MSME DAY 2026

The Daily Star
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ASHAR 16, 1433 BS
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MASHRUR AREFIN
Managing Director & CEO
City Bank PLC

> City Bank remains a leader in digital innovation, from the pioneering Citytouch app to Bangladesh's first AI-driven, fully automated loan. By using transaction data for instant assessment and mobile-wallet disbursement, we have collapsed a week-long lending process into seconds.

Transitioning MSMEs to DIGITAL CREDIT

City Bank PLC

From AI-driven lending to specialised support for women and youth, City Bank is dismantling traditional barriers to ensure that inclusive, data-driven finance reaches every corner of the country. On the occasion of MSME Day 2026, Mashrur Arefin, Managing Director & CEO of City Bank PLC, discusses the bank's strategic evolution to support a new era of digital-native entrepreneurs.

The Daily Star (TDS): The theme for MSME Day 2026 is "The Future Generation of MSMEs." How is your bank changing its plans to support this new group of young and modern entrepreneurs?

Mashrur Arefin (MA): City Bank is evolving to support a new generation of digital-native, diverse entrepreneurs. By shifting from collateral-based lending to data-driven, cash-flow assessments, we've moved beyond traditional branches to provide proactive, tech-enabled credit. At City Bank, we began preparing for this shift back in 2018, when we transitioned CMSME banking to a decentralised, door-to-door sales acquisition model, allowing credit to reach the entrepreneur rather than requiring them to visit a bank branch. Through initiatives like Digital Nano Loans and City Alo, we provide the instant capital and mentorship modern businesses need to build their first credit history.

TDS: It is often hard for very small (cottage/micro) businesses to get loans. What new methods are you using to provide loans without requiring security (collateral), and are these reaching people who have never had a bank account before?

MA: To dismantle traditional barriers, City Bank has replaced collateral requirements with AI-driven, data-based assessments. Through Bangladesh's first instant Digital Nano Loans and end-to-end digital SME loans, we provide immediate, small-ticket funding via mobile platforms. By leveraging MFS partnerships and Agent Banking, we have brought hundreds of thousands of first-time borrowers into the formal system, building bankable credit histories for the previously underserved.

TDS: This year focuses heavily on youth and women. What special loan packages or services do you offer to help young entrepreneurs and women grow their businesses?

MA: City Bank prioritises women and youth through specialised financial and non-financial support. Our City Alo platform provides women-led businesses with discounted interest rates, insurance, and university-backed management training. For young entrepreneurs, we offer a credit ladder starting with instant Digital Nano Loans that graduate into larger CMSME facilities and startup financing as their businesses mature.

SOHAIL R K HUSSAIN
Managing Director
Bank Asia PLC.

> We expect MSME to become more technology-driven, formalised and better integrated into domestic and global value chains. At the same time, entrepreneurs will need to adapt to increasing competition, digital transformation, climate risks and changing market demands.

EMPOWERING the Next Generation of MSMEs

Bank Asia PLC

On MSME Day 2026, the focus is on a new generation of tech-savvy entrepreneurs. To drive Bangladesh's economy, these innovative MSMEs need a banking partner that matches their digital pace.

The Daily Star (TDS): How is your bank changing its plans to support this new group of young and modern entrepreneurs?

Sohail R K Hussain (SRKH): As we celebrate MSME Day 2026 under the theme "The Future Generation of MSMEs," we recognize that today's entrepreneurs are younger, digitally savvy, innovation-driven, and more ambitious than ever before. At Bank Asia, we are transforming our approach to meet these evolving needs. We are investing in digital banking capabilities to provide faster, simpler, and more accessible financial services. In parallel, Bank Asia has embarked on a comprehensive business transformation program with a strategic focus on increasing SME and retail portfolio to 40% of bank's total portfolio over the next three to four years.

TDS: It is often hard for to get loans. What new methods are you using to provide loans to very small (cottage/micro) businesses without requiring security (collateral) ?

SRKH: Access to finance remains a major challenge for cottage and micro enterprises. At Bank Asia, we are moving beyond traditional collateral-based lending by offering collateral-free loans to eligible CMSE customers, with greater emphasis on business viability, cash flow and repayment capacity.

TDS: How do you make sure that small businesses in remote villages get the same banking services and support as those in big cities?

SRKH: Bank Asia bridges the geographical gap by providing rural and urban entrepreneurs equal access to finance. Through our digital and agent banking networks, we bring formal financial services to underserved communities across Bangladesh.

TDS: This year focuses heavily on youth and women. What special loan packages or services do you offer to help young entrepreneurs and women grow their businesses?

SRKH: Bank Asia prioritises gender inclusion by offering women-led MSMEs tailored financing with preferential rates and credit guarantees. Beyond capital, we empower women, youth, and freelancers through financial literacy and skill-development programs to drive sustainable economic growth.

Big Dreams, Bold Futures

FROM PAGE S1

THE SHIFT TO DATA-DRIVEN LENDING

The historical Achilles' heel for Micro, Small, and Medium Enterprises (MSMEs) has been access to finance, primarily due to rigid collateral requirements. According to the SME Foundation and Bangladesh Bank data, a significant portion of small enterprises remain unbanked or under-banked due to their inability to provide land-based security. In 2026, the narrative is shifting toward cash-flow-based lending. Banks are increasingly abandoning the need for physical assets, opting instead for AI-driven credit scoring and alternative data.

"Over the next five years, we aim to redefine SME banking through AI and data-driven credit assessment," says Tareq Refat Ullah Khan, Managing Director & CEO of BRAC Bank PLC. By analysing digital transaction histories and cash flows, banks can now assess creditworthiness almost instantly. This sentiment is echoed by Sohail R K Hussain, Managing Director of Bank Asia PLC, who notes that the bank is embracing innovative approaches to credit assessment where traditional financial information is limited. This digital leap is essential for a generation of entrepreneurs who operate on e-commerce platforms and social commerce, where physical assets are often minimal but transaction volumes are substantial.

YOUTH AND WOMEN

The "Future Generation" theme specifically highlights the surge of young and women entrepreneurs. The demographic dividend of Bangladesh with a median age of around 28 presents a unique opportunity for innovation. Financing this group requires more than just capital; it requires a specialised ecosystem.

Pubali Bank PLC, for instance, has strengthened its focus on this group through its 'Start-up Fund,' offering low-interest and flexible financing for innovative ideas. Farman R. Chowdhury, Managing Director & CEO of Al-Arafah Islami Bank PLC, observes: "The next generation of entrepreneurs is different; they are more technology-driven and much quicker in adapting to new business models." To support them, banks are introducing tailored products like 'NISA' for women and 'Prime Start-Up' for young innovators. Prime Bank's CEO, Faisal Rahman, emphasises that combining digital infrastructure with advisory services is the key to helping these groups adapt to a competitive, evolving economy. Furthermore, BRAC Bank's initiatives like 'Uddokta 101' and 'Amrai TARA' demonstrate that capacity building is just as vital as credit.

CLOSING THE RURAL-URBAN DIVIDE

A significant challenge for Bangladesh remains ensuring that an entrepreneur in a remote village has the same opportunities as one in a major city. The "Phygital" model is a strategic blend of physical presence and digital ease which has emerged as the solution.

Mohammad Mamdudur Rashid, MD & CEO of United Commercial Bank PLC (UCB), highlights the importance of expanding agent banking networks to ensure service delivery beyond major cities. This decentralised model allows rural MSMEs to access city-grade loan facilities locally. Similarly, Pubali Bank has streamlined its operations so that rural outlets can approve and distribute loans locally without sending files to the Head Office, drastically reducing the turnaround time (TAT) that often discourages small-scale borrowers.

SUSTAINABILITY AS A COMPETITIVE EDGE

As global supply chains demand higher ESG (Environmental, Social, and Governance) compliance, Bangladesh's MSMEs must "go green" to remain export-competitive. Sustainable financing is no longer a niche; it is a business necessity.

Pubali Bank has taken a lead by securing approval for a $100 million international Green Bond to fund large-scale climate projects, while also offering the 'Pubali Dhoritri' product for eco-friendly enterprises. UCB is also integrating ESG considerations into its MSME financing approach, supporting businesses engaged in renewable energy and energy efficiency. By encouraging sustainable business models, financial institutions are helping entrepreneurs strengthen long-term competitiveness while contributing to the nation's climate goals.

THE ROAD TO LDC GRADUATION AND BEYOND

The next five years will be decisive. As Bangladesh graduates from the Least Developed Country (LDC) status, MSMEs will face stiffer international competition and higher compliance standards. Success will depend on efficiency and integration into global value chains.

The goal for 2030 is a smart Bangladesh where a micro-entrepreneur can apply for a loan on a smartphone and receive disbursement within minutes based on their business performance. This requires a collaborative effort between the central bank, commercial lenders, and the entrepreneurs themselves.

As we celebrate MSME Day 2026, the message is clear: the future generation of entrepreneurs is ready, ambitious, and digital. By bridging the digital gap and fostering inclusive, green growth, Bangladesh is not just supporting small businesses but it is securing the backbone of its future economy. The transition from informal to smart is the blueprint for the nation's continued prosperity.