

Internship Report on SME Financing of Dhaka Bank Ltd

Submitted To

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**Topic: SME Financing of Dhaka bank Limited-
Financing Entrepreneurs to enlarge SME
Industry**



LETTER OF TRANSMITAL

December 29, 2014

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Subject: Submission of Internship Report

I, Syeda Mahmuda Yesmin, am submitting my internship report on “**SME Financing of Dhaka Bank Limited: Financing Entrepreneurs to enlarge SME Industry**”. The internship period and the consequent effort in writing this report has been a highly enriching learning experience for me. I have tried my level best to make an informative report as much possible. However, due to the confidentiality policy of Dhaka Bank Limited regarding some of the topics I have covered, this study has not been as probing as I would have desired.

I have given my utmost effort to reflect experience, skill and knowledge, which I acquired at the time of orientation in Bank through this report. All of my efforts will be successful if the report can serve its purpose.

Hope you will be pleased through your evaluation of the report and appreciate the effort.

Thank you very much for your kind cooperation and guidance.

Sincerely Yours,

Syeda Mahmuda Yesmin

ID: 10304025

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Acknowledgement

At the completion of this report, a lot of support, guidance, direction is needed and I am fortunate enough to reach the goal with the help of number of people and obviously with the blessing of almighty. I would like to take the opportunity to thank them all.

First of all, I would like to thank the Almighty Allah for the grace and kindness and blessed me to reach my goal.

I would like express my honorable thanks to the Academic supervisor, Samina Haque, Senior Lecturer, BRAC Business School, BRAC University for her very much supportiveness, encourage and guidance to prepare this report.

Then I would like to express my gratitude to my Organizational supervisor, In-Charge and Operation Manager of the SME service center, Mr. Md Zakaria Shahriar, for guiding me during the internship period.

I would also like to thank the officers and senior officers for helping me to learn about banking activities, and adjusting myself in a corporate environment. They also provided me valuable information, guideline and acknowledge me about the overall SME Financing policies and process followed by the bank. I am really honored and fortunate to work in such an inspiring environment.

Finally my gratefulness goes to my family, friends and classmates for being supportive in all the walk of my academic life.

Executive Summary

The development of small and medium enterprises (SMEs) in developing countries is generally believed to be a desirable end in view of their perceived contribution to decentralized job creation and generation of output. In Bangladesh, SMEs playing a significant role for the development of our economy by creating employment opportunity and producing important alternative machines and machinery parts for saving huge foreign currency for our country.

So leads to the economic development, Financing in Small & Medium Enterprises (SME) have become a major focus of the commercial banks. Realizing the leading concept, Dhaka Bank Limited has stepped into the field by extending finance to this sector.

This report is focused on the investments in SME industry of DBL and the potentiality of the sectors. Considering this, there will be a discussion on different sectors of SME industry, segments of target customers, lending process of DBL, and current loan disbursement status of DBL.

The report will be started with a short introduction, objective, methodology and limitations. Then the report will state organizational overview containing history, vision, mission, strategy, hierarchy, and performance of DBL. After that different division activities will be discussed including their products and services and the jobs done by author. In next chapter the report will focus on the general view of SME Financing, loan facilities provided by the bank and customer segments. There will be an analysis on the findings from the industry review and the contribution of the bank in this sector which will also discuss about the potential sector. Lastly there will be a SWOT analysis, recommendation and conclusion.

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Chapter 1: Introduction

Historically, Bangladesh followed a development strategy in which private investment was controlled through a host of regulations involving investment sanctioning, credit disbursement, import licensing, foreign exchange allocation, etc. While these regulatory barriers let down private investment in general, the impact fell unevenly on SMEs. Urbanization and lifestyle changes concurrent with the economic development created a demand for banking products and services to support the new initiatives as well as to channelize consumer investments in a profitable manner. Leading to this initiative, Dhaka Bank Limited was born on the 5th of July in 1995 in great expectation of the people of Bangladesh to fulfill their dreams and demands.

Origin of the report:

Internship is the opportunity for a student to get the practical knowledge based on their studies. It also helps a student to cope with the organizational environment and helps to progress in future. This report was assigned as a requirement for the successful completion of the Internship which itself is part of BBA program of BRAC Business School. I was assigned to Dhaka Bank Limited, Shewrapara SME Branch for my internship program. I joined there on 1st October, 2014 for completing my internship program. It was a 3 (Three) month program which ended on 30th December, 2014.

The report was prepared under Samina Haque, Senior Lecturer, BRAC Business School acting as the Academic Advisor and Mr. Zakaria Shahriar, SO& Operation Manager, Dhaka Bank Limited, Shewrapara Branch (SME Service Center), acting as the organizational advisor.

Objectives of the Report:

There are two types of objective of the report. They are:

- General Objectives
 - To understand the all procedure the bank follows
 - To understand the current condition of the SME Division and advance of the bank

- To know all the product they offers.
- Specific objective
 - To know the Last two years SME performance of Dhaka Bank Limited
 - To learn the recent scenario of SME financing
 - To understand the types of customers and purpose of SME financing

Scope:

It was an opportunity to get basic information concerning the organization's Policy's, strategy and structure, of SME Division and the organization's prospective of the department, and how they manage their overall operations in SME division.

The report develops an insight into the financing policies and practices of Dhaka Bank Limited in the SME sector of Bangladesh. This report provides a critical overview about how the bank defines SME, what are the different SME products offered, and what is the overall performance of the bank in the SME sector in terms of loans disbursement and recovery. The report also provides a brief idea about the SME financing policies and practices followed by some other major banks of the country. Thus it tries to identify the potentiality of sub sectors of SME leads to the enlargement of this industry.

Methodology:

This report is based on the information collected from different sources following a specific methodology. The details are as follows:

Primary sources: In the primary search for information, the sources are-

- Practical Desk works
- Discussing with experienced officers and In-charge
- Discussion with clients
- Personal observation
- Analysis clients portfolio provided by organizational supervisor

Secondary Sources:Sources are-

- Annual report of Dhaka Bank Limited
- Procedure Manual of DBL
- DBL website and different journal and related information from internet searching

Limitation:

Some information was not provided because of confidentiality policies of the company. However the report does not consist of actual documents used in the financial process of Dhaka bank.

Some limitations are as follows:

- Three months period is not that much enough for preparing this report as it is based on a specific division and their activities. However I tried my best to seek as much information to present the report.
- The data and information related to the topic on this organization was not easily available.
- Up to date data and information about new initiatives was another shortcoming.
- The organization maintains some confidentiality while giving information regarding their department. So the report is focused on the limited factors and leaving out some other relevant factors.
- Due to rush banking hour it's quite difficult to collect the information from the respective person.

Chapter 2: Organizational Overview

History of DBL:

The nation was just halfway of its age; the passion for history and heritage and an obsession for faster pace exerted a powerful force for change in the business world. Many budding hopes grew as a choice of the new generation in the shadows of banking reformation of the nineties. The banks that were given license during the mid-90s are called the **2nd Generation Private Commercial Banks**. A group of highly acclaimed businessmen of the country grouped together to responded to this need and established Dhaka Bank Limited in the year 1995. Dhaka Bank was incorporated as a Public Limited Company in 1995 under Companies Act, 1994. The company commenced banking operations on July 5, 1995.

The Bank has stood out for its financial strength and operational craftsmanship marking its position as the potential market player in all core areas of banking in the country. It got listed in DSE and CSE in 2000. Alongside a lasting bond with the corporate world, DBL has got hold of a countrywide reach through a larger network of Branches, ATMs, SME channels, agricultural outreach and mobile banking. DBL has made its vibrant presence at **78 locations** including 2 Islamic Banking Branches, 1 Offshore Banking Unit, **3 SME Service Centers**, 1 Business Kiosk and 46 ATMs across the country. Catering to the needs of Capital Markets, the Bank has established a subsidiary company named ‘DBL Securities Ltd.’ having 6 countrywide Branches. As an integral part of commitment to Excellence in Banking, Dhaka Bank now offers the full range of real-time online banking services through its all Branches, ATMs and Internet Banking Channels.

Dhaka Bank focuses on a wide range of financial products and services comprising commercial banking through both conventional and Islamic mode, brokerage services, SME, agriculture, consumer banking, credit card and off-shore banking. The Bank has established leadership in Corporate Banking with growing focus on SME and consumer business. It also plays a leading role in syndicated and structured financing. DBL has almost all banking products in its stock, from Student Banking to Business Banking. Bank’s product basket includes different types of

Savings and Current Accounts, Corporate Banking, SME Banking, Brokerage Services, Treasury and Syndication, Remittance Service, Personal Loans, Debit Cards, Credit Cards and so on.

At the year-end 2013, DBL ranked 20th in the Dhaka Stock Exchange (DSE) by market capitalization out of 30 listed banking companies. Total Assets of DBL was around Tk 144 billion, equivalent to USD 1.85 billion. With a total of 402,879 customer-bases (accounts), Tk 116 billion in Deposits and Tk 99 billion in Advances.

Dhaka Bank is such a dream that spread in profusion modern banking prospects with deep attachment to its community and culture. The bank expects to rise from the heart of Bangladesh as a stronger force in the market we serve. The bank is committed to its goals to create superior shareholder value in out their quest for excellence as they grow and mature into a banking veteran. DBL has established itself as one of the Market Leaders among the private commercial banks in the country.

Company Strategy: Vision, Mission, and Values

Vision:

At Dhaka Bank, they draw their inspiration from the distant stars. Their vision is to assure a standard that makes every banking transaction a pleasurable experience. Their endeavor is to offer customer supreme service through accuracy, reliability, timely delivery, cutting edge technology and tailored solution for business needs, global reach in trade and commerce and high yield on your investments.

Their people, products and processes are aligned to meet the demand of their discerning customers. Their goal is to achieve a distinct foresight. Their prime objective is to deliver a quality that demonstrates a true reflection of their vision- **Excellence in Banking.**

Mission:

To be the premier financial institution in the country providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver Excellence in Banking.

Corporate Values:

- Customer Focus
- Integrity
- Quality
- Teamwork
- Respect for the Individual
- Responsible Citizenship

Goals of DBL:

Long-term Goal:To be the Market Leader both in terms of Deposits and good advances among Private Commercial Banks in Bangladesh by the year 2015.

Short-term Goal:To increase Current Market Shares

Financial Goal:To reduce the existing Cost of Fund by 1%, this currently stands at 11.06%

Other Goals:

- To be one of the best Banks of Bangladesh.
- To achieve Excellence in Customer Service next to none and superior to all competitors.
- To cater to all differentiated segments of Retail and Wholesale Customers.
- To be a High Quality Distributor of Product and Services.
- To use state of the Art Technology in all spheres of Banking.

Strategic Objectives:

- The objectives are to conduct transparent and high quality business operation based on market mechanism within the legal and social framework spelt in their mission and reflected in their vision.
- The greatest concerns are the customers to provide them continually efficient, innovative and high quality products with excellent delivery system.
- Their motto is to generate profit with qualitative business as a sustainable ever-growing organization and enhance fair returns to our shareholders.
- They are committed to our community as a corporate citizen and contributing towards the progress of the nation as our corporate social responsibility.
- Employees are backbone of DBL. They promote their wellbeing through attractive compensation package, promoting staff morale through training, development and career planning.
- They strive for fulfillment of their responsibility to the government through paying entire range of taxes and duties and abiding by the other rules.
- They are cautious about environment and climatic change and dutiful to make homeland a green and clean soil.

Organizational Hierarchy:

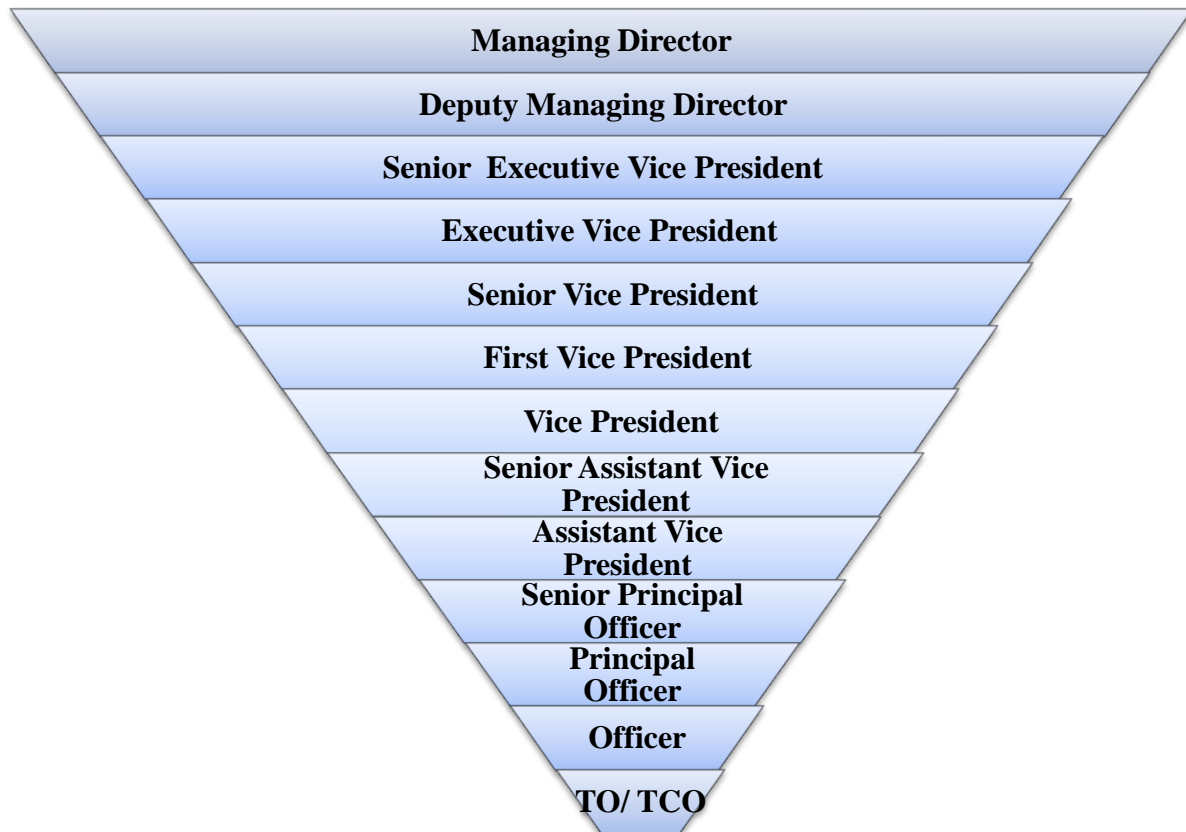


Figure: Organizational Structure

Current performance:

DBL is committed to deliver better service to their valuable customers. Customers are their first priority and driving force. Superior quality customer service through the integration of the latest state-of- the-art technology is their motto. Customers come from all walks of life. They are professional, businessmen, public servants, entrepreneurs, homemakers, men & women, residents and non-residents maintaining local & foreign currency accounts. Introducing new products and developing the quality of the existing products is the strategies adopted by the Bank to serve the customers. They are always committed to sustain the commitment "**Excellence in Banking**". They are aware of the natural consequences of globalization, liberalization, privatization, reforms, foreign investment, economic policy and infrastructure development.

They assure a long-term sustainable relationship with strong bondage of caring and sharing with their customers.

Credit Rating Report:

Dhaka Bank Limited was rated by Emerging Credit Rating Limited (ECRL) on the basis of audited Financial Statements as on December 31, 2013. The summary of Rating is presented below:

| Status | 2013 | 2012 |
|------------|--------|--------|
| Long Term | AA- | AA- |
| Short Term | ECRL 2 | ECRL 2 |
| Outlook | Stable | Stable |

Emerging Credit Rating Limited (ECRL) has assigned “AA-” (Pronounced as Double A minus) rating in the Long Term and “ECRL-2” in the Short Term to Dhaka Bank Limited. The Outlook is “Stable”.

In 2012, Emerging Credit Rating Limited (ECRL) awarded “AA-” (Pronounced as Double A minus) rating in the Long Term and “ECRL-2” in the Short Term to Dhaka Bank Limited. The outlook was “Stable”.

An Institution rated ‘AA-’ in the Long Term are adjudged to have a very strong capacity to meet their financial commitments, and is generally in a position to withstand adverse developments in the economy, and in business and other external conditions. These institutions typically possess a good track record and have no readily apparent weaknesses. An Institution rated ‘ECRL-2’ in the Short Term are considered to have a strong capacity to meet its financial commitments in a timely manner; however, it is somewhat liable to adverse developments in the economy, and in business and other external conditions. The Outlook “Stable” indicates that a rating is likely to remain unchanged.

Chapter 3: Division of DBL

Dhaka bank is running its operation in different locations based on a fixed structure and having following departments as follows:

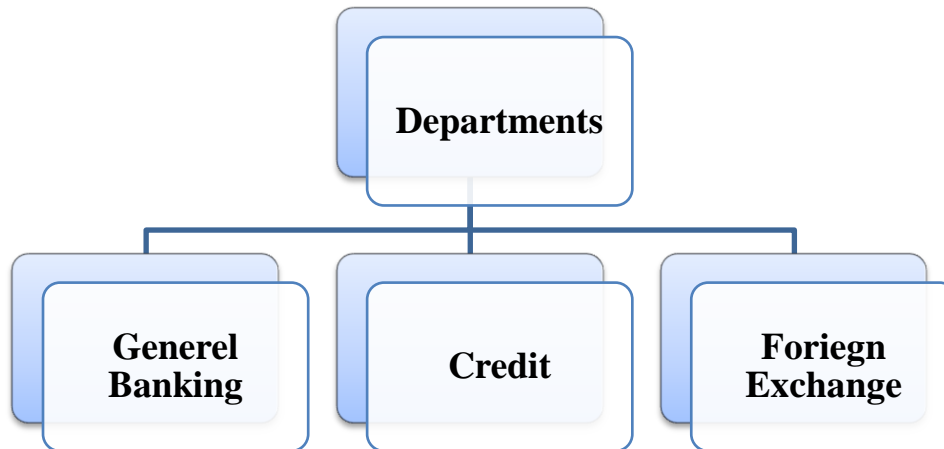


Figure: Different departments

During the internship period in Dhaka Bank Limited, I was placed in different departments. At first, I was in General banking section then in Credit Department rest of the time.

General Banking

General Banking consist of customer service, teller operation, accounts, clearing, front desk, remittance and locker facilities of the bank besides Advance and Foreign Trade. As I was in SME branch, there was no service in remittance, locker facilities and foreign trades.

My Experience in General Banking:

From the very first day, I worked in Dhaka Bank Limited; Shewrapara Branch was in customer service. The tasks are as follows:

- Helping clients to fill up account form and pay order form
- Provide customers' product related information
- Provide assistance support according to the need of the customers
- Issuing FDR

I was taught how to fill up the account opening forms of the customer. In first few days my job was to fill the forms and deliver the cheque book to the customer. After 1 month in customer service I was taught how to open a customer ID through the software (Flexcube). As I was an intern I did not have **Flexcube** ID or password. As sharing password is confidential and strictly prohibited, my job was learning the process of posting. I learned about the posting process of account opening as well as the cheque issue and requesting for cheque books.

After that, I worked as front desk officer. There I had to receive letter or notice that came from different organization, customer and even from the corporate office. All the letters that come from different places had to be registered in a register copy known as **Inward Register**. He would mark the letter to operation manager. Operation will mark the letter to its final destination. For any letter that goes out of the branch also has to be registered in a register copy known as **Outward Register**.

I also worked with the clearing house officer but my work there was very limited. In addition, the works in this section is different from the branches as per the officer I worked with. We just need to ready the cheques for clearing by putting crossing and clearing seal. As it is under the cluster branch Banani, we need to send the cheques there and they will maintain the further tasks. We also need to keep a register where we put the cheque number, date, Client name, account number, amount and Bank Name.

Credit Division

This is the survival unit of the bank because until and unless the success of this department is attained, the survival is a question to every bank. If this section does not properly work the bank it may become bankrupt.

A bank can invest its fund in many ways. Bank makes loans and advances to traders, businessmen, and industrialists. Nature of credit may differ in terms of security requirement, disbursement provision, terms and conditions etc. The bankers have to keep in mind that lending is for the best interest of the community and lending should be directed to productive sectors only.

My Experience:

The last month of my internship I had the opportunity to work in the credit department of the branch. There were not much of works that I could do.

- Scan letters or proposals a and send to the concern officers
- CIB request form fill up both hard copy and soft copy.
- Writing draft copy of mortgage deed IGPA (Irrevocable General Power of Attorney)
- SOD proposal writing

Foreign Exchange Department:

This department is mainly focused on the activities like foreign inward remittances, outward remittance, buying and selling of foreign currencies, forwarding import and export documents and advising the exporters and importers about different banking policies.

As Shewrapara SME service center is not an AD (Authorized Dealer) Branch even operations are done under Mirpur branch, there is no activities of this department occurred. For this reason, I did not get any experience in this section

Critical Observation and Recommendation

Working in a well renowned and established bank, gave me an opportunity to learn many things. My observation is as follows:

- ✓ Work environment is very friendly and employees are ready to help all the time.
- ✓ At the general banking division, there was huge work load because of man power shortage however I have seen a good understanding in that team.
- ✓ A structured chain of command is always followed.

SERVICES OFFERED BY DHAKA BANK LIMITED

CORPORATE BANKING

Providing a tailored solution is the essence of our Corporate Banking services. Dhaka Bank recognizes that Corporate Customers' needs vary from one to another and a customized solution is critical for the success of their business.

Dhaka Bank offers a full range of tailored advisory, financing and operational services to its corporate client groups combining trade, treasury, investment and transactional banking activities in one package.

Whether it is a Project Finance, Term Loan, Import or Export Deal, Working Capital Requirement or Forward Cover for a Foreign Currency Transaction, our Corporate Banking Managers will offer you the right solution. You will find top-class skills and in-depth knowledge of market trends in our Corporate Banking Specialists, speedy approvals and efficient processing fully satisfying your requirements - altogether a gratifying experience.

Portfolio distribution by Industry/Business Segments as on December 31, 2013

Table-

| Sl. | Sector | DBL's Exposure (In Million) |
|-----|---|--------------------------------|
| 1 | Agricultural | 794.20 |
| 2 | Chemical | 1,832.58 |
| 3 | Electronics & Automobile | 1,134.86 |
| 4 | Energy & Power | 3,306.60 |
| 5 | Engineering & Metal including Ship Breaking | 3,306.60 |

| | | |
|-------|---------------------------|-----------|
| 6 | Food & Allied | 5,374.65 |
| 7 | Housing & Construction | 12,581.92 |
| 8 | Pharmaceuticals | 1,153.35 |
| 9 | Service | 3,269.02 |
| 10 | Textile & Garment | 20,515.90 |
| 11 | Transport & Communication | 4,124.42 |
| 11 | Others | 33,578.14 |
| Total | | 99,595.88 |

ATM/DEBIT CARDS

Dhaka Bank offers the facilities of ATM/Debit Card to account holders. Recently, Dhaka Bank has invested a great deal on expansion of its ATM infrastructure. Apart from providing facilities through our own channels, we also have come into terms with other major ATM service providers (Dutch Bangla Bank and BRAC Bank) only to bring in more area of coverage to provide ATM and POS service to DBL clients. As a result DBL Customers can enjoy the facilities of over 1400 ATM and POS throughout the country.

Card Features:

- Maximum withdraw-able amount on a day is TK. 50,000.00
- Issuance of ATM Card at the time of opening personal account
- First year service charge is absolutely free
- Auto ATM card renewal facility

ISLAMI BANKING DIVISION

Dhaka Bank Limited offers Shariah based Islamic Banking Services to its clients. The bank opened its First Islamic Banking Branch on July 02,2003 at Motijheel Commercial Area, Dhaka. The second Islamic Banking branch of the bank commenced its operation at Agrabad Commercial Area, Chittagong on May 22, 2004. Dhaka Bank Limited is a provider of on line banking services and any of its client may avail Islamic Banking services through any of the branches of the bank across the country.

Dhaka Bank Islamic Banking Branches offer fully Shariah based, Interest free, Profit-Loss Sharing Banking Services. Dhaka Bank Shariah Council is closely monitoring its activities. Besides, Dhaka Bank is an active member of Islamic Banking Consultative Forum, Dhaka and Central Shariah Board of Bangladesh.

The valued clients may have the following accounts with our Islamic Banking Branches

- Al-Wadeeah Current Account
- Mudaraba Savings Account
- Mudaraba Term Deposit Account
- Mudaraba Special Notice Deposit Account
- Mudaraba Hajj Savings Account
- Mudaraba Pension Scheme Account
- Mudaraba Special Deposit Scheme Account
- Mudaraba Foreign Currency Deposit Account

Dhaka Bank Limited Islamic Banking Branches offer to the customers the following Investment products:

- Murabaha Purchase Order
- Bai-Muazzal Industrial

- Bai-Muazzal Others
- Murabaha Post Import Trust Receipt
- Murabaha Term Finance Industrial
- Murabaha Term Finance Others
- Hire Purchase Shirkatul Meelk
- Ijarah Transport
- Ijarah Machinery & Equipment
- Quard

Besides, selling of Payment Order, Demand Draft, Bank Guarantee and other banking services are available in Dhaka Bank Limited Islamic Banking Services.

CAPITAL MARKET SERVICE

Capital Market Operation besides investment in Treasury Bills, Prize Bonds and other Government Securities constitute the investment basket of Dhaka Bank Limited. Interest rate cut on bank deposits and government savings instruments has contributed to significant surge on the stock markets in the second half of 2004, which creates opportunities for the Bank in terms of capital market operations. The Bank is a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The investment portfolio of the Bank made up of Government Securities and Shares and Debentures of different listed companies stood at Tk. 3,078 million as of December 31, 2004 indexing a 50% increase over Tk. 2,046 million in the previous year. Income from investment stood at Tk. 146 million in 2004 registering a 10% growth over the previous year.

GTS

Global Trade Services (GTS), Head Office consists of two units- Financial Institutions or FI and Remittance Unit.

1. Financial Institutions

Trade finance has been a major area of business for Dhaka Bank Ltd. since inception in 1995. Financial Institutions Unit is responsible for facilitating bank's trade finance business under prevailing local and international laws. Under the capable leadership of the current management, trade business is growing for both import & export. Letter of Credit (L/C) is a popular instrument in modern trade finance transaction and it is the most widely used instrument for trade with Bangladesh. For secure & fast issuance/receipt and payment of L/Cs, banks need to maintain Relationship Management Applications (RMA), Nostro Accounts and different correspondent banking arrangements. Dhaka Bank Ltd. mainly provides the following services:

- Import Letter of credits
- Export Letter of credits, negotiation & documentary collection
- Re-issuance of Local guarantees against counter guarantees from international correspondents.

FI arranges correspondent banking network, credit lines and other facilities required for to handle all trade related transactions of its 15 Authorized Dealer (AD) branches and one Offshore Banking unit of the. With a vast network (320+) of correspondents throughout the globe we are capable to advise L/Cs in all continents of the globe. For confirmation of L/Cs, Dhaka Bank enjoy significant amount of credit lines with almost all the major international banks and augmented by similar arrangements with banks in different regions. To further enhance the capacity to support trade transactions, Dhaka Bank Limited signed up with Asian Development Bank (ADB) to avail credit guarantee facility from ADB under its Trade Finance Facilitation Program (TFFP) for confirmation of the L/Cs issued by itself.

Centralized Trade Operations

Dhaka Bank Ltd. has 15 Authorized Dealer Branches who are authorized to transact in foreign exchange and to trade finance business. Dhaka Bank Ltd has centralized it's Trade Operations since 2009 and they are now responsible for all trade related transactions. Trade Operations handle:

- All import L/Cs
- All Export Documents
- Follow-ups for all import/export payments/receipts till respective settlements.

With the best expertise in trade of the bank under a single roof working together, Centralized Trade Operations surely is a logical step forward to achieve excellence in banking.

Consumer Division:

Current Account: Dhaka Bank current account offers low minimum required deposit, lower yearly service charge and free ATM card.

Features:

- Key Features: Minimum required deposit : Tk. 10,000.00
- Yearly service charge : BDT 1000 + VAT
- Interest Rate: N/A
- Maximum withdrawal (per month) : According to customer's transaction profile (TP)
- Cheque Book : Tk 5.00 per leaf
- ATM card : 1st year free

Savings Account: Savings Account of Dhaka Bank starts with low minimum required deposit and low yearly service charge. It also offers free ATM Card.

Features:

- Minimum required deposit: Tk. 5000.00
- Yearly service charge : BDT 600 + VAT (If Average Balance 25000.00+)
- Interest Rate : 5.00% (will be as per ALCO revision)

- Maximum withdrawal (per month) : According to customer's transaction profile (TP)
- Loan facility : N/A
- Cheque Book : Tk 5.00 per leaf
- ATM card : 1st year free

FDR: It offers easy loan facility, attractive rates of interest and provision for auto renewal.

Features:

- Minimum required deposit : Tk. 50,000.00
- Tenure : Minimum 1 months and Maximum 2 year (Provision for auto renewal)

Deposit Double Scheme: Deposit Double Scheme entitles to double the deposit within the shortest possible time frame and offers easy loan & overdraft facilities.

Features:

- Tenure: 7 years (84 months)
- Minimum Deposit Tk. 50,000.00
- Maximum Deposit Tk. 50,00,000.00
- Loan Facility: easy Overdraft & term loan facility up to 90% of the initial deposit.

Special Deposit Scheme: Special Deposit Scheme offers attractive monthly returns, easy overdraft & loan facilities and other free features.

Features:

- Tenure: 1,2,3 years
- Investment Range: Tk. 100,000.00 to Tk. 10,000,000

- Monthly return: Tk. 833(per lac)
- Loan Facility: Overdraft limit up to 80% of total investment

Personal Loan: Dhaka Bank is a reliable bank that will support customer all the way by offering personalized loan facilities.

Features:

- Individual Salaried Person from Multinational Company (MNC), reputed large Local Company (LLC) and Bank
- Reputed Professional: Doctors, Engineer & Architecture
- Salary/Income: BDT 50,000 & above
- Reputed Self-employed/Businessmen: Gross income BDT 80,000 & above (DBL existing clients)
- Existing Corporate Relation who are maintaining salary account with Dhaka Bank

DPS: Ensure client's savings for future with their Deposit Pension Scheme. Savings for future is like a pension one can earn over the span of his life.

Features:

- Monthly installment, minimum Tk. 500 to maximum Tk. 25,000
- Flexible Tenure, minimum 2 years to maximum 10 years
- Maximum maturity value around Tk. 52.00 Lac
- Any number of accounts you can open
- Any Bangladeshi Citizen, 18 years or over The monthly deposit options: Tk 500, Tk 1,000, Tk 2,000, Tk 3,000, Tk 5,000, Tk 10,000, Tk 20,000, 25,000
- Any number of accounts of any denominations as mentioned above.

Chapter 4: SME Financing

SME can be defined by a simple sentence “Small Business with Big Opportunity”

Small Enterprise refers to those enterprises where goods are produced, recycled, repaired or traded in traditional way; where bank investments total is limited to Tk.250, 000; where 10 or fewer workers are engaged on wages or commission basis.

Medium Enterprise refers to those enterprises where goods are produced, recycled, repaired or traded applying some capital machinery; Where 20 or less people are engaged on wages or commission basis; where total bank investments does not exceed Tk.75,00,000.

SME Finance is the funding of small and medium sized enterprises and represents a major function of the general business finance market – in which capital for different types of firms is supplied, acquired and cost/priced.

Capital is supplied through the business finance market in the form of:

- Bank loans and overdrafts
- Leasing and hire-purchase arrangements
- Equity/ corporate bond issue
- Venture capital or private equity and
- Asset-based finance such as factoring and invoice discounting

However, it should be noted that not all business finance is commercially supplied through the market. Much finance is internally generated by business out of their own earnings and supplied informally as trade credit.

The economic and social importance of the small and medium enterprise (SME) sector is well recognized in academic and policy literature. It is also recognized that these actors in the

economy may be underserved, especially in terms of finance. This has led to significant debate on the best methods to serve this sector.

There have been numerous schemes and programs in markedly different economic environments. However, there are a number of distinctive recurring approaches to SME finance.

Collateral based lending offered by traditional banks and finance companies are usually made up of a combination of:

- Asset based finance
- Contribution based finance and
- Factoring based finance, using reliable debtors or contracts
- Information based lending usually incorporates financial statement lending, credit scoring and relationship lending.
- Viability based financing is especially associated with venture capital.

SME Financing of DBL:

Inclusive finance has become a strong force for a change towards sustainable development. Blending business with more rural and SME finance is another way of achieving sustainability. Since inception, the Dhaka Bank has held socio-economic development in high esteem and was among the first to recognize the potentials of SMEs.

Recognizing the SME segment's value additions and employment generation capabilities quite early, the Bank has pioneered SME financing in Bangladesh in 2003, focusing on stimulating the manufacturing sector and actively promoting trading and service businesses.

To support Small & Medium Enterprises, Dhaka Bank has widened its network up to the rural frontiers with a country-wide reach of Branches, SME & business centers, alternative delivery channels (ADC) and so on. With as many as 17 products, they have blended together small businesses, medium enterprise, women entrepreneurs, cottage industry, agricultural farmers, renewal energy and eco-friendly brick kilns among more than 5,000 entrepreneurs.

Although the effort started with the help of some donor agencies in 2001, Dhaka Bank Limited has been actively involved in financing SMEs since early 2003. The SME Credit Program for Dhaka Bank Limited has been designed in the light of the terms & conditions by USAID, as it was the first advising agent for SME Credit Program.

Market Segmentation

Geographic Segmentation: The command area (The area within which the service station or Control point or Branch can easily be supervised and monitored by an officer in any working day.) within which any Small and Medium enterprise operates is considered as the Geographic location.

Nature of Borrower: All legal entities like **Sole Proprietorship, Partnership and Corporation** are eligible for finance under SME Banking.

Borrower specific Documents: The documents that are a legal necessity for any proprietor, partnership or any corporation are borrower specific documents.

| | |
|----------------|---|
| Proprietorship | Trade License |
| Partnership: | Registered Partnership Deed, Registration Certificate (From Registered Firms) Borrowing Resolution, Undertaking not to dissolve Partnership |
| Corporation: | Trade License, RJSC Certified MOA and AOA RJSC Certified Form X and X11 Board Resolution Certificate of Incorporation RJSC Search Report |

Nature of Business

Enterprises of each of the following natures are eligible for availing SME credit:

-Manufacturing Enterprises

-Trading Enterprises

-General Service Rendering Enterprises

-Professional Service Rendering Unit i.e. medical, engineering, agricultural, architectural etc.

-In case of Professional Service Rendering Units, loans may be considered in the name of individuals, i.e. Doctors, Engineers, Agriculturists, Architects, etc.

Area of Business

Enterprises doing business in the following area will be entitled for the SME Credit of DhakaBank Limited:

- Small & Cottage Industry
- Agro-processing Industry
- Information Technology and Software Development
- Garments Industry
- Light Engineering
- Any Export oriented business
- Any Import Substitute Business
- Capital Machinery/equipment for professional services i.e. Medical, Engineering, etc.
- Garments Backward Linkage Industry
- Printing Industry
- Packaging Industry
- Decoration Products Industry
- Food & Beverage Industry

New Definition of SMEs on the basis of business size

| Business Segment | Business Type | Defining Criteria | |
|------------------|-------------------------------------|---|----------|
| | | Fixed assets at cost (Excluding land & building) | Manpower |
| Small | Manufacturing | Tk. 50 Lac–Tk. 10 Crore | 25-99 |
| | Service | Tk. 5 Lac-Tk. 1 Crore | 10-25 |
| | Trade | Tk. 5 Lac-Tk. 1 Crore | 10-25 |
| Medium | Manufacturing | Tk. 10 Crore-Tk. 30 Crore | 100-250 |
| | Service | Tk. 1 Crore-Tk. 15 Crore | 50-100 |
| | Trade | Tk. 1 Crore-Tk. 15 Crore | 50-100 |
| Cottage | Manufacturing Predominant family | Up to 50,000 | 10 |
| Micro | Manufacturing | Tk. 5 lac-Tk. 50 lac | 10-24 |
| | Service | Less than Tk. 5 lac | 10 |
| | Trade | Less than Tk. 5 lac | 10 |

(Source: Bangladesh Bank SMESPD Circular No. 01, dated 19 June 2011)

Details of the Business Credit Lines and Business Loans under DBL SMEF

1. Overdraft Work Order:

DBL OD WO is a line of credit under assignment of receivables (under the awarded work) and lien/mortgage of collateral. It is for contractors/suppliers and can be availed on one off basis for financing the working capital requirement in business against specific work order or the same under a revolving line with renewal option.

Features:

- Credit max up to 35%-40% of net work order value
- Single facility limit max up to Tk. 50.00 Lac for small enterprise and Tk. 100.00 Lac for medium enterprise
- Repayment through deduction up to 40%-45% from each running bill Interest charged only on the utilized amount
- Competitive interest rates
- Low Processing fee
- Validity max up to work completion date + 3 months for one off limit and max up to 1 year for revolving limit

Charges:

- Interest rate: Small- (Men- 13%-17%; Women- 10%); Medium- 13%
- Overdue interest: 3%
- Processing fee: 0.50% to 1.00%
- VAT: 15% of the processing fee

2. Overdraft Pay Order

DBL OD PO is also a revolving and renewable line of credit against lien/mortgage of collateral. It is for contractors/suppliers as well and can be availed at a pre-determined margin to meet the obligation of pledging pay order(s) with the work order awarding authority as earnest money/security deposit.

Features:

- Credit max up to 90% of the amount of pay order
- Single facility limit max up to Tk. 50.00 Lac for small enterprise and Tk. 100.00 for medium enterprise
- Interest charged only on the utilized amount
- Competitive interest rates

- Low Processing fee
- Validity max up to 1 year

Charges:

- Interest rate: Small- (Men- 13%-17%; Women- 10%); Medium- 13%
- Overdue interest: 3%
- Processing fee: 0.50% to 1.00%
- VAT: 15% of the processing fee

3. Overdraft Share

DBL OD Share is a readily liquid revolving line of credit against pledge of stocks/bonds of reputed public limited companies enlisted with and traded on the country's two authorized bourses viz. DSE and CSE. It is renewable and can be availed on a continuous basis to support the day-to-day operations and/or sudden escalation of financial requirement in a business.

Features:

- Credit max up to 50% of the last 6 months' average market price of the stocks/bonds.
- Single facility limit max up to Tk. 35.00 Lac for institutional investors (including SE members) under Small enterprise and Tk. 100.00 Lac for SE members only under Medium enterprise.
- Interest charged only on the utilized amount
- Competitive interest rates
- Low Processing fee
- Validity max up to 1 year

Charges:

- Interest rate: Small- (Men- 13%-17%; Women- 10%); Medium- 13%
- Overdue interest: 3%
- Processing fee: 0.50% to 1.00%

- VAT: 15% of the processing fee
- Documentation: At actual

4. Secured Overdraft

DBL SOD is a readily liquid able revolving line of credit against cash/quasi-cash instruments, i.e. FDR, DPS, ICB Unit Certificate, Life Insurance Policy etc. It is renewable and can be availed on a continuous basis to support the day-to-day operations and/or sudden escalation of financial requirement in a business.

Features:

- Credit max up to 90% of cash/current encashment value of quasi-cash instruments
- Single facility limit max up to Tk. 100.00 Lac
- Interest charged only on the utilized amount
- Competitive interest rates
- Low Processing fee
- Validity max up to 1 year

Charges:

- Interest rate: 3% above the deposit interest rate
- Overdue interest: 3%
- Processing fee: NIL
- VAT: NIL
- Documentation: At actual

5. Overdraft SME

DBL OD SME is a revolving line of credit against hypothecation of stocks insured (covering all risks) under bank's mortgage clause and lien/mortgage of collateral. It is renewable and can be

availed on a continuous basis to support the day-to-day operations and finance growth of a business.

Features:

- Credit max up to 100% of net working capital or 75% of the sum total of inventory and receivable whichever is lower
- Single facility limit max up to Tk. 50.00 Lac for Small enterprise and Tk. 100.00 Lac for medium enterprise
- Interest charged only on the utilized amount
- Competitive interest rates
- Low Processing fee
- Validity max up to 1 year

Charges:

- Interest rate: Small- (Men- 13%-17%; Women- 10%); Medium- 13%
- Overdue interest: 3%
- Processing fee: 0.50% to 1.00%
- AT: 15% of the processing fee
- Documentation: At actual

6. SME Long Term Product

DBL SLTP is a long-term facility which can be avail to finance the cost of acquiring/erecting factory land, building and long lasting capital machinery & equipment for production of goods or rendering of services.

Features:

- Non-revolving and non-renewable

- Credit max up to 70% of the purchase price for land and building and 75% of the purchase price for plant, machinery & equipment
- Single facility limit max up to Tk. 50.00 Lac for Small enterprise and Tk. 100.00 Lac for medium enterprise
- Competitive interest rates
- Low Processing fee
- Validity max up to 7 years

Charges:

- Interest rate: Small- (Men- 13%-17%; Women- 10%); Medium- 13%
- Overdue interest: 3%
- Processing fee: 0.50% to 1.00%
- AT: 15% of the processing fee
- Documentation: At actual

7. SME Mid-Term Product

DBL SMTP is a mid-term loan facility which can be availed for the same purpose as SLTP.

Features:

- Non-revolving and non-renewable
- Credit max up to 70% of the purchase price for land and building and 75% of the purchase price for plant, machinery & equipment
- Single facility limit max up to Tk. 50.00 Lac for Small enterprise and
- Tk. 100.00 Lac for medium enterprise
- Competitive interest rates

- Low Processing fee
- Validity max up to 7 years

8. SME Short-Term Loan

DBL SSTL is a short-term loan facility which can be availed to overcome temporary shortfall/mismatch in liquidity for meeting genuine business requirements only.

Features:

- Non-revolving and non-renewable
- Credit max up to 100% of net required working capital or 75% of the sum total of inventory and receivables whichever is lower
- Single facility limit max up to Tk. 50.00 Lac for Small enterprise and Tk. 100.00 Lac for medium enterprise
- Competitive interest rates
- Low Processing fee
- Validity max up to 1 year

Charges:

- Interest rate: Small- (Men- 13%-17%; Women- 10%); Medium- 13%
- Overdue interest: 3%
- Processing fee: 0.50% to 1.00%
- AT: 15% of the processing fee
- Documentation: At actual

9. Festival Short Term Loan

DBL FSTL is also a short-term loan facility which can be availed to overcome the shortage of liquidity arisen out of additional demand for goods and services in the wake of festivals like Eid-ul-Fitr, Eid-ul-Azha, Durga Pooja, and Christmas etc.

Features:

- Non-revolving and non-renewable
- Credit max up to 100% of net required working capital or 75% of the sum total of inventory and receivables whichever is lower
- Single facility limit max up to Tk. 50.00 Lac for Small enterprise and Tk. 100.00 Lac for medium enterprise
- Competitive interest rates
- Low Processing fee
- Validity max up to 6 months

Charges:

- Interest rate: Small- (Men- 13%-17%; Women- 10%); Medium- 13%
- Overdue interest: 3%
- Processing fee: 0.50% to 1.00%
- T: 15% of the processing fee
- Documentation: At actual

10. SME Lease

DBL LSME is a mid/long term lease finance facility which can be availed at a predetermined down payment to enjoy the services of any commercial/industrial plant, machinery & equipment, vehicle etc. against payment of a specified amount of rental per month.

Features:

- Non-revolving and non-renewable
- Lease finance max up to 75% of the acquiring cost

- Single facility limit max up to Tk. 50.00 Lac for Small enterprise and Tk. 100.00 Lac for medium enterprise
- Competitive interest rates
- Low Processing and other fees
- Validity max up to 7 years

Charges:

- Lease rental rate: Small- (Men- 13%-17%; Women- 10%); Medium- 13%
- Overdue rental rate: 3%
- Processing fee: 0.50% to 1.00%
- Supervision and Monitoring fee: 0.50% to 1.00%
- Risk Fund: 0.50% to 1.00%
- Option Value: 0.50% to 1.00%
- Documentation: At actual

11. SME Loan against Trust Receipt

DBL SLTR is a short-term loan facility which can be availed against execution of a “Letter of Trust Receipt” to retire shipping documents under L/C (evidencing import of goods or service from overseas) by settlement of PAD.

Features:

- Non-revolving and non-renewable
- Credit max up to bill value (net off margin)
- Single facility limit max up to Tk. 50.00 Lac for Small enterprise and Tk. 100.00 Lac for medium enterprise
- Competitive interest rates
- Low Processing and other fees

- Validity max up to 120 days

Charges:

- Lease rental rate: Small- (Men- 13%-17%; Women- 10%); Medium- 13%
- Overdue rental rate: 3%
- Processing fee: 0.50% to 1.00%
- Supervision and Monitoring fee: 0.50% to 1.00%
- Risk Fund: 0.50% to 1.00%
- Option Value: 0.50% to 1.00%
- Documentation: At actual

Customer Type:

An eligible customer for DBL SMEF could be of any of the following except a Public Limited Company:

- Proprietorship Firm having valid trade license issued by any City Corporation/Municipal Corporation/Regional Office of City or Municipal Corporation/Upozilla Parishad/Union Parishad.
- Partnership firms formed under the Partnership Act- 1932 and registered with the Registrar of Firms or notarized with the Notary Public.
- Private Limited Companies formed under the Companies Act- 1913/1994 and registered with the RJSC.

Customer Segment

The customer segment for DBL SMEF comprises of each small and each medium enterprise that has the ability to satisfy all/any of the following criteria:

| Segment | | | | |
|-----------------|--|------------------------------|--|------------------------------|
| Small | | | Medium | |
| Parameter | Cost of Fixed Assets (excluding land & building) to be within: | Manpower Employed not to be: | Cost of Fixed Assets (excluding land & building) to be within: | Manpower Employed not to be: |
| Trade & Service | Tk. 0.50 Lac- Tk. 50.00 Lac | >25 | Tk. 50.00 Lac- Tk. 10.00 Crore | >50 |
| Industry | Tk. 0.50 Lac- Tk. 150.00 Lac | >50 | Tk. 1.50 Crore- Tk. 20.00 Crore | >150 |

Figure: Customer Segment for DBL SMEF

Target Clusters and Sectors under Clusters

Target clusters for SME Financing by DBL are-

- _ Trade
- _ Service
- _ Industry

Ministry of Industries (MoI) has identified some booster sectors for SMEF. These as well as some other sectors Identified by DBL are furnished as follows:

| Sectors Identified by | Trade | Service | Industry |
|-----------------------|---------------------------------|--------------------|---|
| MoI | Electronic and Electrical Goods | Health & Education | Agro Industry, Tannery, IT Hardware & Software, Light Engineering & Metal Works, Woven & Knit Garments, Plastic & Synthetics, Design and Fashion ware |

| | | | |
|------------|---|--|---|
| DBL | <p>Grocery, Poultry, Fresh & Frozen Fish, Meat, Liquid & Powder Milk, Milk Products, Rice & Flour, Sweetmeats, Bakery, Fast Food, Ice-cream Parlor, Cloth & Fabrics, Perfumes & Cosmetics, Boutique, Drug & Chemist, Books & Stationery, Jewelry, Electronic & Electrical Hardware, Computer Hardware, Fertilizer, Motor Parts, Aluminum Items, Rod-Cement, Shoes, Furniture, Plastic & Synthetic, Fresh Flower, Raw Hides and any other socially acceptable and eco-friendly business.</p> | <p>Hotel, Restaurant, Metal & Engineering Workshop, Motor Garage, Tailoring, Saloon, Parlor, Laundry, Private Clinic & Hospital, Diagnostic Center, Kindergarten School, Private College, Private University, Private Technical Institute, Architecture & Civil Engineering, Auditing, Law Practicing, Tax Counseling, Printing & Publication, Cyber Café, Travel & Tourism, Contracting, Amusement Park, CNG Filling & Conversion Plant, Transport & Communication, Ice Factory, and any other acceptable service related business.</p> | <p>Textile, Knitting, Spinning, Jute, Silk, Local Garments, Rice Mill, Flour Mill, Saw Mill, Small & Cottage, Light Engineering, Foundry, Tannery, Leather Goods, Agro Processing, Dairy, Poultry, Aquaculture, Fish Processing & Freezing Plant, Meat Processing, Milk Processing, Nursery, Feed Meal, Tea Production & Processing, Flower Growing, Brick Field, Furniture Making, Rubber Production, Agro Equipment Manufacturing, Cotton Mill, Fishing Net Manufacturing, Garment Accessories, Washing Plant, Packaging Industry, LPG Industry, Ceramic Industry, Melamine Industry, Tiles Manufacturing, Glass Mirror Production, Pesticide Production, Bio-Pesticide Production and any other valid industrial activity.</p> |
|------------|---|--|---|

Figure: sectors Identified by DBL and Mol

Purpose for SMEF

Generally DBL SMEF facilities are granted for the following purposes:

- Acquisition of capital goods (including second hand fixed assets, vehicles and plant & machinery), purchase of land, construction of building etc.
- Purchase of raw materials, components, stores, spares and maintenance of these items at minimum level and stock-in-progress and finished goods.
- Financing against receivables including received challans/invoices.
- Meeting marketing expenses where the units have to incur large-scale expenditure towards marketing of their products.
- Hiring capital machinery, commercial/industrial vehicle etc.
- Retirement of import documents.
- Clearing of imported consignment
- Execution of work/supply orders.
- Performance, advance payment, security deposit against tender, guarantees for getting orders, procurement of raw materials etc.

Eligibility Criteria for Enjoying DBL SME Financing Facilities

To enjoy DBL SMEF facilities, a client needs to meet the following eligibility criteria:

- Must be an affiliate of any valid cluster under any broad sectors of Trade, Service and Industry.
- Must be a firm (like, proprietorship and partnership) or a private limited company incorporated in Bangladesh.
- Must meet the criteria of either Small or Medium Enterprise.
- Sponsor's age has to be within 21-60 (for female) and 23-65 (for male).
- Sponsor's experience in the present line of business has to be 2 years (for female) or 3 years (for male).
- Must have a minimum average monthly income of BDT 35,000.
- Must have a TIN

- Must be able to provide last 3 years’ financial report (audited/unaudited), i.e. Income Statement, Balance Sheet, Cash Flow Statement etc.
- Must have adequate A/C turnover during the last 2 or 3 years.
- Must be able to provide fresh/offer existing lien or mortgage of first/third party collateral (in the form of quasi cash/duly demarcated non-agricultural high land/land & building/most, if not all) against the credit facility.

Loan approval process:

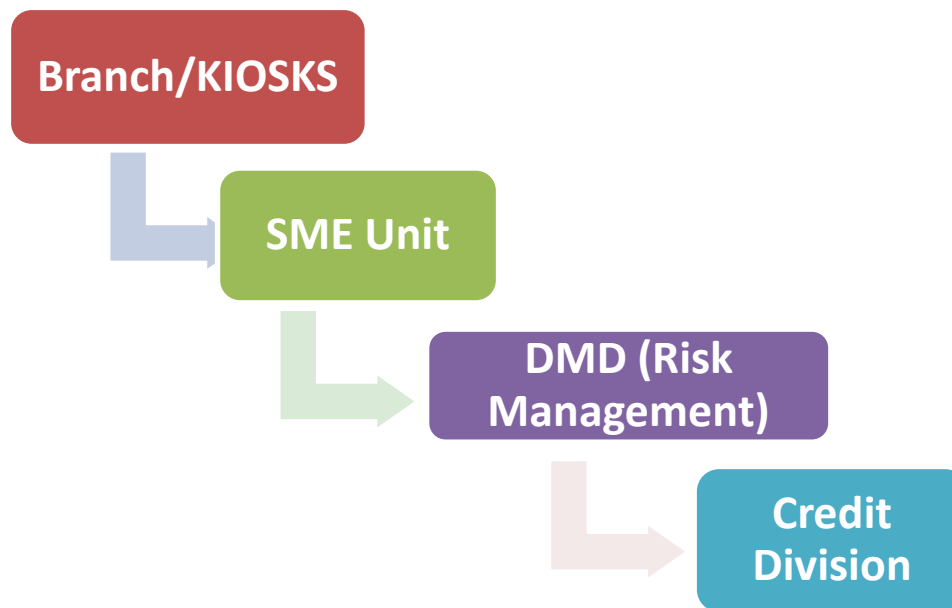


Figure: Flow of loan approval process

Credit approval authority is delegated in writing from the In-charge of SME unit, acknowledged by the recipients and records of all delegations retained. The credit approval function is separate from the sales & marketing function. Approvals are evidenced in writing or by electronic signature. Approval records are kept on file with the credit applications.

Credit approval is centralized within the credit function. Regional credit centers may be established, however, all large loans (as defined in the PPG) gets approved by the Head of Credit or delegated Head Office credit executive. Any credit proposal that does not comply with

Lending Guidelines, regardless of amount, is referred to Head Office for approval. Any breaches of lending authority are reported to the MD, Head of ICC and HOC.

It is essential that executives assigned to approve loans get relevant training and experience to carry out their responsibilities effectively. As a minimum, approving executives must have:

- At least 5-year experience in Branch or Sales Team as RM or account executive
- Training and experience in financial statement, cash flow and risk analysis
- A good working knowledge of accounting
- A good understanding of the local market

A monthly summary of all newly approved, renewed and enhanced facilities, and a list of declined proposals stating the reasons gets reported by the Credit Team to the Head of Business Banking.

Credit administration:

After approval, Credit Team forwards the approved application along with the security and other documents to the Credit Administration Department under Operations Unit for processing. The Credit Administration function is critical in ensuring that proper documentation and approvals are in place prior to disbursement of loan facilities. Under Credit Administration, there are two sub-units- Documentation Unit and Disbursement Unit who process the document and disburse the loan.

Documentation

Documentation Unit is responsible:

- To ensure that all security documentation comply with the terms of approval.
- To control disbursements only after all terms and conditions of approval have been met and all security documentation as per the checklist of approved PPG is in place.
- To maintain control over all security documentation.

- To monitor borrower's compliance with agreed terms and conditions and general monitoring of account conduct/performance.
- Upon performing the above, Documentation Unit forwards the limit insertion instruction to the Disbursement Unit for limit and other information to input into the bank's main system.

Disbursal

Disbursal Unit disburses the loan amounts under loan facilities only when all security documentation is in place and CIB report is obtained as appropriate and clean.

Recovery

The collection process for SME loan and advances starts when the borrower has failed to renew its facilities within 3 months from expiry or to meet one or more contractual installment. It therefore, becomes the duty of the Collections Unit to minimize the outstanding delinquent receivable and credit losses. This procedure enables the collection staff to systematically recover the dues and identify and prevent potential losses while maintaining a high standard of service and retaining good relations with the customers. It is therefore critical and essential for the collection people to be familiar with the computerized system (where applicable), procedures etc. and to maintain effective liaison with other departments within the bank.

Risk Management

Credit Risk

Credit risk is managed by the Credit Risk Unit which is completely segregated from business and sales. Following elements contribute to the management of credit risks:

- Loans and advances are given only after proper verification of customer's static data and proper assessment and confirmation of income related documents which will objectively ascertain customer's repayment capacity.
- Proposals are assessed by Credit Risk Unit.

- Every loan and advance is secured by hypothecation over the asset(s) financed and customer's authority, i.e. IGPA taken for re-possession of the asset(s) in case of loan loss.
- The CA system is made parameter driven, (i.e. it will use a Credit Scoring Matrix to pick up desired customers) as much as possible which subsequently eliminates the subjective part of the assessment procedure.
- There is a dedicated collection force that will ensure time monitoring and follow up of loans and advances.
- The Credit & Collection activities are managed centrally and credit approval authorities are controlled centrally where the branch managers or sales people will have no involvement.

Contact Point Verification

Contact point Verification is done by branches and/or third party CPV agencies whichever is convenient for the applicants. The external CPV may inter alia include residence, office and telephone verifications. All verifications are done to seek/verify/confirmed the declared/undeclared information of the applicant.

Third Party Risk

In case of third party deposits/security instruments, the SME Unit/branches verify third party's signature against the specimen attached to the original instrument. They also send the instrument to the issuing office (Branch in case of a bank) as well as the Head Office for their verification and written confirmation and reconfirmation (in case of Head Office) on lien marking and encashment of the instrument. Therefore, any inherent risk emanating from accepting third party deposits/security instruments is minimal.

Fraud Risk

There is an inherent fraud risk in any lending business. The most common fraud risks are as follows:

Application Fraud

The applicant's signature may not be verified for authenticity. However, the applicant's identity is confirmed by way of scrutiny of identification and other documentation. A CPV agency gets in place to verify inter alia applicant's residence, office and contact phone numbers etc.

There always remains the possibility of application fraud by way of producing fraud documents. Considering the current market practices and operational constraints, it may not always be feasible to validate the authenticity of all documentation. However, DBL SME Unit is aware of this threat and considers validating the bank statement (the most important and commonly provided income document) through Branch(s)/CPV agencies.

Liquidity and Funding Risk

This risk is managed and the position monitored by the Asset-Liability Committee headed by the MD of the bank.

Political and Economic Risk

Political and economic environment of a country play a pivotal role behind the success of a business. DBL SME Unit always keeps a close watch in these areas so that is able to position itself in the backdrop of any changes in country's political and economic scenario.

Operational Risk

Like consumer credit (where the activities of front line sales and behind-the-scene maintenance and support are clearly segregated), separate Credit Risk, Collections and Credit Administration units have been formed. These units report to different Heads of Divisions and manage the following aspects of the product:

- Inputs and approvals
- Monitoring and collections

Operational jobs (disbursal in the system including raising debit standing orders and the lodgment and maintenance of securities and customer file maintenance)

Since all of the above three aspects are handled by separate units, therefore, the risk of compromising loan/security documentation is minimal. It will ensure uncompromising checking, quick service delivery, uncompromising management of credit risks and effective collections & recovery activities.

Comparison with the Competitors' Products and Services

| Name of the FI's | Products | Eligibility & Security | Purpose | Fees | Tenor | Interest rate | Mode of repayment |
|--------------------|---|---|--|---|--|----------------|-------------------------------------|
| Dhaka bank Limited | Retail: OD-PO, OD WO, OD pledge, OD Share, SOD Corp: SMTP, SLP SSTL, FST, LSM E, SLR Tk.2 lac-Tk.1 crore | 2-3 years' work experience, age limit, (female/male) 21-60, 23-65, Affiliate of valid cluster, Must have TIN, Must be able to pay mortgage, Income should be Tk.35K p.m. Security Hypothecation over Stocks-in- Trade Charge on the inventory and receivables Charge on fixed assets | Working Capital Procurement of machinery Procurement of fixed asset Import of goods for trading | 0.5% to 1% of loan amount as processing fee 0-1% for supervision & monitoring 0% to 2% for risk premium 0% to 1% of the option value at the time of redemption | 12 months (in general) Maximum 36 months for Long Term Loan | 17%-18.5% | Monthly/Quarterly/Annually/One Shot |
| BRAC Bank limited | Anonno Rin Aporbo Rin Pathshala Rin Aroggo Rin Digoon Rin | Minimum two years of proven business track record Business must be a going concern with more than one year in operation | Working Capital Procurement of machinery Education | 1% of loan amount as processing fee | 1 year to 4 years | 17.0% to 24.0% | Monthly/Quarterly/Annually/One Shot |

| | | | | | | | |
|----------------------|---|--|--|---|-------------------|----------------|--|
| | Supplier Finance Prothoma Rin Tk. 3 Lac to Tk. 30 Lac | Security Without mortgage or collateral security for loan below 10 Lac Guarantee | Import of goods for trading Medical services | | | | |
| Eastern Bank Limited | Working Capital Trade Finance Machinery & Equipment Finance Tk. 3 Lac to Tk. 5 Crore | Minimum two years of proven business track record Security Two Personal Guarantees Hypothecation/Pledge of raw materials, stocks Hypothecation of furniture, fixtures and machinery and other goods | Working Capital Procurement of machinery Import of goods for trading Purchase of bills/ discounting bill | 05% to 1% of the loan amount as Appraisal Fee | 1 year to 3 years | 17.0% to 18.0% | Monthly/ Quarterly /Annually /One Shot |

Chapter 5: Findings and Analysis

SME business was badly hit during last year's political turbulent. Paralyzed transportation system and disrupted supply chain could hardly help SME growth potentials observed in the last few years. Small businesses were fighting for survival in dearth of capital and reserve fund. As a result, failure in timely repayment of SME loans became a challenge to financing banks. On the backdrop, BRPD circular dated December 18, 2013, the Central Bank relaxed the loan rescheduling policy for the SME for the next six months to facilitate financing for the small and medium businesses, affected by the political unrest. The regulation had a healing impact on SME portfolio and it is expected that the shining growth of SME will go on in 2014 with sign of improvement in the political fronts.

With an optimistic approach this year, the central bank has set the small and medium enterprise credit disbursement target at Tk 887 billion (Tk 88,700 crore) marking nearly 20 per cent growth over the preceding year. The loans will disbursed across more than 60 SME sectors existing in the country. So with all SMEs under a new sun, there are a lot to be achieved.

Industry review:

Bangladesh is now dreaming to become the middle income country within 7 to 8 years. The governor of Bangladesh bank advocated that every year 2% poverty reduced in Bangladesh consequently at present the people who lived in under the poverty line is 27%. The contribution of SME sector in this regard was incredible.

Sector wise contribution of SME in GDP of Bangladesh (Taka) as follows:

| Sector | Total contribution to GDP (in crore) | Percentage of Total Contribution |
|--------------|--------------------------------------|----------------------------------|
| Agriculture | 177 729 637637 | 24 |
| Fishing | 32 872 674 464 | 4 |
| Construction | 7 196 460 200 | 1 |

| | | |
|---|-----------------|-----|
| Manufacturing | 282 344 700 575 | 38 |
| Wholesale, Retail Trade and repairs | 171 335 861 390 | 23 |
| Hotel and Restaurants | 28 599 263 975 | 3 |
| Transport, Storage and Communication | 8 950 171 356 | 1 |
| Real state, Renting and Business activities | 13 771 436 794 | 2 |
| Education | 151 808 506 | 1 |
| Health and Social work | 2 743 049 893 | 1 |
| Other Service activities | 15 632 094 785 | 2 |
| Total | 741 327 159 609 | 100 |

Source: ICG/MIDAS Survey, 2007

Note: US \$ 1 = BDT 69.

It is observed from the table manufacturing sector contributes 38% that is the peak contribution in GDP. 47% of the contribution in GDP comes from jointly agriculture and whole sale and retail sector.

Amount of SME financing in different sector as follows:

| Sector | SME Amount(In crore) | | Growth |
|---------------|----------------------|----------|--------|
| | 30.06.12 | 30.06.13 | |
| Service | 1638 | 2209 | 34.85% |
| Trading | 2053 | 27769 | 37.7% |
| Manufacturing | 10463 | 11869 | 13.44% |

Sources: Bangladesh bank, 2013

But the matter of hope is that Bangladesh bank is trying to make SMEs attractive to the formal financial sector. Bangladesh bank provides relatively cheaper funds to the banks and charges only 5% interest rate on these funds while lending institutions make decision on the lending rate of interest. Besides this, International Development Agency (IDA) has supplied us \$10 million to

enterprise growth and bank modernization project. Moreover, ADB also agreed to provide \$30 million in this sector.

Target and Disbursement of the last 4 years:

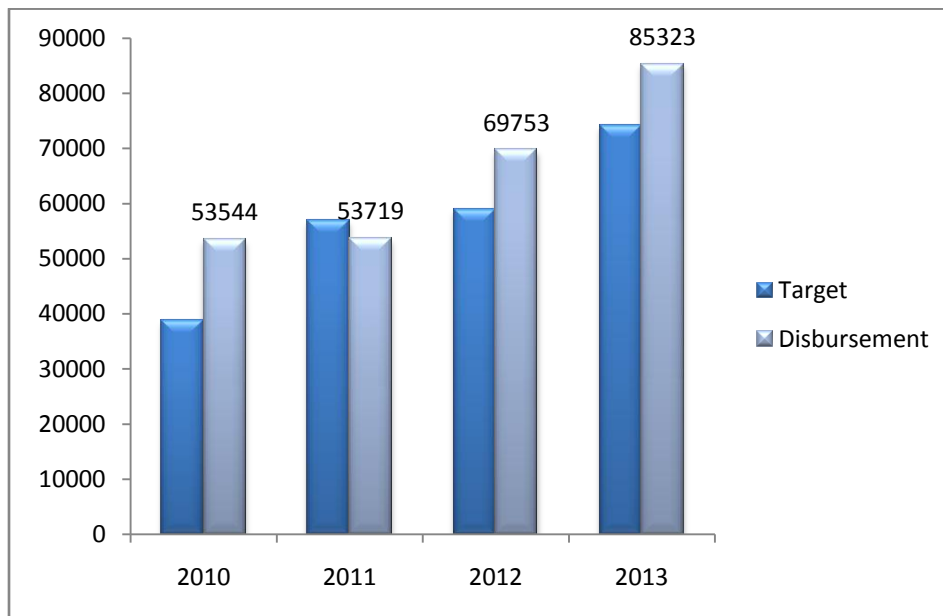


Figure: Target and achievements (2010-2013)

According to Bangladesh Bank report of SME and special programs division, in 2014 the targeted loan amount for SME was 88,753 crore taka which is 14,566 crore taka more than the amount of 2013 (74,187 crore taka).

Moreover in 2013, the achieved loan amount was 85,323 crore taka which is 116% of the targeted amount. It shows that the investments in SME industry is increasing day by day which leads to the enlargement of the industry as well as more involvement of the entrepreneurs in this industry.

Number of Entrepreneurs in small Enterprise:

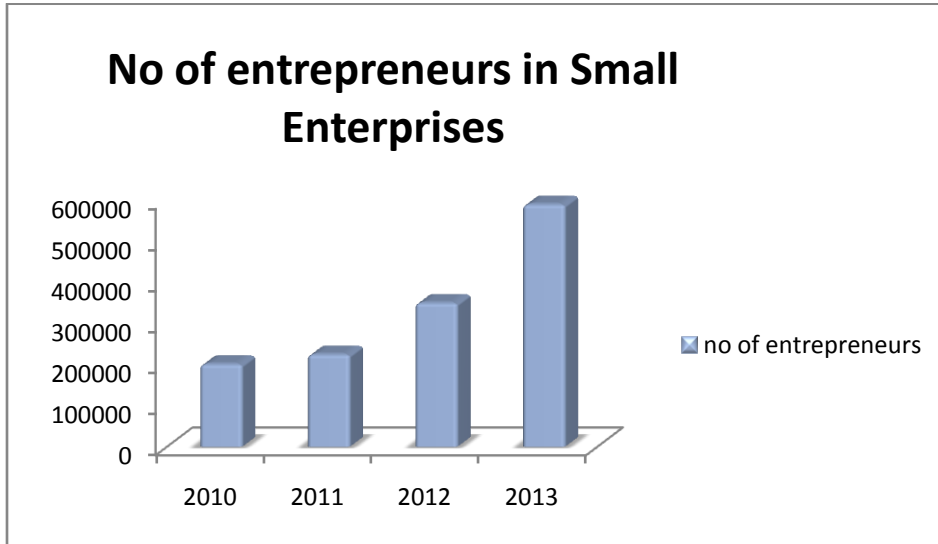


Figure: No of entrepreneurs in small Enterprise

In 2013, the no of entrepreneurs in Small industry was 590,670 which were more than the numbers of entrepreneurs of 2012 (350,689). It shows that the involvement of the entrepreneurs is increasing.

Loan in Small Enterprise:

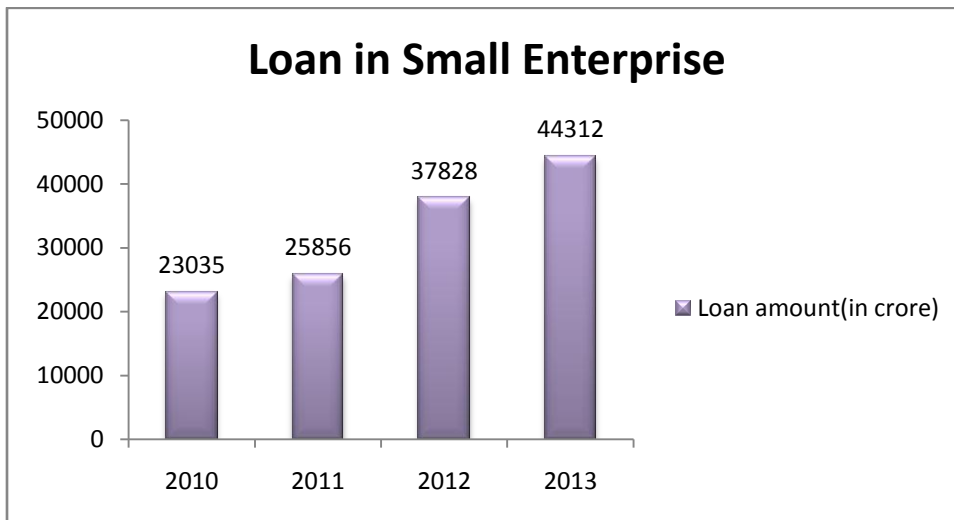


Figure: Loan in small enterprise

In 2013, the given loan amount was 44312 crore taka which was 6,483 crore taka more than the given amount in 2012 which was 37828 crore taka.

According to the SME guideline, it was decided to give 40% of the loan amount in small enterprises. However in 2010, 2011, 2012 and 2013, the percentage of the amount was respectively 43.02%, 48.13%, 54.23% and 51.93%. The percentage given in 2013 is less than the 2012 but the amount given in the industry was more than 2012.

Manufacturing Industry:

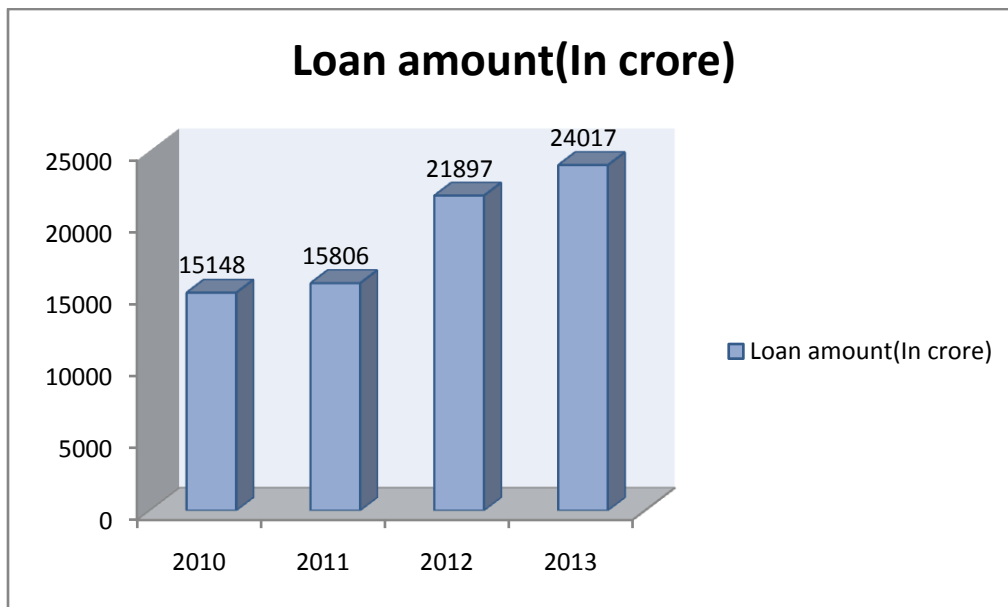


Figure: Loan in Manufacturing

In manufacturing industry, loan amount given in 2013 was 24,017 crore taka which was 2,119 crore taka more than 2012. It means comparing to 2012, there is an increase of 9.58% in 2013.

Considering the total loan amount, in 2012 the loan percentage in manufacturing was 31.39% whereas the percentage amount in 2013 was 28.15% shows a decrease of investment in this industry. However the chart shows an increasing growth in manufacturing industry.

Loan in Service sector:

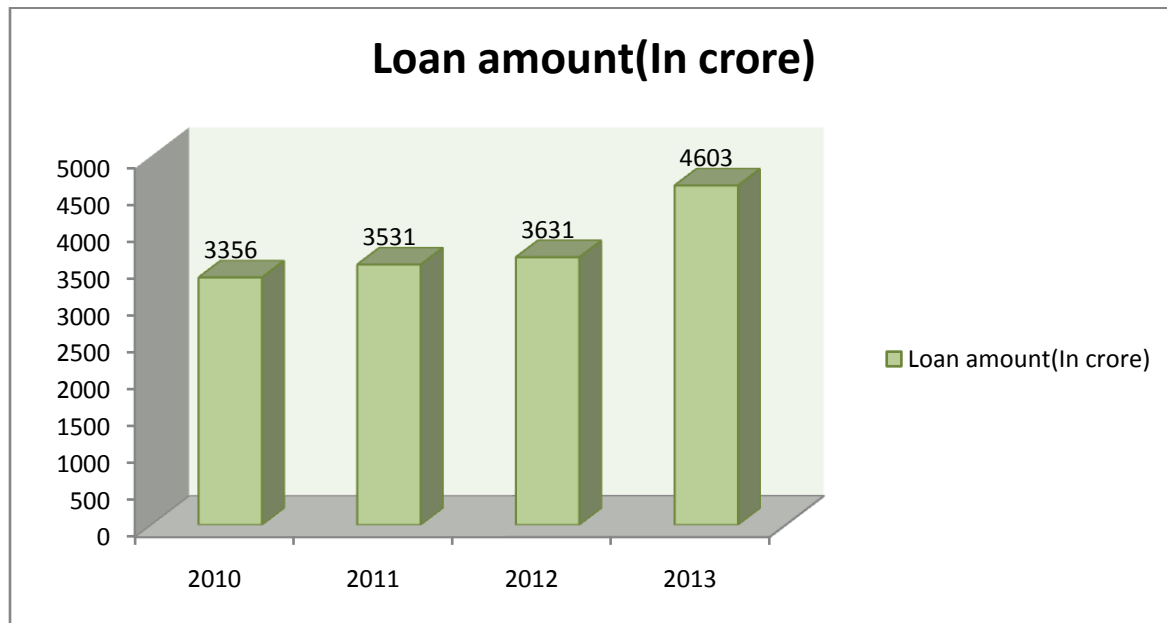


Figure: loan disbursed in service sectors

In service sector, SME loan amount given in 2013 was 4,603 crore taka which was 971 crore taka more than 2012. It means comparing to 2012, there is an increase of 26.77% in 2013. It also shows that the service sector is becoming more effectual for the entrepreneurs to invest.

Considering the total loan amount, in 2012 the loan percentage in service sector was 5.21% and the percentage amount in 2013 was 5.40% shows an increase of investment in this sector. From the chart we can say that there is an increasing growth in service sector.

Loan in Trading:

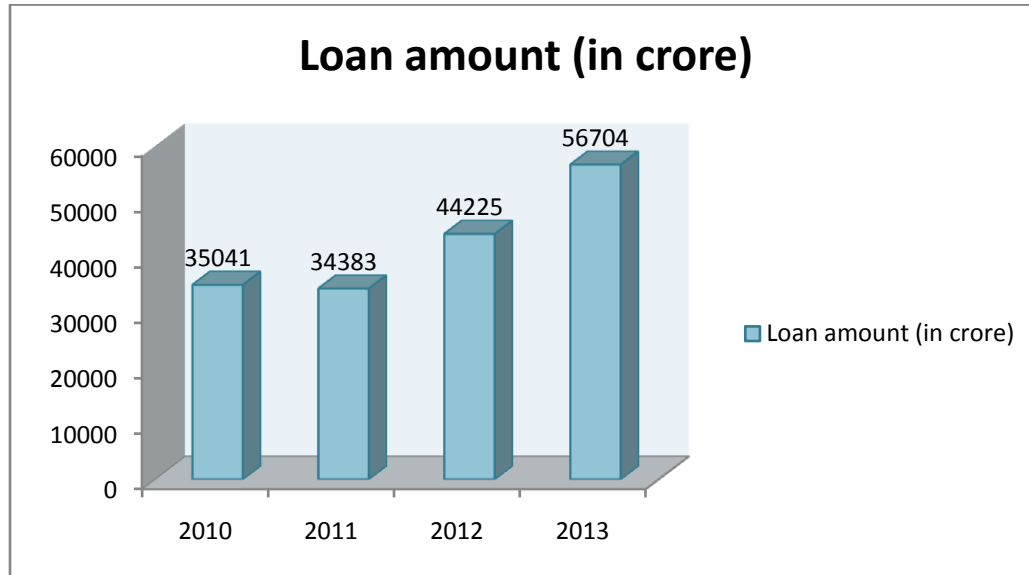


Figure: Loan amount in Trading

In Trading industry, loan amount given in 2013 was 56,703 crore taka which was 12,478 crore taka more than 2012. It means comparing to 2012, there is an increase of 28.22% in 2013. Moreover in this sector the increasing rate is higher than the others.

Considering the total loan amount, in 2012 the loan percentage in trading was 63.40% whereas the percentage amount in 2013 was 66.45% shows an increase of investment in this industry. The chart also shows an increasing growth in Trading industry.

Current status of DBL in SME Industry:

Dhaka Bank has formally stepped into financing SMEs in the country in 2003. At present, the Bank is catering SME banking services through its 74 regular Branches, 3 SME Service Centers and 1 KIOSK. The Bank focuses on diversification, differentiation, and segmentation in SME business. To this effect, manufacturing and service sectors as well as women entrepreneurs are given considerable focus. The Bank, in principle and as per guidance of the Board, has advised

all small Branches to focus singly or preferably on SME business with a view to serving the underserved segment of the enterprises. The Bank targets manufacturing and service sector with more concentration on area based cluster industries. Bank's exposure to SME business is well diversified among as many as 5,250 clients cum entrepreneurs in varied sectors such as light engineering, handy crafts, cottage, power loom, agro-processing industries, poultry, dairy, boutiques, embroidery and soon.

DBL recognizes that SMEs as a core part of financial integration is key to achieving sustainable growth of a financial institution. Considering the prospects and growing opportunities of SME Finance, Dhaka Bank made a strategic shift in SME portfolio. The threshold (loan limit) for SME finance has been enhanced to 15 crore under manufacturing, 7.50 crore under trade and service. Under the new arrangements along with our continued support for promotion of SME business, Bank's total SME loan portfolio has increased by 84% to Tk 8,703.00 million. The change also contributed to Bank's profitability that resulted from the reduction in provision requirement for the Bank.

Dhaka Bank's current SME portfolio stands at Tk 8,703.00 million as on December 31, 2013. Bank's disbursement to SME sector during 2013 aggregated Tk 8,708 million against the budgetary target of Tk 6,500.00 million. During 2013, the Bank has a record achievement of refinance for Tk 279 million obtained from respective funds of BB, ADB, WB, and EGBMP and so on.

Year wise SME loan disbursement in Dhaka Bank Ltd (In Crore)

| Year | 2011 | 2012 | 2013 |
|-------------------------------------|--------------|--------------|--------------|
| SME Loan Disbursement Target | 600 | 650 | 650 |
| Actual Disbursement | 570 | 585 | 870 |
| Non-performing loan | 5.68% | 8.68% | 3.67% |

Table: Year wise loan disbursement

From the table, it can be said that SME loan disbursement is in an increasing rate as the target of disbursement is increasing year to year as well as the actual disbursement is also increasing however in 2011 and 2012 the actual disbursed amount is less than the targeted amount. Moreover, Percentage of Non-Performing Loans to total SME portfolio has gone down significantly to 3.67% at the close of December 2013 from 8.68% of 2012.

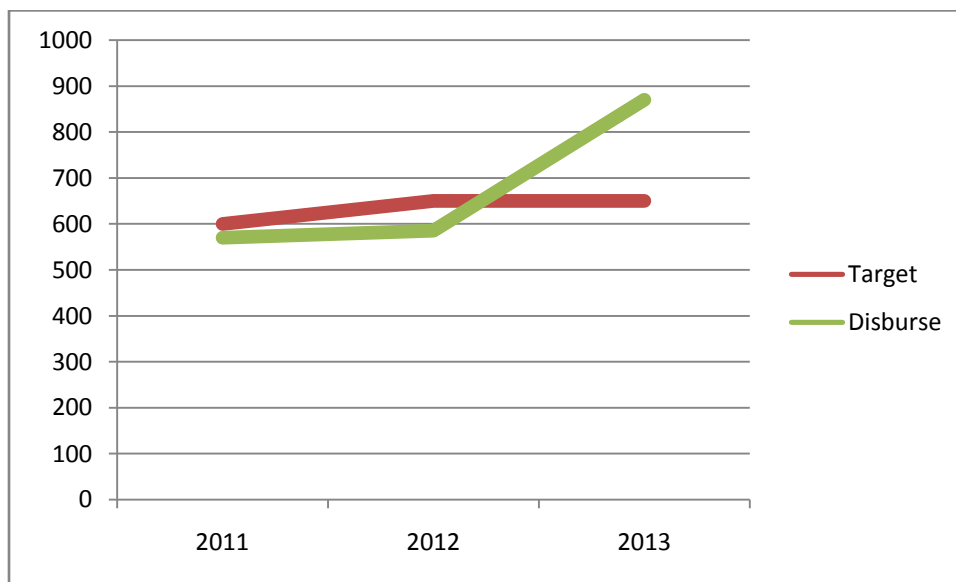


Figure: Year wise Target and disburse in DBL

This chart shows that in 2011 the target was lower than 2012 and 2013. However loan disbursement increase from 2011 in other two years. In addition in 2012 and 2013 the target was same but disbursement was higher in 2013 than 2012.

Sector wise Outstanding in 2012:

SME Financing as on December 31, 2012

As on December 31, 2012, the total annual loan disbursement target in SEF was 384.61 crore and the disbursed amount against the target was TK 442.78 crore. On the other hand, the target in MEF was 265.39 crore TK and the disbursed amount against the target was TK 142.69 crore.

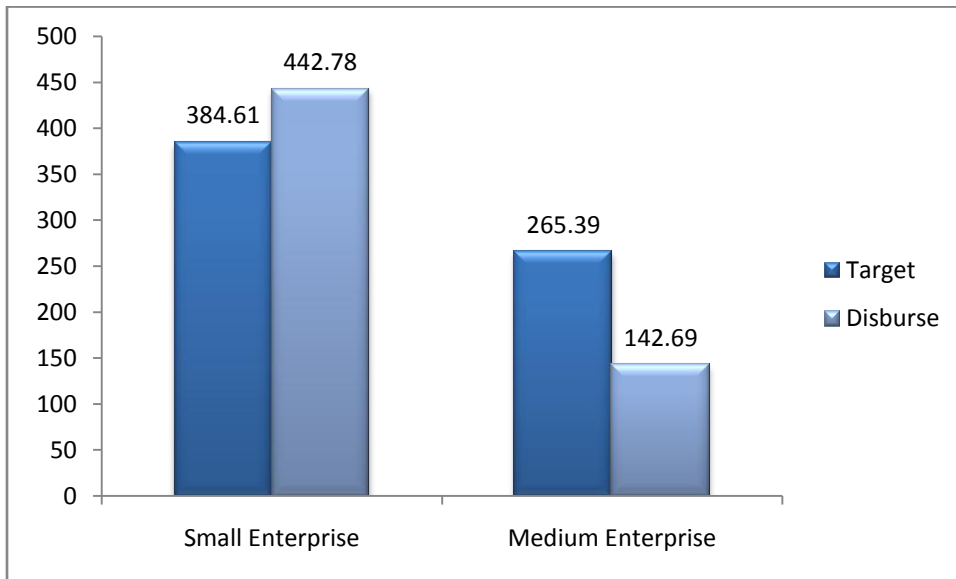


Figure: Loan disbursement in 2012

This chart shows that the target and disbursement is increasing in years in both small and medium enterprise

On the total amount of SME loan disbursed in 2012, TK 58.547 crore was disbursed in service sector, Tk 386.41 crore was disbursed in Trading and TK140.51 crore was disbursed in Manufacturing.

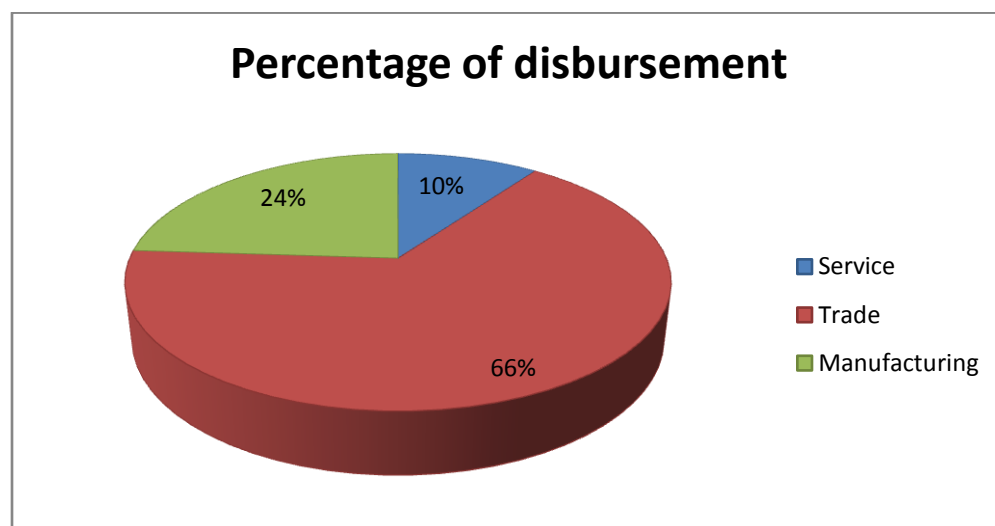


Figure: Sector wise disbursement in 2012 of DBL

The above pie diagram shows that in 2012, highest loan was disbursed in Trading and lowest in Service.

Loan Outstanding in 2012:

Since the inception of the SME Financing Program of Dhaka Bank Limited, the total loan outstanding and loan outstanding per client under SME has been increasing in an alarming rate. The number of clients has increased significantly in both 2011 and 2012, which is a positive sign. But the total loan outstanding has increased in a much greater ratio in both years. As a result the average loan outstanding increased quite significantly.

| Particulars | As on December 2011 | As on December 2012 |
|-----------------------------------|----------------------------|----------------------------|
| Total Outstanding | 412.93 | 477.03 |
| Total Number of Clients | 1599 | 4050 |
| Percentage of Non-performing loan | 3.93% | 8.68% |

Sector wise Outstanding in 2013:

SME financing as on December 31, 2013

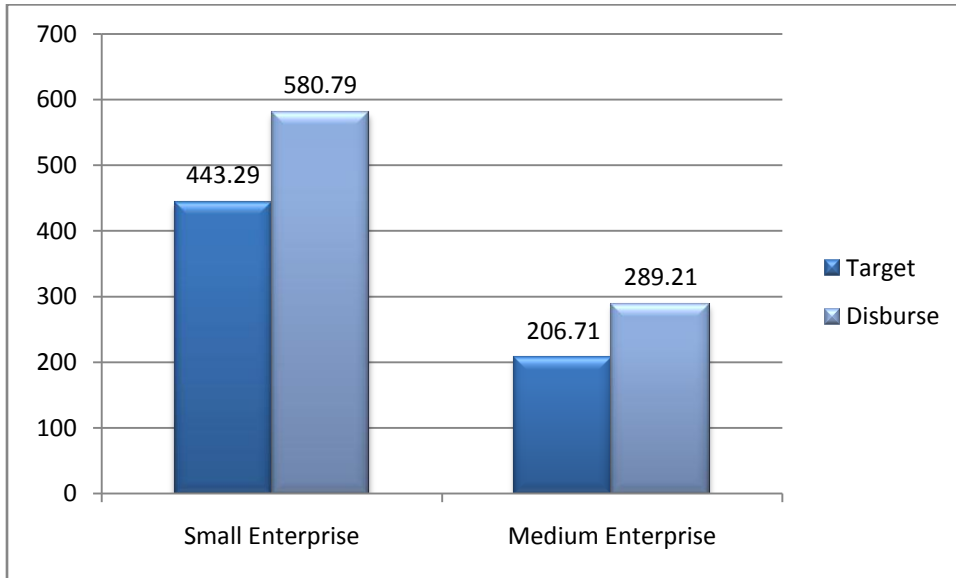


Figure: Target and Achievement of DBL in 2013

From the above information, it is clearly seen that in 2013, Small and Medium enterprise has expanded simultaneously than in 2012. Moreover, in 2012, disbursement in Medium enterprise was slow down but in 2013, it is changed.

Sector wise disbursement in 2013:

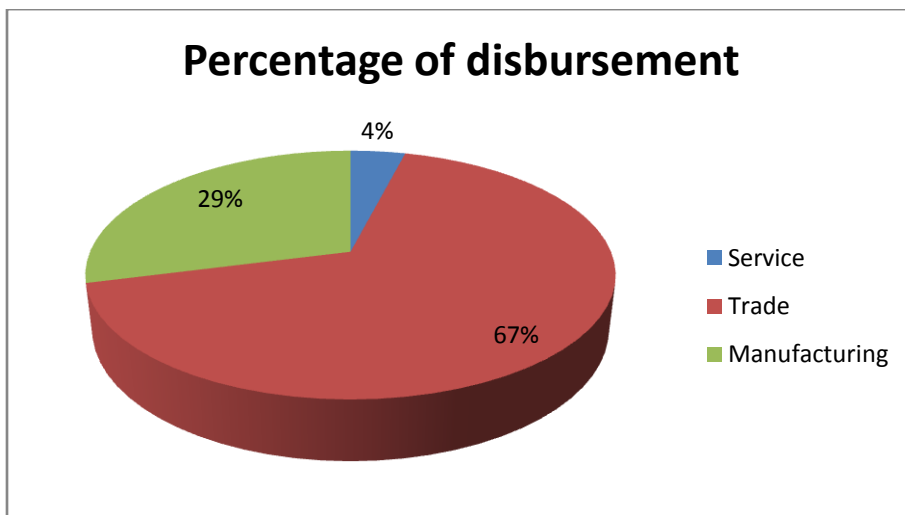


Figure: SME Financing by DBL in 2013

The pie chart shows that in 2013, there was highest disbursement in trading sector which was 249 crore taka and the lowest disbursement was in Service sector which was 38 crore taka.

Sector wise disbursement in 2012 and 2013:

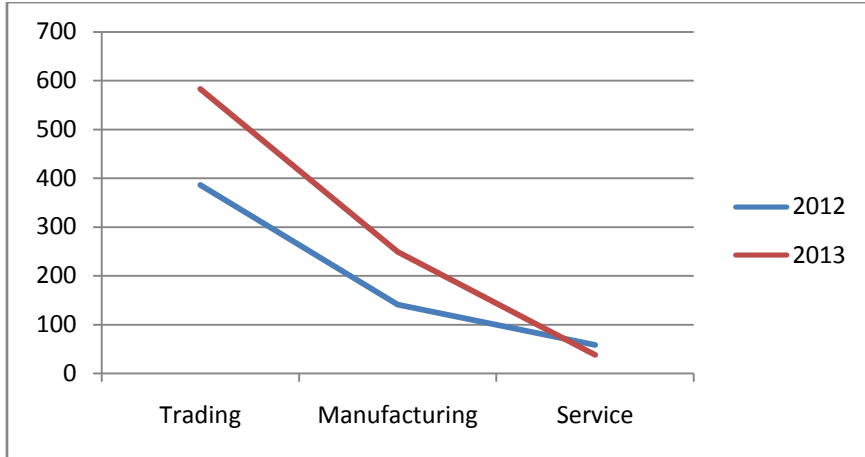


Figure: Sector wise disbursement in 2012 and 2013

The disbursement amount in 2012 was 585 crore and in 2013 it was 870 crore which shows the increasing growth in investment in this industry. Moreover in both years trading sector has a positive progress.

Industry and Organization

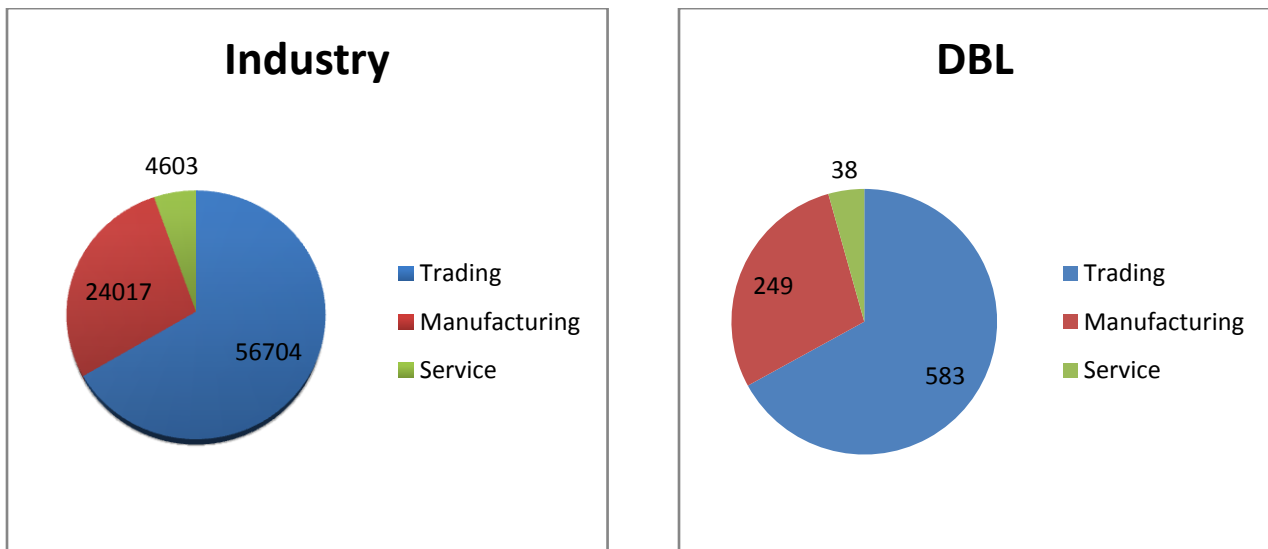


Figure: Sector wise disbursement in total in Industry and DBL

Above pie charts show that Dhaka Bank Limited is following the trend in accordance with the industry. From industry review it is found that trade sector is getting more attractive and following this Dhaka bank is disbursing more in Trade sector rather than the others.

Loan Outstanding in 2013:

| Particulars | As on December 2012 |
|-----------------------------------|----------------------------|
| Total Outstanding | 870 |
| Total Number of Clients | 5250 |
| Percentage of Non-performing loan | 3.67% |

Though the total outstanding was increasing as well as the number of clients, the percentage of non- performing loan was increased in 2012 which was acting as threat. However, the management of Dhaka Bank has also decided to establish a separate credit disbursement and monitoring unit, so that the excess over limit can be checked and the volume of outstanding loan gets reduced. Thus they achieved a reduction of non-performing loan in 2013 and it comes to 3.67% from 8.68% % which indicates an income prospect of Bank.

Data Analysis:

From analyzing the data of the investment of 2012 and 2013 in SME sector by DBL, it is clearly seen that there is a significant growth in the industry in 2013 than 2012. The percentage of disbursed amount in Service, Trading and Manufacturing sectors in 2013 compared to the amount disbursed in 2012 are as follows:

- Trading – 151.1%
- Manufacturing – 177.85%
- Service- 152.63%

The amount of percentage increase shows that Manufacturing sector is having a rapid growth rather than other two sectors of the industry. However it is seen that the loan amount disbursed in trading was much higher than the other two sectors. According to different research and expertise, government investment as well as DBL is investing more in Trading which includes electronic and electrical goods to get into global market as it would get the best output of being a

part of growing modern technology. Moreover, as per 2012 and 2013 report, Manufacturing sector is getting more attraction which includes textile, knitting, leather goods, agro processing, dairy, local garment, glass mirror production as these are the basic or core business sector of our country and have good potentials. This is reason behind the 177% increase of investment in manufacturing. In addition, due to political instability, service sector has fallen down as it includes hotels, restaurants, tourism, private school and colleges etc.

SWOT Analysis:

Strength:

- Dhaka Bank Limited offers different types of loans to meet specific needs of the SME loan borrowers. The loan products include Overdraft, Term Loan, Work Order Finance, Lease Finance, Trade Finance, etc. Some non-funded facilities are provided like Bank Guarantee with Work Order Finance, L/C facility with Loan against Trust Receipt (LTR).
- The pricing of the products is comparatively lower than other financial institutions.
- The approval of loan processing is very much structured and transparent which leads to a less number of non-performing loan.
- At different clusters of the country, bank provides loans focusing on the business (e.g. the weaving community in Belkuchi, the shops at the Markets in Ashulia, the boat making business community in Aminbazar and Joypara).

Weakness:

- There is no specific marketing department for SME section to promote or acknowledging their products to the borrowers. .
- The employees who are working in the SME centers or in small booths do not have in depth knowledge as well the authority to take decision in emergency cases.
- At Dhaka most of the branches are corporate customer oriented and there is no sufficient number of SME booths in the city. So it is becoming difficult to concentrate on the SME division along with the corporate clients.

Opportunities:

- In rural areas there are many businesses which are not facilitated by the financial institute though having great potentiality. So the bank has an opportunity to expand their business and exploiting with their flexible loan proposals.
- The bank has good relation with various multinational organizations like South-Asia Enterprise Development Facility (SEDF), USAID, World Bank, etc. that can provide assistance for developing and expanding this sector.
- The bank can open KIOSKs (small booths) around its branches in areas like Islampur, Bangshal, Gulshan, Karwanbazar, New Market area etc. for marketing and convenient processing of SME loans for the borrowers.

Threats:

- Other commercial banks like BRAC Bank Limited, Eastern Bank Limited and foreign Bank like Standard Chartered Bank are promoting the SME financing products and services through different marketing strategies.
- Nationalized banks often offer the loans at lower cost in the form of corporate loan without properly distinguishing the loan type and business aspect.
- Most of the SME businesses are proprietorship concerns. So in the case of the death of the proprietor the recovery of the loan will be in risk and also creates threat for the bank.
- Sometimes the business firms borrow excessively without proper analyzing the business scenario and need. For this reason the highly leveraged firms may collapse at any time.

New Strategies for Development:

- The Bank has decided to invest funds on cluster basis along with an area approach method, as per Bangladesh Bank initiatives.
- In accordance with BB mechanism, the bank is planning to introduce 3-TIER new monitoring system using mobile phone to ensure proper utilization of SME loans across the country for reviewing SME Credit Programs regularly.
- The bank will remain careful to follow relaxation on loan rescheduling policy for the SMEs properly. Beside this, strong monitoring on SME loans will continue so that the betterment in asset quality is not hurt by further downgrading of assets.

Chapter 6: Recommendation and Conclusion

Recommendation:

Dhaka Bank has dynamically been financing the SME Sector with the ambition of supporting and enlarging the SME industry as well as the entrepreneurial potentials of Bangladesh. Dhaka Bank has a firm commitment to contribute to every segment of the economy. SME Finance is just one of the steps towards the fulfillment of this commitment.

- Considering the continuous progress in this industry from recent year's analysis, the Bank should do more SME finance to make the bank profitable.
- For processing the SME loans the Bank should maintain more simple process to make it easier, less time consuming and affordable for the entrepreneurs.
- Establishing decentralizing the delivery channels, so that branches can process and deliver SME loans by themselves.
- Use multiple channels to collect necessary information of the client before the processing of loan.
- Develop KIOSKs (small booths) and establish more SME Centers to process and deliver SME loan facilities, especially in the rural and semi-rural areas of the country.
- Government as well as Bangladesh bank need to be established a standard format and policy for SME loan proposal and project evaluation. Beside this, close monitoring of the banks activities regarding SME loan evaluation should be more constructive and the banks also should take care of it.
- The interest rate should be lowered. It is must to make easy entrance to SME financing.
- To overcome the constraint of collateral, the banks should have some relaxation considering the collateral requirements and Bangladesh bank also should take steps on this issue.
- To overcome the obstacle of infrastructure the government of Bangladesh needs to take appropriate measure to improve infrastructure of Bangladesh for the optimum growth of SMEs.

- Government of Bangladesh should take measures like publicity in media, separate web page design, information office etc. for providing all necessary information regarding SME financing.
- Different training programs, work shop and formal educational curriculum should be included in for increasing entrepreneurial skill and making aware about the potentiality of the industry.

Moreover, the Bank can set up small booths and service centers in rural areas to finance the small business. The places like Aminbazar, Bangshal, and Islampur is in a huge demand for SME loans which can be exploited by the help of financing from banks. In shewrapara, it is seen that there are many small business entrepreneurs are expanding their business through SME financing. Setting up SME centers will not cost a lot as it will not work as branch and there will be minimum investment and operating cost. The loan size is small for SMEs so it does not need assign high ranked officials.

The bank should have special officers for monitoring and maintain the SME loans. The concept for Relationship Officer for the SME loan who will look after the portfolio and aware the community about the importance of the sector and facilities provided by the bank.

Conclusion:

In Bangladesh, SMEs playing a significant role for the development of our economy by creating employment opportunity and producing important alternative machines and machinery parts for saving huge foreign currency for our country. So as a part of our development strategy, we should intensify our efforts to develop this sector to grow industrial base and volume of foreign trade. As we know that in this age of globalization, it is impossible to stop the flow of foreign goods to any country. Only quality products can meet the challenges in global market. For meeting this situation SMEs need to upgrade their technological capabilities and production facilities in order to produce quality products at a competitive price.

Though it is highly labor intensive but still major portion of job opportunity is generated by this sector. For the balance development in all over the country it plays a vital role. As a result the standard of living in country areas is increased. The government should persist the effort to improve infrastructure, legal framework and policy regarding SMEs financing. From the analysis and findings it can be concluded that Dhaka Bank Limited has already started to contribute in the economic development through SME financing and having growth in accordance with industry in investing Trade sector. Thus financing entrepreneurs in this industry leads to the enlargement of the industry as well as the overall economic growth of the country.

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Appendix

SME Credit Application Form

| | | | | |
|---|--------------------|--|--|--------------------------------|
| Credit Facility Required (put 'X' mark in the appropriate or box) | Nature of Facility | | | <input type="checkbox"/> Total |
| | Amount (in Taka) | | | |
| | Period (in year) | | | |
| | Purpose | | | |

| | | | | |
|-----|---|--|--|---------------|
| 01. | Name of the Client | | | |
| 02. | Nature of Organization (put 'X' mark in the appropriate box) | Proprietorship Concern <input type="checkbox"/> | Partnership Concern <input type="checkbox"/> | |
| | | Private Limited Company <input type="checkbox"/> | NGO <input type="checkbox"/> | |
| 03. | Business Address (as per Trade License/ Certificate of Incorporation) | | | Telephone No. |
| 04. | Current/Corresponding Address | | | Telephone No. |
| 05. | Factory Address (if any) | | | Telephone No. |
| 06. | Nature of Business | | | |
| 07. | Name of Product(s)/Service(s) | | | |
| 08. | Status of Business Premise | Office | Own | Rental |
| | | Factory/Ware House/Outlet | Own | Rental |
| 09. | Trade License no., date & expiry | No. | Issue Date: | Exp. Date: |
| 10. | ERC / IRC no. | No. | Issue Date: | Exp. Date: |
| 11. | Tax Identification Number (TIN) | | | |
| 12. | Amount of Income Tax paid for the last year | | | |
| 13. | Date of Incorporation | | | |
| 14. | Date of Commercial Operation | | | |
| 15. | Authorized Capital (in case of Limited Company) | | | |
| 16. | Paid-up Capital (in case of Limited Company) | | | |
| 17. | Total Investment | | | |
| 18. | Total Fixed Asset | | | |

| | | | | | |
|-----|--|-----------|--|-----------|--|
| 19. | Total Fixed Asset (excluding Land & Building) | | | | |
| 20. | Total Fixed Asset (excluding Land, Building & Machinery) | | | | |
| 22. | Total no. of Employee | | | | |
| | Male | Full Time | | Part time | |
| | Female | Full Time | | Part time | |

Financial Information:

| | | | | | | |
|---|--|--|----------------------|----------------------|-------------|-------------|
| 23. | Total Assets (in Taka) (as on 30 June 2010) | | Year 3 (latest year) | Year 2 | Year 1 | |
| | | | Year-2010 | Year-2009 | Year-2008 | |
| | Total Current Assets | | | | | |
| | Cash/Bank | | | | | |
| | Marketable Securities* (please specify) | | | | | |
| | A/Cs Receivable/S. Debtors | | | | | |
| | Stocks/Inventory | | | | | |
| | Others (Advance, Deposits, Prepayments) | | | | | |
| | Total Fixed Assets | | | | | |
| | Furniture & Fixtures | | | | | |
| | Plant & Machinery | | | | | |
| | Land & Building | | | | | |
| | Others (Vehicle) | | | | | |
| | 24. | Total Equity & Liability (in Taka) (as on 30 June 2010) | | Year 3 (latest year) | Year 2 | Year 1 |
| | | | | Year - 2010 | Year - 2009 | Year - 2008 |
| Owners' Equity | | | | | | |
| Total Current Liability | | | | | | |
| A/Cs Payable/ S. Creditors | | | | | | |
| Bank Liability (payable within one year)* | | | | | | |
| Bank 1: | | | | | | |
| Bank 2: | | | | | | |
| Bank 3: | | | | | | |
| Loan from Other Sources (payable within one year)* | | | | | | |

| | | | | | |
|-----|--|--|----------------------|------------|------------|
| | | Source 2: | | | |
| | | Total Non-Current Liability | | | |
| | | Bank Loan (payable after one year)* | | | |
| | | Bank 1: | | | |
| | | Bank 2: | | | |
| | | Bank 3: | | | |
| | | Other Long Term Loan (payable after one year)* | | | |
| | | Source 1: | | | |
| | | Source 2: | | | |
| | | | Year 3 (latest year) | Year 2 | Year 1 |
| 25. | | Net Income (in lac Taka) (for the year ended 30 June 2010) | Year -2010 | Year -2009 | Year -2008 |
| | | Before tax | | | |
| | | After tax | | | |
| | | Sales Volume (for the year ended 30 June 2010) | Year - 2010 | Year -2009 | Year -2008 |
| | | Cash Sales | | | |
| | | Credit Sales | | | |
| | | Cost of Goods Sold | | | |
| | | General, Administrative & Selling Expenses | | | |
| | | Financial Expenses | | | |
| | | Income Tax | | | |
| 26. | | Cash Flow (for the year ended 30 June 2010) | Year - 2010 | Year -2009 | Year -2008 |
| | | Net Cash Flow | | | |
| | | Opening Cash Balance | | | |
| | | Net Cash Flow from Operating Activity | | | |
| | | Net Cash Flow from Investing Activity | | | |
| | | Net Cash Flow from Financing Activity | | | |
| | | Closing Cash Balance | | | |

Security Information:

| | | | |
|-----|-----------------------|-------------------------|-----------------|
| 27. | Proposed Security* | | |
| | | Description of Security | Value (in Taka) |
| | Quasi-Cash Securities | | |
| | Stocks of Goods | | |
| | Furniture & Fixtures | | |
| | Plant & Machinery | | |
| | Land & Building | | |

| | | |
|--|--|----------------------|
| | | |
| | | Total Security Value |

Documents to be provided with this application form:

- i) Copy of valid Trade License
- ii) Copy of valid ERC / IRC (in case of Export/Import)
- iii) Latest Income Tax Certificate
- iv) Copy of the latest Income Tax Return
- v) Copy of Certificate of Incorporation from RJSC/F (in case of limited company / partnership firm)
- vi) Memorandum and Articles of Association (in case of ltd. co./Partnership Deed (in case of partnership firm) certified by RJSC/F
- vii) Copy of **Form XII** duly certified by RJSC (in case of limited company)
- viii) Audited Financial Statements (Income Statement, Balance Sheet & Cash Flow Statement) for the last three (3) years
- ix) Project Profile with a projection of at least three (3) years
- x) Bank Statement for last one year (at least 6 months)

Signature of the :
Client/Authorized
person(s)

Counter Signature of :
the Credit Officer/
Credit Manager/
Branch Manager

Name :

Name :

Address :

Designation :

List of Abbreviation

SME-Small and Medium Enterprise

ATM- Automated Teller Machine

BB- Bangladesh Bank

BWCCI- Bangladesh Women Chamber of Commerce and Industry

CA- Credit Approval

CIB- Credit Investigation Bureau

CPV- Contact Point Verification

CSE- Chittagong Stock Exchange

DPD- Days Past Due

DSE- Dhaka Stock Exchange

IGPA- Irrevocable General Letter of Credit

MoI- Ministry of Industries

RM- Risk Manager