

Report On

Prime Bank LTD: “The Role of Small and Medium Enterprise (SME) Banking in Supporting Economic Growth”

By

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Student ID: 18104090

An internship report submitted to the BRAC Business School as partial fulfillment of the criteria for the degree of Bachelor of Business Administration

BRAC Business School
BRAC University
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Declaration:

It is to here by declared that.

1. The internship report that I or we submitted was our own original work done while obtaining a degree at University of BRAC.
2. The report does not include anything that has already been published or authored by a third party, unless it is properly cited through thorough and correct referencing.
3. The report doesn't include anything that has been approved or turned in for consideration for another degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Mahir.

Mahir Shahriar Karim
18104090

Supervisor's Full Name & Signature:

Shamim Ahmed
BRAC University

Letter of Transmittal

Date: 01/07/2022

Shamim Ahmed

Assistant Professor,

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report.

Dear Sir,

It is a tremendous honor for me to have your help in completing my internship report successfully. I sincerely appreciate you taking the time to help me and sharing your knowledge with me, and I hope you are satisfied with the report I have submitted. Working on the budget, annual integrated report, sustainability reports, and other financial operations of a bank has given me practical experience. I've been able to apply my academic skills and better comprehend company culture due to this report. It has boosted my personality, given me additional opportunities, and increased my professional skills. I am incredibly appreciative of the chance to gain knowledge from the highly qualified Prime Bank Limited team. I want to express my gratitude for helping me and inspiring me to finish my internship at Prime Bank Limited.

Sincerely yours,

Mahir Shahriar Karim

Student ID: 18104090

BRAC Business School

BRAC University

Non-Disclosure Agreement

The undersigned student from BRAC University, Mahir Shahriar Karim, and Prime Bank LTD have entered into this agreement to firmly forbid the leaking of the bank's confidential information.

Signature-

Mahir.

Mahir Shahriar Karim

18104090

Mahir Shahriar Karim

Student ID: 18104090

BRAC Business School

BRAC University

Acknowledgement

Above all, I want to express my gratitude to God for His mercies during my internship and in finishing my report.

The report was only possible thanks to many people who provided ongoing time, assistance, and guidance. I would like to thank my dearest professor Shamim Ahmed for giving me clear instructions for writing this report and for his assistance whenever I needed it. I also want to express my gratitude to my supervisor Ajay Kumar (Senior Manager & FAVP) for his unwavering support and direction, as well as to the other SME Division officials who provided me with information that helped me prepare this report. I appreciate them all for being a constant source of knowledge and inspiration. And thanks for giving me responsibilities and imparting knowledge that will certainly be useful to me for the rest of my career. Finally, thanks to Prime Bank Limited for hiring me as an intern.

Finally, I'd like to thank my parents for raising me in a way that enables me to be the best version of myself every day.

Executive Summary

This report aims to portray a fairly complete image of my internship in the SME Banking Division of Prime Bank Limited as part of the academic requirement. I successfully completed a three-month internship starting February 9, 2023 to May 5, 2023. I was appointed under the supervision of Ajay Kumar (Senior Manager & FAVP).

I briefly analyze and describe my three-month internship at Prime Bank Limited in this report. There are several sections in the report. I gave a general summary of the company, including its history, mission, vision, aim, and organizational structure, at the beginning of the report. I then gave a brief overview of the division I worked in after that. I then enumerated my responsibilities and contributions to the company. I also included the bank's financial position analysis. I'll go into more detail about my internship experience later on, including what I learnt from it, how I got along with coworkers and managers, problems I ran into while interning, and how I resolved them. During the internship program, I also talked about my expectations versus reality and how this position will have a significant impact on my future aspirations. I conclude by discussing the changes I would make if I were given the chance to complete an internship again. This report reflects the information and experience I gained throughout my internship at Prime Bank Limited. The immense relevance and influence of this internship has inspired me to seek a career in banking.

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Chapter 1: Overview of Internship

1.1 Student information

Name: MAHIR SHAHRIAR KARIM

ID: 18104090

Program: Bachelor of Business Administration

Major: Finance

1.2 Internship Information

1.2.1 Internship details:

Period: February 9th, 2023 to May 5th 2023

Company Name: Prime Bank Ltd Address: Civil Engineer's Bhaban, 69, Mohakhali C/A,
Dhaka

1.2.2 Internship Company Supervisor's Information

Supervisor's Name: Ajay Kumar

Position: (Senior Manager & FAVP).

Email: ak041754@primebank.com.bd

Phone Number: +8801719525439

1.2.3 Job Scope:

My primary responsibility was to help officers and executives with all facets of their everyday work. Beginning with customer service, it progresses to tasks like document analysis, data entry, filling out loan proposal forms, negotiating, etc. Delivering checks and debit cards to consumers was one of my first tasks. I was able to understand the fundamental functions a bank performs by performing these daily activities, which also improved my knowledge of the banking industry.

1.3 Internship Outcomes:

1.3.1 Contribution to the company:

I had just begun as an intern, so I was unfamiliar with the office setting. On my first day, I was quite perplexed. However, as time goes on, officials and executives assist me in comprehending the operations and services of the bank. I have engaged in a variety of activities. My main responsibility was to help the staff with their regular duties. I was able to study the fundamentals of banking, which improved my understanding. Every person was helpful, and I quickly picked up a lot of knowledge.

1.3.2 Benefits of this internship:

In the current scenario and job market, I am happy about my decision to conduct my internship with Prime Bank Ltd. Through working here, I have made more knowledgeable outcomes. Now

I am well-versed in the duties of a mission leader and hold them in high regard. I also have knowledge of advertising and potential organizational problems. If I had worked for another company, I might not have understood many of these things. The following list of advantages of this internship has been provided:

- A daily opportunity to gain fresh experience working with various customer's type.
- Acquired the ability to operate efficiently with little supervision.
 - Acquired new knowledge about consumer relations, culture, and the usage of new equipment.
- Acquired greater competence and improved people skills.

1.3.3 Recommendations:

Here are a few of the suggestions:

- They should work on showing their personnel appreciation.

- Expressing gratitude to strong performers will raise their spirits.
- For us to grasp the task better, internship activities might be more closely related to it.

Chapter-2: Organization Part

2.1 Introduction

The term "bank" makes it clear what a financial organization deals with money. By looking at the state of the banking industry, it is possible to determine the general economic situation of a nation. In terms of economic activity, the banking sector is crucial. Any nation's development. There are many kinds of banks, including commercial, savings, investment, industrial, and credit union banks. However, when we refer to a "bank" without a qualifier or prefix, we are referring to a commercial bank. The main contributor to the economy of nations like Bangladesh are commercial banks. Commercial banks predominate the banking industry in Bangladesh, and the success of these institutions has a significant impact on macroeconomic management. To restore the financial system and meet the demands of the war-torn economy, the banking sector grew primarily in the public sector before gradually liberalizing. There was a growing consensus that banks should be permitted to accelerate private sector-led development initiatives. In the 1980s, several private sector banks received their initial licenses. The idea of banking no longer exists in a branch or branch cubicle. various than cabins, bankers are currently undertaking various banking operations. Providing Service with Guarantees Accessibility is a crucial component of financial services. It is essential that everyone understands the bank and the banking procedure as a result. There are now 63 proposed banks active nationwide. Of these, 38 are privately held commercial banks, 9 are foreign commercial banks, and 9 are state-owned (including 5 specialized banks). The banking industry in Bangladesh has experienced significant improvements, although persistent inefficiencies persist. The main issue with Bangladesh's

banking sector is the issue with bank defaults. To deal with the credit default swap issue in Bangladesh, several actions have been done. The Bangladesh Bank's mandatory credit and procedural policies are one of them. Therefore, all relevant analysis is included in the bank's financial performance.

2.1.1 Origin of the report

The last criterion for BBA students is the BRAC University Internship Program, which also has some requirements for the BBA Curriculum Internship Program. The students' exposure to real-world work is the internship's primary goal. The major difficulty for the intern is converting theoretical ideas into practical experience. The following goals have been met by internship programs and research:

- in-depth understanding of job responsibilities.
- to collect experience in the actual business world.
- Compare real-world scenarios with university teachings.
- Meet the requirements of the BBA program.

I was given the following direction by Mr. Shamim Ahmed when I was assigned to Prime Bank Limited at the Civil Engineer's Bhaban, 69, Mohakhali C/A, Dhaka to finish the internship program. my professor's adviser. The supervisor gave his or her approval for the topic of the report in order to satisfy the requirements of the company and the effectiveness of the internship program. I had to submit this report as part of the internship program's requirements, and it comprised a summary of the company and a Prime Bank Limited comparative study.

2.1.2 Scope of the Report

The main purpose of education is the acquisition of knowledge. Finally, knowledge

In addition to theoretical knowledge, the hands-on application must be run. I have this report to present my practical knowledge as well as to find out-

General:

- Observation of SME bank and progress of Prime banking restrictions Services.
- The way banks operate in various fields being a single organization.
- What SME department of Prime Bank is doing to develop the national economy.
- Acquire a wide range of practical knowledge about SME banking as a financial force institution.

Specific:

- Gives an overview of the entire Prime Bank Limited organization.
- Get an overview of Prime Bank Limited's SME banking operations.
- Recommend the steps necessary to overcome these problems faced by Prime Banks Limited
- To identify key areas of inefficiency.

2.1.3 Methodology

I used two different types of sources to improve the significance and presentation of my report:

The Primary Sources:

- Direct conversations with the relevant officers and executives
- Informal discussion with the customers

- Related file survey provided by the respective officers in charge.
- Practical work assignments from different departments.

The Secondary Sources:

- Brochures of Prime Bank Ltd.
- Newspapers, Journals, Books and other written documents
- Web sites

2.1.4 Limitations of the Report

Conducting my internship at Prime Bank Limited at the Civil Engineer's Bhaban, 69, Mohakhali C/A, Dhaka, was an amazing adventure for me. However, there were essentially a few restrictions when compiling this report:

- obtaining the facts, deciphering it using my knowledge, and imposing it.
- bankers are very busy people. I made an effort to contact a few high-ranking officers in the general banking division for further unique information and sessions, but they were unable to accommodate me.

2.2 Overview of the Company

Prime Bank Limited has been partnering Bangladesh's progress since the Bank's establishment 25 years ago in 1995. And in this two-and-a-half-decade journey towards growth and prosperity, Prime Bank has had to navigate a challenging path—sometimes climbing steep slopes, sometimes crossing choppy waters. And in all this time Prime Bank has been aware and adaptive of transformations and the changing needs of time.

Through a variety of delivery channels, including 146 Branches, 5 (five) Subsidiary Companies (3 Foreign Subsidiaries & 2 Local Subsidiaries), and 3 (three) Off-shore

Banking Units, Prime Bank delivers a wide range of banking products and financial services to all societal groups. In addition to corporate and institutional banking, commercial banking, investment banking, MSME business, consumer and retail business, merchant banking, brokerage, Islamic banking, offshore banking, and other financial services, Prime Bank has expanded on its competence in these areas.

In an effort to completely reimagine how the Bank runs and conducts business, Prime Bank made a drastic switch from its traditional banking model to a more market-adaptive centralized one with a stronger emphasis on providing excellent customer service through innovation in 2015. The Bank unveiled its five main divisions: Commercial Banking, Transaction Banking, International Division, and Treasury Division. Corporate and Institutional Banking Division. To expand capital market services and M&A solutions for WB relationships, the Bank's subsidiaries' competencies have been integrated with the Bank's main business operations.

2.3 Prime Bank unlocking the potential of Micro, Small and Medium Enterprises (MSME)

Small and medium-sized businesses (SMEs) play a crucial role in Bangladesh's rapid industrialization, economic growth, and reduction of poverty. (2015) Rouf and Islam. The government of Bangladesh has long emphasized the significance of SME in the Industrial Policy-2005, misleading the sector as a "trust sector" 2015's Rouf & Islam. To align with the country's vision, Prime Bank devoted a SME Banking Division in 2008, with 18 MSME branches and nearly 65 Hubs all around the country.

Prime Bank has always been the forerunner in supporting the growth and financing of SMEs and many start-ups. Noteworthy, Prime Bank is the lone financier of Paperfly which is receiving massive global attention. The company is being able to gather investment amount of BDT 1000 Million (USD 12 million) from Ecom Express to jointly penetrate Logi-tech services in Bangladesh Market. Prime Bank has always been committed to support the Start-Ups industry of Bangladesh considering its contribution in the economic growth of the country. Prime Bank has been supporting many starts up distributors and companies to make their mark in the industry.

At the end of 2016, the Board of Directors and the management of the bank decided to focus more on MSME Banking so that major economical units can be served alongside large corporate client. The SME Banking Division was renamed as MSME Banking Division at the end of 2016 with a view to penetrate unsecured lending proposition to one Micro Businesses who cannot manage collateral and have less accessibility to financing. In such consideration, a Revamped MSME Banking Operational plan was devised and since then Prime Bank's contribution to MSMEs has risen significantly.

2.4 Achievements: 2020 VS 2019-YoY

- Only a few banks were able to achieve 100% of the Government declared CMSME Stimulus Package Loan disbursement target and Prime Bank is one of them which achieved the target within stipulated timeframe.
- MSME Asset Grown by US\$ 39 million (13% Growth from last year)
- No. of Borrowers Grown by 1,812 nos.(26% Growth from last year)
- MSME Deposit Grown by US\$ 13 million (5% Growth from last year)
- Unsecured Lending Portfolio grown by US \$ 227 million (80% growth from last year)
- 2,388 CMSMEs availed financing support from Prime Bank to revive from adverse impact of Covid-19
- Among 2,388 CMSMEs:
 - 42% loans given to labor intensive Manufacturers.
 - 23% loans given to Service sectors.
 - 35% loans given to Traders.
 - 87% of stimulus loan given to mostly impacted Cottage, Micro & Small entrepreneurs.
 - 4% of these stimulus loan went to our women Entrepreneurs.
- To ensure the health security of CMSME clients, Prime Bank introduced account opening & loan application through e-workflow.

2.5 MSME Performance: 2020 VS 2016-YoY

- MSME Asset grew by US\$ 130 million (60% Growth)
- No. of Borrowers grew by 6,504 nos. (270% Growth)
- MSME Deposit grew by US\$ 143 million (126% Growth)
- Unsecured Lending Portfolio grew to US \$ 61 million from US \$ 0.07 million (grew 85 Times in last 05 Years)

2.6 Revamped Strategies of MSME Banking Division of Prime Bank:

- ✔ Banking as a Service (BaaS) through S-manager Platform of Sheba XYZ (launching in process)
- ✔ Industry Segment wise MSME Banking
- ✔ Engaging Associations to grow access to finance for MSMEs.
- ✔ Introducing Nano Loans to Retail Shops, f-commerce, e-commerce, Freelancers
- ✔ Engagement of Associations to boost banking facility by offering customized banking services.
- ✔ Reach to mass number of enterprises in banking.
- ✔ Start Platform based lending.
- ✔ Development of Loan Origination System
- ✔ Readiness in debt collections through automated collections software
- ✔ Promoting cashless transaction to CMSMEs
- ✔ Introduced Business Debit card for the first time in Bangladesh.
- ✔ Focusing in supplier and distributor financing
- ✔ Promoting usage of Internet Banking for business transactions
- ✔ Tech-based Distributor Financing Program built to bridge wholesale & CMSME clients of the bank.

2.7 Obstruction in Growth and Development of MSMEs

In Bangladesh, SMEs account for over 90% of industrial enterprises, employ 4 out of 5 industrial workers, and contribute more than one-third of the industrial value added to the country's gross domestic product (GDP) (Alauddin & Chowdhury, 2015). Despite of being a major determinant of spurring socio-economic development and a primary source of job creation (Miller & Nyauncho, 2014) employing 5 million people of Bangladesh, MSMEs face some intricate barriers to their growth (Khan, 2020):

- i) *lack of fiscal incentives,*
- ii) *lack of financial accessibility*
- iii) *poor financial inclusion*

Various strategies and measures that Prime Bank has taken to counter these barriers and double the growth of MSMEs, especially in the year 2020 are elucidated in this report.

2.8 Rapid Implementation of fiscal incentives undertaken by Bangladesh Government:

In the outbreak of COVID-19, Government of Bangladesh declared to provide loan under a Stimulus Package and Prime Bank was committed to make the struggled MSMEs the ultimate beneficiary of the declared package (*fiscal incentive*) during this challenging time. Prime Bank disbursed BDT 2500 million (USD 30 million) to 2,388 borrowers which are unsecured in nature in a span of only 9 months (April 20 to December 20).

MSMEs are treated as the riskier segment for financing by most of the banks in Bangladesh. Due to Covid-19 epidemics, credit growth surged and CMSMEs needed urgent financing to recover the adverse effect in their business.

Even though the business operations were in a downturn during the pandemic, Prime Bank promptly reacted to assist CMSMEs which were struggling in operating their business. To revive from Pandemic impact, Bangladesh Government declared Stimulus Package for CMSMEs and Prime Bank disbursed the entire target BDT 250 Crore (US \$30 million) very efficiently.

Government Initiatives:

- US\$ 8 million (BDT 660 million) to MSME clients in subsidized interest (at 4%) under Stimulus Package
- Bank implemented government-initiated interest rate reduction from around 13% to 9% on April 1, 2020 and refrained to charge it same for the month of April-May 2020 again to offer great ease for MSMEs.
- Launched the country's first ever collateral free loan up to US\$ 58,000 (BDT 5 million) for MSMEs in the field of ICT and TES and ancillary industry. The facility will help more than 5,000 small business to make a comeback after COVID-19 slump.
- MSME financing to ICT industry in Bangladesh.
- Loan forbearance, late fee and other waivers, loan classification and provisioning rules.
- Waived processing fee for availing loan against unused credit card limit
- Waived Late Payment Charge for 3 months (March-May 2020) for Prime Bank Credit
- Waived interest compounded on accrued interest in credit cards for 3 months (March-May 2020)

Prime Bank's responses towards these initiatives:

- **Helping Economy Jumpstart: Achieves 100% loan disbursement target under Govt's COVID-19 Stimulus Package**

Throughout 2020, the world economy was stumbling due to COVID-19. Revival required integrated support for survival. Prime Bank is always committed to support its CMSME clients and during this hard time, Prime Bank has left no stone unturned to extend its financial support to help its CMSME clients to revive. Prime bank has helped the CMSMEs to recover their situation through rapid implementation of Govt. stimulus package. It has achieved a 100% loan disbursement target under the Government's Covid-19 Stimulus Packages distributed through Bangladesh Bank, significantly contributing to overcome losses inflicted by the pandemic, resume business activities and retain jobs. Since the very announcement of the Stimulus Package, Prime Bank has been one of the first bank to sanction loan and injected much needed Working Capital for Industry and Service Sector, for payment of wages and salaries for export-oriented clients, Working Capital for CMSME, Refinance Scheme through MFI for low-income Professionals, Farmers and Marginal and Small Businesses. **2,388 CMSMEs availed financing support from Prime Bank, of which 42% loans given to labor intensive Manufacturers, 23% to Service sectors, 35% to Traders, 87% to mostly impacted Cottage, Micro & Small entrepreneurs, 4% to our women Entrepreneurs.** Strong payments made under the aforementioned stimulus programs have considerably helped firms recover from pandemic-related losses. This fiscal injection in the economy shall prove to be a multiplier effect in helping businesses to sustain and keep their lights on, promoting sustainable long-term growth.

- **Opportunities for MSMEs to avail financing at low interest Rate.**

Prime Bank Ltd has signed an agreement with SME Foundation for Govt. Stimulus package to finance CMSMEs (especially those who not availed stimulus package). Under this agreement the CSMEs will get financing facility at **4%**. CSMEs can avail themselves of this funding for the purpose of running their business operation or restarting business operation after COVID – 19 effect, business expansion, working capital requirement and purchasing capital machineries etc.

Prime Bank is running some other refinance and pre finance schemes such as SMEDP2 and SMESPD schemes to continuously support in the slowdown period.

2.9 Harnessing MSMEs potential through Financial Accessibility

Prime Bank recognizes the power MSMEs hold in being the engines of Bangladesh's economic growth (Alam, 2018). According to Ali and Islam (2018), SMEs' inability to obtain financing is their biggest challenge. Collateral is their biggest roadblock to obtaining institutional credit, and they must pay an average interest rate of 14.44 percent on institutional credit and 31.22 percent on non-institution credit.

However, MSMEs engaged with Prime Bank are provided loans with minimal collaterals and with special deals without any collateral as well. Keeping in pace with the industry interest rate, Prime bank offers an interest rate of 9% and preference interest rate of only 6-7% to Women Entrepreneurs, Small Enterprises and Cotton Enterprises. The interest rate provided for the stimulus package (fiscal incentive) was 4 percent. These incentives have indeed resulted in growth over the years. About 30 small enterprises were refinanced, accounting for Tk 10 crore. One of the successful achievements of Prime Bank is its MSME NPL ratio, standing at 7.5% in 2020, lower than in 2019 which was 12.51%.

No of Borrowers

MSME	Dec'20	Dec'19	Growth Amt	Growth %
Manufacturing	992	788	204	25.89%
Service	928	734	194	26.43%
Trade	6,925	5,546	1,379	24.86%
Total	8,845	7,068	1,777	25.14%

No. of borrowers based on Gender

MSME	Dec'20	Dec'19	Growth Amt	Growth %
Male	8,561	6,838	1,723	25.20%
Female	284	230	54	23.48%
Total	8,845	7,068	1,777	25.14%

Prime Lenden:

Prime Lenden is an interest bearing current account which allows MSMEs to open current account at zero initial deposit and is dedicatedly designed to bring the unbanked cottage, micro, small and medium enterprises (CMSMEs) under formal financial system. This unique proposition manifests the bank's strong commitment to the grassroots entrepreneurs who needs affordable and convenient banking solutions for running their business.

Features of Prime Lenden:

- ✓ Zero initial deposit requirement
- ✓ Earning interest in transactional account
- ✓ Free fund transfers up to 5 lac
- ✓ Zero inter-branch online charge
- ✓ Free internet banking facility
- ✓ Transactional Alert via SMS
- ✓ Free ATM transaction in any bank's ATM booth all across the country.
- ✓ Free Business Debit Card
- ✓ Utility Payment Services of business via Altitude
- ✓ money transfer / payments to Mobile Banking Wallets

Prime Aagami:

To encourage the CMSME customers to keep their savings in its enterprise name, Prime Bank has come up with a solution named ‘Prime Aagami (প্রাইম আগামী)’ which is a Monthly Savings Scheme (MSS) dedicated for Cottage, Micro, Small & Medium Enterprises (CMSMEs) in Bangladesh.

Features:

- ✓ Attractive Interest Rate
- ✓ Automatic realization of monthly installments
- ✓ Upto 90% Overdraft facility against deposited amount
- ✓ Free Internet Banking Facility
- ✓ Quarterly E-statement facility
- ✓ One can open more than one “Prime Aagami (প্রাইম আগামী)”

Distributor Financing Program:

Prime Bank launched Distributor Financing program for its Micro, Small and Medium Enterprise (MSME) clients Started with the ROBI AXIATA Ltd. another leading telecommunication operators of Bangladesh so that their distributors experience hassle free financing to meet working capital requirements. For Transactional Banking's Omni digital platform for corporate conglomerates, it was the first straight through transaction from a registered distributor account in PrimePay. Additionally, Prime Bank and TVS Auto Bangladesh Ltd, the nation's fastest-growing motorbike manufacturer, recently joined to make it simple for thousands of distributors and dealers nationwide who require credit facilities to cover working capital and build related businesses to receive financing.

While corporate clients active in manufacturing can save money by turning receivables into cash on schedule, the program is advantageous for MSME customers engaged in distributorship enterprises because they can now obtain steady and assured funding to fulfill their working capital needs. Prime Bank has dedicated Relationship Managers across the country through HUB and Branch Network who relentlessly support these MSMEs in business growth and market expansion in distribution business.

2.10 Driving Financial Inclusion amidst social distancing

Information Dissemination:

The growing supply-demand imbalance in SME financing is the result of information asymmetry between lenders and SME borrowers, which raises adverse selection and moral hazard risks for financial institutions (Shinozaki & Shigehiro, 2012). Prime Bank's brand and communication division in collaboration with business visions has worked to disseminate information quicker and faster through various webinars. About 39 million Bangladeshi are facebook users (H. Tankovska, 2021), with 34% of the populations accounted as millennial (Millennials – the group marketers need to focus on, 2016). Millennial of Bangladesh are heavily invested in startups example Paperfly, Pathao, the millennial owners began their business journeys as small enterprises, which today are worth than a million dollar. Leveraging this range of demography, geo-targeting is vigorously used on social medium and press to spread information in rural and sub-urban areas as well.

Prime Bank believes diversification of financing modalities will help expand SMEs' access to finance and will drive economic growth. With that vision Prime Bank Agent Banking was launched in 2020.

Prime Bank Agent Banking:

Agent banking is a new platform from Prime Bank that offers the most cutting-edge financial services to unbanked people nationwide, particularly in rural and semi-urban areas. Agent Bank will make sure that millions of people who do not currently have access to formal financial services are included in the financial system. The inclusive banking model, which is accessible around-the-clock, will broaden economic possibilities, provide jobs, and stimulate the local economy in remote locations where brick-and-mortar model branches are not economically feasible. Customers who are both individuals and businesses can start an account right away with no initial deposit.

Agent Banking Outlets, which are powered by biometric verification and have the most up-to-date technological infrastructure, will offer real-time, seamless, and highly secure banking services around-the-clock. This alternative distribution method would play a key role in helping many MSME enterprises access convenient and comfortable banking services, among other attractive features.

2.11 Spurring country's technological transformation vision:

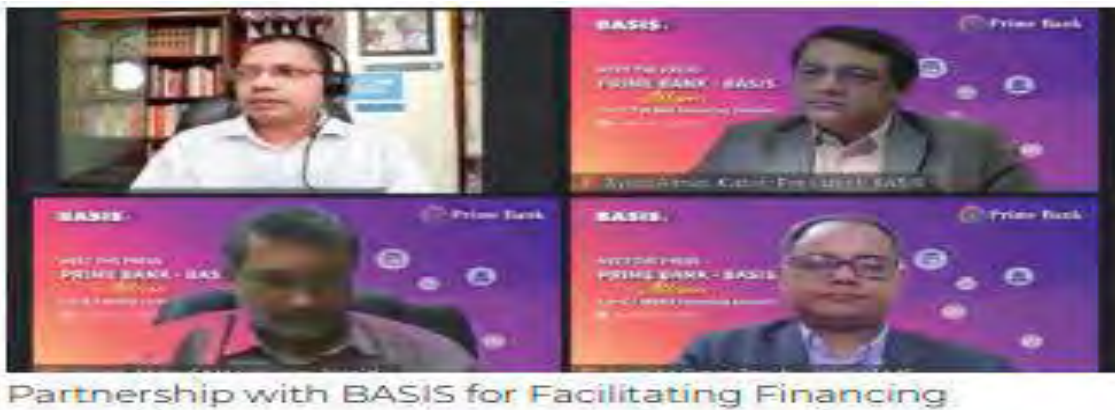
Given the diversified nature of SMEs, there is no one-size-fits-all financing solution. The digital disruption in last few years pushed the world to swing along with the newer ways of banking. Prime Bank wishes to keep pace with the advent of the plethora of these digital solutions and help the growth engine of the country- MSMEs- to benefit from the technological ecosystem the bank can provide through its alliances and notables deals.

Industry, Trade body and Cluster Alliance:

Prime Bank Limited and Grameenphone teamed up to provide SMEs with financial and connectivity solutions with the goal of empowering them, maximizing their potential, and fostering rapid growth. The CMSME clientele of Prime Bank will have access to financial services thanks to Grameenphone, one of Bangladesh's top telecommunications providers, which as of April 2019 has more than 74 million Bangladeshi members (Grameen Phone, 2019). In order to address the need for improved access to financial support, ICT solutions, promotional support, and a variety of services, the partnership will enable SME organizations to digitize and increase efficiency with Grameenphone's ICT Solutions; latest ICT (Information Communication and Technology), and IoT (Internet of Things), access to SAAS marketplace to modernize POS Billing software; stock, inventory, and sales management system; accounting management, human resources ICT Alliance has so far disbursed a BDT 270 million MSME loan to ICT businesses and startups.

Prime Bank pioneered in enabling Collateral free Access to Finance towards the members of Associations of ICT sector to offer hassle free unsecured financing from Prime Bank Limited. Associations include:

- Bangladesh Computer Society (BCS)
- Bangladesh Association of Software, Information and Services (BASIS)
- e-CAB (Ecommerce association of Bangladesh)
- Internet Service Providers Association of Bangladesh (ISPAB)
- Bangladesh Association of Call Center & Outsourcing (BACCO)



Noteworthy deals in 2020-21:

- Allowed financing to Internet Service Providers (ISPAB) for the 1st time in Bangladesh which will enable them to spread internet services throughout the country.
- Software developing enterprises (BASIS members) brought under banking facilities which will boost their ability to penetrate the international market. This initiative will also help these enterprises to explore the local market to ensure digitization of CMSMEs.
- Prime Bank’s banking support has helped Outsourcing agencies (BACCO members) to increase their business operation which will generate employment to mass people and bring outsourced income.

- Prime bank opened the window for small e-commerce and f-commerce entrepreneurs to avail banking services by partnering with e-CAB & various large marketplaces, such as DARAZ, AJKERDEAL, PRIYOSHOP etc.
- For the first time in Bangladesh, Industry & Trade Body Alliances has been built by Prime Bank to serve CMSMEs in segmented marketplace.
- Affiliated with one of the leading Technology Platform Providers, i.e. Sheba XYZ for digital onboarding of clients through platform using Robotic Process Automation (RPA) Technology.
- Digitized Origination Processing (Prime Intellect-MSME, an inbuilt solution) to ensure quick processing of CMSME Loans
- Prime Bank and Farmers Best have joined hands to ease financing for the farmers and agriculture entrepreneurs of the country. Through this agreement, thousands of farmers and agricultural entrepreneurs nationwide who require credit facilities to increase production and expand related businesses will have simple access to financing.

Training

Extending support to MSME's beyond financial services, Prime Bank has provided a Financial Literacy Program to a group of 700 entrepreneurs- 416 Women Entrepreneurs, 100 entrepreneurs of e-commerce and 200 Hardware & Software Service Provider entrepreneurs.

Additionally, to be able to better cater to the needs of the MSME culture of Bangladesh, the MSME division has also provided training to its employees.

Training/Workshop/Seminar Title	Nos. of Employee
Legal Aspects of Securities & Documentation	18
Are Banks Engaged in SME Cluster Financing?	7
CMSME Financing By Banks	4
Credit Appraisal and Risk Management	6
Digital Loan Appraisal System for MSME	210
Entrepreneurship Development and SME Financing	3
Financing Agro-based Business	2
Sustainable Financing	2
Term Lending and Working Capital Financing- Case Based Analysis	2
Venture Capital, Crowd Funding and Lease Financing	1
Working Capital Financing: Case Based Analysis	12
Grand Total	267

Financial Highlights of 2020 VS 2019:

USD M

MSME	Dec'20	Dec'19	Growth Amt	Growth %
Manufacturing	80	70	10	13.69%
Service	63	62	1	1.29%
Trade	204	176	28	16.08%
Total	347	308	39	12.58%

Deposit no

MSME	31- Dec- 20	Last Year 2019	Difference With Last Year	%
Current	71,198	64,996	6,202	10%
Savings	3,169	3,128	41	1%
SND	4,237	4,058	179	4%
FDR	2,833	2,701	132	5%
Scheme	302	288	14	5%
Margin	97	273	(176)	- 64%
Total	81,836	75,444	6,392	8%

Deposit

**USD
M**

MSME	31- Dec- 20	Last Year 2019	Difference With Last Year	%
Current	130	118	105	89%
Savings	11	8	19	227%
SND	54	45	75	167%
FDR	65	70	(50)	-70%

Scheme	2	2	(0)	-7%
Margin	0.08	0	0	213%
Total	262	244	18	7%

Loans

USD M

MSME	31- Dec- 20	Last Year 2019	Difference With Last Year	%
Anchol - Loan	1	1	0	30.28%
Prime Chalti	72	70	2	2.93%
Prime Emarat	12	10	2	20.96%
Prime Sahaj	59	33	26	79.15%
Prime Sampad	5	6	(1)	- 12.48%
Prime Shambhabona	6	6	(1)	-9.61%
CMSME Stimulus product	29	-	29	
Cash Credit (Hypothecation)	83	94	(11)	- 11.92%
OD(General) Continuous	14	14	1	3.98%
Other conventional product	65	74	(9)	- 11.95%
Total	347	308	39	12.58%

The growth of cottage, micro, small and medium enterprises depend on the cohesive partnership amongst the major stakeholders involving bank, trade bodies, tech platforms, regulators, and government. Consequently, Prime bank has undertaken two signature initiatives- “Industry, Trade body and Cluster Alliance” and Platform Based banking to create a unique business model that would align the stakeholders for a common goal of empowering CMSMEs. Even amidst fierce competition, Prime Bank has used the limited resources very strategically to help SMEs with less resilience and flexibility in dealing with the costs in this shock, invested in quality companies, created a much larger accessibility to financial services for MSMEs, and importantly brought a substantial amount of MSMEs under the core banking system notably through its **Prime Lenden Prime Aagami**, and Agent Banking initiatives, easier money transfer / payments to Mobile Banking Wallets, quick access to working capital needs, creating partnerships with other banks enhancing the ATMs across the country to avail funds, creating diversified funding alternatives for them at each stage of development especially in rural areas, enhancing banks’ lending efficiency to SMEs.

Chapter 3: Project Part – “Comparative Analysis”

This analysis compares two prominent banks in Bangladesh, Prime Bank and BRAC Bank, with a focus on their SME (Small and Medium Enterprises) services. Both banks recognize the significance of SMEs and have dedicated units to addressing the specific financial needs of this sector. The analysis examines various aspects, including the scope and reach of their operations, financing scale, customer base, support for women entrepreneurs, sector distribution, and impact on employment creation.

In terms of scope and reach, Prime Bank has established MSME branches and hubs across the country, while BRAC Bank operates through a vast network of unit offices, providing extensive geographical coverage for their SME services. When it comes to financing scale, BRAC Bank has exhibited substantial support for SMEs, with advances exceeding Tk. 1000 core (10 billion) by December 2007. However, specific details about Prime Bank's lending scale are not provided.

The customer base of these banks also differs. BRAC Bank boasts around 150,000 SME customers from various sectors, while Prime Bank's customer base is not specified in the available information. Moreover, BRAC Bank places a particular emphasis on supporting women entrepreneurs, having financed 192 women entrepreneurs under their SME unit offices. In contrast, Prime Bank's support for women entrepreneurs is not explicitly mentioned.

Regarding sector distribution, BRAC Bank's financing is diversified across trading, manufacturing, service, and agriculture sectors. Unfortunately, sector-wise details are not provided for Prime Bank in the available information. Lastly, while BRAC Bank has conducted an exploratory study on the impact of their SME lending on employment creation, specific details about Prime Bank's employment generation through their SME services are not mentioned.

It is important to note that the information presented here may be limited, and further insights or updates from the banks themselves would be valuable for a comprehensive understanding of their operations and services. Nonetheless, this analysis provides a comparative overview of Prime Bank and BRAC Bank's engagement in SME financing, shedding light on their respective strengths and areas of focus.

Comparison of Scope and Reach:

Prime Bank: Prime Bank has established 18 MSME (Micro, Small, and Medium Enterprises) branches and approximately 65 Hubs across the country. These branches and hubs serve as dedicated units to cater to the financial needs of SMEs.

BRAC Bank: BRAC Bank operates through 392-unit offices, which provide extensive coverage and accessibility for their SME services throughout the country.

Comparison of Customer Base:

Prime Bank: Prime Bank has established a significant presence in the SME sector, serving a substantial customer base of approximately 2,388 SME clients across diverse industries in Bangladesh.

BRAC Bank: BRAC Bank has around 150,000 SME customers from various sectors, showcasing a significant customer base.

Comparison of Women Entrepreneurship Support:

Prime Bank: Prime Bank has provided financial support to empower and promote the entrepreneurial endeavors of 60 women, effectively fostering women's entrepreneurship within the SME landscape through their dedicated SME unit office.

BRAC Bank: BRAC Bank has financed 192 women entrepreneurs under their SME unit offices, demonstrating their focus on supporting women entrepreneurs.

Sector Distribution for BRAC Bank:

2,388 CMSMEs availed financing support from Prime Bank, of which 42% loans given to labor intensive Manufacturers, 23% to Service sectors, 35% to Traders, 87% to mostly impacted Cottage, Micro & Small entrepreneurs, 4% to our Women Entrepreneurs.

BRAC Bank's financing is distributed among different sectors: 89% in trading, 3% in manufacturing, 1% in service, and 7% in agriculture. This indicates the diversification of their lending portfolio across various economic activities.

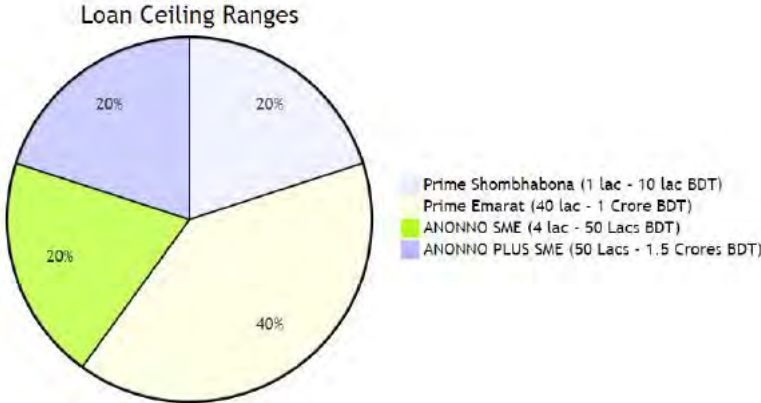
3.1 Comparative product Analysis:

Here's a ratio analysis based on the information provided for the SME products of Prime Bank and Brac Bank:

Loan Ceiling Rate:

Prime Bank: The loan ceiling ranges from BDT 1 lac to 10 lac for Prime Shombhabona and 40 lac to 1 Crore BDT (unsecured up to 30 Lac) for Prime Emarat.

Brac Bank: The loan ceiling ranges from 4 - 50 Lacs for ANONNO SME loan and from 50 Lacs - 1.5 Crores for ANONNO PLUS SME loan.



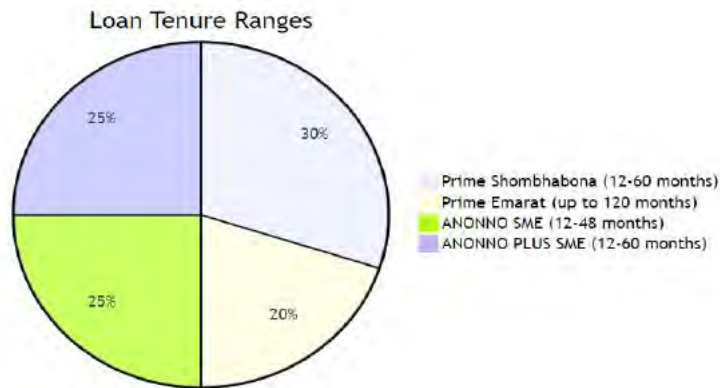
Loan Ceiling Rate			
Prime Bank		Brac Bank	
Prime Shombhabona	Prime Emarat	Anonno SME	Anonno PLUS SME
1-10 Lac	40 lac-1 crore	4-50 lac	0.50-1.50 crore

Analysis: According to the examination of loan ceiling rates, Prime Bank has a wider range of loan ceilings to meet a wider range of SME financing requirements. This can be helpful for SMEs looking for larger finance levels.

Loan Tenure Ranges:

Prime Bank: The tenure ranges from 12-60 months for Prime Shombhabona and a maximum of 120 months for Prime Emarat.

Brac Bank: The tenure ranges from 12-48 months for ANONNO SME and 12-60 months for ANONNO PIUS SME loan



Loan Tenure Ranges			
Prime Bank		Brac Bank	
Prime Shombhabona	Prime Emarat	Anonno SME	Anonno PLUS SME
12-60 months	60-120 months	12-48 months	12-60 months

Analysis: According to the examination of tenure ratios, Prime Bank provides more tenure alternatives than Brac Bank does. Due to this flexibility, SME borrowers can select a repayment schedule that works with their cash flow and business requirements.

Eligibility Criteria:

Prime Bank: The eligibility criteria include age requirements (minimum 21 years and maximum 70 years), minimum years of business experience (2 years for Prime Shahaj and Prime Shombhabona, 1 year for Prime Emarat), and credit history with other banks/FIs.

Brac Bank: The eligibility criteria include minimum years of business experience (2 years for loans up to 35 lacs and 3 or more years for loans above 35 lacs), sufficient cash flow and profit generation, and ownership of land, property, or building.

Eligibility Criteria			
Prime Bank		Brac Bank	
Age eligibility(21-70 years)		Age eligibility(21-70 years)	
Buisness Experience		Buisness Experience	
Prime Shombhabona	Prime Emarat	Anonno SME	Anonno PLUS SME
2 years	1 year	2 years	3 years

Analysis: Both banks have specific eligibility criteria, but Prime Bank emphasizes credit history, while Brac Bank focuses on cash flow, profit generation, and ownership of assets.

3.2 Challenges of SME Banking:

SME banking, which caters to the needs of small and medium-sized enterprises, can face several challenges. Here are some common challenges associated with SME banking:

Limited access to finance: SMEs often struggle to access sufficient financing from banks due to factors such as lack of collateral, limited credit history, or perceived higher risk. Banks may have stringent lending criteria or prefer larger corporate clients, making it challenging for SMEs to obtain the necessary funds for their business operations and growth.

High interest rates and fees: SME loans typically carry higher interest rates and fees compared to loans offered to larger corporations. This is due to the perceived higher risk associated with SMEs and the costs involved in assessing their creditworthiness. These higher costs can place a financial burden on SMEs and impact their profitability and ability to invest in their business.

Lack of financial literacy and business management skills: Many SME owners may have limited financial literacy or lack the necessary business management skills. This can hinder their ability to effectively manage their finances, understand loan terms and conditions, and make informed financial decisions. Banks may need to provide additional support and guidance to help SMEs improve their financial knowledge and skills.

Inadequate documentation and record-keeping: SMEs may struggle with maintaining proper financial documentation and record-keeping practices. This can make it difficult for banks to assess their creditworthiness and make informed lending decisions. Lack of proper documentation can also lead to delays in loan processing and approvals.

Volatile business environment and market risks: SMEs are often more vulnerable to economic downturns, market fluctuations, and industry-specific risks. This can impact their cash flow, profitability, and ability to meet loan obligations. Banks need to carefully assess the risks associated with SMEs and provide appropriate risk management solutions to mitigate these challenges.

Limited access to banking services and technology: SMEs located in remote or underserved areas may face challenges in accessing banking services and adopting new technologies. Limited physical branch networks or lack of digital infrastructure can hinder SMEs' ability to engage in banking activities efficiently. Banks need to expand their reach and provide accessible banking services tailored to the needs of SMEs.

Regulatory and compliance requirements: SMEs, like any other business, must adhere to various regulatory and compliance requirements. These requirements can be complex and burdensome for SMEs with limited resources and expertise. Banks need to ensure that SMEs are aware of their obligations and provide guidance to help them meet these requirements.

Addressing these challenges requires collaborative efforts from banks, governments, and relevant stakeholders. Banks can play a vital role in supporting SMEs by offering tailored financial products and services, providing financial education and mentorship programs, and streamlining loan application processes. Government policies that promote SME development, improve access to finance, and simplify regulatory procedures can also contribute to overcoming these challenges in SME banking.

3.3 Strategic Recommendations

Based on the challenges in SME banking, here are some strategic recommendations to address these issues:

Enhanced Access to Finance:

Develop specialized loan products and financial solutions specifically designed for SMEs, including flexible repayment terms and lower collateral requirements.

Establish partnerships with government agencies, microfinance institutions, and venture capital firms to expand funding options and increase access to capital for SMEs.

Implement credit scoring models that consider alternative data sources and non-traditional credit histories to assess the creditworthiness of SMEs.

Financial Literacy and Business Management Support:

Offer financial education and training programs tailored to the needs of SME owners to enhance their financial literacy, including topics such as budgeting, cash flow management, and financial planning.

Provide mentorship programs or business advisory services to assist SMEs in improving their business management skills, including strategic planning, marketing, and operations.

Streamlined Loan Application and Approval Processes:

Simplify and digitize the loan application and approval processes, minimizing paperwork and reducing the time required for loan disbursement.

Leverage technology such as online platforms, mobile applications, and electronic document management systems to streamline and automate loan processing.

Risk Management and Support during Market Volatility:

Develop risk management tools and products, such as loan insurance or credit guarantees, to mitigate the impact of market volatility on SMEs.

Provide financial advisory services to help SMEs assess and manage market risks, including guidance on diversification strategies, contingency planning, and accessing new markets.

Improved Access to Banking Services and Technology:

Expand the reach of banking services through branchless banking, mobile banking, or agent banking models, particularly in underserved areas.

Invest in digital infrastructure and provide training and support to SMEs to enhance their ability to adopt and utilize digital banking technologies effectively.

Regulatory Support and Simplification:

Advocate for simplified and streamlined regulatory and compliance requirements for SMEs, working closely with government agencies and policymakers.

Provide SMEs with guidance and support to navigate regulatory frameworks, ensuring awareness of compliance obligations and facilitating their adherence to regulations.

These strategic recommendations aim to address the challenges faced by SMEs in accessing finance, managing their businesses, and navigating the banking ecosystem. By implementing these recommendations, banks can better serve the needs of SMEs, foster their growth, and contribute to the overall development of the SME sector.

3.4 Summary and conclusion

The growth of cottage, micro, small and medium enterprises depend on the cohesive partnership amongst the major stakeholders involving bank, trade bodies, tech platforms, regulators and government. Consequently, Prime bank has undertaken two signature initiatives- “Industry, Trade body and Cluster Alliance” and Platform Based banking to create a unique business model that would align the stakeholders for a common goal of empowering MSMEs. Even amidst fierce competition, Prime Bank has used the limited resources very strategically to help SMEs with less resilience and flexibility in dealing with the costs in this shock, invested in quality companies, created a much larger accessibility to financial services for MSMEs, and importantly brought a substantial amount of MSMEs under the core banking system notably through its **Prime Lenden Prime Aagami**, and Agent Banking initiatives, easier money transfer / payments to Mobile Banking Wallets, quick access to working capital needs, creating partnerships with other banks enhancing the ATMs across the country to avail funds, creating diversified funding alternatives for them at each stage of development especially in rural areas, enhancing banks’ lending efficiency to SMEs.

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