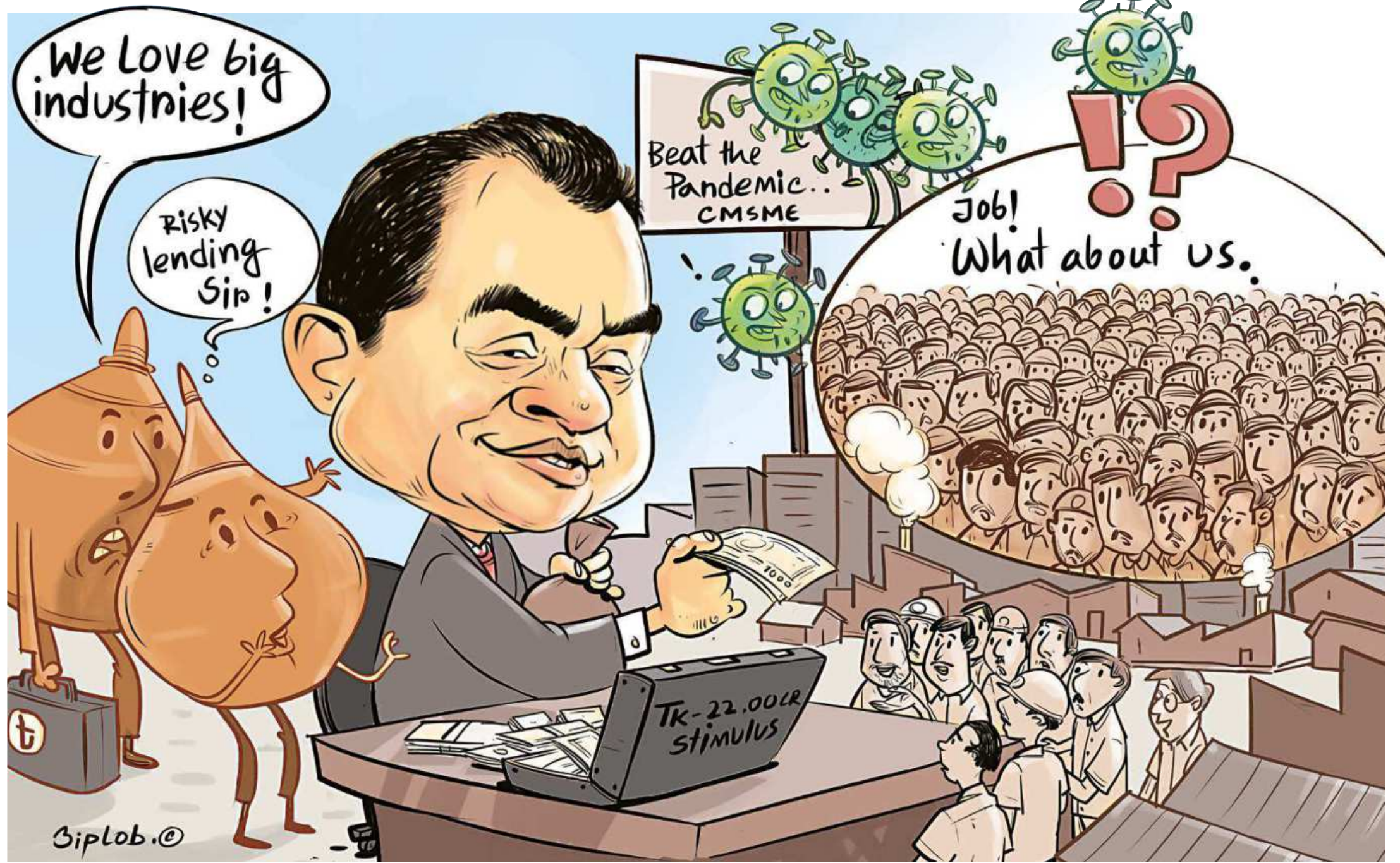


Moment to fix the SME sector



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repercussions of so many going bust: the loss of livelihoods, jobs, future tax revenues and economic output.

One of the common complaints from CMSMEs for being shut out of proper financial institutions is their inability to provide collateral.

Why not make lending cash flow-based instead? At present, such form of lending is extended to large industries, which can manage collateral and have a good relationship with bankers to be

able to manage funds regardless.

Besides, the default rate of the cottage and micro industries is much less than the large industries. In a country where single large borrowers make way with Tk 5,000 crore, how much of a dent of a default by the CMSMEs going to create?

To facilitate access to finance for small businesses, Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industry, which works extensively with the sector, called for an SME bank.

"When there are so many banks in the country, what harm would another bank do? While the government has BASIC Bank to lend to SMEs, but it is just in name. Does it actually lend to such enterprises?"

He went on to call for a different single-borrower exposure limit of Tk 2 crore for the state bank such that it is compelled to lend to SMEs and not large industries.

An SME bond would also help in channelling much-needed funding to the sector, Rahman said.

The fund raised by the bond would be invested in SMEs.

A digital marketplace for SMEs to market their products would also help the myriads of SMEs to thrive.

Rahman went on to cite the case of Alibaba in China, where the majority of the sellers in the marketplace are SMEs.

Getting SMEs into the formal banking umbrella is also important and this is where the mobile financial services providers have a spearheading role.

"But the high taxes on the MFS

players is not going serve the cause. Ultimately, those will be passed on to the customers."

At present, the MFS players have to pay 15 percent value-added tax on transactions as well as 10 percent advance income tax at the agents' level and 12 percent at the distributors' level.

Rahman also called for an SME Act rather than the existing SME Policy 2019, which is not being followed faithfully.

"Without any policy overhaul, I don't see a bright future for the SMEs."

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