## What goes wrong with the credit guarantee scheme?



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The stimulus package for the CMSME (Cottage, micro, small, and medium sized enterprises) sector has failed to get momentum despite the fact that Bangladesh Bank rolled out a credit guarantee scheme (CGS) to prop up

The central bank drew up the scheme on July 23 last year as banks consistently showed reluctance to give out loans under the stimulus package amounting to Tk

Lenders will be allowed to avail 30 percent of their total distributed loans from the scheme, worth Tk 2,000 crore, if the amount disbursed becomes defaulted, according to the central bank guideline.

Besides, lenders will get 80 percent of eir disbursed funds to a single enterprise if the amount turns classified.

The scheme was supposed to encourage lenders to expedite the loan distribution but it has failed to play its due role because of its complicated terms and conditions.

According to the guidelines of the central bank, under the guarantee scheme, it is required to fulfill several terms and conditions and attach at least 20 types of documents for the disbursement of a loan: BA Shaminoor Rahman, executive vice

দেশের অর্থনৈতিক উন্নয়নের লক্ষ্যে এসএমই ব্যাংকিংয়ের আওতায়

এক্সিম ব্যাংকের বিনিয়োগ সেবা

president and head of MSME, Bank Asia, said, "Some criteria were set for selection of borrower such as -- what was his working capital? How much damage has been done? It would be difficult to cover those issues.

Besides, if the loan is classified, the lender will have to file a case against the borrower to claim the money under the scheme.

MD Karuzzaman Khan, head of SME and senior vice president of Lankabangla, said, "Under this scheme, if the loan is defaulted, it will take at least three years to get fund from the scheme after completing all processes including legal steps, which is very lengthy process.'

Syed Abdul Momen, head of SME Banking Division of BRAC Bank Limited said, "Clients will have to pay a 1 percent commission on their loans to banks when they avail the fund which is another burden for the borrowers."

Md Mahbubur Rahman Palash, executive vice president and head of MSME & Emerging Business Division, Dhaka Bank Limited, said, "Banks will not be interested in this scheme unless it is revised. If it had been favorable for us, the disbursement of Tk 20,000 crore stimulus package of would have already ended."

> "Banks tend to provide large-

scale loans; even

if they provide SME loans, those

mostly go to men because

and heavier monitoring by banks of the SME

loan programmes

are solutions to these issues.

An official of Bangladesh Bank, seeking anonymity, said it is not possible to complete the whole

scrutiny, he said. He, however, said the response to this scheme has been muted. At the beginning of any initiative, it is not unusual to get a lackluster response as people take time to understand

process instantly. Since the subject is

new, they have to go through much

the subject matter first, he said. "We hope it will take another one to two years to get familiarised with

it," he said. Mohammad Shams-Ul Islam, managing director and chief executive officer of Agrani Bank, said he thinks it will gradually become

"It needs to be fine-tuned. Since it is new, the problem will be solved gradually," he hopes.

Seeking anonymity, an official of a state-owned bank, said that the conditions of the central bank are difficult to meet at the implementation stage.

SME entrepreneur Shefali Akter, a proprietor of Shapnanil Handicrafts in Jamalpur, said she did not understand the process

"If this scheme is not understood by the target group and they do not meet the conditions, then its implementation will never be possible," she said.

Shefali said she tried to get a loan from the stimulus package but failed to manage it. "We have suffered a huge loss due to the closure amid pandemic," she added.

As of June 10, banks disbursed about Tk 14,840 crore among 94,445 borrowers under the stimulus package since September last year which is 74.2 percent of the total fund, according to the central bank.

Some bank officials and CMSMEs said there are some other reasons behind the sluggish implementation of the stimulus package such as incapacity of the banks and their lack of mutual trusts with clients.

If a bank does not feel comfortable giving a loan to a customer and its collection is not guaranteed, then that bank will not be able to give out the loan, Momen further said.

If the CGS were accessible, it could have helped mitigate the concerns of the lenders and expedite the loan disbursement rate, according to many

Besides, due to conceptual limitations of clients, failure to provide all required documents is also a barrier in the loan disbursement process, they said.

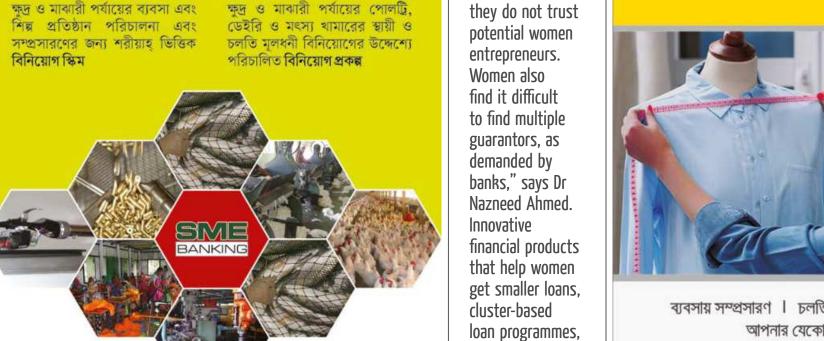
The CMSME sector is one of the sectors most adversely affected due to the impact of Covid-19 and the second wave has made their conditions even more miserable. There are about 7.76 million CMSMEs in Bangladesh.





আপনার এসএমই মর্টগেজ লোন ১৯৯৯ ১৯৯৯ % ইবিএল-এ টেকওভার করুন মাত্র

এছাড়া সকল ইবিএল এসএমই মর্টগেজ লোন এখন ৭.৫%



ব্যবসায় সম্প্রসারণ I চলতি মূলধন চাহিদা মেটানো I অফিস/বানিজ্যিক স্পেস ক্রয়/নির্মাণ আপনার যেকোনো ব্যবসায়িক প্রয়োজনে আমরা আছি আপনার সাথে

অফারটি সেপ্টেম্বর ৩০, ২০২১ পর্যন্ত প্রযোজ্য















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