United International University

Project Report

On

SME Banking of BRAC BANK Limited

Submitted to:

Mr. Mosabbir Uddin Ahmad

Assistant Professor

Submitted by:

ID-111 161 014

Amanta Ashad

Date of Submission: 27-01-2022

Letter of Transmittal

27th January 2022

Mr. Mosabbir Uddin Ahmed

Assistant Professor,

School of Business & Economics,

United International University,

Dhaka.

Subject: Submission of project report on “SME banking of BRAC Bank Ltd”

Dear Sir,

It is my Great pleasure to submit the internship report on **“SME banking of BRAC Bank Ltd”** which I have prepared by collecting the data from secondary source to partial fulfillment the requirement of BBA degree.

I am hopeful that this project work will assist me in expanding my practical knowledge of the banking industry. By using what I've learned during this project, I'll be able to speed my professional advancement. I much value your wise counsel and excellent collaboration in this area. I did my best to detail the issues and make the most of my abilities in order to make the Report useful. Though there may be some inaccuracies and flaws.

I've now presented this report to you for your consideration. I'm hoping that my report will meet your expectations. I would be happy to assist you with any more questions you may have.

Sincerely yours

Amanta Ashad

Id: 111 161 014

Letter of Endorsement

I would like to take this occasion to thank my honorable supervisor, Mr. Mosabbir Uddin Ahmad, Assistant Professor of United International University, for his continual supervision and direction in addressing all of the challenges that I've experienced while completing the thesis report. I am grateful for his professional supervision, persistent aid, and inspiration during the writing of the thesis report. Amanta Ashad, Major in Finance and Banking Insurance, United International University, finished a project on "SME Banking of BRAC Bank Ltd." under my supervision. The project report is being submitted as part of the Bachelor of Business Administration (BBA) degree requirements at United International University.

I wish her the best of wishes in life.

……………………….

Mr. Mosabbir Uddin Ahmad

Assistant Professor

United International University

Acknowledgement

To start, I would like to thank my kind and beneficent Almighty for providing me with sufficient strength, patience, bravery, and ability to work on my thesis paper on BRAC Bank Limited SME Banking.

Following that, I'd like to take this opportunity to express my heartfelt gratitude to my honorable supervisor, Mr. Mosabbir Uddin Ahmad, Assistant Professor of United International University, for his constant supervision and guidance in resolving all of the issues that I've encountered while preparing the thesis report. During the production of the thesis report, I am grateful for his skilled supervision, consistent assistance, and inspiration.

Executive Summary

Bangladesh is one of the world's fastest-growing economies. Agriculture, service-oriented businesses, and certain industrial industries are the mainstays of this country's economy. SME Bangladesh's economy is extremely significant. SME lending is a significant part of the banking industry. Small and Medium Enterprises (SME) are claimed to account for around 50% of GDP and 60% of employment. Small and medium-sized businesses are expected to account for 25 to 35 percent of global manufactured exports. Financial institutions all across the world are working hard to increase their exposure to small and medium-sized businesses. The Bangladesh Bank has recently requested all banks to place a greater emphasis on SME banking operations and has issued certain recommendations to help SME banking.

I completed my thesis report on the topic "SME Banking of BRAC Bank Ltd" as part of my BBA study at United International University Bangladesh To begin, the study provides an overview of the BRAC bank, including its vision, mission, product, Credit Policy, Credit Approval, SME lone produce.

Then I compared the last five years SME loan performance of BBL, MBL, JBL, and SEBL units, and based on that, I hope to meet my objectives for this report. This paper examines the operations of the chosen banks in the SME sector. I believe that my study will provide you with a thorough view of the selected banks' SME banking and SME loan performance during the previous five years. It contains also the analysis of the interest rates and \processing fees of the SME loans which reveals the current interests rates on SME loan of all the banks along with the durations of the loan supplied to the SME clients in the present market. SME loan disbursement, SME loan disbursement Growth ratio, SME outstanding ratio, and SME interest income ratio are also examined in the study.

In terms of number of SME branches, Service points, clients, increase in SME outstanding, disbursement of SME, and SME interest income ratio, I observed that BBL performs significantly better than other banks in the SME sector.

Contents

Chapter One

Introduction Part

Introduction

BRAC Bank Limited is a full-service financial institution. BRAC Bank is owned by both domestic and foreign institutions. The bank's primary goal is to create possibilities and fill market gaps that aren't normally served by traditional banks. BRAC Bank is driven to deliver "best-in-class" services to a varied range of consumers across the country using an on-line banking platform. BRAC Bank is now one of the country's most rapidly rising banks. BRAC Bank is now seeking for remarkable goal-oriented, passionate professionals for different business activities in order to support the expected expansion of its distribution, network, and business divisions. The bank aspires to become a financially successful and socially responsible organization. It pays close attention to market and commercial opportunities, as well as aiding BRAC and other stakeholders in their efforts to create a progressive, healthy, democratic, and poverty-free Bangladesh. It contributes to the strengthening of communities and the country's economy, as well as assisting individuals in achieving their financial objectives. The bank upholds high standards in all it does for our customers, shareholders, acquaintances, and communities, on which our company's future prosperity is built.

Organization Profile

BRAC Bank Limited began operations on July 4, 2001, with its origins in BRAC - Bangladesh Rural Advancement Committee. BRAC is regarded as one of the most successful non-governmental organizations in the world. BRAC Bank was founded as a result of the success of BRAC microfinance. Bangladesh will not be able to create the large middle class that is necessary for social stability until modern, competitive financial services are readily available, including credit in amounts, terms, and conditions that small businesses can access, according to the Chairman, Sir Fazle Hasan Abed. As a result, the BRAC Bank Limited was formed to meet the requirement for large-scale funding, which would not have been viable with BRAC microfinance alone. With a double bottom line of vision, BRAC Bank was the fastest growing local bank in 2004 and 2005. This organization aspires to combine business with social responsibility in order to benefit the people of the country. Bangladesh Rural Advancement Committee (BRAC), the main organization, has been fighting for the improvement of the poor since the country's independence. BRAC Bank's strategy is likewise built on assisting individuals who are poor while simultaneously generating a profit by delivering high-quality financial services. As a result, small and medium businesses account for half of the bank's overall loan portfolio. It has been discovered that there is a part of the population that does not have access to cash, but who, if given funds, may flourish in their own small and medium firms and therefore contribute to the economy's development. BRAC Bank is now regarded a third-generation bank, offering a full range of financial services through a lucrative, efficient, courteous, and contemporary fully automated on-line service. It has offered a fully integrated online banking solution to deliver all types of financial services from any of its conveniently positioned locations since its founding.

Human Resource:

BRAC Bank Limited now has a workforce of 7,740 people. The management hierarchy of BRAC Bank Limited is organized vertically, with a total of 15 designations. Board of Directors, Executives and Officers, and Staves make up the management of BRAC Bank Limited. All significant decisions at BRAC Bank Limited are made by the top management. Because it is at the highest level, the Board of Directors has a significant influence on policy formation. The day-to-day operation of the bank is directly impacted by the Executives and Officers.

CRAB Rating:

In light of BRAC Bank Limited's performance in 2010, Credit Rating Agency of Bangladesh (CRAB) Limited has maintained the bank's "AA3" long-term rating and its "ST-2" short-term rating. BRAC Bank Ltd. has a very good capacity to satisfy its financial commitments, as shown by the AA3 grade. Only a little distinction exists between the Bank and the highest-rated Commercial Banks. AA3 is considered to be of extremely good quality and carries a very low chance of default. In the near term, the "ST–2" rating denotes the Bank's good ability to repay its debts on schedule. This grade also indicates that the Bank has a strong position in terms of liquidity, internal fund creation, and alternative funding sources.

Mobilization of Fund:

The main sources of fund for BRAC Bank Limited are:

i. Deposit
ii. Borrowing

i. Deposit: Deposit is the mainstay of the Bank's sources of funds. Following usual practices, the Bank collects deposit through: Current Deposit, Savings Deposit, and Term Deposit.

ii. Borrowing: Apart from deposits, BRAC Bank Limited gets cash as borrowing from other Bangladeshi and international banks, financial institutions, and agents. BRAC Bank Limited only receives funds from Bangladesh Bank as demand term borrowing in 2011. Uttara Bank Limited is a bank based in India. In addition, the Bank borrowed from other banks, financial institutions, and agents in Bangladesh in the past as demand term borrowing, short term deposit borrowing, and fixed deposit borrowing. The Bank also acquired cash from several outside banks as demand term borrowing (non-interest bearing). Standard Chartered Bank –USA, The Bank of Nova Scotia- Canada, Citibank NA-USA,ICICI-India, Standard Chartered Bank-UK, Hypo Veering Bank Germany, HSBC-USA,HSBC-UK, HSBC-AUS, HSBC-Pakistan etc..

Chapter Two

Theoretical aspect of SME Banking

BRAC BANK

আস্থা অবিচল

Define SME

An SME is described as "a business handled in a customized manner by its owners or partners, with only a tiny portion of its market and not large enough to have access to the stock exchange for capital rising." SMEs typically have limited access to conventional financial channels and rely mostly on their owners' own funds, as well as the savings of their relatives and friends. As a result, the majority of SMEs are single proprietorships or partnerships. SMEs have been classified based on a number of factors. Governments often use three characteristics to identify SMEs: capital investment in equipment and machinery, the number of personnel employed, and the volume of output or turnover of the firm.

SME Financing in Bangladesh:

SME banking has been implemented into the majority of commercial banks and financial institutions. Only re-designing and scaling down their present financial products for SME customers is required for incorporation. This does not bring expected value to SME funding because it is normal finance disguised as SME financing. Small and medium-sized businesses (SMEs) give low-cost job opportunities and economic flexibility. Many of the SMEs are export-oriented, indicating that they are internationally competitive. Given the importance of the SME sector in Bangladesh's economy and knowledge of the restrictions that such businesses face, it is clear that measures to assist the development and expansion of SMEs are required.

Resource of SME Banking:

BRAC Bank's major goal is to improve the country's human and economic situation. Its role isn't only confined to loan provision and repayment. However, a country's economy should be developed as well.

So, from the perspective of BRAC Bank Ltd, there are several reasons for this scheme. There are:

- **<u>Support medium and small business:</u>**

To help small and medium enterprises that require less than BDT 30 lacs, yet small and medium entrepreneurs in the market do not have easy access to commercial banks/financial institutions to obtain loans. BRAC Bank Ltd., on the other hand, offers loans ranging from BDT 3 to BDT 8 lacs with no mortgage required.

- **<u>Economic Development:</u>**

Small and medium-sized businesses play a critical role in a country's economic growth. For example, if we look at Japan's development history, we can see that the growth of small and medium-sized businesses has accelerated the country's development.

- **<u>Employment Generation:</u>**

To increase the number of job openings in the market. The bank tailors job offers in two ways: To begin, by offering loans to small businesses. These companies are growing and need more employees. Second, to give support to entrepreneurs, the small and medium business (SME) program requires educated and active individuals.

- **<u>Profit Marketing:</u>**

In the banking world, the SME program is a new dimensional banking system. The majority of CROs offer door-to-door services to enterprises. Entrepreneurs are happy with the bank's service and are profiting under the bank's supervision.

- **Encourage Manufacturing:**

BRAC Bank Ltd.'s main goal is to help entrepreneurs to manufacture goods by acquiring various sorts of supplies. CROs strive to teach people how to manufacture stuff if at all feasible, because earnings will be higher if they can produce in accordance with buying.

- **Spread the Experience:**

Another purpose for BRAC Bank Ltd.'s existence is to raise awareness about the necessity of SME banking in various industries. The customer service representative offers their experience from various firms and strives to assist entrepreneurs who lack the necessary information.

Chapter Three

Credit Risk Management Practice

Of BRAC Bank Limited

Credit Risk Management Practice of BRAC Bank Limited

Overview:

Credit is the capacity to order another's products or services in exchange for a commitment to pay for those goods or services at a later date. It is a bank's primary source of profit; nevertheless, improper credit utilization would be disastrous not just for the bank, but also for the economy as a whole. Simply put, credit risk is the risk that a bank borrower or counterparty may fail to satisfy its commitments under agreed-upon terms and circumstances. By incurring and maintaining credit exposure within acceptable bounds, BRAC Bank Limited's Credit Risk Management goal is to reduce risk and optimize the bank's risk adjusted rate of return. The Credit Risk Management department is in charge of maintaining the Bank's risk/return profile's integrity. It guarantees that risks are appropriately assessed and risk/return choices are made in a transparent and accurate manner. Credit management success is determined by the bank's credit policy, credit portfolio, loan and advance monitoring, supervision, and follow-up. As a result, when examining BRAC. Bank Limited's credit risk management, it is necessary to examine its credit policy, credit process, and credit risk management performance.

Credit Policy of BRAC Bank Limited:

BRAC Bank Limited has developed a thorough credit policy in accordance with Bangladesh Bank Core Risk Management principles in order to reduce credit risk. The Bank's credit policy stipulated that the credit approval function be separated from the business, marketing, and loan administration functions. At the time of approval and portfolio review, BBL's credit policy is advised through credit evaluation and risk grading of all clients. Credit policy also lays out the requirements for credit evaluation, marketing strategy, approval process, loan monitoring, early alert procedure, credit recovery, NPL account monitoring, NPL provisioning, and write-off policy, among other things. The bank's credit policy is reviewed by the board of directors once a year.

Credit Risk Management:

The bank has separated the roles of officers/executives participating in credit-related operations, taking into account the essential factors of credit risk. Corporate, SME, Retail, and Credit Cards have their own divisions, which are responsible for maintaining successful client relationships, promoting credit products, and exploring new business prospects, among other things. Four teams have been established to provide operational transparency throughout the credit year. Those are:

i. Credit Approval Team
ii. Asset Operations Department
iii. Recovery Unit
iv. Impaired Asset Management

Sales teams from the Corporate, Retail, SME, and Credit Cards business divisions book consumers in the credit management process, and the Credit Division conducts a comprehensive examination before authorizing the credit facility. The Asset Operations Department verifies that all legal requirements are met, that all documentation is completed, and that the proposed credit facility is secure before disbursing the funds.

Through their line, the Sales Team reports to the Managing Director & CEO, the Credit Division to the Managing Director & CEO, and the Asset Operations Department to the Deputy Managing Director & COO. This approach not only ensures separation of responsibility and accountability, but it also reduces the possibility of compromising the credit portfolio's quality.

Chapter Four

Credit Approval and SME Product of BRAC BANK Limited

Credit Approval of BRAC Bank Limited

Wholesale credit and medium Business:

A commercial transaction in which a corporate client obtains something of value now and agrees to repay the lender the principle plus interest at a later period is known as wholesale or corporate credit. The wholesale credit (WC) team is primarily responsible for two types of portfolios.

i. Corporate Business: The WC team evaluates and accepts applications from major established corporations and emerging firms.

ii. Medium Business: The WC team finances businesses that have progressed beyond their infancy but have not yet grown into large corporations.

Types of Facilities Offered to Corporate Client:

Corporate clients can choose from two types of loan facilities offered by BRAC Bank. There are two sorts of grants: those that are funded and those that are not.

i. Cash-funded facility: A cash-funded facility is one that is financed using cash. A funded facility can include an overdraft, import and export loans, and long-term loans.

ii. Non-funded facility: A non-funded facility is one in which no money or funds are involved. Banks provide this type of facility to third parties on behalf of corporate clients. No funded facilities include Import and Export Loans, such as Letters of Credit, as well as Guarantees and Bonds, such as Performance Guarantees, Advance Payment Guarantees, and Bid Bonds. Apart from these two sorts of services, BRAC Bank also provides Syndication.

Approval Authorities of the Corporate Loans:

The approving authority for a corporate loan may alter from time to time depending on the amount of business and the person behind the desk, but it primarily consists of

- Chief Credit Officer.
- Managing Director and Chief Executive Officer
- Head of Credit, Wholesale Banking & Medium Business
- Board

Because of the enormous ticket size of the credit facility, the Board of Directors approves the majority of the proposals received by the Wholesale Credit team.

Analyzing Methodologies and Technologies for Evaluating a Corporate Proposal:

The General 5Cs are used by the Wholesale Credit team to evaluate a company proposal.

- Characteristics
- Capacity
- Capital
- Condition
- Collateral

Retail Underwriting:

Retail Underwriting is a department of Credit Risk Management that deals with the bank's retail loans. This wing handles all retail underwriting. Each product has a Product Program Guide (PPG) that must be followed, and retail loans are granted based on that PPG. The following are the subunits that make up Retail Underwriting:

i. Retail Credit
ii. Cards Credit
iii. Authorization & fraud Control
iv. Central Verification Unit (CVU)

Retail Credit:

Currently, the Bank offers three types of retail loans under its Retail Credit program:

I. Unsecured Personal Loan: An unsecured personal loan is one that does not require any form of collateral. Quick Loan and Salary Loan are the two types of unsecured personal loans now offered by BRAC Bank.

II. Secured Loan: BRAC Bank offers two secured retail loans: an auto loan and a home improvement loan.

III. Cash Covered Loan: The phrase "Cash Secured Facilities" is used to describe two different types of retail lending products. These are the key products of the bank's Retail Lending Portfolio: Secured Overdraft (SOD) and Secured Loan (SL).

Except for the Secured Overdraft facility, all retail loans are based on EMI (Equal Monthly Installment).

Cards Credit:

The major goal of the Cards Credit sub-wing is to evaluate applications and decide whether or not to approve them for credit card issuance. If all of the given documents are acceptable for a specific application; credit, set a credit limit in accordance with the PPG of Credit Cards. Cards Credit also performs duplicate checking, which is a crucial task. This is done to avoid issuing several cards to the same applicant. To maintain control, the existing credit card database is scrutinized using numerous criteria such as name, DOB, mother's name, contact number, and so on.

Authorization & fraud Control:

Cards' Authorization & Fraud Control Unit is divided into three sections:

I. A**uthorization:** Authorization is the process of approving or rejecting a payment card transaction, with a limit granted in BDT, USD, or dual currency based on the specific amount requested by the client at various times and locations. The unit's main task is to execute credit card check requests from BBL branches and ROCs, as well as to provide human authorization against a specific code.

II. **Transaction Monitoring**: The Transaction Monitoring and Detection team calls all BBL credit card customers (issuing and acquiring) to check (POS and non-POS) transactions that meet specified criteria. When a suspicious transaction is discovered by live monitoring or internal reporting, a designated officer from the detection team contacts the customer to verify the transaction's validity. If a consumer disputes a transaction, the card is immediately denied using a unique block code. Customers are also encouraged to file a dispute letter to Customer Service outlining the transaction or transactions in question.

III. **Detection and Investigation:** On a sample basis, the Detection and Investigation Unit checks credit card/loan applications after approval to avoid fraud efforts. At the same time, the Investigation team's goal is to examine fraud situations on a situation-by-situation basis in order to determine the true facts and develop control mechanisms to avoid future fraud attempts.

Central Verification Unite (CVU):

BRAC Bank recognized the significance of validating customers before disbursing any loan because of its large customer base. The major goal of this wing is to guarantee that contact points are verified. CVU is dedicated to providing contact point verification (CPV) services and other necessary tasks in connection with loan and credit card applications from potential customers in the Bank's consumer credit business.

SME Underwriting:

The SME Credit team is a unit under BRAC Bank Limited's Loan Risk Management Division that controls the credit risk of the bank's SME credit portfolio. Credit Analysts from the SME Credit team evaluate the proposal, paying special attention to the client's needs and capacity. To guarantee compliance with Policy and PPG, analysts complete a Risk Evaluation Sheet (which includes most PPG criteria) throughout the evaluation. One of the most significant and difficult responsibilities for credit analysts is identifying key risks in the proposal; this involves expertise dealing directly with such customers to grasp the business modes and, more crucially, behavioral concerns such as reputation, character, and so on. Unlike Corporate, Retail, and Cards, where all loan applications must be approved by the head office, SME credit now deals with the approval of loan proposals for specific areas.

SME Credit Risk Management Process:

The following is the entire procedure of SME Credit Risk Management:

Step 1: CROs at unit offices around the country develop a loan proposal.

Step 2: The loan proposal is recommended by the respective Supervisor (ZM / ARM) and delivered to SME Credit.

Step 3: A credit analyst examines the loan proposal before presenting it to the approver.

Step 4: Credit Approver or rejects the loan request based on the recommendation.

Step 5: The file is delivered to the disbursement unit for processing.

SME lone produce:

BRAC Bank offers a variety of SLE loan options for customers who urgently want funds to expand their businesses. SME loans are being offered by the bank in a variety of industries. They're listed below:

Anonno:

Anonno is a loan facility for small businesses in Bangladesh that are engaged in trading, manufacturing, service, agriculture, non-firm rural activities, agro-based industries, and many other acceptable sectors. It is distributed through BRAC Bank's SME unit offices or branches/SME branches/ Krishi branches.

Eligible:

- ✓ Entrepreneurs from 21 to 60 years old
- ✓ Minimum of 2 years' experience in the same field of business and
- ✓ A business that has been in operation for more than 2 years.

Maximum Amount:

For 12, 18, 24, 30, and 36 months, from a minimum of BDT 2lac to a maximum of BDT 10lac, and for 48 months, from a minimum of BDT 6lac to a maximum of BDT 10lac.

Features:

- ✓ A loan that does not need a mortgage.
- ✓ They provide lower rates to exceptional borrowers who have paid or are paying on time.
- ✓ This loan will provide potential women entrepreneurs with quick, high-quality
- ✓ Financial services across the country.

Apurbo:

BRAC Bank Limited offers APURBO to assist our SME borrowers in obtaining operating capital or purchasing fixed assets. It meets the needs of business owners in trading, manufacturing, service, agricultural, non-farm operations, agro-based businesses, and other areas of our economy.

Eligible:

- ✓ Entrepreneurs having a minimum of 2 years of some business activities
- ✓ A business which must be a going concern for 2 years Age.
- ✓ Minimum 21 years and maximum up to 60 years.

Maximum Amount:

Starting from BDT 10lac and going up to BDT 100lac.

Features:

- ✓ Simple loan procedure for company expansion.
- ✓ Quick payout.
- ✓ Disbursement in one or two installments.
- ✓ Monthly payback loan with flexibility.

Tara UDDOKTA SME Loan:

TARA is a full-service banking solution for ambitious female entrepreneurs, offering a variety of loan options to satisfy their needs in a variety of areas, including company development, fixed asset acquisition, working capital, commercial vehicle acquisition, and import and export finance.

Eligible:

- ✓ Any Bangladeshi business (single proprietorship, partnership, private limited company, educational institution, non-governmental organization/project, cooperative society, and so on) having at least 51 percent female ownership.

Features:

- ✓ The highest-yielding current account on the market.
- ✓ Interest rate 7% up to BDT 50 lac
- ✓ No processing fee.

Shomriddhi: SHOMRIDDHI loan offers BDT 1 Lac to BDT 20 Million to fulfill import-export related charges, post-import expenses, tax/duty payment, and local bill buying, and operating capital. Facility for LC and later overdraft, revolving loan discounting service for local bills.

Eligible:

- ✓ Any type of business that has a valid trade license and has been in operation for at least three years.
- ✓ A sole proprietorship, a partnership, or a private limited company are all examples of business structures.

Revolving loan:

- ✓ Payment of import duties or a loan.
- ✓ up to BDT 20 million for the purchase of commodities.

Features:

- ✓ Easy loan processing
- ✓ Convenient interest rate
- ✓ Loan payment facility up to 180 days

Shohoj: Shohoj is a lending instrument available to any small or medium-sized firm with a Fixed Deposit (FDR), Deposit Pension/Premium Scheme (DPS), or Wage Earners Development Bond (WEDB).

Eligible:

- ✓ A business must have valid trade license has been operating last one year or more.

- ✓ It must be sole proprietorship, partnership, or privet limited company.

Features:

- ✓ Up to 90 % loan against on deposit.
- ✓ Easy to process
- ✓ Easy installment.

Chapter Five

Comparative advantage of three different banks on SME system

Comparing SME of some other organization with BRAC Bank

SME product of Jamuna Bank Limited

1. Jamuna Bonik: Jamuna SME clientele are now participating in international commerce, and their network has grown globally. Jamuna Bank offers a product called "Jamuna Bonik" to help SME clients with their foreign trade operations.
2. Jamuna Chalantika: A term loan is not always the best option for running your business with extra comfort. 68 Jamuna Bank is offering a bundle of working capital solutions [50 percent term loan and 50 percent revolving credit (cash credit) facility] to help you run your business efficiently.
3. JamunaGreen:Jamuna Bank is producing an environmentally friendly product called "Jamuna Green" to help preserve our dear world from the calamity of the Green House Effect. You may acquire financing for ETP plants in many industries, eco-friendly automobiles, eco-friendly fields (lower CO_2 emissions), bio Fertilizer, and bio gas plants with this product.
4. Jamuna Jantrik: When a small business owner needs to buy a machine or vehicle for their company, Jamuna Bank offers "JamunaJantrik," a lease financing option.
5. Jamuna Nariuddogh: Women make up almost half of our population, and many of them have found success as company owners. Jamuna Bank Ltd. has introduced a product called "JamunaNariUddogh" to enable our outstanding ladies gain financial independence. We will always be there for you as a sincere friend to help you realize your ambition.
6. Jamuna NGO Sohojogi: One of Jamuna Bank Ltd.'s founding objectives was to give services to the underprivileged

inhabitants of rural places. With this in mind, Jamuna Bank Ltd. has developed a product called "Jamuna NGO Shohojogi" for SME clients. "Jamuna NGO Shohojogi" assures wholesale funding through reputable NGOs in the nation with proven track records, excellent repayment habits, considerable growth rates, and most important, loan monitoring and recovery rates of over 95%.

7. Jamuna Shachchondo: Who doesn't want to be friends with "Shachchondo"? Jamuna Bank's "Jamuna Shachchondo" product provides overdraft and term loan options for your business's financial convenience.
8. Jamuna sommridhi: Jamuna In exchange for your encashable assets such as FDR, the bank is providing you a four-fold credit facility! To prevent the encashment of your long-term investments, Jamuna Bank has created the "Jamuna Sommriddhi" product. Let's say you have a Tk. 5 lac FDR deposit with our bank and you're looking to expand your firm. However, you do not want your long-term investments to be encased. If that's the case, don't hesitate to take advantage of this opportunity.
9. Jamuna Swabolombi: As a business owner, you will undoubtedly want operating money to keep your operations running effectively. In order to obtain this operating cash, you must usually hold some form of collateral, such as a mortgage on land, with the bank. You, on the other hand, do not own any real estate or have any financial reserves. So, what are you waiting for? Is your dream coming to an end? Never. Because your company is our duty, Jamuna Bank will never let you stop. "Jamuna Swabolombi – Collateral free Term Loan" is a product offered by Jamuna Bank Ltd. Simply show up with the necessary documentation and you will be granted access.

SME product Details Of Jamuna Bank and Brac Bank:

Bank Name	Name	Purpose	Eligible to Borrower	Key Features	Required Documents
Jamuna Bank	1.Jamuna Bonik	Import financing/Foreign Trade payments &Import document retirement Line	Minimum 2 years Experience age 20-30 years	*Loan amount 5 to 50 lac. *Loan valid 4 months. *Negotiable L/C margin and commission	*last twelve months sales requirement *last twelve month bank statement *valid trade license of last two years. *national voter id/passport
	2.Jamuna Chalantika	In order to satisfy the company's working capital requirement.	*Age limit of borrowers 20 years to 60 years. *Having been in the same field of business for at least two years.	*Loan amount 5 to 50 lac * Term loan maximum 36 months *competitive interest rate.	*last twelve months sales requirement *last twelve month bank statement *valid trade license of last two years. *national voter id/passport
	3.JamunaGreen	To facilitate establishment of eco-friendly project	*maximum two years project *Age-20-60 years	*loan amount maximum 300lac. *tenure maximum 60 months *competitive interest rate	*last twelve months sales requirement *last twelve month bank statement *valid trade license of last two years. *national voter id/passport
	4.Jamuna Jantrik	To procure machinery or	*maximum experience 3 years	*loan amount 5	*last twelve year sale

		vehicle for SME business purpose	*Age 20-60	to 5o lac *tenure:60 *easy to process	statement *last twelve year bank statement Valid trade license of last two years. *national voter id/passport *utility bills of business
	5.Jamuna Nariuddogh	Any business purpose	*maximum experience 2 years *Age 20-60	*loan amount 3 to 5o lac *tenure:60 months *Interest rate below 10% upto25 lac loan is collateral free	*last twelve year sale statement *last twelve year bank statement Valid trade license of last two years. *national voter id/passport *utility bills of business
	6.Jamuna NGO Sohojogi	To provide loan facility to the small enterprise though wholesale lending to the NGOs	*NGO with a certificate coming from Micro Credit Regulatory A uthority *having business at last 5 years *age 20-60	*loan amount maximum 500lac *tenure:48 months *monthly installmen t base	*personal guarantee of all the director
	7.Jamuna Shachchond o	To meet up working capital requirement business	*business experience maximum 2 years *age 30-35	Loan amount15. 00 lac to BDT 50.00lac *tenure for 1st time loan 12 months to 30 months *collateral assets	*last twelve year sale statement *last twelve year bank statement Valid trade license of last two years. *national voter

				required	id/passport *utility bills of business
	8.Jamuna sommridhi	Any justifiable business purpose	*business experience maximum 2 years Age:20-60	*loan maxi 50 lac *tenure 48 months *competitive interest rate *lien of FDR of 25%of the local loan amount	*last twelve year sale statement *last twelve year bank statement Valid trade license of last two years. *national voter id/passport *utility bills of business
	9.Jamuna Swabolombi	Any justifiable business purpose	business experience maximum 2 years Age:20-60	*loan amount BDT 5.00 lac *tenure:36 months *competitive interest rate *upto BDT 25.00 lac is collateral free	*last twelve year sale statement *last twelve year bank statement Valid trade license of last two years. *national voter id/passport *utility bills of business
Brac Bank	1.AnonnoRin	Any kind of business needs	*Minimum 3 years' experience *age:21-60 years	*Loan amount:2-10 lac *loan valid:36 months *installment basis *attractive interest rate	last twelve year sale statement *last twelve year bank statement Valid trade license of last two years. *national voter id/passport *utility bills of business
	2. ApurboRin	All kind of business	*maximum three years *ages 21-60	Loan amount 10	*valid trade license

		need		lac to 3 corer *loan valid:36 months * easy installment	*latest TIN certificate *sales statement of 1 years *bank statement *daily statement of debit credit *voter id card
	3.prothomaRin	All kind of business need	*maximum two years *Age 21-60 years	*Loan amount 10 lac *installment below 10% *easy process	last twelve year sale statement *last twelve year bank statement Valid trade license of last two years. *national voter id/passport *utility bills of business
	4.Tara UDDOKTA	Full-service banking solution for ambitious female entrepreneurs	Maximum 1 year *sole proprietorship or partnership	Loan Limit 2 lac-25 lac *Tenure: 12 months to 18 months Interest rate:7% upto BDT 50 lac	*Valid trade license of last two years .*latest TIN certificate sales statement *national voter id/passport *utility bills of business
	5.somriddhi	Import/Export Related Expenses	*minimum 3 years *Age 21-60 years	*loan amount maximum 5 corer *convenient interest *easy process	*Valid trade license *latest TIN certificate sales statement of 1 years *bank statement

					*daily statement of debit credit *voter id card
	6. shohoj	lending instrument available to any small or medium-sized firm with a Fixed Deposit	*At last three years or more Age- 20-60	* easy Installment 8upto 90% loan on deposit *easy and fast loan process	*Valid trade license of last two years . *latest TIN certificate sales statement *national voter id/passport *utility bills of business

SME Product of Mercantile Bank Limited:

1. CHAKA(Term Loan): Our country's Small and Medium Entrepreneurs are attempting to play a vital role in the continuous growth of GDP by successful expansion of current businesses such as MBL 11 as well as the establishment of new ventures in a competitive business environment. However, most of the time, they are unable to solve the issue owing to a lack of funds. Mercantile Bank Ltd is providing SME customers with the CHAKA,, credit facility in order to overcome this circumstance and reach a justified degree of business growth.
2. SAMRIDDHI (Continuous Loan): Small and medium-sized businesses (SMBs) require operating cash at all times in order to capitalize on current business opportunities and run their existing businesses efficiently. Mercantile Bank Limited has introduced a continuous lending facility called SAMRIDDHI to assist SME customers in running their businesses without interruption.
3. MOUSUMI (Short Term Seasonal Loan): Seasonal products/crops, as well as religious and cultural holidays, provide our country's Small and Medium Entrepreneurs with short-term additional

economic opportunities. As a result, in addition to running day-to-day business operations, they require unique business arrangements to meet seasonal demand, which could result in increased sales and profits. Mercantile Bank Ltd has developed a single payment loan facility under the name and style MOUSUMI to assist SME customers in taking advantage of this seasonal business opportunity.

4. ANANNYA (Women Entrepreneur’s Loan): Women make up around half of our entire population, yet their active engagement as entrepreneurs is insignificant. Active involvement of women in business is instantly essential for balanced & sustainable economic growth with inclusivity of all classes of people in society, and our bank has given highest priority for financing to Women Entrepreneurs by establishing a credit facility under the name & style ANANNYA.
5. SANCHALAK (A mix of term, time &Continuous Credit): Designed to provide performance-based borrower appraisal and facilitation in order to support and develop long-term business growth with a competitive edge, where the borrowing concern's performance takes precedence over all other factors.
6. UNMESH (Trade Finance): Designed to provide international trade funding to entrepreneurs in a variety of industries, allowing them to maximize their innate entrepreneurial ability.

SME product details of Mercantile Bank Limited

Name	Purpose	Eligibility of Borrower	Key Features	Required Document
CHAKA (Term Loan)	To expand the company's operations and acquire capital machines and other fixed assets.	*Minimum 2 years. *Age: 21-60 res. *The project must be financially, economically and commercially viable.	*Loan Amount:0.5 lac to 100 lac *Tenure:12-60 months *Collateral free loan up to 8 lac.	*valid trade license *Latest TIN certificate. *Sales statement of 1 year *Bank statement *Daily statement of debit credit. *Other Document. *Voter Id *Utility Bills.
SAMRIDDHI (Continuous Loan)	To satisfy any reasonable operating capital demand of the company	*Minimum 2 years. *Age: 21-60 res. *The project must be financially, economically and commercially viable.	*Loan Amount:0.5 lac to 100 lac *Tenure:12 Months (Renewable)	*valid trade license *Latest TIN certificate. *Sales statement of 1 year *Bank statement *Daily statement of debit credit. *Other Document. *Voter Id *Utility Bills.
MOUSUMI (Sort Term Seasonal Loan)	To meet up short term seasonal need of the business.	*Minimum 2 years. *Age: 21-60 res. *The project must be financially, economically and commercially viable	*Loan Amount:0.5 lac to 100 lac *Tenure:09 Months	*valid trade license *Latest TIN certificate. *Sales statement of 1 year *Bank statement *Daily statement of debit credit. *Other Document. *Voter Id *Utility Bills
ANANNYA	To cover the	*Minimum 2	*Loan Amount:0.5	*valid trade

(Women Entrepreneur's Loan)	Women Entrepreneurs' operating capital needs, as well as to purchase capital machines and other permanent assets.	years. *Age: 21-60 res. *The project must be financially, economically and commercially viable	lac to 50 lac *Tenure:12-60 Months *Interest:10% *Collateral free loan up to 8 lac.	license *Latest TIN certificate. *Sales statement of 1 year *Bank statement *Daily statement of debit credit. *Other Document. *Voter Id *Utility Bills
SANCHALAK (A mix of term, time & continuous Credit)	Acquisition of fixed assets for the purpose of promoting the business's interest / horizontal and vertical growth.	*Minimum 2 years. *Age: 21-60 res. *The project must be financially, economically and commercially viable	*Loan Amount:50 lac to 300 lac *Tenure:48 Months * Interest:13.50-15.00% *Security/Collateral Required	*valid trade license *Latest TIN certificate. *Sales statement of 1 year *Bank statement *Daily statement of debit credit. *Other Document. *Voter Id *Utility Bills
UNMESH (Trade Finance)	To Import permissible goods industrial raw materials, traded items and other commodities.	*minimum 3 months banking relationship with MBL. *Minimum 1 year successful track record of import. *age-21-60 years.	*Loan amount Max 300 lac. *Interest rate 13% to 16% P.A *Collateral/Security required. *tenure Maximum 1 year for L/C	L/C Margin, Shipping Document, Acceptance, Payment. *valid trade license *Latest TIN certificate. *Sales statement of 1 year.

SME Products of Southeast Bank Limited

1. **Southeast Shuprova**: Southeast Shuprova" is a lending facility for women-owned small and medium-sized trading, manufacturing, service, agricultural, non-farm activities, and agro-based companies.
2. **Southeast Shikor:** This is a small-scale loan meant to fund any SEBL client who meets the SME credit policy's definition and target group requirements. This type of loan is often offered to any legitimate company purpose, such as small-scale commerce, manufacturing, and service businesses, with a focus on assisting with the purchase of fixed assets and working capital.
3. **Southeast Shopan:** Southeast Bank offers Shopan to assist our SME borrowers in obtaining operating capital or purchasing fixed assets. It meets the needs of business owners in trading, manufacturing, service, agricultural, non-farm operations, agro-based businesses, and other areas of our economy.
4. **Southeast Shopnil:** Southeast Shopnil Account is a business-only interest-bearing account for SME and retail banking. This product has been designed to encourage small and medium-sized businesses to use Southeast Bank Limited's extensive range of contemporary banking services.
5. **Southeast Apurbo:** This is a loan meant to help small and medium-sized private educational institutions, such as kindergartens, schools, and universities, fulfill their financial demands.

SME product details of Southeast Bank Limited

Name	Purpose	Eligibility of Borrower	Key Feature	Required Document
Southeast Shuprova	Startup of a new business Fixed asset acquisition. Working Capital is a term used to describe the amount of money Expansion of an established company Import of machinery, raw materials, and finished items	*Minimum 2 years' experience *Age-22-50 yrs. *The project must be Financial and commercial viable *50% women partnership	*Loan amount 2 to 50 Lac. *Tenure: 12-60 months *Collateral free loan up to 8 lac.	*Valid Trade License *Latest TIN Certificate *Bank statement *2 Personal Guarantors *other document *Voter ID Card *Utility Bills.
Southeast Shikor	Startup of a new business Fixed asset acquisition. Working Capital is a term used to describe the amount Expansion of an established company Imports of machinery, raw materials, and finished items.	*Minimum 2 years' experience *Age-22-50 yrs. *The project must be Financial and commercial viable	*Loan Amount: 2lac to 50lac. *Tenure 12-60 months *Interest:13-16%	*Valid Trade License *Latest TIN Certificate *Partnership Deed, MOA & AOA (if any) *Bank statement *other document *Voter ID Card *Utility Bills
Southeast Shopan	Startup of a new business Fixed asset acquisition Working Capital is a term used to describe the amount.	*Minimum 2 years' experience *Age-21-60 yrs. *The project must be Financial and commercial viable	*Loan Amount: 2lac to 8lac. *Tenure:12-60 months *Interest:15-16%	*Valid Trade License *Latest TIN Certificate *Partnership Deed, MOA & AOA (if any) *2 Personal Guarantors *Bank statement *other document *Voter ID Card *Utility Bills

Southeast Shopnil	Working Capital Transportation/delivery van/shop/office/business premises renovation	*Minimum 2 years' experience *Age-20-50 yrs. *The project must be Financial, economically and commercial viable.	*loan amount: 10 -50 lac. *Tenure:24-60 months Competitive Interest rate Collateral asset required.	*Valid Trade License *Latest TIN Certificate *Partnership Deed, MOA & AOA (if any) *2 Personal Guarantors *Bank statement *other document *Voter ID Card *Utility Bills
Southeast Apurbo	Working capital is a term used to describe the amount Fixed assets are assets that cannot be changed. For commercial purposes, a delivery van or transportation is required. Renovation of a store, office, or commercial location.	*Minimum 2 years' experience *Age-20-50 yrs. *The project must be Financial, economically and commercial viable.	*Loan amount: 50 to 300 lac. *Interest:13.50-15.00%P.Q *Tenure:12-60 Months Security/Collateral assets Required.	*Valid Trade License *Latest TIN Certificate *Partnership Deed, MOA & AOA (if any) *2 Personal Guarantors *Bank statement *other document *Voter ID Card *Utility Bills

Interest rate & Processing Fees

Interest Rate and Processing Fees of BRAC Bank Limited

The rate of interest for SME loans in 2015 was 23.75 percent for all types of SME loans. However, the SME loan interest rate has been cut to 19 percent for all new clients, and this new interest rate was implemented in the middle of March 2016. There are various interest rates, such as a 10% interest rate on agricultural loans and a 10% interest rate on Prothoma loans. There are certain unique offers available to gain a reduction on the BBL interest rate, for example, if the client is a GP star subscriber, the interest rate will be waived by 2%. If the loan is a top-up loan, which means the consumer has taken another loan to pay off their prior one, the interest rate will be waived by 2%. The processing fee charged by BBL is 1% of the entire loan amount. The processing fee is 0.5 percent if the customer is a GP star subscriber.

Interest Rate and Processing Fees of Jamuna Bank Limited

Currently, JBL's SME loan interest rate ranges from 16 percent to 19 percent. These interest rate modifications take the form of a maximum of 1% to 2% increase or a minimum of 1% to 2% decrease, depending on the bank's loan or profit objective. The bank charges a processing fee of 2% + VAT. They also provide a "JamunaNariUddogh" SME loan with an interest rate of less than 10%.

Interest rate and Processing Fees of Mercantile Bank Limited

In compared to other banks, the interest rates on SME Loans in the bank are ordinary. MBL charges a 12- to 15-percentage-point interest rate, plus a two-percentage-point use fee. In compared to other commercial banks, the bank charges a higher interest rate. Ananya-Women Entrepreneurship Loan with a 10% interest rate is also available from the bank.

Interest rate and Processing Fees of Southeast Bank Limited

In 2015, SEBL's SME loan interest rate was 17.5 percent, and this rate varies every six months. SME loan interest rates are currently between 13 and 16 percent. These interest rate modifications take the form of a maximum of 1% to 2% increase or a minimum of 1% to 2% decrease, depending on the bank's loan or profit objective. SEBL offers a variety of SME loans, including agricultural loans with a 13 percent interest rate and term loans for medium-sized businesses with a 15 percent interest rate. There are also no processing costs for SME financing. However, there is a paperwork fee, which varies from client to customer depending on loan amounts. BBL's SME loan interest rate is greater than SEBL's, and BBL also charges an additional cost to consumers in the form of processing fees, whilst SEBL does not.

In terms of interest rates and loan processing fees, all banks are almost competitive, but Southeast Bank Limited is preferred since they do not charge for utilization, processing, or any other hidden costs.

Comparison of the SME Product of Selected Banks

Topic	BRAC Bank	Jamuna Bank	Mercantile Bank Ltd	Southeast Bank Ltd
Loan Size	2 Lac-3.5 Corer	5 lac- 3 Corer	50000- 3 Corer	2 Lac-3 Corer
Maximum Interest Rate	19	15.50	15	14.50
Minimum rate of Interest	14	13	12	11.50
Period of Loan	36-60 Months	12-60 Months	12-60 Months	12-60 Months
Lone Process	1.00%	0.50-1.50	0	0
Documentation Fees	2000* +VAT	2000* +VAT	2000* +VAT	2000* +VAT
Security	Collateral free up to a certain amount	Collateral free up to a certain amount	Collateral free up to a certain amount	Collateral free up to a certain amount
Minimum age of the business	30000	30000	25000	30000
Minimum age of Borrower	21	21	21	21
Eco Friendly Loan	Not specified	Not specified	Jamuna Green	Not specified
Repayment Schedule	EMI/ Installment	EMI/ Installment	EMI/ Installment	EMI/ Installment

Chapter Six

Financial performance and SWOT Analysis

Analysis of SME Loan Disbursement of Selected Banks

Following the introduction of a new monetary strategy in 2010, the Bangladesh Bank requested that private banks place a greater emphasis on SME loans. Individual banks have also been given yearly accomplishment goals by BB. Since 2010, private banks' SME loan distribution has steadily expanded, with BB setting an annual accomplishment objective. The following table shows the total amount of SME loans disbursed by selected banks during the previous five years:

SME LOAN DISBURSMENT

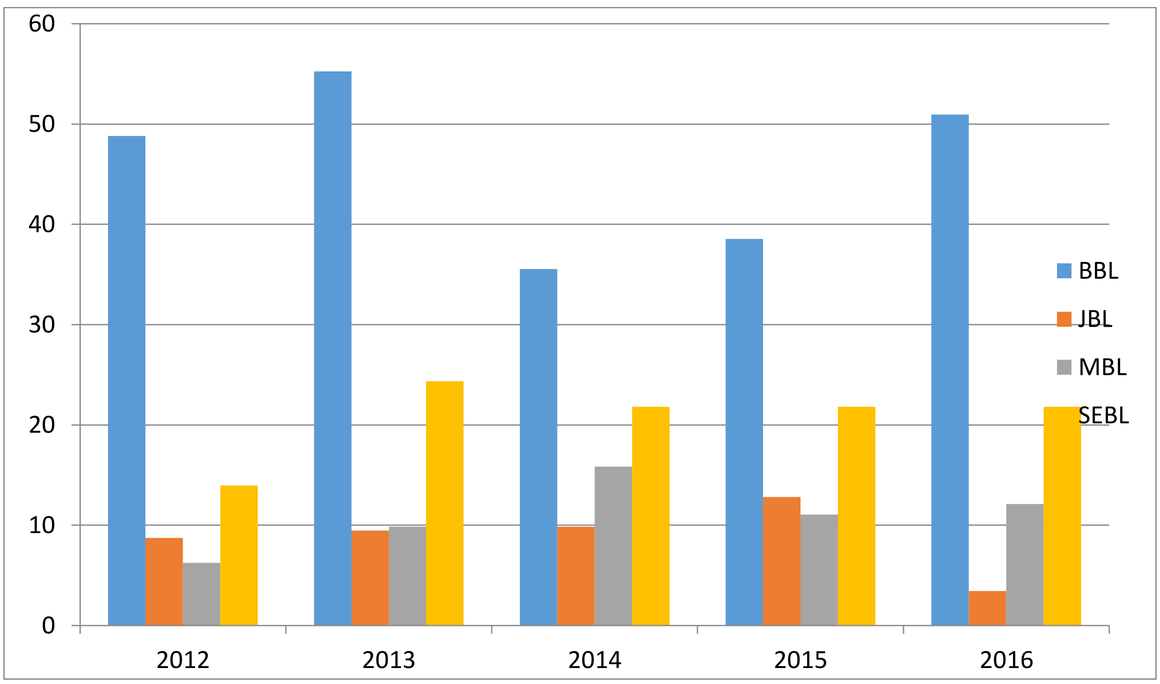

Figure 1: SME LOAN DISBURSMENT OF SELECTIVE BANKS

In 2012, BBL disbursed BDT 39,000 million in SME loans, and in 2016, BBL disbursed BDT 56,270 million in SME loans to its clients, indicating a gradual increase in SME loan disbursement. BRAC Bank is the only private bank with a portfolio of over 50% SME loans.

In 2012, JBL disbursed BDT 1,581 million to its consumers, while in 2016; JBL disbursed BDT 4,070 million to its clients. When compared to its whole portfolio, JBL's loan disbursement rate is weak.

MBL disbursed BDT 7,643 million in 2012, while it disbursed BDT 13250 million in 2013, representing a 73.37 percent increase in SME loan disbursement. MBL disbursed BDT 24,410 million in 2016.

SEBL disbursed BDT 18,126 million in 2012, and BDT 40,206 million in 2016, with a progressive increase. BBL and SEBL are two of the four banks that have outstanding SME loans in their portfolios.

*In SME Loan Disbursement BBL and SEBL have remarkable SME loan in their portfolio.

Time Series Analysis of SME Loan Disbursement

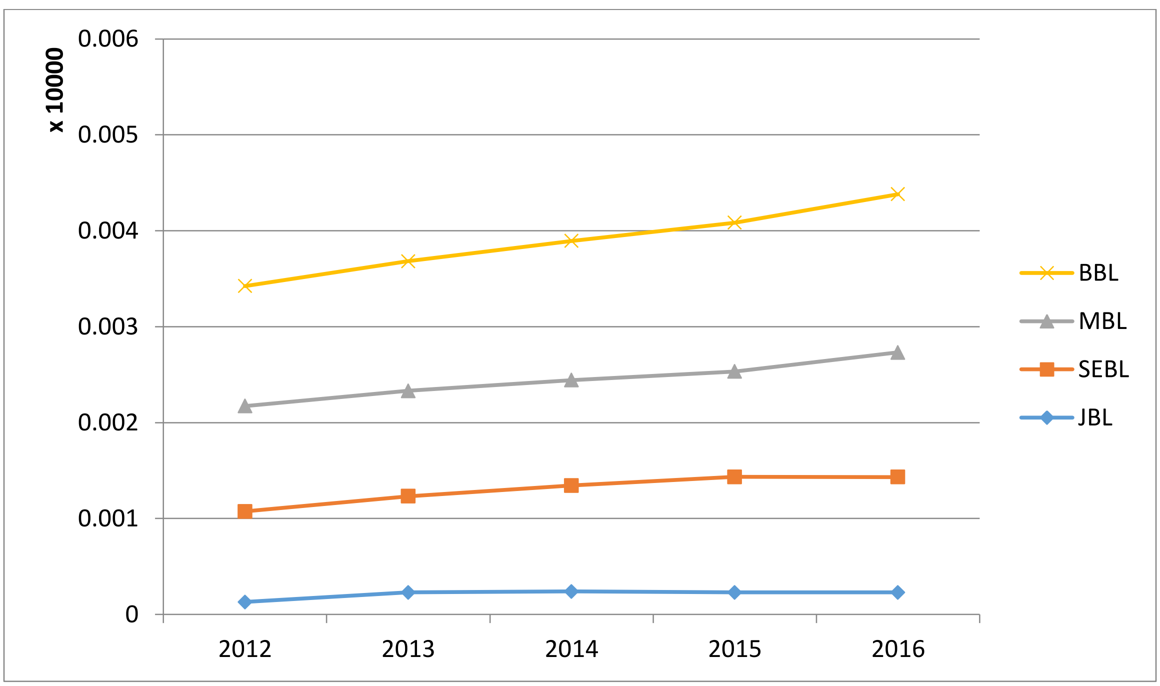

Figure 2: Time Series Analysis of SME Loan Disbursement

Except for BBL, all of the examined banks had an increase in SME loan disbursement in 2013. From 2014 to 2016, all of the chosen banks saw an increase in SME loan disbursement. When compared to the other two banks, BBL and SEBL provide exceptional SME loans. In terms of SME loan distribution, Jamuna Bank has a terrible track record.

Analysis of Outstanding SME Loan of the selected Banks

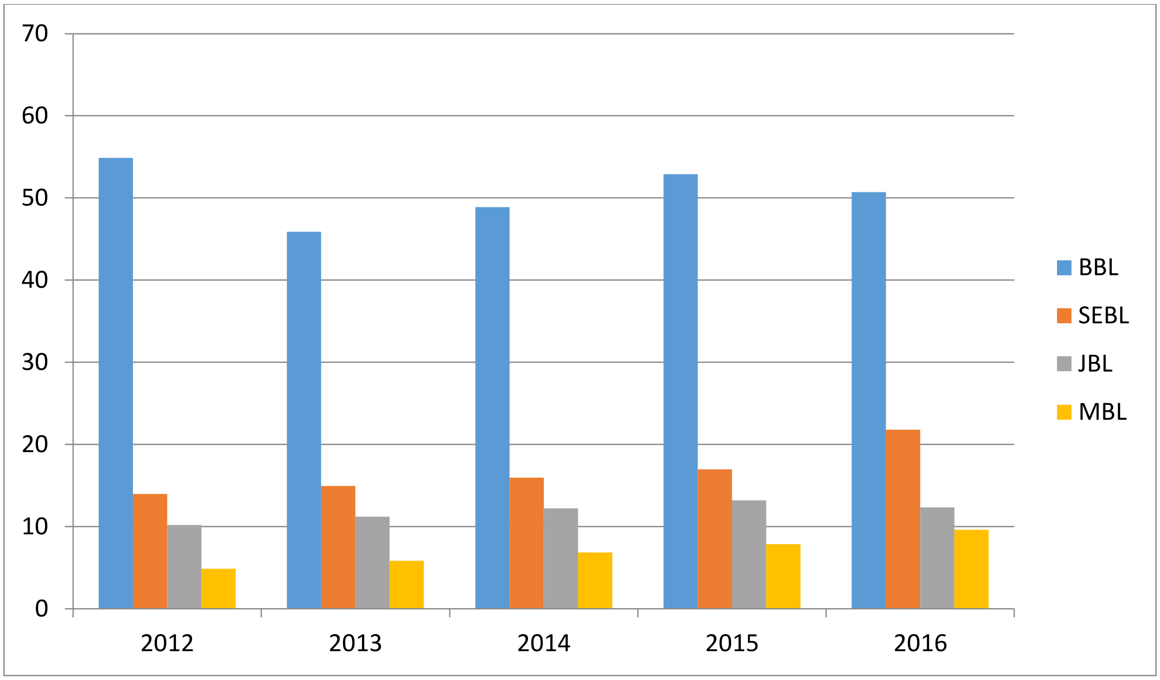

Figure 3: Outstanding SME Loans of the selected bank

In 2012, BRAC Bank had BDT 56,891 million in outstanding SME loans, accounting for 54.90 percent of total loan and advances, while Southeast Bank had BDT 17,818 million in outstanding SME loans, accounting for 13.97 percent of total loan and advances. When comparing their overall outstanding JBL and MBL had 10.22 and 4.86 percent SME outstanding, respectively.

In 2016, BRAC Bank had BDT 61,185 million in outstanding SME loans, accounting for 35.24 percent of total loan and advances, while Southeast Bank had BDT 41,287 million in outstanding SME loans, accounting for 21.80 percent of total loan and advances. When comparing their total outstanding, JBL and MBL had 12.33 percent and 9.64 percent SME outstanding, respectively.

Whereas BBL's SME outstanding has been steadily declining, all other banks' SME outstanding has been steadily increasing. SEBL, on the other hand, has seen a large increase in their SME outstanding.

Analysis of Interest from SME Loans

Interest Income from SME Loans

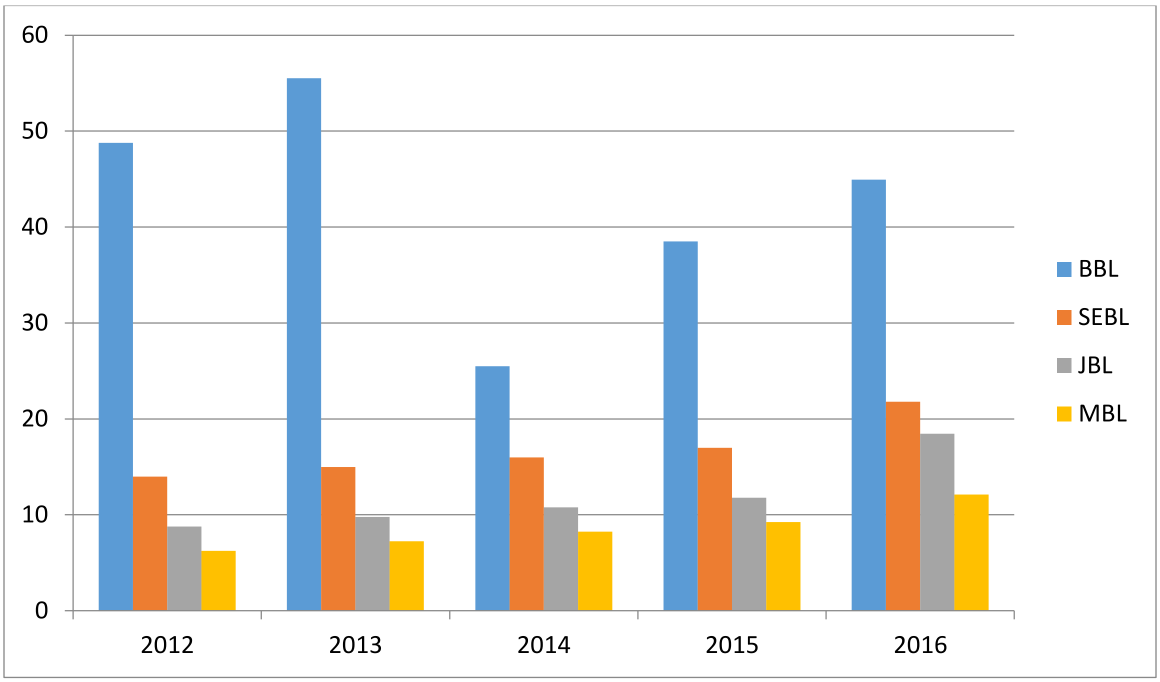

Figure 4: SELECTED BANKS INTEREST INCOME FROM SMELOAN

BBL SME Interest Revenue was $8.154 million in 2012, accounting for 48.79 percent of their total interest income. JBL, MBL, and SEBL each had 8.73 percent, 6.25 percent, and 13.97 percent. BBL SME interest income fell to $8,017 million in 2016, accounting for 44.93 percent of overall interest revenue. SME interest earnings for JBL, MBL, and SEBL are 18.44 percent, 12.10 percent, and 21.80 percent, respectively.

The majority of BBL's interest revenue comes from SME loans, however their interest income ratio from SME loans is dropping year after year. That might be the effect of the government's decision to lower the 89 percent interest rate in order to help small businesses. Whereas the SME interest income of the other three banks is growing year after year.

Ratio Analysis

SME Loan Disbursement Growth Ratio

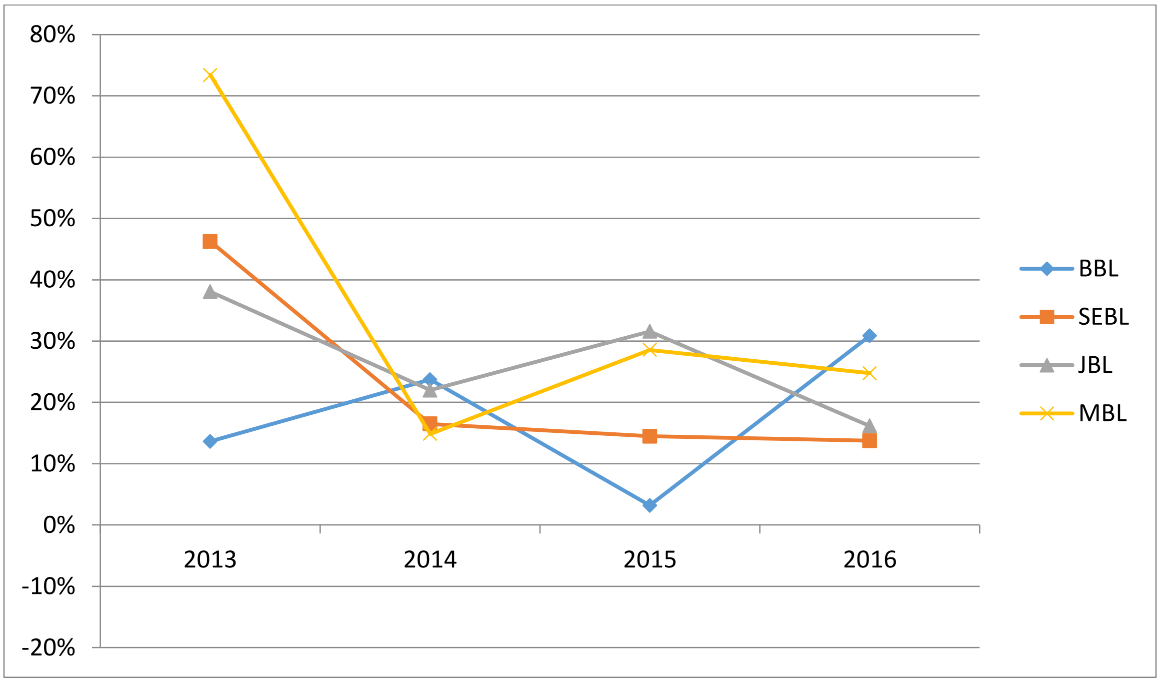

Figure 5: SME LOAN Disbursement Growth Ratio

In 2013, BBL's SME loan disbursement growth decreased by 13.65%, whereas MBL's growth increased by 73.37 percent. The growth rates of JBL and SEBL are 38.06 percent and 46.22 percent, respectively.

BBL SME disbursement increase in 2014 was 23.72 percent. JBL, MBL, and SEBL have grown by 22.00%, 14.88%, and 16.50%, respectively.

JBL SME Disbursement grew by 31.57 percent in 2015. The growth rates for BBL, MBL, and SEBL are 3.21 percent, 28.54 percent, and 14.49 percent, respectively.

BBL SME Disbursement grew by 30.86 percent in 2016. The growth rates for JBL, MBL, and SEBL are 16.17 percent, 24.76 percent, and 13.74 percent, respectively.

SME LOAN OUTSTANDING GROWTH RATIO

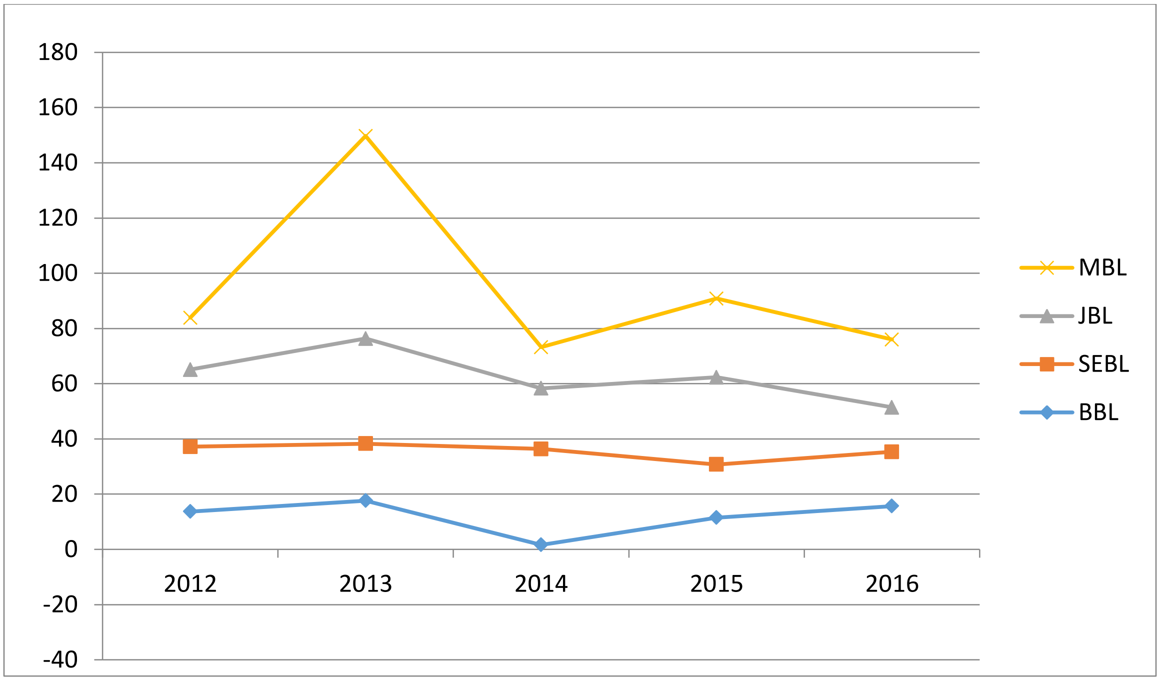

Figure 6: SME LOAN OUTSTANDING GROWTH RATIO

JBL SME outstanding climbed by 27.91 percent in 2012, while SEBL increased by 23.49 percent, MBL increased by 18.77 percent, and BBL increased by 13.70 percent.

MBL SME outstanding increased by 73.37 percent in 2013, followed by JBL with 38.06 percent, SEBL with 20.63 percent, and BBL with 17.66 percent.

SEBL SME outstanding climbed by 34.67 percent in 2014, followed by JBL (21.99%), MBL (14.88%), and BBL (1.67%).

JBL's outstanding SMEs climbed by 31.57 percent in 2015, followed by MBL's 28.54 percent, SEBL's 19.23 percent, and 11.50 percent.

MBL SME outstanding climbed by 24.60 percent in 2016, followed by SEBL (19.62%), JBL (16.10%), and BBL (15.70%).

In the previous five years, the Mercantile bank's outstanding loan ratio for small businesses has risen more than the other three banks.

SWOT Analysis

The Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis is a critical technique for assessing a company's strengths, weaknesses, opportunities, and threats. It aids the business in determining how to assess its performance and scanning the macro environment, which in turn aids the organization in navigating the choppy waters of competition.

BBL's SME Division

Strength of BBL SME division:

Company reputation: BRAC bank has acquired a positive image in the country's banking business, particularly among immigrants.

Sponsors: BBL was created by a group of notable businesspeople with sufficient financial resources in the nation. The sponsors' board of directors is made up of some of the country's most powerful people. BBL has a great financial position and was founded on solid ground.

Top Management: The bank's senior management is also a notable strength, having contributed significantly to the bank's growth and development.

Facilities and equipment: BBL has sufficient physical facilities and equipment to give superior customer service. Under the software known as MBS banking operations, the bank has computerized and online banking activities.

Interactive corporate culture: BBL offers a collaborative work environment. Unlike other local organizations, BBL has a highly pleasant, dynamic, and casual work environment.

Weakness of BBL SME division:

Advertising and promotion of SME loan: This is a significant setback for BBL and one of its most vulnerable sectors. BBL's advertising and promotional efforts are commendable; however the SME loan is not adequately publicized. It does not make its SME product available to the broader public and is not in the spotlight. In the city, BBL does not have a neon sign or other advertising for SME loans. As a result, few individuals are aware of the bank's existence.

NGO name (BRAC):BRAC is one of the world's largest non-governmental organizations, with operations in Bangladesh. BRAC bank is not a non-governmental organization (NGO), despite the fact that many individuals in the opposition believe it is.

Low remuneration package: The compensation package for entry-level and mid-level management is rather modest. BBL's entry-level remuneration plan is much lower than that of other modern banks. It will be tough for BBL to attract and keep high-performing personnel given the current low wage structure. CROs, in particular, are dissatisfied with the remuneration package offered to them.

Opportunity of BBL SME division:

Growing Market: Bangladesh's SME sector is still expanding, and the government is putting a lot of emphasis on it. This significant market expansion presents a significant potential for BRAC Bank Ltd.

Mobile Banking: Mobile banking, often known as mobile money transfer, is already a popular option among the general public. BRAC Bank is also doing well with its subsidiary bKash, but there is a great chance to tap into an underserved market and bring it into their banking network.

ATM: This is the most popular type of modern banking. BBL should use this chance and begin planning for the launch of ATM. Because BBL is a local bank, it may develop a partnership with other modern banks to deploy the ATM.

Large Customer Base: BRAC Bank Ltd already has a big client base, giving them an advantage over their competition.

Threats of BBL SME division:

Upcoming banks: Existing private commercial banks, such as BBL, may be threatened by the incoming private local banks. More local private banks are projected to develop in the coming years. If this happens, the level of competition would increase even more, forcing banks to devise methods to fight against an onslaught of international banks.

Contemporary banks: Its main competitors include BBL's current banks, such as Dhaka Bank, Prime Bank, and Dutch Bangla. Prime bank and other banks are running an intensive marketing effort to recruit high-value clientele and long-term deposits.

Inherent Risk of Business: Other banks and financial institutions favor large company clients because of cheaper transition costs and better availability. SME accounts for 60% of BRAC Bank Ltd.'s activities.

JBL’s SME Division

Strength of JBL SME Division:

Dynamic Human Resource: Jamuna Bank offers a flexible workforce. They have human resources who are competent and knowledgeable.

Countrywide distribution network and coverage: Jamuna Bank is one of the few private banks with a nationwide distribution network.

Continuous development in creating innovative products: Jamuna Bank has already demonstrated its commitment to ongoing improvement and the creation of innovative products.

Skilled risk management system: Jamuna Bank's risk management system is sophisticated. They have employees that are qualified and knowledgeable in risk management.

Weakness of JBL SME Division:

JBL is yet to establish itself as a brand: Jamuna Bank is yet to establish itself as a strong brand in the SME banking industry.

SME loan portfolio lacks sectorial diversification: They have fewer SME loans in their portfolio and lack sectorial diversity.

Customer perception: The degree of client satisfaction with the Bank or its services is low.

Opportunity of JBL SME division:

New geographic territories for SME operation: Because of their nationwide network and coverage, Jamuna Bank has the possibility to increase its geographical footprint for SME operations.

Workshop and trainings for the SME Officers: Workshops and trainings for SME Officers can help them enhance the performance of their businesses.

Provision rate: Jamuna Bank has a 0.25 percent reserve for unclassified SME loans. The bank's management is prioritizing expanding the SME Loan exposure since it requires less provisioning than regular CC Loans.

Lower Interest Rate: JBL SME can have an advantage by offering lower interest rates than other banks.

Customer Service and relationship: JBL can acquire more SME customers by improving customer service.

Threats of JBL SME division:

Competitive Market: The current SME market is extremely competitive, and JBL risks losing a significant share of its potential clients to other banks and NBFIs.

Political Condition: The current political climate is extremely fragile, and business owners are therefore hesitant to take out unfavorable SME loans.

Approval and Monitoring: Approval of a loan to the wrong applicant and a lack of effective monitoring of SME loans may pose a long-term danger to the bank's overall performance.

Global Market recession: The global market downturn poses a significant danger to all banks.

MBL's SME Division

Strength of MBL SME division:

Variety SME Loans: MBL provides a wide range of loans for SMEs to match their individual requirements. Overdraft, Term Loan, Work Order Finance, Lease Finance, Trade Finance, and more products are available.

Flexibility: The bank is quite adaptable when it comes to security for the services it provides to its customers. It includes different cash flows from the firm as collateral for a loan, such as bill assignment in work order financing, account receivables, and so on.

Lower Charges/Fees: The goods are priced lower than those offered by other financial organizations. This is achievable since the value of non-performing loans is relatively low, resulting in a tiny provisioning amount.

Good Reputation: MBL has a reputation for providing high-quality services to its prospective consumers.

Weakness of MBL SME division:

Nofixed sales: The Bank does not have a dedicated sales staff for SME credit marketing.

Lacks of experienced employees: Many persons working in SME financing at the branch level lack in-depth understanding of the industry.

Few SME Branches: The majority of Dhaka's branches cater to corporate clients, while the city's SME booths are in short supply. As a result, selling and increasing SME credit products in the city has become extremely challenging.

Advertisement & Promotion: MBL has decided to forego a marketing effort to promote its new offerings. This is why clients are uninformed of everything they have to offer.

Opportunity of MBL SME division:

Utilization of rural and urban branches: MBL offers a number of rural and semi-urban branches in areas where official banking institutions have yet to reach many business groups. As a result, there is a lot of room for growth in these sectors.

Relation with Multinational Organization: It has good relation with various multinational organizations like South-Asia Enterprise Development Facility (SEDF), USAID, World Bank,etc. that can provides assistance for developing and expanding this sector.

E-Banking: The emergence of E-banking will expand MBL's ability to contact clients not just in Bangladesh, but also in the worldwide financial arena. Introducing branch banking through the internet is a fantastic opportunity for them.

Credit Card: MBL's main industry is credit commerce, thus the credit card segment would allow them to generate a lot of money in the near future.

Threats of MBL SME division:

Other Commercial Bank: Other commercial banks, such as BRAC Bank Limited and Eastern Bank Limited, as well as international banks, such as Standard Chartered Bank, are promoting SME financing products and services vigorously.

Interest Rate competition: Nationalized banks frequently provide loans in the form of corporate loans at a reduced cost, without clearly separating the loan type and business component.

Uncertainty in Recovery: The majority of SMEs are sole proprietorships, and many of them lack ready heirs. As a result, in the event of the proprietor's death, the loan will be in peril.

SEBL’s SME Division

Strength of SBLE SME Division

Goodwill: Southeast Bank LTD has acquired a positive reputation in the country's banking business, particularly among newcomers. SEBL has created a strong foundation in the banking market in just five years, with phenomenal growth in earnings and deposits. All of this has helped them gain a name in the banking industry.

Sponsors: SEBL was created by a group of notable businesspeople with sufficient financial resources in the country. The sponsors' board of directors is made up of some of the country's most powerful people. As a result, SEBL has a good financial position and was constructed on a solid basis.

Efficient Management: The bank's senior management is also a notable strength, having contributed significantly to the bank's growth and development. The bank's senior management officials have all worked for reputable institutions, and their years of banking experience, talents, and knowledge will continue to help the bank grow. Top management at SEBL is the organization's driving force and think tank, where policies are formulated and frequently cascaded down.

Facilities and equipment: SEBL has sufficient physical facilities and equipment to deliver superior customer service. Under the software known as MBS banking operations, the bank has computerized and online banking activities. For quick service at the cash counters, counting machines have been put in the teller counters. Customers can get computerized statements, as well as statements for the banks' internal purpose.

Weakness of SEBL SME Division:

Lack of advertising and promotion of SME loan: SEBL has suffered a significant setback as a result of this.one of the company's weaker points Although SEBL's advertising and promotional efforts are commendable, the SME loan is not adequately publicized. It does not make its SME product available to the broader public and is not in the spotlight. As a result, a vast number of people are unaware that this bank exists.

Remuneration: The pay package for entry-level and mid-level management is quite low. SEBL's entry-level remuneration structure is much less generous than that of modern banks. It will be difficult for SEBL to attract and retain more educated staff under the current low wage structure. CROs, in particular, are dissatisfied with the remuneration package offered to them.

Opportunity of SEBL SME Division:

ATM: SEBL strives to deliver exceptional customer service at all times. SEBL considers this and gives ATM cards to its users, as well as ATM booths in various places around the country.

Diversification: SEBL can diversify its company by increasing its present line of business. Currently, they are lending money to huge businesses. They should expand into the small and medium-sized business sector.

Product line proliferation: SEBL must increase its product portfolio to maintain a sustained competitive edge in this competitive climate.

Available Branches: SEBL has the potential to significantly extend its SME Banking services to branches in both urban and rural locations, thanks to its effective and efficient operating network.

Threats of SEBL SME Division:

Competition: Any firm faces the danger of competition. In this day and age of contemporary business, the level of competitiveness is rising. To attract consumers, every bank aspires to provide better services than the competition.

Multinational Banks: The fast development of international banks poses a possible danger to the emerging generation of private banks. More international banks are likely to emerge in Bangladesh as a result of the burgeoning energy industry.

Upcoming banks: Existing private commercial banks, such as SEBL, may be threatened by the incoming private local banks. More local private banks are projected to develop in the coming years. If this occurs, the level of competition would increase even further, forcing banks to devise methods to fight against an onslaught of international banks.

Contemporary banks: SEBL's current banks, such as Dhaka Bank, Prime Bank, and Dutch Bangla Bank, are its main competitors. Prime bank and other banks are running an intensive marketing effort to recruit high-value clientele and long-term deposits.

Chapter Seven

Finding, Recommendation & Conclusion

Finding and Discussion

- In SME Banking, BRAC Bank has a large customer base.
- BRAC Bank is the only private bank with a portfolio that includes more than 50% of SME loans.
- Their interest rate ranges from 14 to 19 percent, and to promote and assist women entrepreneurs, they provide rates below 10%.
- BBL has a simpler application and approval procedure than other banks; however they impose additional costs that are more than other banks.
- BBL earns 40% of their income through SME Banking.
- BBL places a greater emphasis on SME banking than other banks.

Recommendation:

- Since many of its rivals provide loans at a cheaper interest rate, they need to decrease theirs. For example, most rivals' banks provide loans with interest rates ranging from 12 to 16 percent. High interest rates are caused by high fund costs, thus they must find funds at a cheaper cost.

- Train Customer Relationship Officers more thoroughly and realistically so that consumers do not have any difficulties in obtaining and repaying loans.

- In order to minimize the SME loan disbursement risk the bank may focus on every sector where the loan has been disbursed and increase the number of unit office, branches to create balance economy in the country.

- The bank may effectively monitor and supervise the out dated sector and encourage the people who want to take loan without any hassle.

- To reduce the highly cost and time process the head office may take the following steps:

    - Develop various delivery channels and thus decentralizing the delivery channels so the branches can process and deliver SME loan by themself. Use multiple channels to collect necessary information of the client before the processing the loan.
    - Develop the SME centers to process and deliver SME loan facilities especially in the rural and Sami-rural areas of the country.
    - BBL reduces the SME loan interest rate which is high from the other banks like JBL, SEBL and MBL.
- The Bank can adopt a modern banking software which is used in the modern contemporary banks and which is able to represent statement require by Bangladesh Bank.
- BBL may focus more on other loan products beside SME loan as their total outstanding loan amounts are lower compared to other banks like SEBL.
- BBL management may important more emphasis on the advertisement of the bank in different electronic and printing media. The basis goal of the advertisement may be firstly to make people know and understand that the bank is universal one and permits any one’s access.
- BBL needs to improve their ROI reduce their interest rate because maximum time the defaulters are those customers who are not able to pay off their interest amount of the bank rather than their principal amount.

- BBL can organize more training program for their customer relationship officers which can be more comprehensively and practically so that customer may not face any trouble while getting and repaying the loan.
- Borrower’s assessment and monitoring system can be stricter. The current default rate indicates that the loan approval and monitoring systems have certain flaws. The bank should assign specific officers in the branches for monitoring and maintaining the SME finance.
- Setting proper planning for each and every work as well as for the whole department. Increased managerial monitoring is also desired.

Conclusion:

Bangladesh's economic growth is always a priority for BRAC Bank. In terms of business, vision, management, and services, BRAC Bank is well ahead of the competition. IT assists them in achieving their intended objective more efficiently by working in the most advanced manner feasible in all of their activities. BRAC Bank Limited encourages wide economic involvement by providing high-quality, cutting-edge financial services. SME loans are an example of a high-quality product that allows small and medium-sized businesses to receive superior banking services while also earning the most profit. BRAC Bank's SME business is rapidly developing, resulting in a great number of job opportunities for our country.

SME's are critical to our economy and provide a major amount of our GDP. BBL has generated a considerable profit by providing SME loans to help SME businesses. SME Company has some risks because no collateral is required for loans, yet it nevertheless generates more profit than other bank business sectors. The BBL charges are rather hefty. And the tele learning program aids CRO in closing the knowledge gap.

Reference

https://www.bracbank.com/en/sme/:

https://www.mblbd.com/sme-financing

https://www.assignmentpoint.com/business/banking/sme-loan-disbursement-and-recovery-of-jamuna-bank-limited.html

https://www.southeastbank.com.bd/?page=sme_banking

https://www.bracbank.com/old/financialstatement/Annual_Report_2012.pdf

https://www.bracbank.com/old/financialstatement/Annual%20Report%202013.pdf

https://www.assignmentpoint.com/business/finance/annual-report-2014-jamuna-bank-limited.html

https://www.bracbank.com/old/financialstatement/Annual%20Report_Final_WEB.pdf

https://www.bracbank.com/old/financialstatement/BBL_Annual%20Report_2015_Final.pdf

https://www.southeastbank.com.bd/documents/sbl_annual_report/Annual_Report_Financial_2015.pdf

https://www.southeastbank.com.bd/documents/sbl_annual_report/Annual_Report_Financial.pdf

https://www.southeastbank.com.bd/documents/sbl_annual_report/Annual_Report_Management_2013.pdf

https://www.southeastbank.com.bd/documents/sbl_annual_report/Annual_Report_2014.pdf

https://www.mblbd.com/assets/reports/annual/MBL_Annual_Report_2015.pdf https://www.assignmentpoint.com/business/finance/annual-report-directors-report-2012-of-jamuna-bank-limited.html

https://www.assignmentpoint.com/business/finance/annual-report-directors-report-2013-jamuna-bank-limited.html

https://www.assignmentpoint.com/business/finance/annual-report-2014-jamuna-bank-limited.html