

RESEARCH ARTICLE

## The Problems and Challenges of Small and Medium Enterprises in Bangladesh.

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### ABSTRACT

The study investigates the problems and challenges of managing working capital and institutional functions of small and medium enterprises (SMEs) in Bangladesh. The qualitative case study method was applied to achieve the research objectives. Applying a purposive sampling, the study collected data from ten SME owners using semi-structured personal interviews. The NVivo software was used to analyze the data. The study found that SME business owners face challenges in managing working capital throughout the year, especially during festival seasons. Failure to meet their sales target increases the spoilage of products, consequently aggravating revenue loss and affecting profitability adversely. The enhancement of product quality also puts an upward pressure on the price of products and thereby impacts sales. They face some challenges in terms of leadership quality, employment of skilled human resources, management of loans and other borrowings, and availing themselves of necessary government support. Moreover, smuggling, unethical marketing practices, and price competition are impediments to the healthy growth of SME industry in Bangladesh. It is recommended that the government and SME Foundation arrange a scheme of small loans for SME business enterprises at a lower interest rate (1% or 2%) without any collateral bindings at the initial stage. After a certain period, better facilities of loan can be allowed based on performance. In addition, SME Foundation should develop a suitable SME support system for the owner-managers and entrepreneurs to provide all sorts of support they require. Further, SME Foundation should provide SME identification cards to the

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entrepreneurs which might help them sell their products throughout the country without any hassle. Finally, owner-managers of start-up businesses should have adequate logistic support from the government. If SME owners are provided with these supports, the participation in the SME sector is expected to increase, which will contribute to the growth of GDP and hence, to the development of Bangladesh.

## 1. Introduction

Bangladesh is an agricultural country and about 85% of the people live in rural areas. In view of her agricultural potentials, Bangladesh can achieve industrialization through agriculture, which is largely dependent on small and cottage industry. Evidence shows that in many developing countries, small and medium enterprises (SMEs) contribute in higher employment. This is, moreover, considered the foundation of the local private sector in many underdeveloped countries. Currently, the SMEs have extended their scope of concentration, which involves non-traditional manufacturing and service sectors, apart from shedding light on low-tech, traditional, and agro-based economic activities. Scholars (such as, Islam & Rahman, 2015) argue that the SME is addressed as an engine of economic growth worldwide. Studies point out that in order to achieve high and sustained economic growth, a triggering force is vital to reduce poverty in the country, which is thought of as one of the sustainable development goals. Evidence reveals that entrepreneurs play a significant role in the development processes. However, they are often prevented by limited access to financing from a range of local formal and informal financial institutions of the country (Azam et al., 2013).

But the definition of SME varies from place to place and/or country to country. The Industrial Policy of Bangladesh (2010) gives an idea about small and medium enterprises as follows: *“The small industry comprises with such enterprises which include either the value (replacement cost) of fixed assets excluding land and building between BDT 5 million and BDT 100 million, or with between 25 and 99 workers,”* whereas *“medium industry denotes to comprise enterprises with either the value (replacement cost) of fixed assets excluding land and building between BDT 100 million and BDT 300 million, or with between 100 and 250*

*workers.*”<sup>1</sup>Recent studies point out that most of the businesses in Bangladesh need small amount of loan on a short-term basis to meet the needs of their working capital or purchase of fixed assets (Singhania & Mehta, 2017). Therefore, a bank is regarded as more than a bank when it attempts to bring about a significant improvement for people’s livelihoods by meeting their necessary demands. Scholars state that it is a commitment to rise against all adversities, a promise to lead the way to a standard livelihood and to bridge the gap between ordinary people and extraordinary opportunities. Several studies identify SME financing as one of the major barriers to SME growth in the country. The scenario is very common, and appears to remain unresolved. Despite most of the issues connected with SME functions, the banks, however, have some vital issues of their own regarding the designing of financial products for SMEs. Bangladesh, as a developing country, has tremendous potential in the SME sector which, if properly addressed, can be crucial for the socio-economic development of the people. The present study focuses on exploring SME problems and challenges regarding the management of working capital and institutional functions. Besides, it provides a few suggestions and recommendations, based on evidence, with a view to overcoming the current situations. Evidently, researchers have paid, to date, less attention to the problems and challenges of managing working capital and institutional functions of SMEs in Bangladesh.

The present study aims to probe deeply into those problems and challenges confronting the SMEs in Bangladesh, employing the qualitative case study method for achieving the research goals. The study finds that SME business owners face challenges in managing capital throughout the year, and especially in festival times. Failure in sales increases the spoilage of products and prices. Quality products also demand an increase in price and cause an impact on sales. Not being so educated, they face challenges and limitations in leadership, quality people and workers, loan management, and government supports. Moreover, smuggling and unethical market practices and price competition hinder SME industry.

The study aims to contribute to the existing literature concerning Bangladesh and the global SME sector. This study first outlines the

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<sup>1</sup>Bhuyan, A. R. (2010). Bangladesh industrial policy 2010: A critical appraisal. *Thoughts*

descriptive problems which enhances academic literature of SMEs in Bangladesh. The findings of the study are expected to be beneficial for SME regulators and stakeholders in Bangladesh as it is the first of its kind.

The structure of the paper is as follows: while section One discusses the introduction, section Two reviews the literature. Section Three describes the research methodology. Section Four provides the findings and discussions. Finally, section Five concludes the paper with some recommendations, pointing out certain limitations and suggesting some future research directions.

## **2. Literature Review**

Recent studies reveal that SMEs play a crucial role in financial development, particularly in the countries of South Asia (Khandker, 2014). In addition, SMEs are considered an important source for income generation and the creation of employability. In developing countries, more than 90 percent of all firms outside the agricultural sector are SMEs, and generate a significant portion of GDP (Stephen & Elvis, 2011). In Pakistan, the SME sector employs up to 78% of the non-agricultural workforce and significantly boosts up many of the macroeconomic variables in Pakistan's gloomy economy, adding 30% to the gross domestic product (Gul et al. 2013). According to Bangladesh Economic Census 2015, the contributions of Small Industries and Large & Medium-Sized Industries are 3.65 percent and 16.52 percent respectively, slightly higher than in the previous year, which were 3.51 percent and 15.95 percent respectively.

Besides, the country has a range of seasonal fruits and diverse agricultural products. Pineapples and mangoes, for instance, are processed to produce items of jam/jelly/juice and the like by enterprises under the SME. Potato chips and tomato sauces are in high demand across the world. In view of these facts, SME is suitable for processing the aforementioned items. Evidence shows that the maximum demand in that sector will be created in the local and global markets, if we can provide more quality to the products and ensure proper marketing at home and abroad. Currently in Bangladesh, circular machines are used

for knitting items in Readymade Garment Industry (RMG). The idea can be extended, if the circular machines are set up at the household level, to perform job works to feed RMG industry for the maximization of export-oriented T/Polo Shirts and so on. This is known as the subcontracting system where RMG industry is committed to supply yarns to the entrepreneurs having circular machines. In many parts of the country, particularly in Dhaka and Narayanganj, the system has already been introduced with growing demands. Small enterprises produce shoes for big shoe companies in Bangladesh, such as BATA, which has been an outstanding example of SME products (Azam, et al., 2013). In Dhaka city, the company supplies necessary raw materials to many small factories for getting the final product (shoes) following the subcontract system. Therefore, the SMEs have become a fundamental part in the process of the economic fabric for developing countries like Bangladesh, and they have already been performing a vital role in the growth, innovation and overall development of the country.

Empirical studies on working capital management can be divided into two broad categories. One set of studies is mainly concentrated on large enterprises, and the other on SMEs. The majority of the past studies were conducted on large companies, and there are a very few available studies on SMEs. Studies such as by Shin and Shoenen (1998), Deloof (2003), Raheman and Nasr (2007), Zariyawati et al., (2009), Vural, Sökmen and Çetenak (2012), Abuzayed (2012), Malik and Bukhari (2014), Sharma and Kumar (2011), Quayyum (2011), Charitou, Elfani and Lois (2010), Azam and Haider (2011), Karaduman, et. al (2010), Napompech (2012), Al-Debi'e (2011), Gill, Biger & Mathur (2010), Mansoori & Muhammad (2012) attempted to identify the impact of working capital management (WCM) on the profitability of large companies.

Those studies focused on the problems and challenges in the context of Slovakia, China, Russia, and India. In addition, Chowdhury et al. (2013) studied the problems and prospects of SME financing in Bangladesh. They also analyzed the potential of SMEs in the economy of Bangladesh. Researches show that in order to introduce the initial setup and to purchase raw materials, most of the SMEs borrow funds from external sources. The hiring process of managing necessary funds takes 3 to 4 months on an average. The time frame is considered one of the major obstacles to the smooth growth and functioning of SMEs. Many raise

their voices that the government of Bangladesh (GoB) should actively play a leadership role in order to set up special funds for the success of the whole project. Needless to say, the GoB provide funds to help SMEs for setting up business initially which enables the sector to be effectively functional. Studies argued that the practices are not uncommon in many developing countries where such research has been carried out (Chowdhury et al., 2013).

### **3. Methodology of the Study**

The study aims to investigate the problems and challenges of managing working capital and institutional functioning of SMEs in Bangladesh. Thus, this research addresses problems concerning managing capital and institutional functioning.

For gleaning necessary data, Dhaka, the capital of Bangladesh, has been selected as the study area, since this is the dominant commercial hub in Bangladesh with most of the business head offices located therein. Among the different types of businesses, SMEs are considered to be the prime concern of an economy. Regarding the qualitative case study method in achieving the research objective, Merriam (2009, p. 5) states that a qualitative case study permits investigators “*to perceive how people explain their experiences, how they construct their real-world scenario and the meaning-making process directly reflect to their experiences*”. In 2019, an SME fair was organized by the SME Foundation Bangladesh for exploring the SME activities and extending ideas for further development. The study followed the purposive sampling technique to select the respondents and interviewed 10 respondents of the fair.

The respondents were selected on the basis of several criteria. First, they were familiar with SME businesses and their actions. Second, they are associated with the training, monitoring and motivational programs of the rural, route, and town-level SME business owners. Third, they participated in the last SME fair arranged by the SME Foundation of Bangladesh. Finally, they had diversified clusters as per the SME Foundation’s price-giving categories. A brief background of the respondents is given in Table 1.

**Table 1: Background of the Respondents**

SL	Respondent ID	Position	Organization	Gender	Education	Experience (Yrs)	Number of employees
1	Respondent # 1	Owner	Loom Silk and Sharee, secretary of the federation	M	Secondary	40	40-45
2	Respondent # 2	Owner	Paper cup (green management)	M	Post-Graduation	4	10
3	Respondent# 3	Owner and SME trainer	Jute, handcrafts, chairman of the federation	F	Post-Graduation	15	40
4	Respondent # 4	Owner and SME trainer	Block and Batiks and trained more than 1000	F	Graduation	16	43
5	Respondent # 5	Owner	Handicrafts and batiks	F	Degree	23	4
6	Respondent # 6	Owner and SME trainer	Organic Agri products and trained more than 4000 farmers	M	Post-Graduation	30	40
7	Respondent# 7	Owner	Jute textile and federation secretary	M	Post-Graduation	30	56
8	Respondent # 8	Owner and SME trainer	Jute products and trained more than 30000	F	Post-Graduation	18	21
9	Respondent # 9	Owner	Furniture and cottage	M	Graduation	5	10
10	Respondent # 10	Owner	Varieties	M	Higher secondary	30	10

*Source: Developed by authors*

The researchers reached the saturation point after ten respondents, as most of them were trainers of SMEs. The required number of respondents was reached when the point of saturation was achieved, whereby an analysis of additional interviews led only to aspects that had already been mentioned in previous conversations and did not result in new findings (Creswell, 2006; Alam, 2021).

Using a semi-structured interview, the researchers collected data from purposively selected respondents. Qu & Dumay (2011) think that a semi-

structured interview may be used as a technique to collect data. The tool is guided by certain themes in a consistent and systematic structure which produces descriptive responses from interviewees along with further questioning. Miles & Huberman (1994) are also of the opinion that the semi-structured interview method could elicit a real description from respondents of a focused field of study. Moreover, as the study is related to money matters, the interview method is comparatively a good choice. The themes of questioning were developed after an extensive review of literature in the relevant field of study, including different aspects of inventory management, planning, monitoring, and control of inventory, and so on.

After taking permission from the respondents, all successful interviews were recorded initially and then transcribed, and finally, various memos were written for analyzing the collected information. The length of the interviews was 45 to 60 minutes each. These interviews were conducted both online and offline. For online interviews, a Zoom meeting application was used. The Zoom platform helped to minimize the cost of time and money besides being easier to record. In addition, this approach is understandably better advantaged in following the views and expressions due to video recording rather than audio or tape recording. The other interviews were conducted through personal meetings with the respondents. The interview sessions were recorded after taking permission from the respondents. Both audio and video interview formats were used. The recorded interviews were firstly transcribed and then summarized for analyzing various insights relevant to the subject matter of the study. The number of completed interviews was ten. The interviewees were experts on SME operation and management. They had 4 to 40 years of experience in running and managing SMEs in Bangladesh.

The collected responses from the interviews were examined using content analysis techniques. There were different guidelines set by Miles and Huberman (1994), Pope et al. (2000), Creswell (2006), & Bazeley (2007) to examine the data that included following certain steps. Firstly, the collected data were fed into QSR NVivo 11, a useful software for analysis. Each paragraph in the transcript concerning different aspects of inventory management practices of SMEs in Bangladesh was separated and coded. The primary coding was based on a deductive approach.

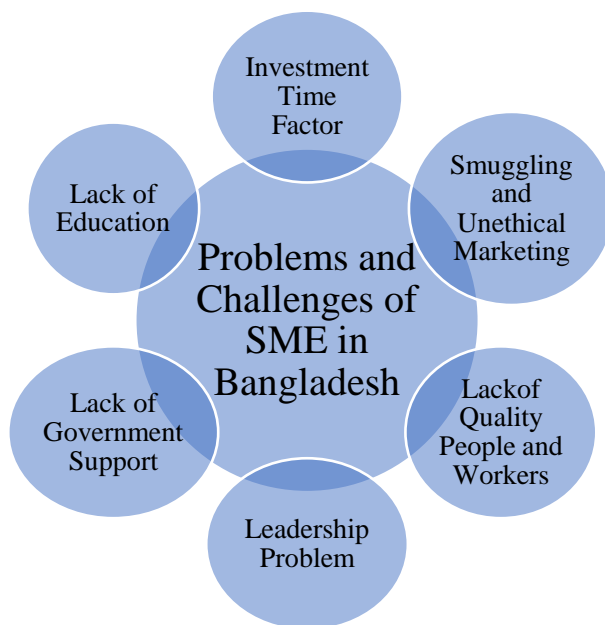


Previous researches developed a scheme representing aspects of inventory management. Various types of operational definitions were determined to help the coding process. Later on, the previously determined categories of inventory management practices were coded into tree nodes. Then, again all transcripts were reviewed carefully for second-level coding. It helped categorize the text responses into emergent themes. The themes formed were used to create sub-categories and codes under each major category of the analysis. In this way, the irrelevant data were eliminated, and data management has become more useful. The sub-categories were developed from grouping various quotations collected from the interview transcripts (Alam, 2021). These quotations enabled us to maximize the representation of the respondents' views and thoughts.

After completing the entire coding activities, a cross-case analysis was conducted. Various inventory management behaviors of SMEs in Bangladesh were compared for every code. Through this comprehensive process, it was ensured that the categories that were created from analysis reflected respondents' views and thoughts accurately, instead of the researcher's perspective. Since it is important to accurately reflect the respondents' points of view on the subject matter, and a researcher must be sincere to address the respondents' views of the world properly in the analysis and findings. In the final part of the study, the analyzed data were further evaluated for identifying the presence of any relationship within the data. This was helpful for an in-depth understanding of the subject matter and the meaning of the code statement too.

#### **4. Findings and Discussions**

Based on the research question and sub-questions concerning the problems and challenges of SME in managing working capital and institutional functioning in Bangladesh, we have developed a theme from NVivo data analysis which has been classified into some categories or sub-themes upon study findings in Figure 1.

**Figure 1: Problems and Challenges of SMEs in Bangladesh**

**Source: Developed by the authors**

#### **4.1 Investment Time Factor**

The owners of the SMEs have to invest mostly in a seasonal businesses and prior to festivals. Thus, occasionally they need a huge amount of money which becomes unmanageable for them in most cases. In this case, they are unable to get loan from banks and financial institutions, Non-Governmental Organizations (NGOs) and other microfinance institutions (Singhania & Mehta, 2017). As a result, it impacts their business and profit. The opinions provided by the respondents (respondents# 2; 8; 10) are outlined as follows.

*“Of course, everything is possible if sufficient fund is available, but it may be noted that the price of(Chinese) raw materials depends on the season. Normally, the price of raw materials increases 10% -15% during the winter season.If we can invest adequate amount of fund to procure raw materials prior to price hike, we can generate a reasonable profit. In some cases, we have to make advance payment for the raw materials and goods.”[Respondent # 2]“We try taking the opportunity of*

*investment before Eid season but due to shortage of fund we fail to do so.” [Respondent # 10]*

#### **4.2 Smuggling and Unethical Marketing**

Some of the respondents (respondents# 1; 4; 7) said that smuggling and unethical marketing (import) from the neighboring country is another problem for the local products and markets. Sometimes, the producers or the SME business owners do not receive the regular payments from the retailers (Abraham, 2006). The unethical pricing practice followed by large firms is also a major challenge for the SMEs (Vitell & Festervand, 1987). The responses of respondents may be summarized as under:

*“The foreign sarees that come to our country through smuggling is a serious threat to the survival of SMEs.” [Respondent # 1] “It is a common practice in this market that if I do not deliver the goods, the buyers will not make the payment. However, some of the buyers do not make sufficient payment even after the goods are delivered.” [Respondent # 4] “The main problem we face is unethical pricing.” [Respondent # 7] “Many shopkeepers have been harassing us for many years; still they have not settled our long overdue payments.” [Respondent # 1]*

#### **4.3 Lack of Quality People and Workers**

The SME owners must ensure the quality of products. As they are not so educated and have less skilled and qualified workers it impacts the quality of production and novelty. Some of the respondents (respondents# 1; 7; 10) observed that the production of quality goods is the main challenge due to absence of skilled labor. Chowdhury et. al. (2013) stated that unskilled labor is a formidable challenge for this industry and production is based on market demand rather than any innovation of new design. Along with these problems, SMEs have little opportunity of marketing compared to large enterprises.

Some of their responses are as under:

*“Many SME businessmen are not the direct producers and they purchase from the local market. We have lack of opportunity of marketing.” [Respondent # 1] “This industry has lack of quality*

*people and production. The general production is based on the market demand.” [Respondent # 7]*

In addition, due to a lack of basic education, the SME owners do not get government supports—regarding the cash collection system. The respondents’ (respondents# 1; 3; 4; 9) opinions areas follows.

*“If I argue with a shopkeeper about payment, other shopkeepers will avoid taking goods from me. They will consider me as a troublesome person and will be scared to buy goods from me. So, I will lose my customers.” [Respondent # 1] “If we could receive the payment from the buyer in due time, we wouldn’t need a loan.” [Respondent # 1]*

#### **4.4 Leadership Problem**

The SME owners have leadership problems. Due to the lack of capacity and capability, they do not get government support (for example, land allocation by the government). Some of the non-SME owners and businessmen with political power get advantages and privileges. As a result, the original SME business owners are deprived of government and other NGO supports. The respondents’ (respondents# 1; 3; 7; 9) opinions are as follows.

*“As our businesses are dispersedly located, the government started a rehabilitation project in Bhasantek for SME owners in 2003 but we did not get any privilege though we pre-ordered Taka 10,000 to get a place there”. [Respondent # 1]. “For various reasons, such as our lack of leadership, this project stopped in the middle of construction. We don’t know whether we would get it or not.” [Respondent# 1] “Some of the political people get the privileges and they don’t want to give us any benefit.” [Respondent # 1] “We have no association.” [Respondent # 7] “We do not have leadership”. [Respondent # 3]*

#### **4.5 Lack of Government Support**

SME industry does not get proper support from the government. Some respondents (respondents# 1; 2; 3; 4; 5; 6; 7; 8; 10) complained that due to the lack of government support they are unable to develop their businesses. Sometimes, they do not get proper benefits provided by the government due to the complexities of administrative and social systems.

Chowdhury et. al. (2013) suggested that the government should provide adequate supports for the development of the SME. The respondents' responses are as under:

*"We are not getting adequate support from the government. The government is not patronizing this industry." [Respondent # 3]*  
*"The government is not supporting us like the governments of other countries such as India and China. Governments in those countries give enough subsidies to the SMEs. Those SMEs get subsidies for participating in international festivals and exhibitions of their products. We don't get this sort of help. That's why so many SMEs with huge potentials are sitting idle." [Respondent # 2].*  
*"The government declared a few days ago that the interest rate for SME loan would be 4 percent. But we are not getting loan at 4 percent." [Respondent # 3].*  
*"Our government doesn't pay much attention and to some extent, discourages us in this matter (He said the words quite regretfully)." [Respondent # 7].*

However, one of the respondents said that they get loan or financial benefits when they are in a stable or established position. But it is necessary at the start-up point of the business. Thus, respondents opined that they could do better with proper financial benefits and support from the government and microfinance institutions. Respondents # 7 and #9 said:

*"In our country, an SME loan is given when the enterprise's financial position is strong but an entrepreneur needs a loan when s/he starts the business. Moreover, no institution agrees to provide a loan unless there is a guarantee of repayment." [Respondent # 9]*  
*"I am actually looking for financial support from venture capital, not bank finance." [Respondent # 7]*

Noticeably, they do not get any loan without guarantors and collateral. It is more difficult for women entrepreneurs to get loans as their husbands do not want to take an additional pressure. Wignaraja & Jinjarak (2015) argue that the individual assets of SME owners are deemed significant as collateral for SME borrowings from banks and other financial institutions. Ono & Uesugi (2009) say that sometimes a longer relationship with the mainstream transactions bank helps to get a bank

loan in case of large business enterprise which is quite rare in case of SME owners. The respondents replied as follows:

*“If there is a first blood guarantor, then it is possible to get loan. Our female entrepreneurs’ husbands are not willing to be guarantors for the loan.” [Respondent # 3] “It is difficult for us to get a loan without collateral and a guarantor. In addition, the interest rate is higher than the government-declared rate.” [Respondent # 6] “In fact, we don't get a loan. Even if we get one, the interest rate is 13 to 14 percent.” [Respondent # 4]*

#### **4.6 Lack of Education**

One of the most important problems of the SME business owners is lack of proper education. Even some of them do not know how to read and write and they have less opportunity to learn. Their children are not much educated either. Previous studies found lack of education among the SME owners to be a barrier to the development of SME and quality products (Virglerova et al., 2017; Fitriyaningsih & Wahyono, 2020). Several respondents (respondents# 1; 2; 3; 4; 5; 6; 10) shared that:

*“The weavers (a large portion of SME owners) don't have institutional education except practical experience. As a result, they lack management skills.” [Respondent # 1] “The government should ensure proper education for their family members so that they can take the lead in the industry.” [Respondent # 1]*

For want of education, they are unable to handle loan management procedures from the NGOs and cooperative societies. Gimmon et al. (2021) find education to have a significant influence on business growth. According to them, the business growth is much higher for the owners with higher academic degrees than for the owners with vocational education, in which case the business growth is lower.

### **5. Conclusion and Recommendations**

The study finds that SMEs face difficulties in working capital management, getting loans from banks and NGOs. Some of the SME owners do not have proper knowledge about business, working capital management process, inventory management, and money management system. They face limitations even in the loan application process. The

SME owners do not record sales in any customized software; rather, they maintain a petty cash book.

Based on the findings and interview data, this research incorporates some suggestions for the owners of SMEs regarding the development of the SME sector, their working capital management, and proposes solutions to the government, SME Foundations, banks, and NGOs.

- Initially, the government and SME Foundations can arrange training based on the needs of the owners and managers. There should have proper training on SME business, the loan application process, sales, and promotion, marketing, maintaining accounts, and self-development.
- The government and SME Foundation can arrange a scheme of smaller loan for SME business enterprises at a lower interest rate (1% to 2%) and without any collateral. Then, after a certain period, they can provide larger amounts of loan based on the performance of the SMEs.
- SME Foundation should arrange frequent meetings with the entrepreneurs in order to provide them with moral and technical support for the smooth operation of their businesses.
- SME Foundation should develop a suitable SME support system for the owner-mangers and entrepreneurs to provide all sorts of supports they require.
- SME Foundation should provide SME identification cards to the entrepreneurs so that they can sell their goods and foods throughout the country without any interruption.
- SME Foundation can form a national design center for providing support to those SMEs which are involved in handicraft business because most SMEs do not have a design lab and they just replicate the existing designs and thus they are not capable of facing the challenges coming from their larger counterparts both locally and globally.
- Owner-managers for start-up businesses should have all sorts of logistic support from the government because when someone starts a new business, s/he is not sure about the viability of her/his business.
- Women entrepreneurs should be taken special care of in their business development through training, motivation, and bank loan. If they were given an opportunity from the association or SME

Foundation, women entrepreneurs would go a long way, and the rest would be encouraged to follow them.

- Government should provide loan without any guarantor or collateral for the registered organizations under SME Foundation. Following the instances of India and China in this regard. If SME owners could get some support, maybe the number of people in the SME sector would increase and contribute more towards the development of Bangladesh.
- The government or ‘SME Foundation’ can create a separate market for SME owners’ goods and services so that they can easily promote business. There should be separate sections for different types of SME products. The government can also reduce the tax rate on SME raw materials and inventories.

The study has significant implications for the policymakers, government, SME Foundation, trade organizations, and NGOs. First, the findings will be beneficial for the government to reform the working capital management process and make an easier loan approval process for SME entrepreneurs. Second, this study will help the SME Foundation in developing a deeper understanding of the supports needed by SMEs in managing their working capital. These findings will be a source for the SME Foundation to reform their policies, training schedule, and system development for this sector. NGOs should come forward to solve the working capital management problem of SME owners.

The scope of the study is limited within the context of Bangladesh, and the respondents are located within the city of Dhaka. However, the findings could be enlarged through another research with the inclusion of rural SME owners and managers. The data were collected during the pandemic situation of Covid 19 and it was quite difficult to collect data from outside Dhaka city. Some respondents were also unwilling to be interviewed as they had no idea about academic research. Future research can extend the research area with a combination of rural SME owners. Researchers could not investigate the working capital management process of a few other countries. Moreover, the findings could be justified through a quantitative method and as we did not cover the inventory management system of the SMEs, it would be an interesting area of further research in the context of Bangladesh and across the globe.



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## Appendix

### Challenges in WCM

- a) Do you think time is a challenge in managing your working capital?
- b) Do you think your skills/financial knowledge is a challenge in managing your working capital?
- c) Do you think availability of external finance is a challenge in managing your working capital?
- d) Do you think profitability in the sector/industry is a challenge in managing your working capital? (If yes, how)
- e) Do you think growth in the sector/industry is a challenge in managing your working capital? (if yes, how)
- f) Do you think competition in the sector/industry is a challenge in managing your working capital? Explain
- g) Do you think seasonality is a challenge in managing your working capital?
- h) How do you address seasonality? (In terms of inventory, receivables, and cash management)
- i) Do you think the size of your business is a challenge in managing your working capital?
- j) Do you think laws and their enforcement is a challenge in managing your working capital?

### Declaration of Interests

*We, the authors of this research manuscript, declare that we have no financial interest. We have provided written consent to publish the paper in this journal.*

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