

Agricultural and MSME Finance

9.1 Agriculture is one of the most important priority sectors of Bangladesh economy. It is also the main source of rural employment generation of the country and it directly employs around 40.6 percent of the total workforce. The contribution of this sector to GDP is 14 percent (at the constant price of FY06). Besides, agriculture sector has been playing an important role in ensuring food security, meet up the nutrition demand, increase export earnings, and as a whole in the augmentation of total internal production of the country. In line with the government priority “Agricultural and rural credit policy and programme” is being implemented by Bangladesh Bank to ensure adequate flow of agricultural and rural credit properly, timely, in easier and hassle-free way at the farmers level. With a view to improving the socio-economic condition of the country alongwith an underscored role of the agriculture and rural sector, all scheduled banks have engaged in implementation of agricultural and rural credit policy and program. The role of the agriculture is immense even to encounter environmental calamity and the negative impact of climatic changes. During FY18, BDT 213.93 billion (104.87 percent of initial target) has been disbursed as agricultural and rural credit against the target of BDT 204.0 billion through all the scheduled banks (Table 9.1).

The Major Achievement of Agricultural Credit Programme in FY18

9.2 The implementation of some important initiatives of this programme are as follows:

- Around 3.96 million farmers availed agricultural and rural credit of which 1.58 million women got BDT 63.09 billion from different banks.

Table 9.1 Comparative Statement of Disbursement and Recovery of Agricultural Loan*

Disbursement	(in billion BDT)		
	FY16	FY17	FY18
1. Disbursement (Target)	164.00	175.50	204.00
a) Crops loan (Other than tea)	80.99	86.53	102.86
b) Purchase and installation of irrigation equipment	4.69	4.86	7.77
c) Livestock	16.94	21.53	27.10
d) Marketing of agricultural goods	2.19	2.36	3.52
e) Fisheries	16.78	19.03	23.11
f) Poverty alleviation	9.57	9.95	12.64
g) Other agricultural activities	32.84	31.24	27.00
2. Actual disbursement	176.46	209.99	213.93
a) Crops loan (Other than tea)	86.95	100.61	103.37
b) Purchase and installation of irrigation equipment	2.60	3.01	2.74
c) Livestock	26.14	30.57	30.58
d) Marketing of agricultural goods	1.09	1.14	1.14
e) Fisheries	19.85	24.13	24.64
f) Poverty alleviation	15.59	18.85	21.50
g) Other agricultural activities	24.24	31.68	29.96
3. Term structure of loan disbursed	176.46	209.99	213.93
a) Short term	144.22	171.07	178.66
b) Longer term	32.24	38.92	35.27
4. Recovery	170.56	188.41	215.03
5. Due for Recovery	227.90	254.70	286.64
6. Total Outstanding loan	344.77	390.48	406.01
7. Overdue	56.78	67.08	72.11
8. Overdue as Percent of outstanding	16.47	17.18	17.76

* Excluding BRDB and BSBL

Source: Agricultural Credit Department, Bangladesh Bank.

- Around BDT 3.69 billion was disbursed among about 95 thousand farmers through 16,713 open credit disbursement programmes arranged by different banks.
- Around 3.07 million small and marginal farmers availed BDT 150.92 billion agricultural loans from different banks.
- About BDT 0.3 billion of agricultural and rural credit was disbursed among about 8339 farmers living in the less developed area like haor, char, etc.

- Around 9.22 million bank accounts were opened by farmers in the state-owned commercial banks with an initial deposit of BDT 10 only.
- In the three Hill Tract districts, more than BDT 0.61 billion was disbursed by BKB among 19,959 tribal farmers at only 5.0 percent interest rate.
- During FY18, 38 banks availed BDT 22.0 million as six percent interest subsidy against their disbursement and proper recovery of FY17, on the sector of import substitute crops (Pulse, Oilseed, Spices and Maize). BDT 0.91 billion was disbursed by banks on import substitute crops during FY18 and corresponding interest subsidy is under process to release as per policy.

Credit Disbursement to Agriculture

9.3 In recent years agricultural and rural finance programme have boosted up as the private commercial Banks (PCBs) and foreign commercial Banks (FCBs) along with state-owned commercial Bank(SCBs) came forward to disburse agricultural credit in the country. The actual disbursement of BDT 213.93 billion in FY18 against the disbursement target of

BDT 204.0 billion was 1.9 percent higher than the actual disbursement of BDT 209.99 billion in FY17. Table 9.1 shows the comparative position of overall disbursement and recovery of agricultural loan and Charts 9.1 and 9.2 show targets and actual disbursement of agricultural loan respectively in FY17 and FY18.

9.4 About 83.51 percent of disbursement was short-term lending and the rest 16.49 percent was in the form of long-term loans for irrigation equipment, agricultural machinery, livestock etc. The credit for the production of crops constituted 57.85 percent of the total short-term loans during FY18 (Table 9.1).

9.5 The total outstanding loan in the agricultural sector for all banks in FY18 increased by BDT 15.53 billion or 3.97 percent to BDT 406.01 billion from BDT 390.47 billion in FY17 (Table 9.2).

9.6 Two specialized banks, BKB, RAKUB and six SCBs played the key role in the disbursement of agricultural and rural credit. The contribution of foreign and private commercial banks was also imperative in this regard. The SCBs, BKB, RAKUB, FCBs and the PCBs have exceeded their disbursement target by 12.58, 1.56, 1.87, 25.81 and 3.70 percent respectively in FY18 (Table 9.2). Apart

Table 9.2 Agricultural Credit Performance by Banks*

(in billion BDT)

	FY14	FY15	FY16	FY17	FY18					Total
					SCBs	BKB	RAKUB	PCBs	FCBs	
Disbursement Target	145.95	155.50	164.00	175.50	30.10	49.00	16.80	103.27	4.83	204.00
Actual disbursement	160.37	159.80	176.50	209.99	33.89	49.76	17.11	107.09	6.08	213.93
Recovery	170.46	154.10	170.60	188.41	29.38	49.63	18.45	110.22	7.35	215.03
Overdue	76.12	67.29	56.78	67.08	30.35	23.9	14.27	3.59	0.00	72.11
Outstanding	346.33	329.40	344.80	390.48	103.05	154.61	43.79	101.41	3.14	406.01

*Excluding BRDB and BSBL

Source: Agricultural Credit Department, Bangladesh Bank.

from this, BRDB and BSBL disbursed BDT 9.61 billion from their own fund which raised the total disbursement to BDT 223.54 billion (including all banks) during FY18.

Credit Recovery

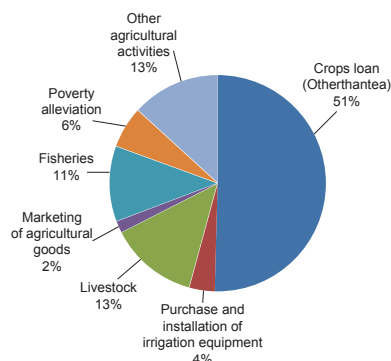
9.7 During FY18, recovery of agricultural Credit increased by 14.13 percent to BDT 215.03 billion from BDT 188.41 billion in FY17 due to close monitoring and intensive supervision of the banks. Consequently, the rate of recovery as percent of due for recovery of agricultural credit was 75.02 percent during FY18 which was higher than 73.97 percent in FY17 (Table 9.1).

9.8 The overdue as percentage of outstanding agricultural loan increased marginally from 17.18 percent in FY17 to 17.76 percent at the end of June 2018 (Table 9.1 and 9.2). However, it is important for banks to take appropriate measures to disburse credit to the right farmer for harvesting of right crop and to conduct intensive supervision to ensure smooth recovery from farmers.

Sources of Agricultural Finance

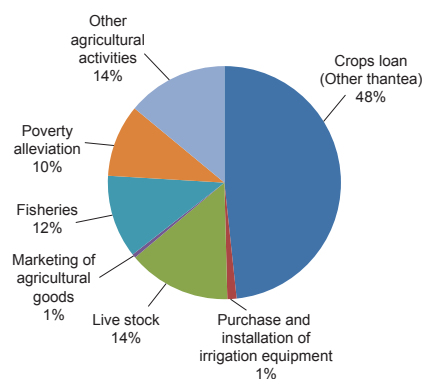
9.9 Two specialized banks (BKB and RAKUB) and six SCBs played key role in the disbursement of agricultural and rural finance. In addition to that, PCBs are playing significant role in the annual disbursement of agricultural loans. In FY18, two specialized banks (BKB and RAKUB) and six SCBs disbursed BDT 100.76 billion or 47.1 percent, PCBs BDT 107.09 billion or 50.06 percent and FCB BDT 6.08 billion or 2.84 percent respectively of the total disbursement of BDT 213.93 billion (Table 9.2). The SCBs’ overdue loans as percentage of their agricultural outstanding loans stood at 29.49 percent at the end of FY18, while the overdue loans of RAKUB and BKB

Chart 9.1 Targets for Agricultural Credit Disbursement in FY18



Source: Agricultural Credit Department, Bangladesh Bank.

Chart 9.2 Actual Agricultural Credit Disbursement in FY18



Source: Agricultural Credit Department, Bangladesh Bank.

were recorded to 32.49 and 15.46 per cent respectively of their outstanding loans (Table 9.2). The PCBs’ overdue loans as percentage of their outstanding loans stood at 3.53 percent at the end of FY18.

**Refinance Facility from Bangladesh Bank
Refinance facility under Government Guarantee**

9.10 With a view to enriching country's economy and food security, BB has been continually supporting BKB and RAKUB by providing refinance facility under government guarantee. The rate of interest at the participating financial institution (PFI) level

**Table 9.3 Bangladesh Bank's Refinance Against Agricultural Loans
(under Government Guarantee)**

Particulars	FY16			FY17			FY18		
	Refinance	Repayment	Outstanding	Refinance	Repayment	Outstanding	Refinance	Repayment	Outstanding
BKB	0.00	8.09	26.85	0.00	2.40	24.99	0.00	1.94	23.05
RAKUB	0.00	3.30	7.92	0.00	1.20	7.48	3.00	0.50	9.98
Total	0.00	11.39	34.77	0.00	3.60	32.47	3.00	2.44	33.03

Source : Agricultural Credit Department, Bangladesh Bank

is 5.0 percent and ultimate borrower level is 9.0 percent and loan tenure is maximum 1 year. During FY18 RAKUB has availed BDT 3.0 billion refinance facility from Bangladesh Bank against their agricultural and rural credit finance. Details of refinance positions under government guarantee are shown in table 9.3.

Refinance Scheme for Share-croppers

9.11 With a view to improving the financial condition of landless share-croppers (land \leq 2.47 acres) BB has undertaken a special revolving refinance scheme of BDT 6.0 billion to provide without collateral, hassle-free and timely credit facility at the doorstep of landless share-croppers who have limited access to banks. The scheme started its operation in 2009 and initially its fund was BDT 5.0 billion. The rate of interest at the PFI level is 5.0 percent and the ultimate borrower level is 19.0 percent (declining method). The loan tenure is three years. This special refinance scheme is implemented by BRAC (NGO). During FY18, Bangladesh Bank has refinanced BDT 6.0 billion to BRAC for disbursing agricultural credit to about 0.17 million sharecroppers under this special refinance scheme.

Refinance Scheme for Dairy Farming

9.12 In order to ensure nutrition security for mass people of the country and to reduce

dependency on imported milk and milk products as well as to promote self-employment for unemployed youth, BB has introduced a Refinance Scheme for Milk Production and Artificial Insemination sector with a fund of BDT 2.0 billion since 2015. Fourteen participating banks and financial institutions entered into a participation agreement with Bangladesh Bank to avail refinance facility and interest subsidy. The banks and financial institutions get refinance from Bangladesh Bank against the disbursed amount. After recovery of the loans from the borrowers, the concerned banks or financial institutions will be eligible for 5.0 percent interest subsidy from the government against their disbursed amount subject to fulfillment of various terms and conditions. Up to FY18, the participating banks and financial Institutions have disbursed the entire amount of BDT 2.0 billion allocated for disbursement. A total of 18,429 borrowers benefitted from the scheme. During the period, a total of BDT 1.93 billion have been refinanced to the banks and financial institutions.

Refinance Scheme for the Jute Sector

9.13 In FY15, BB undertook a revolving refinance scheme of BDT 2.0 billion to provide working capital to jute goods manufacturing companies and jute exporters. A total of 18 banks availed this refinance facility of BDT 0.68 billion against their disbursement to purchase

raw jute from 27 jute producers and exporters during FY18.

Demand Loan

9.14 Apart from different refinance scheme of BB and refinance against Government guarantee, a special type of finance is assisted by BB to meet up the regular agricultural credit flow. Those are demand loan by 90 days of maturity against Demand Promissory (DP) note. During FY18 BKB and RAKUB each availed BDT 3.0 billion of demand loan.

Donor-financed Revolving Funds of Grameen Bank, Managed by Bangladesh Bank

Swedish International Development Authority (SIDA) Grant

9.15 SIDA provided a grant of BDT 0.24 billion. This grant is governed as per Loan Agreement signed between the Government of Bangladesh and Grameen Bank on 30 November 1986. Grameen Bank repays the half-yearly installments of principal and revolving funds on 15 March and 15 September each year to Bangladesh Bank (BB), and BB revolves the repayment amount on the same day of payment made by Grameen Bank.

Norwegian Agency for International Development (NORAD) Grant

9.16 NORAD provided a grant of BDT 0.26 billion. This grant is governed as per Loan Agreement signed between the Government of Bangladesh and Grameen Bank on 4 August 1986. Grameen Bank repays the half-yearly installments of principal and revolving funds on 15 March and 15 September each year to Bangladesh Bank (BB), and BB revolves the repayment amount on the same day of payment made by Grameen Bank.

Grameen Bank House Loan Scheme

9.17 Netherland Government provided a grant of BDT 0.04 billion. This revolving grant is governed as per the Loan Agreement signed between the Bangladesh Bank (BB) and Grameen Bank on 24 November 1985. Under this scheme members of Grameen Bank get the loan for construction of houses. Grameen Bank repays the half-yearly installments revolving funds on 15 December each year to BB, and BB revolves the repayment amount on the same day of payment made by Grameen Bank.

Development Partner's Funded Agricultural Credit Related Project/Programme Operated under Bangladesh Bank's Supervision

Small and Marginal Sized Farmers Agricultural Productivity Improvement and Diversification Financing Project (SMAP)

9.18 With a view to increase agricultural productivity and diversity of the small and marginal farmers of Bangladesh by financing agricultural loans and providing agricultural technical support service to farmers through Microfinance Institutions, this revolving pre-finance project formed and started its journey since 2015. Japan International Cooperation Agency (JICA) is the donor agency for this project and portion of government of Bangladesh of this project is contributed by Bangladesh Bank. The total Project cost is BDT 8.23 billion. The tenure of the project is 2014-2021. To avail pre-finance facility from the projects 11 participating Microfinance Institutions (PMFIs) signed an agreement with BB. During FY18 BDT 3.75 billion has been disbursed to 10 PMFIs and BDT 2.58 billion has been disbursed to 43,039 borrowers. Operations have already been started for developing 30 model branches,

which were picked up earlier from around 1400 branches that are operating for implementing SMAP. The vision of SMAP-PIU is to extract and incorporate all the distinctive activities of model branches in other branches. Besides disbursing credit, Technical Support Services (TSS), which is a unique part of the project, have been provided to borrowers of this project for familiarizing themselves with new scientific cultivation method, new agro-machinery and a new method of cattle rearing etc. Since the operation of this project 2.1 million borrowers have received TSS on different topics.

ADB Funded Northwest Crop Diversification Project (NCDP)

9.19 Northwest region of our country is the poorest and backward region where 62 percent of the populations live below poverty line. To promote the economic growth of that region and to reduce poverty through diversification and intensification of High-Value Crops (HVCs), this ADB funded project was initiated in 2001. Loan component of the project are 35.71 Million SDR. Initially the project implementation period was 2001 to 2009. But the project is still continuing from a revolving fund formed out of the proceed of the project. Project implementation area covers 61 Upazilas of 16 Districts of north-western Zone of Bangladesh. As of June 30, 2018, total fund of BDT 3.0 billion was disbursed to the borrower from beginning of the Project. The number of farmers covered by the project are 0.33 million.

ADB Funded Second Crop Diversification Project (SCDP)

9.20 The project was built on the successful activities of NCDP aiming to expand the activities

into new project areas. Loan component of the project is USD 26.0 million provided by ADB. The project starts its operation in 2011. For wholesale of credit the participation agreement signed between BB and BASIC Bank Ltd and Eastern Bank Ltd on 2011. Project implementation area covers 54 Upazilas of 25 Districts of north and south-western zone of Bangladesh. As of June 30, 2018, total fund of BDT 2.03 billion was disbursed to the borrower from beginning of the project. The number of farmers covered by the project are 0.2 million.

Marginal And Small Farm Systems Crop Intensification Project (MSFSCIP)-Kurigram District

9.21 The Project is financed by the International Fund for Agricultural Development (IFAD) and the Loan Component is BDT 140 million. The project is implementing at the 9 Thana of Kurigram District. Four PFI signed a participation agreement with BB. Initially, project Period was from 1987 to 1997, but refinancing is still going on from the revolving fund. PFI availed refinance from BB at bank rate. At the beneficiary level interest rate are determined by the PFI. As of June 30 2018, revolving fund account balance was BDT 60 million.

Pre-finance under government guarantee

Ansar-VDP Unnayan Bank

9.22 Bangladesh Bank provides pre-finance facility to Ansar-VDP Unnayan Bank for implementing its "Agricultural Credit Programme". The objective of this facility is to extend credit facilities to the members of Ansar-VDP aimed towards poverty alleviation and expanding income generating activities. These loans are provided against government guarantee covering the loan amount and

interest accrued thereon. As of 30 June 2018, the outstanding principal of loans is BDT 2.25 billion. Bangladesh Bank provides these loans at bank rate (5.0 percent) and the maximum interest rate at borrower level is 9.0 percent. During FY18, 4158 beneficiaries have been benefitted from this programme.

Karmasangsthan Bank

9.23 Karmasangsthan Bank avails pre-finance facility time to time from Bangladesh Bank. These loans are provided against government guarantee covering the loan amount and interest thereon. From July, 2015 to June 2018 BDT 2.0 billion has been provided to Karmasangsthan Bank. Bangladesh Bank provides pre-finance at bank rate (5.0 percent) and Karmasangsthan Bank charges a maximum of 9.0 percent from the borrowers. The total number of beneficiaries was 5161 during FY18.

Financing Cottage, Micro, Small and Medium Enterprises (CMSMEs)

9.24 Cottage, Micro, Small and Medium Enterprises (CMSMEs) have been playing a significant role in employment generation, poverty reduction and overall economic growth of the country. Bangladesh Bank (BB) has established a new department named “SME & Special Programmes Department” (SMESPD)

in December 31, 2009 dedicated for CMSME development in Bangladesh. SMESPD started its journey towards the development of CMSMEs in Bangladesh by improving the existing environment in the banking sector through regulatory and policy interventions. Banks and Financial Institutions (NBFIs) have given much emphasis in financing to CMSMEs.

9.25 Moreover, BB has undertaken different refinance schemes to provide relatively low cost funding to encourage Banks and NBFIs in CMSME financing. To develop CMSME sector, BB has continued its refinance facilities in FY18 for Banks and NBFIs against their financing to CMSMEs. Currently, BB is providing refinance facilities to Banks and NBFIs from Refinancing Scheme for Agro-based Product Processing Industry; Refinancing Scheme for Small Enterprise; Refinancing Fund for New Entrepreneurs in Cottage, Micro and Small Industry; Refinancing Fund against Islamic Shariah-based Financing; Revolving Fund Account of JICA assisted Financial Sector Project for the Development of SME (FSPDSME) Fund and JICA assisted Urban Building Safety Project (UBSP). Banks and NBFIs have come forward for financing and development of CMSMEs under close monitoring and supervision of BB. In FY18, all banks and non-bank financial institutions (NBFIs) have disbursed an amount of BDT 1,558.09 billion

Table 9.4 Disbursement of CMSME Credit by Banks and NBNBFIs

Period	Sub-Categories			Total	Women Entrepreneur
	Trading	Manufacturing	Service		
FY11	154.36	32.37	365.83	552.56	20.07
FY12	183.84	35.09	379.19	598.12	23.11
FY13	233.04	42.02	518.41	793.46	24.72
FY14	251.29	60.60	594.47	906.36	36.51
FY15	323.50	98.94	680.43	1102.87	39.68
FY16	329.97	141.33	819.38	1290.68	54.88
FY17	373.78	184.44	999.63	1557.85	45.96
FY18*	488.71	266.91	802.47	1558.09	121.74

* Provisional

Source : SME & Special Programmes Department, Bangladesh Bank

Table 9.5 Statement of Refinance on CMSMEs Under Different Refinance Schemes of BB (up to June 2018)

(in billion BDT)

Name of Fund	Amount Refinance				No. of Beneficiary (Sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
1. Refinance Scheme for Agro-based Industries in Rural Areas	6.63	1.94	6.62	15.19	2,837	-	-	2,837
2. Small Ent. Refinance Scheme:	8.45	18.67	7.83	34.95	11,580	17,087	4,809	33,476
i) Bangladesh Bank Fund	3.85	5.98	2.45	12.28	5,029	5,926	1,767	12,722
ii) Bangladesh Bank Women Ent. Fund	4.04	11.58	4.81	20.43	6,058	10,101	2,845	19,004
iii) Bangladesh Bank Extension-Women Ent. Fund	0.56	1.11	0.57	2.24	493	1,060	197	1,750
3. New Ent. Refinance Fund for CMSEs	0.00	0.18	0.02	0.20	200	-	166	366
4. Islamic Shariah-based Refinance Fund	3.42	0.38	0.96	4.76	134	473	30	637
5. JICA FSPDSME	0.53	3.13	3.20	6.86	462	34	344	840
6. JICA UBSP	-	-	0.04	0.04	1	-	-	1
7. IDA Fund (EGBMP)	0.80	1.33	1.00	3.13	1,368	1,306	486	3,160
8. SMESDP (ADB-1)	1.45	1.32	0.58	3.35	800	2,096	368	3,264
9. SMEDP (ADB-2)	0.00	5.68	1.79	7.47	3,765	7,435	2,445	13,645
Grand Total	21.27	32.63	22.04	75.95	21,147	28,431	8,648	58,226

Source : SME & Special Programmes Department, Bangladesh Bank

against 743,612 CMSMEs. On the other hand, 67,309 women led CMSME enterprises received financing of BDT 121.74 billion in FY18 from Banks and NBFIs which shows a promising 165 percent growth from FY17.

Target Based Disbursement for CMSME Credit

9.26 A target based lending to CMSMEs has been initiated since 2010. This intervention for engendering CMSME finance has been declared as international best practice for SME financing by Alliance for Financial Inclusion (AFI) in 2014. Banks and NBFIs have been disbursing credit to CMSMEs following their indicative target set on a calendar year (January-December) basis.

9.27 A target of disbursing BDT 1,610.32

billion in CMSME was set for 2018. During the first half (January-June) of 2018 Banks and NBFIs have disbursed BDT 775.48 billion as CMSME credit which is almost 48.2 percent of the set annual target for 2018. Table-9.4 reveals fiscal year wise disbursement of CMSME credit in three sub-categories: Manufacturing, Services and Trading.

Refinance Schemes

9.28 In addition to regular financing from their own fund, Banks and NBFIs are also making short to long term financing to CMSMEs through refinance schemes of BB. SMESPD of BB, with the help of government and different development partners, is implementing a total of six pre-finance/refinance schemes for Banks and NBFIs currently against their disbursed

CMSME credit. All these funds are of revolving nature. In addition to those, three other refinance schemes have been successfully completed. Table-9.5 summarizes refinancing information of SMESPD of BB up to June 2018. A total amount of BDT 75.95 billion has been provided to different Banks and NBFIs under different refinance/pre-finance schemes up to June, 2018 against 58,226 enterprises. Out of the total refinance, BDT 21.27 billion has been provided as working capital, BDT 32.63 billion as medium term loan, and BDT 22.04 billion as long term loan.

BB's Refinance/Pre-finance Facilities to Banks and NBFIs for Promoting CMSMEs

Refinance Scheme for Agro-based Product Processing Industries in Rural Area

9.29 In order to boost up agro product-processing industries in the areas outside divisional headquarters and Narayanganj town, Bangladesh Bank launched a scheme of BDT 1.0 billion in November, 2001 out of its own fund. Responding to the huge demand of this fund, the size of the fund was increased to BDT 2.0 billion in 2012; BDT 4.0 billion in 2013, BDT

4.5 billion in 2015 and later on BDT 7.0 billion in 2018. Under this fund, refinancing facilities are being provided to Banks and NBFIs at bank rate and beneficiary of CMSMEs are getting funds at preferential interest rate within 10 percent. An amount of BDT 15.19 billion has been disbursed under this scheme till the end of June, 2018 against 2,837 enterprises on revolving basis (Table-9.5).

Small Enterprise Refinance Scheme

9.30 Bangladesh Bank introduced a refinancing scheme named Small Enterprise Fund (SEF) of BDT 1.0 billion out of its own fund for supporting the development of small enterprises in the country. Later on, the size of the fund has been increased to BDT 8.5 billion. To meet the increasing demands by women entrepreneurs, refinancing facilities under their scheme were extended to the Banks and NBFIs at bank rate against their financing to the small entrepreneurs, usually left out by the formal sector financing. The scheme demonstrated a high market demand. Recovery against refinanced loan is being used as a revolving

Table 9.6 Refinancing Under Small Enterprise Refinance Scheme

(In billion BDT)

Name of Fund	Amount Refinance (BDT in Billion)			No. of Beneficiary (sector wise)				
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
A. BB Fund-General								
1 Bank (20)	3.49	2.91	0.71	7.11	3,112	3,956	818	7,886
2 NBFIs (23)	0.36	3.07	1.74	5.17	1,917	1,970	949	4,836
Sub-Total	3.85	5.98	2.45	12.28	5,029	5,926	1,767	12,722
B. BB-Women								
1 Bank (33)	3.54	5.56	2.45	11.54	3,681	7,504	1,919	13,104
2 NBFIs (22)	0.50	6.02	2.36	8.88	2,377	2,597	926	5,900
Sub-Total	4.04	11.58	4.81	20.43	6,058	10,101	2,845	19,004
C. BB Extension-2014								
1 Bank (27)	0.51	0.37	0.23	1.11	242	719	109	1070
2 NBFIs (17)	0.05	0.74	0.34	1.13	251	341	88	680
Sub-Total	0.56	1.11	0.57	2.24	493	1,060	197	1,750
Total	8.45	18.67	7.83	34.95	11,580	17,087	4,809	33,476

Source: : SME & Special Programmes Department, Bangladesh Bank

Table 9.7 Refinancing from New Entrepreneurs Refinance Fund

(In billion BDT)

Banks/NBFIS	Amount Refinance				No. of Beneficiary (sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
1 Banks (6)	1.0	6.9	11.3	19.2	41	-	86	127
2 NBFIs (3)	2.0	175.4	4.5	181.9	159	-	80	239
Total	3.0	182.3	15.8	201.1	200	-	166	366

Source: : SME & Special Programmes Department, Bangladesh Bank

fund for further financing to Cottage, Micro and Small Enterprise (CMSE) sector. Up to June 2018, BDT 34.95 billion has been refinanced under this fund against their financing to 33,476 enterprises (Table-9.5 and 9.6).

Refinance Scheme for New Entrepreneurs' in Cottage, Micro and Small Enterprise (CMSE) Sector

9.31 In order to provide start-up capital to new cottage, micro and small enterprises, Bangladesh Bank has created a new fund worth BDT 1.0 billion from its own source. Under this fund, the prospective entrepreneurs selected and trained by recognized public and private training providers have the opportunity to get up to BDT 2.5 million CMSE credit with collateral security and up to BDT 1.0 million CMSE credit without collateral security. Rate for such credit is limited at maximum 10 percent (Bank rate + maximum 5 percent spread). As of end June 2018, a total of 366 new entrepreneurs have been refinanced worth BDT 201.10 million from this scheme (Table-9.7).

Refinance Scheme for Islamic Shariah-Based Financing

9.32 With the objective of increasing the involvement of Islamic Banks and Islamic NBFIs in financing CMSMEs, a special refinance fund under Islamic Shariah mode was created in Bangladesh Bank in 2014. Under this fund, Islamic Banks and NBFIs will get refinance against their financing to "Agro-Based Industries", "Small Entrepreneurs' (including women entrepreneur)" and "New Entrepreneurs' in Cottage, Micro & Small Enterprise Sector". At the end of June 2018, BDT 4.76 billion has been refinanced to Banks and NBFIs against their financing to 637 enterprises (Table-9.8).

JICA funded FSPDSME Project's Two Step Re/Pre-finance Fund

9.33 A loan agreement was signed between JICA, Japan and the Government of Bangladesh (BFID, MOF as the representative)

Table 9.8 CMSME Refinance Scheme for Islamic Shariah-Based Financing in "Agro-Based Industries", "Small Entrepreneurs' (including Women Entrepreneur)" and "New Entrepreneurs' in Cottage, Micro and Small Enterprise Sector"

(In billion BDT)

Banks/NBFIS	Amount Refinance				No. of Beneficiary (sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
1 Banks (3)	3.19	0.10	0.00	3.29	89	442	21	552
2 NBFIs (1)	0.23	0.28	0.96	1.47	45	31	9	85
Total	3.42	0.38	0.96	4.76	134	473	30	637

Source: : SME & Special Programmes Department, Bangladesh Bank

in 2011 for SME development and financing. As per the loan agreement, BB is implementing the “Financial Sector Project for the Development of Small and Medium-Sized Enterprise (FSPDSME)-BD-P67” project. The objective of the project is to create a medium to long term financing market for SMEs especially for the productive investments. The Fund size is 5.0 billion Japanese Yen including a technical assistance component. A total of 25 Banks and 21 NBFIs signed Participating Agreements with BB. Refinancing or pre-financing facilities are being provided to Participating Financial Institutions (PFIs) at the bank rate for on lending to CMSME sub-projects of productive investment for medium to long-term duration at the market rate. As on June, 2018 BDT 0.69 billion has been refinanced against 840 enterprises (Table-9.5). In the backdrop of tragic incidence of Rana Plaza collapse a special initiative to finance the improvement of safe working environment of RMG and Knitwear sector workers was taken under the JICA assisted FSPDSME project. RMG and Knitwear factories which are members of BGMEA and/or BKMEA with labor employment of 100 - 2,000 provided that the factory building is owned by the applicant entrepreneur will get loan facility up to BDT 0.10 billion for the purpose of retrofitting, rebuilding and relocation of their factory buildings. This Two step loan (TSL) fund for RMG and Knitwear factories of FSPDSME scheme will support 100 percent of the sub-loan amount as pre-finance. Until the end of June, 2018 two RMG industries have been financed worth BDT 0.16 billion for retrofitting purposes. The FSPDSME project was completed successfully within the project period. Meanwhile, the project received full

allocation of TSL fund from JICA. Disbursement to accredited PFIs is, however, being continued utilizing the Revolving Fund Account (RFA) of the FSPDSME project.

Urban Building Safety Project (UBSP)

9.34 For the purpose of creating a safe working environment in the RMG sector through retrofitting, rebuilding and relocation of vulnerable RMG industries, the “Urban Building Safety Project” has been taken under the 36th Japanese ODA package. A loan agreement between the Government of Japan (represented by JICA) and Government of Bangladesh has been signed on December 13, 2015. Under this agreement JICA will provide JPY 12,086 million; of which JPY 4,129 million (equivalent to BDT 2.68 billion) is earmarked for two step loan (TSL) purposes. The TSL component will be managed and implemented by SMESPD, BB in accordance with approved operating guideline of the project. A total of 25 Banks and 10 NBFIs signed Participating Agreements with SMESPD, BB until June, 2018. As on June, 2018 BDT 0.04 billion has been refinanced against one enterprise (Table-9.5).

Small and Medium-Sized Enterprise Development Project (ADB Fund-2)

9.35 The Small and Medium-Sized Enterprise Development Project (SMEDP) was created in 2009 jointly by the contribution of ADB and Bangladesh Government. The objective of SMEDP is to provide credit facility for enhancing access to medium to long term financing to eligible SMEs. The total fund of the SMEDP was USD 95.0 million. Out of that, ADB provides USD 76.0 from its special fund and GoB (BB) provides USD 19.0 million which is transferred from the balance of the earlier ADB-1 (SMESDP) fund. Disbursement from this fund was completed

Table 9.9 CMSME Refinancing from SMEDP Fund (ADB Fund-2)

(In billion BDT)

Banks/NBFIS	Amount Refinance			Total Loan	No. of Beneficiary (sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan		Industry	Trade	Service	Total
1 Banks (19)	-	3.01	0.87	3.88	2,246	5,319	1,230	8,795
2 NBFIs (13)	-	2.67	0.92	3.59	1,519	2,116	1,215	4,850
Total			5.68	1.79	3,765	7,435	2,445	13,645

Source: : SME & Special Programmes Department, Bangladesh Bank

in December, 2013 and BDT 7.47 billion was provided to Banks and NBFIs against 13,645 enterprises on revolving basis during the project period (Table-9.9). By June, 2018 BDT 7.42 billion has been recovered from PFIs.

New Entrepreneurs Creation and Entrepreneurship Development

9.36 BB is not only engaged for mainstreaming Banks and NBFIs in financing CMSME enterprises, but also has taken steps for creating of new entrepreneurs and entrepreneurship development. The Government of Bangladesh (GoB) has taken a project titled “Skills for Employment Investment Program (SEIP)” with the assistance of Asian Development Bank (ADB) and Swiss Agency for Development and Cooperation (SDC) to scale up skills of young workers and new entrants. As an implementing agency, SMESPD of BB will provide market oriented job training to 10,969 people by the end of December, 2018. As of June 2018, total 9,910 trainees have been enrolled in different courses. 7,840 trainees received certificate after successful completion and 4,600 trained personnel have been employed in different SME sectors and 1,431 have become self employed. It is expected that, majority of the trained people will start their own business; and a dedicated refinance scheme has already been in place to support those new entrepreneurs.

Implementation of New Projects

Local Finance Initiatives (LFI) Support to SMEs in Bangladesh

9.37 A pilot project in the name of “Local Finance Initiatives (LFI) - SME” has been initiated under the financing of United Nations Capital Development Fund (UNCDF). Objective of this project is to support prospective Women CMSME entrepreneurs in certain cluster for business development and making them eligible to avail loan facility from banking sector by providing collateral support. BB is implementing this project amounting to USD 0.2 million titled “Local Finance Initiative support to SMEs in Bangladesh (LFI-SMEs)” to facilitate a number of lagged behind Women SME entrepreneurs. BB has so far issued credit guarantee facility of BDT 6.8 million against disbursement of BDT 8.5 million by Participating Financial Institutions to six Women entrepreneurs.

Steps Taken by Bangladesh Bank for Development of CMSMEs until June 2018

9.38 Major initiatives of BB for promoting credit flow to CMSME sector are-

- CMSME credit disbursement target has been revised to 20 percent of total loan portfolio for 2017 which should be increased to 25 percent by 2021 with minimum 1.0 percent increment in each year.
- To ensure sector-wise distribution of overall CMSME credit portfolio, a target

for at least 40 percent for manufacturing, 25 percent for service and a maximum ceiling of 35 percent for trading has been instructed by BB to be achieved by all Banks/NBFIs within 2021.

- CMSMEs have been redefined in line with the National Industrial Policy-2016 and 'turnover' for trading concern has been added as an additional criterion for sector determination.
- Maximum credit limits for different type of CMSMEs have been imposed and 'Trading Industry' has been removed from medium and cottage category.
- Banks and NBFIs are instructed to provide three months grace period for one year term loan and three to six months grace period for medium to long term loan based on banker-customer relationship.
- To enhance CMSME activities, quarterly monitoring meeting is held with SME heads of Banks and NBFIs regularly. Also, CMSME monitoring cell has been established in all branches of BB. Banks and NBFIs are also performing three stages SME monitoring for better outcome.
- Expanding finance to Women Entrepreneurs in CMSME sector by extending credit facility without collateral security amounting up to BDT 2.5 million only against personal guarantee.
- New Entrepreneurs Refinance Scheme in CMSE Sector allows collateral security free financing more than BDT 1 million case to case basis and collateral security supported financing up to BDT 2.5 million for New Entrepreneurs.

- Cluster based financing to CMSMEs has been expedited. Banks and NBFIs are advised to formulate a cluster development policy for strengthening existing clusters and developing new clusters.

Special Incentives for Women Entrepreneurs

9.39 Sustainable economic development is barely possible without women empowerment. For mainstreaming women in economic activities, SME & SPD of BB has taken a number of policy initiatives to ensure women entrepreneurs to have financial facilities on simple terms and conditions. Some of the initiatives of BB are outlined below –

- To ensure loan facility for CMSE Women Entrepreneurs, at least 15 percent of total Small Enterprise Refinance Scheme has been allocated for them.
- Instructions have been given for establishing separate 'Women Entrepreneurs' Dedicated Help Desk' in each branch of every Bank and FI. If possible, they are also advised to employ a women official in the desk to provide suggestions and services towards women entrepreneurs regarding project preparation, loan application process etc.
- Instructions were given to Banks and NBFIs to consider sanctioning loan up to BDT 2.5 million to women entrepreneurs without collateral security but against personal guarantee under the refinance facilities provided by Bangladesh Bank.
- In order to include a large number of micro women entrepreneurs in the CMSME credit facilities, a policy of group-based lending has been initiated. Women entrepreneurs in the rural areas are getting benefit of such initiative.

- In order to engage women entrepreneurs in industry and manufacturing sectors, emphasis has been given on encouragement, training, cluster approach etc. and Banks and NBFIs have been advised accordingly.
- In order to expedite the process of women entrepreneurship development, recently BB has opened a separate “Women Entrepreneurs Development Unit” in its head office and branch offices. All Banks and NBFIs are also advised to open such unit.
- A maximum lending cap of 9 percent (Bank rate + Maximum 4 percent spread) has been imposed for financing to women led enterprises under all refinancing scheme.
- Banks and NBFIs have been instructed to provide credit to new women entrepreneurs under cottage, micro and small sectors.
- All Banks and NBFIs are advised to find out and train at least three (03) prospective CMSME Women entrepreneurs who have not received any financing yet per branch and finance at least one (01) of them.
- A UNCDF funded pilot project is currently in place to support women led CMSME Enterprise financing by providing credit guarantee against their borrowing under certain terms and conditions.

Microcredit Operations of Grameen Bank and the Large MFIs

9.40 The success of Bangladesh Microfinance operation is now globally accepted

Table 9.10 Microcredit Operations of Grameen Bank and Large MFIs

	(In billion BDT)		
	FY16	FY17	FY18
1. Disbursement	662.61	831.56	964.65
i) Grameen Bank	169.33	207.89	243.21
ii) BRAC	218.51	266.63	318.06
iii) ASA	209.05	269.59	296.81
iv) TMSS	26.20	33.06	43.23
v) BURO Bangladesh	39.52	54.39	63.34
2. Recovery	444.27	731.74	906.22
i) Grameen Bank	181.00	182.70	225.59
ii) BRAC	193.60	238.98	285.76
iii) ASA	176.49	234.87	299.51
iv) TMSS	24.52	29.14	38.28
v) BURO Bangladesh	31.55	46.05	57.08
3. Outstanding Loans	396.75	496.24	561.44
i) Grameen Bank	109.39	134.57	152.20
ii) BRAC	127.83	155.48	184.71
iii) ASA	120.28	154.71	161.99
iv) TMSS	14.82	18.70	23.50
v) BURO Bangladesh	24.43	32.78	39.04
4. Loans Overdue	7.47	7.80	13.28
i) Grameen Bank	1.27	0.56	0.50
ii) BRAC	3.02	2.35	4.39
iii) ASA	2.38	3.67	6.35
iv) TMSS	0.33	0.56	0.74
v) BURO Bangladesh	0.48	0.66	1.30
5. Overdue as percentage of outstanding	1.88	1.57	2.37
i) Grameen Bank	1.16	0.41	0.33
ii) BRAC	2.36	1.51	2.38
iii) ASA	1.98	2.37	3.92
iv) TMSS	2.24	3.02	3.13
v) BURO Bangladesh	1.96	2.00	3.33

Source: Microcredit Regulatory Authority (MRA)

issue. BB has taken strong pro-active role to improve the access to credit and other financial services specially for the unbanked and poor segment of population of the country through various financial inclusion initiatives. ICT based financial instruments (mobile banking) and introduction of agent banking have changed the landscape of financial service access to the poor in both rural and urban areas. More

than a thousand of NGO-MFIs are operating their activities in Bangladesh. The number of registered MFIs as well as number of borrowers and savings per borrower has been steadily increasing. At the end of June 2018, 705 licensed MFIs and 128 provisional licensed MFIs provided microfinance services to 30.5 million people which was 28.9 million in FY17.

9.41 Palli Karma Sahayak Foundation (PKSF) has been established in line with the

own thoughts and ideas of the Government of Bangladesh to broaden and smoothen microfinance modality. Since inception in May 1990, the PKSF has been working as an apex microcredit funding and capacity building organisation for alleviating poverty by providing microcredit to the poor through its partner organisations (POs). The loan given by PKSF to 177 POs was BDT 310.5 billion in FY18, which was BDT 32.93 billion or 11.87 percent higher than Taka 277.5 billion in FY17.