

Catalyzing SME Growth in Bangladesh: Analyzing the Role of the SME Foundation

Hadiul Islam

Green Business School, Green University of Bangladesh

Email: hadiislam201@gmail.com

Mohammad Delwar Hussain*

Green Business School, Green University of Bangladesh

Email: delwar@bus.green.edu.bd

Abstract:

This study examines the role of Small and Medium-sized Enterprises (SMEs) in the economic development of Bangladesh and analyzes the functions and effects of the SME Foundation. The research explores the historical context of SMEs in Bangladesh as well as defines SMEs based on various criteria, and assesses the current situation of the SME sector in the country. The study analyzes bank-led financing of SMEs, role of SMEs Export Growth in Bangladesh, trends in SME output and share in GDP, and the contribution of SMEs to Bangladesh's economy. It concludes with recommendations for strengthening financial inclusion, improving market access, enhancing skill development, improving infrastructure, streamlining regulations, promoting data-driven decision-making, encouraging sustainable practices, and fostering public-private partnerships to further unleash the potential of the SME sector in Bangladesh.

Keyword: Bangladesh, Economic Development, Small and Medium Enterprises (SMEs), SME Foundation, Sustainability.

* Corresponding Author

1. Introduction:

Bangladesh is a highly populated nation with a third of its citizens living in poverty. From the perspective of creating jobs, the industry contributes 28.7% of the GDP by employing 30% of the Bangladeshi labour force (BBS, 2023). That indicates that there is an opportunity to increase productivity in the industrial sector. Small and medium-sized businesses (SMEs) may offer the best opportunity in this regard to boost GDP growth, combat poverty, and create jobs with the least amount of capital. SMEs that lack significant assets that can be used as collateral, access to larger markets, business planning capability, lack of or limited skills of entrepreneurs and workers, knowledge or information about technology, a lack of business opportunities, and commercial laws and regulations (WBG T. W., 2023). SMEs typically represent the underprivileged group of individuals who make a strong effort to end poverty. Due to their socioeconomic comfort and financial independence, non-rich people hold the majority of SMEs in Bangladesh. In LDCs, SMEs have become the main force behind the eradication of hunger and poverty. For a long time, SMEs in Bangladesh have had a variety of cascading socioeconomic effects. Additionally, SMEs are widely recognized as potential generators of new employment opportunities and sources of income that can enhance social and economic well-being and reduce poverty. SME development is important whether of established or developing economies, according to the Sustainable Development Goals (SDGs) set by the United Nations. In the global value chain, this industry is largely correlated with major firms and industries. Significantly ensuring the development of SME firms is the emergence of huge industries. (UNDP, 2023) However, the labor market has slowly recovered after the pandemic outbreak. The previous studies in context of covid situation in Bangladesh have not clearly or specifically addressed SMEs, nor did they clearly or specifically cover the study of small and medium enterprise performance, it was deemed necessary for this research to carry out research of the areas. In addition, there is a lack of study conducted especially in the SME foundation in Bangladesh where the highly SMEs are existed.

Bangladesh established the SME Foundation as the premier organization for the growth of SMEs in the nation. The implementation of the SME Policy Strategies that the Bangladeshi government has adopted, policy advocacy and intervention for the growth of SMEs, financial support facilitation for SMEs, training programs for skill development and capacity building, facilitation of access to ICT and relevant technologies, business support services, etc. are among the main activities carried out by the SME Foundation. It is significant to remember that the Foundation strives to assist the expansion of companies and entrepreneurs that fit into the micro, small, and medium categories in accordance with Industrial Policy 2022. In addition to offering broad support for the growth of SMEs and entrepreneurs, the Foundation offers a variety of services to current and prospective female entrepreneurs to help them integrate into the mainstream of the business community (SMEF S. F., 2023). This study focuses on the current scenario of SMEs development in Bangladesh. The specific objectives of this study are: i) to assess the role of SMEs in the economic development of Bangladesh, ii) to analyze the initiatives and interventions implemented by SME Foundation, iii) to identify the challenges hindering the growth of SMEs in Bangladesh, iv) to evaluate the impact of SME Foundation's interventions on SME development, v) to provide recommendations for enhancing the effectiveness of SME support programs.

2. Literature Review:

The Small and Medium Enterprise (SME) sector is widely regarded as a critical driver of economic development and employment generation in developing economies. Bangladesh, with its growing population and evolving market structures, relies heavily on SMEs for economic diversification, poverty alleviation, and sustainable development. The SME Foundation, as a government-established institution, has played a pivotal role in fostering the growth and resilience of this sector. The history of SMEs has been a prime concern for different groups or stakeholders, and it involves controversial stories in economic growth and development around the world (Hossin, Azam, & Hossain, 2023). In the context of Bangladesh, a thriving SME sector is one of the main driving forces of the country's economic growth and development (Hossin, Azam, & Hossain, 2023). The digital revolution enabled global market access through e-commerce, emphasizing SMEs' adaptability and innovation. Despite challenges like financial constraints and economic crises, trends like sustainability, digital innovation, and social entrepreneurship continue to shape SMEs' transformative role in the 21st century (Javed, 2023). SMEs contribute significantly to GDP growth, employment generation, and the creation of value chains in both rural and urban areas (Levine, Beck, & Demircukunt, 2005). In Bangladesh, SMEs constitute over 90% of industrial enterprises and provide employment to a substantial portion of the workforce (Chowdhury, 2011). They also promote entrepreneurship and innovation, making them a cornerstone for economic sustainability (Islam, Rahman, & Karim, 2020). Despite their significance, SMEs in Bangladesh face numerous challenges, including limited access to finance, inadequate infrastructure, and skill deficits (Rahman A. , 2016). A (World Bank, 2019) report highlights that over 60% of Bangladeshi SMEs identify financial constraints as a primary barrier to growth. Additionally, the lack of technological adaptation and market linkage further hinders their competitiveness in both domestic and global markets (Hossain, 2018). The SME Foundation, established in 2006, aims to address these challenges by implementing policies and programs that support SME development. Its primary objectives include providing financial assistance, capacity-building initiatives, and market access support (SME Foundation, 2022). The Foundation works in collaboration with banks, non-governmental organizations (NGOs), and international development agencies to ensure an inclusive approach to SME growth. One of the critical interventions by the SME Foundation is the provision of financial support through credit guarantee schemes and subsidized loans. Studies have shown that such financial mechanisms significantly improve SMEs' access to working capital and investment funds (Khalily & Khaleque, 2013). In addition to financial assistance, the Foundation organizes training programs to enhance managerial and technical skills, which are crucial for productivity improvement and innovation (Rahman & Akhter, 2020). The SME Foundation also facilitates market linkages by organizing trade fairs and exhibitions, thereby enabling SMEs to showcase their products and connect with potential buyers (Haque, 2019). Moreover, the Foundation promotes technological adoption by providing grants for digital transformation projects, which have proven essential for competitiveness in the digital economy (Ahmed & Zohir, 2017). Empirical studies have highlighted the positive impact of SME Foundation initiatives on the growth trajectory of SMEs. For instance, a longitudinal study by (Uddin, Kabir, & Alam, 2021) reveals that SMEs supported by the Foundation exhibit higher revenue growth and employment generation rates compared to those without such support. However, challenges such as bureaucratic delays and limited outreach to rural areas remain (Hasan, 2020).

3. Categorization of SMEs in Bangladesh

In Bangladesh, Cottage, Micro, Small, and Medium Enterprises (CMSMEs) are an important part of the industrial sector. According to the Planning Division, these businesses make up 90% of all industrial units, provide jobs for 80% of industrial workers, and add 45% to the country's manufacturing output (Hossen & Uddin, 2024). SMEs in Bangladesh are growing at around 6% each year. Despite their importance, CMSMEs currently contribute only 25% to the GDP. In comparison, they contribute 59% in Indonesia, 52% in Sri Lanka, 45% in Vietnam, 58% in Cambodia, and 40% in Pakistan (LightCastle). However, Bangladesh aims to raise the GDP contribution of CMSMEs from 25% to 32% by 2024 (SME Policy 2019). Small and Medium Enterprises (SMEs) refer to the non-farm enterprises in Bangladesh. As noted earlier, it is defined in terms of number of employees and size of fixed assets (excluding land and building) (FES, 2021).

In manufacturing, medium industries employ 121–300 workers or have fixed assets (excluding land/buildings) worth Tk 15–50 crore. For labor-intensive industries, including RMG, the workforce may reach 1,000. In services, medium industries engage 51–120 workers or have fixed assets worth Tk 2–30 crore. Small industries in manufacturing employ 31–120 workers with fixed assets between Tk 75 lakh and Tk 15 crore. In services, they engage 16–50 workers or have fixed assets worth Tk 10 lakh to Tk 2 crore. (SMEF S. F., 2024). Micro manufacturing industries employ 16–30 workers or have fixed assets of Tk 10–75 lakh. In services, they employ up to 15 workers or have assets below Tk 10 lakh. Cottage industries are family-run businesses with a workforce of up to 15 and fixed assets below Tk 10 lakh, including replacement costs.

Table 1 Definition of SMEs in Bangladesh

SL	Types of Industry	The amount of investment (Replacement cost and value of fixed assets, excluding land and factory building)	Number of employed workers
1	Cottage Industry	Below 10 lakhs	The number of workers not exceed 15
2	Micro Industry	10 - 75 lakh	16 - 30
3	Small Industry	Manufacturing	75 lakh - 15 crore
		Service	10 lakh - 2 core
4	Medium Industry	Manufacturing	15 crore - 50 crore
		Service	2 crore - 30 crore
5	Large Industry	Manufacturing	More than 50 crore
		Service	More than 30 crore

Source: Bangladesh Bank & SME Foundation-2024

Bangladesh's SME sector, comprising 7.5 million MSMEs and contributing around 25% to GDP, plays a critical role in employment and economic growth. Despite their importance, SMEs face challenges like low productivity, limited technology, market access issues, and infrastructure deficiencies. The National SME Policy 2019 aims to address these barriers by fostering innovation, regulatory reforms, and better financing (SMEF, 2024). However, inconsistent SME definitions, limited coordination among regulatory bodies, and inadequate data hinder progress. Enhanced collaboration, robust data systems, and targeted support can unlock the sector's potential, positioning SMEs as key drivers of Bangladesh's sustainable economic development.

Role of SMEs Export Growth in Bangladesh

Small and Medium-sized Enterprises (SMEs) play a pivotal role in Bangladesh's export growth by diversifying the nation's export base and driving economic development. SMEs contribute approximately 25% to the country's GDP and employ over 35% of the labor force, showcasing their economic significance (Bangladesh Bureau of Statistics, 2022). Beyond traditional sectors like ready-made garments, SMEs are making notable contributions in agro-processing, leather goods, pharmaceuticals, and jute products, expanding Bangladesh's footprint in global markets. Government initiatives such as the SME Foundation, Export Policy 2021-2024, and trade agreements have provided essential support through financial incentives, capacity-building programs, and market linkages. However, challenges persist, including inadequate infrastructure, limited access to international financing, and technological gaps. Addressing these issues could help SMEs tap into global value chains, improve competitiveness, and contribute more robustly to export growth (Rahman & Hossain, 2020; Ahmed & Uddin, 2021). Furthermore, digitalization and e-commerce platforms are emerging as key enablers for SME export expansion, allowing businesses to reach international markets with reduced costs and increased efficiency (World Bank, 2023).

3. Methodology of the Study

This study primarily relies on secondary data gathered from various published sources, including reports and publications from Bangladesh Bank, SME Foundation, Bangladesh Bureau of Statistics, Ministry of Finance, the World Bank, and scholarly works. The collected data were manually processed, and the paper has been structured to enhance its informativeness, analytical depth, and utility for readers. Data have been presented through tabular and graphical formats, created using MS Word and MS Excel (Zaman & Islam, 2011).

4. Analysis & Finding

4.1 Present Situation of Bangladeshi SMEs

The small and medium-sized enterprise (SME) sector is a vital pillar of Bangladesh's national economy. This sector encompasses Cottage, Micro, Small, and Medium enterprises, with Cottage and Small enterprises making up approximately 98.5% of the industry. Cottage enterprises typically involve investments of up to Tk 0.1 million (excluding land and buildings) and employ around 15 individuals. On the other hand, Small enterprises require investments ranging from Tk 7.5 million to Tk 150.0 million (Desk, 2022). According to 2013 SMEF data, Bangladesh had 13.2 million cottage firms (62.60%), 558,870 micro firms (2.66%), 6.6 million small firms (31.39%), and 706,112 medium firms (3.35%). Employment figures show cottage industries engaged over 13 million people, micro industries employed around 559,000, small industries 6.6 million, and medium industries about 706,000. Rural areas had 5.6 million establishments, while metropolitan areas had 2.2 million.

Table 2 Total number of People Establishments and Engaged

Type of industry	Total Number of Establishments (Location-wise)			Total Number of People Engaged (TPE)		
	Urban Areas	Rural Areas	Total	Male	Female	Total

Cottage	1730150	5112734	13168327	11759565	1408762	13168327
Micro	41112	62895	558870	435043	123827	558870
Small	450601	408717	6600685	5844088	756597	6600685
Medium	4141	2965	706112	538526	167586	706112
Total	2226004	5587311	21033994	18577222	2456772	21033994

Source: SME Statistics-2022

4.2 SME & Employment

Supporting SMEs and entrepreneurs is essential for sustainable and inclusive growth. They drive innovation, foster competition, maintain global market competitiveness, and are a key source of employment. SMEs promote inclusion, form the backbone of local economies, and play a vital role in transitioning economies toward digitalization and sustainability. (OECD, 2024). Small and medium-sized enterprises (SMEs) usually employ fewer than 250 people. In many countries, over 90% of businesses fall under the SME category, with a large proportion being micro firms, employing fewer than ten people. Despite their small size, new data from the ILO reveals that micro and small enterprises, along with self-employed workers, account for an impressive 70% of global employment. As we strive to meet the UN Sustainable Development Goals and the ILO's Decent Work Agenda, it is essential to recognize both the potential of SMEs and the challenges they face (International Labour Organization, 2019). The CMSME sector in Bangladesh generates about 21.3 million jobs, with cottage industries creating 62.2%, microenterprises 2.67%, small businesses 31.39%, and medium-sized businesses 3.36%. SMEs employ 44% of the total workforce.

Table 3 Percentage of Total Employment

Type of industry	Employment	(%)
Cottage	13168327	62.6
Micro	558870	2.67
Small	6600685	31.39
Medium	706112	3.36
Total	21033994	100

Source: BBS, Economic Enterprise Census-2013

4.3 Geographical location of Ownership (Division Wise)

Barisal has the highest SME concentration with 368,051 firms, accounting for 4.9%. Chittagong has 1,326,774 SMEs (16.77%), and Dhaka leads with 2,537,745 SMEs (31.67%). In Khulna, there are 996,701 SMEs (13.24%). Rajshahi, Rangpur, and Sylhet have 1,160,362 (15.22%), 1,021,863 (11.64%), and 401,819 (5.26%) SMEs, respectively. Dhaka ranks highest in industrial location due to better infrastructure, followed by Rajshahi, Chittagong, Khulna, Barisal, and Sylhet.

Table 4 Ownership (Male Headed/Female Headed) - (Division Wise)

Division	Cottage	Micro	Small	Medium	Total
Barisal	335605	3066	29128	252	368051

Chittagong	1142924	15371	167226	1253	1326774
Dhaka	2166733	36155	331391	3466	2537745
Khulna	906578	7624	81876	623	996701
Rajshahi	1041705	17825	100028	804	1160362
Rangpur	889786	20059	111531	487	1021863
Sylhet	359553	3907	38138	221	401819
Total	6842884	104007	859318	7106	7813315

Source: Economic Census-2013, BBS

4.4 Bank-led financing of SMEs In Bangladesh

Bank-led financing plays a crucial role in the growth and development of Small and Medium-sized Enterprises (SMEs) in Bangladesh. SMEs form the backbone of the country's economy, contributing significantly to employment, income generation, and export earnings. However, despite their importance, access to finance remains a significant challenge for SMEs in Bangladesh, with banks and financial institutions playing a pivotal role in addressing this gap. Access to finance is crucial for the growth of the SME sector. Many entrepreneurs often express concerns about high interest rates. While high interest rates pose a significant challenge, having sufficient funding is equally important. Therefore, Bangladesh Bank is dedicated to supporting SME credit through its refinance window (Mustafa, 2022). This table presents data on SME credit disbursement in Bangladesh from 2010 to 2019, categorized by sector (Trading, Manufacturing, Service) and including a total and a breakdown for Women Enterprises. Here's an analysis based on this data:

Table 5 SME Financing by Banks and NBFIs (Taka in Billion)

Year (dec End)	Trading	Manufacturing	Service	Total SME Credit	Women Enterprise
2010	350.41	151.48	33.55	535.44	18.05
2011	343.83	158.06	35.10	537.19	20.48
2012	442.25	218.97	36.31	697.53	22.44
2013	567.04	240.16	46.03	853.23	33.56
2014	627.67	302.46	78.97	1009.10	39.39
2015	735.52	304.62	118.57	1158.71	42.27
2016	905.47	351.69	162.19	1419.35	53.46
2017	969.45	423.14	2258.10	1617.68	47.73
2018	669.36	557.39	368.34	1595.10	55.46
2019	725.22	587.15	367.24	1679.71	61.08

Source: GoB, Bangladesh Economic Review-2020

Significant Growth in total SME credit disbursement has grown substantially over the period, from 535.44 billion BDT in 2010 to 1679.71 billion BDT in 2019. This indicates increased financial support and confidence in the SME sector. The "Trading" sector consistently receives the largest share of SME credit, followed by "Manufacturing" and then "Service." This suggests that trading activities play a dominant role in the Bangladeshi SME landscape. Credit to Women Enterprises has also steadily increased, although it remains a small portion of the total. This points to a growing recognition of women's entrepreneurship but highlights the need for further efforts to enhance their access to finance.

4.4.1 Importance of Bank-Led Financing for SMEs in Bangladesh

- **Access to Capital:** Many SMEs struggle to secure financing from traditional sources due to their limited collateral, small scale, and lack of credit history. Bank-led financing provides a much-needed lifeline, allowing SMEs to access funds for working capital, expansion, and technological upgrading.
- **Promoting Economic Growth:** Bank financing facilitates the growth and sustainability of SMEs, which, in turn, boosts the country's GDP, creates jobs, and fosters innovation. With adequate funding, SMEs can enhance productivity, improve product quality, and tap into new markets, both domestically and internationally.
- **Support for Employment Generation:** Since SMEs are major employers in Bangladesh, bank financing helps expand their capacity to create jobs, particularly in rural and semi-urban areas, thereby supporting inclusive growth and reducing poverty.

4.4.2 Challenges Faced by SMEs in Accessing Bank Finance

- **Collateral Requirements:** Banks often require SMEs to provide collateral for loans, which many small business owners do not have. This limits access to financing for a large portion of SMEs, especially those in rural areas or with minimal assets.
- **High-Interest Rates:** SMEs in Bangladesh frequently face high-interest rates on loans, which can be burdensome and reduce their ability to reinvest in business expansion. These rates are often higher than those for large businesses, reflecting the perceived higher risk of lending to SMEs.
- **Lack of Credit History:** Many SMEs do not have an established credit history or formal financial records, which makes it difficult for banks to assess their creditworthiness. This increases the reluctance of banks to extend credit to small businesses.
- **Lengthy Loan Approval Process:** The loan approval process in many banks can be slow and complex, involving multiple layers of documentation and regulatory compliance. This delay in obtaining funds can be detrimental to SMEs, especially in urgent situations where quick access to capital is needed.
- **Inadequate Financial Products:** Traditional banking products are often not designed to meet the specific needs of SMEs. For example, SMEs may require more flexible loan repayment terms, smaller loan sizes, or financing for short-term working capital, which traditional loans may not adequately cover.

4.4.3. Government and Bank Initiatives to Support SME Financing

To address these challenges, both the government and commercial banks in Bangladesh have undertaken various initiatives to improve bank-led financing for SMEs.

- **SME Loan Programs:** The Bangladesh Bank (central bank) has introduced a number of schemes specifically targeting SME financing, such as the SME Credit Policy & Program. Under this program, banks are encouraged to provide loans to SMEs at relatively lower interest rates. The SME Foundation was established by the government to facilitate access to finance for SMEs, offering both funding and technical support.
- **Credit Guarantee Schemes:** The Credit Guarantee Scheme (CGS), launched by the government, aims to provide guarantees to banks to encourage them to lend to SMEs without the need for traditional collateral. This scheme aims to reduce the perceived risk of lending to SMEs.

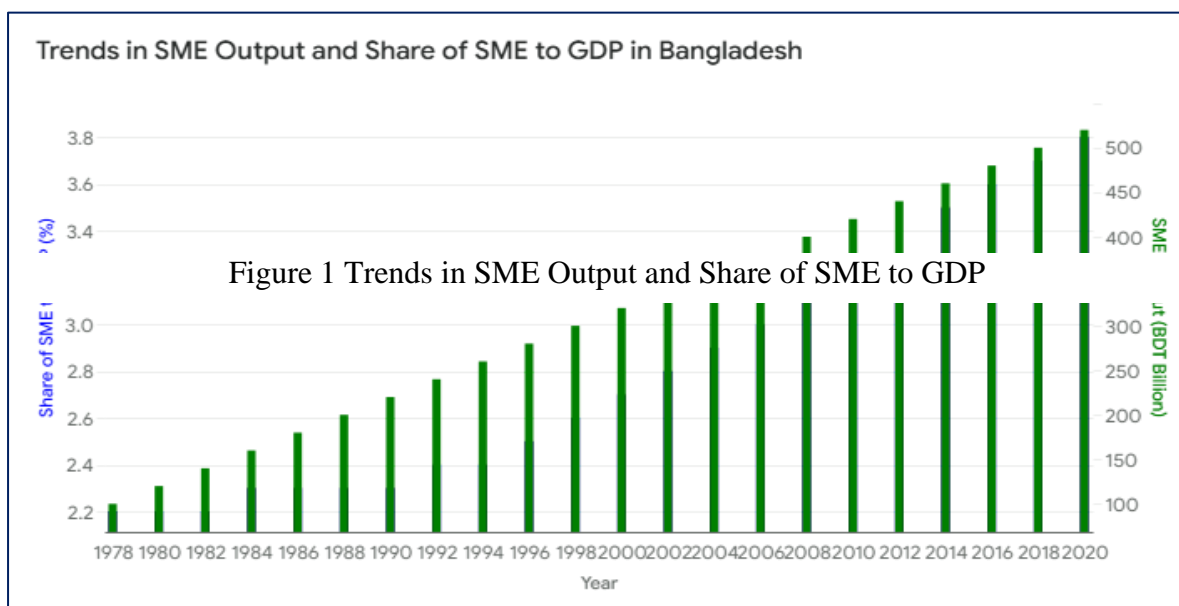
- **Refinancing Schemes:** Bangladesh Bank also offers refinancing schemes to banks, which allow them to lend to SMEs at a lower interest rate. These schemes are designed to stimulate the flow of finance into the SME sector and make loans more affordable for small businesses.
- **Microfinance Institutions (MFIs):** In addition to banks, microfinance institutions also play a significant role in providing finance to SMEs, especially in rural areas. These institutions often offer more flexible loan products and less stringent requirements for collateral.
- **Digital Banking and Fintech:** With the rise of digital banking and financial technology (fintech), there has been a growing trend of alternative lending platforms targeting SMEs. These platforms offer faster loan processing and are more accessible for SMEs that may not qualify for traditional bank loans.
- **Capacity Building and Training:** Some banks and financial institutions provide training and capacity- improve their financial management skills and understand the loan application process better building programs for SME owners and managers. These programs are designed to help SMEs

4.4.4 Recent Developments in Bank-Led SME Financing

- **Digitalization of SME Financing:** The shift toward digital banking has provided SMEs with easier access to financing through online platforms, reducing paperwork and speeding up the loan approval process.
- **E-commerce Integration:** Some banks have started offering financial products tailored to SMEs involved in e-commerce, helping them access financing for inventory and working capital in a fast-paced market environment.
- **Women Entrepreneurs:** Special programs and loans targeting women entrepreneurs have been launched, encouraging female participation in the SME sector.

4.5 Trends in SME Output and Share of SME to GDP

Small and medium enterprises (SMEs) are universally acknowledged for their vital role in driving economic growth and generating employment opportunities. Across both developed and developing nations, SMEs are recognized as essential tools for achieving sustainable economic development (Begum, et al., November, 2022). They represent about 90% of



businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies (WBG W. B., 2024). In numerous Asian countries, SMEs are estimated to account for over 90% of industrial output and provide employment opportunities for 60% of the workforce. (Veskaisri, Chan, & Pollard, 2007). The chart illustrates the trends in SME output and its share of the GDP in Bangladesh from 1978 to 2020. Here's an analysis based on the data:

Source: BBS, National Accounts Bangladesh-2020

4.5.1 Trends in SME Output: There's a consistent increase in SME output throughout the period. The growth appears to be relatively stable, with some slight variations in certain years. This consistent increase indicates a positive contribution of the SME sector to the Bangladeshi economy.

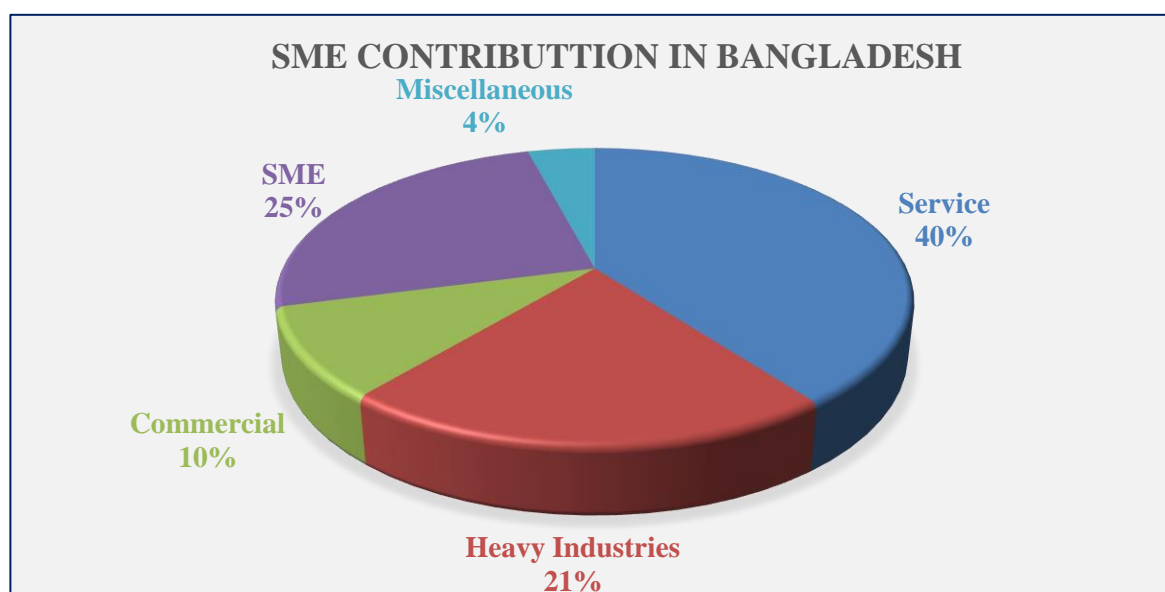
4.5.2 Trends in Share of SME to GDP: The share of SMEs in the GDP also shows an increasing trend, although at a slower pace compared to the absolute output. This suggests that while the SME sector is growing, other sectors of the economy might also be growing, leading to a slightly slower increase in the SME share of the GDP.

The data indicates a positive growth trajectory for the SME sector in Bangladesh. The consistent increase in output and its share of the GDP highlights the increasing importance of SMEs to the Bangladeshi economy. The stability of the SME sector is a promising sign for the overall economic development of the country.

4.6 SME Contribution to Bangladesh's GDP (USD)

As a developing nation, Bangladesh is dependent on a variety of industries, including SMEs, services, commercial, heavy industries, and other sectors. SMEs are essential to our economy. Their ability to promote economic growth, maintain the global economic recovery, create jobs, and lower poverty has propelled them to the forefront of the sustainable development agenda. Important statistics show that SMEs provide 25% of the service industry 40%, commercial sectors contribute 10% of the heavy industry 21%, and other sectors contribute 4% (Khan, Newaz, Mehad ul Haque, & Islam, 2020).

Figure 2 SME Contribution in Bangladesh's GDP (USD)



Source: "World Economic Outlook Database, October 2019". IMF.org. International Monetary Fund. Retrieved 4 April 2020.

5. Conclusion:

Small and Medium Enterprises (SMEs) play a vital role in the economic development of Bangladesh, contributing significantly to GDP, employment generation, and poverty reduction. The SME sector, characterized by its diversity and resilience, has demonstrated consistent growth in output and its share of GDP. The government's establishment of the SME Foundation is a crucial step towards supporting and nurturing this sector. The Foundation's efforts in facilitating access to finance, providing training and capacity building programs, and advocating for SME-friendly policies are commendable. However, challenges such as limited access to finance, inadequate infrastructure, and lack of market access continue to hinder the growth of SMEs.

Recommendations:

- a) **Strengthening Financial Inclusion:** Increase access to credit for SMEs, particularly for women entrepreneurs and those in rural areas. Explore alternative financing models like crowdfunding and peer-to-peer lending. Improve the ease of doing business by streamlining loan application processes and reducing bureaucratic hurdles.
- b) **Improving Access to Markets:** Enhance market linkages through trade fairs, exhibitions, and online platforms. Facilitate access to domestic and international markets for SME products. Promote e-commerce adoption and digital marketing for SMEs.
- c) **Enhancing Skill Development and Capacity Building:** Expand training programs on business management, financial literacy, and technical skills. Foster innovation and entrepreneurship through incubation centers and technology transfer initiatives. Promote the adoption of technology and digital tools to improve productivity and efficiency.
- d) **Improving Infrastructure and Connectivity:** Invest in developing robust infrastructure, including transportation, energy, and telecommunications. Improve access to quality education and healthcare for SME workers and their families.
- e) **Streamlining Regulations and Policies:** Simplify and streamline business regulations to reduce compliance costs for SMEs. Ensure consistent and transparent implementation of SM (Md. Masudur Rahman & Mubina Khondkar, 2020)E-related policies. Establish a strong and coordinated regulatory framework to address the specific needs of the SME sector.
- f) **Data Collection and Analysis:** Improve data collection and analysis on SME performance to inform policy decisions and monitor progress. Establish a robust data system to track SME growth, employment trends, and access to finance.
- g) **Promoting Sustainable Practices:** Encourage SMEs to adopt sustainable business practices, such as environmental protection and social responsibility. Support the development of green industries and circular economy models.
- h) **Strengthening Public-Private Partnerships:** Foster collaboration between the government, private sector, academia, and NGOs to support SME development. Leverage private sector expertise and resources to enhance SME support programs.

By implementing these recommendations, Bangladesh can further unleash the potential of its SME sector, contributing to inclusive economic growth, job creation, and sustainable development.

References

(n.d.).

Ahmed, & Uddin. (2021). Export promotion and SMEs in Bangladesh: Opportunities and challenges. *International Journal of Business and Development*, 74-88.

Ahmed, S., & Zohir, S. (2017). Digital transformation in SMEs: Opportunities and challenges. *Journal of SME Development*, 12(3), 45-63.

Bangladesh Bureau of Statistics. (2022). Retrieved from Economic contribution of SMEs in Bangladesh.

BBS, B. B. (2023). *QUARTERLY LABOUR FORCE SURVEY- 2023*. Dhaka, Bangladesh: Information & Statistics Management Division- Planning Division.

Begum, M. L., Talukder, M. M., Rahman, M. M., Das, M. R., Bhattacharjee, M. P., & Miah, M. M. (November, 2022). *Estimating the contribution of SMEs output on GDP growth in Bangladesh A VECM Approach*. Research Department Division-4 (Special Studies and Fiscal Affairs Wing) Bangladesh Bank.

Chowdhury, M. (2011). SMEs in Bangladesh: An overview of performance and constraints. *South Asian Journal of Business and Management Case*, 5-18.

Desk, M. (2022, Jun 4). *SMEs Of Bangladesh: The Present Scenario And Future Prospects*. Retrieved from <https://medium.com/smes-of-bangladesh-the-present-scenario-and-future-prospects/>

FES. (2021, August). *Friedrich-Ebert-Stiftung (FES) Bangladesh and SME Foundation*. Retrieved from <https://library.fes.de/pdf-files/bueros/bangladesch/19084.pdf>

Haque, A. (2019). Enhancing market access for SMEs: The role of trade fairs. *Bangladesh Economic Review*, 37(4), 87-102.

Hasan, M. (2020). Challenges in implementing SME policies in Bangladesh. *Policy and Development Review*, 5(2), 19-33.

Hossain, M. (2018). Technological adoption in SMEs: Barriers and strategies. *Asian Journal of Business Research*, 31-45.

Hossen, A., & Uddin, M. M. (2024, 5 17). *A Brief Overview of SMEs in Bangladesh: Challenges and the way forward*. Retrieved from <https://www.freiheit.org/bangladesh/brief-overview-smes-bangladesh-challenges-and-way-forward#:~:text=In%20Bangladesh%2C%20SMEs%20consist%20of,45%25%20to%20manufacturing%20value%20added.>

Hossin, M. M., Azam, M. S., & Hossain, M. S. (2023, September). Defining SMEs in Bangladesh's Economy: Their Present Status and Contribution. *International Journal*

of Finance, Economics and Business, Vol. 2, No. 3, 3.
doi:<http://dx.doi.org/10.56225/ijfeb.v0i0.00>

- Hossin, M., Azam, M., & Hossain, M. (2023). Leadership in SMEs: A Review of Different Leadership Styles and their Relevance to SME Management. *Asian Journal of Management, Entrepreneurship and Social Science*, 70-92.
- International Labour Organization.* (2019, October). Retrieved from The power of small: Unlocking the potential of SMEs: <https://webapps.ilo.org/infostories/en-GB/Stories/Employment/SMEs#intro>
- Islam, M. S., Rahman, M. M., & Karim, M. R. (2020). Entrepreneurship and SME development: A case study of Bangladesh. *Journal of Development Studies*,, 1238-1255.
- Javed, N. (2023, July 2). *MODERNDIPLOMACY*. Retrieved from https://moderndiplomacy.eu/2023/07/02/a-brief-history-of-small-and-medium-enterprises-of-the-world/?utm_source=chatgpt.com
- Khalily, M. A., & Khaleque, A. (2013). Financial inclusion and SME development in Bangladesh. . *Bangladesh Development Studies*,, 73-94.
- Khan, O. F., Newaz, A., Mehad ul Haque, S. R., & Islam, B. (2020, 5). *Impact on Bangladesh's SME Landscape*. Retrieved from LightCastle Partners: https://lightcastlepartners.com/wp-content/uploads/2020/05/SME_WhitePaper.pdf
- Levine, R., Beck, T., & Demirguc-Kunt, A. (2005, Septembe). SMEs, growth, and poverty: Cross-country evidence. *Journal of Economic Growth*,, 199-229.
doi:<http://dx.doi.org/10.1007/s10887-005-3533-5>
- Md. Masudur Rahman, P., & Mubina Khondkar, P. (2020, June). Small and Medium Enterprises (SME) Development and Economic Growth of Bangladesh: A Narrative of the Glorious 50 Year. *Barishal University Journal of Business Studies, Volume-7(Issue- 1)*, 11-16. Retrieved from https://www.researchgate.net/publication/358138997_Small_and_Medium_Enterprises_SME_Development_and_Economic_Growth_of_Bangladesh_A_Narrative_of_the_Glorious_50_Years
- Mustafa, D. M. (2022). Small and Medium Enterprise (SME) Credit Policies & Programmes. *SME & Special Programmes Department Bangladesh Bank*. Retrieved from Small and Medium Enterprise (SME) Credit Policies & Programmes: <https://www.bb.org.bd/sme/smepolicye.pdf>
- OECD. (2024). *SMEs and entrepreneurship*. Retrieved from <https://www.oecd.org/en/topics/policy-issues/smes-and-entrepreneurship.html>
- Rahman, & Hossain. (2020). The role of SMEs in Bangladesh's export growth. *Journal of Business and Economic Development*,, 45-59.
- Rahman, A. (2016). Addressing the financing gap in SMEs: Evidence from Bangladesh. *Global Business Review*, 663-678.

- Rahman, M., & Akhter, R. (2020). Capacity building for SMEs: A policy perspective. *Development Policy Journal*, 102-117.
- SME Foundation. (2022). Retrieved from Annual report 2021-2022. SME Foundation, Dhaka.
- SME Policy 2019. (n.d.). Dhaka. Retrieved from Small and Medium Enterprise Foundation: <https://smef.gov.bd/site/files/c951425d-b398-4123-aea2-85aa7e6df0e6/SME-Policy-2019>
- SMEF. (2024, August 11th). *SME Policy 2019*. Retrieved from <https://smef.gov.bd/site/files/c951425d-b398-4123-aea2-85aa7e6df0e6/SME-Policy-2019>
- SMEF, S. F. (2024, October 24th). Retrieved from <https://smef.gov.bd/site/page/e48a664a-9618-4afe-b8fa-5108e845c793/SME-Definition>
- SMEF, S. F. (2021, August). *Policy Paper on Financing SMEs in Bangladesh Lessons from the German Experience*. Retrieved from Friedrich Ebert Stiftung Bangladesh: <https://library.fes.de/pdf-files/bueros/bangladesch/19084.pdf>
- SMEF, S. F. (2023, 2). Retrieved from <https://smef.gov.bd/site/page/05f7dbfa-1457-44a0-b92c-1f04f788889d/>
- Uddin, M., Kabir, M., & Alam, S. (2021). Evaluating the impact of SME Foundation initiatives: A longitudinal analysis. *Journal of Economic Policy and Research*, 47-62.
- UNDP. (2023). Retrieved from <https://www.undp.org/bangladesh?search=ww>
- Veskaisri, K., Chan, P., & Pollard, D. (2007). Relationship Between Strategic Planning and SME Success: Empirical Evidence from Thailand. *International DSI*. Retrieved from https://www.researchgate.net/publication/229046574_Relationship_Between_Strategic_Planning_and_SME_Success_Empirical_Evidence_from_Thailand
- WBG, T. W. (2023). Retrieved from <https://www.worldbank.org/ext/en/home>
- WBG, W. B. (2024). *Small and Medium Enterprises (SMEs) Finance*. Retrieved from Development news, research, data. Available at: <https://www.worldbank.org/en/topic/smefinance>
- World Bank. (2019). Retrieved from SME finance in Bangladesh: Challenges and opportunities.
- World Bank. (2023). Retrieved from Digital transformation for SME development in South Asia. World Development Report.
- Zaman, A. H., & Islam, M. J. (2011, January–June). Small and Medium Enterprises Development in Bangladesh: Problems and Prospects. *ASA University Review*, Vol. 5 No. 1, 146. Retrieved from https://www.researchgate.net/publication/333447970_SMEs_Development_in_Bangladesh_Problems_and_Prospects