

Financing Sources and Problems of SMEs in Developing Countries: A Study based on Khulna Region of Bangladesh

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Abstract

In pursuit of her economic development, Small and Medium Enterprises (SMEs) conquer leading positions in economy. The present study is conducted to analyse the problem of SMEs to collect fund in Khulna city. Data were collected from 100 SME units by using simple random technique. A structural questionnaire was developed to get the responses from different SME units in the country. For Bangladesh SMEs, it is assumed special significance for poverty reduction programme and potential contribution to the overall industrial and economic growth. Some of the constraints related SME financing are identified and some pointers for the future are provided through the study. Considering the importance this study has strived to identify those factors contribute the success of SMEs using causal model. Several factors were selected typically that affects the SME activities from pervious literature. Important factors were identified first using rotated components matrix later regression statistics was applied to find out which are statistically significant. The SME owners collect their fund basically from some sources such as money lenders, private banks, state-owned banks, NGOs as well as specialised banks. They face various problems during the fund collection which are main focus in this study. In order to overcome the problems a few suggestions for the development of SMEs are given by the authors.

Keyword: SME Activities, Finance Khulna City, Bangladesh, Money Lenders, State-Owned Bank, Private Bank, NGO, Specialised Bank

Introduction

The importance of SMEs towards the development via investment and employment is widely accepted and a notion which is beyond any slimmest of doubt. SMEs exist in the heart of virtually economy and work as the geese which move the wheel of economic development. Over the years the developed countries get significant benefits of accelerated SME sector as those firms were highly successful in modernisation, innovation, up-gradation, strategic orientation and internationalisation. In-depth evaluation of literature in this field detects that one of the central and core reason behind such remarkable success is proper access of capital resources which is obligatory for every change in strategy as well as operation. While SMEs from the developed countries is clearly ahead in important dimensions of modern operation such as technology adoption, modernisation, innovation, creativity, internationalisation, customisation etc; SMEs from developing countries are clearly behind in these aspects. That is the prominent reason behind lagging in key fronts in spite of having important country specific advantages (CSAs) such as big market, big population, cheap labour force, land resources etc. For the development of the economy, development of SMEs is essential and for the development of SMEs, financing is essential. That is why it is immensely critical to evaluate what are the financing sources and problems faced by the SMEs of the developing countries. Research works in the field of SME operation is very vast and covered diversified issues including barriers of SME development (Bose, 2012, 2016; Bose, Gain, & Bristy, 2015), SME

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internationalisation (Bose, 2012, 2016; Bose *et al.*, 2015), capacity building, innovation, creativity, location of firms, country and firm specific advantages, entrepreneurship in SMEs and many other areas. Scientific research works (Bose, 2012, 2016, Bose *et al.*, 2015) on barriers of SME development have identified financing problems as one of the key problems which are hindering the development and growth of SMEs especially from the context of developing countries. However, there is apparently scarcity of studies which have identified what are the financing sources of SMEs in different areas of a developing country and also what are the problems faced by the SMEs as far as financing are concern. This study has mitigated this important research gap.

Literature Review and Conceptual Framework

SMEs Sectors of Bangladesh

The SME sector of Bangladesh includes business operations like textiles block printing, handloom and handicrafts, electrical and electronics, agro processed products, leather, ceramic, light engineering, information and communication technology etc. The industrial policy of the country has recommended the following industries as thrust sectors which have the highest potentialities to contribute towards growth and development of the country:

Table 1: Thrust Sectors

S. No.	Name of the Thrust Sector	S. No.	Name of the Thrust Sector
1.	Agro-based industries	12.	Oil & gas
2.	Artificial flower making	13.	Gift items
3.	Computer software and information technology	14.	Stuffed Toys
4.	Electronics	15.	Textiles
5.	Frozen Foods	16.	Tourism
6.	Floriculture	17.	Basic chemicals/ industrial raw materials
7.	Sericulture & silk industry	18.	Dyes and chemicals used in textile industry
8.	Infrastructure	19.	Spectacles frame
9.	Jute & jute mixed goods	20.	CNG
10.	Jewelry, diamond cutting & polishing	21.	Wood & Steel furniture
11.	Leather & leather goods		

Source: Industrial Policy of Bangladesh

Out of 21 thrust sectors, almost three-fourth of them falls under SMEs category based on the industrial structure of the country.

Different Sources of Financing in Bangladesh

Personal Savings

Personal savings is one of the prime sources of financing of the Bangladeshi SMEs. The reason is historical as well as cultural. As Bangladesh is primarily an agriculture-based economy therefore there is always a lack of capital from different institutional authorities. That forced the SME owners to manage capital from their personal savings.

Home Equity Loans

A loan in the form of home equity is a very big source of money for the people of Bangladesh. They normally receive this money from bank and other organisations and invest it so that they can receive more profit and repay the loan with interest as promised.

Friends and Relatives

The society of Bangladesh is a low context society therefore the bondage among people is much closer and thus they can receive loans for business from the family members and also from relatives.

Venture Capital

Venture capital refers to financing that comes from parties in the business of investing in young, privately held businesses. They provide capital to entrepreneurial businesses in exchange for an ownership share. Venture capitalist firms normally don't want to participate in the initial financing of a business unless the company has an efficient management with good track record.

Government Grants

The government of Bangladesh often provides various grants and other supports as helping tools for starting business. These grants are immensely helpful for starting business especially for those who faced real problems in getting financing from different other sources.

Debt Financing

Debt financing is another profound way of financing along with equity financing. Debt financing is considered as more risky than equity due to different reasons. However, this financing method still remains as one of the most popular method of financing due to the availability concerns.

Banks and Other Commercial Lenders

Banks and other commercial lenders are most convenient sources of financing. Most lenders require a solid business plan, positive track record, and plenty of collateral for receiving banks and other types of loans.

Commercial Finance Companies

Commercial finance companies may be considered when the business is unable to secure financing from other commercial sources. These companies may be more willing to rely on the quality of the collateral to repay the loan than the track record or profit projections of your business. If the business does not have substantial personal assets or collateral, a commercial finance Company may not be the best place to secure financing. Also, the cost of finance company money is usually higher than other commercial lenders.

Lease

Lease financing is another frequent source of financing for the firms in Bangladesh and this is helpful considering the collateral and other related mechanisms.

Materials and Methods

Research Design

The data collected are primary in type and the research has been conducted on causal basis. It is quantitative in nature. The research has conducted to find out the problems which are faced by the SME owners during their fund collection.

The Population

The total number of small and medium enterprises which are conducting their business in Khulna city is the population.

Sampling Design

Sample size is 100 SME owners of Khulna city. Non-probability convenience sampling technique has been used here. Samples have chosen on convenience basis which means selection of the respondents conveniently available.

Research Hypotheses

In order to bring out the proper impact of SME loans, govt. subsidised loan/benefits, self-financing, money lenders, NGO assistance, private Bank loan, state-owned banks, specialised bank loan on SME activities, the following hypotheses have been taken to check significance of data. Significance level has been assumed 0.05. The hypotheses of the study are following:

H₀ (1): SME loans are not significantly related to SME activities.

H₁ (1): SME loans are significantly related to SME activities.

H₀ (2): Govt. subsidised loan/benefits are not significantly related to SME activities.

H₁ (2): Govt. subsidised loan/benefits is significantly related to SME activities.

H₀ (3): Self-financing is not significantly related to SME activities.

H₁ (3): Self-financing is significantly related to SME activities.

H₀ (4): Money lenders are not significantly related to SME activities.

H₁ (4): Money lenders are significantly related to SME activities.

H₀ (5): NGO assistance is not significantly related to SME activities.

H₁ (5): NGO assistance is significantly related to SME activities.

H₀ (6): Private Bank loan is not significantly related to SME activities.

H₁ (6): Private Bank loan is significantly related to SME activities.

H₀ (7): State-owned banks are not significantly related to SME activities.

H₁ (7): State-owned banks are significantly related to SME activities.

H₀ (8): Specialised Bank loan is not significantly related to SME activities.

H₁ (8): Specialised Bank loan is significantly related to SME activities.

Instrument Development

The main instrument of this survey is questionnaire. Research conduction with the help of questionnaire is the most popular method irrespective of the sectors. It is used in almost every field and business sector is no exception. As the data used for this study is primary, a close-ended questionnaire was developed to collect the data containing 52 statements. Five point Likert scale was used to judge the answers of the respondents where, 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Disagree, 5= Strongly Disagree. It should be mentioned here that Likertscale is ordinal in nature but it could be used for scaling the responses and to judge the perception (Boone and Boone, 2012).

Data Collection

For this research both primary and secondary data are collected from the sources. Primary data have been collected from the SME owners by means of interviewing through questionnaire. Secondary data have collected from the journals, books, articles, published literatures, and websites.

Data Analysis

Data Editing and Scrutinizing: After collecting the data, a comprehensive screening process had been followed. Incomplete and biased data sorted out and deleted from the data bank.

Data Entry: The data entered into the data table chart of the SPSS software to do the analysis.

Data Analysis: Using the software SPSS 16 all the collected data has been analyzed. With the aim of finding out whether there is internal consistency among the data or not, a reliability test has been done before approaching to other statistical tools. To analyze the collected data, data have been interpreted in a descriptive way. The statistical tools used in this study are frequency measure, mean, standard deviation, correlation and regression analysis. All the statistical calculations have been made at .05 or 5% level of significance. Correlation analysis has been applied. For better understanding, graphs and figures have also been demonstrated, where they necessary.

Reliability Test

Reliability test normally displays the internal consistency of the data collected from the survey for a particular study purpose. Examining the reliability of the key 9 variables in SPSS 16 software, it has been found that all

those variables are internal consistent as the value of their Cronbach's $\alpha > .60$ which implies that established items for measurement are suited to this study purpose. The result of the reliability test of key variables is mentioned in Table 2.

Table 2: Reliability Test Result

Value of Cronbach's Alpha	No of items
.645	9

Table 3: Value of Cronbach's Alpha for Reliability Test

Variables	Value of Cronbach's Alpha
SME activities	.744
SME loans	.703
Govt. subsidised loan/benefits	.603
Self-financing	.678
Money lenders	.374
NGO assistance	.564
Private bank loan	.687
State-owned banks	.644
Specialised bank loan	.684

The data collected from the survey have been compressed under the nine key variables and this time the internal consistency of those aggregate variables have been tested using SPSS software and the value of Cronbach's α is .645 which means the reliability is pretty good. This focuses on the internal consistency of variables under the six key factors.

Analysis

Descriptive Analysis

Descriptive Statistics of SME Activities

The mean score (3.99) and standard deviation (0.820) show that respondents strongly agree with the issue that they run their SMEs smoothly. Respondents strongly agree that they are working as owner as well as this is their full time profession. It shows a mean score of 4.30 and 4.14 with a standard deviation of .937 and .876 respectively. They agree with the option that they have invested most of their capital and savings into the SMEs, this business is the main income source of family as well as they are the sole contributor, innovator and implementer of SMEs which is measured by the mean scores (3.84, 3.90 and 3.78) and standard deviation scores (.838, .718 and .733).

Table 4: Descriptive Statistics of SME Activities

	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
I am working as an owner	100	1	5	4.30	.937
This is my full time profession	100	1	5	4.14	.876
I have invested most of my capital and savings into this	100	1	5	3.84	.838
Main income source of family is this business	100	1	5	3.90	.718
I am the sole contributor, innovator and implementer	100	2	5	3.78	.733
Valid N (listwise)	100			3.99	0.820

Descriptive Statistics of SME Loans

Mean scores have been computed by equally weighting the mean scores of all the items. The mean scores of SME financing range from 2.78-3.23 indicating that received loan for the SME activities is not so good in SME financing. The mean score of SME loans is 2.93 and SD = 0.619 implies that some of the SME owners disagree with

taking SME loans for financing. The mean scores (3.23) and standard deviation (1.024) of the respondents show that respondents think that the loan is relatively easier to get. But they disagree that interest rate is comfortable, time duration to payoff is feasible and amount of loan is sufficient and advantageous as the means are 2.78, 2.85 and 2.84 respectively and standard deviations are .786, .770 and .801 respectively.

Table 5: Descriptive Statistics of SME Loans

	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
The loan is relatively easier to get	100	1	5	3.23	1.024
Applicable interest rate is comfortable	100	1	5	2.78	.786
Time duration to payoff is feasible	100	1	5	2.85	.770
The amount of loan is sufficient and advantageous	100	1	5	2.84	.801
Valid N (list wise)	100			2.93	.619

Descriptive Statistics of Govt. Subsidised Loan/Benefits

The mean score (2.59) and standard deviation (0.487) show that the SME owners do not agree with the issue that they got govt. subsidised loan. The respondents do not get subsidised loan or benefits from government. The mean score (2.45) and standard deviation (.1.192) show that these respondents do not agree with the issue that they have not got loan from government. These SME owners

also disagree with the issue of govt. subsidiary because mean is 2.29 and standard deviation is 0.996. They do not agree with the loans advantages, difficulties, as the mean scores loan advantageous 2.64, facing difficulties 2.80 interest rate is comfortable 2.66 and time duration to payoff is feasible 2.71 and standard deviation scores .374 for loan advantageous and .505 for facing difficulties .471 .489 for interest rate is comfortable for time duration to payoff is feasible.

Table 6: Descriptive Statistics of Govt. Subsidised Loan/Benefits

	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
I have received loan from govt.	100	1	5	2.45	1.192
I have received loan from govt. subsidiary	100	1	4	2.29	.998
The loan is sufficient and advantageous	100	1	4	2.64	.612
I faced limited difficulties	100	1	4	2.80	.711
Interest rate is comfortable	100	1	5	2.66	.699
Time duration to payoff is feasible	100	1	5	2.71	.686
Valid N (list-wise)	100			2.59	.487

Descriptive Statistics of Self-financing

Here, mean and standard deviation of self-financing is respectively 3.69 and 0.553 meaning SME owners almost agree with self-financing for SME farming. The mean score (4.23) and standard deviation (.802) show that these respondents agree with the issue that they had self-financing. They think that self-financing is fully risk free. This is justified by the mean (3.59) and standard deviation

(1.102). They can take almost all financing decisions and it has special benefits which is evident by the mean scores 3.77 for financing decision and 3.77 for special benefits. They have showed their neutral position on behalf of financing difficulties because mean is 3.10 and standard deviation is .859. Lastly, the mean score 3.66 and standard deviation .890 show that respondents think this is good for firm starting.

Table 7: Descriptive Statistics of Self-financing

	N	Minimum	Maximum	Mean	Std. Deviation
I himself-financing for my business	100	2	5	4.23	.802
Self-financing is fully risk free	100	1	5	3.59	1.102
I can take all Financing decision	100	1	5	3.77	.815
Self-investment has special benefits	100	2	5	3.77	.863
It has no financing difficulties	100	1	5	3.10	.859
It is good for a business starting	100	1	5	3.66	.890
Valid N (list wise)	100			3.69	.553

Descriptive Statistics of Money Lenders

The mean score (3.01) and standard deviation (0.785) show that respondents do not agree with the issue that they have taken loan from money lenders. Respondents agree with money lenders are available in all areas. It shows a mean score of 3.82 with a standard deviation of 1.104. They take neutral position on security is not mandatory for taking loan and amount of loan is not always depend on security, which is measured by the mean scores (2.99

and 3.03) and standard deviation scores (.969 and .771). Similarly they do not estimate the riskiness because mean is 2.76 and standard deviation is .793. They show opposite position on low interest rate and faced difficulties where mean scores 2.56 for interest rate and 2.75 for difficulties and standard deviation scores .808 for interest rate and .783 for difficulties. However, the mean score 2.79 and standard deviation .743 shows that, the respondent disagree on the access to money lenders loan.

Table 8: Descriptive Statistics of Money Lenders

	N	Minimum	Maximum	Mean	Std. Deviation
Money lenders are available in my areas	100	1	5	3.82	1.104
Security is not mandatory for taking loan	100	1	5	2.99	.969
The amount of loan is not always depended on security	100	1	5	3.03	.771
Risk is not too much	100	1	5	2.76	.793
Interest rate is not too high	100	1	5	2.56	.808
It doesn't faces many difficulties	100	1	4	2.75	.783
It is easy to access	100	1	5	2.79	.743
Valid N (list wise)	100			3.01	.785

Descriptive Statistics of NGO Assistance

The mean score (2.86) and standard deviation (0.442) show that these most of the SME owners almost neutral with the issue that they got loan from NGO. The respondents have taken neutral position on NGO loan. The mean score

3.28 and standard deviation .975 show that some of the respondents take NGO loan. It is easy access to get and loan amount is dependent on expectation with respect to the mean scores 2.71, 2.76 and standard deviations .701, .842. Most of the respondents think that NGO loan more

or less depends on security because mean is 2.65 and standard deviation is .687. They take neutral position on interest rate, justified by the calculated mean 3.04 and

standard deviation .687. All of them think that NGO loan is always stressful which is considered by mean 4.12 and standard deviation .757.

Table 9: Descriptive Statistics of NGO assistance

	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
I have received loan from NGO	100	1	5	3.28	.975
Easy access to get loan facility	100	1	5	3.01	.732
The loan amount is depended on my expectation	100	1	4	2.71	.701
No security is required to take loan	100	1	5	2.76	.842
Interest rate is viable	100	1	4	3.04	.687
It is always stressful	100	1	4	4.12	.757
Valid N (list wise)	100			3.96	.442

Descriptive Statistics of Private Bank Loan

In this study, mean and standard deviation for private bank loan are 2.90 and 0.507 respectively which represents that farmers are less interest to take loan from private bank. The mean score 3.52 and standard deviation .990 of the

respondents show that farmers have not received loan from private bank. They do not agree on taking loan without property, easy access to loan facility, needed no guarantor and favourable interest rate which are measured by means 2.94, 2.97, 2.82, 2.63, 2.52 and standard deviations .814, .771, .796, .787, .689 respectively.

Table 10: Descriptive Statistics of Private Bank Loan

	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
I have received loan from private bank	100	1	5	3.52	.990
Taking loan does not depend on property	100	1	5	2.94	.814
Easy access to loan facility	100	1	5	2.97	.771
No guarantor needed	100	1	5	2.82	.796
Interest rate is favourable	100	1	5	2.63	.787
Time duration of payoff is favourable	100	1	4	2.52	.689
Valid N (list wise)	100			2.90	.507

Descriptive Statistics of State Owned Banks

The mean score (3.79) and standard deviation (0.588) show that SME owners agree to take loan from state owned banks. The mean score 3.28 and standard deviation 1.045 show that the respondent agree with received loan from

state owned bank. They are almost neutral on behalf of loan easier to get. They faced some difficulties to collect the loan as mean scores 2.65 and standard deviation scores .770. Respondents take opposite position on time duration of the loan which depends on means 2.59 and standard deviation 0.653.

Table 11: Descriptive Statistics of State Owned Banks

	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
I have received loan from state-owned bank	100	1	5	3.28	1.045
The loan is relatively easier to get	100	1	5	2.81	.734
The loan is sufficient and advantageous	100	1	5	3.84	.788
I faced limited difficulties	100	1	4	2.65	.770
Low interest rate is applicable for SME loan	100	1	5	3.60	.841
Time duration is favourable	100	1	5	2.59	.653
Valid N (list wise)	100			3.79	.588

Descriptive Statistics of Specialised Bank Loan

With regard to specialised bank loan access, the mean score 3.24 and the standard deviation .532 show that most of the respondents are neutral or almost agree with specialised bank loan. The mean score 3.58 and standard deviation 1.182 show that these respondent agree with the issue that specialised bank loan is available in all areas. They neutral with “received loan from specialised bank” which depends on a mean score 3.06 and standard

deviation .952. Here mean score 3.67 for easier to get loan indicates that the loan from specialised bank is easier to get. 2.61 for favourable interest rate, 2.48 for needed without guarantor and 2.57 for time duration to payoff and standard deviation .634 for easier to get loan, .643 for favourable interest rate, .742 for needed without guarantor and 1.001 for time duration to payoff suggest that the SME owners do not agree that the interest rate, time duration is favourable to them.

Table 12: Descriptive Statistics of Specialised Bank Loan

	N	Minimum	Maximum	Mean	Std. Deviation
Specialised bank loan is available in all areas	100	1	5	3.58	1.182
I have received loan from specialised bank.	100	1	5	3.06	.952
It is comparatively easier to get loan	100	1	4	3.67	.753
Interest rate is favourable	100	1	4	2.61	.634
No guarantor is needed	100	1	4	2.48	.643
Time duration to payoff is feasible	100	1	4	2.57	.742
Valid N (list wise)	100			3.24	.532

Correlations Analysis

Correlations analysis is used to find out whether SME activities, SME loans, govt. subsidised loan/benefits, self-financing, money lenders, NGO assistance, private bank loan, state-owned banks, specialised bank loan are correlated with each other. SME activities are weakly negatively correlated ($r = -.075, p > .05$) with SME loans. The negative coefficient of SME activities indicates that SME owners use SME loans but they face many problems to collect the loan and they are able to run their SME business. Govt. subsidised loan is to be largely insignificant and positively correlated with SME activities ($r = .031, p > .05$), indicating that SME activities do not seem to be affected by govt. subsidised loan. It can be observed that the correlation (r) of self-financing is .167 and the p-value is 0.096 and there is a positive correlation and significant between self-financing and SME activities. It seems SME activities have positive effect on self-financing. The coefficient of money lenders

is insignificant and positively correlated with agricultural firming ($r = .044, p > .05$), indicating that SME activities are positively related to money lenders but do not have much effect on money lenders. NGO assistance is to be highly significant and positively correlated with SME activities ($r = .270, p < .05$). It seems agricultural firming is positively related to NGO assistance and has much effect. Here it is seen that the coefficient of private bank loan is negative but highly insignificant ($r = -.095, p < .05$). It seems SME activities are positively related to private bank loan but do not have much effect on private bank loan. State owned banks are to be highly significant and positively correlated with SME activities ($r = .226, p < .05$), indicating that SME activities are positively related to state owned banks but do not have much effect on state owned banks. Here, the coefficient of specialised bank loan is positive and highly insignificant ($r = .143, p < .05$) indicating that SME activities is positively related to specialised bank loan but do not have much effect on specialised bank loan.

Table 13: Correlations Analysis

	SME Activities	SME Loans	Govt. subsidised loan/benefits	Self-financing	Money lenders	NGO assistance	Private Bank loan	State-owned Banks	Specialised Bank loan
SME Activities	1	-.075	.031	.167	.044	.270**	-.095	.226*	.143
SME Loans	-.075	1	.038	.320**	.262**	-.013	.308**	.171	.212*
Govt. subsidised loan/benefits	.031	.038	1	-.099	.058	.363**	.105	.182	.114
Self-financing	.167	.320**	-.099	1	.132	.141	.174	.250*	.141

	SME Activities	SME Loans	Govt. subsidised loan/benefits	Self-financing	Money lenders	NGO assistance	Private Bank loan	State-owned Banks	Specialised Bank loan
Money lenders	.044	.262**	.058	.132	1	.278**	.408**	.056	.342**
NGO assistance	.270**	-.013	.363**	.141	.278**	1	.148	.327**	.323**
Private Bank loan	-.095	.308**	.105	.174	.408**	.148	1	.236*	.387**
State-owned-Banks	.226*	.171	.182	.250*	.056	.327**	.236*	1	.259**
Specialised Bank loan	.143	.212*	.114	.141	.342**	.323**	.387**	.259**	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Regression Analysis

Regression analysis has used here to determine whether the SME activities have been affected by SME financing. The result of regression analysis shows that a significant (p= 0.000) linear relationship exists among the SME loans, govt. subsidised loan/benefits, self-financing, money lenders, NGO assistance, private bank loan, state-owned banks, specialised bank loan are found to be not significant against SME activities. The overall results of the regression analysis shows that this model is well constructed and it is well represented as reflected in the variables selected. Table 14, the summary table on regression analysis indicated that the R-square is 16 percent. This means that independent variable can explain 16 percent variations in dependent variable. F-value is found to be significant at 5% significance level (sig. F = .000). This concludes that the regression model used in this study is adequate or in other words, the model was fit. Regression analysis is conducted to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. In regression, the coefficient reveals how much the dependent variable is expected to increase when that Independent variable increases by one, holding all the other independent variables constant. The standardised coefficient beta (β)

is used to compare the relative strength of relationship between dependent variable and independent variable. The regression equation for this study is the following:

$$Y = \beta_0 + \beta_1 * SME_Loans + \beta_2 * GovtLoan + \beta_3 * SelfFinc + \beta_4 * MnyLndr + \beta_5 * NGOassistance + \beta_6 * PvtBank + \beta_7 * StatOwndBank + \beta_8 * SpclzdBank + u$$

where, Y=SME activities

β₀= Constant

SME_Loans = SME Loans

GovtLoan = Govt. subsidised loan/benefits

SelfFinc = Self-financing

MnyLndr = Money lenders

NGOassistance = NGO assistance

PvtBank = Private Bank loan

StatOwndBank = State-owned Banks

SpclzdBank = Specialised Bank loan

Table 14: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.401 ^a	.160	.087	.55406

a. Predictors: (Constant), Specialised Bank, Government Loan, Self Finance, Money Laundering, State Owned Bank, SME Loans, Private Bank, NGO Assistance.

Table 15: Coefficients^a

Model B	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
	Std. Error	Beta			
1 (Constant)	2.845	.595		4.782	.000
SME_Loans	-.110	.102	-.118	-1.079	.283
Govt Loan	-.052	.126	-.044	-.411	.682
Self Finc	.153	.112	.146	1.368	.175
MnyLndr	.032	.083	.043	.378	.706
NGO assistance	.249	.154	.190	1.620	.109
Pvt Bank	-.240	.130	-.210	-1.845	.068
Stat Ownd Bank	.206	.129	.174	1.601	.113
Spclzd Bank	.125	.124	.113	1.012	.314

a. Dependent Variable: smeact

Findings and Discussion

The study shows the intense relationship between key variables of SME financing and SME activities. According to this study, SME activities refer to the present situation of SME business and the potentiality of these businesses in Khulna city. So, the development of SME lies in the strong relationship between key variables of SME activities. Respondents profile shows the diversity in responses vary according to their gender, age and business type. This study has been able to maintain the diversity of the respondents so that the sample can actually reflect the population. The study shows SME activities are related with all the eight key variables-SME loans, govt. subsidised loan/benefits, self-financing, money lenders, NGO assistance, private bank loan, state-owned banks, and specialised Bank loan. But among these eight variables, five key variables – self-financing, NGO assistance, private bank loan, state-owned banks, specialised bank loan proved to be significant while the other three variables are found insignificant from the analysis. SME loans, govt. subsidised loan/benefits are not significant for the respondents. Most responses regarding this variable have been limited into the range between disagree and neutral to believe that SME loans, govt. subsidised loan/benefits really turn out a major factor for small and medium enterprises. In the recent time of 5-7 years, successful SME businesses are available in Khulna city and the significant variables are more or less useful. When the relationship between SME activities and SME loans is measured using correlation analysis the correlation coefficients (r) is observed to be $-.075$ and p value is found $.459$ in the $.05$ significant levels. The regression analysis also supports this observation. Regression analysis found the standardised coefficient beta (β) $-.110$ which indicates the weakness of relationship between these two variables. Thus from these analysis it can be said that null hypothesis $H_0(1)$ is accepted and alternative hypothesis $H_1(1)$ is rejected which means SME loans is not significantly related to SME activities. Govt. subsidised loan/benefits is positively related with SME activities as the calculated $r = .031$ and $p = .758$, so $H_0(2)$ is rejected thus $H_1(2)$ is accepted which means govt. subsidised loan/benefits is significantly related to SME activities. Self-financing is positively and strongly related with SME activities as the calculated $r = .167$ and $p = .096$, so $H_0(3)$ is rejected thus $H_1(3)$ is accepted which means self-financing is significantly related to SME activities. Money lenders is positively but weakly related with SME activities as the calculated $r = .044$ and $p = .664$, thus $H_1(4)$ is rejected and $H_0(4)$ is accepted which means money lenders are not

significantly related to SME activities. NGO assistances positively and strongly related with SME activities as the calculated $r = .270$ and $p = .007$, so $H_0(5)$ is rejected and $H_1(5)$ is accepted which means NGO assistance is significantly related to SME activities. Private bank loan assistances are negatively related with SME activities as the calculated $r = -.095$ and $p = .345$, so $H_0(6)$ is accepted and $H_1(6)$ is rejected which means Private Bank loan is not significantly related to SME activities. State-owned banks are positively related with SME activities as the calculated $r = .226$ and $p = .024$, so $H_0(7)$ is rejected and $H_1(7)$ is accepted which means state-owned banks are significantly related to SME activities.

Specialised bank loan is positively and strongly related with SME activities as the calculated $r = .143$ and $p = .155$, so $H_0(8)$ is rejected and $H_1(8)$ is accepted which means specialised bank loan is significantly related to SME activities.

Concluding Statements

This study has attempted to identify the relationship between the eight variables of SME financing and SME activities. Among those eight variables, five variables have been found statistically significant and having strong relationship with SME activities. In order to identify the role of SME loans, govt. subsidised loan/benefits, self-financing, money lenders, NGO assistance, private bank loan, state-owned banks, specialised bank loan to continue SME activities, it is important to have an idea about the relationship among the variables, its owners perception and socio-economic condition of Khulna city. With the help of this study SME activities may get a better insight about the effective use of SME activities. SME loans, govt. subsidised loan/benefits, self-financing, money lenders, NGO assistance, private bank loan, state-owned banks, specialised bank loan can create more entrepreneurs that may help to improve the SME condition of Bangladesh.

Direction for Future Researches

For sustainable development it is important to improve the SME condition of Bangladesh both in rural and urban areas. Thus SME is a buzzword now. This research is conducted based on the SME activities and the problem faced by the SME owners during fund collection. However this study is conducted based on only eight variables. So, more analysis on finding new variables and how it impacts on other organisations operation may reveal the ultimate role of stimulatory activities in developing SME condition of this nation.

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