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## **Credit Supplementations Institutions: Going Beyond Guarantee for SMEs**

### **Background**

The world has witness radical changes over a period of a century and the entire earth has been converted to a global village. Thanks to the changing dynamics of science and technology. None of the sector has remained untouched with this phenomenon and yes, trade and industry can also not remain an exception. The world has tried a numerous ways to ease the circulation of products and services crossing number of horizons and today we have entered into the WTO regime. This visibly means quality products at affordable cost from point of view of consumer while a threat of stiff competition, added cost to maintain quality, need of R&D etc. from the producer's perspective. Owing to the gravity of throat cutting competition from international companies basically from the developed nations where businesses are fortified with huge investment, scientific methodology of production and automation, the local businesses are having the tough time. Some had already made an exit while threats looms on their existence over many on the days to come. Being the financial safety net on one hand, deposit and credit guaranteeing institution necessarily need to raise the bar not only for its own survival but also for the strengthening of the financial system on the other hand. In order to enhance sustainability, develop competitive advantage and combat challenges of the small and medium enterprises (SMEs), credit supplementation institutions (CSI) should necessarily think out of the box for the forthcoming years. Being one of the acute factor of sustainability and growth of SMEs, it's high time that CSIs should think and act innovatively for the sustained and valuable development of SMEs. Its utmost duty of CSIs to understand the changing dynamics of entrepreneurs and come forward with a viable measures that can fit the new needs of such entities.

Credit supplementation Institution has played an instrumental role to the development and stability of SMEs as result of which they are here where they have never reached without the support of such institutions. As such it's high time that CSI now has to go beyond from normal guaranteeing business despite it being the core function. Threats from increasing number of banks which are providing higher clean loans to SMEs which ultimately may force CSIs from losing the potential

clients. In order to survive and act as a more radical supporter of financial institution, CSI should act proactively from providing added service to those enterprises such that win win situation may arise which ultimately may bring life and vibes to the financial sector as well.

### **Overview of Current Macroeconomic Situation of Nepal**

As per the World Economic Outlook published by IMF in April 2016, the global production growth in 2015 has been dropped to 3.1% from 3.4% of 2014. The sluggish growth of emerging economies and the developed economies contributed to the fall on growth rate. There will be marginal growth to reach at 3.2% on 2016 as projected by IMF. The developing and emerging economies of Asian countries witnessed the growth of 6.6% in 2015 which is expected to follow the same trend 2016 as well. Likewise IMF has projected the marginal growth of ASEAN economies from 4.7% in 2015 to 4.8% in 2016. As compared to 2014, except for Nepal and Maldives all the economies of South Asian countries surged in 2015 while it is expected that except for Nepal and Sri Lanka, all such economies will have increased growth rate in 2016.

The economic status of Nepal on FY 2015/16 was not much encouraging. However Nepal's overall economic activity has been encouraging in fiscal year 2016/17. Economic activities have expanded due to favorable monsoon, increase in capital expenditure, energy management, and improvement in investment environment including overall supply situation. The Nepal Development Update Report of World Bank projected that the country's economic growth to reach 7.5% in 2017 which was 3.3% and 0.4% respectively on 2015 and 2016. For 2017, the government however has the projection of 6.94% which is the highest in past two and half decades. Under the real sector, agriculture sector's contribution on 2015/16 was (0.01) which is expected to increase to 5.32% while contribution from Industry and Service was (6.45) % and 2.06% in 2015/16 which is projected to surge to 10.97% and 6.9% respectively. Similarly per capita GDP is expected to reach USD 853 by the end of FY 2016/17.

Particulars	Units	Fiscal Year			
		2013/14	2014/15	2015/16	2016/17 P
<b>1. Real Sector and Value</b>					
a. Real GDP (At Basic Prices)	Annual % Change	5.72	2.97	0.01	6.94
Agriculture	Annual % Change	4.64	1.12	(0.01)	5.32
Industry	Annual % Change	6.92	1.42	(6.45)	10.97
Service	Annual % Change	6.22	4.63	2.06	6.9
b. Per Capita GDP	US dollar	725	766	746	853
c. Gross Consumption/GDP	In %	88.10	90.80	96.2	89.7
d. Gross Domestic Saving/GDP	In %	11.90	9.20	3.80	10.30
e. Gross National Saving/GDP	In %	45.70	44.10	40.00	43.80
f. Gross Fixed Capital Formation/GDP	In %	23.50	28	28.80	33.80
g. Consumer Price Index	Annual % Change	9.10	7.20	9.90	5.9
<b>2. Monetary and Fiscal Sector</b>					
a. Narrow Money Supply (M <sub>1</sub> )	Annual % Change	17.70	19.70	18.5	14
b. Broad Money Supply(M <sub>2</sub> )	Annual % Change	19.10	19.90	19.5	16
c. Private Sector Credit	Annual % Change	18.30	19.40	23.2	20
d. Capital Market: NEPSE Index	Annual % Change	99.20	(7.20)	78.74	
<b>3. Public Finance</b>					
a. Revenues	Annual % Change	20.50	13.80	18.70	20.20
b. Total Government Expenditures	Annual % Change	21.30	22.20	13.10	55.70
c. Total Outstanding Debt	Rs in Billion	553.5	544.9	627.80	624.5
<b>4. External Sector (Foreign Trade and Payment)</b>					
a. Export (Goods)	Annual % Change	19.60	(7.30)	(17.8)	12
Export/GDP	In %	4.7	4	3.1	3
b. Import(Goods)	Annual % Change	28.3	8.40	(0.1)	25.7
Import/GDP	In %	36.4	36.4	34.4	37.4
c. Export/Import	In %	12.90	11.00	9.10	8.1
d. Trade Deficit	Annual % Change	29.70	10.80	2	27
Trade Deficit/ GDP	Annual % Change	(31.70)	(32.40)	(31.3)	(34.4)
e. Current Account Balance	Rs in Billion	89.7	108.3	140.4	(4.6)
f. Balance of Payment	Rs in Billion	127.13	145	189	51
g. Capacity of reserves to cover import of goods and services	Months	9.97	11.19	14.09	11.88

The Industrial Enterprise Act, 2016 defines SMEs as the industry having fixed capital ranging from USD 1 Million to USD 2.5 Million. Small and Medium Enterprises are the most abundant type of businesses in Nepal which has no precise definition on the country and closely resemble the cottage industry. In Nepal, SMEs accounts for more than 90% of total industrial establishments, generates more than 75% of the employment in the industrial sector and shares more than 70% in the industrial sector's contribution in the national GDP.

Most of them are associated with production of household and consumable items which are of subsistence in nature produced exclusively for the domestic market. Locally available raw materials are processed and given the form of finished goods aided by traditional tools and locally available technical know-how. Even more positive is the fact that most of the Nepalese SMEs are involved in manufacturing of handicrafts, textiles, garments, food items etc. and in travel and tourism industry, all of which generates large sum of foreign currencies in the country. The manufacturing industries produces export items while travel and tourism industries attract foreigners in Nepal. These SMEs are mostly handicraft manufacturers, handmade gift suppliers, apparel manufacturers, pashmina manufacturers, tea and coffee suppliers, agricultural product exporters, textile manufacturers, polyester yarn exporters, travel agencies, trekking agencies, Ayurvedic product suppliers, herbal product exporters, juice producers, gold jewelers, silver jewelers, carpet exporters, paper craft manufacturers and lokta (Special type of paper). Nepalese SMEs sector is also involved in production, supply and export of Nepalese tea and coffee, yak cheese, livestock, poultry and animal husbandry, lentils, woolen garments, Thanka (Artistic Buddhist Paintings) painting, metal furniture, wooden furniture, knotted carpets, notebooks, yarn, wool and thousands of other commodities. SME sector has therefore tremendous potentiality to help Nepal's economic growth enormously.

There have been different government, private and international bodies working for the benefits of SMEs in Nepal. Department of Cottage and Small Industry, Federation of Nepalese Chamber of Commerce and Industry, Industrial Enterprise Development Institute, Department of Industry, Office of Company Registrar, Export Promotion Board, World Trade Organization, Asian Development Bank, United Nations Development Program and different other INGOs have been working rigorously for the betterment of this sector. Currently Nepalese SMEs need the funding sources for enhancing production capabilities, an access to better technologies for efficient operation. Moreover, Nepalese SMEs feel the imminent need of global platform lifting all tariff and non-tariff barriers where they can promote themselves and showcase their products. They need the proper and easy marketing solutions to achieve better market exposure domestically as well as internationally. Likewise they need the robust financial system, sound insurance mechanism and the seed fund as most of the plans of youths are never materialized due to lack of seed money while many perishes due to inadequate injection of capital.

### **Common Features of SMEs in Nepal:**

SMEs of Nepal share the common characteristics of most of the developing economies. Research in Africa has shown that many of the characteristics found there are relevant in the Nepalese context as well. Some of the common features are as follows:

- SMEs are family-level enterprise set up with family savings and sometimes supported by kith and kin.
- The ownership and management is usually controlled by the same individual with powers over all decision issues of the enterprise.
- Since personal and family savings are the major sources of equity capital, credit worthiness of SMEs is low, which impedes their development.
- Managerial competence requirements are perceived as not important the enterprise relies on entrepreneurial skills and initiatives of the founder/s.
- Recruitment of staff is often carried out without a proper job analysis and a job description. Even when employees are deemed to be competent, they are rarely delegated with authority and power to decide on their own.
- The technology used is usually locally innovated, limited in capacity and efficiency with frequent breakdowns which causes high wastage.
- Most SMEs produce and cater only to the local markets and export oriented SMEs are few. Those that are export-oriented are not able to expand due to various inherent constraints like poor quality control, unable to meet timely delivery and limited production.
- Access to institutional credit for SMEs, despite provisions for the same, is limited due to individual entrepreneur's inability to contribute to equity capital and collateral security.
- Small and Medium Enterprises in Nepal are characterized by low productive capacity, use of obsolete techniques and family run businesses being inherited from fathers and forefathers.
- Lack of easy credit and a robust insurance mechanism.

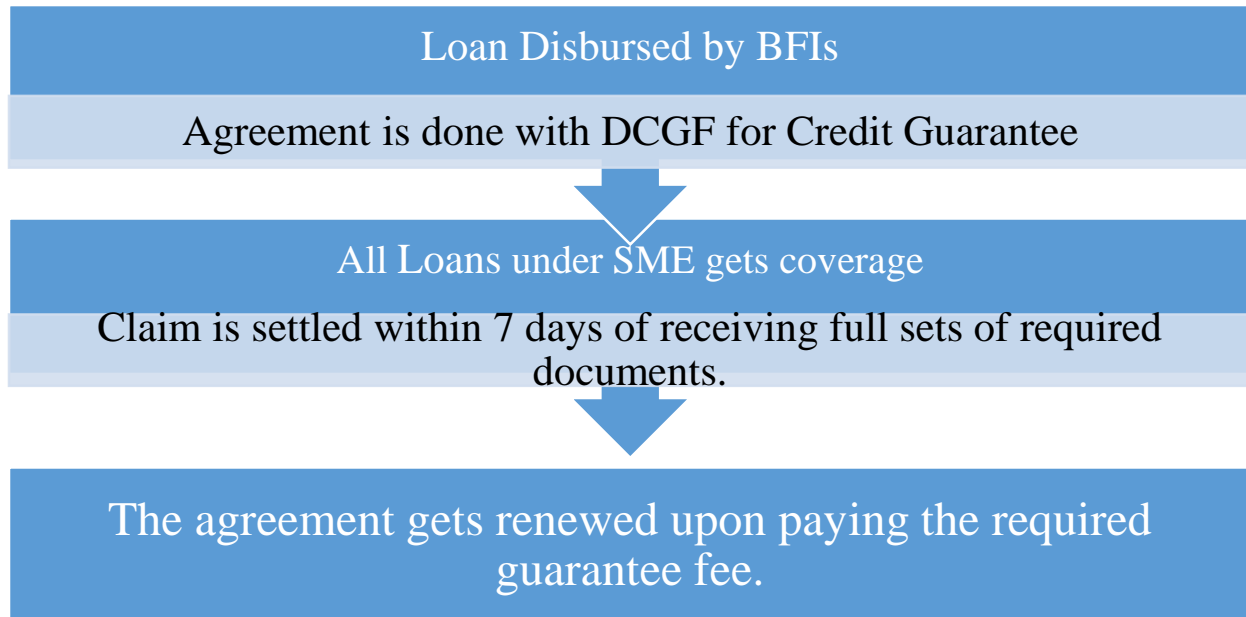
### **Snapshot of Deposit and Credit Guarantee Fund of Nepal**

- Established under Deposit and Credit Guarantee Fund Act 2016
- Account balance up to Rs. 2000,000 (USD 2,000, approx.) per individual is being guaranteed.
- Deposit Guarantee scheme came into operation since 2012.
- Currently 13.6 million deposit accounts with almost 400 billion (USD 4 Billion, approx.) amount is being guaranteed.
- The company has paid up capital of 3 Billion with total financial strength of 6 Billion.
- DCGF is guaranteeing SMEs, Live stocks, Microcredits and Agriculture Loan as well.
- Under SME, credit extended by Bank and Financial Institutions upto

### **How DCGF Functions on guarantee SMEs?**

The history of guaranteeing SMEs is not old in Nepal. DCGF is the sole guaranteeing institution for both deposit and credit of bank and financial institutions (BFIs) licensed by Nepal Rastra Bank (NRB), the central bank of the nation. There is no specification on the slab and limit of credit being flowed to be termed as SME. BFI themselves put a heading on a particular lending they make under SME and the limit varies from mere USD 5000 to as much as USD 1,000,000.00 But the

credit must be flowed to a business unit which works on the field of production and distribution of goods and services. Normally revolving line of credit like working capital credit, overdraft, term loan for investment on fixed nature assets like plant and machineries, furniture etc., demand loan etc. are offered under SME credit facility. There are BFIs who even offers credit for start-ups but it's very difficult for a small start-up of long gestation period like fruit farming, herbal plant farming etc. Bank and Financial Institutions goes through the agreement with DCGF in order to guarantee the SME loans. After the agreement, all loans falling under the bracket of SME gets insured at DCGF. This can be described from following flow chart:



Except for receiving the premium and settlement of claims, DCGF has no jurisdiction on SMEs. There is relation of Bank and DCGF where there is no real contact with the client as well except for the property and project monitoring purpose. So there is no other like technical or advisory or other kind of assistance being imparted to SMEs directly or indirectly from DCGF.

#### **Existing Policy and Legal Measures for Cottage Industries (which closely resemble SMEs of Nepal)**

1. As per the provision of Industrial Enterprise Act 1992, Nepal government can declare any business unit as cottage industry provided that the business unit is in continuous loss from last five years and in the event such units wish to expand and diversify, they are entitled rebate on the fees, dues and tax while importing machineries.
2. Industrial policy puts a special emphasis in order to revive the cottage industries.
3. Provision of refinancing the cottage industries in the event they fail to perform on the expected standard.

For the loans being guaranteed by DCGF, NRB has the policy to give relaxation on loan loss provision. That is BFI should only be provisioning 25% of the credit to be provisioned.

Interest subsidy on commercial agriculture and livestock is being provided by the Government of Nepal. Following industries which have significant role on employment generation and increase attraction of youth are eligible to get interest subsidy as provisioned by Government of Nepal:

- a. Vegetable Production, Production, Processing and Storage
- b. Production of Seeds, Processing and Storage, Sales and Distribution
- c. Floriculture
- d. Livestock Farming
- e. Ostrich, Turkey and Duck Farming, Sales and Distribution, Storage and Processing meat of the same.
- f. Pomology, Storage, Processing, Sale and Distribution of Fruits.
- g. Milk Production, Processing, Sales and Distribution
- h. Fishery, Storage, Sales and Distribution of Produced Fishes
- i. Mushroom Production, Processing, Storage, Sales and Distribution
- j. Slaughter Houses and Meat Business, Storage, Processing, Sales and Distribution of Meat
- k. Production, Processing, Sales and Distribution of Herbs
- l. Sugarcane, Coffee, Tea, Cardamom, Ginger, Turmeric, Olive Oil, Sunflower Oil, Allo and Lokta Farming, Processing, Storage, Sales and Distribution
- m. Apiary
- n. Barley, Buckwheat Production, Processing, Sales and Distribution

NRB has made it mandatory for BFIs to invest at least 20%, 15% and 10% in the productive sector which includes Agriculture, Tourism, Energy and SMEs for A Class, B Class, C & D Class financial Institutions.

Credit availed to SMEs up to USD 25,000.00 are not required to submit the financial including projected financials in order to receive credit from BFIs.

Project financing can be done for business segments like coffee, orange, tea farming long with animal husbandry. This means no additional collateral is required to get credit.

SME units may pledge cultivable land as collateral which may even do not have the motor able road access. While all the other fixed asset collateral should be touched with motor able road access in order to receive credit limit from BFIs.

## **Way Forward**

Following opinions present the contribution of SMEs in the growth of world economy and the way of making SMEs competitive and creative through promotional process. All of us here are aware about the contribution of economic development of ACSIC countries through SMEs

We all, from CSIs, are not unknown about how the CSIs of our own country makes contribution for the development of SMEs.

CSI must also take care about the contribution made by government of a country for the development of SMEs and also make guarantee the investment made on SMEs. CSI must also encourage banks and financial institutions to increase the investment for SMEs. There is no doubt that all the prosperous countries of the world are financially developed because of the development of SMEs. With changing time, its influence is clearly revealed in SMEs triggering various challenges. Overcoming such challenges to gain substantive economic growth, SMEs should move forward through competitive and creative ways. No work will be successful by single effort so SMEs also won't get its targeted goals only by the effort of investor. Investor, labors, consumers and government itself should be equally responsible for the success of SMEs. Therefore, we need to keep SMEs at top level successfully and creatively in front of competitor which helps the proper economic growth of the country.

One should be concerned whether the products of SMEs are able to satisfy needs of consumers of local as well as international market. Only production of goods is not the way of making consumers content. For this packaging, promotion, quality etc. are the crucial factors. Producer must pay due attention on such factors to sustain for their sustainability.

For the economic development of a country through SMEs, making it more creative and competitive is major task. SMEs help in the economic growth of a country for which government should pay due attention. Rebate on tax and excise duties on imports of machineries, easy availability of credit facility, collateral free loans, SME friendly venture capital policies, provision of seed money etc. play instrumental role on the development of SMEs on an economy. Not only has the production side, assistance from the government's side on distribution of the product played pivotal role. Negotiating foreign government for easy entry of products, removal of various tariff walls, minimum levy of excise duties etc. always encourages the entrepreneurs. At the same time entrepreneur should also pay due care on 4Ps (Product, Place, Price and Promotion) while dealing with the business unit. Before the establishment of SMEs, investor must pay attention in production cost. Production cost, quality of goods are equally essential to influence consumers. To gain success in SMEs, investor must pay attention in packaging, trademark and quality maintenance of produced goods.



For the success of industries only government and investor are not responsible, employee are also equally responsible. If employees do not misuse office time and work, the quality and quantity of goods will be fine. As a result, low investment high quality and quantity goods will be produced. For all these factors owner should be very conscious in working environment, recreation and payment. Awarding best employee and punishing the worst must be followed by owner time and again to encourage them. But management shouldn't make employee to feel discriminated, they are supposed to give reasonable ground for awarding and punishing. Management of the industry must be conscious about the inner and outer ecology so that workers will not be demotivated. Industry should positively message in the society so that there it can go forward continuously. For the success of the industry, workers shouldn't be negative towards it and owner also must try not to create such environment. If such situation will arise then wrong information will spread to the society and no one will consume the goods produced by SMEs. Management should always make its employees responsible and they must feel as if the industry's owner are themselves which will ensure that secret of the company will not spread outside in the market.

An industry must keep aim of satisfying consumers. If the produced goods are not liked by consumers then it won't get success. As a result the industry will bear the loss which will effect government and employee and creates unemployment. People of a country should be responsible to make SMEs as successful by the consumption of goods and services produced in a nation or society. There must be the positive arguments about the goods and services produced in the country to provide opportunities to increase the quality of produced goods and services. It finally helps to increase employment opportunities as well as helps in economic growth.

For the economic growth, SMEs should implement in a creative and competitive process. For the proper operation and success of SMEs, bank and financial institution also plays vital role. SMEs and Banks are consider as complementary to each other. In present world capitalist not only run the industries with their own investment. Though increase in productivity of a country without the establishment of industry form sole investment of capitalist, it cannot reduces the poverty level and unemployment which will impact on economic growth. In escaping with problem SMEs are established with the investment of banks and financial institutions with the guidance of intellectuals.

From the above analysis central bank must be flexible while determining the interest rate for investment for industrial sector. There must be reasonable difference in interest rate for consumption loan and investment loan for productive sector. Price for produced output from SMEs will be lower when industry gets loan in convenient and at low interest rate which increases the demand for goods in the market. It helps to be a successful industry. On contrary, price for cost of production will increase which increase the price for produced output as well as demand for goods and services reduces in the market if the interest rate charge by bank and financial institution at a higher level. Due to decrease in demand of goods and services there will be the condition of over production in the market. It finally increases the unemployment. Thus, for the successful implementation of SMEs, the indirect role of bank and financial institution is important.

Industries are not run by private investment only. In present world as there is competition of the investment by banking sector, it not only accept the private securities but also accept the projects as a securities for huge investment. Necessity of credit guarantee is increased day by day due to high risk and uncertainty in investment. It is experienced by all the member countries. The CGC was established and its importance is increasing time and again with the objective of minimizing the risk and uncertainty to be borne by bank and financial institution while providing loan as well as for the proper development of SMEs. CGC is also necessary to increase the facility of banking sector in the developing countries to graduate to the developed status. CGC must play the bridge role in connecting banks and entrepreneurs so that all the citizen and SMEs will get easy banking service. We all are familiar about the role of CGC in developed countries to enhance SMEs.

Government, society, investors, workers, banking sectors and CGC must be loyal and dutiful for the creation of creative and competitive SMEs to maintain sustainable economic growth that may help to eliminate poverty.

### **Empowering SMEs**

With advancement of science and technology, the use of modern technique of production and heavy investment has resulted the shrinkage of scope of SMEs. With Banks providing clean loans the size of enterprises are growing thereby creating hard time for SMEs. Bigger industries are producing high end products in mass scale with adoption of world class latest technology which not only enhances the production quantity but also deduces appreciable cost of production. The effect is seen on the pricing which gets competitive advantage during export. Similarly the SMEs

of domicile countries gets converted to bigger industries while SMEs of importing economies too gets terribly affected. So it's high to reconsider towards the sustainability of the SMEs on both the countries. Considering the investment made, the failure wouldn't make that much impact in the economy as long as a SME unit is concerned but if a bigger industry fails there is a chain effect on the economy. From another perspective, SMEs are the backbones of any economy as they have significant contribution on poverty reduction as well as alleviation, creating employment opportunities, capital formation and many more. The failure or the shutting down of such units have slow but appreciable effect on future.

For the sustained growth of SMEs following entities should be on special action:

1. Government
2. Entrepreneur
3. Bank and Financial Institutions
4. Credit Supplementation Institutions

#### **Government:**

Through its fiscal policy, governments around the globe gives high commitment to public on creating more employments, checking inflation, ease on availability of goods and services, improve quality of living, enhance the economic growth and ultimately enlarge the welfare of people. To achieve such commitments, investment on SMEs is the crucial one. For this policy of the government should be protectionist, supportive and proactive. Following measures may support for initiation, retention and growth of SMEs in any economy:

- Levying low tax rate.
- Exploring and creating markets for products of SMEs
- Making arrangements for easy access to raw materials.
- Making arrangements for easy credit availability for working capital requirements.
- Exempting on taxes for import of raw materials, plants and machineries as well as export of finished or semi-finished goods.
- Adequate development of infrastructures for the growth and expansion of SMEs.
- Political consensus for the growth and development of SMEs.
- Arrangement of investment friendly environment in the country.

**Entrepreneur or Investor:**

The success of any SME unit lies on the approach and commitment of the Investor. The investor should make appropriate market study and survey before production and should invest on such products which have high demand on the society. Psychological behavior of the society must not be undermined before making an investment. Depending upon the digestion of the product by the market business decisions should be made accordingly. Providing competent wages and perks to the employees, creating healthy working environment, maintaining sound relationship with the suppliers as well as the retailers or the consumers should be the mantra of an ideal investor. Changing dynamics of the society, changing attitude, taste, preference and habit of the consumers should be analyzed time to time by means of market survey or field research. Likewise close eye should be kept on the competitors and their moves, the financials of the unit, attitude of the employers to the company and SWOT analysis should be done in order to sustain in the market. A vibrant, farsighted and rational investor always finds a second way out in case of crisis, conflicts and gradual fall on sales. Such preparedness works for the sustainability of the business unit.

**Bank and Financial Institutions (BFIs):**

One liability side public or retail deposit is considered as the safest deposit of the Banks while on assets side investment on SME is considered as the safest assets as the risk associated with the investment on the is nominal. Not only from the risk perspective, the credits on SMEs helps to enlarge the customer base, helps to attain the national objective and even helps to get numerous benefits from the state on doing so. Hence, BFIs are always focused and enthusiastic on investment on the SMEs. But it's a grave issue that the interest charge on SMEs is far higher than the industrial loans offered to high value customer. Interest is the price paid in lieu of risk. However the same is just opposite for SMEs. Bank should adopt the favoritism policy to bank and should necessarily provide cheaper credit facilities if they really wish to see the growth and stability of the SMEs. This not only help to enlarge the assets base of the bank also but also have multiple effects on the economy. A well-developed economy always supports SMEs by all means but most of the

developing economies are reluctant to provide cheaper and easy credit supply to such units. Similarly, Banks are not only the investors but also the mentors and supporters of the individual SME unit. So bank should employ the capable employees foreseeing the responsibility they have for the bank and the nation as a whole.

### **Credit Guarantee/Supplementation Institutions:**

CGI/CSI are normally in the policy making level. They do have direct access to the government. As a result of which such institution should make proactive move while formulating the policies. A small dilution on policies gravely affects the SME business. So CSI may end up losing the potential business. Likewise liaising for the easy entry of raw materials, easy import and export mechanism for the common benefits of SMEs should be their top priority. Likewise reduction on operation cost helps for competitive pricing of the product. CSI should work to reduce or exempt various direct and indirect taxes, non-tax fees etc. for the reduction of production cost of SMEs. Likewise CSI should work in close co-ordination with central bank and the government particularly with the line ministries for the stability of SMEs.

To sum up the above discussions can be streamlined as follows:

#### **1. For immature CSIs (Developing Economies)**

A report by Nepal Rastra Bank (NRB), the central bank of Nepal revealed that only 2.6% of the total credit disbursements of commercial bank has gone to SMEs as of Mid-November 2016 which means SME sector only received USD 298 million of credit out of USD 13 billion credit being availed by the commercial banks. Small and Medium Enterprises in Nepal are characterized by low productive capacity, use of obsolete techniques and family run businesses being inherited from fathers and forefathers. So these two are mutually co-existing facts and are the major bottlenecks for the expansion of SME unit in the country. Following are some of the measures that CSIs can arrange in order to enhance its guarantee portfolio along with sustainability of SMEs in the country:

- Provision of adequate legal authority to support and guide the SME units to be provided to CSIs.
- Working in close co-ordination and collaboration with the central bank and the member institutions (BFIs).
- Organize regular brainstorming sessions in order to understand the ground reality and make plans accordingly.

- Arrangement of training facility to encourage more youths attracted to initiate their own SME venture.
- Bridge gapping the distance between the government and the entrepreneurs in order to explore the possibilities.
- CSIs should liaise with line ministries in order to get the produces sold at the international market. Quality maintenance, outlook, finishing technique etc. should be taught with the use of quality manpower.
- One window policy for registration, renewal, export, import etc. which are major pre and post production functions of SME units should be there and CSIs should work on it in order to attract the attention of the government.
- The government like ours is equally serious on enhancing the entrepreneurial strength of the youth where CSI can be a very good helping hand.
- Institutional, structural and human resource capacity of CSIs should be enhanced to embrace the growing challenges.

## **2. For matured CSIs**

Following measures may help the CSI with strong SME unit in the country:

- Make SMEs aware that there is a helping hand in the backyard
- Easy claim settlements and gaining more confidence.
- Review the existing human and other resources to cope with changing dynamics of entrepreneurial world.
- Arrangement of technical and theoretical knowledge to such units in order to make them aware of changing environment of the business world.
- Regular discussions and interactions to open up their issues. This will help them heard at one end while help to analyze the changing basics of SMEs.
- Arrangement of the favorable market, do market research for them and extend the ideas which best suits them as CSIs understands the functioning of the SMEs the most.
- Learn ideas from the fellow CSIs and adopt the best practices happening in the world right now.
- Work with close co-ordination with banks such that the win win situation can be achieved without undermining the core objectives of one another.

## **Summary**

- While the developed world is dreaming about the future of SMEs, we at the developing nations are fighting hard for the growth, foster and revival of SMEs. The government is on the venture not to leave any stone unturned, though the expected result has never rejuvenated. With the frequent change on policy frameworks, the country is witnessing the turmoil on growth of SMEs. Weak infrastructure set up, lack of persistent and

proactive moderators between the government and the private sector, the efforts to grow entrepreneurs is going on vain. CSIs like ours is on the verge of getting huge responsibility, as we foresee, as we can be the potential triggering factors for the development of the SMEs in the country.