

Internship Report on-

“Efficiency of SME under Conventional and Islamic Banks”





An Internship Report on
“Efficiency of SME under Conventional and Islamic Banks”

Submitted to

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Date: 9th June, 2020

Ms. Nusrat Farzana

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United International University

Subject: Submission of report on “Efficiency of SME under Conventional and Islamic Banks”

Dear Madam,

With due respect, I would like to inform you that I am Vikarun Nesa , ID: 111 152-272 United International University, School of Business. My major is on Finance. I am very pleased to submit you my internship report on “Efficiency of SME under Conventional and Islamic Banks”. It has been a great pleasure for me to have the opportunity to apply my academic knowledge in the practical field. The theoretical knowledge is of no worth if it is not applied in reality. I tried my level best to put careful effort for the preparation of this report. While preparing this report, I have collected great knowledge on complete banking activity from all the departments of Rayer Bazer Branch of EXIM Bank Limited.

I, sincerely expect that you would be kind enough to accept my report for evaluation and oblige thereby.

Sincerely Yours,

Vikarun Nesa

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Acknowledgement

At the very beginning, I would like to express my gratitude to the Almighty Allah for giving me the ability and the strength to finish the task successfully within the scheduled time.

This report “Efficiency of SME under Conventional and Islamic Banks: A study on Rayer Bazar Branch has been prepared to fulfill the requirements of BBA degree. I am very much fortunate that I have received sincere guidance, supervision and co-operation from various persons.

I express my deep sense of gratitude and respect to Nusrat Farzana Madam, professor of BBA department, United International University, for all the valuable suggestions and instructions for completing this report. I would also like to convey my gratitude to all the members who directly or indirectly has helped me to prepare this report.

I am also indebted to Md. Sherazul Islam (Mamun), FAVP and Second Officer, and all staff of EXIM Bank Ltd who kindly spread for me much of their precious time in giving me support and information's. During my internship, I was treated so cordially by the EXIM Bank Ltd officials and staffs that I feel the office like my second home.

Finally my deepest gratitude and love to my parents for their support, encouragement and endless love.

Disclaimer

I am Vikarun Nesa, ID-111152272, the student of School of Business and Economics, United International University (Major in Finance). I had finished my Internship Program from the Export Import Bank of Bangladesh limited (EXIM Bank). I had made this report on the Efficiency of SME under Conventional and Islamic Banks. In the report I had covered all the informations which I gathered during my internship program. I have written this report on the basis of my work experience and observation during my internship program.

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Executive Summary

One of the leading private commercial banks in Bangladesh is EXIM Bank Limited. EXIM bank limited can exploit any opportunities in the banking sector. EXIM Bank introduced a specialized banking service in Export Import Business. The environment of EXIM Bank LTD is very modernized and friendly. The staffs are specialized in their respective fields. The motivation of the staff, I believe comes from the very sense of responsibility .Each of them works on their own and supervision from the top.

This report aims at providing an overall idea of the “Efficiency of SME under Conventional and Islamic Banks”. SME stand for Small and Medium Enterprise. SME play a vital role in the economic growth and development of a country.

Completion of my BBA program needs an internship report and for this reason I have prepare this report. The internship report titled on “**Efficiency of SME under Conventional and Islamic Banks**” was required by the Ms. Nusrat Farzana, Assistant Professor, School of Business & Economics, United International University. The objective of this report is to study & analyze the efficiency of SME under Conventional and Islamic Banks, also to identify the problems of the process they are facing & recommend some policies that may help to overcome the problems of the bank.

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CHAPTER-ONE

INTRODUCTION



1 Introduction:

The Financial Systems of Bangladesh consists of-

- **Formal Sector:** The formal sector of financial systems includes Banks, Brokerage houses and Micro Finance Institutions, insurance companies Non-banking financial institutions etc.
- **Semi-formal sector:** The semi-formal sectors are those financial institutions which are regulated institutions but those institutions are not under any sort of control of the Central bank and any other Insurance authority. For example, Grameen Bank, Specialized Financial Institutions like House Building Finance Corporation (HBFC), Non-Governmental Organizations (NGO's) etc.
- **Informal Sector:** The informal sectors include private brokers which is unregulated like Bangladesh Bank.

Now a day in competitive world practical experience is essential for everybody. It is possible to gather theoretical knowledge passing through book but is insufficient to acquire practical experience. For a student internship training is the only way to gather practical experience. As a student of BBA I have gather theoretical knowledge, which is not exactly same with the practical business environment. Faculty of business Administration of our University applied internship program as compulsory. So a change to work in a well-reputed Bank named EXIM Bank Ltd. It is a third generation private in our country. It is a shariah-Based bank.

Banking sector is a rapid growing sector in Bangladesh also in the whole world. Consequently perceiving the policies of the banks and other financial institutions have become an imperative issue, especially for business graduates. This internship report is made to fulfill my Bachelor of Business Administration (BBA) degree and to assess my learning regarding "Efficiency of SME under Conventional and Islamic Banks". As an essential part of the internship program I need to work in the Rayer Bazer Branch of Export Import Bank of Bangladesh Limited. I have made the report about the efficiency of SME under Conventional and Islamic Banks which is divided in 4 chapters which is completed with references.

As a requirement for my Bachelor of Business Administration Degree, I was required to finish this internship course of study. This internship program is necessary for every student, especially for the students of Business Administration, which will help us to understand the corporate world. For this reason, I have to do my internship during the last phase of my bachelor's degree, so that i can start a career with some practical experience and knowledge. It was a great opportunity for me to work as an intern at EXIM Bank Limited, Rayer Bazar Branch.

1.1 Origin of the report:

Entry level position is a piece of Business Administration (BBA) program that gives genuine professional training to the understudies. I was put as an internee official at EXIM Bank Limited, Rayer Bazer Branch for 3 months. This program was my first historically speaking professional training and gave me much experience and information in various zones of banking division. On the initial couple of weeks I had the option to land known to the position condition of EXIM Bank Limited. With the progression of time I found out about the exercises and tasks of the bank and

furthermore accumulated information about the essential business exercises of the banks. I have tried to design the report to gain a practical experience with theoretical understanding.

Internship report work is the integral part of the requirement for BBA program. I choose to do the internship and Nusrat Farzana madam has been selected to supervise my internship. This report is the outcome of my experience at EXIM Bank. The topic of my internship report was mutually chosen to be the efficiency of SME Banking of Islamic Bank and Conventional bank.

1.2 Objective of the Report:

In this report I have tried to–

- ❖ Understand the various banking product offered by EXIM Bank to its customer.
- ❖ To present an overview of EXIM Bank Limited.
- ❖ Find out the various aspects of SME loans given by EXIM Bank and BRAC Bank.
- ❖ Understand the lending process followed by EXIM Bank.
- ❖ Find out the profit versus Investment Of EXIM Bank versus BRAC Bank.

1.3 Study of Methodology:

For preparing the report most of data has been collected from the secondary information and also primary information these are given below:

❖ Secondary sources of Data:

- Annual report of EXIM Bank Limited
- Different paper of EXIM Bank Limited
- Different text books
- Personnel of EXIM Bank Limited
- Visit the EXIM Bank Limited sites
- Various public document of EXIM Bank Limited
- Various websites and reports which is published by the Bangladesh Bank

❖ Primary sources of Data:

- Face to face conversations with officers
- Personal observation
- Discussion of my bank Advisor
- Practical Desk work
- Conversation with the customers of the bank

1.4 Scope of the Report:

As I was attributed to the EXIM Bank Ltd, at Rayer Bazer Branch, there was sufficient scope of the study. The report veils the topic “Efficiency of SME under Conventional and Islamic Banks”. I have gathered valuable information from EXIM Bank Limited, Rayer Bazer Branch and I had also got some informations from the website of EXIM Bank Limited.

1.5 Significance of the Report:

This report is partial requirement for the 4 years BBA graduation program. This is important because it helps our knowledge and learning become perfect when it is associated with theory and practice. By this internship program students can establish contacts and networks. Student can also be trained and prepared for the job market. Bangladesh has a growing number of unemployed educated graduates. As they had not any internship experience they have not been able to avail normal professional experience to make the networking system, which is a crucial issue for get a job. Hence, it is clear that the importance of internship is clearly support as the significant necessity of my graduation.

1.6 Limitations of the Report:

Although I gett all the flexibility from the branch and support from the employees of the bank, there also rely some limitations without which the report might have been much better. In fact, three months was not sufficient to know about commercial banking operations even though I got all the helps from every one of the bank.

However, many problems had arrived in the way of conducting the study. While preparing this report, I had to face the following limitations-

- Confidentiality of data was most important barrier that I faced during my internship period. Every organization has own secrecy that they don't want to reveal to others. While gathering data on EXIM Bank Limited, personnel did not reveal some confidential informations for the sake of the organization.
- Sometimes it was also difficult to communicate with the customer, as many of them were hesitant to respond.
- Lack of my experience and exposure.

However, this report would help us understand the efficiency of SME under conventional Bank and Islamic Bank.

CHAPTER-TWO
OVERVIEW OF EXIM BANK LIMITED



2 Historical background of EXIM Bank Limited:

In 1999, EXIM Bank Limited was founded and established by Late Mr. Shahjahan Kabir, who was the founder chairman of the EXIM Bank who had a lengthy dream of opening up a trade bank which would subscribe to the socio-economic advancements of this country.

After the base chairman of the EXIM Bank has been died, Mr. Nazrul Islam Mazumder becomes the new chairman of the bank. The bank has been started its operations and functions from August 3, 1999 along with Mr. Alamgir Kabir, who has becomes the adviser and Mohammad Lakiotullah was becomes the managing director of the bank. By their empirical decision and management attributions in the operational functions, and this bank has attained a dominate and distinguishable position in their banking industry in terms of enhancement, performance and better management. The permitted capital and conferred capital of the bank are TK. 2000 Crore and TK. 1156 Crore respectively (as on oct-2015)

The EXIM bank has been migrated all of its traditional banking operation into the Shariah based Islamic banking in July, 2004.

EXIM Bank is one of the prominent private traded banks in Bangladesh. The Bank came into operation as a commercial bank in 3 August 1999 on the basis of the rules and regulations of the Bangladesh Bank. This bank is one of the well-regulated Banks which has a distinguishable corporate culture.

2.1 Islamic Banking:

The foremost Islamic Banking System which was initiated in 1983 with the incorporation of the Islami Bank Bangladesh Limited (IBBL). Now there are eight Islamic Banks in our country, which includes as follows-

- EXIM Bank Ltd.
- Islami Bank Bangladesh Ltd.
- ICB Islamic Bank Ltd.
- Al-Arafah Islami Bank Ltd.
- Social Islami Bank Ltd.
- First Security Islami Bank Ltd.
- Shahjalal Islami Bank Ltd.
- Union Bank Ltd

From 2004 of 1st July, the EXIM Bank has becomes the Shariah Based Islamic Bank and from then its traditional banking services has shifted according to the Islamic banking principles. For this reason, to transact smoothly, the Board of Directors of EXIM Bank has been established a Shariah Board, on which they decides the banking principles according to which they will operate their business.

Islamic banks are operated based on the Shariah principle (Islamic law). The main reasons behind why the Islamic banking system was established are as follows-

- ☐ To control inflation rates
- ☐ To increase the banks investments amount
- ☐ To be fair with their creditors and depositors
- ☐ To declines discrimination in income
- ☐ To utilize the foreign currency most effectively
- ☐ To improves the standard of living of the poor
- ☐ To effectively distribute the wealth

2.2 Corporate Informations:

Name of the Company	Export Import Bank of Bangladesh Limited
Legal form	EXIM Bank is one of the leading private commercial banks in Bangladesh. The Bank came into operation as a commercial bank on 3 rd august 1999 as per rules and regulation.
Date of commencement	03.09.1999
Registered office & Head office	“SYMPHONY” PLOT#SE(F):9,ROAD#124 GULSAN AVENUE,DHAKA-1212
Email	info@eximbankbd.com
Founder	Late Mr. Shahjahan kabir
New Chairman	Nazrul Islam Mazumder
Advisor	Alamgir Kabir
Managing director	Dr. Mohammed Haider Ali Miah
Website	www.eximbankbd.com
Parent	Nassa Group
Service	Banking, Financial Service

Branches

As of May 2015, the bank has operations across the country with 88 branches and 45 ATM booths

2.3 Vision of EXIM Bank Limited:

The essence of our vision is "Together towards Tomorrow". Exim Bank Ltd. presume in togetherness with its customers. To attain the desired goal, there will be constant accomplishment of excellence at all stages with a trend of continuous progress, because in EXIM bank, we believe that the series of perfection is never ending. Bank's strategic plans and networking will strengthen its competitive margin over others by rapidly changing the competitive environment.

2.4 MISSION of EXIM Bank Limited:

The EXIM bank has lay out the following objectives so that they can assure pleasant achievement of its goals-

- ✚ To ensure morality and transparency at all levels.
- ✚ To ensure continued growth and also establish full standard of the respected shareholders.
- ✚ To be the most caring and customer friendly and service oriented bank.
- ✚ To offers the full benefit of Islamic banking system for its customers.
- ✚ Above all, to add effective contribution to the national economy.

2.5 Nature of Business of Exim Bank Limited:

- ✚ **Principal Activities:** Providing all kinds of commercial Banking Services to all of its customers.
- ✚ **Other Activities:** Providing of all kinds of Islamic banking services to all of its customers.

2.6 The Bank also emphasize on:

- ✚ Sound Capital Base.
- ✚ Provide high quality financial service in export and import trade.
- ✚ Display professionalism and team spirit.
- ✚ Maintaining corporate and Business ethics.
- ✚ Enhancement of shareholders wreaths.
- ✚ Providing efficient customer service.

2.7 Objectives of EXIM Bank:

- ✓ To provide welfare oriented banking system all over the country
- ✓ To carry on, transact and conduct the business of banking in all its branches
- ✓ To categorize customers credit and other banking requirements and observe their perception towards the performance in meeting the requirements
- ✓ To develop and train all the employees and deliver adequate resources so that customer needs can be correctly addressed and fulfilled
- ✓ To review and update policies and procedures to improve the ability to provide better services to their customers
- ✓ To uphold organizational effectiveness by openly communicating company plans policies and procedures to all its employees at level.

2.8 Core Values:

- Fairness
- Reliability
- Dynamic
- Trustworthy
- Professional
- Open and honest
- Strong customer focus

2.9 Function of EXIM Bank:

EXIM Bank Ltd. is divided into three departments. These departments are responsible for different activities.

1. General Banking.
2. Foreign Exchange Section.
3. Investment Section.

2.10 Corporate Social Commitment:

The purpose of banking business is obvious to earn profit, but the promoters and the equity holders are well aware of their commitment to the society to which they belong. A chunk of the profile is too kept aside and for socio economic development through trustee and in patronization of art, culture and sports of the country. The banking institution wants to make a substantive contribution to the society where it operates to the extent of its separable resources.

2.11 Organizational Hierarchy:



2.12 The services that EXIM Bank offers:

EXIM Bank offers the following services to their customers-

i. Retail Banking:

Deposits:

- **Current Deposit:**

- Al-Wadia Current Deposit

- **Savings Account:**

- Mudaraba Savings Deposit

- **Term Deposit:**

- Mudaraba Term Deposit

- **Deposit Schemes:**

- ✧ Mudaraba Monthly Savings Deposit Scheme
- ✧ Mudaraba Su-Grehini Monthly Savings Scheme
- ✧ Mudaraba Femina Monthly Savings Scheme
- ✧ Mudaraba Senior Monthly Savings Scheme
- ✧ Mudaraba Monthly Income Deposit Scheme
- ✧ Mudaraba Su-Grehini Monthly Benefit Scheme
- ✧ Mudaraba Femina Monthly Benefit Scheme
- ✧ Mudaraba Senior Monthly Benefit Scheme
- ✧ Mudaraba Multiplus Saving Scheme
- ✧ Mudaraba Super Saving Scheme
- ✧ Mudaraba Hajj Deposit Scheme
- ✧ Mudaraba Denmohor / Marriage Deposit Scheme
- ✧ Mudaraba EXIM Student Saver
- ✧ Mudaraba Millionaire Deposit Scheme
- ✧ Mudaraba Kotipoti Saving Scheme
- ✧ EXIM RUHAMA- (Three Years' Probable Double Benefit Scheme)
- ✧ EXIM ZIADAH - (Five Years' Probable Triple Benefit Scheme)
- ✧ EXIM KRISHI - (Mudaraba Krishi Monthly Deposit Scheme)
- ✧ EXIM SHWAPNO - (Mudaraba Housing / Entrepreneurship Development Scheme)

ii. Corporate Banking:

- ✓ Investments
- ✓ Foreign Exchange & Trade Finance
- ✓ - Correspondent Banking
- ✓ Import Finance
- ✓ Export Finance

iii. Agri Banking:

- EXIM KISHAN

iv. SME Banking:

- EXIM Uddyog
- EXIM Abalamban

2.13 The Departments of EXIM Bank, Rayer Bazar Branch:

The Rayer Bazar Branch of EXIM Bank includes the following departments-

- ❖ General Banking includes-
 - a. Accounts Opening/closing
 - b. Cheque book issue/Demand Draft/pay order
 - c. Cash deposits/collection/receipts/utility bills
 - d. Bill and clearing department
 - e. E-corner
 - f. Remittance
- ❖ Investment Department consists of-
 - a. General Investment
 - b. Women Entrepreneur and SME
- ❖ Foreign exchange/trade department includes-
 - a. Export
 - b. Import

3 Overview of SME:

SMEs stand for small and Medium Enterprise. SMEs play a pivotal role in the economic growth and development of a country. Actually SMEs work as the platform for job creation, income generation, development of forward and backward industrial linkage .SMEs occupy a unique position in the economy of Bangladesh. Mainly private sector development depends on them. In Bangladesh the SMEs account for about 45% of manufacturing value addition. They account for about 80% of industrial employment, about 90% of total industrial and about 25% of total labor force.

3.1 SME Loan:

SME Loan is the financial support for small and medium sized enterprises in the form of loans. These loans are the heart of Small and Medium enterprises in Bangladesh which is developing the business and changing the life styles of poor people. In Bangladesh, people are working hard to change their life styles. Many people get SME Loan from local banks and financial institutions and doing business well.

SME Loans represents a major function of the general business finance market where capital for different types of firms are supplied, acquired and priced. However, not all business finance is externally supplied through the market. Much finance is internally generated by businesses out of their own earnings and supplied informally as trade credit, that is, delays in paying for purchases of goods and services.

3.2 Importance of SME Loan:

The economic and social importance of the SME sector is well recognized in academic and policy literature. It is also acknowledged that this sector in the economy may be under-served, especially in terms of finance. This has led to significant debate on the best methods to serve this sector. Although there have been numerous schemes and programs in different economic environments, there are a number of distinctive recurring approaches to SME finance. Collateral based lending offered by traditional banks and finance companies is usually made up of a combination of asset-based finance, contribution based finance and factoring based finance, using reliable debtors or contracts. Information based lending usually incorporates financial statement lending, credit scoring and relationship lending. Viability based financing is especially associated with venture capital.

3.3 Differences between Conventional and Islamic Banks:

The most important and main difference between Islamic banks and Conventional Banks is the interest rate. It is stated ‘Allah has permitted trading and prohibited interest- in Surah-Al-Baqarah (Ayat 275).

A conventional bank offer and gives depositors some return at a fixed rate, on a fixed time and a fixed amount of money. Whereas an Islamic Banks provides profit and share their profit which they earned from investing their funds with the depositors. Or we can say that, the Islamic Banks shares the returns that it gets from the investments. The Islamic Banks and conventional banks do not have many differences in their mode of operations and other banking services that they offer to their customers. Those banks usually differ in their principle, mission, vision, goals, processes and mode of investment.

There are also differences between Islamic and Conventional banks, which includes-

- The objective of the conventional banks is to maximize the profit of their business while the main objective of Islamic Banks is to bring equity and fairness in the human society.
- Conventional Banks always look forward in earning of their profit but Islamic Bank provides Interest free mode of transactions.
- For conventional banks, the relationship between their clients is simply a creditor and a debtor. Bank is not liable to its customers if there is profit or loss. On the other hand, for Islamic banks, the depositors or account holders are considered as partners and they shares profit with their depositors.
- Conventional Banks follows man made rules but Islamic banks follows rules of the Holy Quran.
- In case of Conventional banks, in mortgage, customers will have to repay extra on the amount borrowed. While In Islamic Bank, customers and the banks share the ownership of their property. Customer pays back the rent to the bank over time and later on becomes the owner of the property.
- Conventional Banks will charge interest from the clients even though the client has incurred loss or profit. But Islamic banks will share the losses, depending on which principle they were following, if the client has incurred loss.
- For conventional banks, money is treated as a 'Product' by conventional bank. It is bought and sold and can be rented. But for Islamic banks, Money is not a product. It is used for medium of exchange.

To see the efficiency under Islamic and Conventional Banks, here I compare the SME of BRAC bank as a Conventional Bank and SME of EXIM Bank as an Islamic bank.

3.4 SME Products of EXIM Bank and BRAC Bank:

EXIM Bank Ltd. has been successfully made a high mark in creating platform for small and medium enterprises. They are discharging over 7000 crore taka in SME Loan and help to fulfill the dreams of thousands of those changes thousands of lives every day. EXIM Bank has been incorporated by doubled bottom line approach to conduct their operation.

- ✓ They are making profit by mobilizing fund from local and rural areas.

- ✓ They are performing their social responsibilities by creating an entrepreneurial class.

Products under EXIM Banks SME Loan:

EXIM Bank offers mostly two types of SME loans, which includes-

a) EXIM UDDYOG:

EXIM UDDYOG is the investment plan which naturalizing the projects and purposed to give fixed and working capital in the fields of small & medium level enterprises that range all over Bangladesh through their branches & SME Service Centers. This product offers removes their investment facilities for the intention of working capital finance and for purchasing fixed assets.

❖ Features of EXIM UDDYOG:

- ☐ It extends investment facilities for BMRE of existing business.
- ☐ Uddyog ensures investment for the real entrepreneurs of small & medium farms in the light of Islami Shariah.
- ☐ It provides investment facilitates very promptly and at easy conditions.
- ☐ Disbursement of these investments will be single or multiple phases depend on the nature & requirement of businesses.
- ☐ Opportunity of enhanced these investments based on satisfactory business transaction and business requirements.
- ☐ Its facilities of repayment will be through on single or multiple installments according to the return of businesses.

❖ Rate of Profit Offered by EXIM Bank:

- They offer fixed or working or capital rant or profit rate on simple rate and is fixed by the bank time to time.

❖ Equity Investment Ratios Offered by EXIM Bank:

- For small entrepreneurs it is 50:50
- For medium sized entrepreneurs it is 60:40

❖ Mode of Investments:

- For fixed capital investments its IZARA BILL BIA (IBB)
- Working capital investments its BAI MUAJJAL OR BAI MURABAHA (BIAM)

❖ ***Eligibility of these Loan:***

- ✓ Any kind of businesses that have a valid trade license and at least two years it has been working.
- ✓ Sole partnership or proprietorship
- ✓ For small sized business like trading, production, service etc.

b) EXIM ABALAMBAN:

EXIM ABALAMBAN is the investment scheme which facilitating the projects that are aimed to provides the fixed and working capital in fields of small & medium level General businesses and Workshops and light engineering etc. which is spread all over Bangladesh through their branches and their CMSME Service Center. This product offers investment facilities for working capital finance and for purchases of the fixed assets.

❖ ***Features of EXIM ABALAMBAN:***

- ✓ It extends the investment facilities for the operation and extension of small and medium level businesses and industries.
- ✓ EXIM ABALAMBAN provides the investment facilities very promptly and in the easiest way.
- ✓ Disbursement of such investment can be done inn single or multiple phases on the basis of the nature & requirement of different businesses.
- ✓ Facilities of repayment for these investments will be at a time or through the installments according to the nature of return of the businesses.

❖ ***Rate of Profit Offered by EXIM Bank for this scheme:***

- They offer fixed or working or capital rant, profit rate at a simple rate and which is fixed by the bank time to time.

❖ ***Equity Investment Ratios Offered by EXIM Bank:***

- For small entrepreneurs it is 50:50
- For medium sized entrepreneurs it is 60:40

❖ ***Mode of Investments:***

- ☐ The mode of investments for EXIM ABALAMBAN is also same as EXIM UDDYOG.

❖ ***Eligibility of these Loan:***

- Appropriate for those who has land, property or enterprises.

- It involves annual transaction and income.
- It is appropriate for those who have at least 3 years of working and also a valid trade license.
-

Products under BRAC Banks SME Loan:

BRAC Bank was opened to provide their services to the small but hard-working entrepreneurs which includes their double bottom line vision. As a socially responsible bank, BRAC Bank wants to see the grass-roots levels of their economic heights and also to making profits by serving the interests of missing small and middle groups. BRAC Bank was primarily identify that our country has a large market for SME loans. From 2002 they have started to provide SMEs loans.

The SME products that BRAC Bank offers are-

a. ANONNO:

ANONNO SME loan is the unsecured monthly installment loan facility which takes care of all the business expansion needs. This scheme starts from 3 lac taka to 15 lac taka to meet the business needs. For such loans, loan processing and installments are easy and no security is required for such loans.

❖ *Maximum Loan Amount:*

- For their equal Monthly Installment facility it is BDT 3 Lac to BDT 15lac.
- For repeat loans it is BDT 3Lac to BDT 20 lac.

❖ *Business Type:*

- Appropriate for Sole proprietorship, Partnership or Private Limited Company.

❖ *Restrictions for such loans:*

- For family guarantors, this age can be relaxed. But the approver can also make a call to accept family guarantor whose age should not be less than 18 years and more than 70 years if there is no other option available.
- For proprietor or partners, businesses should have minimum 2 years' experience on the same line of business as an entrepreneur.

❖ *Monthly Installment facility for such products:*

- ☐ For new loans, it should be from twelve months to eighteen months.
- ☐ Sometimes extending six months is given in a month for 15% loans of all city corporations and 10% loans other areas.

❖ ***Eligibility for such loans:***

- ✓ The business must have a valid trade license and must be operating for at least three years.
- ✓ The business must generate enough cash flows and profits to make the payments.
- ✓ It must have land, building or properties.

❖ ***Features of ANONNO:***

- No processing fees are required for this loan.
- Loan processing is easy.
- Any kind of mortgage is not required for such loan.
- Single installment can be making for this loan.

b. PROTHOMA OR TARA:

PROTHOMA or TARA is the SME loan which is a 360 degree banking solution that aspire the women entrepreneurs and offers a range of loans solutions that satisfy the lifestyle requirements of women's in different segments – like expanding business, purchasing fixed assets, working capital, purchasing commercial vehicles, import and export financing etc.

❖ ***Maximum Loan Amount:***

- For their equivalent Monthly Installment facility it is BDT 2 Lac to BDT 15lac.
- For single installment facilities it is also BDT 2 lac to BDT 15 lac.
- For short term loans it is also same as BDT 2 lac to BDT 15 lac.

❖ ***Monthly Installment facility for such products:***

- ✧ For new loans like amount of 8 lac, it should be 12 months and for more than 8 lac, it should be from 12 months to 24 months.
- ✧ The installments can be extended up to 36 months for fixed asset financing.
- ✧ For single facility loans, installments can be from 3 months to 9 months.
- ✧ For short-term loans, it can be also from 3 months to 9 months.

❖ ***Eligibility for such loans:***

- The business must have been operating for at least 1 or more years and must have a valid trade license.
- The nature of the business must be sole proprietorship, partnership or private company.

❖ ***Features of PROTHOMA or TARA:***

- ☐ No mortgage is required.

- ☐ No security is required.
- ☐ Loan processing is easy.
- ☐ Unsecured loan up to 1 crore taka.

c. APURBO:

APURBO is their loan facility which they offer for small and medium enterprises that are involving in the sectors like manufacturing, agriculture, trading, service, non-farm rural activities, agro based industry and other acceptable sectors around all over Bangladesh which is marketed through their SME unit offices or branches and also service centers across the country. These products offers term loans, overdraft facilities, revolving facilities, single installments, and bank guarantees etc.

❖ *Monthly Installment facility for such products:*

- ⇒ For equity monthly installment facilities there should be a number of months require for servicing the debts out of cash flow from the businesses.
- ⇒ For amount of BDT 10 lac to BDT 25 lac, the installments must be made in 12 months to 36 months.
- ⇒ For more than BDT 25 lac to BDT 50 lac, it should be within 12 months to 48 months.

❖ *Features of APURBO:*

- ☐ Required a limited number of documents.
- ☐ Overdraft facility and installments are relatively easy.
- ☐ Term loan for business expansion needs.
- ☐ No processing fee is required for such loans.

❖ *Interest rates:*

- ✓ The interest rate would be calculated on daily basis and will be charged on the basis of loan amount monthly for term loans.

❖ *Eligibility for such loans:*

- ✧ The business must be operating for at least three years and must have a valid trade license,
- ✧ Must have properties, lands or buildings.
- ✧ Mortgage is required for taking such loans. Mortgage can be a land, property or any building.
- ✧ Requires maintaining a satisfactory transactional amount.

d. SHOMRIDDHI:

SHOMRIDDHI is the SME loan facilities that meets our import-export involved fares, local bill purchases, tax or duty payments, post import expenses, working capitals and fixed asset financing which starts from BDT 10 Lac to any amount depending on people's business needs.

❖ *Maximum Loan Amount:*

- ⇒ For each L/C, it can be from BDT 1 lac to BDT 1 crore and the exposures can be BDT 1.5 crores taka.
- ⇒ For revolving limit, it can be from BDT 10 lac to BDT 5 crore taka.

❖ *Interest rates:*

- Per annum the interest rates will be 12% to 15% for secured loans.
- Per annum the interest rates will be 14% to 17% for unsecured loans.
- As per ALCO decision, the interest rates will be charged.

❖ *Monthly Installment facility for such products:*

- ✓ The installments must be made within 180 days based on the cash cycle.
- ✓ Each year the limit can be renewing.

❖ *Features of SHOMRIDDHI:*

- It involves LC and LATR facilities.
- It is revolving loan, involves overdraft.
- Involves local bill discounting facilities.
- It has convenient interest rates.

❖ *Eligibility for such loans:*

- The business must have updated the IRC/ERC.
- The business must have been operating for at least three years and have a valid trade license.
- The business must be a sole proprietorship, partnership or a private limited company.

e. SHOHOJ:

SHOHOJ is the loan facility which is for any small and medium businesses that has a Fixed Deposit (FDR), Wage Earners Development Bond (WEDB), and Deposit Pension/Premium Scheme (DPS).

❖ **Maximum Loan Amount:**

- For equal monthly installment facilities, the minimum amount is BDT 50000 and the maximum is fixed.
- For overdraft loan facilities: the minimum amount is BDT 50000.

❖ **Monthly Installment facility for such products:**

- ✓ For equal Monthly Installments, it will be 12-60 months, with 3 months interval.
- ✓ For overdraft loan facilities, it will be 12 months.

❖ **Features of SHOHOJ:**

- ⇒ Involves quick and easy loan processing.
- ⇒ Involves easy installments.
- ⇒ No processing fee is required.
- ⇒ Involves overdraft facilities for cash emergency.
- ⇒ Offers up to 90% loans against people's deposits.

❖ **Eligibility for such loans:**

- At the time of application, the business must be of minimum 21 years.
- Appropriate for partnership and private limited companies.

f. SHOKTI:

SHOKTI is the business loan where businesses can avail BDT 1 million to BDT 10 million to meet their any kind of business needs according to their cash flows and profits.

❖ **Maximum Loan Amount:**

- For equal monthly installments, the amount is BDT 1000000 to BDT 6000000 for new proposals and is BDT 1000000 to BDT 7500000 for repeat loan proposals.

❖ **Interest rates:**

- For term plus overdraft facilities, it is 22.50% and for term loan facilities it is 15% to 17%.

❖ **Monthly Installment facility for such products:**

- For EMI, the installment period is 12 months to 60 months.
- For OD loan facilities, it is 12 months.

❖ **Features of SHOKTI:**

- It provides loans against partial cash security.

- ☐ It requires at least 1 year's bank statement.
- ☐ Offers term loan and also overdraft facility.

g. BAHON:

BAHON is the new launched product of SME banking of BRAC bank. It is a term basis loan. Small and Medium Businesses other than the transport operators can apply for such loans. Car rental businesses, if only it has fully-fledged transport assignments can also apply for this loans.

❖ *Maximum Loan Amount:*

- ⇒ For single vehicles, it is BDT 0.5 million to BDT 5 Million.
- ⇒ For multiple vehicles, it is BDT 0.5 million to BDT 50 Million.

❖ *Monthly Installment facility for such products:*

- ✓ Monthly installments start from 12 months to 60 months.
- ✓ Time period varies between the vehicle manufacturing year and the expiry date of that loan agreement which should not exceed than 10 years.

❖ *Interest rates:*

- As per secured loans interest rate card, they charge interest rates for such loans.

❖ *Features of BAHON:*

- Loan processing is easy.
- Interest rate is competitive.
- No processing fee is required.

❖ *Eligibility for such loans:*

- ☐ The business must have been operating for at least two years and have a valid trade license.
- ☐ The vehicles are not eligible which is not registered from BRTA.
- ☐ Manufacturing types of vehicles would have a expiry date of 5 years from the application date.
- ☐ The commercial vehicles includes covered vans, mini trucks, ready mixer, pickup vans etc.
- ☐ It also includes passenger vehicles like buses, minibuses, micro buses etc.

3.5 Disbursement of SME loans under EXIM and BRAC Bank:

Pre disbursement manual activities of EXIM Bank:

- ✓ Preparing investment files.
- ✓ Charge for checking documents.
- ✓ Find documents deficiencies and resolving problems.
- ✓ Preparing the disbursement files.
- ✓ Then disburse the amount.

Post disbursement manual activities of EXIM Bank:

- ✓ Scheduled repayment will be sent to the unit office.
- ✓ Investment details and entry MBS.
- ✓ Document of stamp cancellations.
- ✓ Send the investment files to the record room.

Pre disbursement manual activities of BRAC Bank:

- ✧ Preparing loan files.
- ✧ Charge for checking documents.
- ✧ Preparing the disbursement lists.
- ✧ Disbursements of the amount titled.
- ✧ Messages send to the unit office.

Post disbursement manual activities of BRAC Bank:

- ✓ Scheduled repayment will be sent to the unit office.
- ✓ Investment details and entry MBS.
- ✓ Document of stamp cancellations.
- ✓ Send the investment files to the record room.

3.6 Investments of EXIM Bank and BRAC Bank:

3.6.1 Investment of EXIM Bank:

In the financial system of our economy, the financial surplus mobilizes from surplus economic unit to the deficit unit. In today's world, the bank plays the intermediary role between the surplus economic group and the deficit economic group. The bank takes funds from the surplus unit as deposits and provides those funds to the deficit unit who need it. And through this process, the credit is created.

On the basis of Islamic Shariah Principles, any extra cash or money or interest against the cash which they lent, is known as "Riba"- which is not acceptable against the rules of Islamic Shariah.

For this reason, the Shariah Council of financial institutions has made some regulations and rules for the validity of their business transactions, which were safe and easy for maintaining the Islamic regulations and rules. According to the Islamic principles, the banks can not lend money to which are expecting some more money in return. But the banks can invest their money to other businesses under several rules and modes which will be clearly discovering before they start a business. At that point, the credit will be named as “Investment” and the bank will act as an investor and also shares the profit or loss which will be resulting from the business.

EXIM Banks total Investment in General is likely BDT Tk.222,155.35 million as on 31 December 2017 against BDT Tk.196,311.42 million on 31 December 2016 which is registering a growth of 13.16%. As on 31 December 2017 their Classified Investments to total Investment ratio was 5.23% that is considered within the reasonable limit considering the industry situation. EXIM Bank has no provision shortfall against Investment, General on 31 December 2017.

There are three main modes of investment functions of EXIM Bank Ltd., which are-

A. Mudaraba:

The term Mudaraba refers to an agreement between two parties where one party provides capital to the other party for the purpose of engaging in a business operation with the understanding that a profit will be shared mutually. Loss, on the other hand, is the sole responsibility of the supplier of the capital.

B. Bai-Muazzal:

The term bye-muezzal is an agreement between two parties involving a buyer and a seller where the seller sells certain products permitted in Islamic law to the buyer at an agreed price which is payable in a fixed period of time.

C. Izara Bil Baia:

The term Izara bill refers to an investment method under which EXIM Bank will invest in sustainable asset line machinery such as equipment, transportation, land and building etc. with the customers as well as with the customers under the rules of the bank.

3.6.2 Investment of BRAC Bank:

BRAC Bank usually invests their funds in socially responsible companies which assist us to complete our mission so that they can empower people and communities in their situations of poverty, illiteracy, disease and social injustice. Their networks of their seven investments help us to strive towards our goal of self-sustainability.

Their strategy reflects their belief that investing to generate profits or financial returns and lasting the social and environmental impact are not only compatible, but also mutually-reinforcing objectives of them.

There are many main modes of investment activities of BRAC Bank, which are-

I. Delta BRAC Housing:

BRAC Bank provides financial securities to the home owners through their highly flexible loan projects. Delta BRAC Housing is the largest real estate financing institutions and it is considered to be as the market leader and pioneer in the private sector of real estate and housing. BRAC Bank now has 18.39% of shareholding of the Delta BRAC Housing.

II. BRACNET:

Through BRACNET, they are connecting the world through wireless nationwide network which brings easily affordable network to us. BRAC Bank has 19.99% of shareholding of BRACNET. Their net profit is BDT 24.71 million now.

III. IPDC Finance Limited:

BRAC Bank now plays a leading role in the development of the private sectors of our country. In fact, IPDC is the first developmental private sector of financial institutions of our country. BRAC Bank has 25% of shareholding of IPDC.

IV. BRAC IT Services:

BRAC Bank brings innovating and end-to-end technology solutions through investing in their IT services. BRAC Bank has 48.67% of shareholding of their BRAC IT Services.

V. BRAC Tea Estates:

BRAC Bank invests in model estates which improve the lives of the workers of our country that access to the healthcare, educations, safe drinking waters, sanitary etc. BRAC Bank has 99.94% of shareholding BRAC Karnafuli Tea Company Limited, 99.85% shareholding of BRAC Kaiyyacherra Tea Company Limited and 99.12% shareholding of Kodala Tea Company Limited.

3.7 General SME Guidelines by Bangladesh Bank:

Bangladesh bank has taken many essential programs and schemes already to develop the SME sector of the banks. Bangladesh bank has recently opened a new department to support SME sector which is known as “SME and Special Programs Department”.

The new department formulated some new guidelines for compliance of all the banks and for all financial institutions for the developments of the SME sector, which are-

- ⇒ First time in Bangladesh, A directory target for SME loan disbursement has been set for 2010 by all the banks and other financial institutions which consider SME development as one of the most important development agenda of our country. On the basis of the target, SME loans should be only disbursed to the small, medium sized and the women entrepreneurs.
- ⇒ The Area Approach Method' banks or other financial institutions will have try to achieve their directory targets alone by dividing it as branch wise, sector wise or region wise.
- ⇒ Small entrepreneurs should be mainly focused and prioritized.
- ⇒ Every bank or financial institutions must follow their own separate business strategy while they financing SME loan which requires least formalities in executing the documentation so that they can ensure easy and quick loan sanction and disbursement process.
- ⇒ Credit limit would be ranged from BDT Tk. 50,000 to BDT Tk. 50, 00,000 for all the small entrepreneurs.
- ⇒ To increase participation of women entrepreneurs in the industrial developments of our country and for encouraging women to conducting more business activities priority should have given to those potential women entrepreneurs through SME credit disbursements.
- ⇒ Banks and other financial institutions should put their highest priority in receiving their loan application from their small and medium women entrepreneurs and settled those loan disbursements process within a fixed time from the date of acceptance of the loan application.
- ⇒ Banks and other financial institutions should sanction up to BDT Tk. 25,00,000 for the women entrepreneurs against their personal guarantees. In that case, group security or social security can be also considered.
- ⇒ The success of banks and other financial institutions in SME loan disbursement would be considered as the yardstick for their further opening of new branches of the bank. And to do this, the License for New Branches would be issued for financing the main and important sectors like SME and agriculture from 2010 which is known as the 'SME or Agriculture Branch' not as 'SME Service Centre'.
- ⇒ Every banks or financial institutions should fix the interest rates for SME loan on the basis of their sector or subsector. However, banks or other financial institution must have to inform Bangladesh Bank about their sector or sub-sector wise fixed interest rates immediately and to ensure disbursement of their refinanced fund to their customers at Bank rate plus 5% interest.
- ⇒ For the entrepreneurs training programs must be arranged.

3.8 Recovery Procedure of SME Loans of EXIM and BRAC Bank:

3.8.1 Recovery Procedure of SME Loans of EXIM Bank:

Bankers lend depositors money. A Banker is obliged to refund depositors money on demand or otherwise. So, recovery of loans on time ensures the safety of depositor's money. Monitoring supervision and follow-ups are essential in recovery drive on the part of the banker. EXIM Bank sanctions loans to different categories of borrowers for various purposes. In terms of SME Loans, before sanctioning of loans and advances both short-term and long-term loans. Banks appraise a loan proposal and analyze information relating to the borrowers and the purpose of the loans to determine the viability of the loan proposal. If the proposal is fund viable and safe for lending, loan is sanctioned and disbursed by the bank. At the time of sanctioning loans, along with all the others terms and conditions repayment period. Recovery of loans starts just after the maturity the banks grace period. In EXIM Bank especially in branches, relationship managers usually take the responsibility to recover a classified SME loan and prevent the loan from becoming as a non-performing loan.

Non-Performing Loans:

When a loan ceases to be yield or becomes classified, it is said to be as non-performing loans (NPL). The business unit for which loan is extended and cannot generate sufficient funds from its operation to meet its obligation for a continuous period of time. A portion of a bank's loan portfolio turns into an inoperative assets.

According to the circular of Bangladesh Bank, if any borrower fails to repay his amount or installment within the following time period then it will fall under the following classification status.

- ✓ Special Mention Account
- ✓ Sub-standard
- ✓ Doubtful
- ✓ Bad/loss

3.8.2 Recovery Procedure of SME Loans of BRAC Bank:

The repayment process of BRAC Banks SME loans starts after the one month when the loan has been taken. Before the expiration date, the borrowers will be informed about their number of installments and the amount that they need to pay for each installment. The borrowers can pay the installments by themselves or can pay through the Customer Relationship Officer (CRO). Again the borrowers can pay their amount of installments to any branch of BRAC Bank or through any correspondent banks. If the borrower cannot pay the installments funds within the date mentioned, they will have to pay extra interest rates for each day before they pay their installments. The interest

rates will be reduced if the borrowers could able to pay their installments before their date of repayments. Then their interest rates will be charged and it will added to their principle amount for each months or within every three months for each loan disbursements based on their loan policy.

3.9 Challenges SMEs Faces in Bangladesh:

We know that Small and medium enterprises-SMEs are the backbone of our country's economy. Through SME, more than 90 percent of all businesses have been made which provides two out of three private sector jobs in our country. For this reason, it is very essential to help the sectors to grow for the wellbeing of the country's economic sustainability, growth and success.

In our country, SMEs are facing various challenges that hampers that growth of SMEs in our country, which are as follows-

- ☐ Lack of access of finance while marketing the products.
- ☐ Lack of skilled employees and manpower
- ☐ Lack of capital
- ☐ Training facilities is not that much good
- ☐ Non-developed sales channels
- ☐ Lower levels of financial inclusion

3.10 The popularity of SME products outside Bangladesh:

It is not a surprising fact that at least 93% of the consumer products of the banks are coming from the ideas of SMEs. In Europe, an SME is built up just on a single idea sometimes. For this reason, the innovation and the development of those ideas, SME has gained much popularity and acceptance internationally. The most known and big organizations, such as Ali Baba Google, buys their idea in fact the whole SME's and create products on the basis of those ideas. YouTube is also a perfect example of this idea.

SMEs are one of the key players in the economy of any country and the wider eco-system of firms and banks. SMEs are enabled by banks to adapt and thrive in a more open environment and so that they can participate more actively in the digital transformation which is very essential for the boosting of economic growth and delivered a more inclusive globalization.

In countries at all levels of development, SMEs plays an important role to by-

- ✓ Achieving the Sustainable Development Goals (SDGs)
- ✓ Promote the inclusive and sustainable economic growth of that country
- ✓ Provides employment and decent work for all levels people
- ✓ Promotes sustainable industrialization by fostering innovation
- ✓ Reducing income inequalities

However, improving and boosting SME potential by participating in and enjoy the benefits of a globalized and digital economy depends on the great degree on conducive framework conditions and healthy competition among countries. SMEs are mainly disproportionately affected by those who are the market failures and barriers and inefficiencies in the business environment and their policy sphere. SMEs' contributions also depend on the access to the strategic resources which includes- skills, finance, knowledge, networks, and on public investments in areas like innovation and infrastructure, education and training etc.

3.10.1 International Perspective of SME:

It has been argued that over 30 different SME categorizations exist in the banking institutions. SMEs are usually regarded as enterprises which have a relatively small share within the market, managed by the owners or part-owners in a personalized way, but through the medium of a formalized management structure which acts as separate entities, that is not able to forming the part of large enterprises or groups.

The Role of SME in UK:

In UK, the characteristics for being a small or medium sized enterprise are stated in their sections 382 and 465 of the Companies Act 2006. The act defines the term SME as “it is the one that has a turnover of not more than £6.5 million, a balance sheet total of which is not more than £3.26 million and there should not be more than 50 employees-for small-sized companies. And for a medium-sized company, it should have a turnover of not more than £25.9 million, a balance sheet total that is of not more than £12.9 million and there should not be more than 250 employees.

In spite of that, the general practices define the small businesses with employees between 0-49 for a medium-sized business with employees between 50-249, and for a large business with employees' equals to or more than 250 employees. Therefore, In UK the small and medium-sized enterprises are typically defined as enterprises which has 0-249 employees.

The Role of SME in Turkish Context:

Turkey is the large and upper middle-income country, which has a relatively few natural sources and considered as the world's 16th and Europe's 6th largest economy since 2011. The economy

of Turkish is mostly dependent on the construction, manufacturing, tourism revenues etc. The top industry of this country includes autos and electronics, textiles, food processing etc.

SME is considered to be as the backbone of the Turkish economy that is reflected by their percentage shares in their major indicators of the economic development. In spite of all the negativities caused by the 2008 global financial crisis, 2009 and 2010 statistics which indicate that the growth trend of SMEs is back. The percentage of SME shares in their total value which is added in their economy rises from 55% to 65% during 2009 and 2010, and the shares in total of Exports have increased to 60% from 56%.

The Role of SME in EU:

In EU, there are significant amounts of grants and financial support which is provided to SMEs, for the protection of flexible, innovative structures and competitiveness of SMEs. However, despite these supportive policies, the statistical data of EU shows that, SMEs in EU are still struggling to overcome the problems and challenges of their crisis period during 2007-2009, which results in a sharp reduction in their SME number, employment and added values. While the numbers and employment created by SMEs in EU still did not show a recovery during the period of 2009-2012, then the added value of SMEs started to increase, which was the positive indicator. Among the states of EU 27 members, there are only a few countries shows signs of recovery within their post-crisis periods. The highest recovery was undertaken by the SMEs in those industries of high-tech manufacturing which involved in high-tech knowledge intensive services on the basis of labor productivity.

Chapter-Four *Analysis*



4. Regression Analysis:

Regression analysis can be used to account the relationships between two or more variables like dependent variables which is the major factor that we actually are trying to perceive and predict. And independent variables are those which may impact the dependent variables.

Regression analysis basically helps us to know how these dependent variable changes when one of the independent variables varies and also helps us to mathematically determine which of those variables really has an impact.

✧ *The Table of Dependent and Independent Variables:*

Types	Name of Variables	Sign	Proxy
Dependent	Return on Assets	ROA	Net income/total asset
Dependent	Return on Investment	ROI	Net Income/total investment*100
Independent	Size	BS	Net Income
Independent	Asset Management	AM	Operational Income/Total Assets

The subject of my report is the efficiency of SMEs under Exim and BRAC Bank. I am using regression analysis to evaluate efficiency. I am mainly focusing on regression analysis here. We need some dependent and distinct variables to evaluate efficiency. Here I will use returns on assets and return variables as individual variables and return on investment as bank size and asset management. Here I am trying to identify the relationship between those individual and dependent variables by analyzing the regression and to identify how much the independent variables can affect the independent variables. Returns on assets are measured by net income divided by total assets and returns on investments are measured by net income multiplied by 100. Here, the bank size will represented by the banks net income and the asset management was calculated by the operational income divided by total assets.

4.1. Regression Analysis of EXIM Bank:

4.1.1 Regression analysis of ROA of EXIM Bank :

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.924449506
R Square	0.85460689
Adjusted R Square	0.70921378
Standard Error	0.000965044
Observations	5

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	0.000010948	5.474149848	5.87790501	0.03496712
Residual	2	1.862619365	9.313096825		
Total	4	0.000012816			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.065282076	0.022710041	2.874590844	0.102709422	-0.032431344	0.162995497	-0.032431344	0.162995497
Size(BS)	-9.070044041	3.205197017	-2.829792988	0.105486474	-2.286089373	4.720805647	-2.286089372	4.720805646
Asset management(AM)	-0.777433087	0.354957901	-2.190212094	0.159908461	-2.304693668	0.749827494	-2.304693668	0.749827494

4.1.2 Bank Size:

ROA	Coefficients	P-Value
Bank Size	-9.070044041	0.105486474

The table shows that the result of the banks ROA and bank size coefficient is -9.07004E-14 which shows a negative relationship. The result of the coefficient of individual variable bank size has a negative effect on the dependent variable which means ROA A means that the ROA of Exim Bank has decreased due to 1% increase in the size of Exim Bank.

Showing p value or significance value. This suggests that this analysis has a very significant effect. There is a significant relationship between ROA and bank size because the p-value is 0.105486474 which is greater than $<.05$, which means that any percentage change in bank size is related to ROA change.

4.1.3 Asset Management:

ROA	Coefficients	P-Value
Asset Management	-0.777433087	0.159908461

This result shows that the co-values between ROA and Asset Management are -0.777433087 which also shows a negative correlation. The result of the coefficient of individual variable asset management shows a negative effect on the dependent variable RO which means that the RO of Exim Bank decreases with a 1 per cent increase in the asset management of Exim Bank.

And the P value or significance value shows that this analysis has a very significant effect. This indicates that there is an important relationship between ROA and asset management because the p-value which is greater than 0.159908461 $<.05$ means that any percentage change in asset management is associated with ROA change.

4.2Regression analysis of ROI of EXIM Bank:

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.959180812
R Square	0.920027831
Adjusted R Square	0.840055661
Standard Error	0.101752695
Observations	5

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	0.238223131	0.119111566	11.50435005	0.049972169
Residual	2	0.020707222	0.010353611		
Total	4	0.258930353			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	9.41700395	2.39451071	3.932746641	0.058992526	-0.885744091	19.71975199	-0.885744091	19.71975199
Size(BS)	-1.331094258	3.37950889	-3.938720985	0.05882917	-2.785179574	1.229910567	-2.785179574	1.229910567
Asset management(AM)	-113.6517948	37.426198	-3.036690897	0.093484377	-274.6837278	47.38013821	-274.6837278	47.38013821

4.2.1 Bank Size:

ROI	Coefficients	P-value
Bank Size	-1.331094258	0.05882917

The table above shows that the coefficient value result between ROI and bank size is -1.33109E-11 which shows a negative correlation. The coefficient value of the individual variable of bank size gives a bad negative effect but the dependent variable is not strong on RO which shows that as the size of the bank increases by 1 percent, ROI will change.

The p-value, or significant value, shows that this resistance analysis has a negligible effect. There is a negligible relationship between ROI and bank size because p-value 0.05882917 which is less than <.05 means no percentage change in bank size is associated with change in ROI which ultimately creates a positive change in any of Exim Bank's total assets.

4.2.2 Asset Management:

ROI	Coefficients	P-value
Asset Management	-113.6517948	0.093484377

The table above shows the coefficient value result between ROI and asset management -113.6517948 which shows a negative correlation. The result of the coefficient quality of the individual variables of asset management has a bad negative effect which shows that with an increase of 1 percent in asset management, the ROI will decrease.

The p-value, or significant value, shows that this regression analysis has a very small effect. This indicates that a negligible relationship has been formed between ROI and asset management as the p-value is 0.093484377 which is higher than <.05 which means that any percentage change in the size of the money spent is associated with ROI change which ultimately creates a positive EXIM Bank total. ROI changes by any change in property.

4.3 ROA Vs ROI in Regression Analysis of EXIM Bank:

	ROA(P-value)	ROI(P-value)
Bank Size	0.105486474	0.05882917
Asset Management	0.159908461	0.093484377
Significance F	0.034967120	0.049972169

The above table shows the differences between the profitability of ROA and the ROI of the EXIM Bank. By seeing this table we can easily see that by using the independent variables such as bank size and asset management, EXIM Bank could increase its ROA and its profitability more than its ROI. As in ROA model bank size and asset management have the P value that is more than .05. As an example the bank size value is $0.105486474 < .05$ and asset management is $0.159908461 < .05$ that means both the values are greater than .05 which creates significant effect in either of any response happens. And the total significance value f which is $0.034967120 < .05$ which is less than .05 which shows that it has a great positive effect on the dependent variables. By using these independent variables, the bank can easily increase its ROA. But other hand compare with ROA, the other independent variable ROI is not as strong as the ROA. Here, we can see that the bank size p value is less than .05 which is $0.049972169 < .05$ which means a significant effect but other 2 elements are not so significant to increase its profit. So I can say that, these two dependent variables create positive effect on profitability but ROA is more effective than ROI.

4.4 Regression Analysis of BRAC Bank:

4.4.1 Regression Analysis of ROA BRAC Bank:

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.921724811
R Square	0.849576627
Adjusted R Square	0.699153254
Standard Error	0.002397347
Observations	5

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	0.00006492	0.00003246	5.647903038	0.042337324
Residual	2	0.00001149	5.74727269		
Total	4	0.00007641			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.038294998	0.02834415	1.351072334	0.309219013	-0.083660039	0.160250034	-0.083660039	0.160250034
Size(BS)	1.377199106	4.99085483	0.275944533	0.808489358	-2.009671608	2.285111438	-2.009671608	2.285111432
Asset management(AM)	-0.381548785	0.23893376	-1.596881012	0.251373018	-1.409597781	0.646500211	-1.409597781	0.646500211

4.4.1 Bank Size:

ROA	Coefficients	P-value
Bank Size	1.377199106	0.808489358

The table shows that, the coefficients result between the banks ROA and bank size is 1.3772E-14 which shows strong positive relationship. The result of the coefficients of the independent variable bank size gives positive strong effect on the dependent variable which is ROA. That means that with 1 percent increase in the EXIM bank's size, there is a increase in the ROA of the BRAC Bank.

By showing p value or significance value. It indicates that that there is a highly significant effect in this analysis. There is a significant relationship between ROA and bank size as the p-value is 0.808489358 which is greater than < .05 that means any percent changes in the bank size are related to changes in the ROA.

4.4.1 Asset Management:

ROA	Coefficients	P-value
Asset Management	-0.381548785	0.251373018

This result shows that the coefficients which is resulting between the ROA and Asset Management is -0.381548785 which shows the negative strong relationship. The result of the coefficients of the independent variable asset management shows negative poor effect on the dependent variable ROA which means that with a 1 percent increase in the BRAC bank's asset management, there is a decrease in the ROA of the Bank.

And the p value or significance value shows that there is a highly significant effect in this analysis. It indicates that here is a significant relationship between ROA and asset management as the p-

value is which 0.251373018 is greater than $< .05$ that means any percent changes in the asset management are connected to changes in the ROA.

4.5 Regression analysis of ROI of BRAC Bank:

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.937264581
R Square	0.878464894
Adjusted R Square	0.756929789
Standard Error	2.943881078
Observations	5

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	125.283301	62.6416505	7.228075292	0.053510566
Residual	2	17.33287161	8.666435803		
Total	4	142.6161726			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	25.07629335	34.80589493	0.7204611	0.546067875	-124.6813855	174.8339722	-124.6813855	174.8339722
Size(BS)	6.114784706	6.12864264	0.997738824	0.423521042	-2.025463629	3.248420571	-2.025463629	3.248420571
Asset management(AM)	-342.2069145	293.404573	-1.166331223	0.363745257	-1604.624901	920.2110722	-1604.624901	920.2110722

4.5.1 Bank Size:

ROI	Coefficients	P-value
Bank Size	6.114784706	0.423521042

The above table shows that, the result of coefficients value between ROI and bank size is 6.11478E-11 that shows a strong positive relationship between the variables. The result of the coefficient value of the independent variable which is bank size gives strong positive impact on the dependent variable ROI which shows that with a 1 percent increase in the bank size, the ROI will also change.

The P-value or significance value on the table shows that, there is a significant effect exist in this regression analysis. There is a significant relationship between the ROI and bank size as the p-value is 0.423521042 which is greater than $< .05$ that means any percent changes in the bank size are involved in changes in the ROI which ultimately creates a positive change in the ROI by any changes in total asset of the EXIM bank.

4.5.2 Asset Management:

ROI	Coefficients	P-value
Asset Management	-342.2069145	0.363745257

This result shows that the coefficients which is resulting between the ROI and Asset Management is of BRAC Bank is -342.2069145 which shows the negative strong relationship between the variables. The result of the coefficients of the independent variable asset management shows negative poor effect on the dependent variable ROI which means that with a 1 percent increase in the BRAC bank's asset management, there is a decrease in the ROI of the Bank.

And the p value or significance value shows that there is a highly significant effect in this analysis. It indicates that here is a significant relationship between ROI and asset management as the p-value is 0.363745257 which is greater than $< .05$ that means any percent changes in the bank's asset management are connected to changes in the ROI of the bank.

4.6 ROA Vs ROI in Regression Analysis of BRAC Bank:

	ROA(P-value)	ROI(P-value)
Bank Size	0.808489358	0.423521042
Asset Management	0.251373018	0.363745257
Significance F	0.042337324	0.053510566

The above table shows the differences between the profitability of ROA and the ROI of the BRAC Bank. By seeing this table we can easily see that by using the independent variables such as bank size and asset management, BRAC Bank could increase its ROA and its profitability more than its ROI. As in ROA model bank size and asset management have the P value that is more than $.05$. As an example the bank size value is $< .05$ and asset management is $0.251373018 < .05$ that means both the values are greater than $.05$ which creates significant effect in either of any response happens. And the total significance value f which is $0.042337324 < .05$ which is less than $.05$ which shows that it has a positive effect on the dependent variables. By using these independent variables,

the bank can easily increase its ROA. But other hand compare with ROA, the other independent variable ROI is not as strong as the ROA. Here, we can see that the bank size p value is also more than that indicates a significant effect. But if we see the significant value F which is $0.053510566 = .05$, that indicates that it creates an overall significant effect on the overall dependent variable. So I can say that, the two dependent variables does not create positive effect on profitability and ROA.

After conducting the regression analysis of the both banks, I can say that both the bank are effective but BRAC banks SME are more efficient than the EXIM bank. BRAC banks performance, return on investments and their return on assets are also at a great position whereas the EXIM bank ROI is also much efficient but their ROA is much more efficient.

Recommendation and Conclusion



5. Recommendations:

According to my earnest observations some suggestions for improving SME loans are given below-

⇒ **Grace Period:**

The entrepreneurs often raise complains regarding the short duration of grace period for the repayment of the SME loans. That's why, banks and financial institutions should consider the reasonable grace period at the time when banks formulating the credit policies for their SME sectors.

⇒ **Interest Rates on SME Credit:**

For the development of SME sector, Bangladesh Bank gives banks refinancing. Bangladesh bank gives up to 5% financing. And it's the banks that then have to adjust their risk of returns that is the interest rates on borrowing funds. So, from a SME loan borrower's view point this interest rate becomes huge cost for them. So, EXIM Bank must have to make this rates little easier for them.

⇒ **Marketing of Products:**

EXIM Banks marketing activities for SME loan us seemed little weak to me. Where the market for SME segment is full of other conventional and non-conventional financial institutions, it's really hard to keep good marketing initiatives to attract the SME borrowers. Though during 2015-2017, this bank has done lots of SME marketing initiatives, this is not enough for the recent fast ever market situations.

⇒ **Initiatives for Timely Repayments:**

Sometimes SME loans customers have tendency of delayed repayment. So for this concern, EXIM Bank need to take it as a thoughtful consideration and should take essential initiatives to minimize the occurrences. EXIM Bank could place a seminar to develop an awareness of early and timely payment of due funds.

We know that, the SME investment plays a vital role in the bank's profitability. So, EXIM Bank should be more careful on their SME investments. The EXIM Bank should more focusing on encouraging the women entrepreneurs for their SME investments. And to do this, EXIM Bank must offer easy provision and investment facilities continuously to their women entrepreneurs.

5.1 Conclusion:

Small and medium sized enterprises (SMEs) are playing increasingly important role as it increases economic growth in many countries including ours. SMEs offer and provide low cost employment opportunities and also render flexibility to the economy. Many of the SMEs are engaged in export activities which suggest that they are internationally competitive. It is generally recognized that, SMEs have a significant role in employment generations, poverty reduction and overall economic growth, especially for a developing country like Bangladesh.

Availability of finance is thought to be a major problem to formation and growth of SMEs in Bangladesh. Most of the enterprises in our country cannot expand because of lack of capital or funds. Commercial banks can play a big role for developing SMEs and constantly point to make profit and sustainable revenues from SME credit.

An Islamic banking system has great potentiality and importance in Bangladesh. The Islamic banking concept was developed by the Islamic Bank Bangladesh Ltd. which has been popularized the Islamic Banking system so much that mostly inspire the banks both nationally and multinationals open their Islamic banking wings and spread around the world, which includes HSBC, Standard Chartered, Dhaka Bank The City Bank, etc. that are known to be the most successfully performing Shariah based banking institutions.

SME banking of EXIM Bank Limited is helping these ambitious organizations to enhance and grow even better. However, EXIM Bank Limited has a wide range of SME loan products to offer its customers. SME loan financing has been a vital part that helps enhance the EXIM banks assets. The growth rate of SME loan portfolio among other portfolios is inspiring. In the future, it will help EXIM Bank to enhance and improve further. Through this report, I have presented how EXIM Bank provides the loan to SME customers and with proper and time to time monitoring EXIM Bank watches over the SME portfolios. With the monitoring procedures, EXIM Bank prevents their SME Loans from being non-performing loan.

It was a great pleasure for me to have internship in “EXIM Bank Limited”. Without such a practical exposure, it would not have been possible for me to acquire such a practical knowledge. During the internship, I have observed the functions of EXIM Bank that may help me to be a professional banker in future.

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Appendix:

- Annual Report of EXIM bank, 2018

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