Problems in funding SMEs in Bangladesh: An empirical study on Chittagong metropolitan area

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Abstract
Problems in funding SMEs are a common phenomenon of academicians, experts and government. Though, SMEs are furnishing to the economy in development but they are originated most helpless to the micro and macro-economic crises. Consequently, they fall into funding problems. The study has used both financial and statistical tools for evaluating the data gathered for the research. The study has recognized various probable problems of SMEs in obtaining funds from banks and financial institutions such as asset based collateral and high cost structure of fund, unavailability of fund without guarantee, sources of capital constraints, and poor credit management. On the contrary, prospective entrepreneurs are also not that eager in raising capital from banks due to some procedural hazards like complex application procedure, high collateral, high interest rates, more time consuming which make the need of obtaining bank loans ineffective. This study identified some major hindrances that both the SMEs and banks face in obtaining and granting loan, respectively. Finally, findings offered some proposals to develop the situation in Bangladesh.

Keyword SMEs, Collateral, Capital constraints, Structure of fund, Institutional loan

Paper type Research paper

1. Introduction
There is an emergent worldwide recognition that Small and Medium Enterprises (SMEs) have been able to draw significant attraction due to their better resource-use competence, ability to create employment, technical novelty, advancing inter-sectional relationships, stimulating exports and raising entrepreneurial talents. In built-up economies, SMEs are functioning as shore up to the huge business. In rising economies, it functions as the locomotive to eventually build big business.

The importance of SMEs has been accentuated in the Industrial Policy-2010 by the Government of Bangladesh. The Government identifies SMEs as a

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means of developing the growth of an economy, poverty alleviation and standard of life of the mass people. The Ministry of Industries has acknowledged SMEs as a 'thrust sector'. Since, the SMEs sector is labor-based, it can produce additional employment opportunity. Hence, Bangladesh government has approved SMEs as poverty mitigation means. SMEs promote the growth of entrepreneurial ability and improvement. SMEs not only aid in poverty alleviation but also minimize the urban relocation and improve income in rural region. Accordingly it will augment the living standard of rural people. Besides these, SMEs are doing an important job for the expansion of our economy by supporting industrialization process, generating revenue, and manufacturing equipment in order to save enormous foreign currency for Bangladesh. Therefore, as an aspect of our development approach, we should strengthen our efforts so that this area can be expanded to raise industrial base. At present, since due importance is being given to SMEs, it is expected that Bangladesh will soon achieve the Millennium Development Goals (MDGs) for example abolition of intense poverty, sustainable industrial growth and growing a worldwide business partnership.

Table 1: SMEs contribution in Bangladesh economy

Aspects	Role of SMEs (%)
National Gross Domestic Product	25
Gross manufacturing output	40
Industrial Jobs	85
Total labor force	25
Total exporting earning	89
Percent of business	Over 95
Absorbed industrial workers	70 to 80

Source: http://beioa.org.bd

But this sector is facing difficulty in raising long term as well as short term loan from banks, as banks are not really enthusiastic to grant loan for extended supervision cost. On the contrary, prospective entrepreneurs are also not that eager in raising capital from banks due to some procedural hazards like complex lengthy application *procedure*, high collateral, high interest rates etc. This research has attempted to identify, the principal hindrances that both the SMEs and banks face in obtaining and granting loan, respectively.

2. Literature review

Ahmed (2006) found that most of the owners of SMEs encounter troubles once they need loans from bank. Indeed, SMEs financing has been documented by professionals as one of the leading obstacles in Bangladesh. Mahmud (2006) identified that only around 10% of SMEs finance comes from bank, while 76.5 % of fixed capital and 51.8% of working capital comes from self-financing. A World Bank survey (2002) stated that lack of access to financing is one of the major hindrances to growth in Bangladesh's SMEs. Rosen (2003) revealed that in many developing countries SMEs structure the maximum portion of the employment foundation and, in fact, are the base of the local private sector. But their role in development is vulnerable because of insufficient access to financing from banks. Akterujjaman (2010) retrieving to Annual Review Report of International Finance Corporation, expressed that one of the major barriers to the growth of private firms is inadequate access to finance. This is particularly applicable for SMEs that have insignificant role in policy restructuring. Hossain (1998) argued that the most important obstacle to SMEs is the limited access to finance to manage the business. Almost all the businesses started using informal sources of finance while formal sources come after that. Ahmed (2006) and Ahmed and Chowdhury (2009) found that accessibility of finance is the basic obstacle to construction and development of SMEs in Bangladesh. Banks have an aversion to lending SMEs as they do not consideritas a lucrative undertaking. SMEs are generally considered as high risk borrowers for their low capitalization, unsatisfactory assets and incapability to adhere to additional securities of the banks. Cost of monitoring and supervising SME operation is also higher. Referring to MIDAS (2004), Islam and Miajee (2018) mentions a study of MIDAS that sources of SMEs finance are prominently friends and family. To be particular, SMEs get 41% loan from unofficial sources, 20% from relatives who do not charge interest, 4% from relatives who charge interest, 17% from non govt. organization, and 18% from banking institutions.

Ahmed and Chowdhury (2009) mentioned that only about 15-20% of the SMEs owners own any fixed assets. Accordingly, banks routinely reject the rest of the SMEs from the list of advantaged customers. However, additional securities that SMEs can manage get exhausted in affording the term loan leaving them to look for working capital loans from banks. On account of lack of easy access to formal sources SMEs depend on ineffective financing services from non-institutional sources. So, the methods to obtain institutional loans need to be made easier for the entrepreneurs.

Based on the above review, it can be argued that the existing studies individually did not extensively identify the problems in funding SMEs in Bangladesh. Considering this, the present study has attempted to identify the problems that both the SMEs and the banks face in obtaining and granting loan, respectively. The study also provides some suggestions based on the findings.

3. Objectives of the study

The primary motive of the study is to appraise the drawbacks in funding SMEs in Bangladesh. To achieve the primary objective, the study puts the subsequent definite objectives:

a) To make out the problems associated with the fund management of sample SMEs
b) To identify the problems associated with the fund management of sample Banks
c) To recommend some policy measures to overcome existing problems

4. Methodology of the study

To collect primary data 115 SME enterprises and 42 banks have been selected randomly from Chittagong metropolitan area. Chittagong district was chosen because research region as researcher's working station is Chittagong. The sample site was determined on the basis of standardized random sample formula developed by Yamane (1994). Then researcher has allocated 115 sampling units against the 11 SME sectors identified in the industrial policy 2005 on the basis of weight of their existing units. The researcher has tried to conduct interview of chief executives of these sample SMEs personally and was able to conduct interview of 40 chief executives on the basis of pre-structured questionnaire (close-ended and open-ended).On the other hand, the researcher has been able to conduct interview of 30 higher level executives heading financial activities of sample banks. The factor variables for the study are lack of coordination short loan cycle, unavailability of funds on time, lack of long term funds from banks, lack of funds without guarantee, higher cost of funding from SMEs perspective and factor of systematic and information asymmetry, factor of entrepreneurial properties, exposure of diversified SME business to new market, inefficient use of funds, poor credit management, sources of capital constraints, factor of resource constraints from bank perspective. Statistical techniques used in the study are frequencies and percentages, mean, Karl Pearson's coefficient of correlation, and multivariate techniques-Varimax Rotated Factor Analysis. Computer software-SPSS 20 is used to evaluate the collected data.

Empirical strategy
Fruchter (1967), factor analysis is a statistical technique applied to explain variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called factors. Dillion and Goldstein (1986) explained that *factor analysis* is a method that is applied to decrease a huge number of variables into small number of *factors*. In this research, principal components varimax rotated technique of factor analysis has been applied.

This technique simplifies additional variance that the loadings attained from different methods of factoring. An algorithm can be applied to detect the group association by establishing correlation among the input variables. After that the numbers of principal components that remain in the study have been decided based on Kaiser (1958) criterion of Eigen value ≥ 1. Principal components having greater dependability coefficients are more dependable in the sense that the corresponding factors can be further replicated in other related studies. Then communality, denoted by h^2 is solved that explains how much of each variable is accounted for by the underlying factors altogether. In that case, factor scores have been created on the basis of weighted average of principal factor loadings and average of respective variables which are then integrated into the concerned group. Ranking of each factor has been given based on derived scores.

5. Data analysis and findings
Identification of problems associated with fund management: The study has identified 13 and 20 potential problems being faced by 40 sample SMEs and 30 sample banks respectively. The researcher has collected opinions of sample SMEs and Banks regarding problems on five point Likert scales (5-strongly agree, 4-agree, 3-nuetral, 2-disagree, and 1-strongly disagree). The data have been examined by applying Varimax Rotated Factor Analytical Approach.

5.1 Analysis of factor variables on magnitudes of mean score
The study classifies variables with a score of 3.5 & above as most significant, variables with 3 to 3.49 as significant and variables with less than 3 as least significant.

Table 2: Ranking of problems being faced by the SMEs on mean score

Rank		Problems	Mean Score
most significant	x_1	longer loan processing time	3.95
	x_2	high processing or transaction cost	3.60
	x_4	inadequate allocation of fund	3.70
	x_5	only working capital or short term fund	3.93
	x_6	shortage of long term fund	3.85
	x_7	high interest rate	3.80
	x_{10}	keeping fixed asset as collateral	3.58
	x_3	high supervision fees	3.03
significant	x_8	lack of coordination among lending agencies	3.05
	x_9	third party security is absent	3.30
	x_{11}	repayment of credit within a very short period	3.48
least significant	x_{12}	less access to institutional financing	2.78
	x_{13}	more dependency on informal sources	2.40

Table 3: Ranking of problems being faced by the banks on mean score

Rank		Problems	Mean Score
most significant	x_1	borrowers do not maintain financial statements	3.70
	x_3	absence of comprehensive guidelines for controlling their business	3.67
	x_4	lack of modern technology	3.57
	x_{11}	lack of appropriate legal framework for enforcing quick recovery	3.77
significant	x_2	inefficient administration of enterprise	3.37
	x_5	frequent changes in business operation	3.10
	x_7	lack of experience (training/business) in the business field	3.23
	x_8	lack of experienced technicians and employees	3.33
	x_9	lack of sufficient collateral effort	3.43
	x_{10}	lack of marketing efforts and exploring new market	3.37
	x_{12}	lack of basic/planned infrastructure	3.03
	x_{13}	lack of entrepreneurial skills	3.23
	x_{15}	limited capital base of the enterprise	3.37
	x_{16}	diversification of funds for non-productive purpose	3.37
	x_{17}	moral hazard	3.13
	x_{20}	limited use of information technology	3.47
least significant	x_6	lack of appropriate information regarding borrowers business	2.93
	x_{14}	more amount of classified loan	2.97
	x_{18}	political interference	2.97
	x_{19}	high employee turnover	2.97

5.2 Analysis of correlation matrix

The correlation matrix (Annexure Tables 1 & 4) has shown that variables under study have been found vital association at diverse levels of significance (1% to 10%). Interestingly, in case of SMEs, More

Dependency on Informal Sources and in case of banks, Limited Use of Information Technology is found lone variable significantly disassociated with the rest of the variables under study. These associations between variables lastly guide to the creation of diverse factors.

5.3 Principal component analysis

From the Principal Component and Varimax Rotation Factor analysis of SMEs and Banks (Annexure Table 2 & 3; 5 & 6) it has been shown that an evaluation of Eigen values has directed to the conservation of five and seven factors respectively. The total variances accounted for by all five and seven factors are 75.04% and 77.94% respectively and the remaining variation is clarified by other factors.

5.4 Factor analysis (SMEs)

The factor analysis (Annexure Table 3) has revealed that variables under study have constituted five factors where the variable with factor loading of 0.50 and beyond has been summarized for addition into the factors.

Factor 1: lack of coordination short loan cycle

Factor-01 explains 26.363 % of the total diversities accessible in the variable set. The factor incorporates variables-X3, X8, X11. It has important factor loadings on the variables that have created this major group concerning liquidity constraints variables. So, this factor offers a base for formulation of an aspect that can be acknowledged as lack of coordination short loan cycle.

Factor 2: unavailability of funds on time

Factor-02 explains 15.522% of the total dissimilarities subsisting in the variable set. The factor encompasses variables-X1, X2. X13. The factor has also substantial factors loading on the variables that twisted second significant group regarding longer loan processing time, high transaction cost, and more dependency on informal sources. Hence, it has offered a phase of conceptualizing variability in prices and operating cash flows, which may be identified as unavailability of funds on time.

Factor 3: lack of long term funds from banks

Factor-03 explains 14.115 % of the total discrepancies presented in the variable set. The factor comprises variables-X5, X10, and X12. It has significant factor loadings on the variables that have produced a third vital group with regard to less access of SME enterprises to long term funds from banks under study. Thus, this factor has made available an origin for conceptualization of a facet that can be recognized as lack of long term funds from banks.

Factor 4: lack of funds without guarantee
Factor-04 explains 10.782 % of the overall deviations accessible in the variable set. The factor encompasses variables-X4 and X9. It has noteworthy factor loadings on the variables that have created a fourth significant group with reference to inadequate allocation of funds for SMEs. Therefore, this factor has offered a foundation for formulation of a face that can be labeled as lack of funds without guarantee.

Factor 5: higher cost of funding
Factor-05 explains 8.259 % of the total variants on hand in the variable set. The factor contains variables-X6 and X7. It has significant factor loadings on the variables that have fashioned a fifth principal group with respect to higher cost of funding resulting shortage of long term funds for SMEs. Consequently, it has endowed with a root for formulation of a phase, which can be entitled as higher cost of funding.

Ranking of factors: fund management problems facing the SMEs

The rankings attained based on the average score of factors are exposed in Table 4

Table 4: Ranking of factors: Fund management problems facing the SMEs

Factor	Name of the Factor	Weighted Score	Ranking
1.	lack of coordination short loan cycle	2.0696	3rd
2.	unavailability of funds on time	1.3381	4rth
3.	lack of long term funds from banks	-1.4892	5th
4.	lack of funds without guarantee	2.4803	2nd
5.	higher cost of funding	2.6193	1st

Source: Data has been assembled by the researcher

The above Table shows that higher cost of funding is the most important factor that has exposed poor long term fund management in managing higher cost of funding. The second most important factor is lack of funds without guarantee. The factor is considered to be rendering fund management of sample SMEs fragile. The third important factor is the lack of coordination short loan cycle. The factor bears the testimony that sample SMEs are suffering from problems in funding arising out of lack of coordination among lending agencies and repayment of credit within a very short period. This has caused an acute liquidity problem of sample SMEs.

5.5 Factor analysis (Banks)
The factor analysis (Annexure Table 6) has revealed that variables under study have constituted seven factors where the variable with factor loading of 0.50 and beyond has been specified for enclosure into the factors.

Factor 1: factor of systematic and information asymmetry
Factor-01 explains 29.642 % of the total deviations presented in the variable set. The factor embraces variables-X1, X2, X3, X4, X6 and X8. It has significant factor loadings on the variables that have created this key huddle regarding absence of comprehensive guidelines for Controlling their Business. Accordingly, this factor makes available a source for conceptualization of an expression that can be documented as factor of systematic and information asymmetry.

Factor 2: factor of entrepreneurial properties
Factor-02 elucidates 11.613% of the total discrepancies obtainable in the variable set. The factor consists of variables-X7, X9 and X13. It has also striking factors loading on the variables that twisted second foremost group concerning lack of experience in the business field, lack of sufficient collateral effort and lack of entrepreneurial skills. Hence, this has afforded a base for conceptualizing of a facet, which may be known as factor of entrepreneurial properties.

Factor 3: exposure of diversified SME business to new market
Factor-03 simplifies 10.964% of the overall disparities presented in the variable set. The factor consists of variables-X5 and X10. It has momentous factor loadings on the variables that have fashioned a third crucial group regarding less access of SME enterprises to new market under study. Hence, it has offered a core for conceptualizing of an aspect that can be entitled as exposure of diversified SME business to new market.

Factor 4: inefficient use of funds
Factor 4 explains 08.215% of the overall disparities accessible in the variable set. The factor incorporates variables-X16, X17 and X18. It has important factor loadings on the variables that have produced a fourth crucial group concerning inefficient use of funds for SMEs. Thus, this factor has supplied a foundation for conceptualizing of a phase, which can be acknowledged as inefficient use of funds.

Factor 5: poor credit management
Factor-05 explains 6.467% of the total variants readily available in the variable set. The factor consists of variables-X11 and X14. It has significant factor loadings on the variables that have twisted a fifth vital huddle respecting poor credit management resulting more amount of classified loan for SMEs. Therefore, this factor has granted a root for conceptualizing of an aspect that can be recognized as poor credit management.

Factor 6: sources of capital constraints
Factor 6 explains 5.915% of the total dissimilarities on hand in the variable set. The factor comprises variables-X15 and X20. It has significant factor loadings on the variables that have shaped a sixth significant cluster with reference to limited capital base resulting sources of capital constraints for SMEs. Thus, the factor has presented a reason for conceptualizing of a facet that can be labeled as sources of capital constraints.

Factor 7: factor of resource constraints
Factor 7 makes clear 5.213% of the overall deviations presented in the variable set. The factor contains variables-X12 and X19. It has noteworthy factor loadings on the variables that have shaped an essential huddle pertaining to lack of planned infrastructure in salary and wages etc. resulting high employee turnover for SMEs. As a result, this factor has endowed with an origin for conceptualizing of a facet that can be termed as resource constraints.

Ranking of factors: fund management problems facing the Banks

The rankings attained based on the average score of factors are revealed in the subsequent Table 5

Table 5: Ranking of factors: Fund management problems facing the Banks

Factor	Name of the Factor	Weighted Score	Ranking
1	factor of systematic and information asymmetry	.8660	6th
2	factor of entrepreneurial properties	1.2590	5th
3	exposure of diversified SME business to new market	2.3636	2nd
4	inefficient use of funds	1.6886	4rth
5	poor credit management	2.3023	3rd
6	sources of capital constraints	2.3918	1st
7	factor of resource constraints	-1.6122	7th

Source: Data has been assembled by the researcher

The above Table shows that sources of capital constraints is the most important factor that has exposed poor capital base and limited use of information technology of SMEs causing sources of capital constraints for banks. This has really reflected the actual picture of poor capital management of sample SME enterprises. The second most important factor is exposure of diversified SME business to new market. This factor is considered to be execution fund management of sample banks insubstantial. The third important factor is poor credit management. This factor bears the evidence that sample banks are suffering from problems in funding SMEs arising out of lack of appropriate legal framework for enforcing quick recovery and more amount of classified loan. This has caused a severe liquidity problem of sample banks.

6. Policy recommendations

6.1 Policy recommendations for sample SMEs in managing funds

a) SMEs should follow "trade off" approach to financing capital in order to minimize cost of funding and maximize profitability and productivity.
b) SMEs should prepare cash budget that can guide them in managing funds well ahead of deficit and surplus.
c) In order to get rid of time consuming problem of getting institutional loan, SMEs should decide funding needs on the basis of cash flow forecast.
d) They should maintain better liquidity and operating performance for easy obtaining of long term funds from banks and other financial institutions.
e) SME enterprises should have proper financial planning and according to plan they should undertake financing and investment program.
f) They should appoint professional and personnel with experience in financial management.
g) They need to build up foreseeing methods that integrate intellect from all pertinent business sectors such as production, distribution, marketing and sales.
h) SME enterprises should prepare fund management policy manuals such as inventory manuals, purchase manuals and budget manuals.
i) They should have functional policy like cash policy, loan policy and production policy.
j) SMEs should maintain better relationship with the supplier of goods that enables them to have more spontaneous credit.

6.2 Policy recommendations for sample Banks in providing funds

a) Instead of fixed asset ownership, bank should establish deposit relationship and cash flow ownership as the criterion for credit worthiness.
b) Fund must be ready obtainable through encouragement for setting up "Venture Capital" association in Bangladesh.
c) Capital must be supplied at market cost of capital only.
d) A segregate financing establishment could be developed, with combined ownership of the public and private sector for the development of SMEs sector in particular.
e) The process of sponsor organization or banks for loan facilities to SMEs through National Development Financing Institutions may be assessed and provisions may be verified to make international funding more reachable to SMEs in the country.
f) IDB may come onward to support the financial institutions in lessening the limitations faced by SMEs, mostly the entrance to credit and capability building.
g) Banks should establish low document loan program.
h) Instant participation loan can be made from a pool of public funds and private loans.
i) Defined amount of guaranteed loan can be made with the assurance of repayment in case the borrower defaults.
j) A separate bank for women entrepreneurs can be established.

7. Conclusion

SMEs have been performing a decisive task in advancing the economic development as well as industrial development globally. But financing SMEs remains a foremost obstruction to SME development. This study has tried to discover the fundamental problems in funding SMEs from both the banks' and SMEs' viewpoint. At this point, the strategies & policies recommended by the present study may be of enormous attention to the stakeholders of SMEs in the sense that if given proper direction, this sector will accentuate the growth of economy of the country.

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Appendices

Interview Guides/Questionnaire for SMEs
Do you face difficulties in obtaining institutional loans? If yes, please put your opinions on five point Likert scales as follows:

Difficulties faced by SMEs	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Longer loan processing time					
High processing/transaction cost					
High Supervision fees					
Inadequate allocation of fund					
Only working capital or Short term fund					
Shortage of long term credit					
High interest rate					
Lack of coordination among lending agencies					
Third Party Security is must					
Keeping fixed asset as collateral					
Repayment of credit within a very short period					
Less access to institutional financing					
More dependency on informal sources					

Interview Guides/Questionnaire for Banks
Do you face difficulties in lending loans? If yes, please put your opinions on five point Likert Scales as follows:

Difficulties faced by lenders	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Borrowers do not maintain financial statements					
Inefficient management of the enterprise					
Absence of comprehensive guidelines for controlling their business					
Lack of modern technology					
Frequent changes in business operation					
Lack of appropriate information regarding borrowers business					
Lack of experience (training/business exposure) in the business field					
Lack of skilled technicians and workers					
Lack of sufficient collateral effort					
Lack of marketing effort and exploring new markets					
Lack of appropriate legal framework for enforcing quick recovery					
Lack of basic/planned infrastructure					
Lack of entrepreneurial skills					
More amount of classified loan					
Limited capital base of the enterprise					
Diversification of funds for non-productive purpose					
Moral hazard					
Political interference					
High employee turnover					
Limited use of information technology					

Annexure Table 1: Zero-Order Correlation Matrix: Problems facing the SMEs in Funding

	x_1	x_2	x_3	x_4	x_5	x_6	x_7	x_8	x_9	x_{10}	x_{11}	x_{12}	x_{13}
x_1	1.000												
x_2	.610*	1.000											
x_3	224***	.646*	1.000										
x_4	.063	.027	.356**	1.000									
x_5	.188	.328**	.359**	.491*	1.000								
x_6	244***	.182	.075	.070	.240**	1.000							
x_7	-.104	.366**	.303**	.059	.297**	.442*	1.000						
x_8	-.061	.248***	.505**	.012	.050	.107	.448*	1.000					
x_9	227***	-.177	.017	.468*	.023	.022	-.337**	-.144	1.000				
x_{10}	-.064	.033	.034	.279**	.491*	.039	.100	-.077	.031	1.000			
x_{11}	.066	.234***	.557*	.166	.283**	.023	105	.467*	.036	.002	1.000		
x_{12}	.376*	.333**	.209***	-.132	-.151	.162	.065	.380*	.169	-.278**	.290**	1.000	
x_{13}	.350**	.256***	.286***	.229***	.250**	.163	-.018	.186	.096	-.004	.205	.364**	1.000

Source: Annual Reports 2009-2013

Notes a) Data have been compiled by Researcher

b) Analytical Mode: SPSS 20

c) * Correlation is significant at the 1% level

** Correlation is significant at the 5% level

*** Correlation is significant at the 10% level

Annexure Table 2: Statement of Eigen Values, Percentage of Variance, and Squired Loadings

Component	Initial Eigen values			Extraction Sums of Squired Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.427	26.363	26.363	3.427	26.363	26.363
2	2.018	15.522	41.885	2.018	15.522	41.885
3	1.835	14.115	55.999	1.835	14.115	55.999
4	1.402	10.782	66.781	1.402	10.782	66.781
5	1.074	8.259	75.040	1.074	8.259	75.040
6	.788	6.064	81.104			
7	.662	5.095	86.199			
8	.588	4.520	90.719			
9	.368	2.827	93.546			
10	.307	2.362	95.908			
11	.232	1.783	97.691			
12	.213	1.638	99.329			
13	.087	.671	100.000			

Source: Annual Reports 2009-2013

Notes: a) Data have been compiled by Researcher
b) Analytical Mode: SPSS 20
c) Extraction Method: Principal Component Analysis

Annexure Table 3: Rotated Factor Matrix and Communalities (SMEs)

	Columns=Factor Loadings; Rows=Variables				
					Component
	1	2	3	4	5
X1		.913			
X2		.790			
X3	.767				
X4				.623	
X5			.786		
X6					.882
X7					.728
X8	.809				
X9				.885	
X10			.756		
X11	.794				
X12			-.572		
X13		.496			
R2	26.363	15.522	14.115	10.782	8.259

Notes: a) Data have been compiled by Researcher
b) Analytical Mode: SPSS 20
c) Extraction Method: Principal Component Analysis
d) Rotation Method: Varimax with Kaiser Normalization
e) Rotation Converged in 6 iterations

Annexure Table 4: Zero-Order Correlation Matrix: Problems facing the Banks in Funding

	x_1	x_2	x_3	x_4	x_5	x_6	x_7	x_8	x_9	x_{10}	x_{11}	x_{12}	x_{13}	x_{14}	x_{15}	x_{16}	x_{17}	x_{18}	x_{19}	x_{20}
x_1	1.000																			
x_2	.464*	1.000																		
x_3	.625*	.535	1.000																	
x_4	.395*	.617*	.514*	1.000																
x_5	.473*	.632*	.412**	.410**	1.000															
x_6	.518*	.478*	.472*	.412**	.432*	1.000														
x_7	.381**	.516*	.385**	.166	.435*	.296***	1.000													
x_8	.287**	.564*	.338**	.456**	.325**	.433*	.404**	1.000												
x_9	.394	382**	.369**	.048	.382**	.232	.430*	.333**	1.000											
x_{10}	.229	.476*	.232	.308**	.588*	.320**	.313**	.213	.273***	1.000										
x_{11}	.365**	.471*	.217	.381	.404**	.243***	.425**	.329**	.046	.240	1.000									
x_{12}	.199	.040	.040	.210	.209	.173	.218	-.068	-.041	.102	.421**	1.000								
x_{13}	.405**	.548*	.169	.183	.389**	.343**	.666*	418**	.031***	.395**	.574*	.071	1.000							
x_{14}	.138	.241***	-.063	.177	-.089	.175	.322**	.196	-.025	.016	.452*	.191	.406**	1.000						
x_{15}	.131	.281***	.284**	.361**	.145	.271**	.316**	.161	.202	.045	.097	.147	.230	.149	1.000					
x_{16}	-.440*	.187	.258**	-.071	.383**	.540*	.271***	.125	.341**	.215	.123	.239	145	.164	-.105	1.000				
x_{17}	.008	.299***	.066	-.011	.128	.152	.068	079	.294***	.436*	.179	-.005	.211	.317**	-.031	.383**	1.000			
x_{18}	.440*	.045	.269***	-.214	.287***	.227	.006	-.143	.440	.201	.038	.001	.145	049	-.088	.433*	.378**	1.000		
x_{19}	-.009	.098	.204	.165	.076	.338**	-.260***	.116	.118	.012	-.055	-.289***	-.023	-.227	.018	-.061	.195	.231	1.000	
x_{20}	.097	.213	.141	.444*	-.092	.251***	-.110	.197	-.039	.280***	-.082	-.200	.218	.215	.403**	.362**	.208	.061	.422**	1000

Source: Annual Reports 2009-2013

Notes a) Data have been compiled by Researcher

b) Analytical Mode: SPSS 20

c) * Correlation is significant at the 1% level

** Correlation is significant at the 5% level

*** Correlation is significant at the 10% level

Annexure Table 5: Statement of Eigen Values, Percentage of Variance, and Squired Loadings

Component	Initial Eigen values			Extraction Sums of Squired Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.928	29.642	29.642	5.928	29.642	29.642
2	2.323	11.613	41.255	2.323	11.613	41.255
3	2.193	10.964	52.219	2.193	10.964	52.219
4	1.643	8.215	60.434	1.643	8.215	60.434
5	1.293	6.467	66.901	1.293	6.467	66.901
6	1.183	5.915	72.816	1.183	5.915	72.816
7	1.025	5.123	77.939	1.025	5.123	77.939
8	.857	4.287	82.226			
9	.720	3.599	85.825			
10	.686	3,431	89.255			
11	.499	2.497	91.753			
12	.416	2.081	93.833			
13	.288	1.438	95.272			
14	.274	1.369	96.640			
15	. 216	1.080	97.721			
16	.181	.903	98.623			
17	.117	.583	99.206			
18	.076	.380	99.586			
19	.059	.295	99.882			
20	.024	.118	100.000			

Source: Annual Reports 2009-2013

Notes: a) Data have been compiled by Researcher

b) Analytical Mode: SPSS 20

c) Extraction Method: Principal Component Analysis

Annexure Table 6: Rotated Factor Matrix and Communalities (Banks)

	Columns=Factor Loadings; Rows=Variables						
							Component
	1	2	3	4	5	6	7
X1	.719						
X2	.542						
X3	.757						
X4	.658						
X5			.647				
X6	.765						
X7		.798					
X8	.516						
X9		.619					
X10			.880				
X11					.589		
X12							.839
X13		.543					
X14					.888		
X15						.778	
X16				.603			
X17				.557			
X18				.867			
X19							-.585
X20						.786	
R2	29.642	11.613	10.964	8.215	6.467	5.915	5.213

Notes: a) Data have been compiled by Researcher
b) Analytical Mode: SPSS 20
c) Extraction Method: Principal Component Analysis
d) Rotation Method: Varimax with Kaiser Normalization
e) Rotation Converged in 25 iterations