

# EMPOWERING CMSES

## Through Collateral-Free Loan Access



Sohail R K Hussain  
Managing Director, Bank Asia

**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?

**Sohail R K Hussain (SRKH):** The MSME sector is the backbone of Bangladesh's economy, contributing around 32% to GDP and accounting for approximately 85% of total employment. Despite its significance, the sector continues to face key challenges such as limited access to formal finance, informality, outdated business practices, and

training, and leveraging digital platforms for credit scoring and approval processes, thereby reducing turnaround time and increasing access to finance. Enhancing mobile and internet banking services will also promote wider adoption of formal financial services. Supporting the formalisation of businesses through easy digital registration and documentation tools can bring more MSMEs into the formal economy. By establishing business incubation centres and offering mentoring and advisory services, banks can act not only as financial intermediaries but also as growth partners in unlocking the full potential of the MSME sector.

**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?

**SRKH:** Access to finance remains a major hurdle for MSMEs in Bangladesh—especially micro and cottage industries—due to inadequate collateral, low financial literacy, informal operations, and lack of proper documentation.

Bank Asia is actively addressing these challenges by offering collateral-free loans, with 12,900 such loans already disbursed to CMSEs. We've simplified loan processing, expanded agent

banking, and adopted digital platforms to streamline credit approvals. Special refinancing and credit guarantee schemes are in place to support women entrepreneurs and agro-processing businesses.

In 2024, we organised 92 financial literacy events, directly engaging 3,805 marginalised individuals, including 2,717 women. Our Financial Literacy Campaign 2024, conducted through a nationwide roadshow caravan, reached 66,306 people directly and raised awareness among over half a million individuals—fostering greater financial inclusion for underserved communities.

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

**SRKH:** Bank Asia PLC is deeply committed to supporting MSMEs through a range of specialised products, financial literacy programmes, and credit guarantee schemes. We offer collateral-free financing to cluster-based industries—such as the cloth cluster in Bogura and the electronics manufacturing cluster in Jurain, Dhaka.

The bank actively participates in Bangladesh Bank's credit guarantee schemes to improve access to finance

for small entrepreneurs. In partnership with Bangladesh Bank and SME Foundation, we also conduct financial literacy programmes targeting prospective and existing entrepreneurs. Additionally, we are introducing a special training programme for freelancers, designed to enhance their financial literacy, digital skills, and access to banking services. These initiatives collectively strengthen the MSME ecosystem and promote inclusive economic growth across the country.

**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?

**SRKH:** Bank Asia PLC has utilised technology to expand its reach by growing its agent banking network to over 5,000 outlets in rural and semi-urban areas, implementing e-KYC and digital document submission for CMSME loan applications, and providing digital platforms for an online loan approval system. These innovations have significantly improved MSMEs' access to financial and banking services, particularly benefiting micro and cottage sector businesses in rural areas.

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

**SRKH:** Bank Asia supports women-led MSMEs and underrepresented groups by offering tailored financial products, along with refinance facilities and credit guarantee schemes at preferential interest rates. The bank also provides

branding materials, distributes smartphones and biometric devices to women micro-merchants, and conducts training and workshops in collaboration with organisations such as Bangladesh Bank, SME Foundation, and WE Association to improve financial access and entrepreneurial skills. Additionally, Bank Asia has established 400 women's centres across its agent outlets. Currently, 11% of agent owners are women entrepreneurs, and over 1,000 women are employed at agent points under the agent payroll. Moreover, 62% of our agent banking customers—4.40 million—are women. We are set to introduce remittance-backed deposit products exclusively for women customers, aimed at encouraging savings and financial empowerment.

**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?

**SRKH:** To ensure the sustainable development of Bangladesh's MSME ecosystem, key policy reforms should include simplified documentation processes, comprehensive credit guarantee schemes for all microloans, insurance coverage support, tax incentives, and easier business registration. Collaboration between banks and the government should focus on expanding digital infrastructure, offering targeted financial literacy programmes, and strengthening refinancing facilities to support underserved MSMEs, particularly in rural areas and among women entrepreneurs.

## SIMPLER

### Loans, Smarter Assessments for MSMEs

M Jamal Uddin, CEO & Managing Director, IDLC Finance



**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?

**M Jamal Uddin (MJU):** The MSME sector in Bangladesh is the backbone of our economy, contributing significantly to employment and GDP. However, it remains underfinanced and underserved. Financial institutions must go beyond traditional banking—by offering need-based financial products, simplifying access through digitization, and embedding themselves as partners in growth. At IDLC, we believe in enabling progress. Our focus on CMSMEs is not just strategic—it's a commitment to inclusive economic development. CMSMEs currently contribute around 25% to Bangladesh's GDP. In comparison, MSMEs contribute about 60% to India's GDP, 50-60% to Vietnam's, and over 70% to China's. These figures highlight the growth potential of our local enterprises and the need for enhanced support to help them reach similar levels of economic impact.

**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?

**MJU:** MSMEs, particularly micro and cottage enterprises, face challenges like limited access to formal documentation, lack of credit history, and insufficient collateral. At IDLC, we've made it easier to apply for loans, started using new ways to understand a borrower's ability to repay, and strengthened our connections with local communities. We have

also tailored financial solutions with flexible terms and integrated business advisory to ensure these enterprises are not just financed—but guided.

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

**MJU:** Yes. Our offerings include SME Term Loans, Working Capital Financing, Seasonal Loans, and our specialized Women Entrepreneur Loan—Purnota. Beyond products, we prioritize capacity building. Through our dedicated financial literacy wing, we conduct financial literacy and business skills training for small entrepreneurs. We also participate in Bangladesh Bank's Credit Guarantee Scheme to enhance access for first-time borrowers with limited collateral.

**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?

**MJU:** Technology is a key enabler of inclusion. We've digitized SME loan processing through our Loan Origination System (LOS) and credit scorecards, ensuring faster turnaround times, fewer documents, and standardized assessments. Our mobile teams use digital tools to onboard clients even in remote locations, with tab banking allowing relationship managers to assist customers directly as a single point of contact. We've also centralized operations to reduce delays and improve service, streamlining everything through a digital-first approach. Our goal is to ensure that an entrepreneur in

Natore gets the same level of access and service as one in Dhaka.

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

**MJU:** Women-led MSMEs often face deeper barriers. With our dedicated Purnota - women entrepreneur loan product, we not only provide loans with favorable terms but also offer mentorship and training. We're also working to expand access for youth-led and differently-abled-led enterprises. As a signatory to the UNEP FI Net Zero Banking Alliance and Principles for Responsible Banking, we integrate gender inclusion and SDG alignment in our core lending practices.

6. 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?

We believe coordinated action is crucial. First, policy should promote blended finance and de-risking mechanisms for smaller enterprises. Second, simplification of trade license requirements and annual renewals, and business performance records would help build credible credit histories. Lastly, public-private partnerships in entrepreneur development and credit guarantee facilities should be scaled and designed to incentivize lenders. We urge regulators to support inclusive SME lending and create easier pathways for small businesses to access formal finance, aligning national development goals with grassroots entrepreneurship.



### এমডিবি সিএমএসএমই

### খণের মাধ্যমে হোক আপনার ব্যবসায়িক প্রবৃদ্ধি

দেশের অর্থনৈতিক অগ্রযাত্রায় সিএমএসএমই খাতের গুরুত্ব অপরিহার্য। এখানে অনেক সম্ভাবনাময় ব্যবসায়ী রয়েছেন, যারা এই খাতে স্বপ্ন প্রদান এবং মুদ্রাঙ্ক অর্জনের পথিকৃৎ সুযোগ সৃষ্টি করছেন। সিএমএসএমই খাতের সার্বিক উন্নয়নে ভূমিকা রাখতে এমডিবি'র রয়েছে একাধিক বিশেষায়িত সিএমএসএমই স্বপ্ন পথ।

**এমডিবি ব্যবসায় স্বপ্নঃ** ট্রেডিং খাতের ব্যবসায়ীদের সার্বিক সহায়তার জন্য প্রস্তুতকৃত এই স্বপ্ন পথের মাধ্যমে ব্যবসায়ের চলতি মূলধন ও মজুত পণ্য ক্রয়ের লক্ষ্যে আর্থিক সহায়তা প্রদান করা হয়।

**এমডিবি সেবা স্বপ্নঃ** সেবা খাতের ব্যবসায়ীদের জন্য প্রস্তুতকৃত এই স্বপ্ন পথের মাধ্যমে ব্যবসায়ের মূলধনি যন্ত্রপাতি ক্রয় ও পরিচালন ব্যয় নির্বাহের লক্ষ্যে আর্থিক সহায়তা প্রদান করা হয়।

**এমডিবি শিল্পায়ন স্বপ্নঃ** শিল্প খাতের ব্যবসায়ীদের জন্য প্রস্তুতকৃত এই স্বপ্ন পথের মাধ্যমে ব্যবসায়ের মূলধনি যন্ত্রপাতি ক্রয়, পরিচালন ব্যয় নির্বাহ, ব্যবসায়িক কাঁচামাল ও মজুত পণ্য ক্রয়ের লক্ষ্যে আর্থিক সহায়তা প্রদান করা হয়।

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