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Case Study NJFPM

Factors Affecting Performance of SMEs: A Study on Satkhira District of Bangladesh

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Abstract

The developments of SMEs has always been a big challenge in developing countries. While SMEs are playing a significant role in the economic growth of Bangladesh, there is a lack of research examining the effects of some factors on their performance. This article proposes a conceptual framework and explains the internal factors affecting SMEs performance. The study employed qualitative interviews with the owners of SMEs dealing with 1. mango cultivation, 2. shrimp cultivation, 3. soiltali, 4. solar panels, 5. jewelry, 6. nursery, 7. cultivation of monosex tilapia, 8. shilpata, 9. sawmill, and 10. cultivation of various flowers in the Satkhira district of Bangladesh. This study examined six factors, such as access to finance, managerial skills, government support, innovation activities, education and experience, and level of corruption, to determine the performance of SMEs in terms of profit. The study area covers five of the seven Upazila of Satkhira district. To reach the objective, seven hypotheses were developed in the study. The collected data were analyzed and the hypotheses were tested using ANOVA, single-factor analysis, multiple regression analysis and other statistical tools. The results of the study revealed that the most significant factors affecting the performance of SMEs in Bangladesh were the level of corruption, access to finance, and government support. Policy makers should take steps in light of the findings of the study to improve the performance and ensure growth of SMEs in Bangladesh.

Keywords: SME, performance, factors, profits, influencing, survival, SDG, affect

INTRODUCTION

Before the liberation of Bangladesh, EPSIC (East Pakistan Small Industries Corporation) was established in 1956 to promote SMEs. After the liberation of Bangladesh, the SMEs formally launched their businesses on a small scale [1]. The first five-year plan was formulated (1973–1978) with the philosophy of special development of SME sectors. With the passage of time Bangladesh is going ahead significantly. Now, in Bangladesh, the total numbers of SMEs are estimated 79,754 establishments of which 93.6% are small and 6.4% are medium, which contributed around 25% of GDP. The International Monetary Fund Country Report 2012 indicated that SMEs in Bangladesh accounted for more than 99% of private sector industrial establishments and created job opportunities for 70% to 80% of the nonagricultural labor force [2]. According to BBS report 2021, In 2019–2020 sector wise contribution to the GDP was 13.48% (agriculture), 30.82% (industry), and 55.71% (services). The performance of SMEs are measured by employee turnover rate and quality assurance. Furthermore, the allocation of funds of Bangladesh is below international standard [3]. MIDAS in 2004 explored access to finance in SMEs are mostly from family and friends. Literature revealed six determinants that may impact on SMEs performance, that is, entrepreneurial competency, modern technology,

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financial resources, marketing capability, product quality, and investment capacity. The present study was designed to explore the effect of those six determinants on SMEs performance in Bangladesh [4].

STATEMENT OF THE PROBLEM

In recent years, SMEs have received attention from the government and policy makers in different developed and developing countries. The effect of chosen factors on SMEs performance differs from study to study. Some research studies indicated that factors had real effect on the performance of SMEs in any country. Recently, many factors have been found related to firm performance. Wengel and Rodriguez's (2006) [5] conducted a study on the export performance of Indonesian SMEs among others, included firm size and age as well as foreign share in the capital structure of the firm as their explanatory variables. Factors affecting performance of SMEs in Bangladesh may be an important topic for research and many research works could have been done based on it. But what are the different problems being faced by SME sectors in starting a business and doing business perfectly is not analyzed to a great extent. The business success factors that influence business performance are not analyzed in detail [6]. The operation related challenges (i.e., managerial skill, government support, innovation activities, education and experience, level of corruption, etc.) faced by SME sectors for survival in the market is not mentioned in the prior research. It seems that there is a lack of sufficient theories and research on "factors affecting on SMEs performance, which could guide the current research and could help the stakeholders of these sectors." The current research will help the stakeholders to take right decision properly [7]. In this case, the pivotal question is: what factors are responsible for the performance of SME sectors in Bangladesh? This research seeks to investigate whether access to finance, managerial skills, government support, innovation activities, education and experience, and level of corruption affect the SMEs performance. Therefore, the present study has been undertaken to explore the factors affecting on SMEs performance (profit) in Satkhira district of Bangladesh [8].

OBJECTIVES OF THE STUDY

The main objective of the study is to identify the effect of some selected factors on SMEs performance (profit) with special focus on selected region. Other objectives are as follows:

i. To measure and compare the effect of the selected factors on the performance of SMEs in terms of profit, and
ii. To suggest some ways to enhance the performance of SMEs in Bangladesh.

SIGNIFICANCE OF THE STUDY

The performance of SME sectors determines the economic state of any country. It is considered driving force for economic growth and employment generation in Bangladesh. These sectors are now considered as the main engine of the economy in Bangladesh. In Bangladesh, there are 31 million people employed in the micro, small, and medium enterprises and more than three quarters of the household income are provided by the SMEs. Also, SMEs in Bangladesh represents 99% of industrial units contributing over 85% of industrial employment. This amount could be much higher if the contribution of service sector SMEs could be calculated. Now-a-days, it is well acknowledged among researchers and economic policy makers that SME sectors play vital role in the overall economic development and production network; hence, they remain core to the economic growth of developing nations. Recently, a workshop titled "Role of SMEs in achieving Sustainable Development Goals (SDGs)" arranged by SME foundation mentioned six SDGs can be achieved by ensuring finance, expanding SME product markets, increasing skill, developing technology, developing renewable energy, and using online platform. The six SDGs are as follows: (i) poverty alleviation, (ii) quality education, (iii) women empowerment, (iv) access to clean energy in affordable cost, (v) creating employment, and (vi) sustainable industrialization. For achieving them, a SWOT analysis should be conducted, and business performance of this sector should be measured. According to industrial policy 2022, SME sectors is considered as the thrust sector in the economic development of Bangladesh. In Bangladesh, this sector is changing the face of the country. Moreover, sustainable development of SMEs of Bangladesh can also play an important role to achieve vision 2021. The findings of the present study will be helpful for the policy makers to initiate pragmatic steps to develop the performance of the SMEs in Bangladesh.

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REVIEW OF LITERATURE

Firm performance refers to the actual output of any organization measured against its intended outputs. It includes shareholder value performance, financial performance, and market performance. It is like organizational effectiveness. The following factors affect firm performance such as-leadership, motivation, organizational culture, and knowledge management [9].

Some research work has been conducted on SMEs in Bangladesh and abroad. But it is still not of the proportions required for estimating and gauging the emerging market for SMEs. Review of some previous studies is presented below [10].

Studies Conducted in Bangladesh

In Bangladesh, industrial development is attributed mainly for SMEs sectors growth that contributes about 80% of the employment in industrial sectors. Although SMEs in Bangladesh represents 99% of industrial units contributing over 85% of industrial employment [11]. modern technology, high interest rate, power supply, infrastructure, access to finance, transportation cost, information about market opportunities, raw materials, skilled manpower, research, and development, and so on, have impact on SMEs performance in Bangladesh. Proximity to river and roads are associated with the expansion and performance of SMEs in Bangladesh [12].

Research Works Done in Other Countries

In Osun state Nigeria, factors that influence small scale enterprises performance and they included: gender, age, educational background, and occupation as independent variables [13]. Explored leadership, strategy, people, resources, and process influence total quality management and affect SMEs to export performance. Sidik [14] mentioned six constructs in his conceptual framework that affect firm performance in Indonesia such as-entrepreneurial orientation, entrepreneur traits, innovative capacity, innovative performance, market orientation, and organization search. Anggadwita and Mustafid [7] also stated entrepreneurial aspect, competence of human resources, innovativeness, and sustainability have impacts on SMEs performance in Indonesia. Alkali [6] observed that capital access and government support were significantly related to business performance of the enterprises. SME performance (profit) denotes financial performance. It comprises measures of financial efficiency such as ROI, ROE, ROS (return on sales), and net profit margin [15].

Research Gap

Some pioneer study has been done on SMEs sectors, some of those are conducted abroad and some are conducted in Bangladesh but those are on some different context. Some studies covered only small size business performance and some covered different aspects other than determinants that could not express the real picture of total SME sectors. It seems that few in-depth studies have been conducted specifically to measure and compare the effect of selected factors on SMEs performance. So, the present situation demands a comprehensive study which will reflect a total scenario of factors that effect on SMEs performance in Bangladesh.

Hypotheses of the Study

Based on the literature review and to achieve the objectives of the present study the following hypotheses were formulated and tested:

- *Hypothesis 1:* All the selected factors have same influence on SMEs performance.
- *Hypothesis 2:* There is a positive impact between Access to finance and performance of SMEs.
- *Hypothesis 3:* There is a positive impact between Managerial skills and performance of SMEs.
- *Hypothesis 4:* There is a positive impact between Government Support and performance of SMEs.
- *Hypothesis 5:* There is a positive impact between Innovation activities and performance of SMEs.
- *Hypothesis 6:* There is a significant positive relation between education and experience and SMEs performance.
- *Hypothesis 7:* There is a significant positive relation between the level of corruption and SMEs performance.

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RESEARCH METHODOLOGY

SMEs Concepts Used in the Study

Features of SMEs and Large Industries in Bangladesh on the basis of industrial policy 2022.

Sectors of SMEs in the Satkhira District Considered for the Study

To collect data, the study considered the owners of SMEs dealing with 1. mango cultivation, 2. shrimp cultivation, 3. soiltali, 4. solar panel, 5. jewelry, 6. nursery, 7. cultivation of mono sex tilapia, 8. shilpata, 9. sawmill, and 10. cultivation of various flowers at Satkhira district of Bangladesh (see Table 1).

Upazila-wise Potential Sectors for SME in Satkhira District

Data Collection (Primary and Secondary Data) Methods

a. The primary data were collected for the study through personal interview of SME entrepreneurs and employees using a questionnaire. The questionnaire was divided into three sections: Section A contained demographic variable of the respondents such as: Name, age, sex, educational qualification, experience, average monthly income, turnover of the respondents, and so forth; Section B was contained on various questions related to the objectives of the study and Section C included statements on related to each success factor faced by the owners of SMEs [16]. This part consists of 20 questions which were intended to measure factors of business performance, using 5 point Likert-type scale [17] anchored by *strongly agree* to *strongly disagree*. Total 130 questionnaires were distributed (hard copy) among the respondents in the selected area and finally 101 sets of completed questionnaire were received [18].
b. The secondary data was collected from published economic review of Bangladesh, articles, report of different financial institutions, different research reports, and so on (see Table 2).

Table 1. Important features of SMEs and large industries in Bangladesh.

S.N.	Type of industry		Amount of investment (except land and building)	Number of workers
1.	Cottage industry		Less than 10 lakhs	Not more than 15 persons
2.	Micro industry		10 Lakhs to 75 lakhs	1 to 25
3.	Small industry	Manufacturing	10 Crore to 15 crores	26 to 120
		Service	10 Lakhs to 2 crores	16 to 50
4.	Medium industry	Manufacturing	15 Crores to 50 crores	121 to 300 (in case of garments industry highest 1000 persons)
		Service	2 Crores to 30 crores	51 to 120
5.	Large industry	Manufacturing	More than 50 crores	More than 300 (in case of garments industry more than 1000 persons)
		Service	More than 30 crores	More than 120

Source: *National Industrial policy (2022)*

Table 2. List of Upazila-wise Potential Sectors for SME.

Name of upazila	SMEs Potential Sectors
Satkhira Sadar	Old iron scraps and jewelers, plastic bags, sawmills, poultry, plywood, mango cultivation and trading,
Shamnagar	Prawn hatchery, fish gher, shrimp cultivation
Assasuni	Shrimp cultivation, light engineering workshop
Kaliganj	Prawn hatchery, shrimp farming, various small business
Kolaroa	Mango production, exportable soil tali, cultivation of mono sex, tilapia fish, flower farming, pungush fish, and so on
Tala	Fish cultivation (shrimp & white fish), poultry, furniture, potato cultivation, cold storage and go down.
Debhata	Shrimp and white fish farming, hatchery, solar panel production, mobile set & gadgets business.

Source: *SME Credit Policies & Programs, Bangladesh Bank*

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DETERMINANTS CONSIDERED FOR THE STUDY

From the literature review, it was found that around 20 determinants influence the performance of SMEs. Based on consultation with supervisor and literature review, only 6 determinants were chosen for the study in the following meaning [19]:

i. *Access to finance:* Both new and existing SMEs need financial access for surviving in the competitive business. Most of the SMEs cannot fulfill collateral requirements imposed by commercial banks and deprived of easy access to finance. It refers to public loans or government subsidized government loans for firms. Accesses to finance policies are intended to impact of on firm growth, productivity, and employment [20].
ii. *Managerial skills:* Managerial skills are associated with decision making. A manager must take the right decision at the right time and improve various skills of employees. For the betterment of SMEs sector, managerial skills is a must [21].
iii. *Government support:* Government support is the key to success of every SMEs. Bangladesh government established SME foundation in 2007 to provide all-out help, suggestions, training, and so forth. In the same way, Ministry of Industry, Bangladesh bank, and other institutions provide necessary policy and support for improving SMEs sectors [22].
iv. *Innovation activities:* Innovation refers to generating new idea and creativity in any field. These activities assist the organization to earn more profit and wealth maximization. It also helps create new employment opportunity. Such as Uber, Pathao, Food panda, Bikroi.com, and so on. It also plays a critical role in economic growth and SMEs performance.
v. *Education and experience:* Education is the backbone and route of all success as well as experience is the precondition of firm's performance. It is said that there is no alternative but experience. The more you earn experience the more you achieve performance [23].
vi. *Level of corruption:* According to CPI (The Corruption Perceptions Index), corruption is an abuse of entrusted power for private gain. In 2022, Bangladesh ranked 139th out of 180 countries with a score of 27. Corruption hurts SMEs' access to finance. An increasing in corruption from its smallest to highest value increases the likelihood of an SME being financially constrained from 6.9 to 10.9 percentage points [24].

Sampling and Sample Size

For the convenience of data collection, Satkhira district (five Upazila out of seven) was selected purposively.

The following formula was used in determining the minimum sample size:

$$n = \frac{z2pq}{d2}$$

$$= \frac{(1.96)2(0.5)(1-0.5)}{(0.10)2} = 96.04$$

Were,

n = estimated size of sample. When the population is greater than 10,000.
z = the standard normal deviate usage set at 1.96 which corresponds to the 95% confidence level.
p = the population estimated to have a particular characteristic if there is no reasonable estimate then use 50% (.50).
q = 1 – p the probability of failure.
d = degree of accuracy desired, usually set at 0.10 (Allowable maximum error in estimating population proportion).

In place of 96.04, several 101 respondents were taken for this research [25].

Variable Studied

This study proposed the following interface between SMEs performance (dependent variable) on the one hand with the factors access to finance, managerial skills, government support, innovation

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activities, education and experience, and level of corruption (independent variable) on the other hand [26] (see Figure 1).

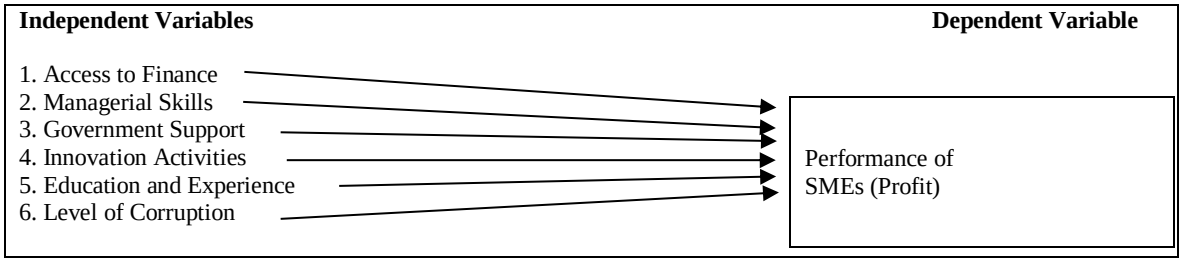


Figure 1. Indarti & Landenberg (2008) and Erdil & Ayse (2010).

Multiple Regression Model

To reach the objective of the study multiple regression model was used.

$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta5X5 + \beta6X6 + \mu i$

Where, Y = SMEs performance (profit), α = intercept,

X1 = i) Access to finance,

X2 = ii) Managerial skills,

X3 = iii) Government support,

X4 = iv) Innovation activities,

X5 = v) Education and experience,

X6 = vi) Level of corruption,

$\beta1$, $\beta2$, $\beta3$, $\beta4$, $\beta5$, $\beta6$ = Regression coefficient, and μi = error term

Demographic Analysis

It is evident from Table 2 that most of the respondents (88.11%) are male. Most respondents (36.63%) are in the age group of (40-49) years. As regards level of education, most of the respondents (29.70%) are SSC passed. A large percentage (29.70%) of the respondents had 5 to 10 years of working experience. Most of the respondents (54.45%) have an income of below 10,000 taka per month. A total of (52.47%) of the respondents are holding Management/HRM positions in the current organization. Last, a majority of the respondents (82.17%) are working more than 8 hours a day (Table 3).

DATA ANALYSIS AND RESULTS

Data related to impact of independent variable on dependent variable (performance) are analyzed and is presented below according to determinants and hypotheses:

Table 4 shows that Level of corruption (Rank 1) has the highest effect on SME performance. So, SMEs should give more emphasize chronologically on Level of corruption (LC), Access to finance (AF), Government support (GS), Innovation activities (IA), Education and experience (EE), and Managerial experience (MS), respectively. In the last column ranks are calculated on the basis of CV.

Results Relating to Affects According to Individual Factors

Access to Finance

Figure 2 shows the impact of Employee Turnover Rate on SME performance (profits) in Bangladesh. Out of 101 respondents 11% strongly agreed, 47% respondents agreed, 41% respondents either agreed or disagreed, 1% disagreed, and 11% strongly disagreed. It is showed that most of the owners are agreed on access to finance.

Managerial Skills

Figure 3 shows the effect of Managerial skills on SME performance (profits) in Bangladesh. Out of 101 respondents, 8 respondents strongly agreed, 16 respondents agreed, 70 respondents either agreed

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or disagreed and 7 respondents disagreed. But no one strongly disagreed. It is evident that most of the owners are either agreed or disagreed on the stated factor.

Table 3. Demographic profile of the respondents.

Category	Number	Percentage (%)
Gender		
Male	89	88.11
Female	12	11.88
Age group:		
(a) 20-29 Years	10	9.90
(b) 30-39 Years	21	20.79
(c) 40-49 Years	37	36.63
(d) 50-59 Years	24	23.76
(e) 60-69 Years	9	8.91
Level of education		
(a) Below SSC	16	15.84
(b) SSC	30	29.70
(c) HSC	26	25.74
(d) BBA/BA/Honors/Pass	13	12.87
(e) MBA/Masters	16	15.84
Length of time with organization		
(a) Less than 1 year	2	1.98
(b) 1-5 Years	17	16.83
(c) 5-10 Years	30	29.70
(d) 10 15 Years	13	12.87
(e) 15-20 Years	19	18.81
(f) 20 years and above	20	19.80
Monthly Income		
(a) Tk. 10000 or less	55	54.45
(b) Tk. 20000 or less	38	37.62
(c) Tk. 20000 or above	8	7.92
Job Position		
(a) Management/HRM	53	52.47
(b) Cash	41	40.59
(c) Marketing	1	0.99
(d) Accounting	1	0.99
(e) Others	5	4.95
Daily Working Hour		
(a) 6 hours	1	0.99
(b) 7 hours	1	0.99
(c) 8 hours	15	14.85
(d) More than 8 hours	83	82.17
Total Respondents	**101**	**100**

Source: *Developed for the research, year 2020*

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Table 4. Impact of determinants on SMEs performance according to the Likert-type scale.

SL	Criteria	Sum	Min	Max	Mean	SD	CV	Res.	Rank
1	Access to Finance (AF)	372	2	5	3.68	0.67	18.20%	101	2
2	Managerial Skills (MS)	328	2	5	3.24	0.69	21.29%	101	6
3	Government Support (GS)	313	1	4	3.09	0.57	18.44%	101	3
4	Innovation Activities (IA)	292	1	5	2.89	0.54	18.68%	101	4
5	Education and Experience (EE)	296	1	4	2.93	0.55	18.77%	101	5
6	Level of Corruption (LC)	294	1	4	2.91	0.47	16.15%	101	1

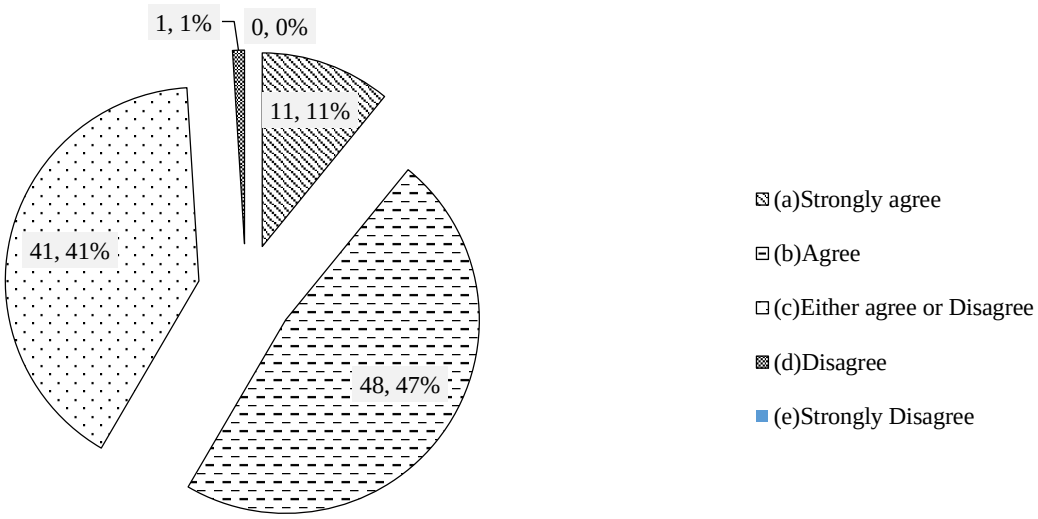


Figure 2. Access to finance.

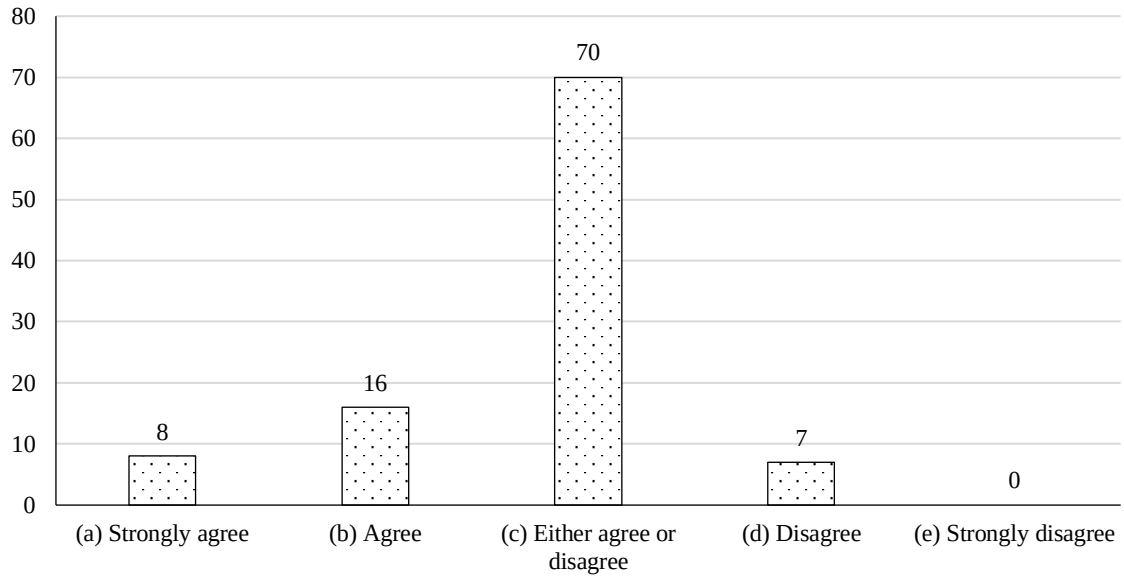


Figure 3. Managerial skills.

Government Support

Figure 4 shows the effect of government support on SME performance in Bangladesh. Out of 101 respondents, 10% respondents strongly agreed, 58% respondents agreed, 28% respondents either agreed or disagreed and 5% respondent disagreed. But no one strongly disagreed. It is evident that most of the owners agreed on the stated factor.

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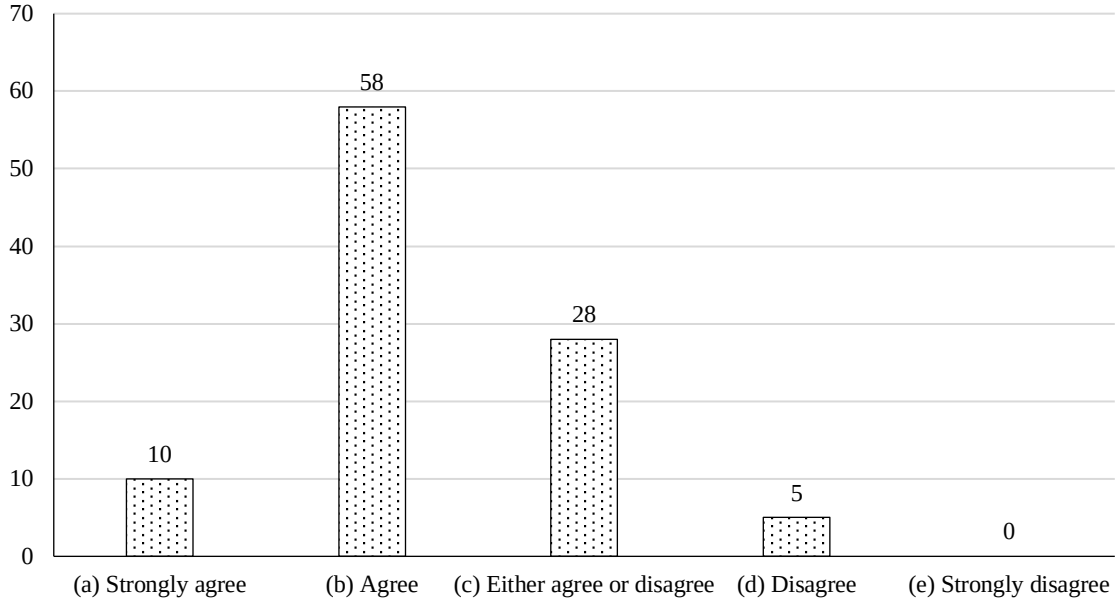


Figure 4. Government support.

Innovation Activities

Figure 5 shows the effect of innovation activities on SME performance (profits) in Bangladesh. Out of 101 respondents, 1 respondent strongly agreed, 4 respondents agreed, 82 respondents either agreed or disagreed, 11 respondents disagreed and 3 respondents strongly disagreed. It is evident that most of the owners are either agreed or disagreed on the stated factor.

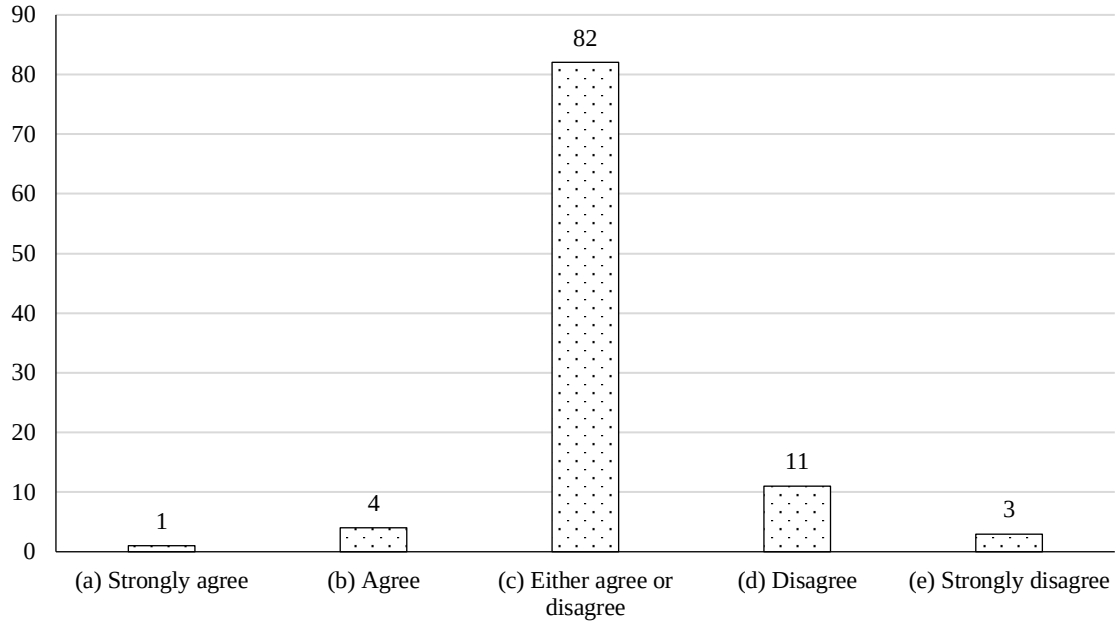


Figure 5. Innovation activities.

Education and Experience

Figure 6 shows the effect of education and experience on SME performance (profits) in Bangladesh. Out of 101 respondents, 3% respondents strongly agreed, 9% respondents agreed, 78% respondents either agreed or disagreed. But no one disagreed and strongly disagreed. It is evident that most of the owners either agreed or disagreed on the stated factor.

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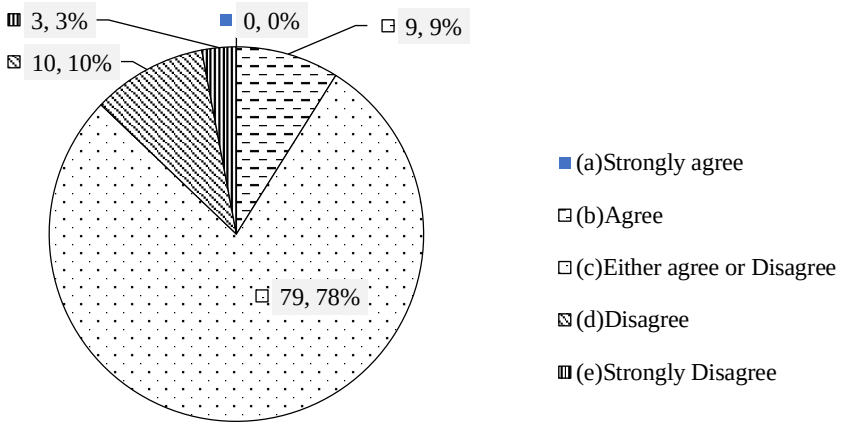


Figure 6. Education and experience.

LEVEL OF CORRUPTION

Figure 7 shows the effect of level of corruption on SME performance (profits) in Bangladesh. Out of 101 respondents, 34% respondents strongly agreed, 51% respondents agreed, 16% respondents either agreed or disagreed, but no one disagreed and strongly agreed. It is evident that most of the owners are agreed on the stated factor.

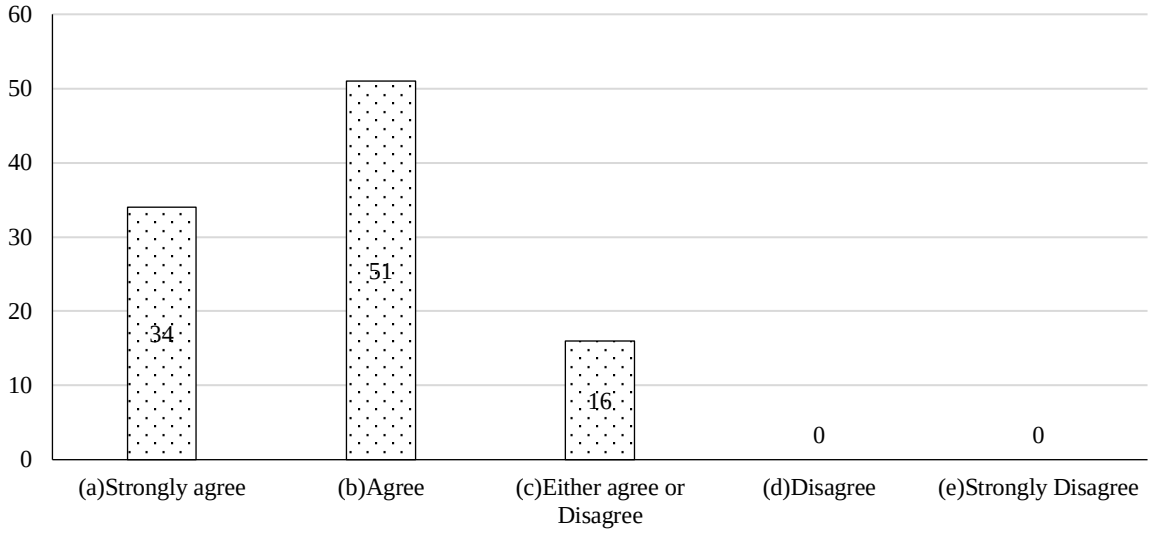


Figure 7. Level of corruption.

TEST OF HYPOTHESES

Hypothesis 1

Table 5 shows that calculated F value is 92.5058 which are greater than the F-critical value of 1.5917 as well as the p-value of 0.0000 at 5% level of significance. Therefore, on the basis of ANOVA Hypothesis 1 is accepted. It can be concluded that there is a statistically significant relationship between the set of six variables.

Table 5. Results from analysis of variance (ANOVA).

Source of variation	SS	df	MS	F	F crit
Between groups	631.2257	19	33.2224	92.5058	1.5917
Within groups	718.2772	2000	0.3591		
Total	1349.5029	2019			

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Hypotheses 2, 3, 4, 5, 6, and 7

Results Relating to Multiple Linear Regression Analysis:

Multiple regression equation considering six independent variables and dependent variable was run by using the MS Excel (2007). The multiple linear regression analysis reported that the coefficient of determination R^2 = 0.1869 which indicates that 18.69% of the variation in the dependent variable can be explained by all the independent variables in this study.

Table 6. Results of multiple regression analysis.

Item	Proposed effect	Path coefficient β	Standard error	t-value	Significance level/p value
Constant = 4.1025					
H2 = AF	–	–0.0421	0.086	–1.99	0.04**
H3 = MS	+	0.0253	0.0968	0.2617	0.7940***
H4 = GS	–	–0.0898	0.1196	–0.7511	0.4545**
H5 = IA	–	–0.0901	0.1145	–0.7864	0.4337**
H6 = EE	+	0.2710	0.1257	2.1569	0.0338**
H7 = LC	–	–0.0579	0.1308	–0.4431	0.6587***
R^2 = 0.1869 F = 1.68614684 Significance=0.00 N = 101	Adjusted R^2 = 0.0761 Significance at 1% level of significance* Significant at 5% level of significant** Significant at 10% level of significance***				

R^2 Is the coefficient of determination adjusted for degrees of freedom?

Table 6 shows that overall F statistic is statistically significant at the 0.000 level. The regression equation with R^2 (0.1869) explains 18.69% variance in SME performance with the adjusted R^2 (7.61%). The result of the table also shows that there is a positive and significant relationship between access to finance and SME performance (profit; β = –0.0421, t-value = –1.99, p = 0.04) at 0.05 level of significance. So, H2 is accepted. The results also show that there is a positive and significant relationship between managerial skill and SME performance (profit). So, Hypothesis 3 is accepted. It is evident that there is positive and significant relationship between government support and SME performance (β = –0.0898, t-value= –0.7511, p = 0.4545) significant at 0.05 level of significance. Therefore, Hypothesis 4 is accepted. It is also evident from the result that there is negative relationship between innovation activities and SME performance and not significant at the 0.05 level (β = –0.0901, t-value = –0.7864, p = 0.4337). So, Hypothesis 5 is rejected. Result of the tables states that there is negative relationship between education and experience and SME performance and not significant at the 0.05 level. (β = 0.2710, t-value = 2.1569, p = 0.0338). Therefore, Hypothesis 6 is rejected. The result of multiple regression in the Table 5 shows that there is a positive and significant relationship between level of corruption and SME performance (β = –0.0579, t-value = –0.4431, p = 0.6587) and significant at 0.10 level of significance. Therefore, Hypothesis 7 is accepted. This result indicates that access to finance, level of corruption and government support have the positive and significant effect on the SMEs performance (Profit).

Table-5 also shows that all the independent variables are significantly related to the dependent variable as all the six independent variables meet the rule of thumb where the P value is less than 0.05. Then a standardized coefficient of linear equation is formulated:

Performance of SMEs = 4.1025 – 0.1721 AF + 0.0253 MS – 0.089 GS - 0.0901 IA + 0.2710 EE – 0.0579 LC

Where, R^2 = 0.1869, N = 101, AF = Access to finance, MS = Managerial skills, GS = Government support, IA = Innovation activities, EE = Educating and experience, LC = Level of corruption.

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According to linear equation mentioned above, each independent variable has varied relative association with the dependent variable.

In this way, Education and experience has the most influences with the beta of 0.2710. It is followed by managerial skills with beta of 0.0253, level of corruption with beta of –0.0579, government support with beta of –0.089, innovation activities with beta of -0.0901, and lastly access to finance with beta of –0.1721. So, the value of beta shows that the performance of SMEs can be enhanced by maximizing the education and experience of the owners of SME sectors.

SUMMARY OF FINDINGS

i. There is a significant relationship between dependent variable (SME Performance) and six independent variables.
ii. Level of corruption (Rank 1) is the most important factor that influences SMEs' performance. Out of total respondents, 51% agree on the factor.
iii. Access to finance is the second most important factor compared with other factors that influence SMEs' performance. Out of 101 respondents, 47% agreed on the factor.
iv. Government support is the third most important factor compared with other factors that influence SMEs' performance. Out of 101 respondents, 58% agreed on the factor.
v. Innovation activities are the fourth important factor compared with other factors that influence SMEs' performance. Eighty-two percent respondents either agreed or disagreed on this issue.
vi. Education and experience are the fifth important factors compared with other factors that influence SMEs performance. Out of 101 respondents, 78% either agreed or disagreed on the mater.
vii. Managerial skills are the sixth important factor compared with other factors that influence SMEs performance. Seventy percent of respondents either agreed or disagreed on the issue.

Recommendations

On the basis of the findings of the study, expert opinion, and observations and judgments of the researchers the following recommendations are forwarded:

i. Most of the entrepreneurs took loans from banks with high interest rates. So, the interest rate on SME loan should be reduced to single digits. Government may establish separate SME banks or separate SME division in the ministry of industry.
ii. Effect of level of corruption on SMEs performance of Bangladesh is the highest as it occupied rank 1 (Table-3). So, entrepreneurs should give more importance to the level of corruption. Then, they should give importance to access to finance, government support, innovation activities, education & experience, and managerial skills, respectively.
iii. Government agencies (i.e., SME foundation, BSCIC, BCSIR, department of youth development, and technical training centers of govt.) and SME owners should be proactive rather than reactive.
iv. To help SME sectors special SME friendly rules and pragmatic policies should be formulated. Tax incentives, business subsidies, provisions for start-up funds, water, gas, export benefits etc. should be given to the SME sectors.
v. The government should take prompt action against corruption as declared zero tolerance.
vi. Government agencies should provide training facilities for the SME entrepreneurs in both home and abroad.
vii. Necessary showrooms and display centers should be established in different important places which will help economic zones.
viii. Government should take initiative to provide facilities for raising funds from capital market.
ix. Government should promote PPP (public private partnership) to attract venture capital (VC) funds and create an investor friendly environment.
x. Government should purchase more goods and services from SME sectors, that is, meals for hospitals, cleaning of public buildings, and so on.
xi. Government should increase vocational training for capacity building to provide skilled manpower for the SMEs.

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xii. SMEs in Bangladesh should be made self-reliant by providing supports and imposing restrictions on imports.

LIMITATIONS AND FUTURE RESEARCH SCOPE

Every research has some limitations which should be acknowledged (i). primary data was collected only from Satkhira district of Bangladesh. (ii). only six internal factors are considered that influence SMEs' performance. There are some other factors that can also contribute to SMEs' performance including internal and external factors. (iii). lack of enough time and financial resources. (iv). this is a cross-sectional study based on one period data, a longitudinal study would provide more insights and deeper understanding of the investigated issue.

Thus, the study unlocks many opportunities for future studies to investigate about the SME sectors, considering the factors that may affect SMEs performance in Bangladesh and other developing countries including some intangible factors such as customer satisfaction, competitive position, management know-how, Latest technology, and so forth. Further study may also cover the other regions of Bangladesh.

CONCLUSION AND IMPLICATION

The performance of SME sectors determines the economic state of any country. It is considered driving force for economic growth and employment generation in Bangladesh. SMEs play a catalytic role in the national economy of Bangladesh. This study tried to explore the factors that affect SMEs performance operating in Bangladesh using data from a survey of 101 respondents of SMEs located in Satkhira district of Bangladesh. From the foregoing discussion, it can be concluded that level of corruption has the highest effect on SMEs performance then access to finance, government support, innovation activities, education & experience, and managerial skills, respectively. A major implication of the findings is that these results will be able to provide better understanding for the SME owners, new entrepreneurs, academician, policymakers, and so on. The whole world is running on the wheel of business. The SME is the key to all business. The main slogan in the business is competition. So, SMEs must compete with other businesses. In this regard some influential factors should be considered to face the challenges and sustain in the market. Entrepreneurs should continuously upgrade themselves with a view to making SMEs competitive and sustainable. For the sustainable development and measuring performance (Profit) of SMEs, the findings of the present study would be helpful. Therefore, if steps are taken in the light of the recommendations of the study, the performance of SME sectors will be enhanced and contribute more to the performance of the national economy.

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