

BRAC University

Internship Report

BRAC Bank SME Banking Operation

GOLAM ASFIA

9/6/2015

Internship Report on

**SME Banking Operation
of BRAC Bank Limited**

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Date of Submission:
6th September 2015

LETTER OF TRANSMITTAL

6th September, 2015
Mr. Fairuz Chowdhury S
Lecturer
BRAC Business School,
BRAC University.

Subject: **Submission of internship report**

Dear Sir,

Without your help, this report would have been incomplete. I also acknowledge Md Riyad Hassan's support Associate Manager-Brands, BRAC Bank for his utmost support during my internship tenure.

To assimilate the report I have used all feasible sources to make it understandable and ensure that it reflects my learning outcome. I hope my objectives for the report will serve the purpose. Also, if you wish to enquire about any aspect of the report, I would be glad to answer those queries. Thank you once again.

Yours Sincerely,

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Acknowledgement

First of all, I would like to thank our honorable academic supervisor Lecturer, Mr. Fairuz Chowdhury, BRAC Business School, BRAC University for his support and supervision, suggestions which aided in completing my report.

I also would like to express my sincere gratitude to Md. Riyad Hasan-Associate Manger Brands, BRAC Bank, for his tireless efforts during my period under his supervision. I would like to also express my gratitude to Mr. Abdur Rahim-Manager, Media & External Affairs, Mr. Hasnian Ahmed-Manager, Marketing, Mr. Chandrajit Kumar-Creative Designer & others of the Bank's Communication & Service Quality Team for their valuable guidance and mentorship.

Executive Summary

Expansion of the Small and Medium Enterprises (SMEs) helped reduce poverty to an enduring level by removing obstacles in the Small-Medium labor intensive sectors. Access to finance has always been a problem and Small and medium entrepreneurship has a tremendous potential in empowering potential entrepreneurs and transforming society. BRAC Bank Ltd introduced SME Banking Division in 2001 by tapping this huge untapped segment.

BRAC Bank at present is operating all over the country having 157+ Branches and Krishi Branches, 22 SME Sales and Service Centers, 300+ ATMs, 405 SME Unit offices. Its three pillars are 3P- People, Planet and Profit; ensures sustainable growth.

BRAC Bank SME divisions target was to bring the “Missing Middle” under the financial Umbrella and bring a lasting socio-economic impact. Within 14 years of establishing it has proved to become the country’s largest SME finance provider and 4th large SME provider in the world in terms of lending volume.

For inheriting business risk, SME sector is facing several constraints in terms of growth. Policy level complexity, financial constraints, legal bindings and industry structure are hindering financial institutions to support SME sector. Lack of SME supporters, poor infrastructure of the country, lack of entrepreneur’s skills, lender-borrower gap, huge market competitions are the major drawbacks for both borrowers and lenders. Again SME sector has tremendously contributed in the economy.

Although being the country’s largest SME provider, BRAC Bank is continuously facing numerous challenges. Business risk, high interest rate, high defaulter rate, certain government policy change etc are the major challenges facing by BRAC Bank. Even though strict loan approval system is maintained, due to some unavoidable reason “bad-losses” sometimes occur resulting large number of defaulters. In order to mitigate this credit risk BRAC Bank follows consistent monitoring on borrowers.

Lowering interest rate, more effective loan approval system, strong monitoring activities etc could improve BRAC bank’s performance, are highlighted in the recommendation part. Analysis of the Profile of the borrowers is also incorporated to give idea of borrower demographic profile.

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1.1 Introduction

Bangladesh banking Industry has undergone unprecedented changes over the last twenty years. The country moved away from state control to a relatively market-based open economy by adopting a major stabilization, liberalization and deregulation program under the influence of the World Bank and the IMF against the backdrop of serious macroeconomic imbalances in the early 1980s. After the initiation of Financial Sector Reforms Program (FSRP) in 1990, the sector was opened to greater competition by the entry of new private banks and more liberal entry of foreign banks in line with the recommendations of this program.

Increased adoption of the internet as a delivery channel contributes to a drastic reduction in overhead expenses (Marketing, IT and Staff) of the banks by providing a high level of quality services through ATM, POS (Point of Sale), Online, Internet, Tele-banking, SWIFT and Reuter. These have molded the market scenario of Bangladesh banking industry significantly where state-owned public banks still lag behind and has resulted them losing gradual market share.

These changes will have vast impact on competition in the banking and financial sectors. However, increased concentration can intensify the market power of the large banks by fostering collusive behavior among them and therefore hinder both competition and efficiency. In order to judge the implications of these structural changes and developments, it is imperative to examine current market structure of the banking sector to understand the impact such changes may have on the overall Banking Industry and its performance.

1.2 Background

“Focused on Bangladesh we believe in faith and hope cemented by our Unshakable trust on the dreams of 160 million, it is not just a place for transactions” – BRAC Bank is a place where potentials are realized. Traditionally, banking in Bangladesh has been for the mid to large sized businesses or the professionals. However, more than ¾th of the economy is out of the reach of formal banking. BRAC Bank took a step to break this cycle of traditional banking and tapped into the true suburb entrepreneurial ventures. More than half of BRAC Bank’s lending is for this small and medium enterprises – popularly known as ‘SME’.

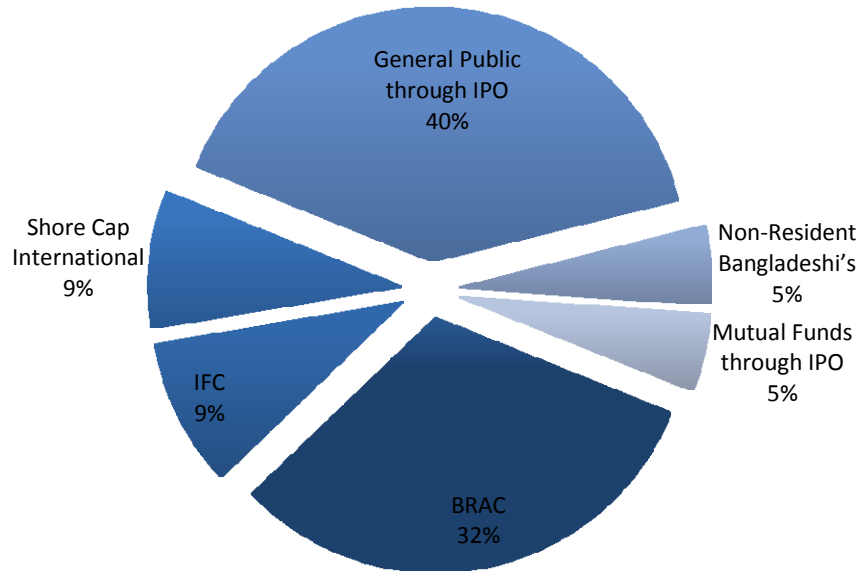
1.3 Business Model

BRAC Bank is one of the country largest and world's 4th largest SME Bank. BRAC Bank has disbursed over 1450 billion Taka worth of SME loans in just 10 years and it has made more than 365,000 dreams come true. While a SME-heavy bank, we also render a full-array of banking services. The bank is considered a leading one in retail services with the largest card-base (over half a million customers of the bank carry a debit or credit card to access their everyday banking needs), the 3rd largest private-sector remittance distributor, and the 7th largest bank in terms of fund management, 2nd highest issuer of home loans and 3rd largest distributor of car loans in the country. The **Business Model** is to mobilize funds from the urban market towards a semi-urban and rural. The bank had to break away from traditional banking, to develop new ways to assess credit proposals and to reach out to people who deem banking to be only for the well-to-do in the society.

1.4 Capital Structure

BRAC Bank had an initial capital of amount BDT 250 million, while authorized capital is BDT 1,000 million. Within three years of operations, it has doubled its capital base to BDT 500 million due to steady growth. The Bank went public by the last quarter of 2006 and raised its paid up capital to BDT 1000 million. The Bank started with Local and International Institutional shareholding including BRAC as promoter with IFC and Shore Cap International, UK.

Shareholding Structure



| Shareholders | Percent |
|----------------------------|-------------|
| BRAC | 31.74% |
| IFC | 9.50% |
| Shore Cap International | 8.76% |
| General Public through IPO | 40% |
| Non-Resident Bangladeshi's | 5% |
| Mutual Funds through IPO | 5% |
| Total | 100% |

Figure 1: Shareholding Structure

1.4.1 BRAC

BRAC, a national, private organization, started as an almost entirely donor funded, small-scale relief and rehabilitation project initiated by Sir Fazle Hasan Abed to help the country overcome the devastation and trauma of the Liberation War and focused on resettling refugees returning from India. Today, BRAC has emerged as an independent, virtually self-financed paradigm in sustainable human development. It is one of the largest Southern development organizations employing 97,192 people, with 61% women, and working with the twin objectives of poverty alleviation and empowerment of the poor.

1.4.2 International Finance Corporation

The International Finance Corporation (IFC) is the private sector arm and the commercial wing of the World Bank Group. IFC promotes sustainable private sector development in developing countries. Using certain channels and overseas representatives, IFC helps local financial institutions find profitable ways to target small and medium sized companies. Funding comes from the Asian Development Bank, Canada, the European Commission, the Netherlands, Norway, the United Kingdom and IFC itself.

IFC is a 9.50% shareholder in BRAC Bank. A new assistance program signed in August 2005 aims to double the bank's number of small and medium enterprise clients in 18 months through campaigns to target women entrepreneurs and rural clients, introduce new products and train branch managers.

1.4.3 Shore Cap International

Shore Cap International Ltd. (SIL) is an international private non-profit, equity company seeking to invest in small business banks and regulated micro finance institutions in countries with developing and transitional economies. SIL was launched by Shore Bank Corporation, America's first and leading community development and environmental Banking Corporation. Shore Bank's international work began in 1983 advising Muhammad Yunus and for 10 years doing the financial feasibility work for the major institutional donors to the Grameen Bank in Bangladesh. Founded in mid-2003, Shore Cap has a current base of \$28.3 million in capital commitments and seeks to support the growth of development finance institutions in Africa, Asia and Eastern Europe. The institution has made investments totaling \$7 million in Bangladesh, India, Cambodia, Armenia, Mongolia and Kenya. Shore Bank is a 9% investor of Shore Cap and runs the management company, which oversees investment activities. Shore Cap typically invests between \$500,000 and \$2 million for an ownership position of 10-25% of a company. As a minority shareholder, Shore Cap seeks financial institutions with a strong, experienced management team and a committed set of local development-minded investors. Shore Cap currently owns 8.76% of BRAC Bank Limited.

1.5 Current Standing:

- Country's one of the **Largest Bank**, and the **Second largest SME Bank**
- A full-scale financial hypermarket offering **financial solutions to every segment**



| BRAC Bank Subsidiaries | Logo |
|-----------------------------------|--|
| BRAC EPL Investment Limited |  |
| BRAC EPL Stock Brokerage Limited |  |
| BRAC Saajan Exchange Limited |  |
| bkash (a subsidiary of BRAC Bank) |  |
| BRAC IT services Ltd (bits) |  |

Table 1: BRAC Bank Subsidiaries

| | |
|-----------------------------------|--|
| SME Disbursed | 14,500+ Crore |
| General Customers | 12 Lac+ |
| SMEs Customer | 3.65Lac |
| ATM network | 2nd largest. largest to have integration with rest of the industry |
| Plastic Card | Largest base (over 5 Lac customers carry Debit or Credit cards) |
| Remittance | 3rd largest in-flow of remittance among commercial banks |
| Network | Largest real-time, online |
| Branches/Krishi Branches | 157 |
| SME Unit Offices | 405 |
| ATMs | 300+ |
| Remittance Delivery Points | 2,000+ |
| APON SHOMOY | 12 |
| Employees | 7,000 + the largest employee base among main-stream commercial banks |
| Member | GABV (Global Alliance for Banking on Values). |
| Achievements | IFC GTFP Award 2011, Asian Bankers Award 2011, FT IFC Award 2010, DHL Daily Star Bangladesh Business Award 2009 |

Table 2: Overall stand of BRAC Bank

1.6 Unique Proposition?

- SME Banking Focused: 50% of the total loan portfolio is SME centric
- Banking on Values: Vies for Financial Inclusion and the 3P philosophy
 - ✓ **People**
 - ✓ **Planet and**
 - ✓ **Profit**
- Largest real-time, online network

1.7 Industry initiatives

- The SME Financing Model eventually has been replicated across the industry
- *Omnibus* – a common platform for shared ATM network
- *Eldorado* – a common platform for remittance distribution
- *PPP (Public Private Partnership)* with Rupali Bank for installation of ATM at their premises and issuance of ATM Card for their customers.
- *PPP with Bangladesh Road Transport Authority (BRTA)* to facilitate vehicular fees collection.

1.8 Vision

“ Building profitable and socially responsible financial institution focused on Market and Business with Growth potential, thereby assisting BRAC and stakeholders to build a just, enlightened, healthy democratic and poverty free Bangladesh”.

1.8.1 Corporate Mission

- Ensure a sustainable growth in the Small & Medium enterprise.
- Continuous low-cost deposit Growth with controlled growth in retail assets.
- Corporate Assets to be funded through own fund mobilization.
- Continuous endeavor to increase non-funded income
- Keep our debt charges at 2% to maintain a steady profitable growth
- Achieve synergy between the bank’s branches, SME unit offices and BRAC field offices for to ensure timely delivery of services.
- Maintain a far flung team fully controlled environment with no compromise on Service Quality.
- Maintain a team fully motivated and driven towards materializing the banks vision into reality.

1.8.2 Core Values

BRAC Bank's Strength emanates from its mother company - BRAC. Thus, it upholds the following values:

- Value the fact that one is a member of the BRAC family
- Creating an honest, open and enabling environment
- Have a strong customer focus and build relationships based on integrity, superior service and mutual benefit
- Strive for profit & sound growth
- Work as team to serve the best interest of our owners
- Relentless in pursuit of business innovation and
- Improvement Value and respect people and make decisions
- Based on merit Base recognition and reward on Performance
- Responsible, trustworthy and law-abiding in all that we do.

1.9 Logo

The square highlights Strength & Unity. The Golden Color in the lower portion of the logo means that “**Golden Bangladesh**”. The Blue color in the upper portion means ‘**Boundless Opportunity**’. The white colored implies ‘**Growth and Progress**’. Lastly the White circles blue color implies radiating light to others.



1.10 Organization Hierarchy

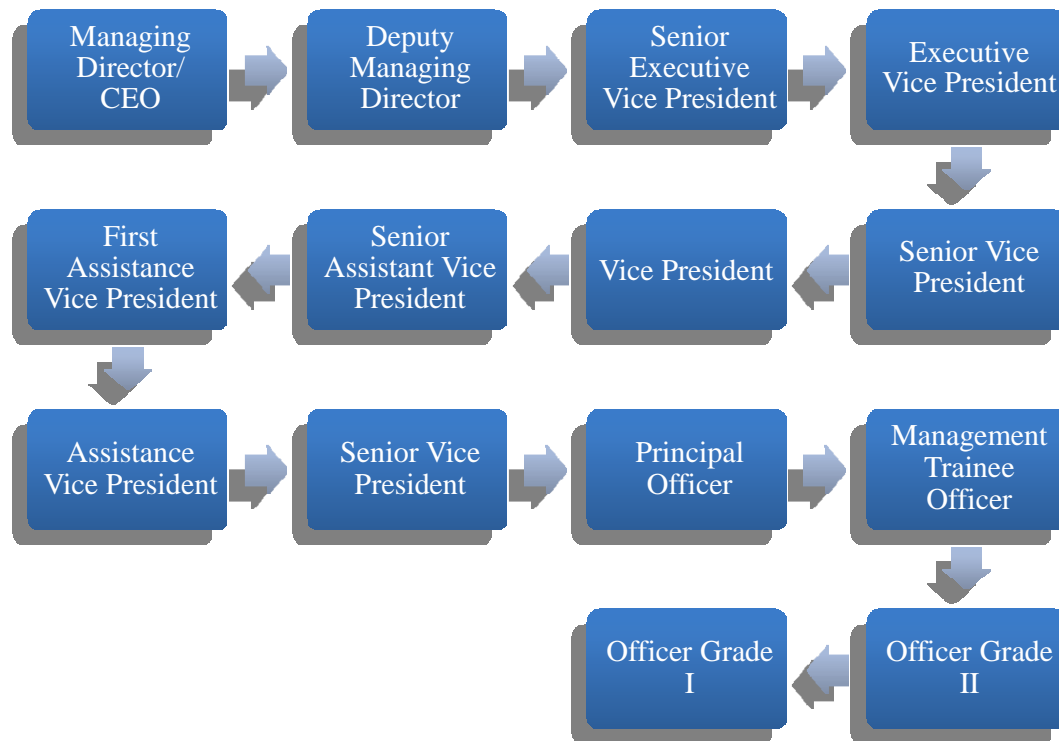


Table 3: Organization hierarchy

1.11 Service Quality

BRAC Bank ranks fourth among Service Quality of top 30 banks. In 2009 BRAC Bank launched the campaign called “Joy of Banking” with the view to reaffirm commitment to service quality and customer experience. Ideally the first bank to make a dedicated department and addressing service related issues structurally. Believing that every customer who steps into the bank is Guest and to fulfill his/her requirement successfully is the duty deepening mutual faith and understanding. The biggest concern for Service Quality is the large customer base in branches making it an average of 23 minutes during peak hours and causing the delay in service delivery. Secondly to make charges transparent Bank has launched a campaign in 2011 called “**Grahok Odhikar**” to address this issue; displaying list of charges at all the branches and bank’s website.

1.12 Brand Footprint

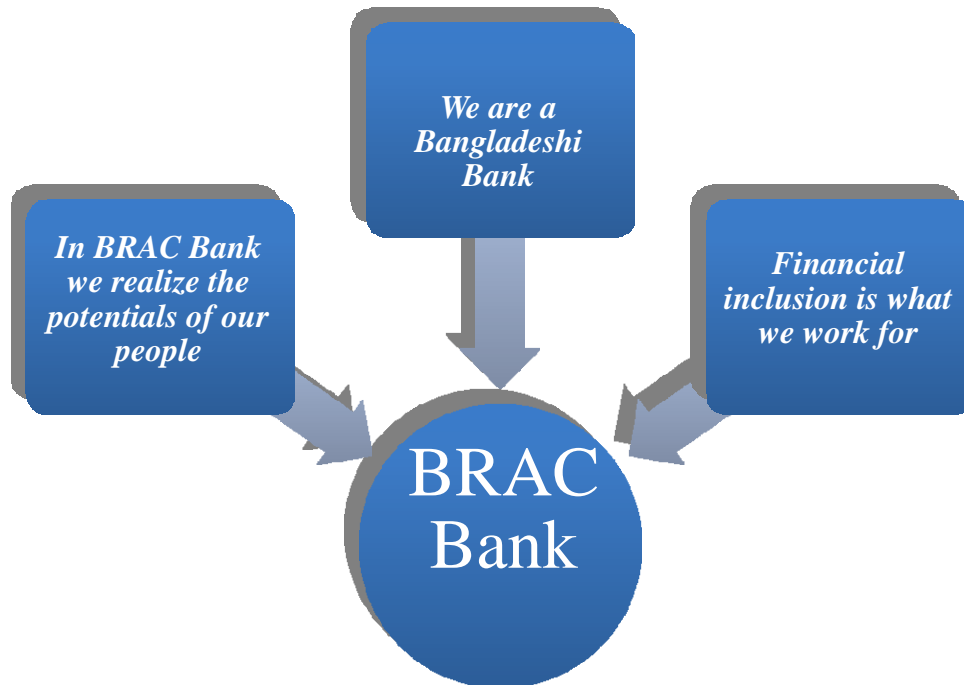


Figure 2: Brand Strength

1.13 Brand Positioning

The brand position communication must consider the following factors:

- **Time:** Maintain a strong foothold for atleast 2 years.
- **Media:** reach out to all Channel via PR, direct media, Outdoor.
- **Brand Strength:** Must be able to extend to all Brand thresholds.
- **Campaign Type:** Communication must incorporate the following:
 - *Product campaigns*
 - *Retention campaigns*
 - *Sponsorships*

1.14 Business Divisions of BRAC Bank Limited

BRAC Bank Limited business divisions are

- *Retail Banking Division*
- *Corporate Banking Division*
- *Small and Medium Enterprise (SME)*
- *Treasury*
- *Remittance Services*

1.14.1 Retail Banking Division

Consisting of a large range of services it offers different types of term deposit scheme and attractive STD & Savings deposit schemes giving interest on daily balance. It comprises the following departments:

- *Branch Banking*
- *Alternative Delivery Channels (ATM, AponSomoy, Cash deposit machine (CDM), Phone banking, e-statement)*
- *Cards Department*
- *Retail Risk*
- *Products and Marketing*

Retail Banking is segmented as per customer profile and has been done to deliver more tailored services and reduce operating costs as well. The segments are:

- *Premium Banking*
- *Supreme Banking*
- *Excel Banking*
- *Easy Banking*

• **Premium Banking**

Customers maintaining at least BDT 50 lacs (6 month average) is categorized as premium customers. They are highly prioritized. They also enjoy different gift and discount through BRAC Bank. Currently BRAC Bank has around 1000 premium customers.

• **Supreme Banking**

Customers maintaining between BDT 10 lacs to below 50 lacs (6month average) are treated as supreme clients. They enjoy separate service booth and cash deposit booth in the branch alongside other services.

• **Excel Banking**

Client who maintains a balance between BDT 50 thousand to below 10 lacs in an average of 6 months are called excel customers.

• **Easy Banking:**

Customers conducting regular transactions and traditional banking. They only require a minimum balance in the account (up to BDT 50 thousand)

1.14.2 Products and Services of Retail Banking

Retail Loans are consumer's loan. Based on the customer demand these loans are given.

- *Car loan*
- *Doctors loan*
- *Secured Loan/OD*
- *High flyer loan*
- *Top up loan*
- *Credit card loan*
- *Study loan*
- *Teachers loan*
- *Now loan*
- *Salary loan*

BRAC Bank's Retail Division is being operated centrally. Under the Retail Banking Division all branches, which acts as sales & service center, reports to the Head of Retail Banking. Retail banking offers the following products.

- *Deposit Products*
- *Loan Products*
- *Cards*
- *Locker Services*
- *Foreign exchange related Services.*

I) Depository Products

BBL is now offering 6 depository products for mobilizing the savings:

- **Savings A/C**
 - *Triple Benefits Savings Account*
 - *Savings Classic Account*
 - *Aporajita Account*
 - *Future Star Account*
- **Current A/C**
 - *Current Classic Account*
 - *Current Plus*
 - *EZee Account*
 - *Salary Account*
 - *Campus Account*
- **STD A/C**
- **Fixed Deposit A/C**
- **DPS A/C**

II) Loan Products

BRAC Bank is offering the following loan product to the client for financing different purpose and ensures good return of investment as well as satisfies the client. The loan and advance products are:

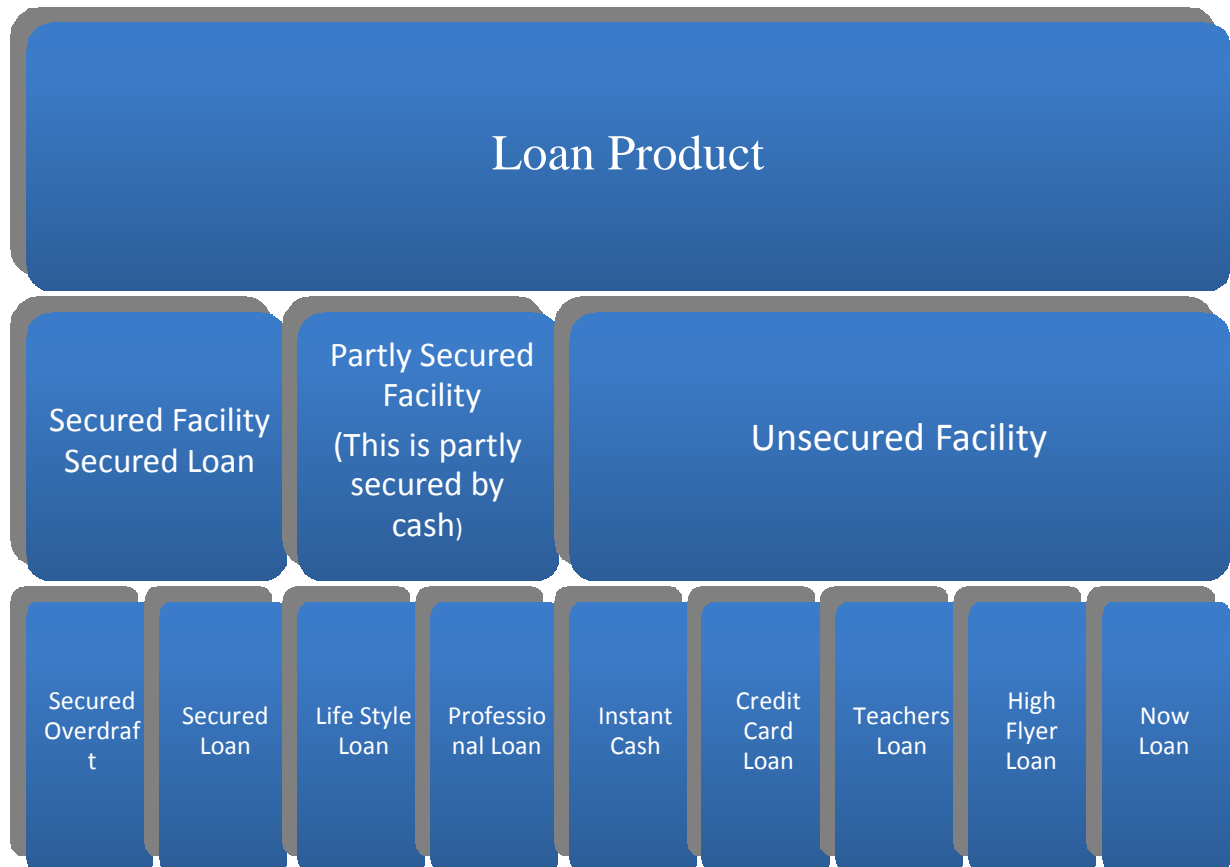


Table 3: Loan Products of Retail Banking

Process Flow of Retail Loan

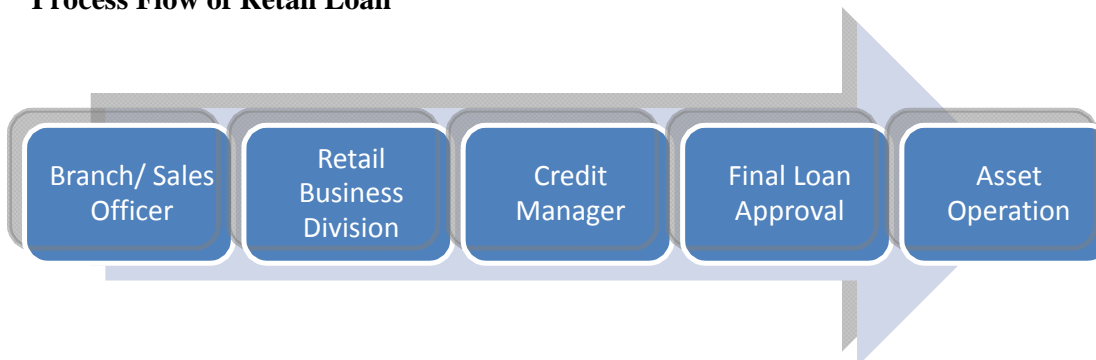


Figure 4: Process Flow of Retail Loan

III) Cards

With 157 outlets, 300 ATMs, BRAC Bank offers you a wide range of financial solutions to meet your everyday need.

➤ Credit Card

- *Platinum Card*
- *Universal Card*
 - i. *Universal Visa/MasterCard Classic*
 - ii. *Universal Visa/MasterCard Gold*
 - iii. *Co-branded Universal ICDDRDB Card*

➤ Debit card

- *Visa/MasterCard Planet Card*
- *BRAC Bank RFCD Debit Card*

➤ Prepaid Card

- *Hajj Card*
- *Travel Card*

➤ P@y Flex Programs

- *Regular P@y Flex*
- *Interest free P@y Flex*

IV) Locker Services

Locker Services are available in the following branches

| Sl | Branch |
|-----|-------------|
| 01. | Agrabad |
| 02. | Asadgate |
| 03. | Banani |
| 04. | Bashundhara |
| 05. | CDA |
| 06. | Comilla |
| 07. | Gulshan |
| 08. | Hali shahar |
| 09. | Zinda bazar |
| 10. | Kazir Dewri |

| Sl | Branch |
|-----|--------------|
| 11. | Khulna |
| 12. | Mirpur |
| 13. | Mogbazar |
| 14. | Momin Rd. |
| 15. | Narayanganj |
| 16. | Rampura |
| 17. | Satmosjid Rd |
| 18. | Shyamoli |
| 19. | Sylhet |
| 20. | Uttara |

Table 4: Locker Services of BRAC Bank

V) Foreign exchange and related Service

Travel Related Services (TRS)

Travel Related Services deals with the sale of Cash FCY against Individual's Travel Quota and Medical File. This entitlement is for a Calendar Year i.e. from 1st January to 31st December.

As per Bangladesh Bank Guideline –

- Travel Quota (For a Calendar Year)
 - USD 2000 or equivalent for SAARC Countries & Myanmar
 - USD 5000 or equivalent for Non SAARC Countries
- Medical File Quota (For a Calendar Year)
 - USD 10,000 or equivalent (If patient requires more than USD 10,000 for treatment, Bangladesh Bank's permission is required)
- Required Travel Document for FCY Endorsement
 - Valid Passport
 - Valid Visa
 - Air/ Bus Ticket (with return)

➤ Required Documentation for Medical File

- Valid Passport with Visa (Parent's Passport for Infant)
- Photo copy of Air ticket/ Bus ticket (Original needs to be shown)
- Invoice from prospective hospital
- Recommendation letter from personal physician
- Related medical documents (Prescriptions, Diagnosis Reports etc.)
- Previous overseas medical treatment documentation (If any) & Proof of treatment (After return from abroad)

➤ Education Related Services (ERS)

BRAC Bank ERS offers 'Student File' services which eases educational related financial transactions abroad. Student File opening is a mandatory requirement set by Bangladesh Bank for Foreign Exchange transfer to other countries. Through opening Student File, educational related expenses can be remitted abroad.

➤ **Facilities of BRAC Bank Student File**

- Easy transfer of Tuition Fess & Living expenses
- Faster processing of Student File
- Flexibility of Foreign Currency endorsement
- One Stop Service at Student Service Center
- Dedicated service desk in branches
- Competitive exchange rate

➤ **Eligibility**

Students who have taken admission in regular courses such as undergraduate, post graduate, language course pre-requisite to bachelor degree & professional diploma/ certificate courses in recognized institutions abroad.

➤ **Student Quota**

Education Cost & Living Cost as per estimate furnished by Foreign Institution/University and USD 200 or equivalent for transit expenses.

➤ **Services offered**

- Student File Opening
- Foreign Demand Draft (FDD)/ Foreign Telegraphic Transfer (FTT) issuance for tuition fees & to pay off living expense.

➤ **Documents required**

- Valid Passport
- One Passport size photograph
- Admission letter issued by the educational institution in favor of the student
- Estimation of annual tuition fee, board and lodging, incidental expenses etc. issued by the concerned educational institution
- Refund policy
- All educational certificate and mark sheet
- Visa & confirmed ticket (Required to release the living cost)

1.14.3 Corporate Banking Division

Providing full range of commercial banking products and services to potential corporate clients including multinationals, large or medium local corporate, NGOs, institutional bodies, Corporate Banking Division is a centralized structure through on-line banking system. Any credit facility is processed at the Corporate Banking Division, Head office. After sanction, the limit is put online and client can enjoy the facility from any of the BRAC Bank branches. Strict adherence to internal control guidelines and other legal and statutory compliance are followed. The Credit approval process comprises separate Credit Division, the Managing Director and Board. Departments like Foreign Trade, Treasury, and Credit Administration etc. compliment the clients services.

Treasury Division is one of the major divisions of BBL dealing with the money market. All products are in conformity with the Bank's Operational, Trading, Money market, Overnight, Term placing, Deal settlement, Commercial position keeping, Treasury, Credit, Finance & other applicable policies.

Treasury Operations computes investment figure, prepares the auction application & forwards the application to Bangladesh Bank for Bid; Treasury Operations maintains and reconciles all accounts with foreign and local banks.

1.14.4 Products and Services

Corporations and Institutions are allowed a wide array of products and services. Having huge network all over the country, BRAC Bank assists businesses in Bangladesh with local knowledge and Global Standard capability.

Its offer falls into two categories-

1. *Corporate Loan products*
2. *Trade Finance*

➤ **Corporate Loan Products**

- *Overdraft*
- *Short Term Loan*
- *Lease Finance*
- *Loan Against Trust Receipt (LATR)*
- *Work Order Finance*
- *Emerging Business*
- *Syndication*
- *Term Loan*
- *Project Finance*
- *Bill Purchase*
- *Bank Guarantees*

** With **Trade Finance** the Bank acts as the guarantor allowing International Trade & Letter of Credit are what constitute the non-funded facilities.*

Loan Approval Process

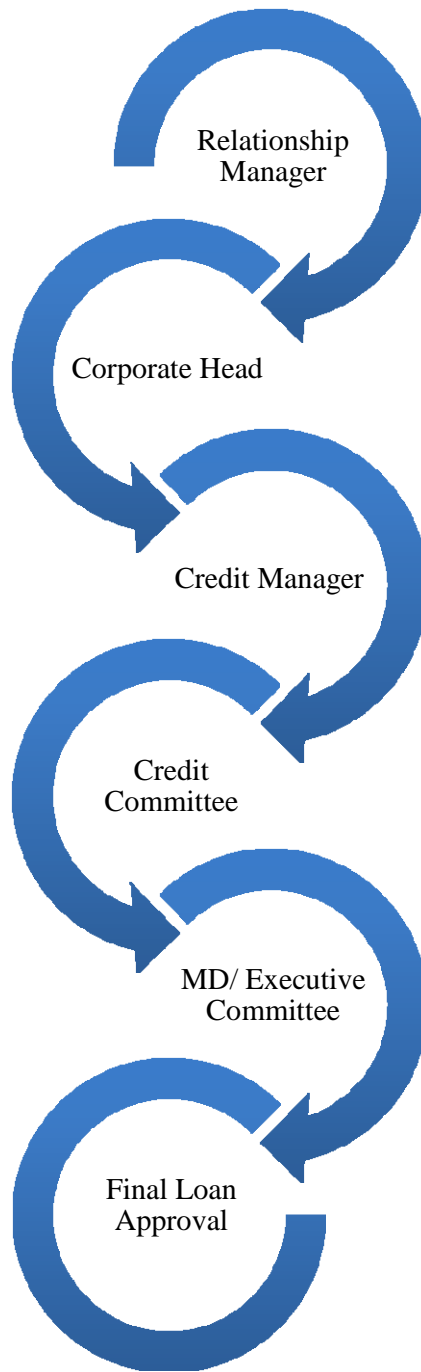


Figure 4: Loan Approval process

1.14.5 Treasury

Money Market Desk

The Money Market Desk of the Treasury Division transacts in the Bangladesh currency. The main activities undertaken by the Money Market Desk are:

- Management of Statutory Reserves viz. Cash Reserve Ratio (CRR) & Statutory Liquidity Ratio (SLR).
- Daily Funds & Liquidity Management
- Investment Management
- Treasury Services
- Call/Overnight Lending & Borrowing
- Term Money Borrowing & Lending
- Repurchase Agreement
- Treasury Bills (T-Bills)

1.14.6 Secured Remittance Services (SRS)

With unique features compared to any of the existing remittance program, Bangladeshi expatriates can now send their money anywhere in Bangladesh even to the remotest part within 24 hours at a reasonable cost and competitive exchange rate.

Secured Remittance Services

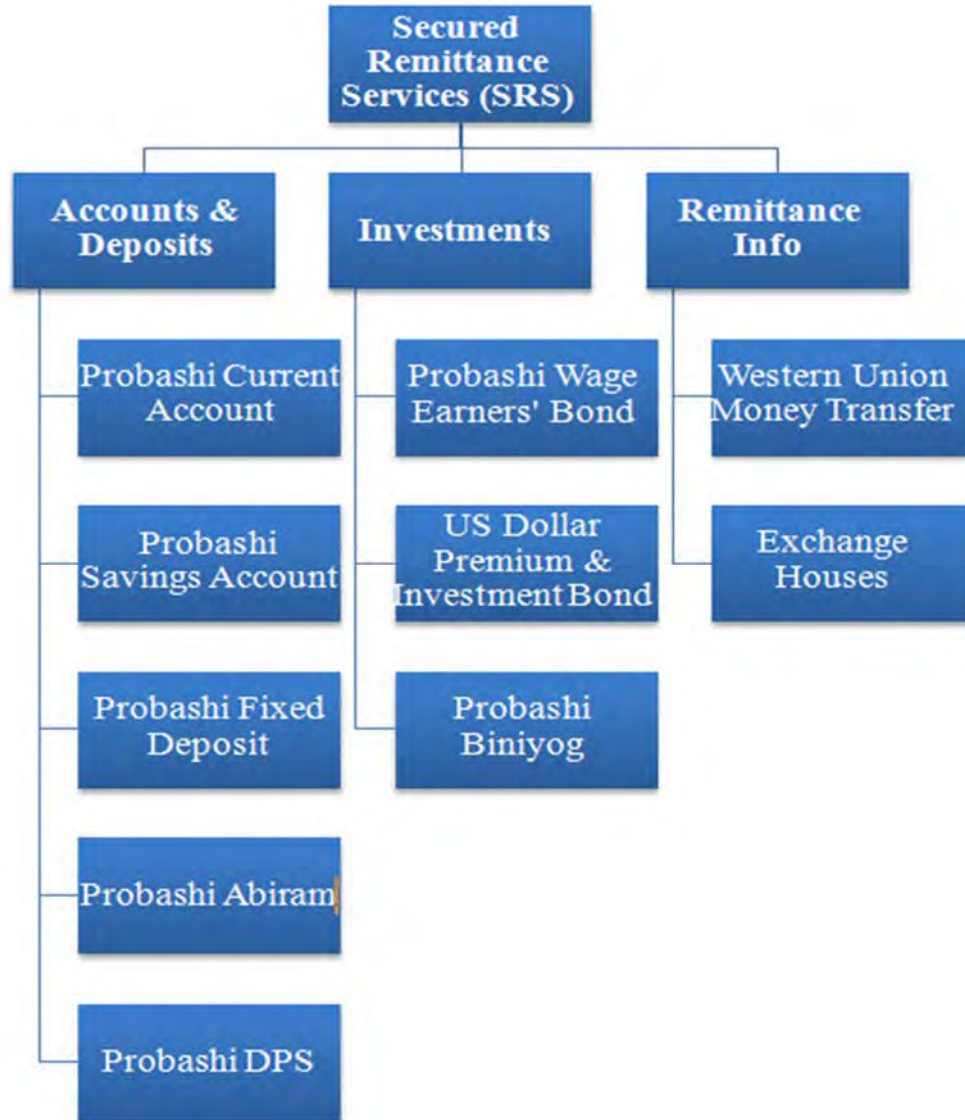


Figure 5: Secured Remittance Services (SRS)

1.14.7 Probashi Products and Services

- ***Probashi Current Account***

Probashi Current Account is an interest-free account. To facilitate regular transactions, this account has cheque book and a ATM card. Ideal for nonresident Bangladeshis doing regular transaction.

- ***Probashi Savings Account***

Interest in this account is paid twice-June and December. Also, to aid the transaction process, the account holder/subscriber will get ATM card and cheque book facilities.

- ***Probashi Fixed Deposit***

This account provides attractive interest amount based on regular deposits of small amount. A DPS account can be opened for a monthly deposit of any amount being a multiple of Tk. 500, the lowest being Tk. 500 itself. The tenures can be for 4, 7, 11 and 14 years as per the customers' instructions.

- ***Probashi Abhiram***

This account provides the customer with a substantial amount of interest at the maturity of the fixed deposit, which ranges from 3 months to 3 years.

- ***Probashi DPS***

This is a type of fixed deposit where the customer will get the interest on a monthly basis and its tenure ranges from 1 -3 years.

**The remitters availing BRAC bank services through the exchange houses all over the world can enjoy the special life insurance coverage policy. Without any charges the remitter gets a 65 days insurance coverage. If the remitter dies due to any accident within this period, the beneficiary will receive Tk. 1 -5 lac, depending on the amount of remittance. In case of normal death, the beneficiary will receive Tk. 10; 000. A remitter can send money through any of the enlisted Exchange houses of BRAC bank in the form of a Demand draft. A remitter can open this account for his/her beneficiary. The beneficiary can then enjoy the different services of BBL – SMS banking, Internet banking, Phone banking, etc. After this account is activated, the remitter only needs to inform the amount of remittance and the account number of the beneficiary. As per instructions, within 6 hours, the money will be credited to the beneficiary's account.*

1.14.8 Small & Medium Enterprise (SME)

For SME loan operation, BRAC Bank Ltd has in total 900 unit offices, 80 zonal office, 12 territory and 1800 Customer Relationship Officers. CROs work to arrange for clients for getting loan. Once CROs get the loan application and if it is less than 500,000 TK then zonal officers have the authority to approve the loan. But if it is above 500,000 then the CROs send it to Head Office for all necessary approval. After approval Asset Operation Department monitors the overall process. With businesses expanding, disbursement volume is increasing. Feasible purpose strategy is the driver for assets & liabilities has allowed it to be a success.

1.14.9 Products and Services

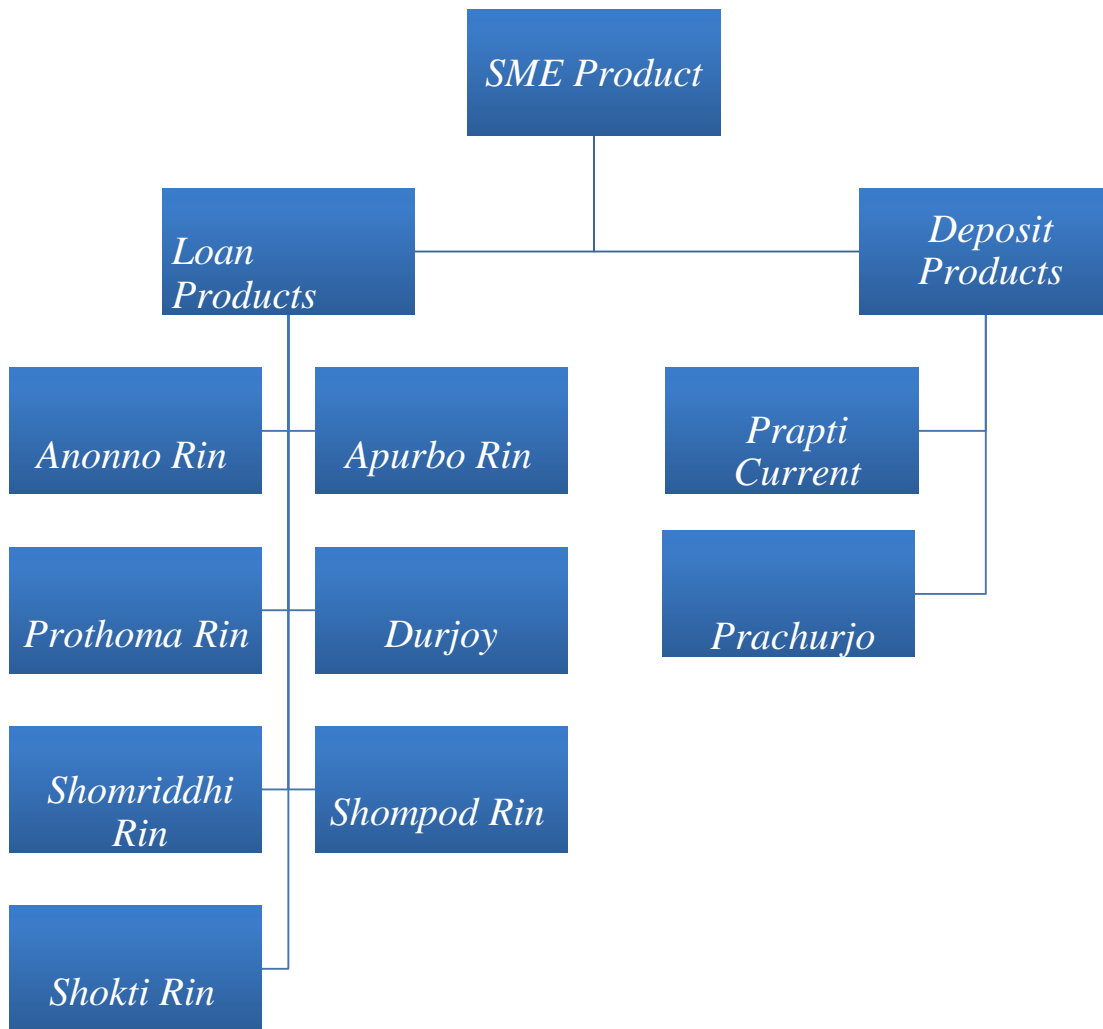


Figure 6: Products and Services of SME

CHAPTER 2: INTERNSHIP ACTIVITIES

2.1 Experience

I started my internship at BRAC Bank on 18th May, 2015 as an intern in their Communication & Service Quality Division after a writing test followed by interview conducted by Ms Farhana Hussian-Manager Learning & Development, HRD. I was placed in Ms. Zara Zabeen Mahbubs team who is currently the head of the Division I worked in.

During my 3 months of tenure I worked under the Associate Brand Manager-(SME, Retail, Corporate) and also assisted other Senior Managers/ Officers looking after the External Affairs and Outdoor Activities. This division mainly deals with all types of internal & external activities that helps in nurturing the Brand.



Figure 7: Department Responsibilities

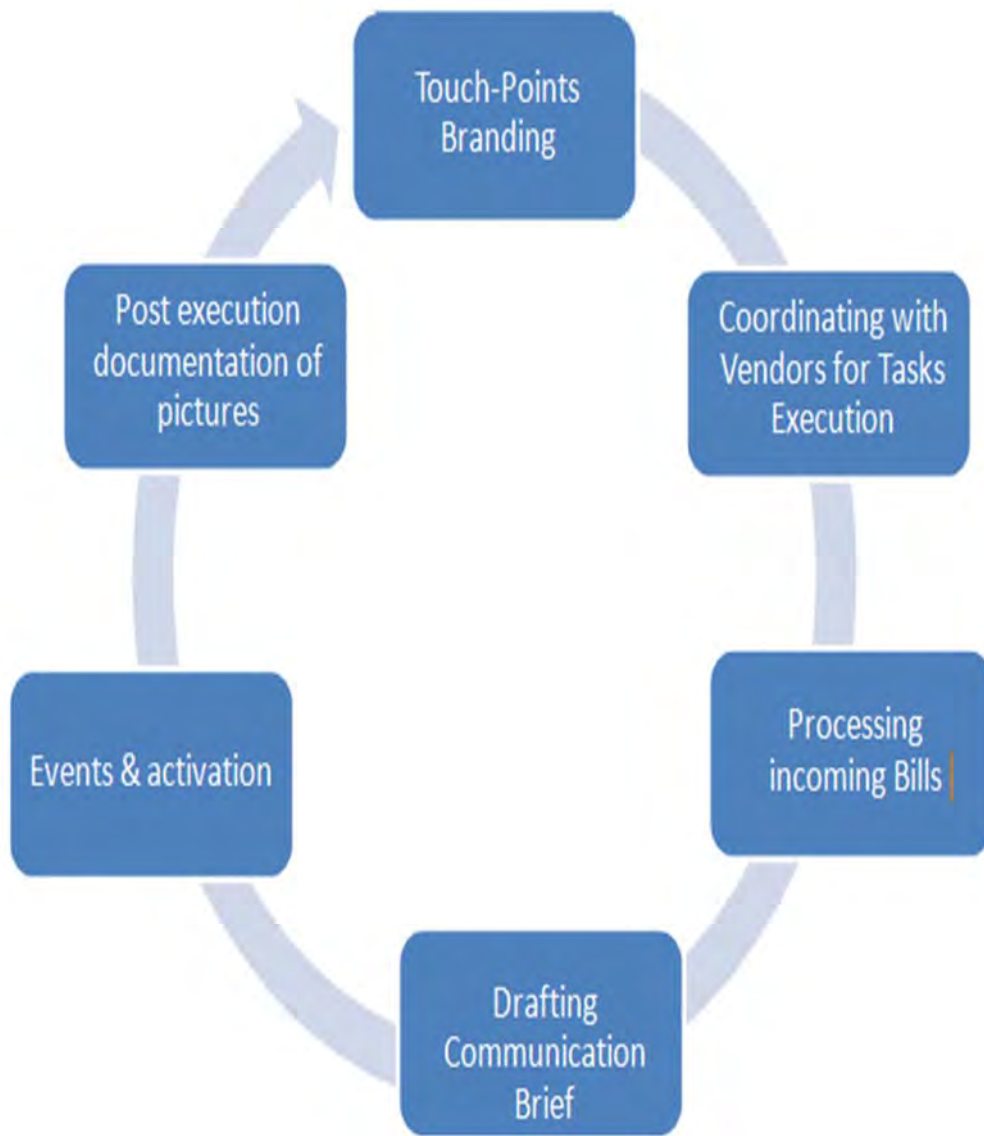


Figure 8: List of events involved

2.2 Observations

- The number of Campaigns run by the Bank for promotion has drastically fell from before.
- With number of billboards gradually increasing maintaining consistent promotions, resulting significant visibility.
- However quite a few successful Sponsorships has been beared by the Bank starting from Shahitto Somokal Puruskar to the Series between Bangladesh vs South Africa to name a few.
- The team is small compared to the overall workload.
- The salary package for the entry and mid-level management is considerably low.

CHAPTER 3: THE PROJECT

3.1 Description of the Project

The report has been compiled to uphold the Bangladesh SME Industry and to analyze different aspects of it in terms of BRAC Banks threshold.

3.2 Objective

Broad objective of this study is to analysis the SME scenario of Bangladesh and to assess the performance of BRAC Bank Ltd in context of highly competitive market. Along with that the report will justify how SME is contributing in socio-economic development of the country.

Present an overview of SME division of BRAC Bank

- *Detail description of SME division of BRAC Bank*
- *Operation Process of SME Loan Disbursement of BRAC Bank*
- *Risk management process and collection process of BRAC Bank Ltd.*
- *Problems facing clients in SME financing and to suggest few remedies to them.*

3.3 Methodology

In gathering the necessary data both Primary and secondary sources have been utilized so that the overall report can be made more rich in facts.

Primary Sources

- Face to face communication with the on-site supervisor and employees of the BRAC Bank Ltd.

Secondary Sources

- Official Website of the Bank and bank records
- Papers, Journals etc. related to the topic.
- Websites and publications

3.4 Limitations

Due to constraints getting a thorough in-depth understanding was quite difficult of the industry. The following impediments significantly set the bar to this this report. Three months is a very short time to gain any in-sight to such a vast industry and that, which has been operating for such long period.

- *Time shortage*
- *Access to information*
- *Lack of cooperation*

CHAPTER 4: Small & Medium Enterprise (SME)

SME as per definition implies, “A firm managed in a personalized way by its owners or partners, which has only a small share of its market and is not sufficiently large to have access to the stock exchange for raising capital”. Access to finance is limited for SME and is primarily channeled through savings of the owners, family & friends. Most SMEs are sole proprietorships & partnerships. Depending on context definition of SME will vary.

Despite the common features globally, countries do not use the same definition for classifying their SME sector. In addition, a universal definition does not appear feasible or desirable. The three parameters that are generally applied by the Governments to define SMEs are:

- *Capital investment in plant and machinery*
- *Number of workers employed*
- *Volume of production or turnover of business*

The definitions in use depend on the purposes these are required to serve according to the policies of the respective countries. According to Bangladesh Bank’s Small and Medium Enterprise (SME) Credit Policies and Programs:

4.1 Definition of Small Enterprise

Small Enterprise refers to the firm/business which is not a public limited company and entails the following criteria’s:

| Serial No. | Sector | Fixed Asset other than Land and Building (Tk.) | Employed Manpower |
|------------|------------|--|-------------------|
| 01 | Service | 50,000 - 50,00,000 | 25 |
| 02 | Business | 50,000 - 50,00,000 | 25 |
| 03 | Industrial | 50,000 – 1, 50,00,000 | 50 |

Table 6: Small Enterprise

4.2 Definition of Medium Enterprise

Medium Enterprise refers to the establishment that is not a public limited company but entails the following criteria's:

| Serial No. | Sector | Fixed Asset other than Land and Building (Tk.) | Employed Manpower |
|------------|------------|--|-------------------|
| 01 | Service | 50,00,000 – 10,00,00,000 | 50 |
| 02 | Business | 50,00,000 –10,00,00,000 | 50 |
| 03 | Industrial | 1,50,00,000 - 20,00,00,000 | 150 |

Table 7: Medium Enterprise

4.3 SME guidelines of Bangladesh Bank

The following guideline dictates the Bangladeshi SME Industry at large:

- Each bank/financial institution shall follow a separate business strategy in financing SME loan with least formalities in executing documentation to ensure easy and speedy loan sanction and disbursement process.
- Priority shall be given to small entrepreneurs.
- For small entrepreneurs credit limit will be ranged from Tk. 50,000 (Fifty thousand) to Tk. 50, 00,000 (Fifty lacs)
- For more participation of women entrepreneurs in industrial development of the country and for conducting business activities by women entrepreneurs in large number, priority shall have to be given to potential women entrepreneurs in respect of SME credit disbursement.
- Banks & Financial Institutions shall put highest priority in receiving loan application from small and medium women entrepreneurs and settle the loan disbursement process within very reasonable time from the date of acceptance of the application.
- Each bank and financial institution shall establish a separate 'Women Entrepreneurs' Dedicated Desk' with necessary and suitable manpower, provides them training on SME financing and suitably appoints a lady officer as chief of dedicated desk. Branch wise list of 'Women Entrepreneurs' Dedicated Desk 'should be sent to SME and Special Programs Department of Bangladesh Bank within two months from the

date of declaration of this policy and program.

- Banks and financial institutions may sanction up to Tk. 25, 00,000 to women entrepreneurs against personal guarantee. In that case, group security/social security may be considered.
- The success in SME loan disbursement will be considered as yardstick for further approval of new branches of the concerned bank. License for New Branches will be issued for financing the priority sectors like SME and agriculture from 2010 in the name of ‘SME/Agriculture Branch’ instead of ‘SME Service Centre; in order to involve banks in financing priority sector like SME and Agriculture’.
- Each bank/financial institution shall fix the interest rate on SME loan sector/subsector wise. However, bank/financial institution will inform Bangladesh Bank sector/sub-sector wise rate of interest immediately and ensure disbursement of refinanced fund to the clients (women entrepreneurs) at Bank rate +5% interests.

4.4 Minimum Requirement for SME Financing According to Bangladesh Bank

SME providers are regulated by separate restriction given by Bangladesh bank along with general banking guidelines. Comprehensive credit risk management system appropriate to their type, scope, sophistication and scale of operation which are not to be compromised. The Board of Directors of particular bank is required to establish policies, procedures and practice in order to define risks, specify security requirement, design internal control and ensure strict compliance with them.



Table 8: Minimum Requirement for SME Financing According to Bangladesh Bank

4.4.1 Pre-Operation

Before undertaking small enterprise financing, bank/financial institutions are required to follow some specific guidelines. Firms that have already established SME financing are required to compliance with the guidelines by six month of the date of issuance of Small Enterprise Financing Prudential Regulations. Pre-operation guidelines are-

- For the purpose of undertaken SME financing, banks are required to set up own separate risk management capacity which will be properly staffed in combined with sufficient expertise and experienced person in the field o consumer finance/business.
- The bank shall develops comprehensive credit policies suitably approved by Board of Directors. The policy will cover loan administration combined with documentations process, disbursement systems and appropriate monitoring mechanism. The policy will also revise with job description and job specification of different layer staffs. Along with it, policy shall specify powers/authority relating to approval/sanction of consumer finance facility.
- The bank shall develop specific Product Program Guide (PPG) for every type of SME activities. The program shall describe the eligibility of the borrower in terms of objectives or quantitative parameters. It shall also determine the maximum permissible loan limit of each borrower. Along with that, PPG shall indicate the maximum permissible exposure banks will take against each product.
- The SME undertaking bank shall have computer based Management Information's System (MIS) which will cater the need of small and medium enterprise financing portfolio and should be flexible enough to generate necessary information regarding various clients and their payments behaviors. This periodical report are expected to help in generating new policies, effectively implementation of current policies and facilities appropriate modifications of existing policy.
- The bank shall prepare product wise profit and loss account quarterly which will adjusted with the provision on account of classified account as expected. The profit and loss account should be present to the Board of Directors in the immediate next board meeting. In case of foreign banks, the report should be place before committee combined with Chief Executive Officer, Chief Financial Officer and Head of Small enterprise.
- The bank shall have comprehensive recovery procedures for the delinquent loan. There must have a constructive procedure to recover loan defaulters. That recovery

procedure my very product to product, but the distinct should be prescribed in such manner so that pre-planned enforcement measures could be taken immediately.

- All the institutions starting/undertaken small and medium enterprise financing are instructed to gone through some training on an ongoing basis to their capabilities related with various aspects of SMEs. The bank shall prepare standardized set of borrowing and recourse documents for each types of SME financing.

4.4.2 Operations

- Like other financing institutions, small and medium enterprise financing institutions are subject to set up own credit risk management process. The process includes- information about borrower past dealing with banks, assessing the clients ability to repayment, sources of repayment, net worth and information obtained from Credit Information Bureau approved by Bangladesh Bank.
- While granting loan to the borrowers, bank shall obtain written declaration from the borrower reviling the details of various facilities he/she already obtained from other financial institutions. The bank shall carefully gone through the declaration detail and find out whether the customer exceeds the resemble limits as laid down in the approved policies of the banks. Additionally this declaration helps the bank to avoid exposure against an enterprise having multiple facilities from different financial institutions.
- Bank should establish its own internal audit and control system in order to review its activities. For its inheriting nature, SME portfolios are subject to high risk and various weaknesses. The internal audit review managerial decisions in order to rectify the weaknesses of SME financing and reduce the level of risk. Another function of the internal audit is to look after the delinquency of internal control. It also figured out whether standardized policies are developed and practiced in reality.
- The bank shall ensure that their accounting and computer systems are properly equipped so that bank can avoid mark up. Even if it marked –up, bank must ensure that the marked-up charge on the outstanding amount is kept separate from the principal. The banks shall also ensure that any repayment made by the borrower is accounted for before applying mark-up on the outstanding amount.

4.4.3 Discloser/Ethics

Bank shall disclose all necessary terms and conditions regarding fees-charges; interest rate and penalties. It should also reveal internal information to some extend because sometimes it contains conditions related with interest rate and pre-payments penalties. In

order to make it hassle free and keep update with clients, banks are encourage to published brochures regarding their different mood of products, eligibility to apply and frequent asked questions.

4.5 Significance of SME

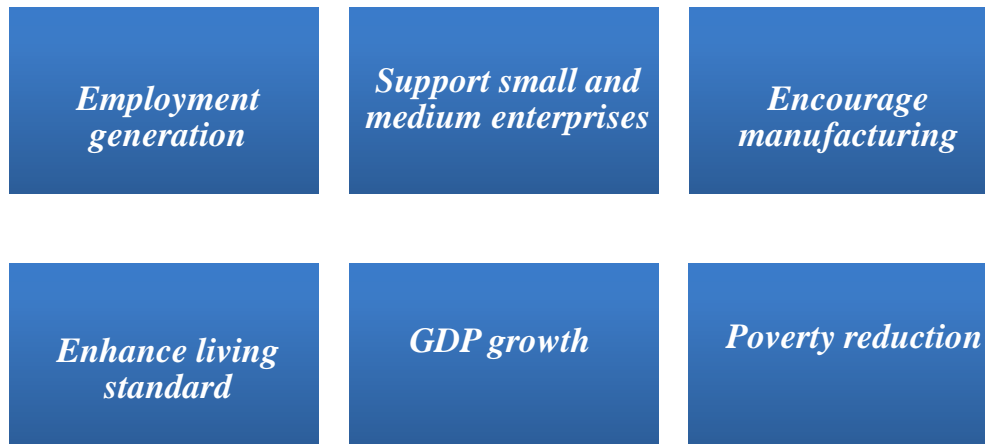


Table 9: Importance of SME in Bangladesh

- **Employment generation**

In a country like Bangladesh where unemployment rate is substantially high SME plays a vital role in creating employment opportunities. With unemployment rate near 17% (according to ADB), in 2006, 55% of jobs were created through SME. The National Private-Sector Survey of Enterprises in Bangladesh, identified that in Bangladesh the agriculture, manufacturing and industry, and service sector could create most employment for the poor people.

- **Support small and medium enterprises**

With micro financing and corporate banking serving two different segments the medium and small enterprises were left out by the traditional banking. However these small and medium business were profit generators and thus with the intervention of SME financing any potential borrowers can access BDT 2 lac – BDT 30 core which were unimaginable even 10 years back. BRAC bank provided 47.49% as SME loan of its entire loan amount in 2013.

- **Boost manufacturing**

Entrepreneurs are leaning towards manufacturing with time from agriculture based activities. In the period of Jan-June 2012, BDT 10,463 billion has been invested in manufacturing sectors which is more than 2.3% of last year on the same period.

- **GDP growth**

SME resulted in 25% GDP growth as per 2011. This has resulted the economies heavy reliant on outside to fall and has given a boost to resource mobilization and exports at the same time such as in Jute, Ready-made Garments etc. Improved living standards and employment generation as result of GNP-GDP growth has improved life in the rural areas by large. Poverty reduction has also been a flagship of SME financing.

- **Women empowerment & Entrepreneurship**

There has been increased women’s involvement in SMEs, especially home-based micro enterprises engaged in the production of clothing and textiles (boutiques and handicrafts, weaving and spinning), livestock and dairy, and retail sales. As the activities are mostly labor intensive and demands low capital entrepreneurs are motivated in taking risks mainly in the manufacturing sector.

4.6 SME Credit Supply:

| Bank Type | Principal Outstanding (TK in Billions) |
|---|---|
| Private banks | 27.50670 |
| Public banks | 1.91468 |
| Specialized banks | 1.77967 |
| Total SME lending volume (principal outstanding) | 32.255 |
| Yearly target achieved (%) | 55% |

Table 10: SME Loan Outstanding (TK in Billion)

4.7 BRAC Bank SME

BRAC Bank offers financial solutions for all strata – be it retail, SME, wholesale banking, capital market with a focus on SME. *This bank was actually founded on a philosophy of keeping trust on the hopes and dreams of Bangladeshi entrepreneurs* – Most of these entrepreneurs were far flung from the conventional Banking system.

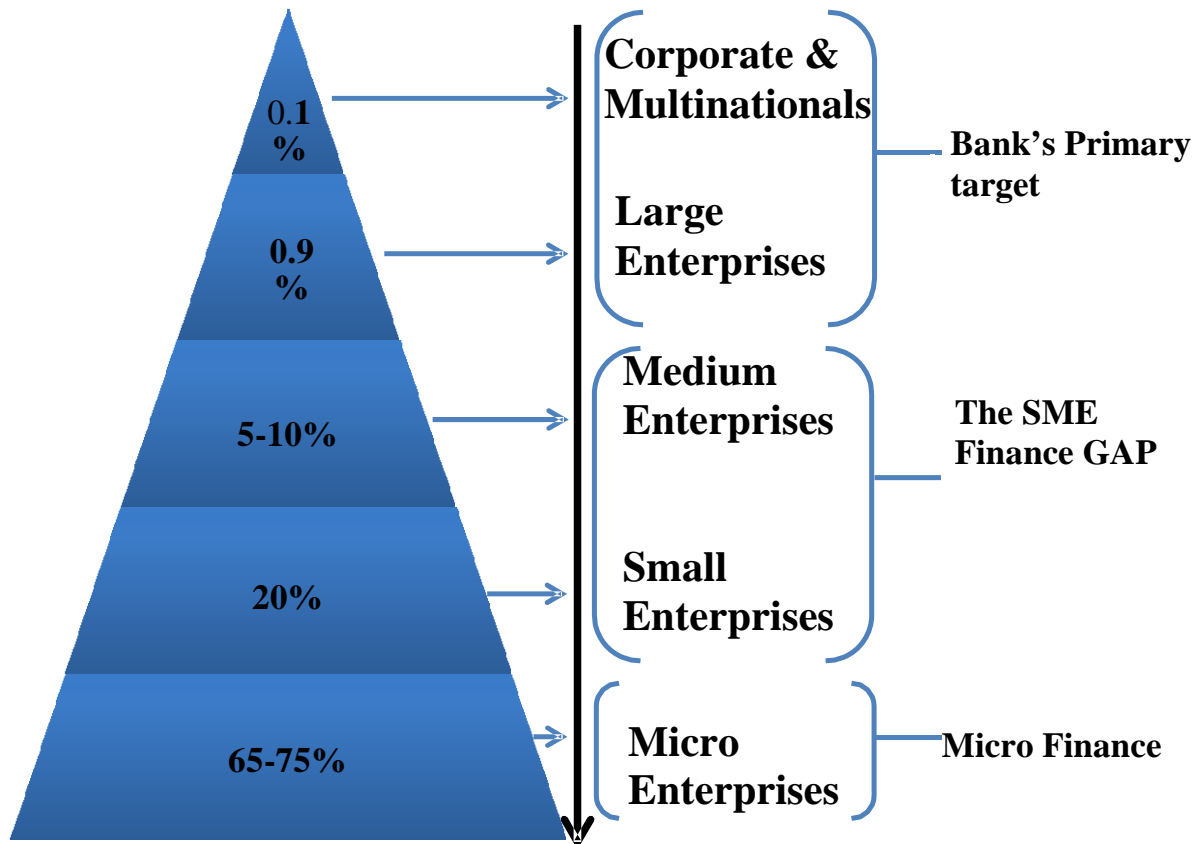


Figure 9: The SME Financing Gap

SME catered to the ones who were devoid of access to necessary banking services and that “Missing Middle” is BRAC Bank’s target in SME financing. BRAC Bank has this embedded in their Mission to ensure sustainable growth and parallel with it has been its focus on SME which comprises of more than 50% of loans disbursed.

4.8 SME Division

BRAC Bank Limited is the largest SME Bank in the country and 4th largest worldwide in terms of outstanding loan amount. SME Banking Division holds highest asset volume among all other Divisions (SME Banking, Retail Banking, Corporate Banking, Probashi Banking). As the name signifies, it provides lending and deposit solutions as well as value added services (payment remainder, payment notification, etc) to small and medium size businesses within the country.

According to “*Major Economic Indicators, Monthly Update Status*” as on 31st March, 2012-2013

- The division has captured 5.28% market share within SME Banking arena of Bangladesh which valued 8.35% within the private banking industries.
- It has served 320,000 entrepreneurs, with BDT 144,330 million of SME loan since its inception in 2001.

BBL SME Banking Portfolio

| BBL SME Banking Portfolio | Amount |
|----------------------------------|----------------------|
| Asset Portfolio | BDT 50098.60 Million |
| Liability Portfolio | BDT 17200 Million |
| Portfolio in account | 1, 21,131 |

Figure 10: SME Financing Gap

4.9 Small Business

Head of Small Business mainly leads Small Business who is accountable to Head of SME. The Business is divided into three regions headed by the Regional Heads under whom the Territory Managers are there. Zonal Managers report to the Territory Manager regarding his/her zone who in turn supervises CROs working at the very root level.

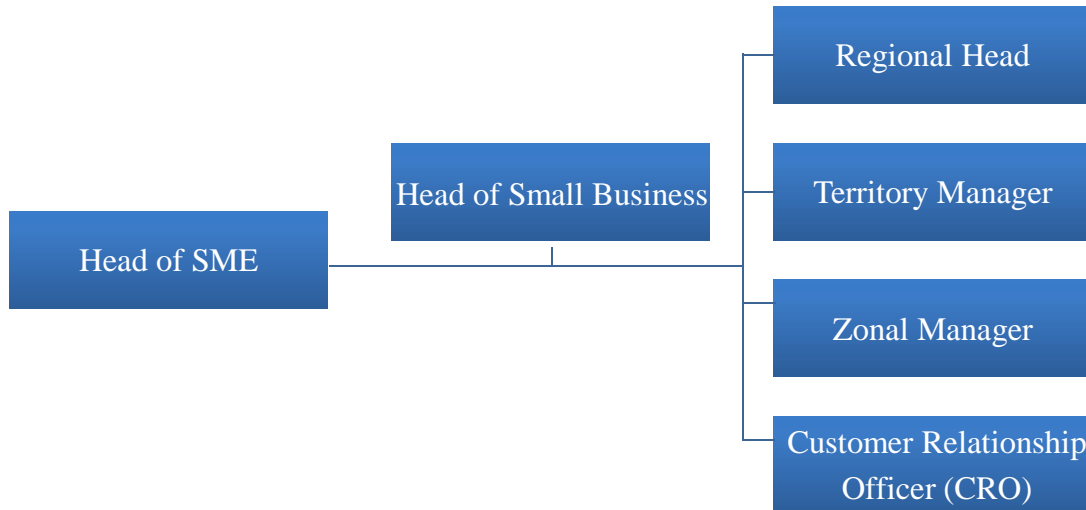


Table 11: Organogram

**Small Business department of the SME division works through 399 unit offices throughout the 64 districts. The department is divided into three regions named – Dhaka, Chittagong and Rajshahi. Each region comprises of 6 to 7 territories. Territories are divided into zones and zones are further divided into unit offices. There are 21 territories and 119 zones. Whereas the department of Medium Business is Dhaka and Chittagong based and looks after the mid-sized borrowers who come under the SME umbrella. The total number of CROs is approximately 1300 supervised by 119 Zonal Managers.*

4.10 BBL SME Coverage



4.11 SME Products

At present BRAC Bank has the following SME loan products:

| <i>Product Name</i> | <i>Eligibility</i> | <i>Loan Amount</i> | <i>Mortgage</i> | <i>Business Type</i> | <i>Overdraft facilities</i> | <i>Special features</i> |
|-----------------------------------|--|---------------------------|----------------------------|---|------------------------------------|--------------------------------------|
| ANONNO (Business Loan) | Small Sized businesses (Production, Trading Services, Agro Products & others , having At least 3 years business. | BDT 2 LAC to 10 LAC. | No | Sole Proprietorship, Partnership, Private Limited Company | | No security required |
| APURBO (Term Loan) | Any kind of business operating for 3 years or more | BDT 1 to 10 Million | Property/ Land/Building | | Based on Business needs | |
| PROTHOMA (Term Loan) | Small scaled business operated by woman entrepreneurs having 2 or more years of business experience. | Maximum BDT 1 Million | No | Sole Proprietorship, Partnership or Private limited company | | Low interest for woman entrepreneurs |
| SHOKTI (Business Loan) | Any kind a business operating for at least 1 year | BDT 1 to 10 Million | | | YES | Loan against partial security OR |

| | bank statement. | | | | | fixed deposit |
|-----------------------------------|---|--------------------------|----|---|--|--------------------------------|
| DURJOY (Business Loan) | Any kind a business having valid trade license which has been operating for at least 3 years. Also Need 1 year bank statement | BDT 3 Lac to 2.5 Million | No | Sole Proprietorship, Partnership or Private limited company | | Easy installment upto 5 years. |

Table 12: Comparative analysis of BRAC Bank SME products

Additionally to meet import-export, post import, tax/duty and to finance working capital there is SHOMRIDDHI SME Loan offering BDT 1 Lac to BDT 20 million to any kinds of Sole proprietorship, Partnership or Private Limited Company having valid trade license and which has been operating for at least 3 years. It provides-LC and LATR facility. Revolving loan, overdraft and Local bill discounting facility for exporter/importers.

SME Loan Process of BBL

When it came to SME financing, instead of approaching the problem by scaling down its regular operations, a separate program designed especially for SME financing was launched by BRAC Bank in 2002 for the growing need of Capital mobilization and for the need of a wider client spectrum.

BRAC Bank reaches out to its clients who are prospective rather than waiting for clients to knock their doors. SME units of BRAC Bank are located in all districts. Each unit has two to five Customer Relations Officers (CROs). The role of CROs is instrumental in not only selecting and approaching clients, but also in maintaining regular interaction with each client, monitoring the use of the loan and ensuring regular repayment.

Customer Relations Officer (CRO) helps a customer choose the scheme which best meets his financial requirements and fits his business size and nature. The CRO then collects all the prerequisite documents from the customer, consolidates the information, and after ensuring that all the required documentation are in place, he prepares the Loan Application Proposal (LAP) and passes it on to his Zonal Manager. The Zonal Manager visits the business, gives the file a final check and forwards it to the Credit Risk Management Department.

Afterwards SME Credit wing visits the business location and assess the loan proposal by making an assessment of the customer's ability to repay based on business profile and matching customer's proposal with his credit assessment determines whether the customer can be allowed financing. In areas where there is no centralized credit assessment department, the banks audit team visits the business and assesses the file. The Origination department verifies the documentation and opens loan accounts for clients. In addition, they help obtain the CIB report of the customer, a mandatory requirement of Bangladesh Bank. The loan is then disbursed to the customer. SME Business and CRM jointly manage the collection responsibility across the country based on overdue aging. SME Repayment Unit performs the functions of loan repayment and the Closing Unit does the loan closure.

The CRO receives the deposit slip from the customers for the monthly installments; sends a mobile text to Head Office for realization of the installment. The slips are collected at the repayment unit for reconciliation. As the loan matures, the closing and clearing units handle the necessary paperwork and forward the clearance certificate and redemption of mortgage property to the respective CRO/ZM, who then hand them over to the client.

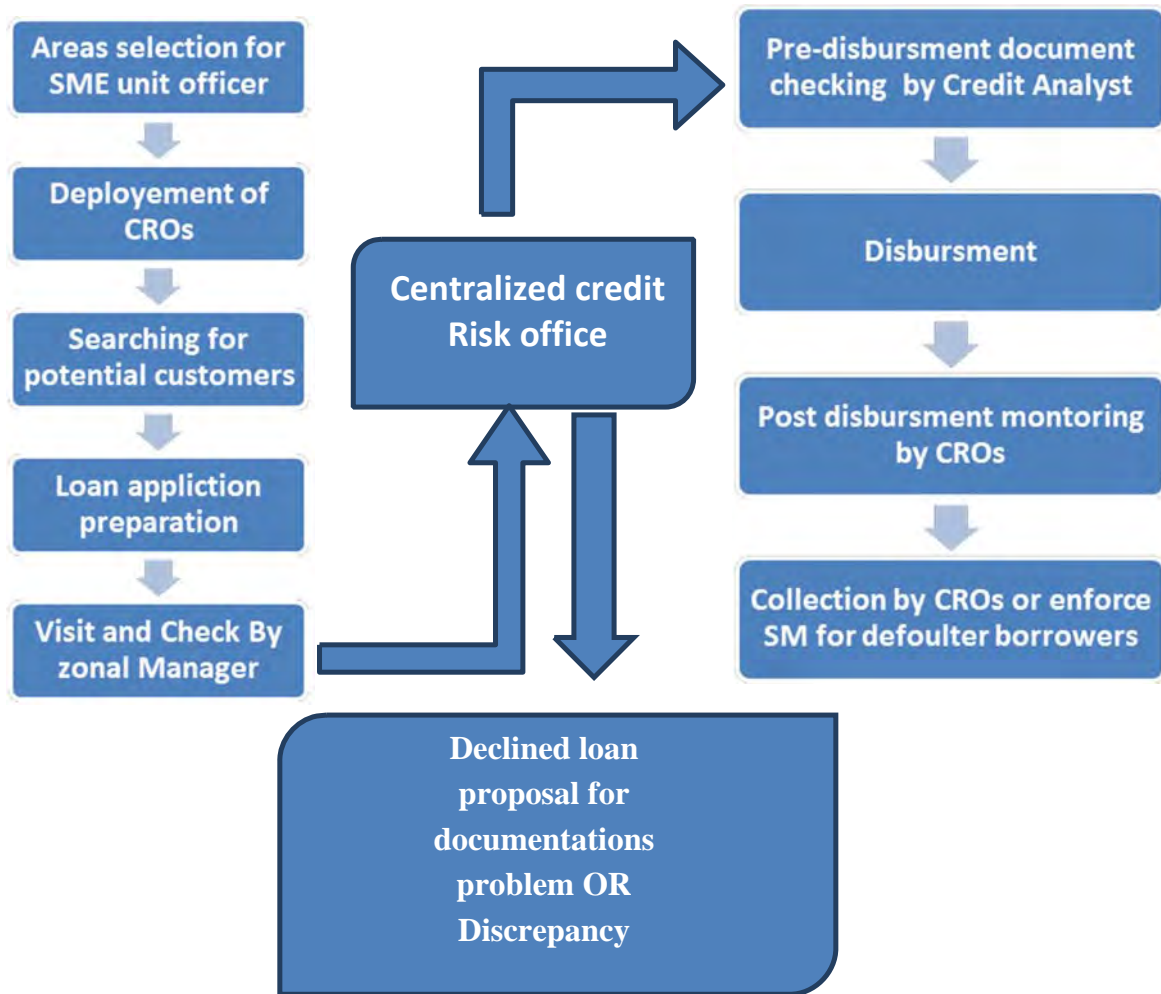


Figure 10: Loan Processing Flow

4.12 Enterprise Selection Criteria

In terms of the business (Enterprise), the following attributes should be sought and this is where the success of any SME lies:

- The business must be in operation for at least three year.
- The business should be environment friendly, Eg: No narcotics or tobacco business.
- Should be legally registered, i.e., valid trade license, income tax or VAT registration, wherever applicable.
- Must have a defined market having potential growth prospect.
- The business must be in close proximity to the market and raw materials/suppliers. It should have access to all the utilities, skilled manpower are required.

The Enterprise Selection Criteria alone is not enough, but the management must ensure that the CROs did their due work before forwarding any file.

4.13 Entrepreneur Selection Criteria

The capability of the entrepreneur must be assessed based on the following criteria's:

- The entrepreneur should be physically able and in good health, preferably between the age of 25-50. If he/she is an elderly person, is must be ensured whether there is any succession planning to business.
- Academic background or vocational training, relevant work experience in another institution or years of experience in this line of business and all other relevant skills must be possessed by the entrepreneur.
- The entrepreneur must be a credible person in the society where he belongs with high integrity and morals.
- The entrepreneur must demonstrate a high level of enthusiasm and should display the tenacity to take up challenges that may arise in the course of running the business or to make the business grow.
- Suppliers or creditors should corroborate that he pays on time.

It happens that to reach targets loans are advanced to people of low integrity and due to other external pressures. So to avoid such issues the criteria are to be strictly followed so that loan is repaid in due time.

4.14 Guarantor Selection Criteria

The criteria's are same for guarantor as for the entrepreneur but additionally he must have the following

- The guarantors Net Worth must be checked to ensure his economic solvency and loan repayment ability.
- The guarantor should be aware about all the terms of the loan and his responsibility.
- Guarantor such as school teacher, college teacher, doctor Government and Semi Government Officials etc. must be selected.
- The guarantor should have sufficient knowledge about the entrepreneur and preferably be from the community where he lives.

Having knowledge of the Guarantor is equally important as that of the entrepreneur and in recent times spouses, parents and friends are more eligible for being a guaranto.

4.15 Important Indicators

- ***Days Past Due (DPD)***
It highlights the days borrowers misses out on installments starting from the day following the due date.
- ***Portfolio at Risk (PAR)***
When a borrower becomes delinquent for 30 days or more that account can be classified as being risky among the loan portfolio. The standard measure in the banking Industry is PAR to determine portfolio quality.

4.16 Competitive Scenario

Small Business

- Term loans to small entrepreneurs is primarily dominated by BRAC Bank while 9-10 Banks/FIs namely City Bank, Bank Asia, EBL, SCB, IDLC, Prime bank, AB Bank, IFIC, Islami Bank, & BRAC NGO also doing good business.
- Overdrafts/CC business is mainly under the state owned Banks.

Medium Enterprise

- Financed by almost all scheduled banks in Bangladesh.
- Competition is intense and often price sensitive.

4.17 SME Finance: Major competitors

| <i>Banks/FIs/NGOs</i> | <i>Urban</i> | <i>Semi-Urban & Rural</i> |
|---------------------------------|---|--|
| State Owned | <ul style="list-style-type: none"> • <i>Sonali</i> • <i>Rupali,</i> • <i>Agrani, and</i> • <i>JanataBank</i> | <ul style="list-style-type: none"> • <i>Sonali,</i> • <i>Rupali,</i> • <i>Agrani, and</i> • <i>Janata Bank</i> |
| Private Commercial Banks | <ul style="list-style-type: none"> • <i>The City Bank</i> • <i>EBL</i> • <i>AB Bank</i> • <i>Dhaka Bank</i> • <i>Prime Bank</i> • <i>Bank Asia</i> • <i>Islami Bank</i> • <i>IFIC</i> | <ul style="list-style-type: none"> • <i>Pubali Bank</i> • <i>The City Bank</i> • <i>Islami Bank</i> • <i>National Bank</i> • <i>IFIC</i> • <i>Uttara Bank</i> • <i>AB Bank</i> • <i>Prime Bank</i> |
| Foreign Commercial Banks | CBC | NIL |
| NBFI & NGOs | IDLC | BRAC, ASA |

Table 13: Major Competitors

4.18 Analysis of Borrower Profile

SME loan serves the purpose of working capital management or purchasing any fixed asset. Any business with three years of continuous operation is eligible for this Loan.

From the observation borrowers information & brief from personnel the following I highlighted:

- Average age of SME borrowers is 39
- Average education of most of the SME borrowers is Class IX or X.
- Average Experience (As Entrepreneur) is 8 years
- Monthly income and expenditure of the Entrepreneur is around TK. 30000 and TK. 23000 respectively.
- Average personal and family assets are around TK. 150000 and TK. 240000 respectively
- Average number of employees they have is 3-5

4.19 Recommendation

The following recommendations can help overcome the bottlenecks that are previously highlighted:

- Lowering interest rate- Competitors are allowing similar loans at a rate low as 18-22%. Cost of fund needs to reduce to lower interest rate.
- CROs, direct sales tem are at times under pressure to meet targets and has resulted in selecting potential borrowers without sufficient background check causing them to become defaulter.
- The loan approval process should be made simpler.
- Borrower's assessment and monitoring should be made more rigid.
- Provide soft support service like training, mentoring, business planning which helps in access to finance. Inform potential borrowers of the myriad SME products & services through extensive media coverage.
- Prioritize indirect support measures like capacity building for SME, supporting exchange/sharing of good practices of non-competitors.
- Increase the relationship between R&D & SME division through the provision of result oriented resources.

4.20 Conclusion

In FY14, IFC's Global SME Banking Advisory Services Program comprised 95 projects spanning 52 countries and totaling \$96 million. About 62 percent of these projects were focusing on International Development Association (IDA) countries, with 18 percent in conflict-affected or fragile states. Almost 36 percent of the projects included a component supporting targeted lending to women-owned SMEs. This has resulted Banks at present try aligning themselves to the Regulations & Policies set by the Central Bank i.e. Bangladesh Bank mandates SME Financing and the results have been impressive unlocking potentials unprecedented.

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