



Cluster Investment Policy Of EXIM Bank



A. Background:

CMSME is the driving force of any economy, especially a country like Bangladesh which has more impact. So to promote the sector, the government and central bank have taken different initiatives to reach the CMSME and develop their capacity and increase access to finance. One such issue is the SME Cluster Investment approach.

Recently Bangladesh Bank provided specific guidelines on cluster investment. Accordingly, the Cluster Investment Policy of EXIM Bank is formulated.

B. Scope of cluster Finance policy:

Bangladesh Bank issued SMESPD Circular no 5, dated August 14, 2022, where precise guidance and instructions were given on cluster finance.

According to the policy:

- ❖ Banks/financial institutions will formulate their own cluster investment policy. The policy has to be approved by the board of directors of the respective bank.
- ❖ Approved policy to be circulated through the website of the Bank.
- ❖ A copy of the policy is to be submitted to SMESPD, Bangladesh Bank.

Earlier Bangladesh Bank instructed the banks to develop its own Cluster Development policy in Policy Guideline for **Small and Medium Enterprise (SME) Credit Policies & Programmes**, accordingly Cluster Development Policy of EXIM BANK was formulated. Now the previous policy is reviewed under purview of the recent changes.

However any future directives from central bank will be effective with immediate effect over the EXIM BANK Policy.

C. Definition of Cluster:

50 (Fifty) or more similar /homogenous/related products or services initiatives located in a specific geographic location of a maximum 5 (Five) Kilometer area, will be collectively treated as a Cluster.

In that case business strengths, weaknesses, opportunities and threats of the business initiatives will be the same. Benefit of infrastructural issues marketing, transportation facility both for raw-materials and sale of finished products may will also be reflected.

However, if any new definition is declared by National Industrial Policy, the revised definition will be circulated through by Bangladesh Bank and accordingly the same will be incorporated in EXIM Bank Policy at the time of up dating and revised edition.

D. Cluster Finance Activities:

Identification of Cluster:

As per the definition of the cluster already identified cluster should be considered for cluster investment. As well as any list provided in the National Industrial Policy from time to time shall be considered.

Top Priority Clusters: Following sector will be considered as top priority and high priority of cluster:

1.	Agriculture/Food Processing and agri machinery manufacturer industry
2.	Readymade garments industry, Knitwear, design and beauty accessories
3.	Rice Mill-Chatal, Manual, Semi Auto and Full Auto
4.	ICT
5.	Leather and leather item industry
6.	Light Engineering
7.	Jute and Jute based industry
Priority Clusters:	
1.	Plastic & other synthetic industry
2.	Tourism Industry
3.	Home Textile items
4.	Renewable Energy (Solar Power)
5.	Automobile manufacturing and repairing industry
6.	Loom, handicraft and fine crafts
7.	Electricity Savings Equipment (LED, CFL Bulb production)/Electronic equipment manufacturer/ Electronic material development industry)
8.	Jewelry industry
9.	Toy Industry
10.	Cosmetics & Toiletries
11.	Agar Industry
12.	Furniture industry
13.	Mobile/Computer /Television Servicing

Any other cluster which is not in the above list, if identified by the bank shall be treated as other clusters.

Cluster-based Investment Target:

- ❖ The Bank has to set a target of Cluster Investment to 10% of its net CMSME Portfolio as of 31 December 2022. The target is to be increased by 1% additional each year and reach up to 12% at the end of the year 2024.
- ❖ Bangladesh Bank may revise/reset the target if necessary.
- ❖ Bank will disburse a minimum of 50% of its Cluster finance to above mention clusters and a maximum of 50% can be disbursed to other clusters.

Eligibility of the customer under cluster Finance:

- ❖ The enterprise must be CMSME, engaged in manufacturing or service oriented business.
- ❖ It must be located in the specific cluster.
- ❖ If there is an association of entrepreneurs in the cluster, the entrepreneur will must be a member of that association.
- ❖ A Borrower cannot be a defaulter as per the CIB report.
- ❖ If the entrepreneur obtain a minimum of one month of training on the relevant business from a government or reputed private institute, he/she will get priority for availing investment.
- ❖ Women and handicapped needs entrepreneurs under a cluster will get priority.

Investment type and size at customer level:

- ❖ Depending on the nature and requirement both working capital and term investments can be given/provided but specific need assessment to be analyzed as per guideline.
- ❖ Highest ceiling of investment limit as per CMSME master circular shall be applicable for cluster investment.
- ❖ A borrower can avail of investments from more than one Bank/FI as per their need, but the cumulative investment limit shall not cross the highest ceiling as per the CMSME Master circular no.02/2019.

Profit/Rent rate at customer level:

- ❖ Profit Rate and Charges will be applicable as per the BRPD circular on the rate of profit and Schedule of Charges.
- ❖ For investments under any reference scheme, the profit rate for the relevant scheme shall be applicable.

Tenure of the investment at customer level:

- ❖ For a Term investment maximum tenor will be 5 (Five) years. A grace period not over 6 months can be given based on banker client

relationship. Repayment mood can be set to monthly/quarterly /half yearly basis.

- ❖ For working capital investments relevant circular shall be applicable.

Security:

- ❖ Personal, social or group guarantees can be considered as security. In that case directives of SMESPD Circular 02/2019 under clauses 7.1, 7.2 and 7.3 are to be considered.

Credit Guarantee Scheme, declared by Bangladesh Bank from time to time can be accepted in case of unsecured or partially secured investment under cluster finance.

Investment approval process:

- ❖ EXIM BANK shall assess the investment proposal as per its own investment policy.
- ❖ After receiving the application, EXIM BANK must ensure that the enterprise is located in the specific cluster as per its own policy.
- ❖ All regulatory issues i.e. CIB report, Creditworthiness, IIRRS and other relevant issues to be ensured for eligibility.

Reporting and Monitoring

- ❖ EXIM BANK has to maintain the cluster finance-related data separately in the statement of affairs at the branch and head office levels.
- ❖ EXIM BANK shall submit cluster finance-related information to SME SPD, Bangladesh Bank, quarterly, within 15 of the following months.
- ❖ EXIM BANK shall have its own work plan and monitoring program to ensure proper utilization of investments disbursed under cluster investment. EXIM BANK shall assist Bangladesh Bank to conduct audits and inspections from time to time.
- ❖ EXIM BANK may arrange region-based awareness activities considering the socio-economic development of the country.

Other Terms and Conditions:

- ❖ EXIM BANK shall follow relevant rules for provisioning and classification
- ❖ CMSME Finance-related terms and conditions shall be applicable for other investment-related issues i.e., investment application processing, distribution, and monitoring.
- ❖ EXIM BANK shall preserve relevant data and documents so that the same can be produced to Bangladesh Bank as and when required.
- ❖ Cluster Finance-related specific information shall be added in the notes section of the Balance Sheet of EXIM BANK for acknowledgment of stakeholders.

- ❖ EXIM BANK may use ICT and Mobile Financial Services /Digital Banking in appropriate cases.
- ❖ Cluster finance will get priority for investment under different low-cost refinance schemes initiated by Bangladesh bank from time to time for overall socio-economic development.
- ❖ All other instructions of SMESPD circular no. 02/2019 shall be applicable for cluster finance.

E. Role & Responsibility:

The cluster investment activity will be led by IRM-III of CMSME Division, Head Office which will include:

- ❖ Communication, co-ordination and arrangement of Cluster Investment Scheme from partners i.e. SME Foundation and or any other source.
- ❖ Identification and selection of Cluster.
- ❖ Assist Branch and other business channels for business acquisition.

Branch will lead the activity at field level which includes but not limited to:

- ❖ Selection of borrower and proposal preparation, disbursement after getting approval in due process of bank
- ❖ Monitoring and recovery of the investment.

Annexure:

SMESPD Circular No. 05: Cluster investment in CMSME sector dated August 14, 2022.