



# BUILDING MSME

## Solutions Around Real Entrepreneurial Needs

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**The Daily Star (TDS):** How do you assess the current state of the MSME sector in Bangladesh, and what role do you think banks can play in accelerating its growth?

**Ahsan Zaman Chowdhury (AZC):** The MSME sector truly represents the backbone of our economy, contributing around 25% of our GDP and providing livelihoods to millions of Bangladeshis. When I travel across the country and meet these entrepreneurs, I see incredible determination and innovation—but

**We need to move beyond conventional thinking and offer products that genuinely serve these businesses—collateral-free loans, flexible repayment schedules that align with seasonal cash flows, and simplified application processes.**

also significant challenges. The biggest hurdle remains access to finance: many brilliant business ideas never take off simply because traditional banking requirements do not align with how MSMEs actually operate.

Banks like ours have a responsibility to bridge this gap. We need to move beyond conventional thinking and offer products that genuinely serve these businesses—collateral-free loans, flexible repayment schedules that align

with seasonal cash flows, and simplified application processes. Digital tools are game-changers here, allowing us to assess creditworthiness through transaction patterns rather than the traditional methods of loan evaluation. When we work in partnership with policymakers and institutions such as Bangladesh Bank, we can build an ecosystem that truly nurtures MSME growth.

**TDS:** What are the major challenges MSMEs face in accessing finance, and how is your bank addressing these issues—especially for micro and cottage industries?

**AZC:** The challenges are deeply rooted in the way formal banking has traditionally operated. Most micro and cottage enterprises function informally, maintain minimal records, and lack the collateral that banks typically require. They are often run by individuals who understand their businesses inside out but may lack the financial literacy to navigate complex banking procedures.

At Trust Bank, we have completely reimagined our approach. Our 'Trust Ekota' uses group-based lending models where community trust forms the foundation for credit decisions. We have invested heavily in training our officers to better understand these businesses and to use alternative methods for assessing creditworthiness—such as mobile money transactions, supplier relationships, and community

reputation, rather than solely relying on bank statements.

**TDS:** Does your bank have any dedicated products, financial literacy programmes, or credit guarantee schemes targeted at MSMEs? Please share key initiatives.

**AZC:** We have built our MSME portfolio around understanding real needs rather than forcing entrepreneurs into standard banking frameworks. 'Trust Ekota' focuses on micro-entrepreneurs who benefit from group support and shared responsibility. 'Trust Projukti' is designed for light engineering businesses requiring flexible terms tailored to their project cycles. 'Trust Uddoyog' helps start-ups launch with minimal barriers.

But products alone are not enough. Our financial literacy programmes help entrepreneurs gradually transition from informal to formal business practices. We work closely with local communities, conducting workshops in Bengali on practical topics such as record-keeping, tax compliance, and business planning.

**TDS:** How has your bank leveraged technology or digital banking solutions to improve outreach and services to MSMEs, particularly in semi-urban and rural areas?

**AZC:** Technology is transforming how we serve MSMEs, but we've learned that it must complement—

not replace—human relationships. Our Trust Money App and Internet Banking enable entrepreneurs to transfer funds instantly, open Time Deposits, and manage DPS facilities without travelling to branches—crucial for businesses in remote areas where time away from operations means lost income, thus significantly reducing transaction costs.

What makes our approach unique is the combination of digital convenience and personal service. While clients handle routine transactions through the app, our relationship officers maintain close connections with entrepreneurs, understanding their evolving needs and providing guidance when challenges arise.

We have significantly enhanced our digital KYC processes, making account opening much faster—especially important for women entrepreneurs who may face additional barriers in accessing branches.

Our officers conduct regular field visits to build trust within local communities and gain deeper insight into the unique challenges faced by rural entrepreneurs. This personal approach has proven particularly effective with first-time bank users who require reassurance alongside convenience.

**TDS:** What steps is your institution taking to support women-led MSMEs and promote financial inclusion among underrepresented segments?

**AZC:** Supporting women entrepreneurs is not just good business—it is essential for Bangladesh's economic future. 'Trust Sristi' removes traditional barriers with just a 500 taka opening deposit and includes free digital banking and insurance coverage. Most importantly, 'Trust Nondini' provides substantial unsecured loans of up to 25 lakh taka, specifically designed to accommodate

widows and divorced women without requiring spousal guarantees—recognising that women's financial independence should not depend on male relatives. Our business advisory services are tailored to women-led enterprises, helping them navigate both financial and operational challenges.

**TDS:** Looking ahead, what policy reforms or collaborative efforts between banks and the government would you recommend to ensure sustainable development of Bangladesh's MSME ecosystem?

**AZC:** The path forward requires coordinated efforts from all stakeholders. We need expanded credit guarantee schemes to give banks the confidence to increase collateral-free lending. A centralised digital MSME registry, integrated with NID and tax systems as well as credit risk scoring, would revolutionise how we assess and serve these businesses.

Bangladesh Bank's refinancing programmes should be expanded with special provisions for women-led and rural MSMEs. The introduction of dedicated start-up refinance facilities would particularly benefit young entrepreneurs and innovative business models that traditional lending criteria might overlook. Equally important is the simplification of licensing and taxation procedures—many informal businesses want to formalise but find the process overwhelming.

Success depends on collaboration between banks, the government, NGOs, and fintech companies. Together, we can enhance financial literacy, improve market access, and ensure that technology serves inclusion rather than creating new barriers. The potential is enormous—we simply need the collective will to realise it.

## The MSME code: How banks are earning the trust of new entrepreneurs

AYMAN ANIKA

Zarin Hossain didn't grow up in a family of business owners. But at 28, she's running a menstrual hygiene brand with biodegradable packaging, fuelled by a loan from a bank that initially wanted none of it. "They said I didn't have the history," she says. "But how do you have history if no one lets you start?"

Her story is one of hundreds playing out across Bangladesh, where young people with ideas are increasingly turning to the MSME ecosystem not just for capital, but for a shot. And as more banks shift from traditional lending to ecosystem building, something unexpected is happening: risk is becoming opportunity, and small is starting to look mighty.

### The MSME backbone: Growing quietly, struggling loudly

The MSME sector isn't fringe; rather, it's foundational. This sector generates over 93 per cent of industrial output and employs nearly a third of the labour force in Bangladesh. Yet, paradoxically, only about 36 per cent of these businesses have access to formal credit—a financing gap estimated at nearly \$2.8 billion.

"Despite its potential, the sector remains underutilised due to informality, limited access to finance, and structural constraints," says M. Khurshed Alam, Additional Managing Director of NCC Bank. "Banks can play a transformative role by offering tailored solutions, simplifying lending, and supporting capacity building."

And some banks are doing just that.

### Beyond the form: Rethinking collateral and character

The most visible shift is the willingness to fund without the old crutches—collateral, extensive track records, or elite referrals.

BRAC Bank, a pioneer in this space, has disbursed over Tk 200,000 crore in SME loans since 2001. "More than 85 per cent of our small business loans are without any mortgage," says Tareq Relat Ullah Khan, current Managing Director and CEO. "We want to be the complete financial partner of grassroots entrepreneurs."

NCC Bank, meanwhile, has aligned its operations with government

refinance schemes and offers open credit through a simplified documentation process, especially targeting micro and cottage industries. "We've reduced our loan turnaround time and introduced cluster-based lending to cater to informal businesses that typically fly under the radar," adds Alam.

### Financial literacy: The hidden currency

A loan is only useful if you know how to use it.

Ali Reza Iftekhar underscores this point: "Entrepreneurs have low financial literacy, inadequate credit history and lack of business expertise... EBL has been hosting financial literacy programs all

banks think in terms of risk, and that helped me reframe my application. I didn't change my business, just my language."

**Policy as enabler: The road ahead**  
The consensus among banks is clear: policy must evolve alongside products. Credit guarantee schemes must be simplified. Tax benefits should incentivise banks to serve MSMEs. Digital infrastructure should be standardised for real-time data sharing.

As EBL MD and CEO Ali Reza Iftekhar suggests, "The government, in alliance with Bangladesh Bank, should establish new refinancing funds offering low-interest loans and partial credit guarantees to



over Bangladesh for three years now to create awareness and understanding."

This is echoed across the industry. Dhaka Bank's Managing Director and CEO, Sheikh Mohammad Maroof, adds that many MSMEs "face a range of structural and operational challenges... Limited financial literacy often prevents these businesses from navigating complex loan procedures."

From BRAC's "TARA" women entrepreneur workshops to EBL's rural seminars and Dhaka Bank's digital platform "i Samadhan," the idea is simple: demystify the system. That means training on accounting, proposal writing, inventory tracking, and even marketing.

For 25-year-old Rakin Zia, who runs a mushroom farming business outside Gazipur, one such workshop was a turning point. "I walked in with an idea and walked out with a pitch," he says. "The trainer explained how

banks for lending to export-oriented MSMEs adopting eco-friendly technologies."

### Rewriting the entrepreneurial narrative

If Bangladesh is to harness its demographic dividend, it must treat its young entrepreneurs not as fringe dreamers but as builders of a new economy. MSME loans are a start. But without education, digital access, gender sensitivity, and policy alignment, they risk becoming another tool that only the privileged few can wield.

For Zarin, the loan finally came after months of workshops, rewrites, and one very persistent mentor at a bank branch in Tejgaon. "It wasn't just about the money," she says. "It was that someone finally said, 'Yes, your idea has value.' That was the real breakthrough."

And sometimes, that's all a first-time entrepreneur needs.

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