

# SUPPORTING MSMEs with Diverse Loan Products



Md. Ahsan uz Zaman  
Managing Director & CEO, Midland Bank

**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?

**Md. Ahsan uz Zaman (MAZ):** The MSME sector in Bangladesh plays a pivotal role in employment generation and GDP contribution, accounting for over 25% of the national GDP and significant industrial employment. However, despite its importance, the sector faces structural constraints, limited access to finance, and informal

business operations. banks can accelerate growth by developing tailor made products, simplifying credit processes, expanding cashless banking, and fostering partnerships with fintechs. Capacity building and strategic advisory services can also enable MSMEs to become more competitive and sustainable.

**MAZ:** Key challenges include:

- Lack of formal financial records and collateral
- High perceived credit risk
- Limited awareness of financial products
- Complex loan processing and documentation

To address these, our bank has simplified credit assessment through alternative data scoring and cash flow based lending models. For micro and cottage industries, we offer unsecured loans and seasonal credit products under a linkage programme. We've also strengthened our field level presence through dedicated Relationship Officers at our Branch, Sub Branch, SME Centre and Agent Banking Centre. Besides the above services, we run mobile banking initiatives to ensure last mile delivery of financial services.

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

**MAZ:** Our bank has introduced a range of MSME Loan products including specialised products and services for MSMEs. These include loans for MSMEs with adequate land wishing to build houses for rental/commercial purposes with flexible repayment options; a

women entrepreneur dedicated loan product with lower interest rates and relaxed documentation to support women led MSMEs; a start up loan facility for early stage businesses with limited assets and backed by innovative business models; a special loan product for marginalised people under the financial inclusion refinance programme; and separate loan products under various refinance and pre finance schemes of Bangladesh Bank. We are also collaborating with Bangladesh Bank's refinance schemes to reduce collateral dependency for MSMEs. We run regular financial literacy camps and workshops in rural and semi urban areas to enhance awareness and capacity among small business owners.

**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?

**MAZ:** While our full fledged digital or technology based SME banking platform is currently under development, we have already taken several foundational steps to improve outreach and service delivery to MSMEs, especially in semi urban and rural areas. These include:

1. Strengthening Agent Banking and Field Force Capabilities: enhancing our agent network and training Relationship Officers (ROs) and Relationship Managers (RMs) with digital tools for customer onboarding,

loan application collection and credit monitoring in underserved regions.

2. Piloting Mobile Based Loan Origination Tools: digitising SME loan origination and preliminary credit assessments to enable quicker service delivery and reduce dependency on physical branches.

3. Leveraging Existing Core Banking and CRM Platforms: integrating internal CRM and core banking systems to offer faster processing, centralised customer data and better service tracking for MSME clients.

4. Customer Awareness & Digital Readiness: conducting financial literacy campaigns and digital onboarding awareness sessions to prepare MSMEs—especially in rural areas—to adopt digital financial services once launched.

#### Future Roadmap:

Our upcoming digital SME banking suite aims to offer services such as online loan applications, automated credit scoring, mobile based transaction monitoring and digital document submission—tailored to the unique needs of MSMEs across diverse geographies. These innovations have not only increased MSME penetration but also enhanced credit quality through better monitoring and collection mechanisms.

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

**MAZ:** Our bank is deeply committed to inclusive banking. Key initiatives include:

- Dedicated Women SME Desks: available at all branches to offer personalised support to female entrepreneurs.
- Special Credit Lines: with lower

interest rates, longer repayment tenures, and flexible documentation for women led businesses.

- Partnerships with NGOs: ensuring timely loan disbursement to marginalised women entrepreneurs and farmers.

- Social Awareness Campaigns: promoting female entrepreneurship and inclusion through digital and community based platforms.

We closely monitor the disbursement ratio to ensure equitable access and continuously review policies to reduce gender based financial barriers.

**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?

**MAZ:** To ensure long term sustainability, I recommend the following:

- Digitised Business Identity & Credit Scoring System: government backed unified platforms to help banks assess MSMEs more effectively.

- Expanded Credit Guarantee Programmes: with shared risk models to encourage banks to lend to new and small borrowers.

- Tax Incentives for Formalisation: to encourage MSMEs to register and maintain financial records.

- Capacity Development Programmes: joint initiatives between banks, regulators and development partners to provide entrepreneurship training.

- Infrastructure Development: reliable logistics and digital connectivity in rural areas to unlock growth for rural MSMEs.

A strong public-private partnership is essential to build a robust, inclusive and innovation driven MSME sector in Bangladesh.



PHOTO: PRABIR DAS

## FINANCING HER INITIATIVES

SAUDIA AFRIN

Despite growing participation in the economy, women entrepreneurs in Bangladesh continue to face systemic barriers that limit the scale and scope of their business ventures. From limited access to credit to entrenched gender norms, the challenges are both structural and social. Particularly within the cottage, micro, small, and medium enterprise (CMSME) sector, women-led businesses often struggle to secure financing due to lack of collateral and perceived risk.

However, this narrative is gradually shifting. With growing awareness of the need for inclusive growth, banks and financial institutions are increasingly introducing women-centric products tailored to the unique needs of female entrepreneurs—aiming to unlock their economic potential and promote sustainability.

According to the Asia Foundation's Annual Report 2022, 46% of SMEs received loans to expand their businesses, with 91% reporting increased income. Despite success stories where women-driven initiatives significantly contribute to family and national economies, the number of women-led SMEs remains relatively low. While Bangladesh ranks 59th in the World Economic Forum's Gender Gap Index 2023, it stands 139th out of 146 in women's economic participation, reflecting

the deep-rooted barriers to financial inclusion and leadership.

"Bangladesh has made progress in gender equality through policies and legislation, but their effectiveness remains limited," said Professor Muhammad Shahadat Hossain Siddiquee, Economics Professor at the University of Dhaka. He suggested creating opportunities for women and fostering a business-friendly environment to encourage more women to venture into entrepreneurship.

Access to formal credit remains a persistent hurdle for MSMEs, largely due to low financial literacy, inadequate credit history, and lack of business expertise. Sangita Ahmed, Senior Vice President of the Bangladesh Women Chamber of Commerce and Industry (BWCCI), highlights another layer of the problem: "Women's contributions often go unrecognised, as many run unregistered businesses without licences or tax records. This makes accessing financing—whether credit or other services—much more difficult. Alarming, only 1.7% of women-owned enterprises in Bangladesh are formally registered, far below the global average of 14.5%." She also cites limited mobility, lower access to information, and weak integration into the mainstream supply chain as additional factors that place women entrepreneurs at a disadvantage compared to men.

To address these challenges,

several banks have introduced targeted lending products and support programmes aimed at women-led MSMEs. Through their 'EBL Mukti' loan facility, EBL offers financing of up to BDT 1 crore, collateral-free up to BDT 50 lakh, specifically designed to empower female entrepreneurs.

BRAC Bank offers comprehensive banking and financing solutions for women-led CMSMEs through its dedicated women banking proposition, TARA. "We go beyond traditional banking by organising networking events and capacity-building workshops to equip SME owners, especially women, with the skills they need for entrepreneurial success," said Tareq Refat Ullah Khan, Managing Director and CEO (Current Charge) of BRAC Bank.

Highlighting Dhaka Bank's commitment to supporting women-led MSMEs, Sheikh Mohammad Maroof, Managing Director and CEO of Dhaka Bank, said, "Our efforts include a range of financing and capacity building initiatives designed to empower women entrepreneurs." Among these initiatives is the Oditiya Loan, an EMI-based product tailored to help women-led businesses acquire assets and expand their operations sustainably.

Some banks are offering EMI-based loans to help women acquire assets and scale their businesses sustainably.

SEE PAGE J11

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