usage. Majority of the entrepreneurs (83.1%) who sought advice received it (graph-4.9 and graph-4.10).



Problems of Formal Credit

4.10 It is very important that the entrepreneur receive credit on simple conditions. According to data from the surveyed enterprises, most of the enterprises (59.9%) did not face any trouble obtaining credit. However, the enterprises, which faced problems getting loans, mentioned the long time taken as the major problem (graph-4.11).



Informal Credit

4.11 Though non-formal institutions charge higher interest rate than the formal institutions, a small part of the SME entrepreneurs (3.3%) took loans from non-formal institutions and mentioned not getting loans from formal institutions on due time as the main factor.

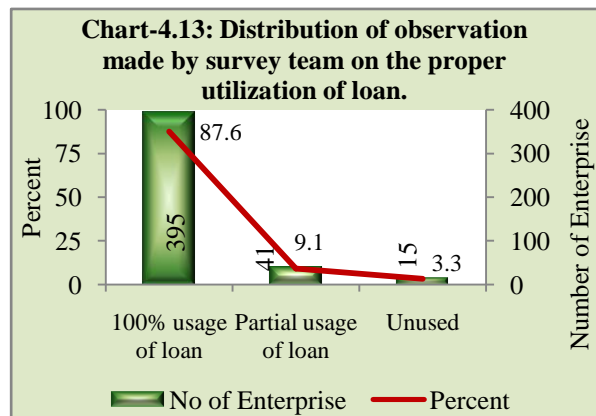
Opinion regarding SME Credit

4.12 50.8% of the SME entrepreneurs obtained loans after familiarizing with SME credit and provided their opinions on SME loan disbursement and SME development. However, the number of respondents with “What is SME credit?I don’t know” was not low (12.2%). 37.5% of the SME entrepreneurs could not provide any opinion on SME credit because they were not aware that loan they obtained was SME loan. Among the respondents on SME, the subject of reducing interest rate in SME sector received much priority (graph-4.12).

Proper Usage of SME Credit

4.13 To measure the proper usage of SME credit on the surveyed enterprises, the following standards were used:

- Entrepreneurs own statement,
- No activities related to the purpose of the credit were observed during on-site inspection on the enterprise.
- No reflection of credit on the statement of affairs of the enterprise, and
- Part of the credit was kept as fixed receipt as a condition.



While analyzing the proper usage of credit on the surveyed enterprises, it was noticed that, most of the enterprises (87.6%) properly used obtained credit in 2010. 9.1% of the companies used part of the obtained credit in SME sector and 3.3% of the companies used the credit on different sector (graph-4.13). The main factors which were mentioned behind this situation were inadequate and weak monitoring system, financial transactions being given more importance than actual situation of the companies, entrepreneurs without any necessity of loans were provided credit, competition to hunt clients for disbursement etc.

Chapter 5

Performance of SME Loans to the Women Entrepreneurs

In seven divisions, 35 out of 451 SME enterprises were identified as women enterprises in this study. These women entrepreneurs belonged to different education levels. The major findings the socio-economic condition of these entrepreneurs are explained in Box-I.

Box-4

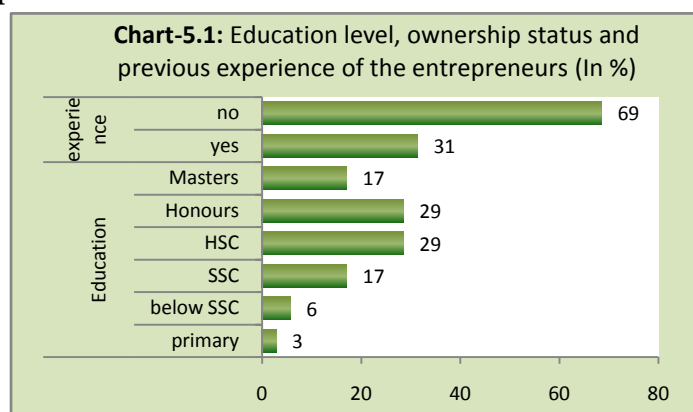
Basic Characteristics and Performance of women entrepreneurs

- ❖ The highest numbers (20) of the entrepreneurs had education level from higher secondary to graduate.
- ❖ Only 40 percent of enterprises were established in their own land.
- ❖ The initial capital of the business of 74 percent of the entrepreneurs was up to Tk. 10 lakh and only 6 percent had Tk. 51 lakh & above.
- ❖ 86% of the enterprises were located in the urban areas and majority of the entrepreneurs developed by their own initiatives.
- ❖ Business was the main sources of income for 80 percent women entrepreneurs.
- ❖ 97% of the entrepreneurs repaid their loan timely.
- ❖ Some of the entrepreneurs had provided other facilities (accommodation, food, bonus or honorarium, and medical facilities etc.) to their staffs.
- ❖ 20 percent of the entrepreneurs had skilled labourers. But 77 percent of total entrepreneurs had planned to develop the skill of their labourers.
- ❖ 57 percent of the entrepreneurs had used capital intensive technology for production.
- ❖ 14 percent of the women entrepreneurs were involved in the garment sector.
- ❖ In 2011, capital, sales, manpower and profit (after tax) of enterprises increased significantly from 2009.
- ❖ The structural changes of capital of the women enterprises had built their capital base including business expansion.
- ❖ The structural changes of manpower of the women enterprises had boosted up their production capacity and contributed to employment generation of the country.
- ❖ The share (%) of female worker in total manpower was 41.35 percent.
- ❖ Productivity of women enterprises also increased during 2009 to 2011.

General Characteristics of Women Entrepreneurs

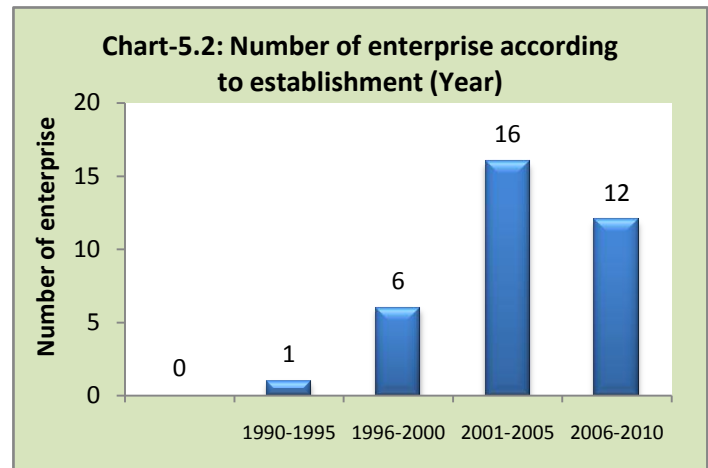
Education and experience

5.1 Considering the education level, the highest number (20 or 58 percent) of the surveyed women entrepreneurs were in between HSC to Honours (Chart-5.1). 69 percent of women entrepreneurs started their business without previous experience.



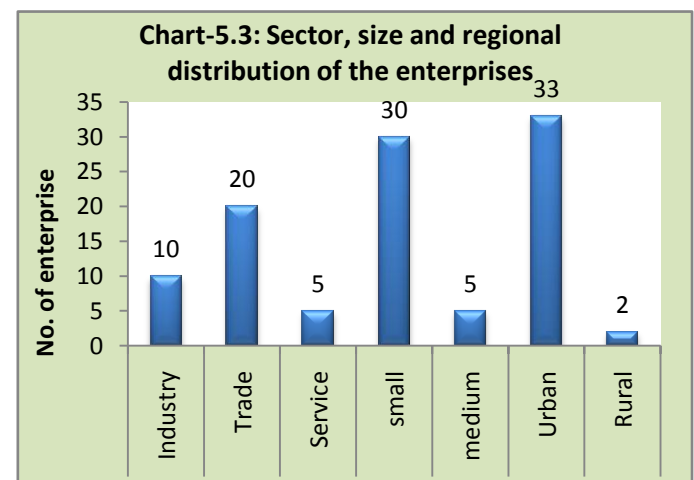
Establishment and ownership of enterprises

5.2 Highest numbers of enterprises (20) were established during the year 2001 to 2005. On the other hand, only one enterprise was established before 1996. Ownership of the enterprises had significant role on running different entrepreneurial activities. Majority (34 or 97 percent) of the entrepreneurs were operating their businesses with single ownership (chart-5.2).



Categories, size and regional distribution of the enterprises

5.3 The women entrepreneurs were involved in different categories of business. Trade sector accounted for 57 percent of the women entrepreneurs (Chart-5.3) followed by the industry (29 percent) and service sectors (14 percent). The size of the enterprises varied for the entrepreneurs and the size of loan provided by the banks also varied depending on the size of the enterprises. The survey discloses that the majority of the women entrepreneurs had small enterprises which were 94 percent of the total. The women enterprises were located both in the rural and urban areas, but the majority (86 percent) was found in the urban areas.

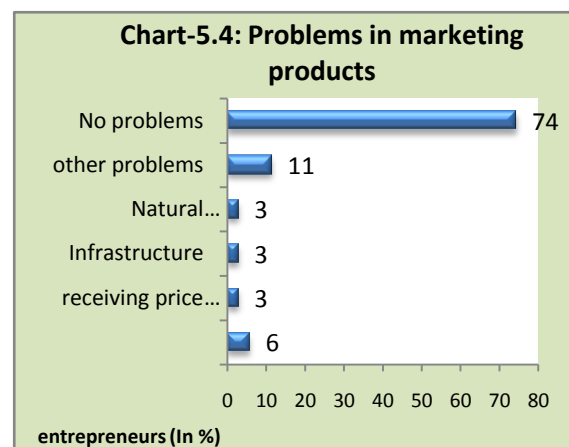


Nature of land

5.4 Out of 35 women enterprises, 57 percent were established on rented land (Chart-4). As a result, the expenditure for rental payment increased significantly (9.57 percent) in 2011 as compared to the previous year (0.09 percent).

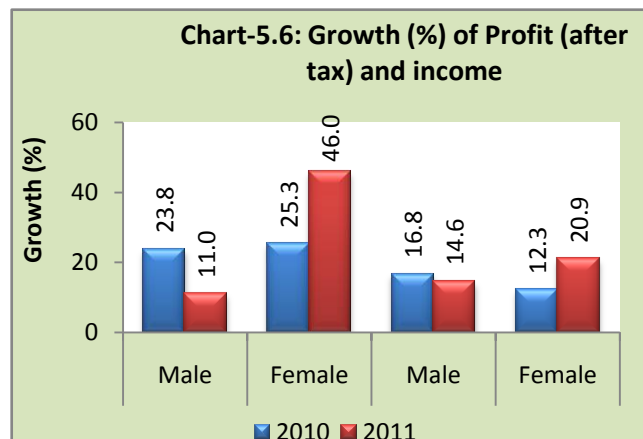
Problems in marketing products

5.5 As opined by the entrepreneurs, 74 percent of them did not face any problem to supply their products in the local markets most of the time (chart-5.4). Almost all the entrepreneurs, who directly sold their products to other organizations or agents, also did not face any problem to sell their commodities. However, 6 percent mentioned that, they could not use their production capacity fully due to insufficient amount of loan. Sometimes they did not get fair price of their products because of discrimination towards women.



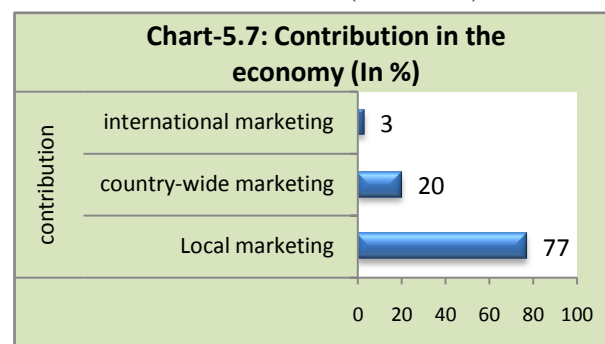
Income

5.6 Growths of both income and profits after tax of women entrepreneurs increased significantly than those of male entrepreneurs in 2011 which indicating better performance of women entrepreneurs (chart-5.6).



Economic contribution

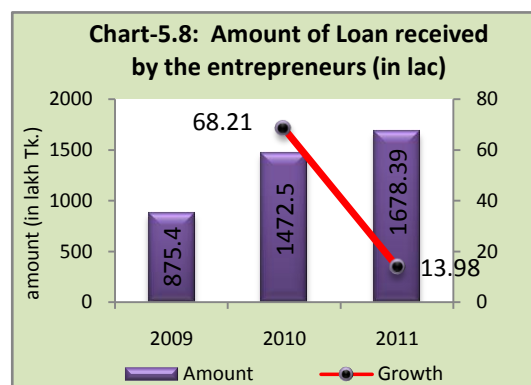
5.7 Considering the contribution of the enterprises in the economy, seventy seven (77) percent contributed in the local market and only 3 percent contributed in the international market (chart-5.7).



Loan related Information

Amount of loan

5.8 The amount of loan received by the women entrepreneurs increased significantly over the time for taking various measures by the Bangladesh Bank to ensure financial assistance and service friendly approach from Banks and Other Financial Institutions (OFIs). It stood at Tk. 1678.39 lakh in 2011 as compared to Tk. 875.40 lakh 2009 (chart-5.8).

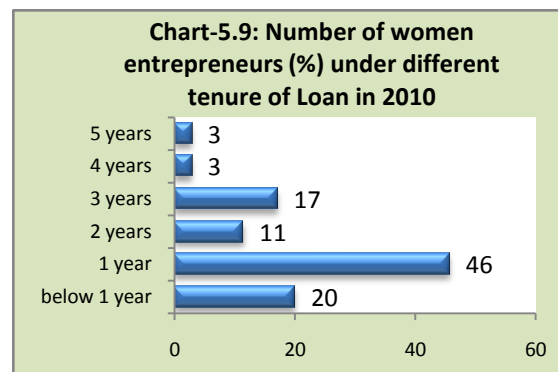


Type of loan

5.9 Analyzing the types of the loan, it was found that, the number of overdraft/CC loan was 51 percent in 2010 whereas the number of term/project loan was only 3 percent. Others include BMH (*Bi-Muajjal Hypo*), *Bi-Muajjal TR*, etc.

Tenure of Loan

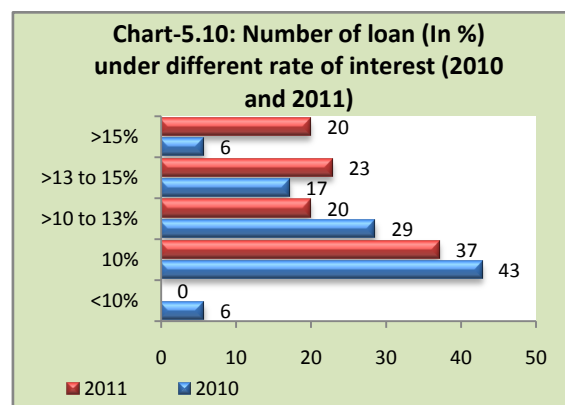
5.10 The tenure of Overdraft/CC loan is up to 1 year. The majority (66 percent) of the entrepreneurs' availed loan with the tenure up to 1 year as Overdraft/CC loan contributed a major portion in total loan (chart-5.9).



Interest Rate

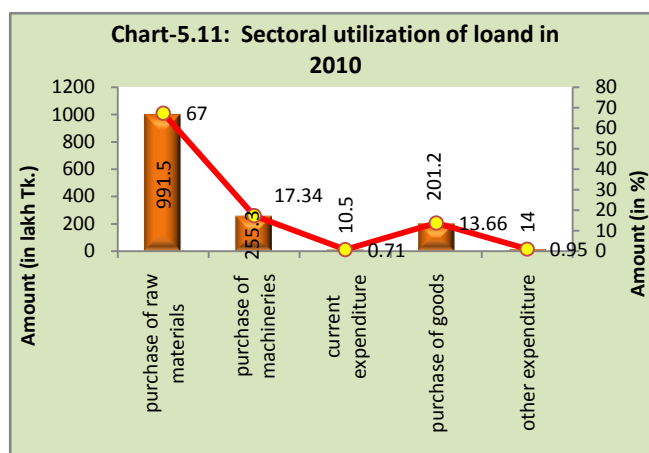
5.11 One of the major obstacles mentioned by the entrepreneurs was higher interest rate of their loan provided by banks. Analyzing the rate of interest of the loans, it was found

that 37 percent entrepreneurs (13) could avail loans at 10 percent interest in 2011 (Chart-5.10) as compared to 43 percent 2010. It was because disbursement of overdraft/CC loan by the banks and OFIs increased in 2011. But, this scenario may be changed in future if loans under the women dedicated schemes increase and refinance scheme of Bangladesh Bank expands.



Sector-wise utilization of loan

5.12 It was observed from the study, that maximum loans (Tk.1192.70 lakh) used for purchasing raw materials and tradable goods (Chart-5.11) trade sector absorbed highest share of total loans.



Repayment of loan

5.13 Considering the schedule of loan repayment of the entrepreneurs in this study, it was revealed that, majority (97 percent) of the entrepreneurs repaid their loan on regular basis. However, the amount of overdue loans stood at Tk. 5 lakh in 2010 which was only 0.34 percent of total loan.

Collateral/Guarantor against loan

5.14 21 entrepreneurs out of total gave collateral against their loans. On the other hand, 40 percent of the entrepreneurs had personal guarantee against their loans.

Outstanding women loan

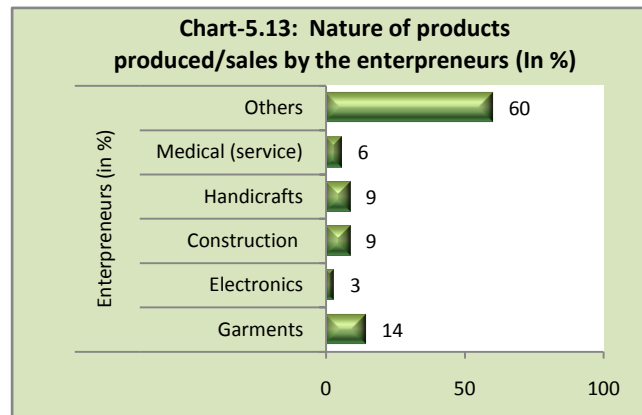
5.15 It was observed from the survey that, the amount of outstanding women loan stood at Tk.1330 lakh in 2011 which was 68 percent higher than that of 2009 (chart-5.12). The amount of overdue loan in outstanding loan was very insignificant (less than 1 percent) due to regular repayment of loan by the women entrepreneurs. Though the amount of women loan increased over the time, the share of that loan in total outstanding loan was yet very insignificant (2.77 percent in 2011).



Socio-Economic Impact of Women Entrepreneurs Loans

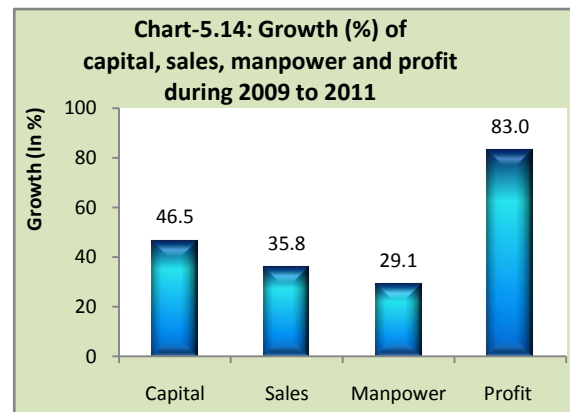
Business Activities

5.16 From the survey, it was observed that 14 percent of the women entrepreneurs were involved in the garment sector (chart-5.13). The following largest business activities were in the handicrafts (9 percent) and construction (9 percent) sectors.



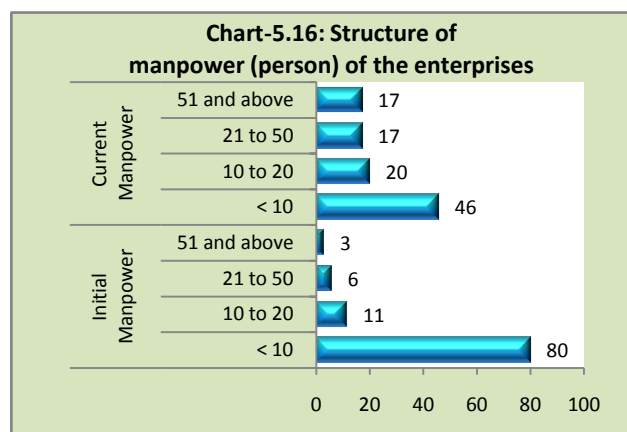
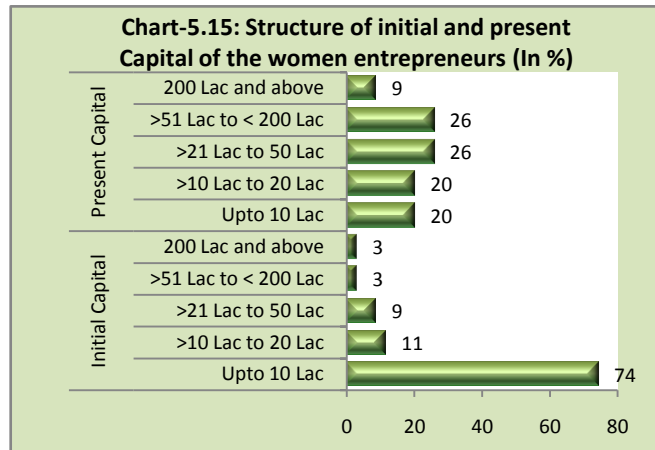
Business Performance

5.17 The growth of businesses of women entrepreneurs showed in the survey increasing trends during 2009 to 2011. In 2011, capital, sales, manpower and profit (after tax) of enterprises increased significantly since 2009. During the period, capital increased by 46.5 percent, sales by 35.8 percent, manpower by 29.1 percent and profit by 83.0 percent (Chart-5.14).



Structural change in capital

5.18 The number of women entrepreneurs who had started their businesses with Tk. 10 lakh or less was 74 percent of the total (chart-5.15). While running business their capital increased over time. It was observed from the analysis of capital structure of the same women entrepreneurs that the number came down at 20 percent in 2011 implying that many of the enterprises grew faster and became bigger enterprises. On the other hand, women entrepreneurs who had started their businesses with Tk. 2 crore or above were only 3 percent. But considering their present capital structure, this number increased significantly and stood at 9 percent. These structural changes of capital had built their capital base including business expansion.

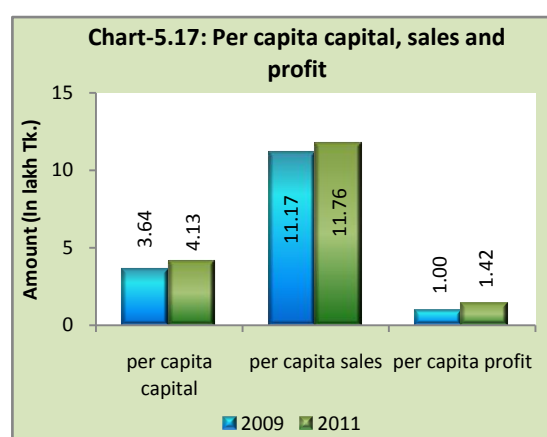


Contribution to employment

5.19 The number of women enterprises that had started their businesses with less than 10 persons was 80 percent (chart-5.16). During the run of businesses, the manpower increased significantly. The number of women enterprises having manpower of less than 10 persons declined and stood at 46 percent in 2011. On the other hand, the numbers of women enterprises that had started business with 21 to 50 persons and 51 persons or above were 6 percent and 3 percent respectively. But, these numbers increased significantly and both stood at 17 percent. These structural changes of manpower boosted up their production capacity and contributed to employment generation of the country. The share (%) of female worker in total manpower was 41.35 percent.

Productivity and profitability

5.20 Productivity of women enterprises also increased during 2009 to 2011. Productivity as a measure of per capita sales of women enterprises increased from 11.17 lakh in 2009 to 11.76 lakh in 2011 (Chart-5.17). This growth contributed to increase profits. For that reason, profitability as a measure of per capita profit of women enterprises also increased from 1.00 lakh in 2009 to 1.42 lakh in 2011. This profit led to increase capital. As a result, per capita capital increased from 3.64 lakh in 2009 to 4.13 lakh in 2011.

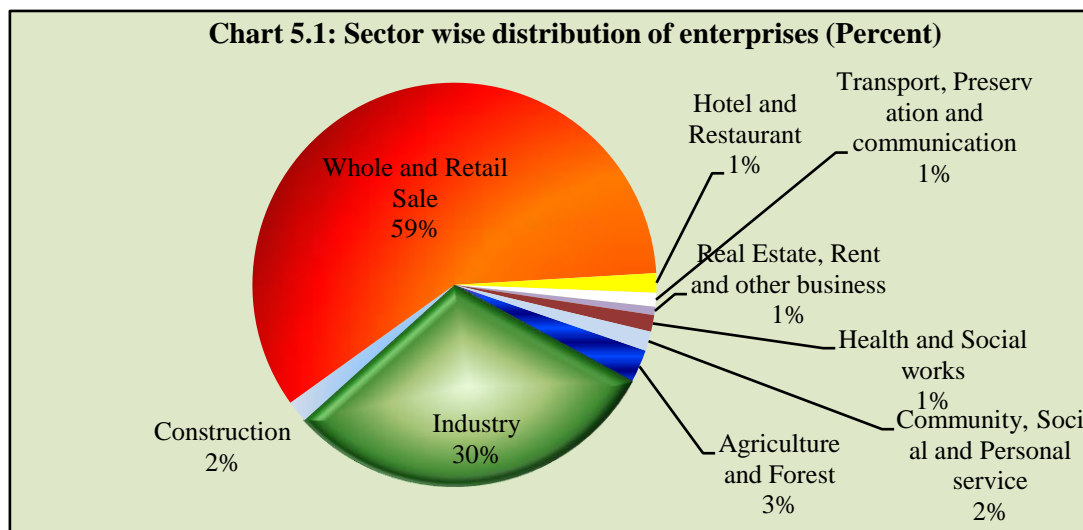


Chapter 6

Socio-Economic Impact of Credit Obtained by Small and Medium Enterprises Beneficiary of the SME Credit

6.1 A survey was conducted on a total of 800 small and medium enterprises from 99 sectors of 132 beneficiary sectors as mentioned in the guidelines named “Small and Medium Enterprise (SME) Credit Policies & Programmes” prepared by Bangladesh Bank, and including some other beneficiary sectors. However, the surveyed enterprises (451 enterprises) were divided into the following 9 sectors on the basis of Gross Domestic Products (GDP) (graph-5.1):

Agriculture and Forest: Agricultural tools making, storage of food seeds, tissue



culture of potato, poultry and dairy farm, paddy rice business, cold storage, leather and leather products, jute and jute-mixed goods, dairy and fish food making, rice mill, potato seed storage, herbal, mushroom, nursery, forestry and furniture, production of juvenile fish, fish cultivation (shrimp, *telapia*, *pangas*), hatchery, saw mill, bamboo and cane goods production etc. Enterprises of this category were 12 in number.

Industry: Boat industry such as, passenger carrying small boat building, IPS, light engineering workshop, welding industry, battery, light engineering industry, hosiery industry, *nakshikantha* and handloom, handicrafts, boutiques, garments industry, silkworm and silk industry, tailoring, plastic industry, toy making, *agor* and candle light, bronze and brass industry, jewellery, dry fish processing, food processing, jaggery, bakery, biscuit factory, iodized salt making, frozen food processing, flattened and fried rice production by machine, oil and pulse mill, ice mill, sweetmeat production, *lachhasamai* and *chanachur* production, tea industry, spice grinding, tobacco processing, water processing, oil processing, flour mill, aluminum foil packet production etc. Enterprises of this category were 137 in number.

Construction Industry: Sanitary goods manufacturing, sand and stone business, wood and steel goods business, manufacturing of cement pillar, brick field etc. Enterprises of this category were 8 in number.

Hotel and Restaurant: Hotel, restaurant etc. Enterprises of this category were 7 in number.

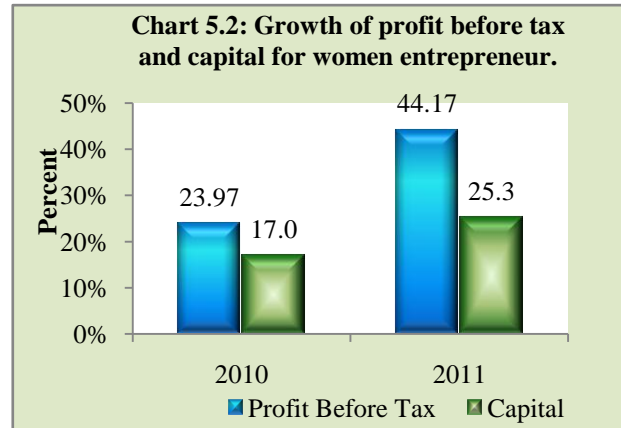
Wholesale and Retail Marketing: Stationary goods, electronics business, wholesale and retail shop, drug house/pharmacy, cosmetic shop, computer goods, old iron goods, fertilizer business, mobile set and accessories business, crockery business, grocery and chaff goods business, LP gas business, rice/paddy rice business, agricultural tools marketing etc. Enterprises of this category were 266 in number.

Transport, Container and Communication: Local transport, ware house container service etc. Enterprises of this category were 5 in number.

Real Estate, Rental and Other Business: Enterprises of this category were 3 in number.

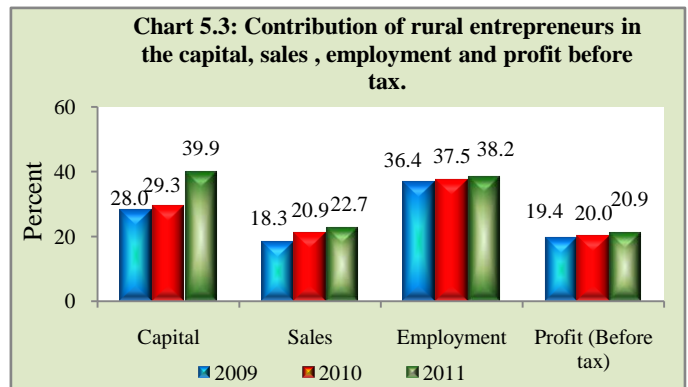
Health and Social Work: Tourism, telecommunication, hospital and clinic, digital color lab, small amusement park, diagnostic center, laboratory etc. Enterprises of this category were 6 in number.

Community, Society and Personal Service: Renewable energy like, solar power, saloon and beauty parlor, activities related to information technology, phone-fax, biogas to electricity production, environment friendly transportation, filling station, photography etc. Enterprises of this category were 7 in number.



Role of Woman Entrepreneurs in SME Sector

6.2 Though the amount of credit to woman entrepreneurs is low, through efficiently and properly utilizing the SME credit, woman entrepreneurs were able to increase their capital growth besides making continuous growth of pre-tax profit (graph-5.2).

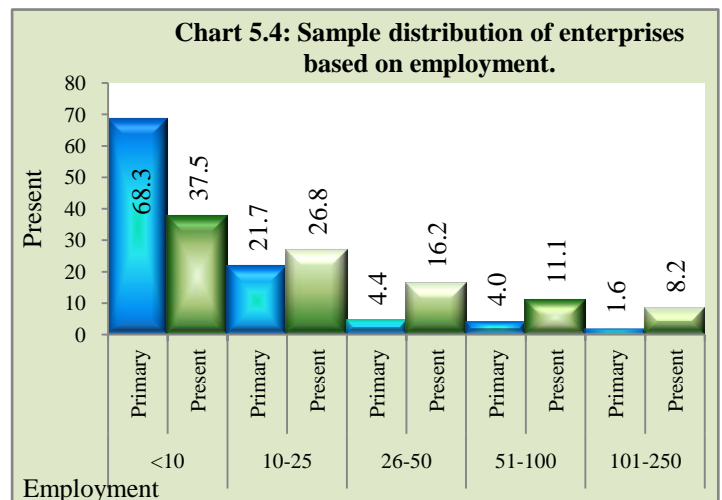


Role of SME Credit in Rural Areas

6.3 Because growths of capital, sales, employment and pre-tax profit in rural areas is more than that of urban areas, SME credit made significant contribution in to the capital, sales and employment and pre-tax profit of rural areas (graph-5.3).

Contribution of SME Sector in Employment Generation

6.4 Most of small and medium enterprises (53.5%) included in the survey were established within last 1 to 10 years and most of these (68.3%) were set up with less than 10 workers. However, in later years the number of employees increased in the surveyed companies and a structural change was apparent in the workforce of these companies during the survey. The number of enterprises having 10 persons or less workforce was 37.5% during the survey graph-5.4). Companies, which were established with workforce of 10 to 25 persons, were 21.5% and companies with the same number of workforce during the survey were

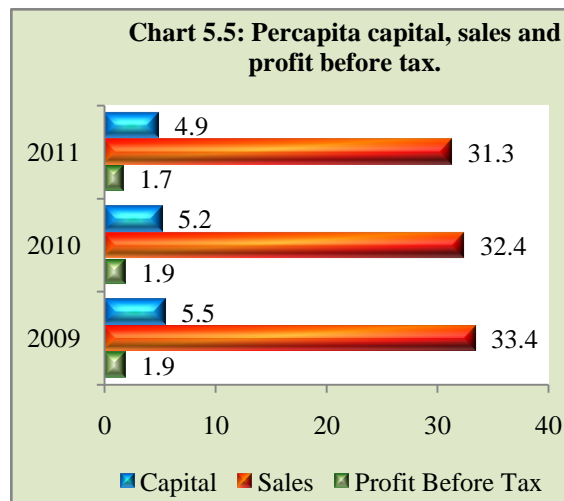


26.6%. Companies set up with 26 to 50 employees were 4.4% and companies running on that number of employees were 16.0%. This structural change of the surveyed companies reflected the significant contribution of SMEs in the generation of employment.

6.5 Total workforce of surveyed SMEs was 13657 in 2010, which was 12.5% higher than that of 2009. In 2011 the total workforce of the same enterprises became 15225, which was 11.5% higher than that of 2010. Loan repayment due to higher interest rate and contracting business through taking lower credit were stated as the main reasons behind the lower growth rate of workforce in 2011 in comparison to 2010.

Productivity

6.6 Per head capital, sales and pre-tax profit had constantly increased in the surveyed enterprises (graph-5.5). After continuous increase from 2009 to 2011 the per head capital, sales and pre-tax profit stood at Tk. 5.50 lac, 33.40 lac and 1.92 lac consecutively. It is quite evident that the rising productivity of SMEs would play a vital role in employment generation through expansion.

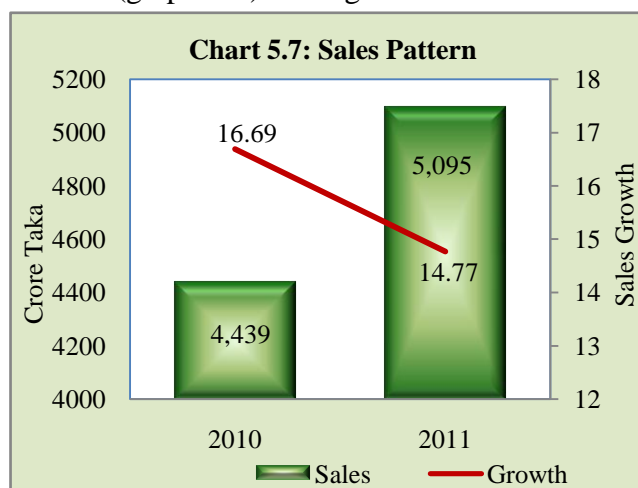
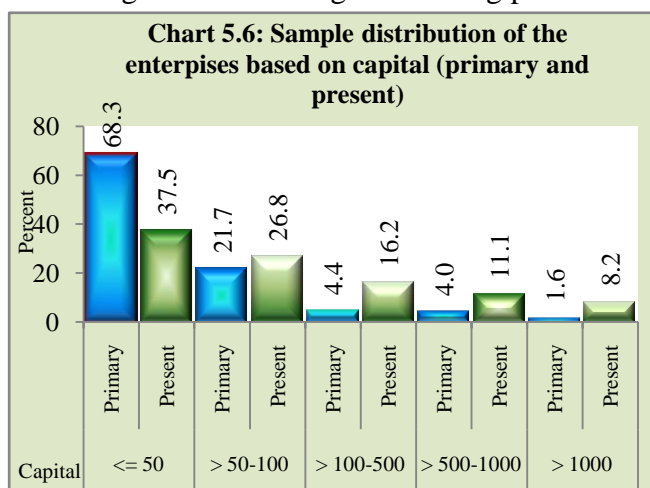


Structural Change in Capital

6.7 The initial capital of 89.1% of the surveyed companies was equal to or less than Tk. 50 lac. However, after establishment the capital of the observed enterprises became larger gradually and structural change in their capital was distinct (graph-5.6). During the survey, the number of the companies with capital less than or equal to Tk. 50 lac was 36.6%. Number of companies established with capital between Tk. 50 lac to 1 crore was 5.1% and companies with the same capital range during the survey was 20.4%. Number of companies with capital between Tk. 1 crore to 5 crore was 4.7% during establishment and 34.8% during the survey. It is to be mentioned here that, this structural change in the capital is contributing significantly to help them to expand their business besides strengthen the financial base of the SMEs.

Production (Sales)

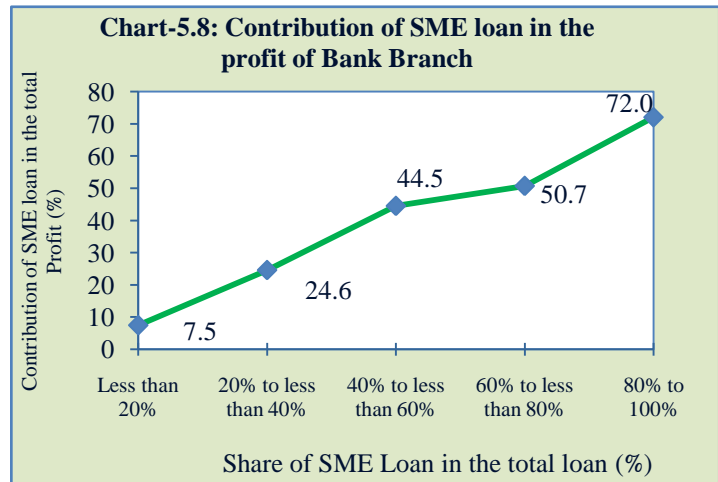
6.8 SME credit played a participatory role in expanding business of the surveyed organization through increasing production and sales (graph-5.7). Though interest rate



was high in 2010, the high expansion of enterprises contributed to the increase of production i.e. sales. However, high interest rate is a barrier of business expansion. The total sales of surveyed companies in 2010 were Tk. 4439 crore which was 16.7% higher than that of 2009. This total sales figure became Tk. 5095 crore in 2011 which was 14.8% higher than that of 2010. Increase in interest rate expense due to high interest rate and reduction in demand for products due to high product cost were mentioned as main factors behind the lower growth rate of sales in 2011.

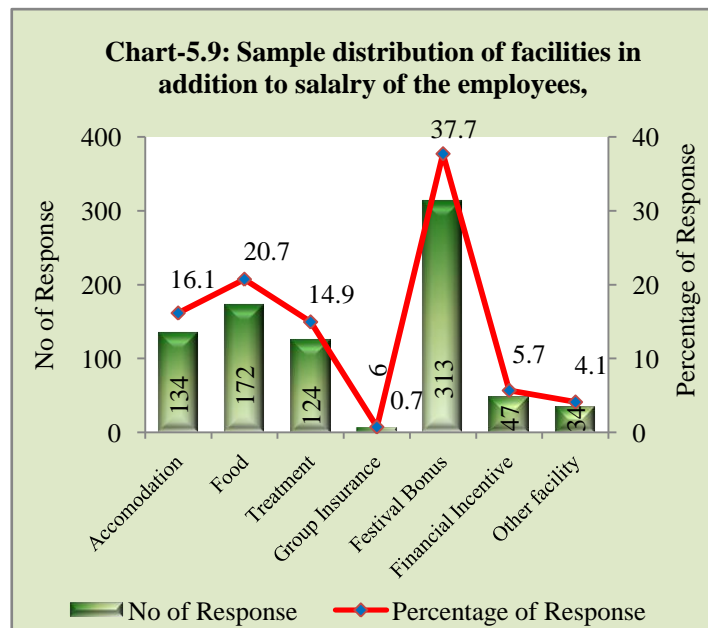
Role of SME Credit in Profit Making of Banks

6.9 SME credit is playing a significant role in total credit and profitability for the branches of banks and NBFIs. The interest rate range of SME credit in the field level of bank and NBFIs was 10% to 20%. Through analyzing the percentage of profit earned from SME credit (graph-5.8) it was found that, increase in the SME credit contributed significantly to the growing profit of the bank branches. That is, with the increase of SME credit in the bank branches, the contribution of SME segment on the profitability was also increasing. The average profit from SME credit was 7.5% of total profit in those bank branches, where SME credit was 20% of the total loan portfolio. On the other hand, average profit earned from SME credit was 72.0% of the total profit on those bank branches, where SME credit was 80 to 100 percent of the total credit portfolio. It was evident that the gradual increase of contribution of SME sector in profitability played a vital role in strengthening the financial base of the branches of banks and NBFIs.



Salary Structure of Officials and Workers and Life Standard of SMEs

6.10 Average salary structure of the officials employed in surveyed SMEs was in the range of 14 to 23 thousands and for workers it was 4 to 9 thousands. The life standard of the workers was poorer because of this difference in the salary structure between the officials and workers. However, salary structure of the workers of the most of the enterprises (62.0%) was comparable to the govt. declared pay structure. Moreover, various other non-wage compensation (for

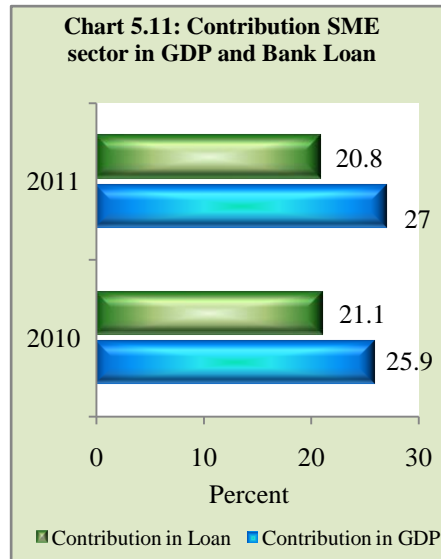
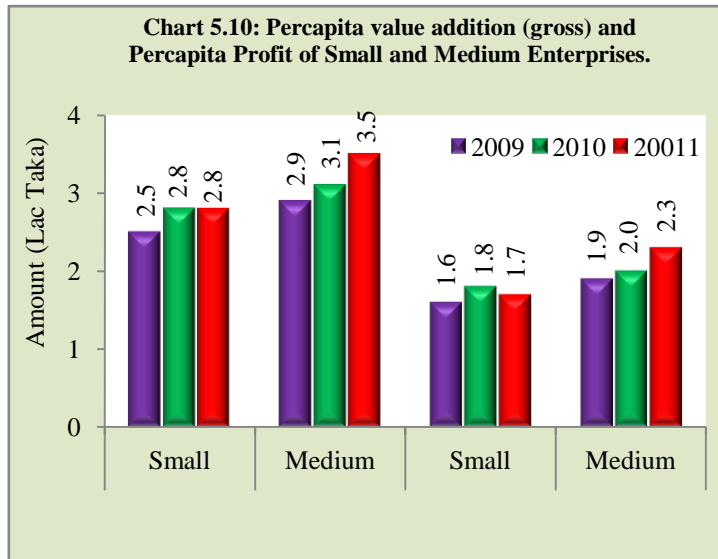


example: house facility, food, medical, festival bonus, cash incentives) given by the owners contributed significantly to the development of living standard of the workers (graph-5.9).

Per Capita Value Addition and Pre-tax Profit

6.11 Both the per head value addition and pre-tax profit increased for the surveyed small and medium enterprises (graph-5.10). However, the contribution of medium enterprises was higher in per head value addition and pre-tax profit.

Contribution of SME in GDP



6.12 Considering the value addition of the surveyed companies on the 9 sectors of GDP, the contribution of SME enterprises on the GDP was estimated to be 25.9% in 2010 and 27.0% in 2011 (graph-5.11), which was similar to some of the previous studies on this sector. However, it is necessary to carry out much broader survey to evaluate the contribution of SME on GDP. It is possible to keep up the positive contribution of SME sector on the GDP through prioritizing and taking necessary steps to remove the barriers of this potential sector.

Chapter-7

Views, Recommendations and further Research

Views and Recommendations

Arrangement of Training

7.1 A majority number of the heads of the SME divisions/departments and the responsible SME loan disbursing officials of the surveyed 44 banks and non-bank FIs had no training on SME loan; hence SME loan disbursement and monitoring activities of these institutions were weak to a great extent. Therefore the officers of the banks and non-bank FIs, engaged in SME sectors, should be adequately trained up in a regular basis.

Implementation of strategic target

7.2 The field level officers of banks and non-bank FIs were not much informed and aware of the implementation of strategic targets of loan disbursement like reducing unemployment, increasing contribution in national economy etc. To achieve these strategic targets of banks and non-bank FIs, participation of all level officials and co-ordination of their activities are needed.

Preparation of database

7.3 The survey teams observed much negligence in providing information/data by the banks and non-bank FIs. In this connection, the officials of the FIs opined that they had no clear conception/knowledge about the concerned information and 3-4 years' information was not available to them. Again the available information was also not correct (wrong entry). So, along with instructing the banks and non-bank FIs by Bangladesh Bank for preparing and preserving time series data (monthly, quarterly, half-yearly and annually), their concerned officials may be offered department-wise training on data entry and preservation method by Bangladesh Bank Training Academy (BBTA) if necessary.

Preservation of all information/data in branch level

7.4 It was observed from the field level survey that several banks (BRAC Bank Ltd., Eastern Bank Ltd., The City Bank Ltd. etc.) preserved information/data centrally; consequently the survey teams faced troubles getting information/data immediately at the branch level. Hence, together with ensuring the preservation of information/data at the branch level of banks and non-bank FIs, initiatives are to be taken to penalize the branches, unable to provide the same.

Accepting co-operation from local organization/authority to select genuine entrepreneurs

7.5 In order to expedite SME credit activities together with identifying the real entrepreneurs including women entrepreneurs and provide credit facilities promptly and within the shortest period, Bangladesh Bank instructs banks and FIs in the SME credit policy to find out genuine entrepreneurs through local organization/authority [Business organization (Chamber/ Association), Women Entrepreneurs' Association etc.]. But only 12.3 percent branches of the surveyed banks and FIs was found affiliated with local chambers/associations. In this connection, banks and non-bank FIs will have to be inspired to generate new entrepreneurs through local organization/authority and disburse SME credit rapidly and within the shortest period.

Expansion of refinance facility and relaxation of the conditions

7.6 One of the conditions for banks and non-bank FIs to get refinance facility against SME credit was to keep/maintain classified loans at less than 10 percent. So the state owned banks (Sonali, Agrani, Janata, Rupali, BKB, RAKAB) couldn't avail this facility as their percentage of classified loans were more than 10 percent. As a consequence, they couldn't provide SME credit to a large number of populations despite their large number of branches country-wide especially in rural areas. In this context, the conditions of classified loans for refinance facility may be relaxed in the special cases considering the

importance of sector, size, gender and area of the SME loans. Besides young, disabled persons and freedom-fighters in addition to women entrepreneurs may be included for refinance facility.

Ensuring transparency in service charge recovery

7.7 Thirty six (36) surveyed banks and non-bank FIs imposed various charges apart from the usual interest rate that contributed to the increase of actual interest rate for borrowers. In this circumstance, scopes and limits for charges on loans (except the interest) should be determined through specific circular from Bangladesh Bank and compliance of the instruction of the circular will have to be ensured during onsite supervision.

Strengthening of SME credit monitoring

7.8 It was observed in the field level survey that skilful monitoring of SME credit was not possible due to scarcity of officials in the SME sector of banks and non-bank FIs and in most cases lack of SME related clear conception/training of the concerned officials. Besides, a large portion of SME loans was out of supervision coverage as SME loans were monitored considering the number of branches instead of SME loan exposure according to the SME supervision guidelines. So, in order to eradicate these limitations, SME credit supervision policies should be modified as necessary.

Minimizing the time gap between loan application and sanction and between loan sanction and disbursement

7.9 In 37 surveyed banks and non-bank FIs, the average time gap between receipt of loan application and loan sanction was 1 month, in 5 banks and non-bank FIs it was more than 1 month but less than 2 months and in 2 banks and non-bank FIs it's more than 2 months. Again 30 banks and non-bank FIs spent on average 10 days between loan sanction and disbursement, 9 banks and non-bank FIs took more than 10 days but less than 20 days and 5 banks and non-bank FIs passed more than 20 days. Most of the borrowers in the field level expressed that they didn't get the loan amount timely due to the excess time gap between loan application and disbursement and so they had to avail personal loan at a high interest rate. On the other hand, banks and non-bank FIs get the chance to waste time as Bangladesh Bank has no specific policies on this. So Bangladesh Bank should have a particular policy to minimize this time gap for the convenience of the borrowers.

Rapid implementation of proposed punishment against the officials involved in loan related irregularities

7.10 With a view to eliminating the observed irregularities in loan disbursement, recovery and monitoring, rapid implementation of proposed punishment is needed against the officials involved in irregularities detected by Bangladesh bank inspection team.

Giving priority to area and gender based loan disbursement

7.11 In 2010, the contributions of rural areas and women entrepreneurs in the total surveyed SME loan balance were only 37.4 percent and 3.3 percent respectively, which indicates a barrier to balanced development of the country. In this backdrop, for achieving balanced development through increasing participation of rural areas and women entrepreneurs in the country's economic activities, banks and non-bank FIs will have to be more encouraged to provide loans in rural areas and to women entrepreneurs on priority basis.

Eradication of observed problems in marketing of produced goods

7.12 Surveyed/assessed SME entrepreneurs were facing various problems in marketing their productions. So, necessary steps will have to be taken to eradicate the marketing problems with the aim of inspiring them in SME investment.

Advising the entrepreneurs

7.13 A part (35.5%) of the surveyed/studied SME entrepreneurs sought advices from banks and non-bank FIs on their borrowings and the right usage of the borrowings; among

them a large portion (83.1%) got advice. In these circumstances, SME entrepreneurs will have to be encouraged to take timely advice from bank and non-bank FIs officials through publicity on SME credit and increasing field level monitoring of the credit which will help them to save their enterprises from probable loss.

Providing adequate training to the entrepreneurs

7.14 Among the total surveyed SME entrepreneurs, 52.1 percent had no previous experience in the concerned business which somehow had adversely affected their businesses to be managed skilfully. So, in the initiative of various public and private institutions, including Bangladesh Bank and lending organizations, SME entrepreneurs will have to be motivated to take training in addition to be provided necessary training in the related fields.

Increasing publicity on generating SME entrepreneurs and loan disbursement

7.15 SME related publicity activities were noticed in 93.0 percent branches among the surveyed branches of banks and non-bank FIs; highest 27.1 percent was personal communication, 15.5 percent was leaflet distribution, 14.8 percent was poster/banner, 12.4 percent was participation in the SME fairs and 10.6 percent was product campaign. SME entrepreneurs may be benefitted more if electronic and print media assistance is taken in the publicizing activities.

Augmenting awareness about Cluster Development

7.16 In the "Small and Medium Enterprise (SME) Credit Policy and Programs" published by Bangladesh Bank, banks and non-bank FIs were instructed to further extend their area and cluster based loan disbursement along with diversifying the loan activities through selecting a large numbers of new clusters as their targeted future strategic goal for expanding/enhancing SME credit program. But it seemed to the survey teams that the officials of the banks and non-bank FIs were not much aware about field level Cluster Development. At this stage, observing the Cluster Development onsite and collecting information/data, Research Department may render necessary opinions in their future research on SME.

Simplifying SME definition

7.17 SME is defined considering manpower and fixed assets excluding land and factory building. But it was observed from the survey that the organisations had no significant fixed assets except land and factory building and so they were difficult to be defined as SME. In this context, "capital excluding land and factory building" instead of "fixed assets excluding land and factory" may be considered for the definition and for this suggestion may be sought from ministry of Industry if necessary. Mentionable here, 3.3 percent surveyed SME organisations recommended clarifying the SME definition.

Bangla version of loan application and loan agreement

7.18 Though 98.2 percent surveyed SME entrepreneurs stated that they took loans being informed of the imposed conditions for loan disbursement, they expressed the necessity for Bangla version of loan application and loan agreement. So Bangla version of loan application and loan agreement are to be provided by the lending organisations to make them easily understandable to the borrowers.

Expansion of information technology usage

7.19 Analyzing the sector and size based information technology usage of the surveyed enterprises it was observed that 47.9 percent of total enterprises and 57.7 percent of medium enterprises used IT. On the other hand 36.1 percent of the surveyed urban enterprises and 35.5 percent of the rural enterprises used IT. Enterprises will have to be encouraged more by banks and non-bank FIs to use state of the art information technology for providing required information/data correctly and timely.

Harmonizing the salary structure of the labours with that of government

7.20 Among the surveyed enterprises, 62.0 percent organisations' salary structure was synchronized with that of government. Entrepreneurs will have to be inspired to harmonize the salary structure of all labours with the government salary structure and provide them some facilities (e.g. residence, food, treatment, festival bonus, financial motivation etc.) excluding salary to improve their life standard.

Increasing skills of the labours

7.21 Only one-fourths of the total manpower of the surveyed enterprises was skilled, the rests were semi-skilled and unskilled whose productivity was less than the skilled manpower. That's why, initiatives will have to be taken to train the unskilled and semi-skilled manpower to improve their skills at the government and private arrangement in addition to the enterprises.

Postponing the instruction to maintain a part of loan as fixed deposit

7.22 Maximum (87.4 percent) surveyed enterprises provided securities against their loans and 5.5 percent enterprises kept financial instrument as security especially a part of loan as fixed deposit. As a result, a portion of the loan was kept with the lending organisation which was not used in borrower's production processes. So Bangladesh Bank needs to instruct the banks and non-bank FIs not to account the financial instruments taken as security as a part of loan.

Establishment of effective separate service desk for women entrepreneurs

7.23 Separate service desks for women entrepreneurs were observed in 71.8 percent branches of surveyed banks and non-bank FIs but most of them (59.0 percent) did not disburse loans to women entrepreneurs. So, in order to comply with the SME credit policies of Bangladesh Bank, establishment of effective separate service desks for women entrepreneurs in the banks and NBFIs and also SME loan disbursement to potential/prospective women entrepreneurs must be ensured.

Increasing loan recovery

7.24 Despite the regular loan repayment by most of the surveyed SME entrepreneurs, a large portion of their borrowed loans remained outstanding due to increase of credit limit. Bank and non-bank FIs will have to play an effective role to inspire the entrepreneurs for repayment of loans regularly increasing the loan limit at a rational/reasonable level based on banker-customer relationship.

Incorrect reporting by FIs

7.25 Analyzing capital and manpower of the surveyed enterprises (543), reported as SME by banks and non-bank FIs, it was observed that 16.9 percent enterprises were not SME (10.1 percent are micro and 6.8 percent large). The contribution of SME, large and micro enterprises in total credit were 65.8 percent, 33.2 percent and 1.0 percent respectively. So, the banks and non-bank FIs will have to be more cautious while submitting information/data to the central bank and at the same time, Bangladesh Bank will have to ensure the punishment for incorrect reporting.

Reducing real interest rate of/for SME credit

7.26 As per information provided by the surveyed banks and non-bank FIs, the lowest and highest interest rates in the SME sector were 10 percent and 20 percent respectively in 2010. Worth-mentioning that though the lowest 10 percent interest rate was applicable only for women entrepreneurs, a part of them was deprived of this facility; the main reason behind this was not availing of refinance facility by the concerned banks and non-bank FIs and ignorance of women entrepreneurs about this. It is mentionable that, among the surveyed entrepreneurs who expressed their views on development of SME sector, 22.6 percent advised to reduce the interest rate of SME. In this perspective, Bangladesh Bank will have to take initiatives and strengthen monitoring to decrease the

interest rate gap reducing the actual interest rate in the SME sector and ensure applicable 10 percent interest rate for women entrepreneurs.

Establishment of small and medium enterprises as forward or backward linkages of large enterprises

7.27 11.7 percent surveyed SME enterprises suggested to establish SME enterprises as forward or backward linkages of large enterprises; as a consequence, the market for SME products would be ensured in addition to reduction of their unequal competition with large enterprises. For this, government initiatives are needed in addition to the prominent role of various associations of industrialists.

Enhancing collateral free credit limit

7.28 In 31.0 percent surveyed bank and non-bank FIs, collateral free credit disbursement facility was observed. Among the surveyed enterprises, who expressed their views on development of SME sector, 6.9 percent opined in support of increasing collateral free credit limit. So, for inclusive financial development, banks and non-bank FIs have to be encouraged to increase collateral free credit amount and limit.

Increasing the amount of group-based loan disbursement for women entrepreneurs

7.29 Group-based loan disbursement for women entrepreneurs was observed only in 10.4 percent branches of surveyed banks and non-bank FIs. To increase this number, banks and FIs have to be encouraged to provide group-based loans to women entrepreneurs.

Limitations of the survey and potential/future research

Limited scope

7.30 Though more than 0.3 million small and medium enterprises availed credit from banks and non-bank FIs, survey teams covered only 800 enterprises of field level.

Scarcity of time

7.31 Within too short a period, the survey teams had to go first to the head offices of the surveyed 44 banks and non-bank FIs, then to their 400 branches located at 64 districts of the country and from the branches to their 800 small and medium enterprises to collect information/data. For that, each sub-team had to visit 2 branches of bank and non-bank FIs and their 4 enterprises onsite daily. Collection of questionnaire-based accurate information/data was somehow obstructed due to this time constraint. As a result, considering the accuracy and completeness of information/data, survey teams presented overall picture of 451 sample enterprises. It is worth mentioning that, sector, size, area and gender based accurate picture of SME loan may not be reflected in this survey as the sample size was too small.

Limited area

2.6 In the "Small and Medium Enterprise (SME) Credit Policy and Programs" published by Bangladesh Bank, banks and non-bank FIs were instructed to further extend their area and cluster based loan disbursement along with diversifying the loan activities through selecting a large numbers of new clusters as their targeted future strategic goal for expanding SME credit program. Mentionable that cluster related information were not discussed much, as this topic was missed in the questionnaire prepared by the survey teams. But it seemed to the survey teams that the officials of the banks and non-bank FIs were not much aware of field level cluster development. Besides, detailed information of the institutions refinanced by Bangladesh Bank in SME sector was not available in this survey.

Potential/future research

7.33 Survey teams conducted survey on loan activities of 800 enterprises; so the sample, as a whole, may not be a fruitful sample selection to take an overall decision. Again this survey report with some particular recommendations, prepared in the light of information/data received through field-level survey, may not reflect equally all areas of the country. Yet, it may be regarded as a sample survey of acceptable standard considering the time and extent. Again, there is an opportunity to conduct survey more extensively through wide/broad coverage of the enterprises and taking more time. The Research Department of Bangladesh Bank can provide necessary suggestions for Cluster Development conducting an extensive/wide ranging survey on the condition of prospective cluster-based organizations of various districts; can expose the socio-economic effect of SME credit along with its contribution in the GDP of the country by conducting a comprehensive survey on refinance by Bangladesh Bank and accomplishing a widespread survey on SME credit in terms of sector, size, area and gender.

Chapter-8

Case study: An over view of selected Small and Medium Enterprises

7.1 M/S. Kohinoor Enterprise, Natun Hat Bazar, Kotowali, Jessore.

Background of the Enterprise

8.1.1 This enterprise was established in 1993 with proprietorship. It is small-sized and rural based agro industry. The enterprise is registered from Deara Union Board. It has no formal balance sheet.

Particulars of the Entrepreneur

8.1.2 The owner Kohinur Begum is a woman entrepreneur and she passed secondary school certificate. She took loan from Southeast Bank Limited, Jessore Branch. Her business has been running for 18 years and she had no experience in this field before starting the enterprise.

Objectives to Establish the Enterprise

8.1.3 The enterprise is established as a main source of earning of the entrepreneur. Besides, entrepreneur spends a part of her income for socio-economic developments like helping the widows, developing sanitation system, distributing warm clothes among the poor, etc.

Capital Structure

8.1.4 Initial capital of the enterprise was only Taka one thousand which increased to Taka 1.8 million at the end of 2013.

Infrastructure of the enterprise

8.1.5 The enterprise is situated on both owner's and rented land. The inside and outside environment of the enterprise is good. The enterprise is labour intensive and its' production process is manual. The entrepreneur does not use information technology. She contributes mainly in local market.

Manpower

8.1.6 Initial manpower of this enterprise was only one (entrepreneur herself) which increased to 26 at the end of 2013. Out of 26 employees, officer is one (entrepreneur herself) and the remaining 25 are labourers. Among the total manpower, seven are male and 19 are female. The entrepreneur withdraws Taka 15 thousand per month as her salary. On the other hand, salaries of labourers are between Taka 7-12 thousand. The salary structure of the labourers is consistent with the national pay structure of the government. The entrepreneur provides medical facilities to employees in addition to their salaries. Considering salaries and other benefits living standard of the employees is good. The employees all are semi-skilled. Entrepreneur has no plan to provide any training to her employees but the newly appointed labourers get trainings from the experienced ones.

Marketing of goods/services

8.1.7 The enterprise is established as a rice mill and produces and sells rice. The entrepreneur is marketing her product by herself. She faces the following problems in marketing.

- She purchases raw materials in cash but sells the products on credit which creates problems for repayment of bank loans.
- She faces uneven competition with auto rice mills.

Information about institutional loans

8.1.8 The bank approached to the entrepreneur and advised her to enhance her business with bank loans. Then the entrepreneur applied for loan and received loan by knowing all terms and conditions of the loan. She did not face any problems for getting loans. It

took 30 days to get the first instalment of the loan due to get approval from head office of the bank. The detailed information about the entrepreneurs' loans from the year 2009 to 2011 is given in table 8.1.1 below.

Table-8.1.1: Details information on loans

Name of the Bank/NBFI	Type of loan	Tenure of loan (in year)	Amount of loan (million Taka)	Rate of interest	Year of receiving loan
1.Southeast Bank Ltd, Jessore Branch, Jessore	working capital loans	1	1.0	10.00%	2010
2. -do-	-do-	-do-	1.5	-do-	2011

8.1.9 The entrepreneur received Taka 1.0 million as loans in 2010 from Southeast Bank Limited, Jessore Branch and utilized it in purchasing paddy as raw material of her product. She repays loans regularly. In 2010 she repaid Taka 0.65 million with principal and interest (principal is Taka 0.58 million and interest Taka 75 thousand). In 2011 she took Taka 1.5 million as loans from the same bank branch and repaid Taka 1.63 million (principal is Taka 1.48 million and interest Taka 0.15 million). The outstanding amount of loan stood at Taka 1.54 million as on 31/12/2011 including interest. The entrepreneur did not mortgage anything to the bank as collateral against loans. But, bank took personal guarantee of her husband. On her opinion, she benefited from the bank loans greatly.

Informal Loan

8.1.10 The entrepreneurs did not receive any loan from the informal source.

Overall situation of the enterprise

8.1.11 Information on capital, loan outstanding, sales, manpower, profit before and after taxes, total income, total expenditure and rent for using land/machineries for 2009, 2010 and 2011 are given in table 8.1.2 below.

Table 8.1.2 : The overall performance of the enterprise

(Million Taka)

Description	2009	2010	2011
Capital (Excluding land)	1.00	1.30	1.70
Loan outstanding	-	1.53	1.54
Sales	15.0	20.0	30.00
Manpower (in number)	15	20	26
Profit before tax	0.30	0.40	0.60
Profit after tax	0.29	0.39	0.59
Total income	15.00	20.00	30.00
Total expenditure	14.70	19.60	29.40
Interest Expenses	-	0.75	1.48
Wages	1.70	1.80	2.00
Rent paid	0.08	0.08	0.08

8.1.11 Considering overall situation of the enterprise for the year 2009, 2010 and 2011, it can be viewed that after receiving the loan capital, income, profit and manpower increased over time. It can also be viewed that the entrepreneur properly utilized her bank loans in her business and her outstanding loans stood at 90.53% of its capital.

8.2 M/S Islam Bacolite, Sadar Road, Barguna

Background of the Enterprise

8.2.1 This enterprise was established in 2008 with proprietorship. It is small sized and urban based enterprise. It produces and sells electric goods. The enterprise is registered from Barguna Municipality. It has balance sheet but not audited by the audit firm.

Particulars of the Entrepreneur

8.2.2 Alhajj Shahab Uddin Ahmed is the owner of this enterprise and his education level is primary. He took loans from Islami Bank Bangladesh Limited (IBBL), Barguna Branch. His business has been running for 8 years and he had no experience in this field before starting his enterprise.

Objectives to Establish the Enterprise

8.2.3 The enterprise is established as a main source of earning of the entrepreneur. Besides, entrepreneur contributes to socio-economic developments like helping the poor relatives, creating employment opportunities both for the male and female. He desires to earn foreign currency by exporting his products for the sake of saving save foreign currency.

Capital Structure

8.2.4 Initial capital of the enterprise was only Taka 0.15 million which increased to Taka 8.0 million at the end of 2013.

Infrastructure of the enterprise

8.2.5 Entrepreneur is established the enterprise on his own land. The area of the industry is congested. The enterprise is labour intensive and its' production process is manual. It does not use information technology. The enterprise contributes mainly to local market.

Manpower

8.2.6 Initial manpower of this enterprise was seven (including entrepreneur and his son) which increased to 45 at the end of 2013. Out of 45 employees, officers are five (including entrepreneur and his son) and the remaining 40 are labourers. Among the total manpower, 20 are male and 25 are female. The salaries of the officers ranged between Taka 12-25 thousand. On the other hand, salaries of labourers ranged between Taka 2-12 thousand. The salary structure of labourers is not consistent with the national pay structure of the government. The entrepreneur does not provide any facilities to employees in addition to their salaries. Considering the salary structure, living standard of the labourers is not good. The employees are all semi-skilled. Entrepreneur arranges in house training program to for the new employees.

Marketing of goods/services

8.2.7 The entrepreneur is marketing his products by himself. He faces the following problems in marketing.

- Monitoring the sales representatives in the field levels;
- Scarcity of vehicles in transporting goods and thus higher transportation costs.

Information about institutional loans

8.2.8 The entrepreneur applied for loans by himself and received loans by knowing all terms and conditions of loans. He did not face any problems for getting loans. It took 14 days to get the first instalment of the loans. The detailed information on the entrepreneurs' loan from the year 2009 to 2011 is given in table 8.2.1 below.

Table-8.2.1 : Details information on loans.

Name of the Bank/NBFI	Type of loan	Tenure of loan (in year)	Amount of loan (million Taka)	Rate of interest	Year of receiving loan
1. Islami Bank Bd Limited, Barguna Branch	Working capital (Hypo)	1	1.20	13.00%	2009
2. -do-	-do-	1	1.50	13.00%	2010
3. -do-	-do-	1	2.30	16.00%	2011

8.2.9 The entrepreneur received Taka 1.5 million in 2010 from Islami Bank Bangladesh Limited, Barguna Branch and utilized it in purchasing raw materials like plastic powder, resin, copper rod, etc. of his products. He repays loans regularly. In 2010 he repaid Taka 1.69 million with principal and interest (principal is Taka 1.5 million and interest Taka 0.19 million). In 2011 he received Taka 2.30 million as loans from the same bank branch and repaid Taka 2.67 million (principal is Taka 2.30 million and interest Taka 0.37 million). The outstanding amount of loan stood at Taka 2.3 million as on 31/12/2011 including interest. The entrepreneur mortgaged his land to the bank as collateral against loans. The entrepreneur's views about SME loans are given below.

- ❖ The rate of interest of the loan is high; and
- ❖ The amount of sanctioned loan is always lower than the demand for loan.

Information about Informal Loan

8.2.10 The entrepreneurs did not receive any loan from the informal source.

Overall situation of the enterprise

8.2.11 Information on capital, loan outstanding, sales, manpower, profit before and after taxes, total income, total expenditure and wages for 2009, 2010 and 2011 are given in table 8.2.2 below.

Table8.2.2: The Overall situation of the enterprise (million Taka)

Description	2009	2010	2011
Capital (Excluding land)	6.1	7.2	8.0
Loan outstanding	1.2	1.5	2.3
Production/sales	3.8	4.1	8.6
Manpower (in number)	2.0	2.5	4.0
Profit before tax	0.10	0.20	0.40
Profit after tax	0.10	0.20	0.40
Total income	3.8	4.1	8.6
Total expenditure	3.7	3.9	8.2
Interest expenses	0.16	0.20	0.37
Wages	1.16	1.37	1.47
Rent paid (for the use of land/machineries)	--	--	--

8.2.12 Considering the overall situation of the enterprise for the year 2009, 2010 and 2011, it can be viewed that after getting loans capital, manpower, income and profit increased over time. It seemed that the enterprises had been able to expand its business through the enhancement of loans. It can also be viewed that the entrepreneur properly utilized his bank loans. However, the bank needs more monitoring for further enhancement of loans to this enterprise.

8.3 Fashion Designing and Printing, Baitul Aman Housing Society, Shyamoly, Dhaka.

Background of the Enterprise

8.3.1 This enterprise was established in 2000 with joint ownership. It is small sized and urban based enterprise. The enterprise is registered from Dhaka City Corporation. It has balance sheet which audited by the audit firm.

Particulars of the Entrepreneur

8.3.2 The one of the owners of this enterprise is Zafrul Islam (Khokon). He has a graduated degree. He took loans from Uttara Bank Limited, Shyamoly Branch, Dhaka. His business has been running for 12 years and he had no experience before starting this enterprise.

Objectives to Establish the Enterprise

8.2.3 The enterprise is established as a main source of earning of the entrepreneurs. Besides, the entrepreneurs contribute to socio-economic developments by creating employment opportunities especially for female and children dropping for going to schools for poverty.

Capital Structure

8.3.4 Initial capital of the enterprise was Taka 0.30 million which increased to Taka 10.50 million at the end of 2013.

Infrastructure of the enterprise

8.3.5 The Enterprise is established on the rented floor. The inside and outside environment of the enterprise is good. The enterprise is labour intensive and its' production process is manual. It uses of information technology in its production system. It is established as a forward linkage of garment industries and thus contributing to international market.

Manpower

8.3.6 Initial manpower of this enterprise was 30 which increased to 127 at the end of 2013. Out of 127 employees, officers are seven (including the entrepreneurs) and the remaining 120 are labourers. Among the total manpower, 35 are male and 92 are female. The number of children labourers is 40. The salaries of the officers are between Taka 10-40 thousand. On the other hand, the salaries of labourers are between Taka 3-6 thousand. The salary structure for the labourers is partly not consistent with the national pay structure of the government. The entrepreneurs provide medical facility to employees in addition to their salaries. Considering the pay structure and other benefits, living standard of the labourers is not good. The employees are all semi-skilled. However, entrepreneurs arrange in-house training programs for the new employees.

Marketing of goods

8.3.7 The entrepreneurs are marketing the products by themselves. They face the following problems in marketing their goods.

- ❖ Sometimes garments owners do not pay the bills in time after receiving goods;
- ❖ Delay in payment through bank cheques due to insufficient balance of the buyers.

Information about institutional loans

8.3.8 The entrepreneurs applied for loan by themselves and received loans by knowing all terms and conditions of the loan. They did not face any problems for getting loans. It took two and a half months to get the first installment of the loan due to complication arisen from mortgage process. The detailed information on the entrepreneurs' loans from the year 2009 to 2011 is given in table 8.3.1 below.

Table-8.3.1: Details information on loans.

Name of the Bank/NBFI	Type of loan	Tenure of loan (in year)	Amount of loan (million Taka)	Rate of interest	Year of receiving loan
1. Uttara Bank Limited, Shyamoli Branch, Dhaka.	Cash credit	1	20.00	16.00%	2009
2. -do-	-do-	-do-	20.00	15.00%	2010
3. -do-	-do-	-do-	20.00	17.00%	2011

8.3.9 The entrepreneurs received Taka 1.00 million as loans in 2010 from Uttara Bank Limited, Shyamoli Branch, Dhaka and utilized it in purchasing raw materials like paints, blocks, dices, etc. and in paying salaries of the employees. They repay loans regularly. In 2010 they repaid Taka 2.10 million with principal and interest (principal is Taka 2.00 million and interest Taka 0.10 million). In 2011 they took loans Taka 2.0 million from the same bank branch and repaid Taka 2.25 million (principal is Taka 2.0 million and interest Taka 0.25 million). The outstanding amount of loans stood at Taka 1.73 million as on 31/12/2011 including interest. The entrepreneurs mortgaged their lands to the bank as collateral against loans. The entrepreneurs' views about SME loans are given below.

- ❖ The amount of sanctioned loans could be made as per the entrepreneurs' demand for loans due to full utilization of production capacity.
- ❖ Rate of interest could be subsidized for real entrepreneurs (i.e. productive sectors) to minimize their production costs;
- ❖ Banks could be relaxed for taking collateral against loans for export oriented industries; etc.

Information about Informal Loan

8.3.10 The entrepreneurs did not receive any loan from the informal source.

Overall situation of the enterprise

8.3.11 Information on capital, loan outstanding, sales, manpower, profit before and after taxes, total income, total expenditure and wages for 2009, 2010 and 2011 are given in table 8.3.2 below.

Table 8.3.2: The overall **situation of the enterprise** (million Taka)

Description	2009	2010	2011
Capital (excluding land)	10.32	10.94	12.97
Loan outstanding	1.67	0.73	1.73
Production/sales	26.53	27.56	28.54
Manpower (in number)	113	120	127
Profit before tax	1.55	2.05	2.54
Profit after tax	1.55	2.05	2.54
Total Earning	26.53	27.56	28.54
Total Expenditure	24.98	25.51	26.01
Interest Expenses	0.23	0.14	0.25
Wages	5.62	6.12	7.07
Rent paid (for the use of land & machineries)	1.26	1.26	1.26

8.3.12 Considering the overall situation of the enterprise for the year 2009, 2010 and 2011, it can be viewed that after taking loans capital, sales, profits and manpower increased over time. But growth of sales decreased slightly in 2011 as compared to 2010. Capital increased due mainly to the increase of profits during the period. But increase in outstanding loans was due mainly to making repayment of loans to other bank (HSBC) through taking loans from Uttara Bank Ltd. Thus it can also be viewed that the entrepreneurs diverted the loans partially. Therefore, close monitoring from the bank is needed to ensure the future realization of their loans.

8.4 M/S. Tamim and Tahmid Enterprise, Chatok, Sunamgonj

Background of the Enterprise

8.4.1 This enterprise was established in 2002 with proprietorship. It is small sized and urban based trading concern. The enterprise is registered from local municipality. It has balance sheet but was not audited by the audit firm.

Particulars of the Entrepreneur

8.4.2 Md. Saifur Rahman is the entrepreneurs of this enterprise and he passed higher secondary school examination. He took loans from National Bank Limited, Chatok Branch, Sunamgonj. His business has been running for 10 years and he had no experience before starting his business.

Objectives to Establish the Enterprise

8.4.3 The enterprise is established as main source of earning of the entrepreneurs. Besides, they have another business concern for trading cement.

Capital Structure

8.4.4 The initial capital of the enterprise was Taka 5.00 million which increased to Taka 15.00 million at the end of 2013.

Infrastructure of the enterprise

8.4.5 The enterprise is established on his own land. The inside and outside environment of the enterprise is good. It does not use information technology. The enterprise contributes to the market for all over the country.

Manpower

8.4.6 Initial manpower of this enterprise was two which increased to seven at the end of 2013. Out of seven employees, one is officer (the entrepreneur himself) and the remaining six are labourers. All employees are male. The officer receives Taka 8 thousand per month as salary. On the other hand, the salaries of labourers are between Taka 5-6 thousand. The salary of labourers is consistent with the national pay structure of the government. The entrepreneur does not provide any other facilities to the employees in addition to their salaries. Considering the pay structure of the labours, living standard of the labours is good.

Marketing of goods

8.4.7 The enterprise is involved trading business of lime stones. The entrepreneur is marketing goods by himself and do not face any problem for this.

Information about formal loans

8.4.8 The entrepreneur applied for loan by himself and received loans by knowing all terms and conditions for loans. He did not face any problems for getting loans. It took 21 days to get the first instalment of loans. The detailed information on the entrepreneurs' loan from the year 2009 to 2011 is given in table 8.4.1 below.

Table-8.4.1: Details information on loans.

Name of the Bank/NBFI	Type of loan	Tenure of loan (in year)	Amount of loans (million Taka)	Rate of interest	Year of receiving loan
1. National Bank Limited, Chatok Branch, Sunamgonj	Cash credit (Hypo)	1	3.0	13.00%	2010
2. -do-	-do-	1	5.0	16.00%	2011

8.4.9 The entrepreneur received Taka 3.0 million as loans in 2010 from National Bank Limited, Chatok Branch, Sunamgonj and utilized it for purchasing the trading goods. He repays loans regularly. In 2010 he repaid Taka 0.11 thousand only for interest payment. In 2011 he received loan amounting to Taka 5.0 million from the same bank branch and repaid Taka 5.33 million (principal is Taka 5.0 million and interest Taka 0.33 million). The outstanding amount of loan stood at Taka 4.64 million as on 31/12/2011 including interest. The entrepreneur mortgaged his land to the bank as collateral against loans. The entrepreneur's view on SME loans is to reduce the interest rate of SME loans.

Information about Informal Loan

8.4.10 The entrepreneurs did not receive any loan from the informal source.

Overall situation of the enterprise

8.4.11 Information on capital, loan outstanding, sales, manpower, profit before and after taxes, total income, total expenditure and wages for 2009, 2010 and 2011 are given in table 8.4.2 below.

Table 8.4.2: The overall situation of the enterprise (Taka in lakh)

Description	2009	2010	2011
Capital (Excluding land)	8.0	10.0	10.0
Loan outstanding	0	0.93	4.64
Sales	20.0	30.0	35.0
Manpower (in number)	5	5	6
Profit before tax	1.71	2.63	2.88
Profit after tax	1.45	2.24	2.45
Total income	20.0	30.0	35.0
Total expenditure	18.3	27.35	32.1
Interest expenses	0	0.01	0.33
Wages	0.45	0.56	0.58
Rent paid	0.04	0.04	0.04

8.4.12 Considering the overall situation of the enterprise for the year 2009, 2010 and 2011, it can be viewed that after receiving loans, capital of the enterprise remained unchanged in 2011 which meant that the profit of that enterprise had been shifted to another business. On the other hand, the amount of loan received by the entrepreneurs increased significantly in 2011 but the sales did not increase so much indicating partial utilization of loans. Therefore, close monitoring from the bank is needed to be strengthened for proper utilization of sanctioned amount of loans.

Survey Team 2012

Name of Officials	Designation, Department	Duty in the Team
1. Mahfuza Akther	Deputy General Manager, Research Department	Convener
2. Md. Ashraful Alam	Deputy General Manager, SME and Special Programs Department	Member
3. Mohammad Masuduzaman	Joint Director, Research Department	Member Secretary
4. Jebunnessa Karima*	Deputy Director, Governor's Secretariat	Member
5. Saiful Arefin	Deputy Director, Statistics Department	Member
6. Mohammad Abdur Rouf	Deputy Director, Department of Banking Inspection-3	Member
7. Md. Sadrul Hasan**	Deputy Director, SME and Special Programs Department	Member

* according to the direction of Chief Economist, Jebunnessa Karima was included in the team.

** according to the oral direction of Md. Akhtaruzzaman, General Manager, Research Department Md. Maidul Islam Chowdhury, Assistant Director, Research Department was involved in the team in absence of Md. Sadrul Hasan who went for higher study abroad.

The survey at field level was conducted by dividing the above team into the following two groups:

‘A’ Group

Name of Officials	Designation, Department	Duty in the Team
3. Mahfuza Akther	Deputy General Manager, Research Department	Group Leader
4. Mohammad Masuduzaman	Joint Director, Research Department	Member
5. Mohammad Abdur Rouf	Deputy Director, Department of Banking Inspection-3	Member

‘B’ Group

Name of Officials	Designation, Department	Duty in the Team
2. Md. Ashraful Alam	Deputy General Manager, SME and Special Programs Department	Group Leader
3. Saiful Arefin	Deputy Director, Statistics Department	Member
4. Md. Sadrul Hasan	Deputy Director, SME and Special Programs Department	Member

Questionnaire 'A-Set'

[For the Head Office of the Sample Bank/Financial Institution]

Name of the Bank/Financial Institution: _____

1. Information regarding the Chief Officer of SME department/SME Credit Sector:

A) Name	:	_____
B) Designation	:	_____
C) Educational qualification (Total number of years of formal education)	:	_____
D) Tenure of the designated post	:	Year ___ Month___
E) Training in related field (in any)	:	Year ___ Month___
F) Experience in related field	:	Year ___

2. Information on operation of SME loan:

A) Is there any particular policy on SME loan: Yes No
If yes, attach your particular SME credit policy to the document.

B) What are the indicators of internal Audit of SME loan?

1.	4.
2.	5.
3.	6.

C) Is there any SME loan monitoring system at regional/divisional level? Yes No
If yes, explain its nature:

--

D) How many employees are related in SME credit in 2010 and what was its share in total workforce? _____; _____% of total workforce.

E) How many SME branches/centres did you have in 2010 and what was its share in total number of Branch? _____; _____% of total branches.
Do all branches provide SME loan? Yes No

F) Is there any priority in disbursing loans with respect to sector, size, region or gender?
 Yes No

If yes, describe:

--

G) Is there any difference in recovery in case of sector, size, region or gender?
 Yes No

If yes, describe:

--

H) Evaluate regarding SME loan activities i.e. contribution of the SME loan activities in your banking business till 31.12.2010? _____% of total loans and advances; _____% of profit.

I) Do you think that any further expansion of SME credit is necessary in future?

Yes No

If yes, then what are your strategic goals in this regard?

--

3. Current situation of SME credit:

A) SME credit related information for 2008, 2009 and 2010 (*Please use separate table for each year*)

(In million Taka)

Description	Sector			Size		Women Entrepreneur	Region	
	Industry	Business	Service	Small	Medium		Rural	Urban
Disbursement								
Recovery								
Overdue								
Classified								
Outstanding								

B) Enterprise-wise list disbursement of loan in 2010 (*Please use separate annexure if necessary and mail the soft copy of the table at mahfuza_162@yahoo.com*)

Name of the Enterprise and Address	District	Loan disbursement in 2010 (million taka)	Loan recovery in 2010 (million taka)
1.			
2.			

4. Information on entrepreneurs for SME loans:

A) What is your main procedure to select entrepreneurs for SME loans?

Entering entrepreneurs into Bank Searching entrepreneurs at field level

B) Generally, how much time does it take between application for loan and sanction of loan in your bank? Month____Day____

C) Generally, how much time does it take between sanction of loan and disbursement of loan in your bank? Month____Day____

D) What is the number of applications for SME loans in 2010 and the number of loans sanctioned?

Number of Applicants_____ Number of Loans sanctioned_____

E) What are the faults observed in the unsuccessful applications for loans?

1.	4.
2.	5.
3.	6.

F) Please attach a specimen of application form for loan herewith.

G) Describe sector-wise number of SME loans in 2008, 2009 and 2010 below:

Year	Sector			Size		Women Entrepreneur	Region	
	Industry	Business	Service	Small	Industry		Service	Small
2008								
2009								
2010								

5. Information on the rate of interest on SME loans:

A) State the sector-wise current rate of interest on SME loans below:

(In Percentage)

Sector	Rate of interest
1. Industry	
2. Business	
3. Service	

B) State the sector-wise weighted average rate of interest on SME loans in 2008, 2009 and 2010.

(In Percentage)

Year	Industry	Business	Service	Total
2008				
2009				
2010				

C) Is there any service charge besides existing rate of interest? Yes No

If yes, then state the amount of source of charges:

Source of service/other charges	Amount (Taka)/Rate (%)

D) What are the key factors in determining rate of interest?

1.	3.	5.
2.	4.	6.

E) Is there any difference in rate of interest on SME loans with respect to sector, size, region or gender?

Yes No

If yes, describe:

--

6. Information on the right implementation of SME Loan:

A) Does your disbursement of SME loans comply with the guidelines of Bangladesh Bank?

Yes No

B) Do you have any particular mechanism to ensure proper utilization of the SME loans?

Yes No

If yes, describe the mechanism and if no, describe what your comments about the responsibilities are.

--

7. Information on inspection of SME loans:

A) How are monitored the activities of SME loans?

--

B) Do you have any inspection team to examine the information regarding the disbursement and recovery of SME loans? Yes No

If yes, how are their activities? How much eagerness do you have to implement their suggestions?

C) Number of inspection for loans disbursed to enterprises in 2010_____. Have you found any irregularity in inspection of enterprises? If found, describe its type and steps are taken for its removal?

Type of irregularities	Taken Steps
1.	
2.	
3.	
4.	

D) What are the impediments/problems to inspect SME loans?

Description of Problems/Impediments
1.
2.
3.
4.

E) Does the inspection team of Bangladesh Bank check the information on SME loans regularly? Yes No

If yes, have the team found any irregularly? If found, mention the steps taken to remove the irregularities?

Type of irregularity	Steps taken
1.	
2.	
3.	
4.	

F) Please state your suggestions for the inspection team of Bangladesh Bank, if any?

--

8. Information on the refinancing of SME loan:

A) Do you have any idea about the refinance facility of Bangladesh Bank against SME loans? Yes No

B) Have your institution received any refinance facility from Bangladesh Bank against SME loans? If received, describe the amount of refinance received by your institution in 2008, 2009, and 2010:

(Million Taka)

Year	Sector			Size		Women Entrepreneur	Region	
	Industry	Business	Service	Small	Industry		Service	Small
2008								
2009								
2010								

C) What is your opinion regarding the contribution of the refinance facility in SME loan activities? _____

Do you have any suggestion regarding the expansion of refinance facility of Bangladesh Bank? If you have, describe:

--

9. Information on the industrial term loan:

A) What were the amount of size-wise industrial loans sanctioned and disbursed in 2008, 2009 and 2010?

(Million Taka)

Year	Large		Medium		Small	
	Sanction	Disbursement	Sanction	Disbursement	Sanction	Disbursement
2008						
2009						
2010						

B) List large enterprises received industrial term loans in 2010:

Name of the Enterprise and Address	District	Amount of Disbursement (Million Taka)
1.		
2.		
...		

10. Information on SME loans for women entrepreneurs:

A) What kinds of SME loan facilities are available for women entrepreneurs in your bank?

--

B) Does your institution have any separate service help desk for women entrepreneurs to facilitate disbursement of SME loans? Yes No

If yes, then state the number of the help desk:

C) Are the guidelines of Bangladesh Bank regarding SME loan for women entrepreneurs are complying? Yes No

D) Information on collateral free loans (up to 2.5 million Taka) for women entrepreneurs till now:

Size of Loan (in Taka)	No of Entrepreneurs	Amount of Disbursed loan (million Taka)
1. Till 0.5 million		
2. More than 0.5 million but less than or equal to 1.5 million		
3. More than 1.5 million but less than or equal to 2.5 million		

E) Rate of interest charged on SME loans for women entrepreneurs: _____%

F) Have women entrepreneurs received any group loans? Yes No

If yes, mention the number of such loans: _____

11. Have your bank participated in any SME loan related fair/exhibition? If participated, state the number of participations? _____(Attach a list with heading, date and venue)

12. Do you have any involvement with the Chambers/Associations for SME loans? If yes, how such involvement is playing role in SME loan activities?

13. Please describe your overall evaluation (indicating facilities, problems, economic importance, etc.) of SME loans activities.

Signature and Seal of the
Information co-ordinating
officer.

Date:

Signature and Seal of Managing
Director/Chief Executive
Officer/SME chief

Date:

Questionnaire 'B-Set'
[For Branch Offices of Sample Banks/Financial Institutions]

Name of the Bank/Financial Institution: _____

Branch: _____

District: _____

Name of the Manager: _____

Phone No: _____

Fax No: _____

1. Information on the manpower for SME loan in the branch

A) Information on the officer in charge of SME loan disbursement:

1. Name	: _____	
2. Designation	: _____	
3. Academic Qualification (Total number of years of formal education):	Year	
4. Duration in the current position	: _____ Month _____ Day	
5. Relevant Training (If any)	: _____ Month _____ Day	
6. Relevant experience	: _____ Year	

B) Total manpower of the Branch: _____

C) Total manpower for the SME loan : _____

D) Are the SME loan related officers are involved in other works? Yes No

E) Number of officers got training on SME: _____

Name of the Training Programs:

1.	
2.	
3.	
4.	
5.	

2. Information on the SME loan activities:

A) Is the branch informed of the SME loan policy of Bangladesh Bank? Yes No

B) Is the branch preserving related policies and circulars of Bangladesh Bank?

Yes No

C) Do you know definition of SME? Yes No

D) Is there any priority in disbursement of loan regarding sector, size, region or gender?

Yes No

If yes, then describe (with sector, size, region and gender):

--

E) Is there any difference in loan recovery in case of sector, size, region or gender?

Yes No

If yes, describe:

--

F) Evaluate SME loan activities i.e. contribution of SME loan activities in your branch? ___% in loans and advances; ___% in profits.

G) Do you think that any further expansion of SME credit is necessary in future?

Yes No

If yes, what are your strategic goals in this regard:

--

3. Current status of SME loan:s

A) SME credit related information for in for 2008, 2009 and 2010 (*Please use separate table for each year*) (million Taka)

Description	Sector			Size		Women Entrepreneur	Region	
	Industry	Business	Service	Small	Medium		Rural	Urban
Disbursement								
Recovery								
Overdue								
Classified								
Outstanding								

B) List disbursement of loan in 2010 enterprise-wise (*Please use separate annexure if necessary and mail the soft copy of the table at mahfuza_162@yahoo.com*)

Name of the Enterprise and Address	District	Loan disbursement in 2010 (million Taka)	Loan recovery in 2010 (million Taka)
1.			
2.			

4. Information on entrepreneurs for SME loans:

A) What is your main procedure to select entrepreneurs for SME loans?

Entering entrepreneurs into the branch Searching entrepreneurs at field level

B) Generally, how much time does it take between application of and disbursement of loans at your branch? _____Month _____Day

C) Generally, how much time does it take between sanction of and disbursement of loans at your branch? _____Month _____Day

D) What is the number of applications for SME loans in 2010 and the number of loans sanctioned?

Number of applicants _____ Number of loans sanctioned _____

E) What are the faults observed in the unsuccessful applications for loans?

1.	4.
2.	5.
3.	6.

F) Please attach a specimen of application form for loan herewith.

G) Describe sector-wise the number of SME loans disbursed in 2008, 2009 and 2010 below:

Year	Sector			Size		Women Entrepreneur	Region	
	Industry	Business	Service	Small	Industry		Service	Small
2008								
2009								
2010								

5. Information on the proper utilization of SME Loans:

A) Does the disbursed SME loans comply with the guidelines of Bangladesh Bank?

Yes No

Please describe your opinion in this regard,

--

B) Do you have any particular mechanism to ensure the proper utilization of SME loans?

Yes No;

C) If yes, describe the mechanism and if no, describe your comments about the responsibilities

--

6. Information on inspection of SME loans:

A) How are the activities of SME loans monitored?

--

B) Do you have any inspection team to examine the information regarding disbursement and recovery of SME loans? Yes No

C) Number of inspection for loans disbursed to enterprises in 2010 _____. Have you found any irregularities in inspection of the enterprises? If found, describe its type and what steps are taken for its removal?

Type of irregularities	Taken steps
1.	
2.	
3.	
4.	

D) What are the impediments/problems to inspect SME loans?

Description of problems/impediments
1.
2.
3.
4.

B) Does the inspection team of Bangladesh Bank check the information on your disbursed SME loans regularly? Yes No

If yes, have the team found any irregularities? If found, mention the steps taken to remove the irregularities?

Type of irregularities	Taken steps
1.	
2.	
3.	
4.	

F) Please state your suggestions for the inspection team of Bangladesh Bank, if any?

--

7. Information on the industrial term loans:

A) What were the size-wise amount of industrial loans sanctioned and disbursed in 2008, 2009 and 2010?

(million Taka)

Year	Large		Medium		Small	
	Sanction	Disbursement	Sanction	Disbursement	Sanction	Disbursement
2008						
2009						
2010						

B) List the large enterprises received industrial term loans in 2010:

Name of the Enterprise and Address	District	Amount of Disbursement (million Taka)
1.		
2.		
...		

8. Information on the SME loan for women entrepreneurs:

A) What kinds of facilities are available for women entrepreneurs at your branch?

--

B) Does your institution have any separate service help desk for women entrepreneurs to facilitate disbursement of SME loans? Yes No

C) Are guidelines of Bangladesh Bank regarding SME loans for women entrepreneurs complying? Yes No

D) Information on collateral free loans (upto 2.5 million Taka) till now:

Size of Loan	No of Entrepreneurs	Amount of Disbursed loan (million taka)
4. Till 0.5 million		
5. More than 0.5 million but less than or equal to 1.5 million		
6. More than 1.5 million but less than or equal to 2.5 million		

E) Have women entrepreneurs received any group loans? Yes No
 If yes, then what is the number of such loans? _____

9. Do your branch have any involvement with the Chambers/Associations for SME loans? If yes, how such involvement is playing role in SME loan activities.

--

10. Does your branch adopt any kind of SME related advertisements? Yes No
 If yes, choose from the following media:

<input type="checkbox"/> Poster/Banner	<input type="checkbox"/> Participating Fairs
<input type="checkbox"/> Distribution of Leaflet	<input type="checkbox"/> Advertisement on Newspaper
<input type="checkbox"/> Sponsoring social/sports program	<input type="checkbox"/> Product Campaign
<input type="checkbox"/> Training of Entrepreneurs	<input type="checkbox"/> Personal Communication
<input type="checkbox"/> Others:	

11. Please describe your overall evaluation (indicating facilities, problems, economic importance etc.) of SME loan activities.

--

 Signature and Seal of the
 Information co-ordinating
 officer.
 Date:

 Signature and Seal of Branch Manager
 Date:

To be filled by Bangladesh Bank Visiting Team

1. How is the idea Branch Manager and related officers on SME policy of Bangladesh Bank?	Unclear	Partial	Clear	Very Clear	
2. Is there any women Entrepreneurs' Dedicated Desk?	No		Yes		
3. Is the Women Entrepreneurs' Dedicated Desk active?	No		Yes		
4. Is the policy of Bangladesh Bank on SME loans for women entrepreneurs preserved?	No		Partial	Yes	
5. Your evaluation of the SME loan activities of the branch (1-5 integers):	1	2	3	4	5
6. State any other mentionable issues if any:					
Survey Sub team:			Signature of the sub team leader		

Questionnaire 'C-Set'

[For the sample borrowing small and medium enterprises]

Reference bank : _____ Account no. _____
 Branch : _____ District : _____
 Survey date : _____
 Sub-team _____ Serial No. _____

Survey Sub-team	A-1	A-2	A-3	A-4	Survey Code				
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1. Introduction of the Entrepreneur:

A) Name:	
C) Designation:	
C) Academic qualification:	
D) Experience in relevant business (years):	
E) Prior experience/training in the relevant business (If any):	
F) Cell phone no:	

2. Enterprise type and its location:

A) Name of the enterprise _____
 Address _____
 Phone no. _____

B) Establishment year of the enterprise: _____

C) Ownership: Sole Partnership

If partnership, state the number of partners and share of partnership:

Serial No.	Number of partners	Share of partnership (%)

D) Sex: Male Female Mixed

E) Sector: Manufacturing Trading Service

F) Size: Small Medium

G) Region: Rural Urban

H) Is the enterprise a sister concern of any of group of companies? Yes No
 If yes, state the name: _____

I) Does the enterprise work as a supplier to a large enterprise?
 Yes No; if yes, state the name: _____

J) Is the enterprise registered? Yes No
 If yes, from where is it registered? _____

K) Does the enterprise maintain a balance sheet? Yes No
 If yes, is it audited? Yes No
 If yes, state the name of the auditing firm: _____

3. Purpose of establishing the enterprise:

A) Is it the main source of income of the entrepreneur? Yes No

B) If no, then what are the other sources of income?

1.
2.
3.

C) Does the enterprise have any intention to improve socio-economic condition of the country? Yes No

If yes, describe _____

4. Receipt of financial assistance:

A) Have you received any grant beside the loans for establishing enterprise?
 Yes No

B) If yes, state when, from whom and how much grants you have received:

Date	Name of the organization	Financial grants (million Taka)

5. Capital Structure:

A) Initial capital amount: _____ Million Taka

B) Current capital amount: _____ Million Taka

6. Infrastructure:

A) Is your enterprise established on your own land? Yes No own & rent

B) If leased, then the amount of land _____ (decimal) and tenure: _____

C) If rented, mention amount of rent (annual): _____

D) Internal and External environment of the enterprise:

Internal: very good good workable not workable. Comments _____

External: very good good bad very bad. Comments _____

E) Economic importance of the enterprise: creating local market creating domestic (countrywide) market creating international market

F) Productivity of the enterprise: Labour intensive Capital intensive

G) Production method: Manual Mechanical

H) Is there any use of information technology? Yes No

7. Manpower:

A) Initial manpower: _____

B) Current manpower: _____

C) Number of officers: _____

D) Number of workers/labourers: _____

E) Number of labourers: Male _____, Female _____, Children _____, Disabled _____

F) Current Salary Structure (in thousand Taka) of the officers: Lowest ____ Highest ____

F) Current Salary Structure (in thousand Taka) of the labourers: Lowest ____ Highest ____

G) Living standard of the officers: very good good marginal not good

H) Living standard of the labourers: very good good marginal not good

I) Is the current salary structure of the labourers consistent with the government declared salary structure? Yes No

J) Does the labourers get any facilities (e.g. accommodation, food, medical, financial incentive etc.) beyond salaries? If they get, describe below:

--

K) Are the employed manpower skilled? Skilled Semi-skilled Unskilled

Do you have any plan to raise their skills? If yes, mention type?

In-house Domestic Foreign None

8. Nature of Products/services

A) What type of product/service do you deal with? _____

B) Are you involved directly in the marketing of the products? Yes No

Do you face any problem in this regard? Yes No; if yes, then explain:

--

C) If you are marketing through any other persons or organizations, do you face any problem? Yes No; if yes, explain:

--

9. Formal loan related information:

A) Did you receive loans from which institutions till now?

Bank/Financial institution	Type of loan	Tenure of loan	Amount of loan (million Taka)	Rate of interest	Year
1.					2009
2.					2010
3.					2011

B) What is the outstanding loan amount till 31/12/2011? And what is the annual rate of interest?

Outstanding loan _____ million Taka; rate of interest ____%

C) What was the rate of interest rate charged in 2010? And what was the tenure of loan (including grace period)? Rate of interest ____% ;Loan repayment period __Year_Month

D) Do you repay regularly? Yes No

If no, number of overdue instalments _____ and overdue amount: _____ million Taka

D) How much loan you repaid in 2010?

Principal _____ million Taka; Interest _____ million Taka

E) State sector-wise utilization of loans in 2010?

Sector of utilization	Expenditure (million Taka)
1.	
2.	
3.	

F) Have you taken loans being aware of the terms and condition? Yes No

G) How did you get loans?

Went to bank Came bank officials to you

H) Have you applied for loan by yourself? Yes No

If no, by whom did you apply?

I) Did you face any problem (bribe, delay or mental risk etc.) in getting loans from concerned bank/financial institution? Yes No

If yes, explain and what is your suggestion in this regard?

Explanation	Suggestion

J) How long did it take to get loans after application? ____Month____Day
Cause of delay: _____

K) Have you sought or received any suggestion for implementing of your project before or after the receiving loans?

Asked for suggestion Did not ask for suggestion; Got suggestion Did not get suggestion

If got suggestion, what type of suggestions were?

--

L) Please state your opinion on lending policy of the lender bank/financial institution:

--

10. Receiving informal loan:

A) Did your enterprise take any loan from informal source? Yes No

If yes, give following information on those loans:

Bank/financial institution	Type of loan	Loan tenure	Amount (million Taka)	Year
1.				2009
2.				2010
3.				2011

B) What is the outstanding loan amount from informal source till 31/12/2011?

Outstanding loan _____million Taka; Rate of interest __%

11. Collateral against loans:

A) Have you kept any collateral against your current loans? Yes No

If yes, describe that:

--

B) If no, was there any guarantor to get the loans? If yes, give following information about the guarantor:

Guarantor's Name	Profession	Share of guarantee (%)

12. Export of produced product:

A) Are you exporting your products? Yes No

B) If yes, are you receiving any financial incentive from government against the export?

Yes No; if yes, mention the amount? _____

C) Do you have any future plan to export? Yes No

If yes, specify:

13. Please give your opinion about SME loans:

14. Information on changes of overall situation of the enterprise after receiving loan in 2010:

(million Taka)

Description	2009	2010	2011
Capital (without land)			
Outstanding loan			
Payable amount of loans			
Amount of overdue loan (if any)			
Sales			
Manpower (number)			
Exports			
Profits before tax			
Profits after tax			
Total income			
Total expenditure			
Interest expenditure			
Wages			
Rent (for using land/machineries)			

To be filled by the inspection team of Bangladesh Bank

1. Overall performance of the enterprise	Very Good	Good	marginal	Not good
2. Ability of the entrepreneur to respond to the questionnaire	Very Good	Good	satisfactory	Unclear
3. Is the questionnaire fully filled up? <input type="checkbox"/> Yes <input type="checkbox"/> No If no, state the reason _____				
4. Comments of the Sub-team leader: _____ Signature of the Sub-team leader				