

Bangladesh Bank, Dhaka
SME & Special program department

SME-SPD Circular-01

13 April, 2020

Managing Director/Chief Executive
All Scheduled Banks & Financial Institutions

Financial stimulus package for CMSME sector to face financial Impact due to Covid-19 outbreak

Prime Minister Sheikh Hasina on April 05, 2020 announced BDT Twenty Thousand crore (20,000 crore) financial package for the entrepreneurs of cottage, Micro, Small & Medium enterprises (CMSME) to tackle the financial losses due to the Covid-19 outbreak & to boost up the economic activities.

Under this package, commercial banks & Financial Institutes will provide **working capital loan** from their own fund at existing **interest rate 9% per annum**. The government will pay **5% interest of the loan as a subsidiary**. The guideline to distribute the fund as follows:

1. Allocation, Distribution ratio & time limit of Sector wise fund by Bank:

- A. Concern banks & Financial Institutes can allocate maximum 10% of their yearly allocated CMSME loan, finalized during last financial year for this package for distribute as working capital loan. All banks & Financial Institutes should inform the SME & Special Program Department of Bangladesh Bank of their total allocation, within 3 months of publishing this circular. Bangladesh Bank will finalize the final fund proposal and adjust it within the total fund allocation package limit according to this circular. If disbursement fund exceeds the allocated limit, the subsidy will not be provided to lender.
- B. The production & service unit of CMSME will get high priority to receive this fund. However, micro & small unit of businesses (trade) will also eligible to receive this fund. The allocation ratio for fund for production: service: trade will be 50:30:20 respectively.
- C. 15% of total allocated yearly fund should distribute to rural areas.
- D. 70% total allocated yearly fund should distribute to cottage, micro & small enterprises. Remaining 30% should distribute to medium enterprises.
- E. 5% to total allocated yearly fund should distribute to woman entrepreneurs.
- F. The allocated fund of this circular will be out of the yearly target limit of fund instructed through SMESTP circular 2 & 3.

- G. The total time limit of this package will be 3 years.
- H. One single unit can avail subsidized loan fund from this package for maximum 1 year.

2. Eligibility to receive this fund (criteria to be a loan receiver):

Only CMSME industries & service sectors that are truly affected by Covid-19 outbreak can get this loan. Lending institute should carefully fulfill the conditions/eligibility to distribute the fund mentioned below:

- A. Any loan defaulted person/company will not get the fund. If loan reschedule for more than 3 times, they are also not eligible for this loan.
- B. Cottage & micro industries are eligible to this fund (which do not have any bank loan, till now doing business from own fund, but currently affected by Covid-19) subject to submission of last year/s financial statement (max 6 months old) or last year's production statement/turnover, etc.
- C. Medium enterprises eligible to this fund (which do not have any bank loan, till now doing business from own fund, but currently affected by Covid-19) subject to submission of last year financial statement (max 6 months old) that gets rating at least marginal defined by the guidelines by the Internal Credit Risk Rating System for banks (ICRRS).

3. Use of this Working Capital Loan:

- A. To finance the working capital need of CMSME that are truly affected by Covid-19 outbreak will get the loan.
- B. This loan money can't be usable for payment of any ongoing loan.
- C. This fund can't use for any BMRE or to set up new business or expansion of business.

4. Time & fund Limit of Loan/Investment fund:

- A. The working capital need of the effected enterprises can be estimated subject to calculation of turnover/production/sales negative growth of the months after January 2020 based on production/sales/turnover of last year.
- B. Enterprises engaged with production/service sector that are currently beneficiaries of working capital loan from respective Banks will get maximum 30% of their present working capital limit or 50% of average operational expenses shown in last 3 year's financial statement, whichever is lower.

- C. Entrepreneurs of trading units which are currently beneficiaries of working capital loan from respective Banks, will get maximum 25% of average yearly turnover shown in last 3 year's financial statement, but the maximum limit is BDT One crore.
- D. New beneficiary enterprises (production and service sector) who are till now doing business from their own fund and do not obtain any loan from banks but currently affected by Covid-19, will get the working capital loan from banks/Financial Institutes. The loan amount will be decided by applicable guideline which is maximum 30% of their present operation expenses requirement shown in last 3 year's financial statement or average 50% of yearly turnover/sales of last year's (one or more) financial statement, whichever is lower. Trading enterprises will also get fund from respective banks which is maximum 25% of yearly turnover, but maximum limit is BDT One crore.
- E. Respective banks & Financial Institutes will examine & monitor relevant documents of turnover & production statement and keep record of this.
- F. This fund is non-renewable. But, if the business transaction of the company is satisfactory, investment opportunity can be renewed but without government subsidies.

5. Interest rate of this fund:

- A. Interest rate of this fund is maximum 9%. Government will pay 5% as subsidiary, rest 4% need to be paid by the beneficiary personal/company.
- B. The liability of subsidized interest will not go to beneficiary of this fund. Beneficiary's liability is only payment of 4% interest with principle.
- C. No charges can be imposed on this loan/Investment fund except charges mentioned in schedule of charges state in BRPD circular number 2, dated March 13, 2017. If any hidden charges imposed, legal action will be taken against lender.
- D. Interest will be calculated based on declining balance method.

6. Management of loan/investment package fund:

- A. Loan will be distributed as per scheduled bank's/Financial Institute's own loan/investment guideline. In order to speed up the process, responsibility can be also given to respective branch.
- B. Respective banks/Financial Institutes will provide detail of allocation of working capital fund within 10th of the following month to SME & Special Programs Department of Bangladesh Bank as per prescribed from in annexure 1 & 2 of

this circular. If proper steps are not followed to disburse the fund the allocation of fund will be canceled.

- C. If any false information provided by banks/Financial Institutes, no subsidy interest will provide rather 2% penalty will be charged from the distributed loan.
- D. Subsidized interest will be paid by Account and Budgeting Department of Bangladesh Bank.

7. Receiving of application, monitoring & permission of loan/investment fund:

- A. Entrepreneurs can apply through any scheduled banks/Financial Institutes.
- B. Scheduled banks will investigate the eligibility of the client based on amount of loss for the Covid-19 outbreak and approve loan money on the basis of bank-client relationship & own credit guideline. Priorities given to the most affected companies to get the loan/investment fund.
- C. Following appropriate steps banks/Financial Institutes will disburse the fund from their own investment fund within the shortest possible time.
- D. All information should be sent to SME & Special Program Department of Bangladesh Bank as per 6.B formalities mentioned above.
- E. Guidelines & regulation mentioned in SMESPD Circular 2, dated Sep 05, 2019 should be followed to distribute this fund.
- F. This loan/investment fund approval should also consider Bangladesh Bank's single borrower's exposure limited related circular.
- G. The supervision of the fund distribution will look after by "Special Monitoring Cell" of respective bank's/Financial Institute's control by head office.
- H. SME & Special Program Department of Bangladesh Bank can also monitor the progress of the fund management.

8. Realization of loan/investment Fund:

- A. Though this current working capital loan is a continuous process loan, so it should be issued & realized within 1 year of the loan repayment period.
- B. The loan outstanding with interest should not cross the total loan amount. If loan outstanding exceeds total loan amount, then with 5 working days of each 3 months, it should be adjusted by the client.
- C. Only scheduled banks/Financial Institutes are responsible for realization of loan/investment amount. Proper provision and reserve should be maintained by banks/Financial Institutes in case of non realization of fund.

9. Procedure for getting subsidies for disbursed fund:

- A. In every three months (March, June, September, December), concern banks/Financial Institutes will get the interest subsidies from the government.
- (a) The banks will apply for subsidies of each quarter through prescribed form by 10th of following month to the Accounts and Budgeting Department of Bangladesh Bank
- (b) After cross checking the related documents, subsidies will be credited to bank's current account.
- (c) If any banks fails to realize interest & repayment amount from the clients, subsidies will not be provided to banks and banks should realize whole interest payment from the client against his loan/investment.

This circular shall be implemented immediately.

Sincerely,

Lila Rashid
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Enclosed: Related Forms

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