



# AIMING TO BE GRASSROOTS

## Entrepreneurs' Complete Financial Partner

Tareq Refat Ullah Khan, Managing Director & CEO (Current Charge), BRAC Bank

**The Daily Star (TDS):** How does your bank currently support small and medium-sized enterprises (SMEs)?  
**Tareq Refat Ullah Khan (TRUK):** Since cottage, micro, small, and medium enterprises (CMSMEs) lack collateral, most banks are usually discouraged from providing them with financing support due to the risks involved in unsecured credit. Against this stark reality, BRAC Bank, the country's only SME-focused bank, remains true to its strong commitment to ensuring easy access to credit for grassroots entrepreneurs.

**BRAC Bank is the largest collateral-free CMSME financier in Bangladesh, with more than 85% of our small business loans provided without any mortgage. Since our inception in 2001, we have served around 20 lakh CMSMEs and disbursed BDT 200,000 crore in loans.**

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to be the complete financial partner of grassroots entrepreneurs.

We provide transactional and cash management services, foreign trade financing facilities, and a wide range of products and services to cater to every financial need of CMSMEs. We facilitate market access by connecting CMSMEs with one another to support their supply and value chains, thereby broadening their market opportunities. BRAC Bank offers comprehensive banking and financing support to women-led CMSMEs under its women banking proposition 'TARA'. We are proud to be the first bank in Bangladesh in the process of introducing an "SME Innovation Lab".

**TDS:** How does your bank reach SMEs in rural and hard-to-reach areas?

**TRUK:** BRAC Bank operates 446 SME Unit Offices, 191 branches, 80 sub-branches, 1,123 Agent Banking Outlets, and 330 ATMs across the country to cater to the daily banking needs of CMSME customers. This extensive network allows us to maintain a physical presence in many rural and remote areas, bringing banking services to the very doorsteps of SMEs. We have over 3,000 dedicated Relationship Officers engaged in SME banking services, fostering relationships and addressing all the banking needs of CMSMEs. Sixty per cent of our total

SME loans are disbursed in rural areas—this represents the highest rural penetration among local private banks.

**TDS:** What additional measures can banks take to better support SMEs, and what plans does your bank have in this regard?

**TRUK:** Banks should adopt a clear agenda to serve the CMSME (Cottage, Micro, Small, and Medium Enterprise) segment by tailoring products to meet their specific banking needs. Beyond financing, banks can invest in capacity building, networking opportunities, and market access facilitation to support the long-term sustainability of smallholder businesses. CMSMEs often require a hands-on, relationship-driven approach, which demands significant investment and ecosystem development through skilled human resources—a model BRAC Bank has embraced and one that can serve as an example for others in the industry.

BRAC Bank is in ongoing dialogue with Bangladesh Bank to promote more inclusive banking services. Drawing from our extensive experience in serving the CMSME sector, we recognise the need for specific policy reforms to ensure that CMSMEs have access to convenient, tailored banking solutions. At the same time, such reforms would encourage greater participation from banks in financing

this vital segment, creating a more supportive and sustainable ecosystem for small businesses across the country.

We are working towards a more simplified and convenient onboarding process for CMSMEs to access financial services, by leveraging technology. BRAC Bank is actively investing in digitisation to minimise manual interventions within the existing regulatory framework. To support CMSMEs' banking needs, we have introduced a Digital Loan Origination Solution (eLAP) for CMSMEs and are facilitating ASTHA & Corpnal for convenient B2B transactions. However, we believe that CMSME friendly policy reforms by the central bank and various government agencies would further empower CMSMEs in accessing banking services and enhance the ease of doing business. In my opinion, the key policy reform agenda that can be immediately addressed by the Government and Bangladesh Bank includes:

- Simplification of required legal documentation for CMSME loans, potentially based on loan ceilings.
- Immediate introduction of e-KYC for CMSMEs operating as proprietorship-based entities to facilitate faster onboarding into the banking system.
- Enabling the Credit Guarantee Scheme for all CMSMEs and simplifying the enrolment process.
- Online issuance of Trade Licences for a five-year tenure, with the platform being API-driven for use by banks and financial institutions.

• Allowing Bangladesh Bank's CIB records to be accessed instantly by banks.

• Implementing paperless digital signatures in place of wet signatures.

**TDS:** What kind of support do you need from the government to facilitate your efforts in assisting SMEs?

**TRUK:** The CMSME sector requires a number of reforms that various government agencies should implement. These reforms will enhance CMSMEs' access to banking services and may include, but are not limited to:

- Establishing a one-stop online service portal for the issuance of trade licences and other business-specific permits for starting a business,
- Digitisation of the account opening process and digital signature implementation,
- Simplification of the Credit Guarantee Scheme,
- Opening API access to the Credit Information Bureau,
- Providing tax rebates to banks on income earned from CMSME financing,
- Introducing separate tax slabs for CMSME businesses and offering rebates for transactions through banking channels,
- Recognising Electronic Fund Transfer instructions as Negotiable Instruments, and
- Encouraging digital storage of customer information.

## Small Enterprises, Big Impact

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This call to action underpins the National SME Policy 2025, which aspires to raise industry's contribution to national income to 40 percent by 2027. By protecting and nurturing domestic industries and positioning MSMEs as the primary engines of industrialisation, the policy aligns with Bangladesh's Five Year Plans, the nation's planned graduation from LDC status by 2027, and the United Nations' Sustainable Development Goals. These frameworks underscore the SME sector as a crucial pillar in the country's socio economic landscape.

### Formal Finance vs Informal Borrowing

Banks and NBFIs perform a pivotal role in formalising the financial lives of MSME entrepreneurs. In the absence of formal credit channels, many small business owners resort to NGOs or local moneylenders, often at exorbitant interest rates. This over reliance on informal borrowing can trap entrepreneurs in vicious cycles of debt, severely limiting their capacity for long term economic advancement.

Bangladesh Bank's latest Quarterly Statement of SME Loan Disbursement (October–December 2024) reveals that 386,907 CMSMEs received loans totalling BDT 62,580.78 crore, and 88,260.04 enterprises repaid BDT 57,234.03 crore. These figures indicate both the sector's considerable appetite for credit and the rhythm of repayment—though there remains substantial room for deeper outreach.

### Banking the Backbone: Institutional Perspectives

BRAC Bank, widely regarded as one of the country's most SME focused institutions, has served around two million CMSMEs since 2001, disbursing an impressive BDT 200,000 crore in loans. Managing Director and CEO (current charge) Tareq Refat Ullah Khan explains that BRAC Bank's mission goes beyond lending: "Our goal is greater than just being a lender—we aspire to be the complete financial partner for grassroots entrepreneurs."

Banking experts highlight that loan access is just the first step. Adequate documentation, verified accounting, and the knowledge to transact safely within formal systems remain recurring challenges. Sheikh Mohammad Maroof, MD

& CEO of Dhaka Bank, describes a joint initiative with Bangladesh Bank and the SME Foundation: "We deliver financial literacy and entrepreneurship development programmes to enhance business acumen and credit readiness among MSMEs. Furthermore, we actively participate in credit guarantee schemes designed to mitigate lender risk and encourage broader access to credit."

### Empowering Women Entrepreneurs

Women led MSMEs face distinct barriers—from lack of collateral to time constraints and social norms. To bridge this gap, banks and NBFIs have crafted tailored products. IDLC Finance's Managing Director & CEO, M Jamal Uddin, highlights the "Purnota" loan product: "Women led MSMEs often face deeper barriers.

underscores this need: "The path forward requires coordinated effort across all stakeholders. We need expanded credit guarantee schemes that give banks confidence to increase collateral free lending. A centralised digital MSME registry connected to NID and tax systems, as well as credit risk scoring, would revolutionise how we assess and serve these businesses."

### Role of Policy Reform

A legislative requirement for SME directed lending—such as the proposed 25 percent quota—would compel banks to maintain balance between credit to large scale corporates and grassroots entrepreneurs. Simultaneously, mandating large industrialists to source funds through the stock market rather than banks could reduce systemic risk and discourage



PHOTO: STAR

With our dedicated Purnota women entrepreneur loan product, we not only provide loans with favourable terms but also offer mentorship and training."

Echoing this commitment, Ali Reza Iftekhar, MD & CEO of Eastern Bank, points to "EBL Mukti", the country's largest collateral free loan exclusively for women owned businesses: "EBL has signed agreements with Bangladesh Women Chamber of Commerce & Industry and the Chittagong Women Chamber of Commerce & Industry. Our SME loan designed for women entrepreneurs named 'EBL Mukti' is the country's highest collateral free woman owned business loan."

**Bridging the Coordination Divide** Despite these successes, many stakeholders agree that isolated interventions cannot fully catalyse change. Coordinated policy, data integration and ecosystem wide reforms remain essential. Trust Bank's Managing Director & CEO, Ahsan Zaman Chowdhury,

non performing loans.

The National SME Policy's target of a 40 percent industry share by 2027 is ambitious but achievable given the scale—and resilience—of MSMEs. Coordinated reforms across licensing, credit guarantee schemes, digital identity frameworks, tax incentives, and financial literacy campaigns can unlock latent growth.

Moreover, public private partnerships—with development agencies, donor organisations and fintech innovators—must converge around joint capacity building, market linkage and cluster development initiatives.

As the nation moves towards Graduation from LDC status and the realisation of the SDGs, the MSME sector must be at the heart of the journey. With strong coordination among the government, regulators, banks, NBFIs, NGOs, and the entrepreneurs themselves, MSMEs can truly drive Bangladesh forward—into a future defined by shared prosperity, innovation, and sustainable growth.

## সিএমএসএমই বিনিয়োগে এগিয়ে যাবে ব্যবসা সমৃদ্ধ হবে দেশ

উদ্যোগ যেমনই হোক শুরুটা হোক আল-আরযাহ্‌ সাথে

দেশের অর্থনৈতিক উন্নয়নে কৃষির, ক্ষুদ্র ও মাঝারি উদ্যোগগুলোর পাশে, সমগ্র শর্তে MSME বিনিয়োগ সুবিধা নিয়ে পাশে আছে আল-আরযাহ্‌ ইসলামী ব্যাংক পিএলসি। ক্ষুদ্র ব্যবসায়ী, কৃষক, মহিলা উদ্যোক্তা, নতুন উদ্যোক্তা, অধিক উদ্যোগজনের জন্য আল-আরযাহ্‌ বিনিয়োগ সুবিধা।

ক্ষুদ্র ও মাঝারি বিনিয়োগ প্রদান  
বাংলাদেশের প্রতিটি কোণে

### বিনিয়োগ প্রকল্পসমূহের নাম

- **স্মল এন্টারপ্রাইজ ইনভেস্টমেন্ট ফ্রীম**  
ক্ষুদ্র ও মাঝারি ব্যবসার বিকাশে সহায়তা প্রদান
- **এসইএফ ফেল্ডিপল**  
বাংলা উদ্যোক্তা ও ক্ষুদ্র ব্যবসায়ীদের উন্নয়নকারী উদ্যোগ বিনিয়োগ
- **মাইক্রো এন্টারপ্রাইজ ইনভেস্টমেন্ট ফ্রীম**  
ক্ষুদ্র ও মাঝারি ব্যবসায়ীদের উন্নয়নে সহায়তা প্রদান
- **কম্বাইন এগ্রিকালচার ইনভেস্টমেন্ট ফ্রীম**  
এগ্রিকালচার উন্নয়ন, পরিষ্কার উন্নয়ন ও ক্ষুদ্র কৃষকদের আর্থিক সহায়তা প্রদান
- **আল-আরযাহ্‌ নারী উদ্যোগ**  
দেশে ক্ষুদ্র নারী উদ্যোগজনের বিকাশে সহায়তা প্রদান

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