SME Financing in Bangladesh: Do Local Banking Market Structures Matter?

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Foreword

As part of the ongoing dissemination of BIBM research outputs, the present research monograph contains the findings of the research project titled "SME Financing in Bangladesh: Do Local Banking Market Structures Matter?". The study was conducted in 2020-21 and the paper was presented in a seminar held in November 2021. The study was motivated to explore whether the local banking market structure in Bangladesh is enough to cater the diversified financing needs of heterogeneous CMSMEs.

It gives me immense pleasure to publish and distribute this research output to the practitioners of the banks and financial institutions, regulatory agencies, academics and the common readers. I hope this monograph will be a valuable resource for professionals, especially for the banking community for developing effective banking market structure to finance the CMSME sector in Bangladesh.

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The contribution of Cottage, Micro and Small Enterprises (CMSEs) to the GDP and employment growth is well recognized. In addition, this sector contributes to building social network, ensuring life standard of poor people, increasing export earnings, reducing social unrest, creating new entrepreneurs, satisfying consumers' needs with competitive price, fulfilling the requirements of many large firms and so on. Further, CMSEs that survive over the long time offer economic stability for owners, employees as well as their families by providing a steady source of income. Despite having huge potential, the contribution of this sector to the GDP in Bangladesh is still lower than in many other neighboring countries. Therefore, it is highly important to concentrate more on this sector. However, unfortunately the small firms' sector all over the world faces severe financial constraints. According to the estimate of IFC, around 65 million firms or 40 percent of formal MSMEs in developing countries have $5.2 trillion financing gap every year, which is equivalent to 1.4 times of the global MSME lending.

Like in other developing countries, financing has been identified as a major impediment for the growth of small firms in Bangladesh as this sector has much restricted access to finance in formal institutional sources. Bank finance is linked with faster CMSEs growth, while informal finance is not. In Bangladesh, the financial system is mostly the bank-based system. However, commercial banks perceive the CMSEs as a very risky sector in addition to the incurring high monitoring and administrative cost. Although this is true in many cases, nowadays, there is a new trend where a few of them are coming forward with a good number of initiatives for serving CMSEs. However, these are not adequate to fulfill the larger amount of demand from the CMSEs, especially in the rural areas, due to lack of sufficient banking network and alternative delivery channels. The recent study shows that local level financial development matters for SMEs' access to credit and their growth. Similarly, the bank level competition highly releases credit constraints for CMSEs. Besides, competition among financial institutions helps to develop more diversified lending products that might help firms to grow. Moreover, local level financial development, either through formal banking channel or semi-formal agent or the presence of mobile banking, might influence the volume of loan as well as the price of credit.

In Bangladesh, like many other countries, CMSMEs are scattered throughout the country and heterogeneous in nature. The existing banking network may not be adequate to serve their financing requirements. Although some other market players like Non-Banking Financial Institutions (NBFIs), Non-Government Organizations (NGOs), Micro Finance Institutes (MFIs), multipurpose cooperatives, informal money lenders, samities, etc. provide financing to the CMSMEs to some extent, these are not sufficient compared to

their financing needs. Due to the inadequacy of bank branch network in the rural areas, it is important to develop some other approaches or lending mechanism, so that CMSME entrepreneurs can easily fulfill their financing need. Commercial banks in Bangladesh have already taken some initiatives to reach the unbanked CMSMEs through introducing sub-branch, agent banking, unit office, partnership linkage, etc. in a limited scale. However, the big question is whether these initiatives are sufficient to reach the marginal CMSMEs in the local arrears to address their financing needs. Based on these realities, the study attempted to explore whether the local banking market structure in Bangladesh is adequate enough to cater to the diversified financing needs of heterogeneous CMSMEs.

Based on the objectives of the research, this study analyzed data from the survey. The unit of analysis was the CMSEs operating in the rural areas of Bangladesh, where there was a shortage of banking network and also the head of CMSME department of banks. For the purpose of data collection through survey, two set of structured questionnaires were prepared and sent to the banks and the CMSEs. As the list of CMSEs, including their addresses is not available in Bangladesh, the research considered the purposive sampling technique. The study used 416 questionnaires received from CMSEs and 34 questionnaires from banks. Besides, to show the real picture of CMSEs access to formal finance in the rural areas and the current market structure, some data and information from the secondary sources were used. The study mostly used descriptive statistics for data analysis.

About three-fifths of firms (57%) had long business experience in terms of their age of business ranging between 11 years and more than 20 years. The survey included three types of business sectors, i.e., manufacturing, trading and services sectors. Over one-fifth (22.4) of the sample firms were in manufacturing sector, 66.6 percent were in trading and only 11.1 percent were in the services sector. Considering the category of business, 3.1 percent firms were in cottage segment, 57.2 percent in micro segment and the rest 39.7 percent were in the small segment. Since the survey was conducted in all divisions of Bangladesh, the location of rural, and semi urban areas was considered. Among the sample, 78.1 percent firms were located in the rural areas, whereas 21.9 percent firms were in semi-urban areas. Most firms (88.7 %) had their trade license.

About three-quarters (73%) of the sampled firms had the need for borrowing and of them only 33.2 percent obtained loan from banks. The average debt to equity ratio of the respondents was 33.5, and 15.7 percent of them obtained loans from banks; and 17.9 percent CMSEs were borrowing from other than banks, i.e. they are borrowing either from NBFIs or NGO-MFIs or other sources.

Around 61 percent of the respondents claimed that there is no bank branch or sub-branch located near to their businesses, indicating that the CMSEs cannot fulfill their proper

financing needs from the banks or their sub-branches.

Over four-fifths (85.3%) CMSEs were not satisfied with banking network. In this context, the CMSEs cited some reasons for not borrowing from banks. The major reasons included time and cost involved for bank visit (69.5%), absence of bank who lend money (66.6%), less interest of banks to finance small business (61.8%), requirements of guarantee (41.6%), and requirements of many documents (38.7%). Although the existing interest rate charged by the NGO-MFIs, money lenders, and others are much higher than banks, the CMSEs felt comfortable in   obtaining loan from them. The advantages that the CMSEs get from using other sources of financing their businesses are easy access to loan (74.8%), easy processing of loan (50.0%), low demand of documents (51%), availability in their local areas (30.5%), smaller amount of loan (28.40%), less security and guarantees (23.1%), and repayment flexibility.

Based on the responses received from the sampled banks (34) to identify the prevailing banking market structure and access to finance by CMSEs, this study found that banks have taken different initiatives in order to facilitate the CMSE financing. To reach the rural CMSEs, banks have started establishing sub-branch (717), agent points (13,373), unit offices (701), linkage credit (102), union digital center (3923), post office linkage (744), and others (14). However, 69.7 percent banks opined that the existing banking market structure is not sufficient. About four-fifths (78.8%) banks have competitors in rural area such as NGO-MFIs, NBFIs, money lenders, multipurpose cooperatives, and samities. However, 42.4 percent CMSEs did not get access into the formal financial sector. There is a scope to expand the banking market for those CMSEs along with the existing market which the banks are sharing with their competitors. Although the banks have various initiatives to finance the CMSMEs compared to their competitors, the rural CMSEs were under-served by the banking sector. While financing in the rural areas, 57.6 percent of banks faced several problems; and 51.5 percent of banks claimed that they faced many problems for setting agent point in the rural areas.

Finally, based on the observations and findings, to enhance the access into formal financial sources by the CMSEs especially in the rural areas, this paper recommended some suggestions to improve better market structure of the banking sector of Bangladesh.

Acronyms

ADC	Alternative Delivery Channels
ADR	Advance to Deposit Ratio
ATMs	Automated Teller Machines
BB	Bangladesh Bank
BIBM	Bangladesh Institute of Bank Management
CMSME	Cottage, Micro, Small and Medium Enterprise
CMSE	Cottage, Micro, and Small Enterprise
FCB	Foreign Commercial Bank
FI	Financial Institution
GDP	Gross Domestic Production
IFC	International Finance Corporation
IT	Information Technology
MFI	Microfinance Institute
MFS	Mobile Financial Services
MIS	Management Information System
MRA	Microcredit Regulatory Authority
NBFI	Non-bank Financial Institution
NGO	Non-government organization
PCB	Private Commercial Bank
POSTs	Point of Sales Terminals
SB	Specialized Bank
SBU	Strategic Business Unit
SE	Small Enterprise
SME	Small and Medium Enterprise
SMESPD	SME & Special Programs Department
SOCBs	State-owned Commercial Banks
TAT	Turnaround Time

SME Financing in Bangladesh: Do Local Banking Market Structures Matter?

1. Introduction and Background

Small and Medium Enterprises (SMEs) play an important role in both developing and developed countries toward balanced and sustainable economic growth, employment creation and development of entrepreneurial skills (Mamun et al, 2013). SMEs generally use local resources to produce products and services for local needs. In most developing countries, SMEs are labor-intensive and cover those market sectors that are usually left by the larger firms (Maksimov, Wang, & Luo, 2017). From a social point of view, this sector is more productive in context of resource allocation compared to the large-scale industry. According to World Bank (2018) statistics, SME represent about 90 percent of businesses and more than 50 percent of employment all over the world. Formal sector SMEs usually contribute up to 40 percent of GDP in emerging economies and the total numbers are significantly higher informal SMEs are included (World Bank, 2018). Beyond the contribution to the GDP and employment, SMEs contribute to building social network, ensuring life standard of poor people, increasing export earnings, reducing social unrest, creating new entrepreneurs, satisfying consumers' needs with competitive price, fulfilling the requirements of many large firms and so on (Hossain & Ibrahim, 2020). SMEs that continue over a long time can offer economic constancy for owners, employees and also for their families by ensuring a steady source of income (Bianca, 2016).

Realizing the significance of CMSMEs' contributions to the economy, it is highly important to concentrate more on this sector. In Bangladesh, SME sector contribute around 25 per cent to the GDP, account for 70 to 80% of the non-agricultural sector employment and 40% of the manufacturing output. (Partners, 2020). Despite having huge potential, the contribution of the SME sector to the GDP in Bangladesh is still lower than in many other countries. For example, SMEs' contribution to GDP is 60 per cent in China (Pandey, 2015, June 9), 40 per cent in India (Weerakkody, 2015, October 30), 37 per cent in Thailand (Rojanasuvan, 2014, February 5), 30 per cent in Pakistan (Shahzad, 2014), more than 50 per cent in Sri Lanka (Weerakkody, 2015, October 30), and 33.7 per cent in Malaysia ("SMEs on track" 2014, March 27). Although the SME sector in Bangladesh is facing multi-various problems, still it can be viewed as one of the best choices for Bangladesh to enhance GDP growth, minimize poverty level, and create more employment using small amount of investment (Begum & Abdin, 2015; Mamun et al., 2013).

It is very common that all of the firms, large or small, need adequate financial support for business start-up, facilitate investments and to support business operation and expansion

for ensuring growth potential. However, small firms, in general, face serious financial limitations all over the world (Franco & Haase, 2010; Islam et al., 2014; Malo & Norus, 2009; Osei-Assibey, 2013; Rahaman, 2011; Raravi, Bagodi, & Mench, 2013). SMEs face such difficulties mainly for the market imperfections, asymmetry of information, institutional insufficiencies and high level of operational cost (Beck and Demirgüç-Kunt 2006; Beck et al. 2006; Cheng, 2015; Yazdanfar, 2012; Yoshino and Taghizadeh-Hesary 2015). Study by Beck, Demirguc-Kunt, Laeven, and Levine (2008) found a positive relationship between financial development and the growth of small firms in any country. Due to the lack of such development, SME sector still experiences a huge finance gap for their development. According to the estimate of IFC, in developing countries 40 percent of formal MSMEs or about 65 million of firms have financing gap of $5.2 trillion every year, which is equal to 1.4 times of the worldwide MSME lending (World Bank, 2018).

Ayyagari, Asli Demirgüç-Kunt and Maksimovic (2010) found that bank finance is linked with faster SME growth, while informal finance is not. Besides, Beck, Lu and Yang (2015) confirmed that access to bank finance was positively associated with the decision to become an entrepreneur and initial investment. In Bangladesh, financial system is mostly bank-based system. However, most commercial banks perceive that the SME sector is very risky and they incur huge monitoring and operating cost in case of financing. Although this is true in many cases, many banks now consider the SME sector as one of the greatest opportunities for investing and have come forward with different initiatives. However, these initiatives are not sufficient enough to meet the greater demand of the SME sector. Thus, the SMEs in Bangladesh, like many other countries, are still underserved in case of banks' finance. This highlights the importance of commercial banks' participation in financing to the SMEs in Bangladesh.

The study of Hossain, Yoshino & Taghizadeh-Hesary (2018) showed that expansion of bank branch network can minimize the default risk through reducing asymmetry of information between the SME borrowers and banks and aids SMEs' access to credit at relatively lower costs. They also found that banks density has a significant positive impact on SMEs output, gross value addition and labor productivity. The results of their study confirmed that local level financial development matters for SMEs' access to credit and their growth. Through analyzing firm level data of 70 developing and emerging countries, Leon (2015) shows that bank level competition highly relieves credit constraints for SMEs. Besides, competition among financial institutions help to develop more diversified lending products that might help firms to grow. Moreover, local level financial development either formal banking channel or semi-formal agent or the presence of mobile banking, might influence the volume of loan as well as the price of credit (Chauvet and Jacolin, 2017).

Similar to many other developing countries, financing has been recognized as a key impediment for MSME growth in Bangladesh (Akterujjaman, 2010; Chowdhury, Azam, and Islam 2013) due to the severe constraints in access to formal sector financial funding (Islam, Yousuf, and Rahman 2014). There are many examples of research related to CMSME financing in Bangladesh (Alam & Ullah, 2006; Chowdhury, 2007; Chowdhury & Ahmed, 2011; Haider & Akhter, 2014; Islam et al., 2014; Khan, Nazmul, Hossain, & Rahmatullah, 2012; Uddin & Bose, 2013; Zaman & Islam, 2011). However, such researches highlight the problems and shortcomings of financing, rather than focusing on the banking network, different approaches of financing and mechanism to reach scattered CMSMEs.

In Bangladesh, like many other countries, most CMSMEs are scattered throughout the country and heterogeneous in nature. The existing banking network may not be adequate enough to serve their financing requirements. Although some other market players like Non-Banking Financial Institutions (NBFIs), Non-Government Organizations (NGOs), Micro Finance Institutes (MFIs), multipurpose cooperatives, informal money lenders, samities, etc. provide financing to the CMSMEs, to some extent, these are not sufficient enough compared to meet their financing needs (Mamun et al, 2013). Due to the inadequacy of bank branch network in the rural areas, it is important to develop some other approaches or lending mechanism so that CMSME entrepreneurs can easily fulfill their financing need. Commercial banks in Bangladesh have already taken some initiatives to reach the unbanked CMSMEs through introducing sub-branch, agent banking, unit office, partnership linkage etc. in limited scale. However, the big question is whether these initiatives are sufficient enough to reach the marginal CMSMEs in the local arears to address their financing needs. Based on these realities, the study attempted to explore whether the local banking market structure in Bangladesh is adequate enough to cater to the diversified financing needs of heterogeneous CMSMEs.

1.1 Objectives
The main objective of the study was to examine whether local banking market structure matters for CMSEs financing in Bangladesh. Thus, the specific objectives of the paper were to:

(i)   discuss about the current status of CMSEs financing in urban and rural areas in Bangladesh.

(ii) review the existing local banking market structure and other players in financing CMSEs.

(iii) analyze the responses of CMSEs and banks regarding the prevailing banking market structure for CMSEs financing.

1.2 Organization of the Study

The contents of this report are organized into six sections. Section-1 covers the introduction, background, objectives; Section-2 explains the data and methodology of the study; Section-3 discusses the current status of CMSME financing in urban and rural areas in Bangladesh; Section-4 reviews the existing local banking market structure and other players in financing CMSMEs. Section-5 presents the findings and analysis of the study. Section-6 recommends measures to improve CMSE bank market structure.

2. Data & Methodology

Both primary and secondary sources were considered in order to achieve the study objectives. The study used two units of analysis. One, the owner or manager of CMSEs specially located in the area where the presence of bank's branch or network is poor. The other unit of analysis was the head of CMSME department of commercial banks in Bangladesh. The study followed survey method for collecting primary data from both the CMSEs and banks. For this purpose, two sets of questionnaires were developed; one set for CMSEs and the other one for banks. For collecting the information from the CMSEs, the study followed the purposive sampling method. In this process, the survey was carried out in 34 districts covering eight divisions (Appendix-I) of Bangladesh, based on the CMSEs' concentration and lack of adequate banking network. Different sectors of CMSEs such as manufacturing, trading and service were considered. Although the term CMSMEs is commonly used in different literatures and studies of Bangladesh, the present study focuses on CMSEs only. Therefore, throughout the report the term CMSEs has been used. The total number of 860 questionnaires has been distributed among 34 districts (including women entrepreneurs), out of which 423 questionnaires were received (Appendix-II). Therefore, the response rate was 49.19%. From the received questionnaires, 7 questionnaires were rejected due to missing data and lack of needed information. Finally, 416 questionnaires were used for the analysis purposes. Due to the COVID-19 situation and the time limitation, the analysis of the research conducted with 416 questionnaires although it is important to use more sample to generalize the results.

For collecting data from the banks, a questionnaire (Appendix-III) survey was conducted among the head of CMSME departments of banks by sending them a set of questionnaires. A total of 34 questionnaires were received from them (Appendix-IV) and used for the analysis purposes. Secondary information was used to show the present status of CMSMEs' financing both in urban and rural areas. Moreover, published literature, research papers, different books were reviewed to complete the theoretical background and relevant websites were visited to collect secondary information.

3. Current Status of CMSMEs' Financing in Urban and Rural Areas in Bangladesh

3.1 Loans and Advances of Banks by Division

About 68 percent advances were concentrated in Dhaka division in 2020, followed by Chattogram division (19%) (Table-3.1, indicating geographic concentration of advances. It is noted that advances of Specialized Banks (SBs) are least concentrated whereas that of Foreign Commercial Banks (FCBs) are highest concentrated in Dhaka and Chattogram divisions. For covering Cottage, Micro, Small and Medium Enterprises (CMSMEs) exhaustively, banks' finance needs to be allocated throughout the country instead of in specific geographic regions.

Table 3.1 Advances by Geographical Distribution: Share of Each Divisions (%)

Divisions	2019 (September)					2020 (September)				
	SOCBs	PCBs*	SBs	FCBs	All Banks	SOCBs	PCBs	SBs	FCBs	All Banks
Chattogram	11.03	21.26	14.36	10.02	18.79	9.41	21.47	14.01	9.28	18.62
Dhaka	64.14	69.11	28.46	89.37	67.69	66.53	69.12	28.72	90.18	68.12
Mymensingh	2.50	0.77	11.08	0.00	1.36	2.35	0.75	10.80	0.00	1.32
Khulna	8.73	2.60	12.75	0.11	3.94	8.35	2.47	13.77	0.11	3.82
Rajshahi	5.24	3.22	9.66	0.08	3.68	5.17	3.22	9.71	0.08	3.67
Barisal	2.24	0.58	7.80	0.00	1.08	2.19	0.60	7.82	0.00	1.09
Sylhet	1.25	1.02	4.69	0.41	1.15	1.21	0.96	4.64	0.35	1.09
Rangpur	4.86	1.44	11.20	0.00	2.30	4.80	1.41	10.52	0.00	2.27
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Banerjee et al. (2021); *including IBs

3.2 Loans and Advances of Banks by Urban and Rural

About 90 percent loans and advances are distributed in the urban area, although more than 60 percent population live in the rural area. More specifically, Private Commercial Banks (PCBs) are distributing a negligible amount and FCBs do not have any exposure in the rural area.

Table 3.2: Loans and Advances of Banks by Urban and Rural (%)

Year	SCBs		SBs		PCBs*		FCBs		All Banks	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
2011	90.3	9.7	57.3	42.7	95.7	4.3	100	0	92.3	7.7
2012	43.8	56.2	63.4	36.6	95.3	4.7	100	0	77.1	22.9
2013	78.7	21.3	60.3	39.7	95.2	4.8	100	0	89.8	10.2
2014	79.8	20.2	58.0	42.0	94.9	5.1	100	0	89.8	10.2
2015	82.0	18.0	39.4	60.6	94.5	5.5	100	0	90.1	9.9
2016	81.3	18.7	37.3	62.7	94.0	6.0	100	0	89.8	10.2
2017	80.5	19.5	33.6	66.4	93.3	6.7	100	0	89.4	10.6
2018	78.0	22.0	33.7	66.3	94.1	5.9	100	0	89.6	10.4
2019	78.8	21.2	33.2	66.8	94.1	5.9	100	0	89.7	10.3
2020	77.8	22.2	32.5	67.5	93.9	6.1	100	0	89.2	10.8
2021**	77.8	22.2	32.1	67.9	93.8	6.2	100	0	89.1	10.9

Source: *Scheduled Bank Statistics*, Bangladesh Bank; *including IBs; **up to June 30

3.3 Share of Urban and Rural Deposits of Banks

Over the years, the share of rural deposits has been increasing and it is now more than 20 percent (Table-3.3). PCBs are mobilizing about 17 percent deposits from the rural area, although they are only investing about 6 percent in this area.

Table 3.3: Deposits in Banks: Share of Urban and Rural by Types of Banks (%)

Year	SCBs		SBs		PCBs*		FCBs		All Banks	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
2011	80.3	19.7	69.4	30.6	89.3	10.7	100	0	86.8	13.2
2013	65.1	34.9	73.8	26.2	87.8	12.2	100	0	81.7	18.3
2014	65.0	35.0	70.5	29.5	86.9	13.1	100	0	80.9	19.1
2015	67.4	32.6	51.7	48.3	85.7	14.3	100	0	80.2	19.8
2016	66.0	34.0	51.2	48.8	85.3	14.7	100	0	79.5	20.5
2017	65.6	34.4	50.8	49.2	85.1	14.9	100	0	79.4	20.6
2018	66.1	33.9	50.6	49.4	84.4	15.6	100	0	79.4	20.6
2019	65.2	34.8	49.9	50.1	84.0	16.0	100	0	79.1	20.9
2020	65.2	34.8	49.1	50.9	83.6	16.4	100	0	78.7	21.3
2021**	66.6	33.4	50.1	49.9	83.5	16.5	100	0	78.7	21.3

Source: *Scheduled Bank Statistics*, Bangladesh Bank; *including IBs; **up to June 30

3.4 Aggregate Financial Sector Exposure to CMSMEs by Urban and Rural

In 2020, total cumulative disbursement of loans to the CMSMEs was about BDT 153,496 crore, lower than in the preceding three years, and this could have been due to the pandemic (Table-3.4). Out of total CMSMEs exposure, disbursements to the Cottage, Micro and Small Enterprises (CMSEs) have been increasing over the years. In the first half of 2021, the share of rural CMSEs was only about 18 percent. Considering the nature of business and area of coverage, loan disbursement to the rural CMSEs needs to be substantially increased.

Table 3.4: Total CMSMEs Loan of Financial Sector by Urban and Rural (BDT in Crore)

Year	Total CMSMEs Disbursements	Share of CMSEs (%)	Share of Urban CMSEs (%)	Share of Rural CMSEs (%)
2017	161777.32	59.1	83.6	16.4
2018	162643.10	64.7	82.9	17.1
2019	167970.67	71.2	81.7	18.3
2020	153496.15	71.0	81.0	19.0
2021*	86234.40	73.6	82.0	18.0

Source: SME & Special Programs Department, Bangladesh Bank. *up to June 30

3.5 Aggregate CMSEs Exposure by Banks and NBFIs

In 2020, total disbursement to CMSEs was about 109 thousand crores out of which about 97 percent were provided by banks and the remaining 3 percent by NBFIs (Table-3.5). Over the years, share of banks has been increasing while that of NBFIs has been decreasing.

Table 3.5: Total CMSEs Loan by Banks and NBFIs (BDT in Crore)

Year	Total CMSEs of Financial Sector	Share of Banks (%)	Share of NBFIs (%)
2017	95616.09	94.3	5.7
2018	101343.26	95.2	4.8
2019	119379.28	96.1	3.9
2020	108767.62	97.2	2.8
2021*	63444.00	96.01	3.99

Source: SME & Special Programs Department, Bangladesh Bank. *up to June 30

3.6 Banking Sector Exposure to CMSMEs by Urban and Rural

About BDT 149 thousand crore loans were disbursed by the banking sector to the CMSMEs in 2020, declining from BDT 161 thousand crores in the previous year (Table-3.6). Out of the total CMSMEs exposure, more than 70 percent loans were allocated for CMSEs in 2020 declining from less than 60 percent in 2017. About 78 percent CMSEs loans were disbursed in the urban areas in 2020.

Table 3.6: Status Exposure of Banking Sector to CMSMEs by Urban and Rural (BDT in Crore)

Year	CMSMEs Disbursements of Banking Sector	Share of CMSEs (%)	Share of Urban CMSEs (%)	Share of Rural CMSEs (%)
2017	153760.73	58.7	82.8	17.2
2018	158132.43	64.6	82.1	17.9
2019	161216.64	71.2	81.3	18.7
2020	149203.64	71.0	77.7	22.3
2021*	82855.99	73.5	79.2	20.8

Source: SME & Special Programs Department, Bangladesh Bank. *up to June 30

3.7 Industrial Term Loan of Different Group of Banks by Size and Sector

A very negligible portion of loans of the banking sector (0.18%) was allocated for cottage industries by all types of banks in 2020. The situation was slightly better in the previous year (0.35%). In 2019, SBs' cottage exposure was 5.68 percent which was only 0.05 percent in 2020 (Table-3.7). COVID pandemic may have influenced it.

Table 3.7: Industrial Term Loan of Different Group of Banks by Size and Sector (%)

Size and Nature of Industrial Credit	2019 (September)					2020 (September)				
	SOCBs	PCBs*	SBs	FCBs	All Banks	SOCBs	PCBs*	SBs	FCBs	All Banks
1. Large	68.04	69.65	44.38	66.19	69.18	57.92	68.01	89.60	73.79	66.78
2. SME	20.08	13.57	30.92	5.06	14.79	29.21	15.20	1.24	4.35	16.97
3. Cottage	1.34	0.07	5.68	0.21	0.35	0.13	0.19	0.05	0.13	0.18
4. Service	10.54	16.71	19.02	28.55	15.68	12.74	16.59	9.11	21.73	16.06
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Banerjee et al. (2021), *including IBs

3.8 Exposure to CMSMEs by Different Group of Banks

Out of total CMSMEs loan disbursement in 2020, about 55 percent were provided by PCBs, followed by 33.9 percent by Islamic banks (IBs) (Table-3.8). By June 2021, shares of SBs and SOCBs have increased slightly. The size of bank and their business focus are important for exposure to CMSMEs. Among the banks, SBs are financing more in the rural areas followed by FCBs.

Table 3.8: CMSMEs Loan Disbursement by Group of Banks (%)

Group of Banks	As of December 31, 2020		As of June 30, 2021	
	Cumulative Disbursement	Share of Rural CMSMEs	Cumulative Disbursement	Share of Rural CMSMEs
FCBs	1.77	41.52	1.15	27.90
IBs	33.94	27.44	33.25	27.56
PCBs excluding IBs	54.86	16.58	56.27	15.03
SBs	1.63	78.93	2.18	59.58
SOCBs	7.81	25.37	8.16	19.02
Total Exposure to CMSMEs by Scheduled Banks (BDT Crore)	**149203.64**	**33429.20**	**82855.99**	**17281.86**

Source: SME & Special Programs Department, Bangladesh Bank

3.9 Sector-Wise Distribution of CMSME Loans by Banking Sector

About 31 percent CMSME loans were distributed for trade in rural areas which was only about 17 percent for service sector in 2020 (Table-3.9).

Table 3.9: Sector-Wise Distribution of Urban and Rural CMSME Loans by Banking Sector (%)

Year	Service		Trade		Manufacturing	
	Urban	Rural	Urban	Rural	Urban	Rural
2017	69.7	30.3	67.0	33.0	77.4	22.6
2018	69.8	30.2	63.6	36.4	71.3	28.7
2019	71.9	28.1	58.6	41.4	76.2	23.8
2020	83.2	16.8	69.0	31.0	79.7	20.3

Source: SME & Special Programs Department, Bangladesh Bank

4. Existing Local Banking Market Structure and Other Players in Financing CMSMEs

4.1 Bank Branch: Urban, Rural, Fully Online Branch, Partially Online and Fully Offline

Up to June 2021, about 48 percent of bank-branches were located in rural areas and the remaining 52 percent in urban areas (Table-4.1). Over the years, the share of rural banks has declined. Because of digitization, most bank-branches are fully online and very few branches are offline (4.6%). Considering rural land-area of Bangladesh, more bank-branch coverage is expected. However, banks may think about other financing mechanisms to make it cost-effective.

Table 4.1: Bank Branches: Urban, Rural, Fully Online, Partially Online and Fully Offline

Year	Share of Urban and Rural Based Branch (%)		Share of Online and Offline Branch (%)		
	Urban	Rural	Fully Online Branch	Partially Online Branch	Offline Branch
2010	42.6	57.4	NA	NA	NA
2011	42.8	57.2	NA	NA	NA
2012	42.8	57.2	NA	NA	NA
2013	42.9	57.1	NA	NA	NA
2014	43.0	57.0	NA	NA	NA
2015	43.2	56.8	NA	NA	NA
2016	43.4	56.6	NA	NA	NA
2017	43.5	56.5	NA	NA	NA
2018	51.5	48.5	82.4	11.6	6.0
2019	51.5	48.5	88.4	7.1	4.6
2020	51.4	48.6			
2021*	51.5	48.5			

Source: *Scheduled Bank Statistics*, Bangladesh Bank; *up to June 30

4.2 Geographic and Demographic Concentration: Bank Branches, ATM, MFI and MFS

Along with full branches of banks, financial services can be provided through sub-branch, agent, ATM and MFIs. At the end of 2019, there were 72 bank-branches in 1000 square kilometer whereas there were about 5,670MFs agents (Table-4.2). Similarly, there were about 6 bank-branches for every 100,000 population. Sub-branch, agent, unit office and online platform can play a vital role for financing to the CMSEs.

Table 4.2: Status of Bank Branches, ATM, MFI and MFS

Year	Number per 1,000 Square Kilometer				Number per 100,000 Population			
	Bank Branch	Bank ATM	MFI Branch	MFS Agent	Bank Branch	Bank ATM	MFI Branch	MFS Agent
2010	51.8	14.4	116.9	NA	5.2	1.5	11.8	NA
2011	54.3	25.7	122.4	38.3	5.4	2.5	12.1	3.8
2012	56.8	28.6	121.8	176.1	5.5	2.8	11.9	17.1
2013	59.1	35.7	99.4	1,384.8	5.7	3.4	9.5	133.0
2014	61.7	42.4	99.8	3,690.2	5.8	4.0	9.5	349.5
2015	64.1	53.1	105.8	3,888.7	6.0	5.0	9.9	363.4
2016	66.1	61.2	110.3	4,819.4	6.1	5.7	10.2	444.8
2017	68.1	64.9	116.0	5,337.0	6.2	5.9	10.6	486.8
2018	70.3	70.3	123.3	5,993.6	6.3	6.3	11.1	540.3
2019	72.0	75.5	128.6	5,670.4	6.4	6.7	11.6	505.5

Source: Banerjee, e. al., 2020

4.3 Particulars of Sub-branch Services in Rural and Industrial Areas

As of June 30, 2021, 36 banks (SOCBs= 3, SBs=1, PCBs= 32) opened sub-branches in rural and industrial areas of Bangladesh, with 1672 sub-branches providing services to their clients across the country (Table-4.3). Out of total, IBBL and NRB Commercial Bank have 196 and 147 sub-branches, respectively. Other banks rendering service through sub-branch

are EBL, DBBL, IFIC, Jamuna Bank, SIBL, SBAC, NBL, UCBL, SEBL, One Bank, Dhaka Bank, Premier Bank, etc.

Table 4.3: Status of Sub-Branches of Banks (As of June 2021)

Sl. No.	Particulars	Number
1	Banks Opening Sub-Branches	36
2	Total No. of Sub-Branches	1672
3	IBBL Sub-Branches	196
4	NRBC Sub-Branches	147
5	Others	1329

Source: Banerjee et al. (2021)

4.4 Alternative Delivery Channels in Bangladesh

At the end July 2021, there were 1,142,395 mobile banking agents and 13,086 agent banking agents (Table-4.4). Number of mobile banking and agent banking customers were 10,27,14,548 and 1,21,92,947, respectively. These alternative delivery channels and their expansion may by supportive for CMSEs financing.

Table 4.4: Status of Alternative Delivery Channels in Bangladesh (up to July, 2021)

Sl.	Particulars	Total
1.	Credit Card	1777677
2.	Debit Card	23620886
3.	Prepaid Card	954673
4.	Total Card	26353236
5.	Internet Banking Account	3713188
6.	Mobile Banking Agents	1142395
7.	Mobile Banking Customers	102714548
8.	Agent Banking Agents	13086
9.	Agent Banking Customers	12192947
10.	ATMs	12367
11.	POSTs	82449

Source: Monthly Economic Trend, Bangladesh Bank

4.5 Status of Agent Banking Operations

At the end of June 2021, 28 banks had licenses for agent banking and all of them started their operations. A total of 12,912 agents had 17,145 outlets having 1,22,05,358 accounts (Table-4.5). Previously, banks were mobilizing deposits through the agents' outlets; however, they are also financing through agents now-a-days. More than 3 thousand crore loans were disbursed by the end of June 2021. Considering share of accounts in agent banking services, the top 5 banks are BAL (35.8%), DBBL (33.0%), IBBL (15.6%), AAIBL (3.4%) and Agrani Bank Ltd. (2.7%). List of banks providing MFS, along with their products is presented in Appendix-V, and the status of MFIs is shown in Appendix-VI.

Table 4.5: Overview of Agent Banking Activities in Bangladesh

Particulars	June 2020	June 2021	Change (%)
No. of Banks with License	28	28	0
No. of Banks in Agent Banking	23	28	5
No. of Agents	8,764	12,912	47.33
No. of Outlets	12,449	17,145	37.72
No. of Accounts	73,58,190	1,22,05,358	65.87
No. of Female Accounts	34,10,270	56,75,329	66.42
Number of Rural Accounts	63,77,457	1,05,39,163	65.26
Amount of Deposits (BDT crore)	10,220.21	20,379.28	99.40
Amount of Loan Disbursed (BDT crore)	720.54	3,186.29	342.21
Amount of Inward Remittance (BDT crore)	26,650.59	67,954.05	154.98

Source: Quarterly Report on Agent Banking, April-June 2021, BB

5. Finding and Analysis of the Study

This section presents the study findings and analysis based on the third objective of the study. The findings from cottage, micro and small enterprises are discussed and analysed in Section-5.1 and Section-5.2 presents the finding and analysis based on banks' responses.

5.1 Findings from Cottage, Micro and Small Enterprises (CMSEs)

The responses received from the CMSEs to identify the prevailing banking market structure and access to finance by CMSEs are discussed below.

5.1.1 Respondents' Profile

Almost all the respondents were either involved or tried to be involved with the formal financial sectors. Table-5.1 shows the profile of the respondents – the age of the business, types of business, category of business, location of business, and status of trade license.

About three-fifths of firms (57%) have long business experience in terms of their age of business ranging between 11 years and more than 20 years. age. The survey included three types of business sectors, i.e., manufacturing, trading and services sectors. Over one-fifth (22.4 %) of the sample firms were in manufacturing sector, 66.6 percent in trading and only 11.1 percent in the services sector. Considering the category of business, 3.1 percent firms were in cottage segment, 57.2 percent in micro segment and the rest 39.7 percent in small segment. Since the study conducted a survey in all divisions of Bangladesh, the location of rural, and semi urban areas has been considered. Among the sample, 78.1 percent firms were located in the rural areas whereas 21.88 percent firms were in semi-urban areas. The study also found that most of the firms (88.70%) had trade license.

Table 5.1: Respondents' Profile

Demographics		Frequency (N = 416)	Percentage
Age of business			
	1 - 5 years	76	18.27%
	6- 10 years	102	24.52%
	11 - 15 years	137	32.93%
	16 - 20 years	46	11.06%
	More than 20	55	13.22%
Type of Business Sector			
	Manufacturing	93	22.36%
	Trading	277	66.59%
	Service	46	11.06%
Category of Business			
	Cottage	13	3.1%
	Micro	238	57.2%
	Small	165	39.7%
Location of Business			
	Rural	325	78.12
	Semi-urban	91	21.88
Have Trade License			
	Yes	369	88.70%
	No	47	11.30%

5.1.2 Need for Borrowing and Bank as a Source

The CMSEs have credit needs from the formal and informal financial sector. But the formal sources are not sufficient enough to provide adequate and required loan to the CMSEs. Although banks are coming forward with a good number of lending packages, entrepreneurs sometimes faced difficulties with the cumbersome process of lending and different mechanisms or lending strategies that banks follow. About three-quarters (73%) of the sampled firms had the need for borrowing (Figure-5.1), and of them only 33.2 percent obtained loans from banks and two-thirds of them (66.83%) did not obtain loans from banks. It may be due to the absence of banks in those areas or easy access to loan from other sources like NBFIs, NGO-MFIs, money lenders, multi-purpose cooperatives, samities, etc.

Figure 5.1: Need for Borrowing	Figure 5.2: Obtain Loan from Banks

Figure 5.1: Need for Borrowing

Figure 5.2: Obtain Loan from Banks
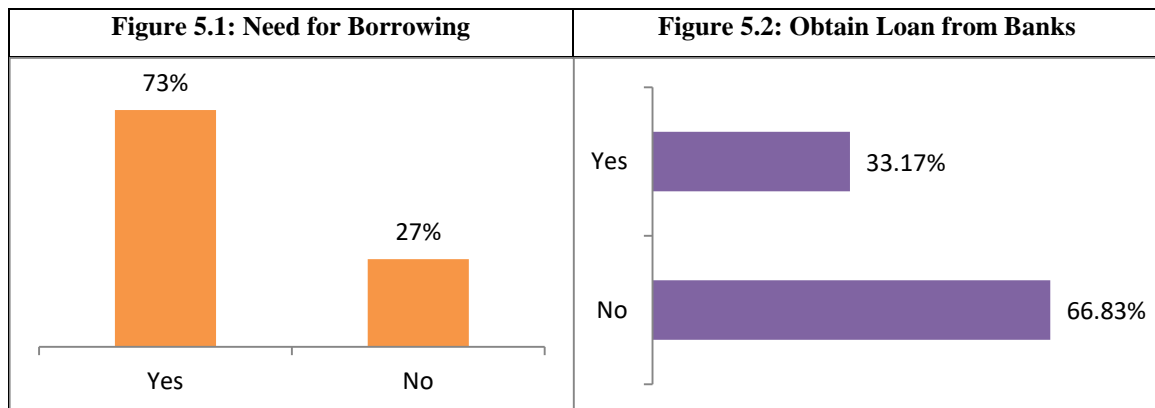
5.1.3 Capital Structure and Sources of Business Finance

The average debt to equity ratio of the sampled CMSEs was 33.5 percent (Figure-5.3). While (66.5%) had their own source of funding, the others obtained loans from banks (15.7%), NBFIs (6.9%), NGO-MFIs (8.7% and others (2.3%). It is important to note that the 17.9 percent CMSEs were borrowing from other than banks, i.e. they are borrowing either from NBFIs or NGO-MFIs or other sources (Figure-5.4). This may be due to the lack of banks' presence in those areas or lack of proper attention by banks to offer their services to those CMSEs and easy access of entrepreneurs to non-bank sources.

Figure 5.3: Average Debt to Equity Ratio

Figure 5.4: Sources of Business Finance
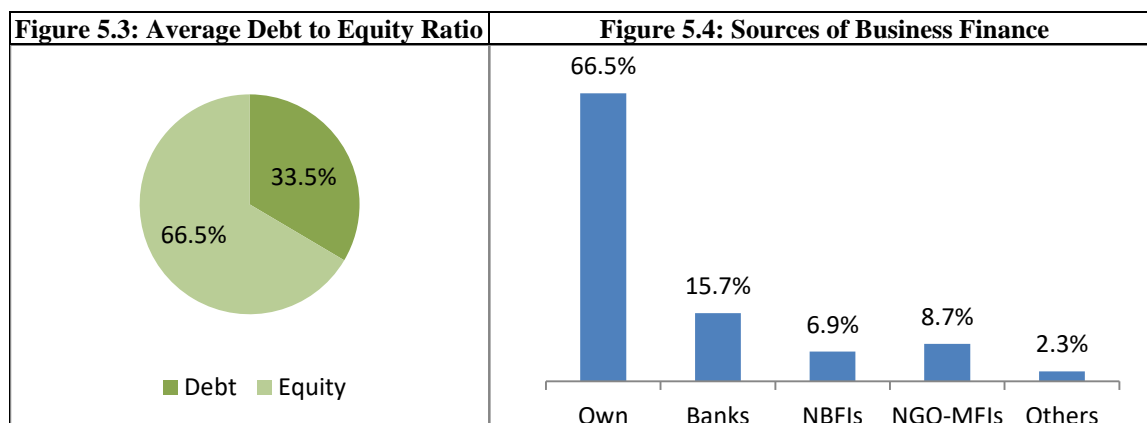
5.1.4 Presence of Branch and Sub-branch of Banks

Around 61 percent of the respondents reported that there was no bank branch or sub-branch located near to their businesses, indicating that the CMSEs cannot get access to financing needs from the banks or their sub-branches. Distance of the nearest branch or sub-branch, time required to visit and cost involved for borrowing from banks and sub-branches are also shown in Table-5.2. These pose as challenges to obtain loan from banks and sub-branches for the CMSEs, as shown in Figure-5.5.

Table 5.2: Information Related to Bank Branches and Sub-branches

Particulars	Yes	No	Average	Range
Have Branch or Sub-branch	39.18	60.82		
Number of Branch or Sub-branch			1.053	0 - 7
Distance of nearest Branch or Sub-branch			4.18 KM	0.2 – 25 KM
Time required to visit nearest bank or sub-branch for borrowing			1.086 Hours	6 Minutes – 2.5 Hours
Cost involved to visit nearest bank or sub-branch for borrowing			BDT 95.92	BDT 10 - 250

The major challenges faced by the CMSEs due to the distance of bank's branch and sub-branch related to wastage of time, huge costs, business get hampered, hard to deposit money timely, no instant service, failure to do transaction on time, communication interruption, and banks' lack of interest (Figure-5.5).

Figure 5.5: Challenges Faced by CMSEs Due to the Distance of Bank's Branch and Sub-Branch (Mixed Response)

Bar chart values:
- Fail to do transaction on time: 32.9%
- Communication interruption: 13.9%
- Business get hampered: 50.7%
- It is hard to deposit money timely: 43.0%
- Banks show less interest: 11.1%
- No instant service: 44.2%
- Incur huge cost: 75.0%
- Wastage of time: 95.7%
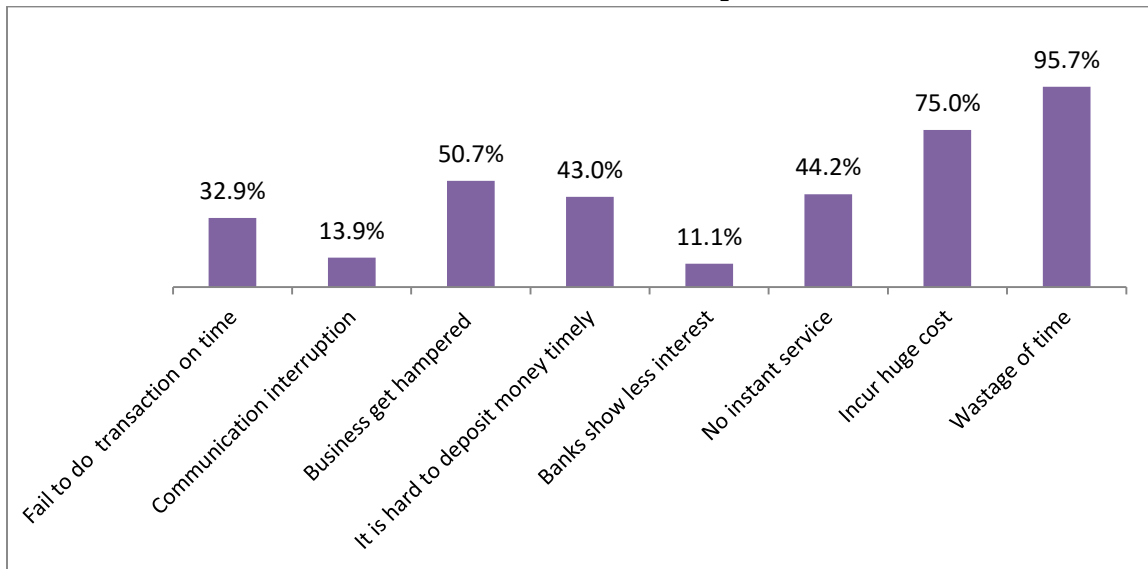
5.1.5 Banking Network other than Branch and Sub-Branch

Table-5.3 shows that, despite having banking network (68.5%) such as agent bank, unit office, union digital center, post office linkage other than branch or sub-branch, CMSEs borrowed only 5.8 percent from the banking sources and 94.5 percent did not use the banking network for borrowing. Also, over three-quarters (76.2%) CMSEs could not fulfill their loan demand from the nearest bank/sub-branch or the banking network. On an average, 67.5 percent of the CMSEs' loan requirements remain unmet. Moreover, 85.3 CMSEs were not satisfied with banking network, as they were not getting loan from the banking network other than branch or sub-branch.

Table 5.3: Information Related to Banking Network other than Branch and Sub-Branch

Particulars	Yes (%)	No (%)
Have banking network (agent bank, unit office, Union Digital Center, Post office linkage, etc.) near to your business	68.5	31.5
Can take loan from the banking network	5.75	94.25
Can fulfill loan demand by nearest bank or the banking network	23.85	76.15
Unmet loan demand (by bank and banking network)	67.54	
Have satisfaction with banking network	14.67	85.33

In this context, the CMSEs cited some reasons for not borrowing from banks as shown in Figure-5.6. The major reasons included time and costs involved for bank visit (69.5%), absence of banking network near to their business (66.6%), less interest of banks to finance small business (61.8%), requirements of guarantee (41.6%), and requirements of many documents (38.7%).

Figure 5.6: Reasons Cited by the CMSEs for not Borrowing from Banks (Mixed Response)
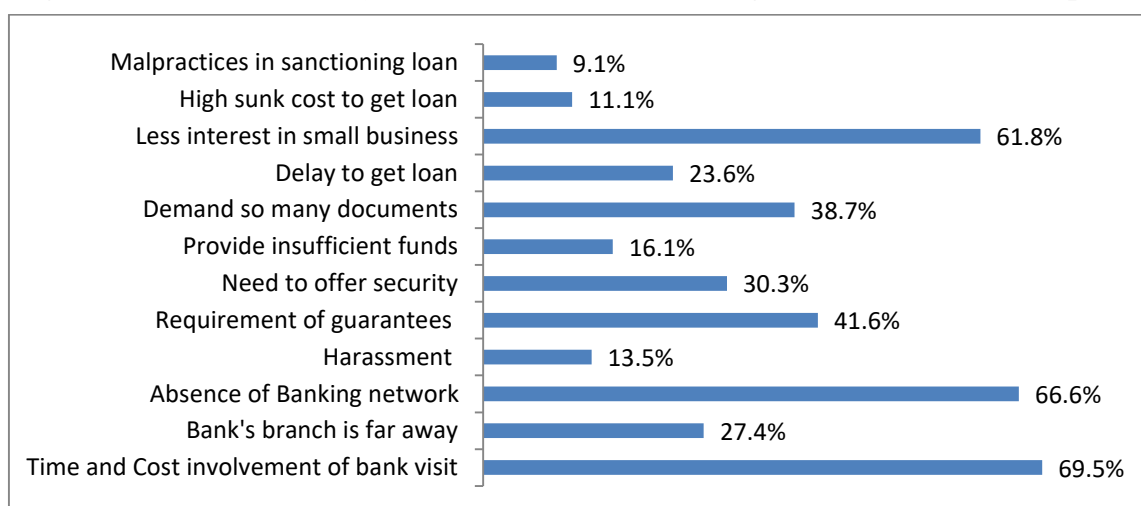
Those CMSEs that have bank accounts mostly do not transact very frequently with their accounts, as is evident from Figures-5.7 and 5.8.

Figure 5.7: Have Bank Account	Figure 5.8: Transactions Frequency in Days
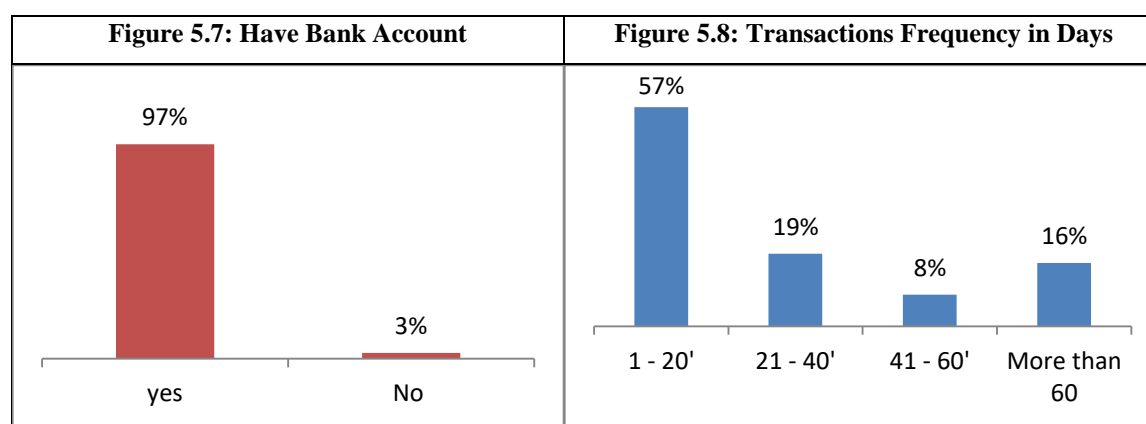
When asked the CMSEs about the approaches that banks use to give loans to them, only 14 percent of the respondents stated that a few banks approach them for taking bank loan while the majority of them (86.1 %) claimed that none of the bank ever visited their businesses with any of the banking products (Figure-5.9).

Figure 5.9: Approaches of Banks to CMSEs for Giving Loan
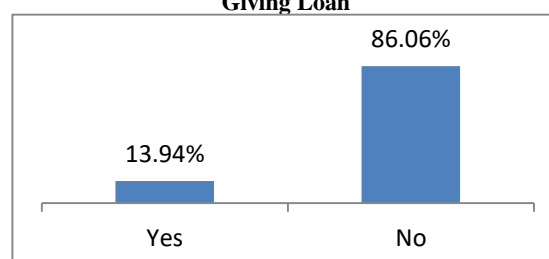
5.1.6 CMSEs Obtain Loan from Sources other than Banks

It is evident from the discussion presented in the previous section that CMSEs could not borrow from the banks and its networks due to several reasons, with 86.6 percent sampled CMSEs obtaining loans from sources other than the banks (Figure-5.10). Around 66% of

the CMSE borrowers obtained loan from NGO-MFIs, followed by money lenders (10.8%), multipurpose cooperatives (9.4 %), NBFIs (8.7 %), and samities (5.1 %). The average interest rate charged by sources other than banks was 16.6 percent which ranged between 9.5 and 30 percent (Figure-5.11). Although the existing interest rates charged by the NGO-MFIs, money lenders, and others were much higher than banks, the CMSEs felt comfortable to obtain loan from them.

Figure 5.10: Obtain Loan other than Bank	Figure 5.11: Sources of Loan by CMSEs other than Bank
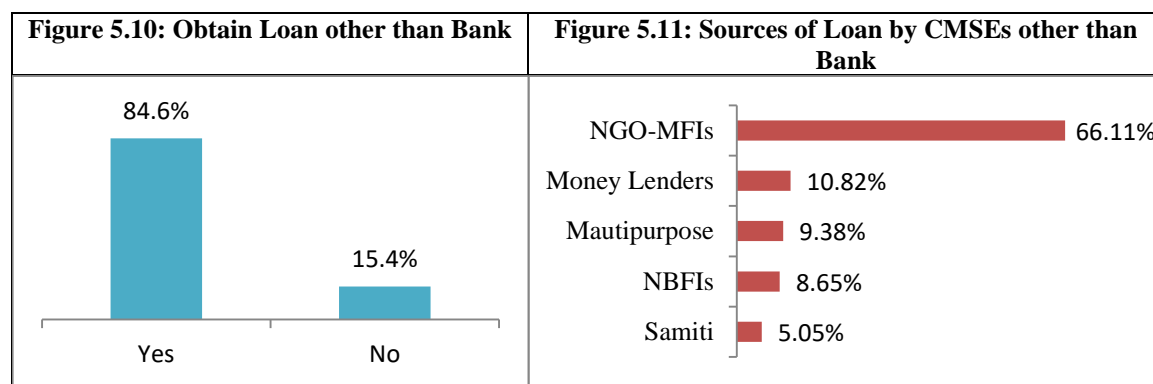
The majority of CMSEs (84.6%) preferred to obtain loans from sources other than banks due to having some advantages as shown in Figure-5.12.

Figure 5.12: Advantages Cited by the CMSEs for Borrowing from Other than Banks (Mixed Response)
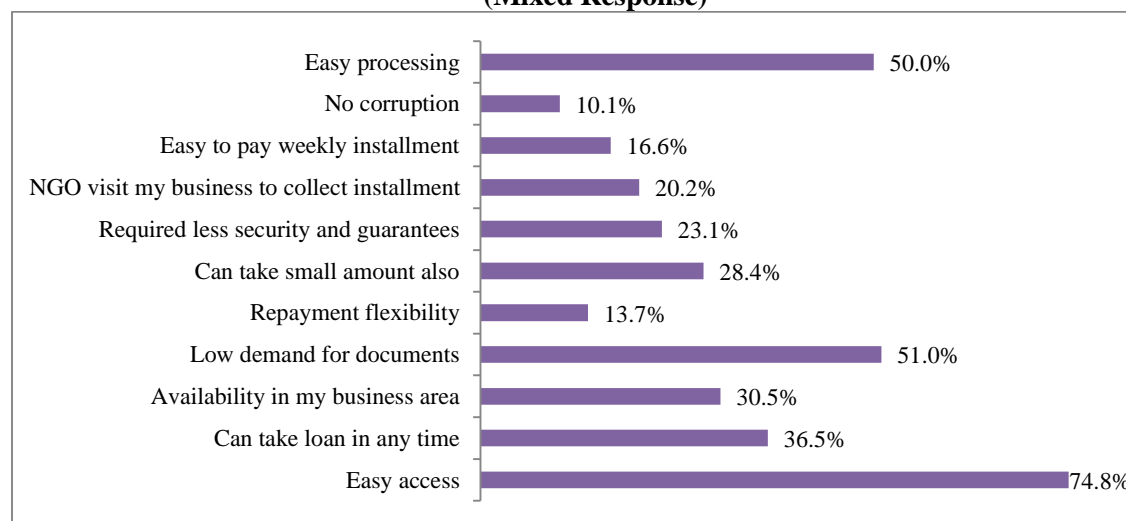
The advantages that the CMSEs got from using other sources of financing their businesses were easy access to loan (74.8%), easy processing of loan (50.0%), low demand for documents (51%), availability in their local areas (30.5%), obtaining smaller amount of loan (28.40%), requiring less security and guarantees (23.1%), repayment flexibility, and so on. These indicate that where there is a requirement for loan, CMSEs can easily obtain loan from sources other than banks, as and when required. There are opportunities for the banks to tap the untapped market by restructuring their market structure to CMSEs.

5.2 Findings from Banks

The responses received from the sampled banks to identify the prevailing banking market structure and access to finance by CMSEs are discussed below.

5.2.1 Banks' CMSME Experience, Current Portfolio and Initiatives

All banks in Bangladesh are supposed to provide financing to SMEs; however, the length of experience in this sector differs across the banks. The survey results of the sampled banks show (Table-5.4) that the average CMSME banking experience for all sampled banks was 14.36 years ranging between 7 and 38 years. The average portfolio of financing in CMSMEs as on June 2021 was BDT 6250.00 crore ranging between BDT 270 crore to 25827.2 crore. Although all banks are supposed to serve the CMSME sector, 93.9 percent of banks actually have taken initiatives to reach the rural CMSEs.

Table 5.4: Banks' CMSME Experience, Current Portfolio and Initiatives

	Yes/No (%)	Average	Range
CMSME Banking Experience		14.36 Years	7 – 38 Years
CMSME Portfolio (as on June 2021, BDT)		6250.00 Crore	270 – 25827.2 Crore
Initiatives of banks for better services to CMSEs	Yes = 100		
Initiatives of banks to reach the rural CMSEs	Y = 93.94 N = 6.06		

Banks are one of the key players in CMSE financing. For CMSMEs' greater access to finance, commercial banks play very crucial role. Although most CMSEs largely depend on their equity investment from own and family savings, commercial banks have recently started financing with their different products and mechanism. Many banks undertake various products and mechanism to cater to the financing needs of the CMSME sector, following Bangladesh Bank policy and guidelines. Some of those initiatives are shown in Box-1.

Box 1: Current Initiatives of Banks to Serve CMSMEs in Bangladesh

- Simplified documentation procedures.
- Women Entrepreneur dedicated unit for supporting women entrepreneur.
- Collateral free loan up to Tk. 5/10 lac for male and up to Tk.25.00 lac for Women Entrepreneur.
- Launched special products for MSME clients.
- Process the proposals in priority basis and through agent or unit office.
- Loan approval process has been made flexible especially for women entrepreneurs.
- Digital loan approval process has been introduced for CMSME loans.
- Strong field level forces/business team are employed to help CMSME clients.
- Has initiated opening Sub-branches to serve local CMSEs.
- Providing training to entrepreneurs for their capacity building.
- Collaborating with different business entities to finance CMSE customers in rural areas.

To reach the dispersed CMSEs located in the rural areas of Bangladesh, different banks have taken a number of initiatives as shown in Figure-5.13.

Figure 5.13: Initiatives of Banks to Reach Rural CMSEs Entrepreneurs

Initiative	Percentage
Starting small ticket loan for the rural micro enterprises	42.42%
Arranging customer awareness program in the rural areas	27.27%
Door to door service for the rural customers	21.21%
Involved with cluster financing in the rural areas	51.52%
Banking through sub-branch, agent, unit office, UDC, PO linkage	63.64%
Started CMSEs loan through agent outlets and unit office	24.24%
Initiative to provide loan through agent points	15.15%

5.2.2 Current Banking Market Structure of Sample Banks (Rural Focus)

Table-5.5 shows the current banking market structure of the sampled banks in the rural areas where they lack the branch network. To reach the rural CMSEs, banks have started establishing sub-branch (717), agent points (13,373), unit offices (701), linkage credit (102), union digital center (3923), and post office linkage (744). It is evident that agent banking mechanism is the structure by which banks are penetrating mostly in rural areas of Bangladesh, followed by union digital centers. Banks are gradually developing their network through these mechanisms to make the rural CMSEs bankable.

Table 5.5: Sample Banks' Rural Market Structure

Name of Bank	Sub-branch	Agent Point	Unit Office	Linkage Credit	Union Digital Center	Post Office Link
Dutch Bangla Bank Limited	32	5032	0	0	0	0
Islami Bank Bangladesh Limited	196	2612	0	0	0	0
Mercantile Bank Limited	19	126	27	0	0	0
Agrani Bank Limited	0	400	0	7	0	0
AB Bank Limited	1	204	0	0	0	0
Al Arafah Islami Bank Limited	33	512	0	0	0	0
Bank Asia Limited	7	887	0	0	3212	744
BASIC Bank Limited	11	0	0	0	0	0
Dhaka Bank Limited	18	0	0	8	0	0
Eastern Bank Limited	5	33	0	0	0	0
EXIM Bank Limited	21	1	6	0	0	0
First Security Islami Bank Limited	108	61	25	18	0	0
Jamuna Bank Limited	28	10	5	16	0	0
Mutual Trust Bank Limited	33	185	0	0	0	0
National Bank Limited	14	0	0	0	0	0
NCC Bank Limited	6	0	0	0	0	0

Name of Bank	Sub-branch	Agent Point	Unit Office	Linkage Credit	Union Digital Center	Post Office Link
One Bank Limited	29	111	0	5	0	0
Prime Bank Limited	0	94	0	0	0	0
Rajshahi Krishi Unnayan Bank	0	0	18	0	0	0
Rupali Bank Limited	3	0	35	10	0	0
Shahjalal Islami Bank Limited	2	37	0	0	0	0
Social Islami Bank Limited	87	183	0	0	0	0
Southeast Bank Limited	22	21	0	0	0	0
BRAC Bank Limited	0	597	461	22	14	0
NRB Bank Limited	4	317	0	15	278	0
Pubali Bank Ltd	37	0	0	1	0	0
The City Bank Ltd.	1	1510	124	0	0	0
Modhumoti Bank	0	440	0	0	419	0
Total	717	13373	701	102	3923	744

5.2.3 Sufficiency of Current Banking Market Structure and Unmet Demand

As regards the sufficiency of current banking market structure, 69.7 percent banks opined that the existing market structure is not sufficient, while 30.3 percent banks thought that the existing bank market structure is sufficient to reach the CMSEs in the rural areas (Figure-5.14),. However, there is a financing demand from the CMSEs where the banks cannot reach (Figure-5.15).

Figure 5.14: Sufficiency of Current Banking Market Structure

Yes 30.30% — No 69.70%

Figure 5.15: Financing Demand Where Banks cannot Reach

Yes 57.58% — No 42.42%
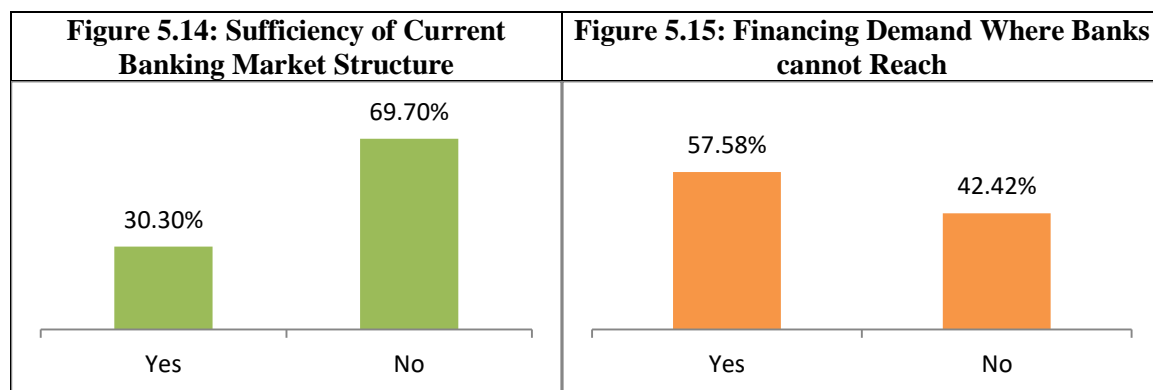
5.2.4 Existing Alternative Channels and Financing Through the Alternative Channels

Some of the commercial banks developed many alternative channels like opening sub-branch, setting agent point and unit office, create linkage with union digital center and post office, etc. to finance the rural area CMSE customers. Although banks have started some alternative delivery channels (Figure 5.16) to reach the rural customers, they are mostly mobilizing the deposit through those channels rather than focusing on providing them with financing. The average percentage of loan disbursed by agent point/unit office to total CMSME loan was less than 3 percent (2.68%). It is also evident that the existing Advance

to Deposit Ratio (ADR) of the agent point/unit office of sampled banks was around 12.7%. Only 18.2 percent of loans are provided to the CMSEs by the banks (Figure-5.17).

Figure 5.16: Have Alternative Channels	Figure 5.17: Financing Through the Alternative Channels
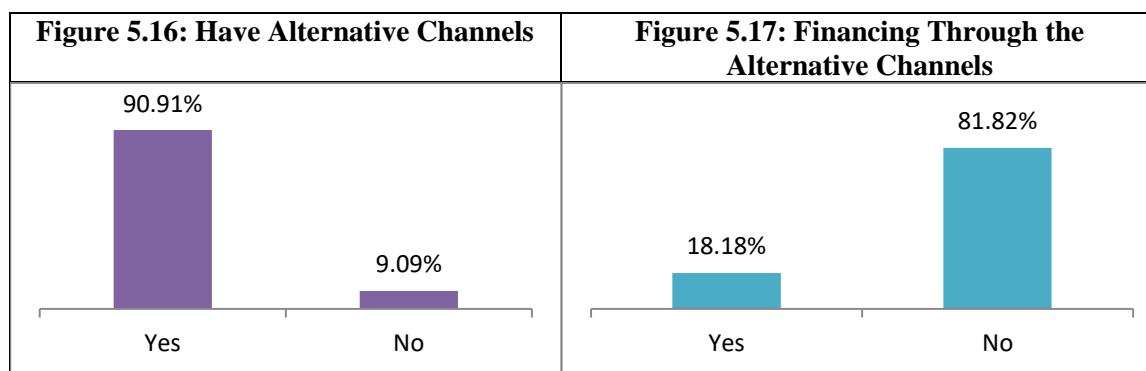
5.2.5 *Banks Competitors in Rural Area and Fulfilling Financing Need of CMSEs*

Around 79 percent respondents stated that they have competitors (Figure-5.18) in the rural areas like NGO-MFIs, NBFIs, money lenders, multipurpose cooperatives, and samities and 60.6 percent banks (Figure 5.19) opined that the rural financing requirement can be met by them and their competitors. However, 42.4 percent CMSEs (Figure-5.19) remained untapped. There is a scope to expand the banking market for those CMSEs along with the existing market which the banks are sharing with their competitors.

Figure 5.18: Have Competitors other Than Banks	Figure 5.19: Can Fulfill CMSEs Financing Need by Banks and Their Competitors
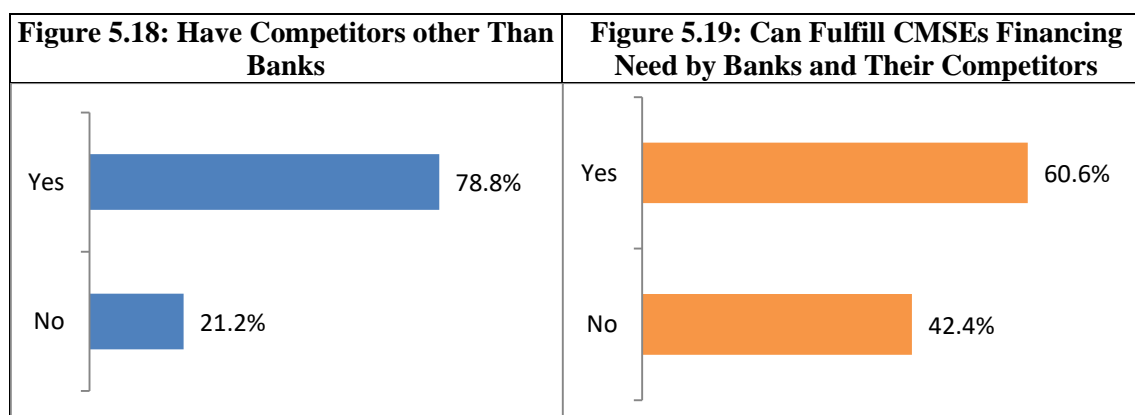
In rural areas, banks are facing competition from other market players as already mentioned and are facing several challenges and threats in their business operations as cited by the bank respondents (Box-2). Although banks have various initiatives to finance the CMSMEs compared to their competitors, still the rural CMSEs are under served by the banking sector. The banks identified several reasons in this context as summarized in Box-3.

Box 2: Threats Facing by Banks from Competitors other than Banks

- Offered Collateral free loan.
- Flexible in documentary requirements.
- Less security requirement to provide loan.
- Local competitors are well known to CSMEs.
- Customers do not like banking Process.
- Some of the competitors do not assess properly.
- Provide personal loan which CMSE use for the business.
- Offer very small ticket loan.

Box 3: Reasons of Underserved Rural CMSEs by Banking Sector

- Many CMSME clients in rural areas are still out of consideration due to security and collateral issues.
- Lack of innovation in banking services and products.
- Lack of start-up financing.
- Most of the banks are not capable to reach the rural areas CMSEs.
- Lack of efficient manpower to work in the rural areas.
- Many customers do not visit the banks and go elsewhere.
- Some customers are not the qualified loan customers.
- Most of the micro businesses do not have trade license.

5.2.6 Problems of Banks to Finance in Rural Areas and Setting Agent point / Unit Office

While financing in the rural areas, 57.6 percent of banks (Figure-5.20) were facing several problems and 51.5 percent of banks claimed that they face many problems for setting agent point in rural areas (Figure-5.21).

Figure 5.20: Face Problems to Finance in the Rural Areas	Figure 5.21: Problems to Set Agent Point/Unit Office in the Rural Areas
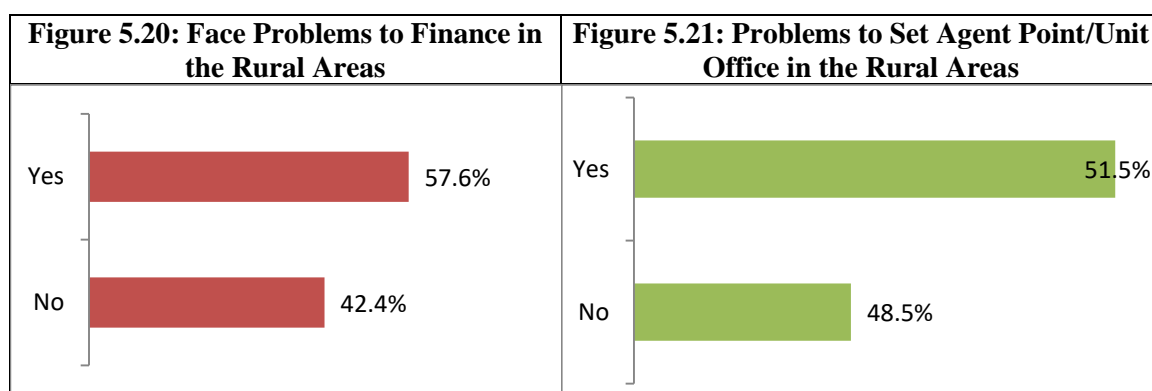
Some of the problems that the banks are facing in financing CMSEs in the rural areas are mentioned as follows.

- Opening branch or sub-branch is costly.	- Clients are not fully prepared for getting loan.
- The clients of rural area still prefer to take loan from NGO, Samiti, multipurpose or Moneylenders to avoid banking process.	- Non-availability of security.
- Regular Supervision and monitoring are difficult.	- Hard to reach the clients located in the remote areas.
- Lack of business plan & technology-based products.	- Most of the business do not have trade license.
- Lack of sector specific skilled manpower.	- Repayment behavior differs from area to area.
- The absence of SMEs support centers.	- Lack of banking network & mind set of the Banks.
	- Absence of technology-based products.

Over four-fifths (82.4%) of banks identified the requirements of rigorous supervision and monitoring of the agents, the lack of which may distort the overall credit discipline in the CMSE sector. The banks have to select an agent, based on the location of borrowers, agent's capacity and skill, and commercial viability.

Figure 5.22: Problems to Set Agent Point / Unit Office in the Rural Areas

Problem	Percentage
Rigorous supervision and monitoring are required	82.4%
Require more manpower and their active engagement	73.5%
Problems to find agent in the suitable location	50.0%
Many agent do not have the financial capacity	41.2%
Agent may lack proper knowledge of banking	35.3%
Agent sometimes involved with fraudulent activities	26.5%
Challenge to make agents commercially viable	23.5%
Service quality of agent is poor	23.5%
Difficult to carry cash	17.6%
Many customers do not believe that agent is the banking network	11.8%

6. Recommendations

Based on the observations and findings of the survey and secondary data analysis, the study recommends the following actions:

6.1 Strengthening Alternative Delivery Channels

Since CMSEs are very heterogeneous and scattered throughout the country, it is absolutely impossible for banks to reach the qualified customers through the branch. Since access to bank facilities for loans by the CMSEs is quite limited, banks may open sub-branch where possible, extensively introduce channel marketing; employ more agent outlet or unit office; create linkage credit through UDC or post offices; and extend mobile financial services to tap more CMSE clients.

6.2 Focusing Finance Through Alternative Channels

Since the existing market structure is not sufficient enough for rural CMSE financing and because banks are not providing financing through their alternative delivery channels, banks may start thinking about change(s) in the existing market structure and start extensive financing through alternative channels along with the deposit mobilization. To prepare the agent for CMSE financing, banks should provide adequate banking training along with lending mechanism to their agents.

6.3 Establishing Booth for CMSE Financing in Rural Areas

Since banks are facing several problems in financing rural areas and also because they face many problems for setting agent point in the rural areas, banks can establish common banking booth in rural areas with partnership among the banks.

6.4 Introducing Software-based Financing Model

Due to the distance of bank's branch and sub-branch, CMSEs face various problems (cost and time requirement, business operation disturbance, get instant service, fail to do transaction on time, communication interruption), banks may stat software-based banking in rural areas where two to three officers from the local area will be employed in any particular business location without having any office premises. These officers will visit some businesses each day and will observe the business activities and build relationships with the CMSEs. Meanwhile, when the enterprises demand any loan they will collect documents and send the snapshot through tab or mobile devices to the near branch for assessment. After assessing the enterprise, the credit officer will take decision and can sanction credit to the quality customers within very short time. Subsequently, the local officers will regularly monitor those businesses, collect installments and deposit to the banks.

6.5 Starting Small Ticket Loan

Many banks claimed they have competitors other than banks in rural areas for financing CMSEs and they are facing various threats from those competitors namely offering small ticket loan, loan without trade license, provide personal loan, and also because most businesses in rural areas are micro businesses. Banks may consider small ticket loan by analyzing the transactions behavior of customers even for the business that do not have trade license. In this case, banks must consider the business volume and the future prospects of CMSMEs.

6.6 Develop FinTech-based Products

The application of Information Technology (IT) may play an important role in financing CMSEs. It may be considered as a major enabler for new forms of working and collaborating within banks as well as with international organizations. Integrated IT solution may help to ensure faster decision and disbursement regarding the CMSE financing. Hence, a strong Management Information System (MIS) for CMSEs may be developed by the banking sector. Banks may develop app-based solutions and AI-based interactive Chatbot banking by which customer can get banking information as well as can apply for banks' loan. Besides, banks may use Big data analytics for analyzing huge volume of data which may help to find various pattern of CMSE business for decision making. In addition, banks may form consortium to launch blockchain-linked funding for CMSEs. Banks may also consider financing FinTech firms, so that they can easily develop

FinTech solutions for banks. Moreover, banks should impart training to the customers and relevant bank officials before introducing FinTech based products.

6.7 Relaxing Documentation Formalities

Banks should change their mind set and establish a minimal documentation requirement, so that CMSEs feel encouraged to get access to the bank financing. Banks may emphasize on the relationship lending to reduce dependency on more documents. Similarly, banks may categories documentation requirements, based on the CMSE business segment such as new enterprise, unbanked people, existing business and so on. To avoid misunderstanding, all documents related with CMSE loans (including charge documents) should be printed in Bangla, so that the clients can easily read and understand it. On the other hand, to address the problems of getting documents from different issuing authorities, government and other relevant authorities may ease the documents-obtaining process by establishing separate counter for the CMSE clients. In this context, the tenure of some documents (e.g., trade license) may also be extended for 5 to 10 years.

6.8 Developing Cluster-based Scheme and Outlet to Support New and Existing Entrepreneurs

Now-a–days, cluster-based financing is gaining popularity all over the world. In Bangladesh, there are also various clusters in different locations and most of them are in rural areas. Since opening bank branch or sub-branch everywhere is not feasible, banks may design some cluster-based schemes and establish small outlets near to the specific cluster with two to three employees to provide banking services to those clusters. This will reduce the cost and can generate more business for banks.

6.9 Developing Tailor-made Products for Heterogeneous CMSEs in Rural Areas

As CMSEs are heterogeneous in nature and scattered all over the country, banks may design customized products based on area and cluster approach. In addition, banks may add separate features for a single product targeting rural, semi-urban and urban CMSEs (including women entrepreneurs), so that banks can fulfill customers' requirement as per their needs. There is a great need for improving different aspects of financial services for CMSEs such as seed money, leasing, factoring, invoice financing, venture capital, crowd funding, and investment funding. Banks may develop products based on market data that may require a certain degree of market research.

6.10 Continuing Customer Awareness Program

It is evident that CMSEs are accustomed and habituated with the local borrowing sources due to absence of banking network, easy access to the sources other than banks and lack of availability of information of banking products and services. Hence, banks may popularize their products and offerings to the CMSEs to break the CMSEs' mindset about interacting with the banks. There are many financial products and services of banks available for

CMSEs in rural areas, but they could not avail it due to lack of information. As a result, many CMSEs depend on local moneylenders or micro finance institutions for getting finance that ultimately increase the cost of financing. Moreover, due to lack of information dissemination, many entrepreneurs are not aware various refinancing or pre-financing sources scheme available for them. In this regard, to penetrate in the local market, banks should disseminate information to CMSEs about their products and requirements through poster, banner, social networking and advertising in rural areas to attract the prospective CMSEs that may reduce the information gap between the borrowers and lenders. Moreover, banks should take preparation for the FinTech based products and make aware the customers aware about this.

6.11 Minimizing Collateral Requirements and Searching for Alternative Collateral Security

Due to the excessive collateral and third-party guarantee requirements, most CMSEs prefer to get loan from the market players other than banks with high interest rate. Although many banks have started to offer collateral free loans to CMSEs even in rural areas, this may not be sufficient enough for the overall need of the CMSEs. Banks can also facilitate good borrowers or the customers with good future prospects through collateral free loan in case of strong personal guarantee. Moreover, banks can concentrate on finding collateral substitutes such as cash flow-based lending, extensive monitoring, relationship based lending. Besides, bank can introduce group guarantees for CMSE financing (some of the banks are practicing this approach). In case of cluster financing, guarantee can be taken from the association of cluster which will ultimately reduce the possibility of default. To minimize the risk, credit guarantee scheme may be helpful in this regard.

6.12 Proactive Thinking and Mindset of Banks in Financing CMSEs

A large number of CMSEs feel that the banks are negligent in financing and dealing with the CMSE clients. The banks should change their mindset to better serve and consider the CSME sector as opportunities for enhancing their profitability. Banker should have good customer relationship, and positive and caring attitude towards the CMSEs. Moreover, bankers have to nourish the CMSEs to become successful based on their proactive mindset.

6.13 Ensuring Ethical Practices in Sanctioning CMSE Loan

Some CMSEs claimed about the malpractices in loan sanctioning process by bank officials which may lead them to take loan from other market players than banks. To address the issue of malpractices (taking bribe, nepotism, etc.) in sanctioning loan to CMSEs, banks need to adopt better internal control and governance mechanism to identify such activities, and if found, involved officials must get exemplary punishment with zero tolerance. Therefore, establishing code of ethics and its application in reality may be helpful to eliminate malpractices in CMSE financing. Ethical values and mind set should be encrypted in the CMSE financing process.

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Appendix I: List of 34 Districts and Survey Area Coverage

Sl.	District	Survey Area
1	Habiganj	Banyachong, Ajmeriganj
2	Sunamganj	Tahirpur, Badaghat
3	Barguna	Amtali, Khekuani Bazar
4	Patuakhali	Baliatoli, Kolapara, Mirzaganj
5	Moulovibazar	Azimganj, Kathaltoli, Borolekha
6	Kushtia	Kumarkhali, Khoksha
7	Meherpur	Gangni
8	Brahmanbaria	Kasba
9	Rangpur	Rangpur Sadar, Pirgacha, Mithapukur, Badarganj
10	Naogaon	Mohadebpur
11	Jamalpur	Jamalpur Sadar
12	Sirajganj	Kazipur
13	Shariatpur	Shakhipur
14	Tangail	Sakhipur
15	Faridpur	Faridpur Sadar
16	Pirojpur	Kawkhali , Swarupkathi, Binna
17	Bogra	Adamdighi, saoil Bazar, Gabtoli
18	Cumilla	Muradnagar, Debidwar
19	Jashore	Manirampur
20	Noakhali	Chatkhil, Sonaimuri
21	Narayanganj	Fatullah, Bandar
22	Kishoreganj	Tarail, Itna
23	Mymensingh	Sadar, Gafargaon, Dhobaura, Nandail
24	Jhenaidah	Jhenaidah Sadar, Kaligonj, Harinakunda
25	Khulna	Khulna Sadar, Dumoria, Batiaghata
26	Manikganj	Singair, Ghior, Saturia
27	Chandpur	Haziganj, Kacua, shaharasti
28	Sylhet	Bishwanath, South Shurma, Kanaighat
29	Barishal	Wazirpur, Bakergonj
30	Gazipur	Gazipur Sadar, Kapasia
31	Gopalganj	Sadar, Muksudpur, Kotalipara
32	Munshiganj	Sadar, Lohajang, Sirajdikhan, Tongibari
33	Madaripur	Kalkini,Shibchar
34	Rajshahi	Charghat, Kaluhati, Arani, Godagari

Appendix II: Questionnaire for CMSE Entrepreneurs

প্রশ্নপত্র

ব্যবসায়ের নামঃ ....

উত্তরদাতার নামঃ ....

ব্যবসায়ের ঠিকানা, মোবাইল নম্বর সহঃ ....

১. আপনি কোন সালে ব্যবসা শুরু করেছেন? ....

২. ব্যবসায়ের প্রকৃতিঃ ☐ উৎপাদনশীল ☐ ব্যবসা ☐ সেবা

৩. আপনার ব্যবসায়ের ধরন কি? ☐ কুটির ☐ ক্ষুদ্র ☐ ছোট

৪. আপনার ব্যবসায়ের ট্রেড লাইসেন্স আছে কি? ☐ হ্যাঁ ☐ না

৫. আপনার ব্যবসায়ের জন্য বাহিরের উৎস হতে টাকা ধার করার প্রয়োজন হয়? ☐ হ্যাঁ ☐ না

৬. আপনি কি ব্যবসায়ের জন্য ব্যাংক হতে কোন ঋণ নিয়েছেন? ☐ হ্যাঁ ☐ না

৭. আপনার ব্যবসায়ের বর্তমান মূলধন কাঠামো কি রকম?

ক্রমিক নং	উৎস	টাকা
১	নিজ	
২	ব্যাংক	
৩	আর্থিক প্রতিষ্ঠান (NBFIs)	
৪	এন জি ও	
৫	ক্ষুদ্র ঋণ দানকারী প্রতিষ্ঠান	
৬	বন্ধু-বান্ধব, আত্মীয়-স্বজন, মাল্টিপারপাস, সমিতি, মহাজন	

৮. আপনার ব্যবসায়ের আশে পাশে কি কোন ব্যাংকের শাখা বা উপশাখা আছে? ☐ হ্যাঁ ☐ না

যদি থাকে, তবে কয়টা .... এবং নিকটবর্তীটা কত দূরে (কিলোমিটার)..............................

৯. ব্যবসায়ের নিকটবর্তী শাখা বা উপশাখায় যেতে আপনার কত খরচ হয় এবং কত সময় লাগে?

ক) সময় (যেতে এবং আসতে) ....খ) খরচ (যেতে ও আসতে, টাকায়) ....আপনার

ব্যবসায়ের আশে পাশে ব্যাংকের কোন নেটওয়ার্ক যেমন এজেন্ট ব্যাংক, ইউনিট অফিস, ইউনিয়ন ডিজিটাল সেবা,

পোস্ট অফিসের মাধ্যমে ব্যাংকের সেবা ইত্যাদি আছে কি? ☐ হ্যাঁ ☐ না

১০. ব্যাংকের নেটওয়ার্ক যদি থাকে (এজেন্ট ব্যাংক, ইউনিট অফিস, ইউনিয়ন ডিজিটাল সেবা, পোস্ট অফিসের মাধ্যমে ব্যাংকের সেবা) আপনি কি সেখানে থেকে ঋণ নিতে পারেন? ☐ হ্যাঁ ☐ না

১১. আপনার পাশের ব্যাংক অথবা ব্যাংকের নেটওয়ার্ক কি আপনার ঋণের চাহিদা পুরাপুরি মেটাতে পারে?

☐ হ্যাঁ ☐ না। যদি না পারে তবে কি পরিমান চাহিদা বাকী থাকে (% এ বলেন)

১২. আপনি কি ব্যাংকের নেটওয়ার্ক কর্তৃক প্রদানকৃত সেবায় সন্তুষ্ট? ☐ হ্যাঁ ☐ না

১৩. আপনার কি কোন ব্যাংক হিসাব আছে? ☐ হ্যাঁ ☐ না

থাকলে আপনি কি ঐ হিসাবে কোন লেনদেন করেন? ☐ হ্যাঁ ☐ না

১৪. ঐ হিসাবে সর্বশেষ কত দিনের মধ্যে লেনদেন করেছেন?

☐ ১ - ২০ দিন ☐ ২১ - ৪০ দিন ☐ ৪১ - ৬০ দিন ☐ ৬০ দিনের বেশি

১৫. আপনি কি ব্যাংক ছাড়া অন্য কোন উৎস হতে ঋণ করেছেন? ☐ হ্যাঁ ☐ না

করে থাকলে কোথা থেকে? ☐এনবিএফআই ☐এনজিও ☐মালটিপারপাশ ☐সমিতি ☐মহাজন

১৬. ব্যাংক ছাড়া অন্য উৎস হতে ঋণ নিলে আপনাকে গড়ে কত শতাংশ সুদ দিতে হয়? ....

১৭. আপনার আশে পাশে কোন ব্যাংকের শাখা, উপশাখা নেই বলেই কি আপনি অন্য উৎস হতে ঋণ নিয়েছেন?

☐ হ্যাঁ ☐ না; যদি না হয় তবে ব্যাংক থেকে ঋণ না নেয়ার কারণ কি?

১৯. ব্যাংক ছাড়া অন্য উৎস হতে ঋণ নিলে কি সুবিধা পাওয়া যায়?

....

২০. ব্যাংকের শাখা বা উপশাখা না থাকা সত্ত্বেও কোন ব্যাংক থেকে ঋণ নেয়ার জন্য আপনাকে কি কেউ কখনো বলেছেন? ☐ হ্যাঁ ☐ না

২১. ব্যাংকের শাখা বা উপশাখা দূরে হওয়াতে আপনাকে কি কোন সমস্যায় পড়তে হয়? যদি হ্যাঁ হয় তবে কেন?

আপনার সহযোগীতার জন্য ধন্যবাদ।

Appendix III: Questionnaire for Banks

Questionnaire	
Bank's Name	
Contact Person's Name	
Contact Person's Designation	
Contact Number and Email	

1. In which year has your bank started CMSME banking? ☐

2. What is your current portfolio in CMSMEs (as on June 2021, BDT million) ☐

3. Is there any initiative/s in your bank to provide better customer services to CMSME clients? If yes, list the services below.
   ………………………………………...

4. Is there any initiative/s in your bank to reach the rural Cottage, Micro and Small enterprises (CMSEs)? ☐ Yes ☐ No   If yes, list the below.
   ....

5. Please provide the following information.

Sl.	Parameters	Urban	Rural
1	Number of Branch		
2	Number of Sub-Branch		
3	Number of Agent point		
4	Number of Unit office		
5	Number of Linkage credit		
6	Number of Union Digital Centre (UDC)		
7	Number of Post Office linkage		
8	Others		

6. Do you think current banking market structure in Bangladesh is sufficient enough to finance Cottage, Micro and Small enterprises? ☐ Yes ☐ No

7. Do you get any financing demand from Cottage, Micro and Small enterprises where you cannot reach? ☐ Yes ☐ No

8. In any specific area if you do not have branch or sub-branch; is/are there any alternative channel/s to reach the CMSE customers? ☐ Yes ☐ No If yes: please mention
   ....

9. If you have any agent point/unit office; do you provide any loan with that agent?
   ☐ Yes ☐ No. If Yes, what is the percentage of these loans to total CMSME loan? ☐
   if No, what are the reasons? ....

10. If you provide loan with the agent point/unit office; what is your current ADR of those
    agent points/unit offices? ☐

11. Do you have any competitors other than banks in providing CMSME loan in rural area?
    ☐ Yes ☐ No
    If yes; please state the threats you are facing from those competitors.

Sl.	Name of Competitor	Threats you are Facing
1.		
2.		

12. Do you face any problem/s to finance Cottage, Micro and Small enterprises in rural area?
    ☐ Yes ☐ No Please mention the problem/s
    ....

13. In your opinion, what should the banks do to reach the heterogeneous Cottage, Micro and Small customers?
    ....

14. Do you think setting agent point/unit office is problematic?
    ☐ Yes ☐ No If yes; why?
    ....

15. Do you think at present banks along with their competitors are able to fulfill the CMSEs financing needs? ☐ Yes ☐ No If no, please write down the reasons.
    ....

16. Do you have any technology based product to reach remote area customers?
    ☐ Yes ☐ No If yes, please mention the name of the products
    ....

17. Are there any suggestions for strengthening our local banking market structure to provide better financial services to the Cottage, Micro and Small enterprises?
    ....

Appendix IV: List of Sample Banks

Sl.	Bank	Sl.	Bank
1	Sonali Bank Limited	18	National Credit and Commerce Bank Ltd.
2	Agrani Bank Limited	19	One Bank Limited
3	Janata Bank Limited	20	Social Islami Bank Limited
4	Rupali Bank Limited	21	First Security Islami Bank Limited
5	Bangladesh Krishi Bank	22	Mercantile Bank Limited
6	Rajshahi Krishi Unnayan Bank	23	Al Arafah Islami Bank Limited
7	BASIC Bank Limited	24	Shahjalal Islami Bank Limited
8	AB Bank Limited	25	Southeast Bank Limited
9	Bank Asia Limited	26	Prime Bank Limited
10	Dutch-Bangla Bank Limited	27	BRAC Bank Limited
11	Dhaka Bank Limited	28	HSBC, Bangladesh
12	Eastern Bank Limited	29	Commercial Bank of Ceylon PLC
13	EXIM Bank Limited	30	Bangladesh Commerce bank Ltd.
14	Islami Bank Bangladesh Limited	31	The City Bank Limited
15	Jamuna Bank Limited	32	Pubali Bank Limited
16	Mutual Trust Bank Limited	33	Modhumoti Bank Limited
17	National Bank Limited	34	NRB Commercial Bank Limited

Appendix V: List of Banks Providing MFS and Their Products

#	Bank Name	Product Name	Source Link
1.	Duch-Bangla Bank Limited.	Mobile-Banking	http://www.dutchbanglabank.com/electronic_banking/mobile_banking.html
2.	BRAC Bank Limited.	bKash	http://www.bkash.com/
3.	Prime Bank Limited.	EasyCash	https://www.primebank.com.bd/index.php/home/mobile_banking
4.	Islami Bank Bangladesh Limited.	mCash	http://mcash.islamibankbd.com/
5.	Trust Bank	Mobile Money	http://www.trustbank.com.bd/MobileMoney
6.	National Credit and Commerce Bank Limited	SureCash	https://www.nccbank.com.bd/index.php/nccbsms_banking
7.	Bank Asia Limited.	Mobile Banking	http://www.bankasia-bd.com/home/mobile_banking
8.	Dhaka Bank	SMS Banking	https://ibank.dhakabank.com.bd/window.asp?Page=SMSBanking.asp
9.	Mercantile Bank	Mobile Banking	http://www.mblbd.com/home/mobile_banking
10.	AB Bank	SMS Banking	http://www.abbl.com/sms-banking.html
11.	South East Bank	SMS Banking	http://www.southeastbank.com.bd/sms.php
12.	First Security Islami Bank	SureCash	http://www.fsiblbd.com/mobile-banking-service.php
13.	Bangladesh Commerce Bank	SureCash	http://bcblbd.com/
14.	Standard Bank	Mobile Banking	http://www.standardbankbd.com/index.php/home
15.	United Commerce Bank	SMS Banking	http://www.ucbl.com/sms-tc.htm

Appendix VI: Status of MFIs in Bangladesh

Basic Information about MFIs in Bangladesh					
Particulars	**June 2014**	**June 2015**	**June 2016**	**June 2017**	**June 2018**
No of Licensed NGO-MFIs	742 (Canceled 45)	753 (Canceled 56)	758 (Canceled 78)	783 (Canceled 84)	805 (Canceled 100)
No of Branches	14,730	15,609	16,284	17,120	18,196
No. of Employees	109,628	1 10,781	127,820	139,526	153,919
No. of Clients (Million)	25. 11	26.00	27.79	30.82	31.22
Total borrowers (Million)	19.42	20.35	23.28	24.94	25.40
Loan Disbursement (BDT Billion)	462.00	634.00	787.00	1,046.00	1,201.91
Agri Loan Disbursement (BDT Billion)	155.73	266.25	353.00	408.88	423.69
Loan Outstanding (BDT Billion)	282.20	352.41	459.37	583.62	673.90
Agri Loan Outstanding (BDT Billion)	1 15.77	147.60	285.00	354.00	405.00
Amount of Savings (BDT Billion)	106.99	135.41	171. 19	216.7 1	262.96
Loan Recovery (BDT Billion)	447.89	522.47	717.00	949.12	1,112.21

Selected indicators of NGO-MFIs in Bangladesh					
Particulars	**June '14**	**June '15**	**June '16**	**June '17**	**June '18**
Savings Per Member (BDT)	4489	5208.08	6160.13	7031.47	8422.80
Outstanding loan per borrower (BDT)	14530.14	17317.44	19732.39	23485.71	26531.50
Borrower to client (member) ratio	79%	78%	83%	80%	81%
Savings to Outstanding loan ratio	41 %	38%	37%	37%	39%
Borrower per Branch	1175	1303	1429	1456	1395
Member per Branch	1480	1665	1706	1800	1715
Outstanding loan per branch (BDT Million)	19. 16	22.58	28.21	34.11	39.36
Savings per Branch (BDT Million)	7.26	8.68	10.51	12.66	15.36

Source: MRA-MIS Database 2018