The landscape of SME finance in Bangladesh
An analysis of providers, products, requirements and constraints

What is this resource?
This report depicts the landscape of financing options for small and medium-sized enterprises (SMEs) in Bangladesh. It provides guidance on how policy makers, financiers and SME entrepreneurs could enhance access to finance.

The report was written by Barclay O’Brien of Challenges Consulting, to help identify financing options for inclusive businesses supported by the Business Innovation Facility. Many kinds of SME financing are reviewed: debt finance from commercial banks, development banks, MFIs and NBFIs; equity finance from venture capital funds, sovereign funds and private equity funds; and concessional assistance from bilateral donors and development agencies.

Why is it interesting?
We believe this to be the first report of its type that provides an overview of the broad financial landscape, covering not only larger well established players, but also new players such as Impact Investors. The report goes beyond listing providers and volumes, to look at financial products, requirements, constraints and opportunities.

Who is it for?
The analysis will be invaluable for anyone operating in the financial sector in Bangladesh, or supporting SMEs to access finance. The Bangladesh example, where SME finance is a priority and yet constraints remain, will also be a useful contribution to international understanding of SME finance. Others, including SME entrepreneurs, may find the four-page summary report a more useful overview of the main types of finance available. This can be found at: http://bit.ly/TJ1gWu
# Table of Contents

Introduction .................................................................................................................. 3  
1. Definitions ............................................................................................................... 4  
2. The role of SMEs in Bangladesh ........................................................................... 6  
3. Access to finance in Bangladesh .......................................................................... 8  
4. Providers of finance .............................................................................................. 11  
   4.1 Banks .................................................................................................................. 11  
   4.3 MFIs .................................................................................................................... 15  
   4.4 Cooperatives and Associations ......................................................................... 19  
   4.5 Impact Investors .................................................................................................. 19  
5. Supply of products and requirements .................................................................. 23  
   5.1 Banks and NBFIs ............................................................................................... 23  
   5.2 MFIs .................................................................................................................... 24  
6. Access to advice and support for finance ............................................................. 25  
   6.1 Financing ............................................................................................................ 25  
   6.2 Other Support ..................................................................................................... 26  
7. Common limitations for SMEs and providers ...................................................... 28  
   7.1 Clients ................................................................................................................ 28  
   7.2 Suppliers ............................................................................................................. 30  
8. How SMEs can improve access to finance ............................................................ 32  
   8.1 Best Practices for SMES .................................................................................... 32  
   8.2 Other Steps ......................................................................................................... 33  
9. Conclusion .............................................................................................................. 34  
   9.1 How SMEs Should Proceed .............................................................................. 34  
   9.2 Some Possible Changes .................................................................................... 34  
Organization .............................................................................................................. 39  
Contact ........................................................................................................................ 39  
Location ....................................................................................................................... 39
Introduction

Business Innovation Facility (BIF) Bangladesh is a UKAID-funded project. BIF aims to support enterprises with Inclusive Business (IB) models in the development of least developed countries and currently operates in 5 countries: Bangladesh, India, Nigeria, Malawi and Zambia. BIF’s work can be viewed at the web site: www.businessinnovationfacility.org

IB refers to a profitable core business activity that also tangibly expands opportunities for the poor and disadvantaged in developing countries. The social benefits of IBs include:

- Increased employment opportunities for marginalised groups
- The growth of markets for local smallholders and tradesmen
- Potential food security improvements

Pursuant to its objective, BIF has worked with several key local organizations, such as Rahimafrooz Superstores Limited, ACI Group Agri-business Division and CARE Bangladesh, to develop successful and sustainable IB solutions.

The concept of IBs is not widely known, especially amongst banks, Non-Bank Financial Institutions (NBFIs) and other finance providers. IBs can be compared to Small and Medium Enterprises (SMEs), as normally an IB will be of a similar size. Therefore, the research for this project has used “SMEs” as an alternative for “IBs” where the context required or it otherwise made sense to do so.

Challenges Consulting is part of the Challenges Worldwide group and works on behalf of BIF: see www.challengesworldwide.com. Challenges were asked to conduct a survey of the financial landscape for access to finance for IBs in Bangladesh. Challenges used both quantitative and qualitative research methods in undertaking this supply side survey. Data was collected from both primary and secondary sources. In regard to the latter, Challenges conducted a review of available data and documents, in order to gain an overall view of the Bangladesh market, to ensure that the detailed research is based on a strong up to date factual foundation and to grasp the recent changes that have taken place and how those changes affect the supply of finance.

This report was prepared at the end of a field trip conducted by Barclay O’Brien over the period from 1 to 17 June 2012. The fieldwork comprised face to face interviews with pre-arranged respondents in the following categories: banks, NBFIs, microfinance institutions (MFIs), the central bank, government programs, donors, NGOs, equity providers and agro-enterprise companies.

As a result, consideration was given to many kinds of financing, such as debt finance from commercial banks, development banks, MFIs and NBFIs. Secondly, this survey also looks at the available forms of equity finance from venture capital funds, sovereign funds, and private equity funds. Thirdly, Challenges considered a range of financial assistance from bilateral donors and development agencies.

The above fieldwork involving direct interviews with institutions was supplemented with aggregate data obtained from Bangladesh Bank and other sources. As a result, a national picture was obtained. However, it was not possible to interview and/or obtain data from every finance provider in Bangladesh and, by omitting to mention other suppliers in this report, there is no intention to downplay the role and products of those organisations.

Meetings were also held in Singapore on 29 to 31 May 2012 with various impact investors and the Impact Investment Forum. The initial findings were presented by Barclay O’Brien at the ISCEA Agribusiness Supply Chain Conference held at the Radisson Blu Water Hotel in Dhaka on 17 June 2012.
1. Definitions

A key issue for this Access to Finance study is how to define SMEs. SMEs are now normally defined in Bangladesh according to the definition used in the National Industry Policy of 2010, as follows:

<table>
<thead>
<tr>
<th>Client Size</th>
<th>Definition</th>
</tr>
</thead>
</table>
| Small       | Manufacturing: Fixed asset value* between Tk5m and Tk100m (US$62,500 to 1.25m) or 25 to 99 employees  
Service and Trading: Fixed asset value* between Tk0.5m and Tk10m (US$6,250 to 125,000) or 10 to 25 employees |
| Medium      | Manufacturing: Fixed asset value* between Tk100m and Tk300m (US$62,500 to 3.75m) or 100 to 250 employees  
Service and Trading: Fixed asset value* between Tk10m and Tk150m (US$125,000 to 1.875m) or 50 to 100 employees |

*Fixed asset value is excluding the value of land and building (so that the SME’s choice of whether to rent or own premises is not decisive).

The same definition has been adopted by Bangladesh Bank (BB), the regulator of the banking sector in Bangladesh. As covered in this report, banks are required to report their lending to SMEs to BB. However, whilst the above definition is now widely acceptable, other definitions still prevail with a variety of criteria used by different countries or even by different agencies within other countries. Apart from the number of employees or assets, others use the volume of sales or loan sizes to define SMEs. Therefore, as the World Bank Group has noted in recent reports, a major challenge in collecting cross-country comparable data on access to finance by SMEs is the lack of consensus across countries in how SMEs are defined.

Furthermore, within each criterion, different cut-offs are used by different countries. For example in the World Bank’s Access to Finance Studies, 150 employees is applied as the maximum for a SME. Although the majority of countries use 250 employees as the maximum number for an SME, some have 50 employees as the cut-off.

The second issue is that, currently, few international or multi-country data collection and compilation initiatives focus extensively on SMEs. In Bangladesh, the Bureau of Statistics (BBS) has responsibility for collecting this type of information and collects, on an annual basis, detailed production data from a sample of manufacturing enterprises that have 10 or more workers under its Survey of Manufacturing Industries (SMI). However, SMI data are not available by employment size group and the fixed assets data collected under the survey do not reflect current replacement costs. As a result, BBS data cannot be used to assess the output size and performance of any particular group of manufacturing enterprises.

The Daily Star newspaper noted (17 March, 2012) that the situation with respect to non-manufacturing enterprises is even worse. Because the BBS does not collect flow data on these non-manufacturing enterprises on a regular basis, the available BBS data does not permit assessment of the size of output or productivity in particular sized group of manufacturing or non-manufacturing enterprises in Bangladesh. The paper concluded that the estimates of the

---

1 There is a gap in the policy for service and trading business with between 25 and 50 employees. The consensus among the financiers and businesses is that such businesses with up to 49 employees are “small”  
size of SMEs in Bangladesh and their contributions to GDP that appears in the Government’s Poverty Reduction Strategy Paper (PRSP-II) and other documents are, as a result, “guesstimates based on micro surveys”: see Section 2 for more detail.

Partly to combat this issue, on 23 November 2011, the South Asia Enterprise Development Facility (SEDF), managed by International Finance Corporation (IFC) in partnership with the UK Department for International Development (DFID) and the Norwegian Agency for Development Cooperation, launched the “SME database”, with the stated aim of helping financial institutions to streamline their appraisal and prioritisation of SMEs and more efficiently identify the lending potential by region. No reports have been made available by the IFC in this area to date, as the database system is being fine-tuned. However, some broader level information (from the pilot project) is available on the BB website.
2. The role of SMEs in Bangladesh

There is now well established recognition of the role Small & Medium Sized Enterprises (SMEs) play in developing nations economies. SMEs provide output gains and a broadening of employment opportunities that in combination helps improve wealth distribution. In addition, the SME sector provides a stepping-stone for more ambitious micro-enterprises owners, local supply chain engagement for more established companies and in some important instances will act as an incubator for larger enterprises to flourish.

Empirical studies show that where developing counties have healthy SME sectors then the distribution income for both labour and capital is improved underpinning more balanced growth models. Generally, SMEs will employ intermediate technologies and tend to generate significant employment opportunities with modest capital inputs. They will often also exhibit (i) greater business flexibility, (ii) a tendency to apply technological advances and, (iii) drive general production and distribution efficiencies.

Although governments recognise the benefits of a healthy, growing SME sector their policies are not always best aligned to provide optimum support. These fundamental support ingredients include:

- Tax policies that should be neutral, or slightly in favour of SMEs; recognising their needs but at the same time avoiding micro-management
- Labour policies that help ensure that micro and small-enterprises are not faced with (i) any barriers to adding to employment or, (ii) adding burdensome administrative requirements on firms with limited management resources
- Developing a suitable infrastructure framework, including workforce education thus improving inputs to the SME sector
- Additionally, access to appropriate finance in the form of debt, equity and selective grant aid is a vital element in the pace of SME development.

Business owners require knowledge of:

- Sources of finance and what is most suitable for the needs of their businesses. (including where they can obtain information and advice)
- What is expected of them when applying to lenders and / or providers of equity finance and their ongoing obligations to suppliers of finance

The finance sector should display:

- Top down policy-making encouraging development of SME finance on a sustainable basis
- Appropriate bank lending frameworks that incorporate staff development and better understanding of SME business model analysis

Specifically, in the Poverty Reduction Strategy Paper (PRSP)-II, which is currently in force, the development of SMEs has been identified by the Bangladesh Government as a critical element of pro-poor growth. Poverty rates have been decreasing in Bangladesh but still remain high by regional and global standards.
SMEs can make a significant contribution to reducing poverty because of the importance of SMEs to the Bangladesh economy. The estimated number of SMEs in Bangladesh varies from 6m (an estimate from the ADB\textsuperscript{4}) to the 3.3m registered SMEs in the country. SMEs make up 25% of the total labour force, 80% of industry employment, and 90% of all enterprises in Bangladesh.\textsuperscript{5}

Their total contribution to export earnings varies between 75% and 80%, according to a recent economic census. In terms of GDP, SMEs contribute a quarter in Bangladesh.\textsuperscript{6} The contribution by each business sector is shown below. The contribution of agriculture to GDP is similar to that made by SMEs, with some overlap, as shown. However, many of the agriculture enterprises are smaller, being either micro-entrepreneurs or subsistence farmers.

\textbf{Figure 2:}

\textit{Source: Government of Bangladesh}

However, in some countries the rate can be much higher. Subroto Som, Global Head of SME Banking at Standard Chartered, was quoted (Daily Star, 14 November 2011) as saying: “The SME sector is the backbone of economies. Depending on the country, the sector can contribute anywhere from 30 to 70% of GDP”. This suggests that the potential for SMEs to drive the economic engine of Bangladesh is far from fully exploited.

\textsuperscript{5} Giesen and Lincing, 2006, \textit{Enterprise Structure in Bangladesh}
\textsuperscript{6} MIDAS, 2009, \textit{Women Entrepreneurs in SMEs: Bangladesh Perspective}, SME Foundation
3. Access to finance in Bangladesh

Accepting that the contribution made by SMEs is important to the Bangladesh economy, why is their potential dependent on access to finance, as the premise of this report? This has been the subject of much research, in Bangladesh and elsewhere.

The progress of the Bangladesh economy can be seen in the following table, including the growth of private credit (highlighted in yellow).

Table 1: Bangladesh Economic Indicators

<table>
<thead>
<tr>
<th></th>
<th>FY2000</th>
<th>FY2010</th>
<th>FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP (US$bn)</td>
<td>47.1</td>
<td>100.1</td>
<td>108.4</td>
</tr>
<tr>
<td>Per Capita Income (US$)</td>
<td>377</td>
<td>751</td>
<td>818</td>
</tr>
<tr>
<td>FX Reserves (US$bn)</td>
<td>1.6</td>
<td>10.7</td>
<td>10.9</td>
</tr>
<tr>
<td>Private Sector Credit/GDP (%)</td>
<td>21.3</td>
<td>39.1</td>
<td>52.9</td>
</tr>
<tr>
<td>External Govt. Debt / CAR (%)</td>
<td>173.9</td>
<td>71.2</td>
<td>66.1</td>
</tr>
<tr>
<td>Government Debt / GDP (%)</td>
<td>46.4</td>
<td>37.1</td>
<td>37.1</td>
</tr>
<tr>
<td>Budget Deficit excl. grants (%)</td>
<td>-6.1</td>
<td>-4.5</td>
<td>-4.4</td>
</tr>
<tr>
<td>Investment / GDP (%)</td>
<td>23.0</td>
<td>24.4</td>
<td>24.7</td>
</tr>
</tbody>
</table>

Source: Bangladesh Bank

Despite these advances, Bangladesh remains a developing country. The role that access to finance can play in changing the situation was summarised by one author as follows: “Access to a well-functioning financial system can economically and socially empower individuals, in particular poor people, allowing them to better integrate into the economy of their countries, actively contribute to their development and protect themselves against economic shocks”.

Financial inclusion can be assessed in a number of ways. One method is to look at specific indicators, such as the numbers of people with a bank account. Recent studies in Bangladesh assess this at between 25.5% and 43.8%. The second approach is to use a more holistic Index. One that considers banking penetration, availability of services and usage of services ranked Bangladesh at 43rd out of 55 countries.

---

7 CGAP (2010)
The most recent, and now best regarded, study is the World Bank Global Financial Index (FinDex). The following figure compares access to bank accounts in Bangladesh with neighbouring countries and the regions, showing that Bangladesh ranks well in South Asia but is behind East Asia & the Pacific and the Global figures.

Figure 3:

**Accounts at a formal financial institution (% age 15+)**

Source: The World Bank Global Financial Index

An earlier World Bank study examined access to finance specifically for SMEs, which ranked Bangladesh ahead of other South Asian countries, as shown below, in terms of both the amount of SME lending as a percentage of GDP and as a percentage of total lending.

---

Conscious of the need for SMEs to receive finance, for the reasons set out above, the Bangladesh Government has, to their credit, taken various steps.

In 2009, BB initiated a move to set targets for commercial banks for financing SMEs, in order to expand formal credit for this sector. BB was seeking to replicate the success it had achieved from streamlining farm credit. In addition, BB set up a separate department for the SME sector, as had been done by the central banks of India and Pakistan to boost SME credit. The initial BB target for all banks and financial institutions was Tk240bn (US$3bn) in SME loans for 2010. This was achieved and the target for calendar year 2012 is nearly two and half times the same amount at Tk590bn (US$7.37bn).

BB has also initiated subsidised programs for specific sectors, such as agriculture and women, with a target of Tk138bn (US$1.725bn) for the former in the financial year to 30 June 2012 and Tk10bn (US$125m) for women entrepreneurs in the upcoming year.

Notwithstanding all these arrangements for financing of SMEs, the actual delivery of institutional credit to the SME sector can be increased and improved upon. In following sections, the current supply of finance will be examined.
4. Providers of finance

4.1 Banks

There are 47 scheduled banks in Bangladesh. They operate under the supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. Scheduled banks are classified into the following four types:

- **State Owned Commercial Banks (SOCBs):** There are 4 SOCBs which are fully or majority owned by the Government of Bangladesh.
- **Specialized Banks (SDBs):** 4 specialized banks are operating having been established for specific objectives like agricultural or industrial development. These banks are also fully or majority owned by the Government.
- **Private Commercial Banks (PCBs):** There are 30 private commercial banks which can be categorized into two groups:
  - Conventional PCBs: 23 conventional PCBs are now operating in the industry; and
  - Islami Shariah based PCBs: There are 7 Islami Shariah based PCBs in Bangladesh and they execute banking activities according to Islami Shariah based principles i.e. profit and loss sharing between each bank and its customers.
- **Foreign Commercial Banks (FCBs):** 9 FCBs are operating in Bangladesh as the branches of banks incorporated abroad.

The outstanding loans balances (OLB) for SME lending as at 31 March 2012 are set out below.

**Table 2: SME Lending by Banks**

<table>
<thead>
<tr>
<th>Category</th>
<th>Tkbn</th>
<th>US$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Owned Commercial Banks</td>
<td>84</td>
<td>1,050</td>
</tr>
<tr>
<td>Specialized Banks</td>
<td>24</td>
<td>300</td>
</tr>
<tr>
<td>Private Commercial Banks</td>
<td>255</td>
<td>3,188</td>
</tr>
<tr>
<td>Foreign Commercial Banks</td>
<td>22</td>
<td>275</td>
</tr>
</tbody>
</table>

*Source: Bangladesh Bank*

There are four non-scheduled banks in Bangladesh comprising:

- Ansar VDP Unnayan Bank,
- Karmashangosthan Bank,
- Probashi Kollyan Bank, and
- Jubilee Bank.
As of 31 March 2012, the total outstanding SME loans from all banks stood at Tk3,851bn (US$48bn). This is 22% of their total loans and advances and an increase of 20% from a year earlier, mainly because of private commercial banks’ increased lending to SMEs.

In terms of disbursements, SMEs received 15% more in the first quarter (Q1) of 2012 than a year earlier. (This is still a positive result even allowing for inflation of 10.4% over the year to April 2012.) The latest data from BB shows that a total of Tk139bn (US$1.75bn) was disbursed during the January-March quarter.

Approximately 65% of SME loans disbursed in 2011 went into trading, 29% into manufacturing and the rest into the services sector, according to data from Bangladesh Bank.

The main bank lenders in the SME sector are shown in the following graph.

**Figure 5: Largest bank lenders to SMEs**

![Graph showing the outstanding loan amount (Tkbn) for different banks](image)

**Source: Bangladesh Bank**

The largest lender to SMEs by far is *Islami Bank* Bangladesh Limited (IBBL). At 31 May 2012, its OLB for SMEs was Tk159bn (US$2bn) - equal to approximately 42% of its assets. The number of SME clients was put at 83,000 plus an additional, 11,000 women entrepreneur clients. Of the national SME target for calendar year 2012 of Tk590bn (US$7.375bn) (see section 3), IBBL has committed to Tk125bn (US$1.562bn) (or 21%).

The second largest SME bank lender is *BRAC Bank*. Syed Mahbubur Rahman, managing director and chief executive officer of BRAC Bank, told The Daily Star in an interview (9 January 2012): “Set up in 2001, BRAC Bank is the largest SME bank in the country. Of its Tk 9,000 crore [US$1.125bn] loan portfolio, SMEs account for 50 percent”. Of the SME loans, 92

---

10 One crore equals 10 million. Although BRAC’s claim to be number one would be disputed by IBBL, 50% of Tk 9,000 crore equals Tk45bn which is approximately the same as the Tk43.9bn shown in Figure 5.
percent are without collateral with an average loan size of Tk 6-7 lakh\textsuperscript{11} [US$7,500-8,750]. It has 151 branches and 405 SME units across Bangladesh. In the last 10 years, the bank has lent over Tk 15,000 crore [US$1.875bn] to over 3.5 lakh [350,000] SMEs."

Other bank lenders in Bangladesh with a focus on SMEs include:

- \textit{Sonali Bank}, with over 1,000 clients and total SME OLB of Tk59bn (US$738m)
- \textit{Eastern Bank}, with 9,000 SME clients and OLB of Tk10.9bn (US$136m), through two dedicated small and medium enterprise departments, and
- \textit{Mutual Trust Bank (MTB)}, with 3,300 SME clients and an OLB of just Tk2.8bn (US$35m) but around 20% of its portfolio in SME lending

One key point to note is the distinction between small SMEs and medium SMEs (defined in section 1). Of all SMEs in Bangladesh, it is estimated that 85% are small. In the past, most SME lending by banks has been to the larger end of the sector. However, this has been changing, as shown in the Chart below.

\textbf{Chart 1: Sizes of SMEs receiving bank loans}

\begin{center}
\begin{tabular}{|c|c|c|}
\hline
 & Qrt-1/10 & Qrt-1/11 & Qrt-1/12 \\
\hline
\hline
\textcolor{blue}{Medium} & 6554.76 & 6793.30 & 6522.13 \\
\hline
\textcolor{green}{Small} & 4451.75 & 5409.88 & 7758.53 \\
\hline
\end{tabular}
\end{center}

\textit{Source: Bangladesh Bank}

\textsuperscript{11} One lakh equals 100,000.
The proportion of lending to small SMEs (shown in the Chart to have increased to 54% of the total lending to SMEs) is still much less than the estimated 85% that such sized SMEs represent of the total, as noted above. BB is encouraging banks to lend to smaller SMEs. Whilst the proportion of bank lending going to the medium enterprises component is reducing, as shown in the Chart, small SME bank clients are believed to be less than 50,000 in number.

More details on these SME banks and their products are contained in section 5.

4.2 NBFIs

Non Bank Financial Institutions (NBFIs) are regulated under the Financial Institution Act, 1993 and controlled by Bangladesh Bank. There are 31 NBFIs operating in Bangladesh of which two are fully government owned, one is the subsidiary of a SOCB, 13 were initiated by private investors and 15 are joint ventures.

Major sources of funding for NBFIs are Term Deposits, Bank Credit Facilities and At Call Money as well as Bond and Securitization. Unlike banks, NBFIs cannot:

- Issue cheques, pay-orders or demand drafts
- Receive demand deposits, or
- Conduct foreign exchange financing

NBFIs can provide syndicated financing, bridge financing, lease financing, securitizations and private placements of equity. Lease financing has been shown in other countries to be an effective way to overcome issues for SMEs, such as collateral because the asset remains owned by the lender.

However, the outstanding loan balances for SME lending by NBFIs as at 31 March 2012 was just Tk22bn. This is still a relative small proportion of the total SME lending.

Taking banks and NBFIs together, the chart below shows lending by banks and NBFIs as a percentage of the total SME OLB as at 31 March of Tk4,067bn.

**Figure 6: Bank and NBFI contributions to SME lending**

Figure 6 shows that PCBs provide nearly two-thirds of all bank and NBFI lending to SMEs, with specialised banks, foreign banks and NBFIs contributing only approximately 5% each to the total.

The following figure shows SME lending as a percentage of total lending by each category of bank and NBFI.
Figure 7 indicates that SOCBs, such as Sonali, devote the largest percentage of their lending to SMEs, with foreign banks providing the smallest amount at less than 10%.

Whilst NBFIs do not contribute greatly to SME lending under either measure, one exception appears to be United Leasing Corporation (ULC). It has 13 hubs across the country to access clients outside the large cities and has partnered with the IFC to provide leasing services to SMEs. Together the two have developed ‘Mousumee’ (Bangla for “seasonal”), the country’s first working capital loan product with a flexible repayment scheme. This is part of IFC’s work through the SouthAsia Enterprise Development Facility (SEDF) to strengthen the performance of SMEs in a few sectors such as light engineering and agribusiness.

4.3 MFIs

The Bangladesh microfinance sector is mature and its assets constituted around 3% of GDP in 2011. There are over 1,000 NGO-MFIs in Bangladesh of which 599 MFIs were licensed as of October 2011 by the Microfinance Regulatory Authority (MRA). (The best know ‘MFI’ Grameen is now a Bank operating under its own Act.)

The total outstanding loans for this sector (including only licensed MFIs) increased by 20% from Tk145bn (US$1.812bn) in June 2010 to Tk174bn (US$2.175bn) in June 2011 disbursed among 20.7 million poor people. The figure below shows the ratio of MFI borrowers to the poor, with some areas at over 100%, indicating the high penetration of microfinance in Bangladesh.

---

12 Microfinance Regulatory Authority, 2010 Report, Dhaka
The strong national coverage of MFIs means that they are very accessible as a lending source across the country. In addition, as the market has matured, some MFIs have been moving upmarket, to larger sized clients, such as SMEs. The two factors together suggest that MFIs may be a suitable and convenient source of finance for SMEs.

The total savings has also increased by 23% to Tk63bn (US$787m) in the year to June 2011, with 26.1 million savings clients, over 93% of whom are women.

More detailed operating data for MFIs in Bangladesh is set out in the table on the following page.
### Table 2: Basic Statistics of NGO-MFIs in Bangladesh (for four years to 30 June 2011)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>June 2008</th>
<th>June 2009</th>
<th>June 2010</th>
<th>June 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Licensed NGO-MFIs</td>
<td>293</td>
<td>419</td>
<td>516</td>
<td>576</td>
</tr>
<tr>
<td>No of Branches</td>
<td>15,077</td>
<td>16,851</td>
<td>17,252</td>
<td>18,066</td>
</tr>
<tr>
<td>No. of Employees</td>
<td>98,896</td>
<td>107,175</td>
<td>109,597</td>
<td>111,828</td>
</tr>
<tr>
<td>No. of Clients (Million)</td>
<td>23.45</td>
<td>24.85</td>
<td>25.28</td>
<td>26.08</td>
</tr>
<tr>
<td>Total borrowers (Million)</td>
<td>17.79</td>
<td>18.89</td>
<td>19.21</td>
<td>20.65</td>
</tr>
<tr>
<td>Amount of Loan Outstanding (Tk. Million)</td>
<td>134,680.96</td>
<td>143,134.03</td>
<td>145,022.66</td>
<td>173,797.60</td>
</tr>
<tr>
<td>Amount of Savings (Tk. Million)</td>
<td>47,386.19</td>
<td>50,610.04</td>
<td>51,362.93</td>
<td>63,304.44</td>
</tr>
</tbody>
</table>

*Source: MRA, MIS Database, 2011*

The 10 large MFIs and Grameen Bank represent 87% of total savings of the sector and 81% of total outstanding microfinance lending.

Currently, the major sources of loan funds for Bangladesh MFIs are member savings, interest income and service charges from the loans, and loans from financial institutions including PKSF and commercial banks. Over the years, reliance on grant funds from external sources has reduced substantially: from 30.4% in 1997 to 7.9% of funding.  

The next table shows lending to agriculture, enterprises and to SMEs only.

---

13 Banking with the Poor, 2009, *Microfinance Industry Report: Bangladesh*
As indicated, SME lending for all but one of the large MFIs represents 10% or less of each MFI’s OLB. The outlier in terms of SME focus is TMSS. Thengamara Mohila Sabuj Sangha has 700,000 clients in total and is based in Dhaka with 4,000 employees, of whom 90% are in branch offices across the country. More than 5,000 of its clients have borrowed over Tk100,000 (US$1,250) each.

Other MFIs active in the SME sector are BRAC, ASA, BURO and the Jagorani Chakra Foundation. However, it is important to note that, for most MFIs, SME clients are long standing clients “graduating” to larger loans. Generally, this occurs after a certain number of loans cycles, where the borrower has repaid the loan on time. The norm is three or four successful loans, each larger than the prior one, after which the client qualifies for an individual “enterprise” or “business” loan.

*Source: MRA 2011 Annual Report*
Another point to understand is that there is a perception in Bangladesh that most of the laws under which the MFIs are operating seems to have fallen short in dealing with their institutional and operational aspects. As NGOs providing financial services, MFIs do not fall under the government regulations that are applied to banks and NBFIs. The absence of a single monitoring and supervising organization appropriate for the MFIs in Bangladesh has made it difficult to decide if they have been targeting the right people and for the right purpose\textsuperscript{14}. Whilst the data collection by the MRA is amongst the best in the world for MFIs, the lack of uniformity means that it is harder for the BB or another government entity to direct the MFIs to lend to certain sectors, such as SMEs, in the same way they can with banks.

### 4.4 Cooperatives and Associations

In addition to the above formal financial institutions, there are a large number of informal and semiformal financial service providers. Apart from the usual informal financial service providers such as moneylenders and pawn brokers, there are various rotating savings and credit associations (ROSCAs) that operate in both urban and rural communities.

Cooperatives form a significant part of the financial sector in Bangladesh. They are governed and supervised by the Registrar of Cooperatives. Savings and credit cooperatives offer savings and micro loans for their member base\textsuperscript{15}.

That said, cooperatives are unlikely to provide any significant capital to IBs or SMEs. The first limitation is that they are membership-based, obliging members to save before they can borrow. As a result, they are highly capital constrained. The second issue is that in Bangladesh their reputation has been tainted, somewhat unfairly, by closures of a few cooperatives.

### 4.5 Impact Investors

The first point to make with respect to this potential source of funding for SMEs is that the transfer of equity to outside investors is not a concept widely accepted and/or understood in Bangladesh. There is generally some resistance to offering part ownership in an SME, with the idea prevailing that such businesses should be passed on to family members or the ‘next generation’.

Having said that, there are some avenues available to SMEs looking to finance their operations via equity rather than, or together with, debt. Amongst the most suitable are funds operated by a group called SEAF, of which there are three: (1) Business Development Ventures, (2) Venture Investment Partners, and (3) (recently launched) Bangladesh Agriculture Ventures. (Web site www.seaf.com).

Under (1), SEAF provides funds as small as US$10,000 up to US$500,000. With (2), the range is much lower: from US$5000 to 100,000, with most investments less than US$30,000. SEAF provides medium to long term loans as well as equity funds, of the unsecured mezzanine funding variety, to overcome the resistance to pure equity mentioned above.

SEAF supports businesses which have 2 to 3 years of operation, although for fund (2) it can be just one year and they will, in some cases, support a start-up. The investment requirements and other criteria are: a 1 to 3 year business track record; the quality of the key entrepreneur; the location of the business performance; and the quality of the business book keeping. In addition, SEAF considers issues such as weather impact and diseases (for agriculture), potential policy changes within the industry, Board accountability, legal compliance, and lastly the exit risk.

---

\textsuperscript{14} Rahman (2010)  
\textsuperscript{15} Banking with the Poor, 2009, \textit{Microfinance Industry Report: Bangladesh}
In addition to SEAF, some of the other providers are:

**Tindercapital:** This is a small facility funded by its founder. It has a real IB focus: they look for businesses with strong underlying profit but benefitting the poor. It will consider investments from US$20,000 to 200,000 but it has made just one investment (for US$100,000) to date. (Web site [www.tindercapital.com](http://www.tindercapital.com) is under construction.)

**Frontier Private Equity Fund:** Frontier has raised USD88m from development finance institutions and commercial investors. It will make long-term investments in privately owned, family companies in Bangladesh that are looking to expand and reach new markets. Its equity investments will range between USD2m and USD10m and target firms in the country’s export, agriculture, health, education, IT and services sectors. Frontier is run by a first time fund manager, Brummer & Partners Asset Management (Bangladesh), and has raised capital from investors such as the World Bank’s IFC, CDC, Norfund and FMO. (Contact: Khalid Quadir, CEO, Brummer & Partners Asset Management (Bangladesh) Ltd.)

**Danida:** This is the development cooperation arm of the Danish Ministry of Foreign Affairs and it provides loans for businesses in its partner countries (of which Bangladesh is one) and also operates a Business Cooperation facility, linking Danish businesses with local SMEs. (Web site, [www.um.dk](http://www.um.dk))

**SME Ventures:** Bangladesh is the pilot country for IFC SME Ventures, which will identify SME investee companies. It is funded by IFC and other private equity funds and provides funding to early stage companies with Technical Assistance for building the capacity of investees or potential investees. IFC has set up a US$12m fund for the project and is in the process of raising an additional US$13m to compete its funding goal of US$25m. (Web site, [http://ificext.ifc.org/ificext/southasia.nsf/Content/Bangladesh_Investments](http://ificext.ifc.org/ificext/southasia.nsf/Content/Bangladesh_Investments)).

In addition, Leopard Capital will launch a competitor to the Frontier PE Fund in 2012, which will operate along similar lines. It aims to grow its Bangladesh fund to $50 million in the first half of this year. (Web site, [www.leopardasia.com](http://www.leopardasia.com))

There are many impact investment funds active in the region, for example, see the sample that attended and spoke at the Asia IIX Forum meeting in Singapore in June 2012: [http://shujog.org/impactforum2012/speakers/](http://shujog.org/impactforum2012/speakers/). These impact investors break down into two main categories, Development Finance Institutions (DFI's) and Private Equity/Venture Capital Funds.

### 4.5.1 Development Finance Institutions

DFI’s are “Government-controlled institutions that invest in sustainable private sector projects with the twofold objective of spurring development in developing countries while themselves remaining financially viable”. They are either multilateral institutions such as the International Finance Corporation or the Asia Development Bank (ADB), or bilateral institutions such as CDC (UK), OPIC (USA) or FMO (Netherlands). ADB is owned by 67 member countries, including 48 from the region. ADB envisages an Asia and Pacific region free of poverty and pursues this vision through the promotion of inclusive economic growth, environmentally sustainable growth, and regional integration. ADB’s long-term strategy includes support for the development of the region’s private sector by increasing the combined share of private sector development and private sector operations in ADB’s annual operations to 50% by 2020.

---


As an example of one of the larger bilateral DFI’s, CDC supports the building of businesses in the poorest parts of Africa and South Asia, creating jobs and making a lasting difference to people’s lives. Owned by the UK government’s Department for International Development, CDC is the world’s oldest development finance institution and has been investing in businesses in the developing world for over 60 years. CDC’s investments focus is on regions and sectors of need where capital is scarce. CDC is also expanding its range of investment instruments. As well as investing in private equity funds, CDC will now invest directly – through co-investing in the early stages of implementing the new plan – as well as through debt and guarantees. (web site www.cdcgroup.com).

OPIC is the U.S. Government’s development finance institution. It mobilizes private capital to help solve critical development challenges and, in so doing, advances U.S. foreign policy. OPIC works with the U.S. private sector, helping U.S. businesses gain footholds in emerging markets, which in turn catalyzes revenues, jobs, and growth opportunities both in the United States and abroad. OPIC achieves its mission by providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds. (Web site www.opic.gov)

FMO is the Dutch development bank. It is committed to growing a healthy private sector in developing countries. FMO offers a full range of financial instruments for the benefit of private companies and financial institutions in developing economies. To meet the needs of individual projects, a mix of funding can be provided including loans (such as syndicated loans), equity, mezzanine, guarantees and capital markets. (Web site, www.fmo.nl)

Full details of all the European DFIs are to be found on the website www.edfi.be.

4.5.2 Private Equity / Venture Capital Funds

Outside Bangladesh there are hundreds of private equity (PE) and venture capital (VC) funds based internationally which invest in inclusive businesses and aim to achieve a financial return on their investments as well as achieving social and environmental benefits for the communities in which they are based. These impact investors vary on a continuum from “hard” investors with very clear and demanding targets for a financial return to somewhat “softer” investors who are prepared to accept slightly less rigorous standards of commercial performance provided that the social and/or environmental benefits contribute to a strong “triple bottom line”.

Examples of some of the funds which are active in this field in the South Asia region include Actis (www.act.is), Acumen Fund (www.acumenfund.org), E+Co (www.eandco.net), Grassroots Business Fund (www.gbfund.org), Navis Capital Partners (www.naviscapital.net/), responsAbility (www.responsAbility.com) etc. There are significant information resources regarding impact investing available on the Global Impact Investing Network online hub (www.thegiin.org).

The type of funding available varies between funds (debt, equity, mezzanine, guarantees). The funding criteria can also vary greatly with regard to minimum and maximum amounts, preferred sectors, eligible geographies, exit requirements, interest rates payable, percentage of equity required etc. The Business Innovation Facility (BIF) has built up extensive knowledge of the variations in this market and provides specific guidance to the inclusive businesses which it assists on all aspects of their business plans and investability as well as on the application procedures for funding.

As part of the field work for this study, meetings were held in Singapore with various impact investors and the Impact Investment Forum. These meetings confirmed that the funds with a focus on IBs in Bangladesh are limited. Those interviewed in Singapore raised some of the same issues as have been identified by others in this report, e.g. lack of transparency in SMEs, poor entrepreneurial skills and the small ‘ticket size’.

---

In addition, there are issues for foreign investors going into Bangladesh. Whilst foreign investment laws are not particularly stringent, repatriating dividends and capital is very difficult. As an alternative exit mechanism, the Bangladesh stock exchange has been greatly discredited by its drastic overheating in 2010/11.

Secondly, Bangladesh suffers in comparison with virtually every other country in the region, not necessarily due to its intrinsic characteristics, but more because other countries are more in focus at present. However, this may change as investors appreciate the size of the Bangladesh market and the opportunities that reside there.

In the past there were funds such as the Equity Enterprise Fund (EEF) managed by SNV. EEF was established in 2000 by Bangladesh Bank and funded to Tk 2 billion (US$25m), to provide equity to SMEs in agro-based industry and the ICT sector through commercial banks. In FY08, the EEF was split into two funds, namely, the Agriculture Equity Entrepreneurship Fund and IT Equity Entrepreneurship Fund, with an allocation of Tk 1 billion for each fund.

Whilst EEF has come to an end, the ADB and the German Development Bank, KfW, are currently examining possible social entrepreneurship / IB funds, which may be launched in the next 12 months.
5. Supply of products and requirements

5.1 Banks and NBFIs

Banks provide a range of working capital loans, term loans and overdrafts, together with limited non-lending services. A typical suite of products is shown below, taken from product literature marketed by Mutual Trust Bank.

**Typical Bank SME Products**

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTB Gunabati</td>
<td>Designed to finance the women led SMEs engaged in only manufacturing business that is 100% pre-financed by SME Foundation. We apply single digit rate of interest, i.e. @ 9% p.a. under the MTB Gunabati Loan scheme.</td>
</tr>
<tr>
<td>MTB Mousumi</td>
<td>Designed to finance the SMEs who are engaged in seasonal business.</td>
</tr>
<tr>
<td>MTB Krishi</td>
<td>The loan scheme to finance in the Agri-Sector and its sub-sectors.</td>
</tr>
<tr>
<td>MTB Bhgyabati</td>
<td>This product designed for the women entrepreneurs which is 100% re-financed by Bangladesh Bank.</td>
</tr>
<tr>
<td>MTB Small Business</td>
<td>This product designed for all types of small business requirements.</td>
</tr>
<tr>
<td>MTB Revolving</td>
<td>The loan product designed to meet working capital requirements to support their continuous growth. It is a CC (H) &amp; revolving type loan.</td>
</tr>
<tr>
<td>MTB Microfinance</td>
<td>This product is designed for the NGOs (MF-NGOs) to supply wholesale credit for onward lending their beneficiary members in the form of micro credit.</td>
</tr>
<tr>
<td>MTB Diggon</td>
<td>This product designed on the basis of FDR [Fixed Deposit Receipt, a deposit of money that pays higher interest than a savings account but imposes conditions on the amount, frequency and/or period of withdrawals].</td>
</tr>
</tbody>
</table>

Information on the SME Foundation and the role of Bangladesh Bank (referred to above) are contained elsewhere in this report.

Some interest rates are still capped in Bangladesh, e.g. woman entrepreneurs (10%) and subsidised agriculture (13%), and this is referred to above. Otherwise, all caps on interest rates were “removed” by the Government in January 2012, for the stated reason of “putting a brake on soaring inflation”. BB had placed a cap on bank interest rates in April 2009 against the backdrop of the world economic crisis.

However, lending is subject to BB Circular 01/2012 which suggests that banks should lend at a “lower single digit” over cost of funds, except for “high risk loans and SME loans”. The meaning of the circular is not entirely clear, with some banks believing they can lend up to 9% over cost of funds. On the other hand, many banks still operate at a 5% margin for SMEs, with interest rates at 18-22%.

All banks require collateral for SMEs above a certain amount, below which personal guarantees are invariably needed. The cut off varies greatly between the banks, with some as low as Tk100,000 (US$1,250) and others not requiring collateral until the loan size reaches Tk2.5m (US$31,000).
The other key requirement is a business history of at least a year; for some banks, it is 3 years. In any event, the only bank even willing to consider lending to start-up SME businesses was IBBL, which may explain its leading position in SME lending.

Each bank has a detailed list of requirements for prospective clients to make a loan application, which may include some or all of the following:
- Audited accounts, normally only for larger businesses;
- Identification such as a Tax ID number
- A business licence
- A record of bank account transactions, and
- Business premises rental agreement

In the case of a start-up business, for which only IBBL will accept loan applications, a business plan is also needed.

Section 4.2 mentioned some of the leasing products developed by NBFIs. United Leasing Company’s 'Mousumee' product aims to meet the needs of light engineering firms that manufacture agricultural machinery and spare parts and whose cash flows are dependent on the harvest-related seasonality of their customers. Teams from IFC, ULC, and the Bangladesh Engineering Industries Owners Association worked closely to design the product, which has been launched in Bogra and Jessore, the two hubs for light engineering agricultural machinery and spare parts manufacturers.

However, leasing in Bangladesh is likely to remain less prevalent than in other South Asian countries, such as Sri Lanka. The Bangladesh government removed prior tax benefits that had encouraged the market for leasing, to the detriment of specialist leasing companies. As for banks, they remain generally reluctant to enter this sector, particularly in the area of equipment leasing. MFIs have also considered micro-leasing, but there was not a great take-up, due to issues such as asset ownership, and there is no appetite for the alternative of operating leases. IFC is currently assisting ULC to develop a deposit product targeted at RMG workers, a majority of whom are women.

For more detail on available products and related requirements, SME businesses should contact the banks and NBFIs direct. Contact details and basic SME product information can be found on the SME Foundation website: www.smef.org.bd.

5.2 MFIs

Credit services by MFIs can be categorized into six broad groups:
- General microcredit for small-scale self-employment based activities
- Microenterprise loans
- Loans for the ultra poor
- Agricultural loans
- Seasonal loans; and
- Loans for disaster management

Interest rates vary from MFI to MFI but are capped at 27%. The normal (and now mandated) methodology is to calculate the rate based on the declining loan balance rather than the original loan amount (i.e. “flat”).

MFIs are not allowed to take deposits from the public. This means that only members/clients can receive this valuable service. It also limits the MFIs’ ability to intermediate. However, many MFIs offer other services to its customers, such as micro-insurance and remittances, plus some non-financial assistance and advice, given their NGO base. The types of non-financial assistance include training on enterprise creation, business skills development, financial literacy and financial management training.

19 MRA (2011)
6. Access to advice and support for finance

6.1 Financing

The Governor of BB, Dr Atiur Rahman, has emphasised the importance of investment in SMEs to make the country self-reliant and self-sufficient. He has noted that the contribution of the SME sector to employment generation is next only to agriculture. According to him, “Commercial banks have been playing a tremendous role in this regard through the timely guidelines from the BB (Daily Star, 24 April 2012).”

It is true that the Government has provided much support over many years to SMEs in Bangladesh. As has been mentioned (see section 3), the BB agrees annual targets for SME lending with all the banks. It also does likewise with other sectors that may be relevant for SMEs, such as agriculture (for FY to 30 June 2012 the lending target is Tk138bn or US$1.725bn).

The second major Government activity is in providing funding to the banks in order to extend credit to SMEs. There are three main funds:

- **The SME Refinancing Fund**: In an effort to increase formal credit facilities to SMEs, Bangladesh Bank introduced the refinance scheme for SMEs in May 2004, with initial funding of Tk1bn (US$12.5m). In the 2008-09 fiscal year, the fund was increased to Tk5bn (US$62.5m). A total of Tk23bn (US$287m) had been funnelled through this facility by April 2012, with 15% of the funds going to women.

- **ADB Fund**: The project encompasses provision of medium- to long-term credit to non-urban and rural SMEs, the so-called “missing middle”, by providing a credit line. The World Bank also joined this revolving fund. Under the fund, Tk19bn (US$237m) has been lent so far. The SME Development Project (SMEDP), with the current tranche dating from September 2009, provides a soft loan at 1% to BB, which is on-lent to banks at 5%, for commercial SME lending.

- **JICA SME Fund**: Most recently, on 11 June 2012 BB opened a Tk5bn (US$62.5m) fund to provide financing facilities to SMEs, funded by the Japan International Cooperation Agency (JICA). The fund will be disbursed to 22 participatory banks and 19 NBFIs at a maximum interest rate of 5% for medium (2-year) and long term (8-year) periods. The banks and NBFIs may charge market rates to the borrowers.

All three facilities provide subsidised funds to banks. However, this has been the source of much criticism: whilst the banks get funds at the Bank Rate (around 5%) from Bangladesh Bank, their lending rates are much higher, varying over time between 14% and 24% for different banks. On the other hand, a number of the banks indicated that their ability to lend to SMEs at a risk adjusted rate has, in the past at least, been constrained by interest rate caps. Partly in response, BB has taken steps under its refinancing scheme to assist entrepreneurs with loans at lower interest rates. Banks and financial institutions are providing loans to women entrepreneurs at a 10% interest rate. As for interest rates in general, BB has established a website comparing interest rates being charged by banks: see [www.bb.org.bd/econdata/index.php](http://www.bb.org.bd/econdata/index.php). The site also includes charts on the SME sector.

Similar criticisms were made of the EEF (see section 4). Although most of the enterprises which utilised the EEF were SMEs, total disbursements showed a declining trend in the last years, mainly due to low demand by participating banks and financial institutions.

---

20 Rikta, N.N., December 2007, *Institutional Lending and Financing Policy for SMEs in Bangladesh*, Policy Note PN 0804, Policy Analysis Unit, Bangladesh Bank

Finally, Palli Karma-Sahayak Foundation (PKSF) operates as an Apex Fund mainly for MFIs. In the 1990s, PKSF was established as the promoted wholesaler financier with government and World Bank funds. NGOs providing financial services had the benefit of this relatively low cost financing, along with technical assistance to enhance their institutional infrastructure and to reduce dependence on grant funds.\(^{22}\) Partly as a result, NGO-MFIs also provide certain services to SMEs, such as business development services.

The SMEDP is currently preparing an analysis of the above and other credit schemes but there is no date for release of this report.

### 6.2 Other Support

Other related support by the Government includes the promulgation of “Thrust sectors” for SME investment, e.g. agro-processing. This was outlined in the Government’s Industrial Policy 2009. Thrust sectors were stated to include industries that require preferential policy support to harness their high growth potential and may include industries that currently occupy a dominant position in the economy or industries which have high growth potential but are currently non-existent or are in a nascent stage in the economy. An initial list was annexed to the policy and is updated from time to time (it is currently 32) by the government in consultation with all stakeholders and on the basis of information collected on various industries, their growth potentials and likely positive impact on the economy.

The government also determines specific policy support to be provided to these industries on the basis of the identification of constraints faced and past performances of the industries.\(^{23}\) Notably, the Government has entrusted the SME Foundation with the responsibility to implement the SME Policy, Strategy and Guidelines, a key element of which is Access to Finance for SMEs.

Secondly, the BB has expanded the operation of the Credit Information Bureau (CIB) to ensure the availability of credit histories for all SMEs. A 16-month grant project funded by DFID and managed by the IFC’s SouthAsia Enterprise Development Facility (SEDF) was completed in 2010. This was aimed at providing coverage of all SME borrowers in order to help the banks shift from purely collateral-based lending to cashflow-based lending that emphasizes greater reliance on character. However, it appears that this has not yet produced such a shift in banks’ understanding of the business operations of SMEs to allow them to relax. One solution to this issue may be to drop the minimum loan amount (currently Tk50,000 or US$625)\(^{24}\) above which banks must report borrower details to the CIB. However, the minimum amount is already quite low and the benefits in terms of greater lender certainty may be offset by the higher reporting costs.

SEDF also provides support to partner financial institutions through a combination of technical assistance and policy related works, with the aim that the banks are better able to make financing readily available for SMEs.

The state-owned Bangladesh Small Industries and Commerce Bank (BASIC Bank) provides loans to cottage industries and small enterprises. As at the end of the 2011 financial year, BASIC’s outstanding loans were Tk54bn (US$675m)\(^{25}\). The Memorandum and Articles of BASIC provides that at least 50% of its loanable funds should be invested in small scale industries. The bank also offers below market interest rates on lending compared to most other banks. However, the ADB has opined that BASIC has been ineffective in seeking out potential SME clients.\(^{26}\)

---

\(^{22}\) BWTP (2009)


\(^{25}\) http://www.basicbanklimited.com/Balance_Sheet.php?contacts=1

\(^{26}\) ADB (2009)
The most recent step by Government was taken on 28 February 2012 with the aim of simplifying and standardising the municipal business regulation of SMEs. Under the initiative, the Public Administration Ministry and Bangladesh Investment Climate Fund, managed by IFC in partnership with DFID and the European Union, will design and implement pilot programmes in three municipalities.

An institution set up specifically to provide advice to SMEs is the SME Foundation. The Foundation was established in 2007 with an endowment of Tk2bn (US$25m) from the central bank. SMEs can approach it for advice on matters relating to SME and entrepreneur capacity building, in areas such as: promotion and market expansion of SME products; linkages between buyers and sellers; advice and guidelines with information support for new business development; SME business manuals; and SME product fairs. The SME Foundation is credited with having played a major role in modifying the sector via extensive research and fundamental support.

The SME Foundation also provides collateral-free loans at a rate of 4% to banks, from whom an entrepreneur is entitled to a 9% lending rate, the lowest in the country, to help promote SMEs. Initially, it provided funds to Micro Industries Development Assistance and Service (Midas) and MTB, but the program has been extended to others such as Eastern Bank. However, the SME Foundation does not lend direct to SMEs and it does not appear greatly focussed on advising SMEs on their most appropriate funding options, other than by publishing on its website (www.smef.org.bd) contact details for banks and NBFIs, the basic terms of SME loans and a loan search engine (that unfortunately does not work).

Other donor agencies working in the field of advice and assistance to SMEs include KfW/DEG, USAID, the Swiss development agency and the Gates Foundation. International development agencies such as Action Aid UK, CARE and Oxfam have also made substantial contributions to the sector, in terms of grants, technical assistance, and financing research and documentation. However, as with the SME Foundation, there is no real avenue for individual SMEs to seek assistance from these donors or aid agencies.

---

27 See www.smef.org.bd
7. Common limitations for SMEs and providers

7.1 Clients

The field trip to conduct research for this report did not involve any discussions with clients. However, issues confronted by IBs/SMEs have been well documented. A recent survey (May 2011) suggests that the main challenges from the SMEs perspective are:

- **Access to finance related constraints**: High interest rate on bank loans, lack of institutional credit, non-availability of working capital, low levels of technology adoption, and lack of adequate investments
- **Operation related challenges**: Low levels of productivity, lack of skilled technicians and workers, lack of research and development facilities
- **Institutional issues**: A lack of marketing facilities and market access, absence of cut government policies, and inadequate infrastructure

The first issue, access to finance, will be dealt with in more detail. The other two issues stem essentially from the fact that SMEs are weak in managing their business (and this matches the perceptions of parties interviewed) - from planning to purchasing, design, production, quality control, marketing, finance, human resources, public relations, new business developments and target growth.

The ADB has highlighted that, along with high interest rates, the collateral requirement is a major hurdle for SME entrepreneurs. It concluded that, in order to serve the subsector, banks need to develop appropriate funding models that match the financing requirements of the clients along with their financial capacity to withstand potential lending risks and enhance productivity and efficiency of the SMEs.

Such as mind shift amongst banks appears unlikely given the current situation confronting them in Bangladesh, with liquidity tight and demands on their capital from other borrowers being high. The 2012/13 Budget announced by the Bangladesh Government on 7 June 2012 requires bank funding for the proposed deficit of Tk230bn (US$2.9bn).
A third report\textsuperscript{29} highlighted three main problems for entrepreneurs, which would include both IBs and SMEs.

\begin{center}
\begin{tabular}{|p{0.9\textwidth}|}
\hline
\textbf{SME Funding Issues}\\
\hline
\textbf{A. Project Preparation:} The first problem entrepreneurs face in seeking institutional finance is with regard to preparation of the project proposal. In spite of directives from the central bank to follow standardized procedure, the loan application process has still remained lengthy and cumbersome. The entrepreneur often lacks the ability to formulate a proper project proposal. Even when he prepares the proposal drawing on outside expert services, there is no guarantee that the proposal will be evaluated properly as the financial institutions themselves lack adequate capability for proper project evaluation.

Prerequisites, e.g. track record are a real problem for start-ups, business including loan proposal high processing and monitoring costs. The loan application forms are themselves often long, tedious and requiring redundant information.

Agriculture is seen as most at risk by lenders involving factors such as weather, diseases and changes in official policies.

\textbf{B. Collateral Requirements:} One of the main factors that have hampered flow of institutional finance into SMEs is banks' pre-occupation with collateral based lending. Traditionally banks have used fixed asset ownership, particularly land ownership as the basis for judging credit-worthiness. This puts SMEs at a relative disadvantage, as large entrepreneurs are often able to get around the problem because of their influence and contacts by putting up collateral of dubious valuation. The solution to this problem lies in banks seeking deposit relationship with owners of SMEs and using cash flow rather than asset ownership as the criterion for credit-worthiness. An expanded credit guarantee scheme will have to play a vital role in this regard. (Ref. Guarantee Schemes on pages 34-35)

\textbf{C. Bureaucracy and Corruption:} Because of lack of proper autonomy and accountability the public sector financial institutions are beset with inflexibility, inefficiency, political interventions and corruption. Since the performance of the bank officials is not properly evaluated they lack the incentive to bring a large number of suitable borrowers, particularly those in the SME sector, within the fold of institutional financing. They adopt a passive and inflexible attitude towards the borrowers either to avoid the risk of making an inappropriate lending or to force the borrower to make side payments for more favourable handling of the loan application. Until necessary reforms in the public financial institutions are carried out, the SMEs will continue to bear the brunt of this institutional malice.

\textit{Source: Rahman (2010)}\\
\hline
\end{tabular}
\end{center}

\textsuperscript{29}Khan Atiqur Rahman, \textit{Development of small and medium scale industries in Bangladesh: Prospects and constraints}, Bangladesh Institute of Bank Management, 2010
Other issues that have been identified include:

- **Transparency and accountability:** SMEs do not maintain proper accounting records; it has been alleged in Bangladesh that some loans to SMEs “flew to the stock market”. Leaving aside this issue, there are other shortcomings, such as the ability of the SME to arrange for the auditing of its accounts.

- **Compliance with regulatory requirements:** SMEs do not always obtain the necessary licences, such as getting permission from the environment department for any manufacturing enterprise, because to do so can be expensive and time consuming.

As mentioned in section 4, SMEs in Bangladesh rely more on bank loans than their counterparts in some other economies. Even where equity investors are prepared to support SMEs, many of the same issues will apply. In addition, there is the fact that the SMEs cannot guarantee an exit for the investor, as the capital markets in Bangladesh are relatively undeveloped and Mergers & Acquisitions activity is limited. As a result, there is an “exit risk” that will be passed onto the SME through the pricing of the investment or in some other way.

### 7.2 Suppliers

Access to formal financing, especially bank financing, for SMEs has been increasing in recent years due to efforts by Bangladesh Bank such as introduction of refinance facilities (see section 6), the Government urging of the banks to open special windows to cater for SME loans and other measures. However, a more uniform approach across the banking sector is still required in regard to bank-SME relationship lending, so that SMEs can access credit in a timely and efficient manner.

Whilst having an SME department is mandated for all banks, not all banks are fully committed to the sector. One issue is the Government involvement in institutions and markets, e.g. in regard to interest rates. Whilst not formally capped anymore, banks are subject to directives from the Government, which are not always clear. This means that the banks cannot actually price the loans for the inherent risk, which makes them favour other lending opportunities.

Secondly, banks and NBFIs need to evolve and expand their financial product lines for SMEs, innovating to meet the product and service needs of SMEs. New product development involves both SME friendly terms, instead of pure asset-based financing, as well as appropriate pricing, based on a proper risk assessment by the lender.

Some financial institutions, including banks and MFIs mentioned in section 4, are beginning to emphasize relationship lending technologies, which are based on “soft” information, more attuned to the characteristics of SMEs compared to banking norms and procedures. The soft information may include:

- The character and reliability of the SME’s owner, based on direct contact over time by the institution’s loan officer
- The payment and receipt history of the SME gathered from the past provision of loans, deposits or other services to the SME by the institution, or
- The future prospects of the SME garnered from past communications with SME’s suppliers, customers or neighbouring businesses

Moreover, even with the current products, many bank field staff require training in SME lending and how to assess loan applications. The focus in this area should be on equipping the SME relationship managers, as they are the interface between the clients and the bank. Given the “ticket size” of SME loans versus the loan administration cost, banks need more efficient loan assessment processes, such as credit scoring use by many MFIs.

---

30 Rahman (2010)
Banks also suffer from other technical constraints. One key one is that, where collateral is required, they confront difficulties in enforcing collateral, due the small size and the complicated legal process. One bank indicated that it is not worth seeking to execute collateral for an amount of less than US$100,000. ADB has commented (2009) that the major bottleneck lies in cumbersome enforcement procedures to sell collateral through public auctions. It suggested that a new secured transactions law will benefit SMEs in terms of enhanced credit delivery since SME debtors possess relatively little land but more movable property collateral.

Such a draft law has been prepared but it has not yet been passed and it may be caught up in the inevitable pre-election hiatus. In the meantime, there is a collateral registry operated by the Registry of Joint Stock Companies and Firms (RJSC) but the service is available only to banks as companies registered under the purview of the RJSC.

The loan monitoring approach also needs to change for SME credits, in areas such as portfolio quality and delinquency management. In addition, banks should move to decentralise operations, with additional branches or other ways to reach clients, such as telephone banking.

At a time of perceived credit squeeze, with the challenging global economic landscape having made matters worse, banks are confronting issues of limited capital. At the same time, there are competing demands for bank loans, including from the Government itself managing a large budget deficit. With MFIs unable to take savings (except for Grameen which is a bank), they do not necessarily have the capital to take up the slack. This suggest that banks should consider other ways of raising funds, such as through syndications and domestic factoring, which have emerged as successful tools of SME financing in many countries.

One common facility in many countries that can help increase access to finance is guarantee schemes. Government provided credit guarantee schemes to SMEs are a common feature both in developed and developing countries. Such a guarantee ensures repayment of any default loan taken by an SME. In addition, a government can directly guarantees loans up to a certain limit to small businesses to purchase land, buildings or equipment. Loans may be made through banks or other financial institutions.

However, such schemes are not evident in Bangladesh. Sonali bank, Agrani Bank and Janata Bank jointly started a Credit Guarantee Scheme with assistance from the Bangladesh Bank a decade ago. A substantial number of loans was disbursed under this scheme but much of that lending went to non-viable projects and turned into bad debts.31 At the present time, both DFID and USAID are examining the introduction of new credit guarantee schemes. However, no information is yet available, and some parties interviewed do not see such schemes as helpful. Finally, it is not always necessary for the banks to absorb all the costs of getting clients to the stage of being ‘credit ready’ or of building their own capacities. There are donors, NGOs and other agencies willing to help in these areas (see section 5) but coordination between the providers of TA, the SME clients and the banks is not generally good. We will return to this issue of making use of available resources in sections 8 and 9.

8. How SMEs can improve access to finance

8.1 Best Practices for SMES

There are a number of steps that SMEs can take to improve their prospects for obtaining funding for their business, based on the analysis of what banks often require. The keys to success revolve around three main initiatives: seeking the best financing product; putting “the best foot forward” in the application process; and changing the business operation for the better.

Seek the most appropriate financial product

The first step is to consider what type of product is needed. This requires the SME to have a full understanding of its future financing needs which, in turn, will require it to develop some sort of a business plan, with details on its operation, products, employees, marketing and processes. It is then a matter of determining what type of product and what quantum of funding best meets the SME’s financing needs. Relevant questions include:

- Can it provide collateral, or must it seek a cash flow based not asset backed loan?
- Will the loans involve a priority sector, such as one of the 32 “Thrust sectors” for SME investment, e.g. agro-processing?
- When will the funds be needed and, if not the full amount on Day 1, can a facility with tranches be arranged?
- Is it possible that equity funding would be more appropriate than debt?
- Would other products be important, such as insurance coverage, particularly for agriculture?

Having agreed the appropriate product or products, the SME should then look for the lender and/or provider most aligned with its interests. In section 4, this report examined in detail many of the potential providers, with some indications of those favourably disposed towards SMEs. Considering the product terms, understanding and comparing interest rates is important and fees that banks charge on top of the stated interest rate must also be considered.

Finally, other terms can be just as crucial as the interest rate. There may be steps that the borrower must take which are time-consuming or expensive, e.g. registration of title or formal business licences. If the required reporting regime (see sub-section B) is too burdensome, this adds to the effective cost of the loan. In addition, the borrower should ensure that the repayment terms of the loan align with its expected cash flows.

Maximising the SME’s ability to qualify

Some of the key elements that a borrower must consider well in advance include:

- Title to property to allow for collateralisation
- If collateral cannot be provided, the capacity to provide alternatives, such as security over assets liens, guarantees, and post-dated cheques
- The ability to meet lenders’ minimum client criteria, especially years of business operation
- Physical access to financial services through visiting the bank branch or lending officer
- An ability to prepare the loan application, given the complexity of some of the banks’ forms Preparing for the detailed reporting required as part of the lender’s loan monitoring
Improving Business Attributes

Thirdly, the IB or SME should look to its own house. Some of the key operating aspects that would bear attention include:

- Business skills, egg planning, product development, quality control, HR, cash/debt management
- Improved access to markets, through better marketing, transportation and distribution
- Better oversight, whether through a Board of Directors or another form of governance
- Maintaining transparent and proper accounts, which can range from basic book-keeping to (where necessary) external auditing
- Seeking to comply with the business licensing regime, no matter how difficult and tedious
- Remediying low levels of productivity, any lack of skilled technicians and workers, inadequate market research and (where needed) R&D facilities

At a more general level, the most important attribute of the SME will be a capacity to grow. Apart from the above matters, this can require elements such as sound internal controls, risk analysis and other risk management tools.

Whilst these requirements may seem rather overwhelming when taken as a whole, not every bank will demand all of them. In any event, most of the changes are such that they would be of benefit to the SME regardless of whether they are seeking any funding. Therefore, SMEs should consider making such alterations to their operating and financial systems over time.

8.2 Other Steps

The SME does not need to be alone in confronting the above issues in the attempt to improve its operations and gain access to finance in the right quantum and on appropriate terms.

External advice can be very helpful. Some of the banks mentioned in section 4.1 do provide assistance to SMEs. Therefore building an ongoing relationship with finance providers can make sense for more reasons than simply accessing credit. However, banks do not generally regard it as part of their role to “train potential clients”. One obstacle is the cost of doing so, that eats into a bank’s (sometimes already capped) profit margin. A novel suggestion made by one bank was that the cost of such training could be regarded as part of a bank’s CSR obligations.

The alternative, or a parallel strategy, may be to partner with social programmes and NGOs. MFIs may be focussed on smaller loans but they do often have a more genuine understanding of IBs and other SMEs.

Finally, there are government institutions which can provide assistance to SMEs: see section 6.2.
9. Conclusion

9.1 How SMEs Should Proceed

Key steps for successful financing that have been outlined in this report can be summarised as:

- Seek the best financing product, most suitable for the business, on the best interest rate and other terms
- There are also a range of steps that can be taken to improve the prospects of securing funding through building a relationship with the lender and the application process itself
- Finally, gaining access to finance should not be seen as only an end in itself, because changing the business operation to satisfy the needs of lenders can also be in the interests of the SME (IB)

Being “credit ready” should be seen as a long term process, extending beyond securing the actual loan agreement. There is a long preparatory period and then also the term of the loan with the agreed repayment, operating and reporting obligations.

Answering the question of which banks are best for IBs and SMEs is not easy. In section 4 we have highlighted those with a high volume of SME lending (Islami Bank and BRAC), as well as other banks which appear genuinely well disposed towards the sector (Sonali, Mutual Trust Bank and Eastern Bank).

We would also suggest that SMEs consider whether it makes sense to seek a loan from an MFI, at least initially. Their NGO background makes MFIs more aligned with the concept of an IB. Whilst their level of real SME lending is limited, some MFIs also offer business development services, which could serve as a platform for adapting a business to be more suitable for bank financing.

Advice on finance can be obtained in Bangladesh from other sources. Apart from facilities such as BIF, potential borrowers can make use of available assistance, such as from the BB website comparing interest rates being charged by banks: see www.bb.org.bd/econdata/index.php.

There is also the SME Foundation although it tends to be more focussed on industry research rather than practical advice. Other donor agencies working in the field of advice and assistance to SMEs include KfW/DEG, USAID, the Swiss development agency and the Gates Foundation. Finally, IBs and SMEs should consider relaxing self-imposed constraints on ownership to utilise other sources of funds, such as equity. In this field, the fund manager SEAF is the clear leader.

9.2 Some Possible Changes

In conclusion, it should be mentioned that the market for the funding of SMEs will continue to evolve over time. At present, the government and donors have indicated a strong commitment to the sector, with many initiatives on the funding and advisory side. Moreover, other changes are likely, such as the introduction of guarantee schemes, more equity investment funds and better data publication.

However, there is more that could be done to encourage SMEs. Two examples are:

- Fiscal policy: In Bangladesh, the tax environment is not particularly adapted to provide support to SMEs, e.g. they are subject to taxes such as wealth and VAT that micro businesses do not pay, which is pointed out by most SME entrepreneurs as a critical policy constraint hindering SME growth: Rahman (2010). Levelling the playing field in this area would be one possible initiative.
• SME Rating Agency: Another step would be to set up an SME rating agency to deliver detailed credit reports with scoring/rating, research assistance on SME cluster, training and overall sectoral studies, all of which would encourage banks to lend to SMEs. In India, the SME Rating Agency (SMERA) has been adjudged a key component to SME development. However, such ratings can be expensive for SMEs and, therefore, are often funded by an agency. Furthermore, in order to play a key role in strengthening the SME sector in Bangladesh, the government and its undertakings, the banking and financial fraternity, the apex associations of the SMEs and the SME units themselves must appreciate and recognise the importance of such an initiative.

From the government perspective, the economy, the budget and the upcoming election are all limiting factors to additional actions or policies. Donors remain focussed on the sector and more imminent action is likely to come from institutions such as IFC/SEDF, ADB and KfW.

The key factor is the need for the banks as a whole to embrace the SME sector more completely and to modify their lending processes, products and reporting requirements to cater better for such clients.
APPENDIX I

Highlights from Banking Sector Interviews

SME FOCUS:
All Banks retain specialist ‘SME Units’ the exact configurations differ from institution to institution. This reflects the importance that is placed on the SME sector and a widely held view that if developed properly then this market is a valued source of growth and profitability.

CENTRAL GUIDANCE:
The Central Bank’s (BB) policies and targets are often quoted by interviewees and are a significant influence on lenders activities.

- Emphasis on women entrepreneurs is one result
- Lending volume targets is another area where central direction is in evidence
- The concept of lending to ‘thrust sectors’ arose in some interviews indicating an awareness of the authorities priorities in directing funding available

FAVOURED SECTORS FOR LENDING:
Priority lending sectors do vary from bank to bank therefore it is clear those SME entrepreneurs seeking funds:

- Should investigate the best matches to their business
- Then identify and understand what the most likely lenders loan requirements are

Some of the lenders interviewed where quite specific about the sectors that were of greatest interest. Others stated that they were interested in all types of SME enterprises.

LENDING REQUIREMENTS:
These seem relatively uniform although it is difficult to be precise since the level of detail supplied by respondents was variable. Central Bank guidance and technical assistance and / or training received from International Agencies and NGOs will continue to improve standards. What is not so clear is how individual banks and their SME lending units apply or interpret lending requirements.

For newly established businesses the clear message is that they will find sources of finance very limited. Thus a step-by-step approach graduating up from Micro Finance is a common route to SME status and larger facilities. Here a record of borrowings and repayments plus family guarantee support is a combination that lenders favour.

Banks do point to borrower’s knowledge of lending requirements and their general attitude (e.g. failure to attend to details) as a recurring problem. However there are signs that there is room for improvement on the part of both borrowers and lenders.

LENDING DECISION-MAKING:
Almost all lenders report decisions being made within 10 to 30 days. This time-frame that betters western banking standards is surprising given the range of constraints / market difficulties quoted. More general market feedback indicates some level of frustration from businesses on the speed of decision-making, This is a contradiction that would be worth investigating further.
INTERNATIONAL SUPPORT:
The picture in terms of working with International Agencies / NGOs is mixed with some lenders being more engaged than others. International Finance Corporation is mentioned most by those interviewed but a wider selection of Agencies and various degrees of involvement was noted.

- Overall there looks to be scope for much greater co-operation
- The depth of International Agencies / NGO engagement in the market was not entirely clear to some of the respondents
- Some lenders appear to be reluctant to engage with International Agencies / NGOs and this is not limited to the Islamic Banking sub-sector. Here, mention was made of seeking to avoid engagement in ‘grant aid culture’ that may prove less creditworthy
- Building lenders skills / capacity was mentioned as one of the clearer International Agencies / NGO benefits and there is good scope to extend this

SUPPORTING SME CAPACITY:
Awareness / basic training efforts to improve SME understanding of lenders requirements and good company governance is mixed. Resource constraints are undoubtedly one factor, however:

- Organisation of these activities does not appear strong across the board
- Responses reflect an opinion that this is the responsibility of others;
  - Notably BB was quoted as supplying much of the required guidance
  - Some banks acknowledge that International Agencies / NGOs have applied education efforts with some success, IFC being singled-out
    In contrast, the local institution’s approach to developing capacity in this area appears more passive.
- Most respondents appear to understand that additional effort would bring benefits to both borrowers and lenders.
Additional capacity building efforts across a range of local lenders who then act as a conduit for proportionate, well designed guidance to their existing and prospective SME customers appears an attractive concept to market participants who may lack the necessary resources.
APPENDIX II

Highlights From NGO / Impact Investor Interviews

SAMPLE:
There was a mixed sample that encompassed (i) intermediate funders and investors in MFI lenders; (ii) agricultural specialists engaged in lending and some limited investing and, (iii) pure equity and ‘softer equity’ investors (which includes feedback obtained via research in Singapore).

BUSINESS FOCUS:
Findings were diverse and very few themes emerged.

- True examples of direct equity investments in emerging SME businesses appear rare in Bangladesh – only one pure equity investment was directly quoted from the group of respondents
- Some respondents were primarily debt suppliers – with only an ancillary interest in direct equity participation. Therefore feedback on the use of equity or quasi-equity proved sketchy / uncertain
- The ranges for potential direct equity provision was wide – varying from a few US$000s to up to US$10ml (in theory at least)
- Additional work would be required to properly assess the equity investment activities by IFC and other International Agencies / NGOs in the Bangladesh market.

INVESTMENT CRITERIA:
Themes here included

- Character of business owner(s) – not surprisingly this was deemed of the upmost importance
- A well established track record for all but the smallest of equity investments. There was very limited appetite for start-up businesses - reflecting attitudes of almost all lenders to the SME sector
- Information quality including on-going management information based on reliable IT systems and well-constructed initial and annual business plans
- Board representation is required with prescribed elements of control over decision-making
- Some equity investors mention specific investment returns targets, but most respondents did not. Social objectives were quoted reflecting the broader objectives set by many domestic and international institutions.

CONCLUSION:
The market as it stands is (i) extremely small, (ii) attracting limited funds and (iii) exhibiting few ‘role models’ of what successful equity investments in Bangladesh look like.

There are clear cultural issues where SME entrepreneurs are loath to give up 100% ownership and be subject to strong external scrutiny. This results in persistently weak demand for equity investment and an over-reliance on debt. This is not an optimal outcome for the SME sector and for Bangladesh as a whole.

Education efforts designed to slowly change culture and perhaps more importantly, some clear examples of success, would help prompt future growth in equity finance provision.
# APPENDIX III

List of Organisations Interviewed

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Contact</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGAP</td>
<td>Gregory Chen</td>
<td>BRAC Centre, 75 Mohakhali, Dhaka 1212</td>
</tr>
<tr>
<td>BRAC</td>
<td>Ishtiaq Mohiuddin, Director Microfinance</td>
<td>BRAC Centre, 75 Mohakhali, Dhaka 1212</td>
</tr>
<tr>
<td>ADB</td>
<td>Zillur Rhaman</td>
<td>ADB</td>
</tr>
<tr>
<td>PKSF</td>
<td>Fazlul Quader</td>
<td>PKSF</td>
</tr>
<tr>
<td>SEAF</td>
<td>Fahim Ahmed Managing Partner</td>
<td>Bangladesh: 41 Gulshan North C/A, 4th Fl.,</td>
</tr>
<tr>
<td>Tindercapital</td>
<td>Jerry Nicholson</td>
<td>Conference phone</td>
</tr>
<tr>
<td>ACI</td>
<td>Saif Uddin, Head of credit operations Agribusiness</td>
<td>ACI Centre, 245 Tejgaon Industrial Area, Dhaka-1208.</td>
</tr>
<tr>
<td>Mutual Trust Bank</td>
<td>Annis A Khan CEO</td>
<td>MTB Corporate Head Office, 26 Gulshan Avenue, Gulshan 1, Dhaka 1212.</td>
</tr>
<tr>
<td>Bangladesh Enterprise Institute</td>
<td>Farook Sobhan President</td>
<td>House: 3A, Road: 50, Gulshan-2</td>
</tr>
<tr>
<td>Amadeyr</td>
<td>Masud Khan, Imran Ali Founder Managing Director, Elizabeth A. Ali Chairperson</td>
<td>At BIF</td>
</tr>
<tr>
<td>Sonali Bank Ltd</td>
<td>Ranendra Nath Mondal, Deputy General Manager Micro Credit Division</td>
<td>Sonali Bank Head Office, Motijheel C/A, Dhaka- 1000</td>
</tr>
<tr>
<td>BASA</td>
<td>Bimal Kanti Kuri Senior Program Coordinator</td>
<td>BASA office, House# 247, Road# 18, New DOHS, Mohakhali,Dhaka -1206.</td>
</tr>
<tr>
<td>Leopard Capital</td>
<td>Doug Clayton</td>
<td>On Skype</td>
</tr>
<tr>
<td>Islami Bank</td>
<td>Nazrul Islam Khan, Executive Vice President Head of SME Investment</td>
<td>Islamic Bank Tower, SME Investment Division, 40 Dilkusha , Motizheel C/A Dhaka-1000</td>
</tr>
<tr>
<td>Organisation</td>
<td>Contact</td>
<td>Location</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>RSA Capital</td>
<td>Sameer Ahmed, Founder</td>
<td>RSA Capital, Gulshan Grace, Apt 6C, 8 Gulshan Avenue, Gulshan-1</td>
</tr>
<tr>
<td>City Bank Ltd</td>
<td>K Mahmood Sattar, CEO</td>
<td>City Bank Centre, 136 Gulshan Avenue Gulshan 2 Dhaka.</td>
</tr>
<tr>
<td></td>
<td>Badrudduza Chowdhury, Deputy MD, SME</td>
<td></td>
</tr>
<tr>
<td>Department for International</td>
<td>Masarrat Quader, Private Sector Adviser</td>
<td>Department for International Development (DFID) United House, 10 Gulshan Avenue, Dhaka 1212, Bangladesh</td>
</tr>
<tr>
<td>Development (DFID)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRAC Social Innovation Lab</td>
<td>Mariya A. May, Programme Manager</td>
<td>BRAC Centre, 75 Mohakhali, Dhaka 1212</td>
</tr>
<tr>
<td>BRAC Bank</td>
<td>Syed Abdul Momen, Head of Small Business</td>
<td>BRAC Bank Ltd, Head office, SME Banking Division, Onik Tower( 10th floor), 220/ B, Tejgaon, Gulshan Link Road, Dhaka - 1208.</td>
</tr>
<tr>
<td>PROSPER</td>
<td>Dr Reazul Islam, Team Leader</td>
<td>c/o Maxwell Stamp, Road 113, #333, Gulshan 1</td>
</tr>
<tr>
<td>SME Foundation</td>
<td>Syed Rezwanul Kabir, Managing Director</td>
<td>SME Foundation, Royal Tower, 4 Panthapath , Dhaka-1215</td>
</tr>
<tr>
<td>BF Consulting</td>
<td>Peter Hauser</td>
<td>Pan Pacific Hotel</td>
</tr>
<tr>
<td>Muslim Aid</td>
<td>Khondoker Nazmul Huq, Head of Microfinance and SME</td>
<td>House: 13, road-27, Block-J, Banani, Dhaka-1213</td>
</tr>
<tr>
<td>ASA</td>
<td>Mohammed Azim Hossain</td>
<td>14th floor, ASA House</td>
</tr>
<tr>
<td>Prime Bank Ltd</td>
<td>Kazi Mahmood Khan, EVP &amp; Head of SME</td>
<td>Prime Bank Ltd, Head office, 7, Rajuk Avenue(7th floor) ,Rupali Bima Bhaban, Mothijheel, C/A, Dhaka.</td>
</tr>
<tr>
<td>Asian Tiger Capital</td>
<td>Syeed Khan</td>
<td>British Club</td>
</tr>
<tr>
<td>Bangladesh Bank</td>
<td>Adviser Hassan, Mr Awas, DGM, Research</td>
<td>Bangladesh Bank Head Office, Mothijheel</td>
</tr>
</tbody>
</table>
Additional resources:

A summary version of this document is also available: Financing options for inclusive business in Bangladesh - summary report: http://bit.ly/TJ1gWu

Our Database of Financial and Technical Support for Inclusive Business provides a list of over 200 organisations that offer financial and/or technical support to inclusive businesses: http://bit.ly/ib-support-database

There is a ‘know how’ section on innovative business planning: http://businessinnovationfacility.org/page/innovating-business-planning


Inclusive business looking for finance? – this Spotlight provides an introduction to what is available and how to target your best solution: http://bit.ly/SnH1fL


Challenges Consulting, which is part of the Challenges group (www.challengesworldwide.com), provides business consulting and mentoring for inclusive businesses in developing countries.

For further information and to view other Project Resources, go to: Practitioner Hub on inclusive business at: www.businessinnovationfacility.org

The Business Innovation Facility (BIF) is a pilot project funded by the UK Department for International Development (DFID). It is managed for DFID by PricewaterhouseCoopers LLP in alliance with the International Business Leaders Forum and Accenture Development Partnerships. It works in collaboration with Imani Development, Intellecap, Renaissance Consultants Ltd, The Convention on Business Integrity and Challenges Worldwide. The views presented in this publication are those of the author(s) and do not necessarily represent the views of BIF, its managers, funders or project partners and does not constitute professional advice.

We welcome feedback on our publications – please contact us at enquiries@businessinnovationfacility.org