

A Study on Small and Cottage Industries (SCIs) Financing in Bangladesh: Identification of Problems and Prospects

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Abstract

Small and Cottage Industries (SCIs) have been the vital element of pushing up the tempo of economic activities in Bangladesh. These SCIs mostly suffer from financing perspective and that hampers their growth in the country. Such financing problem leads these SCIs to fight with other related problems and their potentiality of bringing economic growth has been limited. SCIs have problems caused from internal operations and the banks willing to finance. SCIs face challenges while launching financial products for them. This study opts to address such issues that cause problems for SCIs financing from the view point of both SCIs and Banks. The study being an exploratory research is conducted by exploring 40 SCIs in Sirajgonj town and obtaining information from One Bank Limited. SCIs are facing higher rate of interests while banks face unavailability of information as most of the SCIs do not follow the formal way of doing business. Banks do not have much experience in financing SCIs and often the viability and benefits of unified clusters are questioned. SCIs mostly approach the bank in an informal way and hardly use modern technologies to perform accounting activities. After analyzing the data obtained from SCIs and One Bank Limited the current study provides recommendations for SCIs, Banks and the overall industry.

Keywords: SCIs, Financing, Industrial sector, Private commercial Banks, Economic growth.

Introduction

Socio-economic development of the country has been remarked by the industry sector at large. Industry sector has also contributed to the GDP in an increasing manner for Bangladesh (Ministry of Finance, 2018). Though, it is assumed that small and medium scale industries play a pivotal role in the economic development of any country but it better suit the developed nation. Developing nation, like Bangladesh, industry sector largely depends on the Small and Cottage Industries (SCIs) that boost up its socioeconomic development. By nature, SCIs in Bangladesh are extremely obstinate and therefore, financing to SCIs has become a significant field for the academics for research purposes as well as for the policy makers across the globe. Promotion of SCIs has been marked by several key economic, technical and social benefits by dint of creating large employment, utilizing ingrown resources and local technologies, mobilizing scattered private savings, fostering entrepreneurs and bringing down the regional imbalance in development which is a common problem in lower-middle income

countries such as Bangladesh. In spite of having such multi-functional benefits, SCIs are observed to be disappeared and thus their potentiality for the economic development remained unutilized. Studies indicate that SCIs suffer severely due to not having proper financing options, infrastructural developments, policies for stability and favorable taxes regulations. Moreover, formal lenders prefer big firm over small and medium firm due to the advantage of bigger firm on technology and innovation (S. Ahmed, 2003). The study in hand highlights the problems of SCIs in terms of financial obstacles in Bangladesh. Bangladeshi commercial banks hardly show interest towards financing SCIs because the associated risk remains very high and so does the cost of supervision. Again, financing in SCIs is hardly backed by sound collateral arrangements. However, some of the studies also indicate that there are a few commercial banks that have 'innovative' products to finance especially in SCIs, while others have modified their regular financing products to support SCIs. There is no doubt that SCIs play key roles to generate employment, reduce poverty and assist economic growth particularly for a lower-middle income country such as Bangladesh. Bangladesh is a capital scarce and labor-intensive country which is advantageous for SCIs that require more labor and comparatively small capital base. Keeping in mind the strategic importance of SCIs in the development of economy through generating employment and reducing poverty, the Government of Bangladesh has prioritized SCIs in the Industrial Policy 2016 and in support of such declaration by the government, several key measures have been introduced to patronize the growth of SCIs.

Literature Review

The task of defining SCIs is a mammoth one. Though the term small is defined in many government literatures, there is no clear-cut definition of the term cottage. However, for operationalizing the research topic the researcher assume cottage industries are anything bellow the small. Small industry is defined as any industrial enterprises including cottage industries who have 10 or below workers (BBS, 2004). However, Industrial Policy 1999 replaced the term SCIs of previous versions with Small and Medium Enterprise (SME) and defined small industry as any firm (which exclude cottage industries) that employ less than 50 workers and/or with a fixed capital investment of below BDT 10 crore (GOB, 1999).

Adequate finance or capital is required not only to ensure proper planning, material purchases, organization if production and marketing but also to ensure future sustenance of business through surplus generation and internal capital buildup. This study will take these unique features of SCIs to analyze their performance, problems and prospect and place derived finding on it. Finance constitutes the most vital ingredient in the production process. It is required to start and run any SCIs. The need for finance is most critically felt in SCIs where it is generally lacking.

Khan et al. (2002) conducted a study over 161 small firms to find out the formal credit accessibility determinants of small-scale enterprises in Bangladesh and found that 77% small organizations fail to avail formal credit facility since commercial lenders such as banks and non-banking financial institutions collaterals while disbursing loans and advances. They study

recommended some changes to be initiated by the formal lenders to increase their credit exposures in favor of small-scale enterprises. However, Sirajgonj district was not considered under the study.

Another study by Rahman (2004) on organizational effectiveness of the small and cottage industries conducted in Pabna and Bogra districts found that SCIs largely contribute towards the economic growth of Bangladesh. Nearly 82% of the total labor force working in the industrial sector comes from SCIs. Generally, SCIs run under small capital base and at the same time their production lines help the country save foreign currency spending. The produce of SCIs has greater demands due to low market price.

Challenges and key issues in financing small and medium industries in Bangladesh have been studied by Hasan & Jamil (2014). The findings of this study indicated that due to higher risk in SCI financing, small industries fail to flourish at full swing and ultimately the economy of Bangladesh cannot grow at expected pace. Similar result is also found by Cookson (1999), M. U. Ahmed (2001), Siddiquee et al. (2006). Cookson (1999) studied SMEs' access to bank credit and identified a challenge for this industry clearly.

Study by Alam (2008) found that the network relationship between debtor and creditor, especially for rural-based SCIs, differ from one country to the other even though the basic principles remain the same.

In the recent past, World Bank has declared Bangladesh as a lower middle-income country (LMIC) being upgraded from the group of low-income country (LIC). Agriculture is the backbone of Bangladesh's economy. Some of the key features of Bangladeshi economy include severe unemployment, fast growing population, slow moving industries, little amount of per capita income etc. Although the GDP growth in 2018 is 7.65% (base year 2005-06) the per capita income is only US\$1,752 (Ministry of Finance, 2018). Industries contributed 33.71% to the national GDP by employing nearly 21% of the total labor force. SCIs contribution to GDP is just over 10% (Ministry of Finance, 2018)

Objectives:

The primary objective of this research is to unearth the key problems in financing to SCIs as viewed by SCIs themselves and One Bank Ltd. in Sirajgonj. In order to achieve the same following specific objectives are identified:

- i) To know why SCIs do not show interest towards formal bank loans.
- ii) To understand the problems faced by banks while formulating credit facilities for SCIs.
- iii) To access the perceived benefits SCIs working under a based cluster system.
- iv) To analyze the loan products offered by One Bank Limited for SCIs.
- v) To recommend workable solutions of the problems identified from this study.

Methodology:

Sources of data:

Though the achievement of the primary objective requires primary data most, secondary data from different sources will also be required to fully comprehend the matter. For this reason, both primary and secondary data will be used for the achievement of the objectives.

Sources of Primary data:

The researcher personally visited One Bank Limited and several SCIs to collect primary data. Direct interview method is followed to gather data from the respondents.

Sources of Secondary data:

The insight of this study is based on secondary data collected from various sources including books, published reports, online journals, published articles and website-based reports etc.

Population:

This study considered One Bank Limited, Sirajgonj branch and SCIs located in Sirajgonj district who availed credit facility from commercial lenders.

Sampling:

Upon collecting of different list of SCIs from different sources (e.g., bank prepare a list for their marketing and promotion, association of shop owners, association of industries etc.), a new list was developed and then simplified random sampling was applied. However, considering the time and budget only 40 SCIs from the list of 445 were selected for interview along with One Bank Limited, Sirajganj Branch on the basis of the judgment of the researcher.

Data collection method:

Primary data are collected through questionnaire-based interviews with the respondents involving the researcher being in person at different places.

Data Analysis and Interpretation:

The researcher analyzed the data gathered from questionnaire-based interviews with a view to reach the objectives of this study. The study administered with 40 respondents of SCIs and 1 respondent of the bank (One Bank Limited, Sirajgonj Branch). Responses were considered for 40 SCIs located in Sirajgonj district and One Bank Limited, Sirajgonj Branch. Responses were recorded under Likert Scale items designed to obtain data regarding reluctance shown by SCIs towards availing bank loans while the bank's response recording design is done to address the problems faced by the bank to formulate credit facility for SCIs. To have a common understanding over the results, the researcher performed percentage analysis on the responses obtained. To simplify the results, the researcher used indicative percentages (High, Moderate, and Low) of answers provided by the respondents. Analyzed data will be presented in two parts where the first part (Namely PART A) includes the analysis of data collected from the 40 SCIs while the second part (Namely PART B) includes the analysis of data

provided by the bank.

PART A: Analysis of Data Collected from SCIs

Table-01: Hindrances of preparing financial statements properly.

Items	Very high	High	Moderate	Low	Very low
Excessive Cost	0 (0%)	0 (0%)	4 (10%)	14 (35%)	22 (55%)
Overload	4 (10%)	0 (0%)	8 (20%)	10 (25%)	18 (45%)
Lack of interest	20 (50%)	12 (30%)	8 (20%)	0 (0%)	0 (0%)
Lack of knowledge	0 (0%)	0 (0%)	8 (20%)	18 (45%)	14 (35%)
Business Practice	0 (0%)	0 (0%)	4 (10%)	6 (15%)	30 (75%)

Source: Field Survey

[N.B: Table 1- The high response indicates both very high and high responses, moderate indicate moderate response and low indicates both low and very low responses.]

According to Table -01: 90% of the SCIs feel that preparation of financial statements might cost is not excessive while only 10% think it to be moderate and no one opined it as expensive. Next, whether preparing financial statements properly is an overload or not, 70% SCIs assume that it is not an overload, 20% think that to be moderate load, and only 10% think that to be high. Surprisingly, lack of interest scored high or very high by 80% SCIs to prepare financial statement, only 20% felt this issue to be moderate. On the other hand, 80% of SCIs do not have proper knowledge to prepare financial statement rather only 20% moderately knows how to prepare them. As far as business practice is concerned, 90% SCIs show opined that it is not assumed to be their business practice on regular basis.

Tablet-2: Hindrances of licensing properly

Items	Very high	High	Moderate	Low	Very low
Corruption of licensing authority	20 (50%)	8 (20%)	12 (30%)	0 (0%)	0 (0%)
Prolonged Time	0 (0%)	6 (15%)	14 (35%)	12 (30%)	8 (20%)
Expensive	4 (10%)	6 (15%)	18 (45%)	8 (20%)	4 (10%)
Avoiding Tax	4 (0%)	0 (0%)	8 (20%)	14 (35%)	18 (45%)

Source: Field Survey

[N. B: Table 2- the high response indicates both very high and high response, moderate indicate moderate response and low indicates both low and very low responses.]

Table -2: Four items were used to evaluate the impediments of the Proper licensing, in corruption of licensing authority, 70% of SCIs feel that corruption is high and 30% of SCIs opine that corruption is moderate. As far as time is concerned majority of SCIs i.e., 50%, feels it takes low time, 35% of SCIs to be moderate, and rest assumed it to be high. On the other hand, whether licensing is expensive or not, 25% assumed it to be high while 30% opined it to be low and rest remain neutral. Surprisingly, avoiding tax is not a major concern for the SCIs as 80% opined that tax avoidance as a reason for not licensing is low while rest 20% remain neutral.

Tablet-03: Hindrances of using better technology

Items	Very high	High	Moderate	Low	Very low
Project cost	12 (30%)	16 (40%)	8 (20%)	4 (10%)	0 (0%)
Lack of expertise	14 (35%)	10 (25%)	10 (25%)	4 (10%)	2 (5%)
Maintenance Cost	6 (15%)	10 (25%)	12 (30%)	8 (20%)	4 (10%)
Unavailability of Parts	4 (10%)	8 (20%)	12 (30%)	10 (25%)	6 (15%)
Unavailability of Servicing Agents	6 (15%)	4 (10%)	18 (45%)	10 (25%)	2 (5%)

Sources: Field survey

[NB: Table 3 Represents the high response indicate both very high and high response, moderate indicate moderate response and low indicates both low and very low responses.]

According to Table 03, Using better and upgraded technology for SCIs remain hindered as most i.e., 70% opined the cost of tech project is very high while 10% opined it to be low. Rest remains neutral. On the other hand, 60% highly agreed with the notion of lack of expertise to implement such technologies while 25% have moderate lack of expertise, and finally 15% opined that they have the expertise to implement such technology. Next, 40% highly agreed with the notion of high maintenance cost and 30% assume it to be moderate and rest 30% opined it to be low. Unavailability of parts highly significant to 30% of SCIs, moderately significant to 30% and negligibly significant to 40% of SCIs. SCIs also do not use better technology because of unavailability of servicing agents and on this issue the high, moderate and low categories have 25%, 45% and 30% of SCIs in support thereto.

Table-4: Responses on effects of technologies on profitability.

Highly Affecting.	Very high	High	Moderate	Low	Very low	Not Affecting
	16 (40%)	10 (25%)	6 (15%)	6 (15%)	2 (5%)	

From table 4, it's very much clear that 65% of SCIs agree to that fact that their decision of not using updated technologies is affecting their profitability but at the same time 15% think that the effect is moderate and 20% think that the effect is very negligible.

Table-5: Responses on benefits that SCIs will get being a part of the cluster.

Items	Very high	High	Moderate	Low	Very low
Upgraded technology	16 (40%)	10 (25%)	8 (20%)	4 (10%)	2 (5%)
Technical assistance	18 (45%)	6 (15%)	6 (15%)	6 (15%)	4 (10%)
Trade alliance	14 (35%)	8 (20%)	10 (25%)	8 (20%)	0 (0%)

Source: Field Survey

[Table-5: the high response indicates both very high and high response, moderate indicates moderate response and low indicates both low and very low responses.]

As per the data provided in Table 5, being a part of a cluster or association provide help or not is measured using three items. First item, cluster helps accessing upgraded technology or not, 65% of the SCIs opined high while 15% opined having no or limited access while 20% opined moderate access. As far as, technical assistance provided by the cluster is concerned, majority i.e., 60%, highly agreed with this notion while 25% highly disagreed while 15% shows moderate agreement. Trade alliance will come into force as a benefit of cluster SCIs, this issue has high significance to 55% SCIs, moderate significance to 25% SCIs and low significance to 20%.

Table-6: Perceived disadvantages of being part of a cluster

Items	Very high	High	Moderate	Low	Very low
Competition over price	10 (25%)	18 (45%)	8 (20%)	4 (10%)	0 (0%)
Bigger firm's dominance	14 (35%)	10 (25%)	10 (25%)	4 (10%)	2 (5%)
Low Mobility	6 (15%)	10 (25%)	12 (30%)	8 (20%)	4 (10%)

Source: Field Survey

Not Affecting [Table-6: Represents the high response indicate both very high and high response, moderate indicate moderate response and low indicates both low and very low responses. The percentage of the responses is calculated.

Table-6 Confirms, as a negative side of being under cluster, the intensity of price competition is felt high by 70% of SCIs, moderate by 20% and low by 10% of SCIs. Again, the dominance of lager party will be there in a cluster, this is assumed to be high by 60% SCIs moderate by 25%, low by 15% of the SCIs. High chance of being less mobile is assumed by 40% while this chance seems to be moderate to 30% and low to 30%.

Table 7: awareness of SCI loan packages

Items	Very high	High	Moderate	Low	Very low
Cash Credit or Over draft	2 (5%)	8 (20%)	10 (25%)	14 (35%)	6 (15%)
Work order financing (Time Loan)	4 (10%)	8 (20%)	14 (35%)	10 (25%)	4 (10%)
Fixed Term Loan	6 (15%)	4 (10%)	10 (25%)	16 (40%)	4 (10%)

Source: Field Survey

[Table-7: high response indicates both very high and high response, moderate indicates moderate response and low indicates both low and very low responses.]

In table 7, data gathered by the researcher indicate that 50% SCIs show low interest regarding overdraft/cash credit facility, where the rest 50% SCIs are divided equally to show moderate, and high interests. Interest for time loan is felt high by 20%, moderate by 35% and low by 35% SCIs. Term loan seemed to have low interest among 50% SCIs while the rest 50% SCIs are divided equally to show low and moderate interest for term loan.

Table-8: Problems faced by organization after applying for loan individually

Items	Yes	No
Organization faces problems when loans were applied for self	32 (80%)	8 (20%)

Source: Field Survey

From table 8, it is clear that 80% SCIs face different types of problem while applying loan even though the rest 20% do not felt so.

Table-9: Opportunities of clustered application for loan

Items	Yes	No
Loans from banks would be more easily available if SCIs approach as a cooperation of cluster	30 (75%)	10 (25%)

Source: Field Survey

From table 9, the researcher identifies that 75% of SCIs agree to the fact that bank loans become easily available when the application is made under cluster. However, 25% SCIs do not agree with the above statement.

Table-10 Perception of the company as part of a cluster

Items	Yes	No
Do you think your firm is a part of a cluster?	28 (70%)	12 (30%)

Source: Field Survey

Information depicted in Table -10 draw the attention of the researcher to the fact that 70% SCIs perceived themselves as a part of a cluster while the rest 30% do not agree to the above fact.

PART B: Analysis of Data Collected from One Bank Ltd.

Though the main focus of the study is to identify the problems in SCIs financing, it would remain incomplete if the representatives from the lender side is not communicated. Hence, the researchers approached to One Bank Ltd., Sirajgong Branch to have an insight into the matter. The responses are analyzed and presented in a tabular form below.

Table 11: Responses on SCIs preparation of proper financial statement:

Items	Very High (5)	High (4)	Moderate (3)	Low (2)	Very Low (1)
Problem in judging financial standings		√			
Problem in judging profitability	√				
Problem in judging credibility		√			
Maintaining official records			√		

The data in Table-11 shows that due to SCIs practice of not preparing proper financial statement bank face very high problem to judge financial profitability, high problem to judge financial standings and judging credibility and moderate problem to maintain official records.

Table-12: Responses on licensing by the SCIs:

Items	Very High (5)	High (4)	Moderate (3)	Low (2)	Very Low (1)
No or limited trace	√				
Records keeping formally		√			
Problem in measuring legal entity		√			

Source: Field Survey

Table-12 shows that One Bank Ltd. is very much concerned about SCIs practice of not maintaining proper licensing. Bank faces very high difficulty to trace SCIs and high

problem for maintaining official records and judging credibility.

Table-13: Responses on effects of Upgraded technology on loan repayment

Items	Very high (5)	High (4)	Moderate	Low (2)	Very low (1)
Upgraded technology affects SCIs ability to repay loans		√			

The researcher found in Table-13 that lack of upgraded technology affects highly to SCIs ability to repay loan. This is because an upgraded technology can help them increase their profitability and ability to repay the loan.

Table-14: One Bank Ltd. targeted the products for promotion

Items	Very high (5)	High (4)	Moderate (3)	Low (2)	Very low (1)
Cash Credit/ Over draft	√				
Work order /Time loan	√				
Term Loan		√			

As per data depicted in Table-14, One Bank Ltd considers very high promotion of their two products namely Over draft/cash Credit while the other product work order is considered to have high promotion among the SCIs.

Table-15: Rate of interest that's Bank offers to the SCIs

Items	Rate of Interest
One Banks interest rate for SCIs (it is an average estimation but not for all product)	13%

Table-15 illustrates that One Bank Ltd. has an offer of 13% interest rate for the SCIs applying for bank loans whereas they demand less amount of interest.

Table-16: preferred payback period

Items	Period
Preferred by One Bank Ltd.	2 years
Preferred by SCIs	3.5 years

The data filled in table-16 clears that One Bank Ltd. offers payback period of 2 years whereas SCIs prefer to have that around 3.5 years.

Table-17: Consider informal loan providers as your competitor

Items	Yes	No
Do banks consider informal loan providers as competitor		No

According to data in table 17, One Bank Ltd. not necessarily opt to think informal loan providers as competitors.

Table-18: Willing to grant large loans if approached by SCIs as a cluster

Items	Yes	No
Will banks grant loan to SCIs, if approached as a cluster?	Yes	

As found in table 18, One Bank Ltd. is very much willing to disburse large amount of loans when SCIs apply under cluster.

Table-19: Responses benefits of granting loan as cluster

Items	Very High (5)	High (4)	Moderate (3)	Low (2)	Very Low (1)
SCIs can be more traceable	√				
Collateral requirement may be flexible				√	
Cost of operation will go down		√			
Efficient service	√				

In table 19, One Bank Ltd. has provided response against perceived benefits of SCIs applying for loans under cluster. The response is very high against the items SCIs can be more traceable and efficient service while the response is low for the item collateral requirement may be flexible and high for the item cost of operation go down.

Table-20: Responses on the ability to design appropriate financial products for SCIs segment

Items	Very High (5)	High (4)	Moderate (3)	Low (2)	Very Low (1)
Lack of experience with the market					√
Lack of importance given to the SCI segment		√			
Regulation and formality requirements					√
Background of the SCIs owners (lack of trust due to issues)		√			
Lack of feedback from the SCIs owners who have already acquired loans	√				

As found in table 20 where One Bank Ltd. expressed that Bank's ability to design loans for SCIs is highly affected by lack of importance given to SCIs, lack of trust on SCI owners and lack of proper feedback from existing SCIs customers availing loan facility. However, the other two items namely lack of experience with the market and regulation and formality requirements hardly affect Bank's ability to design SCI loan products.

Table-21: Responses on factors that can improve the quality of SCI loan offering

Terms	Very High (5)	High (4)	Moderate (3)	Low (2)	Very low (1)
Offering more shorter- term loans, if possible	√				
Offering lower interest rates, if possible		√			

Interconnection between individual and SCI loans so that higher amounts can be extracted	√				
Greater SCIs market research		√			
Accurate credit rating information	√				

As summarized in Table-21, One Bank Ltd. Sirajgonj branch assumes that quality of SCIs loan offering highly depends on Bank's ability to offer more short-term loans, offer less amount of interest and perform greater SCI market research. However, very highly affecting aspects in this regard are establishing a connection between individual and SCIs loans and obtaining accurate credit information.

Major Findings, Conclusion and Recommendation

SCIs findings:

- SCIs groups vary on the issue of being aware of the credit facilities (Overdraft, Work order/ time Loan & Term Loan) offered by One Bank Ltd.
- While approaching for bank loans, individual SCIs face problems.
- SCIs forming a cluster can easily avail bank loans.
- Two major disadvantages of cluster formation are the dominance of larger firms and tough competition regarding price.
- SCIs prefer lower rate of interest and longer payback period for term loans.

The findings above are a clear indication that confirms why SCIs show reluctance to approach formal bank loans and the researcher fulfills the first objective of this study.

Bank findings:

- SCIs create problems for banks by submitting no financial statement or inaccurate financials and thus banks cannot judge their credibility, profitability and financial standings.
- Banks also face problems of not being able to trace SCIs because of their general tradition of not having proper licensing.
- One Bank Ltd. assume that their they have suitable and adequate credit facility including Over Draft, Time loan and Term that can serve SCIs sector with confidence.
- One Bank has an offer of 13% rate of interest for SCIs.
- Bank's suggestion for SCIs is that they should approach loans that have payback period not more than two years.
- Informal loan providers are ignored by banks from the view point of competition.
- Banks prefer SCI clusters for booking loans as they offer more traceability, reduced cost of capital, efficient service quality etc.
- Lack of trust on SCIs, lack of importance and lack of getting feedback have pushed banks towards their unwillingness for tailoring credit facility that suits SCIs.
- The quality of SCI loans can be improved by increasing short-term loans, reducing rates of interest, obtaining accurate credit rating information and establishing interconnection between individual and SCI loans.

The searcher satisfies the second objective of this study by discussing the above key issued identified from the responses provided by One Bank Ltd. regarding the problems in general.

Conclusion

Small and cottage industries have contributed largely to the national as well as global economy and in this regard commercial banks have pushed themselves to finance this sector with a view to increasing business and achieving greater profitability as an effort to sustain in the present competitive environment. The study at hand found that more than half of the SCIs face various problems while approaching for commercial bank loans. Most often they are refused for loans because of unorganized business practices and lack of uniformity among them. One Bank Limited operating in Sirajgonj district is also unwilling to disburse loans to SCIs that follow such unorganized business practices as they cannot afford to continue without trust and proper feedback. This study also confirms that SCIs should correct themselves and comply with One Bank Limited regulations to enhance their credit worthiness which will ultimately create a win-win situation for both the parties.

Recommendations for SCIs:

Increasing Awareness of Clusters and Implementing Cluster Benefits: SCIs are not totally aware of the benefits of having cooperation by forming clusters. Therefore, SCI owners must come forward to form cluster and exploit the benefits therein.

Formalization of Business Procedures: Bank officials have suggested SCIs should follow formal business procedures and banks should also come up with supportive formalities which will ultimately create a favorable credit exposure for both the parties.

More Active Role of Associations: SCIs need to practice the involvement in associations depending upon their nature of business. Inactive and corrupted associations can hardly survive or hardly bring any good for the economy. Unless the SCIs form active and comprehensive associations their sufferings will continue.

Governmental Role: It is true that any sort of government intervention for making SCIs more educated and more prone to correct themselves. However, such decisions completely rely on the Government of Bangladesh and the researcher has very little to suggest therein.

Recommendations for Banks:

Co-ordination among Private Banks with Loan Model: There is some unhealthy competition among the private banks regarding SCI loans. Unfortunately this has not been happening in a perfectly legal manner either. One reason this has happened is due to Loan Structure difference between these banks which are being exploited negatively.

Relaxation of Procedures: Culturally, SCIs in Bangladesh are less formal in their business operating whereas banks follow strict formalities and therefore banks need to prioritize SCIs financing by relaxing some of their less important formalities.

Cooperation within Banks for Credit Rating and Previous History: Banks operating in Bangladesh must cooperate each other with regard to credit history and rating system which will help them achieve the accurate rating and grading for SCI sector borrowers.

Co-ordination among Private Banks with Loan Model: Often banks are seen to engage in

illogical competition among them for servicing SCI loans. Such competition may precede structural differences existing among banks' loan products which must be properly addressed and curved down.

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