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Head Office
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Agriculture Credit & Specials
Programs Deptt.

ACSPD Circular No. 01

Dated:02/05/04.

All Scheduled Banks/
Financial Institutions in Bangladesh

Refinance Scheme for Small Enterprises Sector

To help employment generation through growth and development of small enterprise sector of the country, Bangladesh Bank has undertaken a scheme with a special fund of taka one hundred crore to provide refinance to banks and financial institutions against lending to small entrepreneurs. The main features and terms conditions of the scheme are as follows:

1. An enterprise having fixed assets not exceeding taka one crore will be considered as a small enterprise for the purpose of the scheme.
2. Banks and financial institutions will be given 100% refinance against disbursement of both working capital and term loans to the small enterprise sector; the amount for an individual borrower shall range from taka 2.00 lac to taka 50.00 lac. Refinance will be available on 'first come first serve basis'.
3. Interest on Bangladesh Bank refinance will be charged at prevailing Bank rate. The lending banks or financial institutions will apply their own interest rate on the loans made to the ultimate borrowers.
4. Banks and financial institutions will apply for refinance to Bangladesh Bank in the prescribed forms against disbursement of loans on quarterly basis.
5. Banks and financial institutions interested to obtain refinance facility under the scheme will submit a statement to Bangladesh Bank forecasting a realistic projection of fund requirement over a six month period.
6. Refinance will be available for short term working capital loans as well as for medium and long term loans. Working Capital loans will have a maximum maturity period of one year

while medium and long term loans will have maximum maturities of three years and five years respectively.

7. Refinance loan received by banks and financial institutions from Bangladesh Bank will have the following repayment schedule :

- a) Working capital loan: Repayable within one year from the date of disbursement in two equal half yearly instalments with interest.
- b) Medium term loan: Repayable within three years including six months grace period in five equal half yearly instalment with interest.
- c) Long term loan: Repayable within five years including six months grace period in nine equal half yearly instalments with interest.

8. If any bank or financial institution fails to repay any instalment of the outstanding loan as per aforementioned repayment schedule, Bangladesh Bank will realise the instalment amount with interest by debiting the current account of the concerned bank or financial institution maintained with Bangladesh Bank.

9. Decision regarding borrower selection, loan sanction, debt equity ratio, margin requirement, supervision of loan utilization etc. will be taken by the lending banks/institutions themselves on the basis of their own rules and practices as well as on the basis of banker-customer relationship. Repayment of outstanding refinance loan to Bangladesh Bank will not be contingent on the lending institutions' recovery of loans from the borrowers.

10. Banks and financial institutions having more than 10% classified loans on their small loans portfolio (covering loan accounts upto taka 50.00 lac) will not be eligible for refinance under the scheme.

11. Refinance facility under the scheme will not be applicable for personal or consumer loans.

12. Banks and financial institutions those are interested to avail of refinance facility under the scheme will have to enter into a participation agreement with Bangladesh Bank..The refinance loan sanctioned in favour of a bank or a financial institution will be released on production of a

Demand Promissory note and other usual documents by the concerned bank or financial institution to Bangladesh Bank.

13. If any bank or financial institution receives refinances under the scheme on the basis of statement or information which may subsequently prove to be false or incorrect, it will be liable to pay penalty to Bangladesh Bank at the rate of 5% above the Bank Rate on the refinanced amount.

14. Banks or financial institutions will furnish statements/information in the form and manner as called for by Bangladesh Bank regarding utilisation of the refinance facility.

15. Refinance under the scheme will be applicable for loan and advances sanctioned and disbursed after the date of issuance of this Circular.

Bank and financial institutions interested to apply for refinance facilities under the scheme are advised to collect the prescribed application form along with the formats of participation agreement and Demand Promissory note from the Agricultural cultural Credit Department of Bangladesh Bank.

Meanwhile, please acknowledge receipt.

Yours faithfully

(Nitai Das Saha)
General Manager
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