

# BRAC Bank puts small entrepreneurs in focus

*The SME-aligned bank celebrates 12th anniversary today*

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**B**RAC Bank aims to focus more on small loans as it plans to double its disbursement in the next five years, the bank's managing director said.

It now disburses around Tk 4,000 crore on average to small and medium enterprises a year; it aims to increase the amount to Tk 8,000 crore in 2017, Syed Mahbubur Rahman said in an interview on Tuesday.

"The country has around 50-60 SME entrepreneurs. So there are huge prospects for such loans. We have to just tap the opportunity."

BRAC Bank will achieve the target by going closer to the customers by opening more SME outlets in rural areas, he said, as his bank celebrates 12 years of operations today.

"We follow the 'supervise credit model' in giving out loans to the small entrepreneurs. Customers no longer need to come to the bank. The bank goes to their doorsteps," Rahman said.

The bank that has 400 SME unit offices across Bangladesh plans to open 30 more this year.

"We do not take collateral from small entrepreneurs," said Rahman. "A customer does not need to pay any collateral for up to Tk 10 lakh."

Banks and non-bank financial institutions lend around Tk 70,000 crore to SMEs a year, with an annual growth rate of 25 percent, Rahman said.

The bank started off in 2000. From the first day, the bank focused on SMEs in a bid to ensure the small entrepreneurs' access to finance.

"Another reason to focus on SMEs is that around 15-16 lakh people enter the job market a year. If we do not generate jobs, the unemployment rate will go through the roof."

Small entrepreneurs create more employment; the SME sector now accommodates about 76 percent of the industrial labour force in Bangladesh, Rahman said.

Around 90 percent of the bank's SME portfolio goes to small entrepre-



Syed Mahbubur Rahman

neurs who borrow on average Tk 6-7 lakh each. The bank disbursed around Tk 3,500 crore in SME loans in 2012.

Previously, SMEs were not considered a bankable segment due to poor knowledge on it, Rahman said.

But now every bank is sanctioning SME loans, as they now believe that it is a bankable segment; even Bangladesh Bank has created a separate department for SMEs, he said.

"So our bank's success is that we have changed the mindset of the industry people as well as the regulator."

BRAC Bank disbursed SME loans to around 4.15 lakh people in the last 12 years, generating direct employment for around 16 lakh people.

The bank now charges an average of 16-18 percent as the interest rate for SME loans and the customer has to repay in monthly instalments.

The needs of the small entrepreneur differ from others, he said.

"Convenience is an important issue for them. So the bank is working to

meet their needs."

It takes 15-20 days to complete the loan approval process, said Rahman.

So, the bank has started a pilot project in Bogra and Comilla to make spot loan approvals, he added.

Limited market information is one of the challenges to further expanding SME loans and so the bank has conducted a survey to better understand the SME market.

Launching the mobile fund transfer service is one of the key achievements of the bank, Rahman said.

bKash Ltd, a subsidiary of BRAC Bank, operates with an objective to ensure access to a broader range of financial services for the people of Bangladesh.

It emphasises serving the low-income masses of the country to achieve broader financial inclusion by providing services that are convenient, affordable and reliable.

bKash acquired 55 lakh custom-

ers in the last 20 months, with the help of around 60,000 agents across Bangladesh. "It is a big lift for inclusive banking."

Rahman said the overall banking portfolio registered "de-growth" or insignificant growth in the last six months.

"Capital machinery imports have fallen significantly. It is not a good sign for the country, as the more the capital machinery imports, the more expansion; expansion means more employment. Overall, liquidity is now high in the market."

The banks loan deposit ratio has fallen significantly in recent months due to an anti-business environment, such as hartals, and global economic recession.

Rahman cited an example that his bank is lending Tk 79-80 against a deposit of Tk 100; it was Tk 85-Tk 95 a couple of years ago.

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