

**DRAFT**

**NRB BANK LTD.  
CMSME CLUSTER FINANCING POLICY**



**SME & Agri. Banking Division**

**January 2023**

**Version: 1.0**

**DRAFT**

## **Background of the Policy**

Bangladesh Bank (BB) has recently issued a comprehensive circular on Cluster Financing in alignment with SMESPD Master Circular of 2019. As part of our on-going organizational alignment and to bring more focus on SME business, we propose to enrich our portfolio by inclusion of different bankable clusters into our lending portfolio.

This Cluster Financing Policy have been developed for compliance of Bangladesh Bank directives as mentioned in their SMESPD Circular 05 dated August 14, 2022 regarding cluster financing. Any upcoming circulars to be issued by Bangladesh Bank will be meticulously followed and will supersede any clause/ terms of the existing one.

This policy will expedite the achievement of cluster financing target set by Bangladesh Bank by way of proper identification of different clusters as per National Industrial Policy, SMESPD Circular of Bangladesh Bank, recommendations of SME Foundation etc.

The Guidelines will work as standard for all operations including identification and definition of a cluster, loan approval, disbursement, refinance claim (if any) submission, reporting & repayment etc. and any further instructions of Bangladesh Bank from time to time to be meticulously followed.

## KEY GOVERNING PARAMETERS OF THE CLUSTER FINANCING POLICY:

No.	Particulars	Description																																										
1.	Name of the Policy	NRBBL CMSME Cluster Financing Policy																																										
2.	Purpose of the Policy	To define and identify different clusters as per Bangladesh Bank guidelines and circulars. All updated circulars of Bangladesh Bank including SMESPD Circular no. -05 dated 14.08.2022 will be taken into cognizant to ensure the achievement of cluster financing target set by Bangladesh Bank.																																										
3.	Definition of Cluster	<ul style="list-style-type: none"> <li>▪ Similar type of manufacturing or service concern located in specific geographical boundary within the radius of maximum 05 (Five) Kilometers</li> <li>▪ Number of such business in the particular area will be at least 50 (Fifty)</li> <li>▪ Business strength, weakness, opportunities and threats of all these business concerns within a cluster should be similar</li> <li>▪ Definition of Cluster will be followed as updated in National Industrial Policy</li> </ul>																																										
4.	Cluster Identification	<p>Following lists will be treated with preference for financing under clusters but not limited to (extracted from the circular):</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th colspan="2">উচ্চ অগ্রাধিকারপ্রাপ্ত ক্লাস্টারসমূহ</th> </tr> </thead> <tbody> <tr><td>১</td><td>কৃষি/খাদ্য প্রক্রিয়াজাতকরণ এবং কৃষি যন্ত্রপাতি প্রস্তুতকারী শিল্প</td></tr> <tr><td>২</td><td>তৈরী পোশাক শিল্প, নীটওয়ার, ডিজাইন ও সাজসজ্জা</td></tr> <tr><td>৩</td><td>আইসিটি</td></tr> <tr><td>৪</td><td>চামড়া ও চামড়াজাত পণ্য শিল্প</td></tr> <tr><td>৫</td><td>লাইট ইঞ্জিনিয়ারিং</td></tr> <tr><td>৬</td><td>পাট ও পাটজাত শিল্প</td></tr> <tr> <th colspan="2">অগ্রাধিকারপ্রাপ্ত ক্লাস্টারসমূহ</th> </tr> <tr><td>১</td><td>প্লাস্টিক ও অন্যান্য সিনথেটিক শিল্প</td></tr> <tr><td>২</td><td>পর্যটন শিল্প</td></tr> <tr><td>৩</td><td>হোম টেক্সটাইল সামগ্রী</td></tr> <tr><td>৪</td><td>নবায়নযোগ্য শক্তি (সোলার পাওয়ার)</td></tr> <tr><td>৫</td><td>অটোমোবাইল প্রস্তুত ও মেরামতকারী শিল্প</td></tr> <tr><td>৬</td><td>তাঁত, হস্ত ও কার্গো শিল্প</td></tr> <tr><td>৭</td><td>বিদ্যুৎ সশ্রয়ী যন্ত্রপাতি (এলইডি, সিএফএল বাল্ব উৎপাদন)/ইলেকট্রনিক যন্ত্রপাতি নির্মাণ শিল্প/ ইলেকট্রনিক ম্যাটেরিয়াল উন্নয়ন শিল্প</td></tr> <tr><td>৮</td><td>জুয়েলারি শিল্প</td></tr> <tr><td>৯</td><td>খেলনা শিল্প</td></tr> <tr><td>১০</td><td>প্রসাধনী ও টয়লেট্রিজ শিল্প</td></tr> <tr><td>১১</td><td>আগর শিল্প</td></tr> <tr><td>১২</td><td>আসবাবপত্র শিল্প</td></tr> <tr><td>১৩</td><td>মোবাইল/কম্পিউটার/টেলিভিশন সার্ভিসিং</td></tr> </tbody> </table> <ul style="list-style-type: none"> <li>▪ List of clusters provided by SME foundation</li> <li>▪ List of clusters as mentioned in National Industrial Policy</li> <li>▪ Any other clusters newly identified by Bank or any other renowned organization.</li> </ul>	উচ্চ অগ্রাধিকারপ্রাপ্ত ক্লাস্টারসমূহ		১	কৃষি/খাদ্য প্রক্রিয়াজাতকরণ এবং কৃষি যন্ত্রপাতি প্রস্তুতকারী শিল্প	২	তৈরী পোশাক শিল্প, নীটওয়ার, ডিজাইন ও সাজসজ্জা	৩	আইসিটি	৪	চামড়া ও চামড়াজাত পণ্য শিল্প	৫	লাইট ইঞ্জিনিয়ারিং	৬	পাট ও পাটজাত শিল্প	অগ্রাধিকারপ্রাপ্ত ক্লাস্টারসমূহ		১	প্লাস্টিক ও অন্যান্য সিনথেটিক শিল্প	২	পর্যটন শিল্প	৩	হোম টেক্সটাইল সামগ্রী	৪	নবায়নযোগ্য শক্তি (সোলার পাওয়ার)	৫	অটোমোবাইল প্রস্তুত ও মেরামতকারী শিল্প	৬	তাঁত, হস্ত ও কার্গো শিল্প	৭	বিদ্যুৎ সশ্রয়ী যন্ত্রপাতি (এলইডি, সিএফএল বাল্ব উৎপাদন)/ইলেকট্রনিক যন্ত্রপাতি নির্মাণ শিল্প/ ইলেকট্রনিক ম্যাটেরিয়াল উন্নয়ন শিল্প	৮	জুয়েলারি শিল্প	৯	খেলনা শিল্প	১০	প্রসাধনী ও টয়লেট্রিজ শিল্প	১১	আগর শিল্প	১২	আসবাবপত্র শিল্প	১৩	মোবাইল/কম্পিউটার/টেলিভিশন সার্ভিসিং
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5.	Cluster financing target	<ul style="list-style-type: none"> <li>• 10% of total CMSME loan portfolio within 2022</li> <li>• 1% increase each year and 12% by 2024.</li> </ul>																																										

6.	Cluster selection & Process	<p>Until Further instructions by BB, Minimum 50% cluster financing of annual target of banks will be in favor of customers identified in paragraph 2 kha of Bangladesh Bank SMESPD Circular no. 05 dated 14.08.2022 and rest 50% of the annual target may be in favor of other clusters.</p> <p><b>Process:</b></p> <ol style="list-style-type: none"> <li>1. Any Branch / Sub-Branch of the Bank can Primarily identify potential / existing clusters within the proximity of the Branch at best within 20 km command area.</li> <li>2. After the primary identification of potential cluster, the matter will be placed to SME Division, CHO for final visit for assessing its true potentiality and other parameters as per policy.</li> <li>3. Once the cluster is finalized for financing, SME Division may establish an alliance with SME Foundation, MoI under its Credit Wholesaling Program or can extend facility by Bank's own channel &amp; fund depending on the availability and capacity.</li> <li>4. Post financing the on-site monitoring and collection activities will be entrusted with the sourcing channel (or nearest NRBBL Branch/ SB) and off-site monitoring from SME Division collection Team at CHO.</li> </ol>
7.	Cluster Financing Policy	<p>Cluster Financing Policy needs to be developed and circulated in NRBBL website and SME &amp; Special Programs Department of Bangladesh Bank after necessary approval from Board of Directors (BOD) of NRBBL. An interim Policy can be uploaded to mitigate the regulatory deadline and final version will be updated after the BOD approval.</p>
8.	Eligibility of Customer to be identified as cluster	<ul style="list-style-type: none"> <li>• Customer must be from CMSME segment.</li> <li>• Must be <b>manufacturer</b> or <b>service</b> concern.</li> <li>• Verification whether the client is under particular cluster.</li> <li>• Membership certificate required if there is any association of the cluster.</li> <li>• Clean CIB report required.</li> </ul>

		<ul style="list-style-type: none"> <li>Client trained for minimum one month from any Government or renowned Private organization will get preference.</li> <li>Women Entrepreneur and Special Need Entrepreneur will get Preference</li> </ul>
9.	Loan Limit	<ul style="list-style-type: none"> <li>As per SMESPD Master Circular no. 02 dated 05/09/2019.</li> <li>Only service and manufacturing concerns will be treated under clusters.</li> <li>Client may take loan from several bank but his/her total loan amount must not exit the highest ceiling as per CMSME Master Circular.</li> </ul>
10.	Interest rate and other charges	<ul style="list-style-type: none"> <li>As per Banks Policy and schedule of charges.</li> <li>If loans are eligible under any BB refinance scheme than interest rate will be as per the scheme.</li> </ul>
11.	Loan tenure	<ul style="list-style-type: none"> <li>Maximum 05 years including maximum 6-months grace period for term loan.</li> <li>Installment frequency of loan repayment for customer can be quarterly or half yearly in addition to EMI.</li> <li>For working capital facilities tenor will be as per respective PPG, or CRM Policy etc.</li> </ul>
12.	Collateral	<ul style="list-style-type: none"> <li>Collateral arrangement will be as per NRBBL CRM Policy and Parameters of NRBBL SME Loan Products in addition to Bangladesh Bank prudential guidelines for CMSME sectors.</li> <li>Personal Guarantee, Society/Group Guarantee will be accepted as collateral.</li> <li>Credit Guarantee Scheme of BB is also applicable.</li> </ul>
13.	Loan Approval	<ul style="list-style-type: none"> <li>As per banks usual credit approval policy.</li> <li>Nature of cluster to be identified.</li> <li>Clients cluster membership must be verified.</li> </ul>
14.	Reporting and Monitoring	<ul style="list-style-type: none"> <li>Bank will mention the cluster financing information separately in financial statements including Statement of Affairs both at Head Office and Branch Level.</li> <li>Bank will report the status of loan disbursed under cluster finance to Bangladesh Bank within the 15th day of following quarter.</li> <li>New field to be created as 'Cluster financing' for the loans to be disbursed under cluster to identify them separately in Core Banking Software.</li> <li>To ensure fund utilization under cluster financing banks will develop certain working plan and monitoring system.</li> <li>Banks will arrange awareness building program in different regions to demonstrate the importance of cluster financing in socio-economic development of the country.</li> </ul>
15.	Other conditions	<ul style="list-style-type: none"> <li>In case of failure of recovery from customer, bank will classify the loan as per existing policy of Bangladesh Bank.</li> </ul>

		<ul style="list-style-type: none"> <li>• Other issues like receive of application, processing time, disbursement, fund utilization, monitoring, recovery will be governed by existing policy of NRBBL and Guidelines of Bangladesh Bank.</li> <li>• Loans under cluster financing should be prioritized under the refinance schemes of BB.</li> <li>• For any other issues regarding cluster financing, BB Master circular no. 02 of 2019 and NRBBL CMSME Policy to be followed.</li> <li>• All upcoming circulars of Bangladesh Bank and internal circulars of NRBBL will be followed accordingly.</li> </ul>
16.	Cluster Product & Facility Structure	<ul style="list-style-type: none"> <li>▪ A specialized cluster product will be developed based on the collaboration Agreement with SME Foundation/ Bangladesh Bank for availing low-cost Pre/Re-finance fund from the same.</li> <li>▪ NRBBL existing CMSME Products will be eligible for cluster borrowers i.e. Proshar, Pashe, Prerona, Proyojon and others.</li> <li>▪ All the cluster facility would be extended in the form of Term Loan and Demand Loan on case-to-case basis depending on the seasonality and financial requirement.</li> <li>▪ Maximum Tenor of loans will be for 60 months for the Term Loan and 12months for the Time Loan.</li> </ul>

**Loan approval and disbursement process:**

Approval of loan proposal and disbursement of loan will be done as per this policy, updated PPGs and CRM Policy of NRBBL. For any ambiguity of credit decision market’s best practice and prevailing regulation to be followed.

**Refinancing Programs for customers identified under different clusters.**

Customers under different clusters will get priority for availing loans under different refinancing schemes and credit guarantee schemes. Existing dedicated Business Operation Process Manual will be followed for ensuring operation of refinance fund under cluster financing.

**Capacity Building Programs**

SME Banking Division and Branch/SB/AB (within that jurisdiction) will take necessary measures for arranging capacity building programs for both customers and bank officials as per paragraph 11 Gha of Bangladesh Bank SMESPD Circular 05 dated 14.08.2022 which will help to create awareness about the socio-economic importance of cluster financing and achievement of cluster financing target set by Bangladesh Bank.

**Review and Amendment**

The review of any policy is an ongoing process. This policy may be amended from time to time as and when necessary to accommodate the changes in the market condition, cyclic aspect of the economy, government policy, industry demand, central bank’s regulations, guidelines and experience of the Bank in financing different clusters. Any review/amendment will be approved by the MD & CEO.

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**Approval Condition**

If any content of this policy conflict with laws, regulations of the country and/or Bangladesh Bank circulars, guidelines, the latter one shall prevail.

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