Mr. Chair, special guest, distinguished guests from the banking industry, representatives from the public and private sectors, microfinance representatives and members of the electronic and print media, a very warm good morning to you all.

I must thank DFID for their continuous support, including this Business Finance for the Poor project in Bangladesh, for expanding the opportunities of access to finance for Micro and Small Enterprises in Bangladesh through various interventions like credit guarantee scheme, challenge fund and policy environment improvement. With their technical and financial supports Bangladesh Bank is implementing this project. I am happy to be a part of this much needed intervention on ‘Development of Semi-Automated MSME Lending Platforms in Commercial Banks’ of Bangladesh.

We know that the absence of track record in business and lack of real assets to offer as collateral hinders the eligibility of the potential clients of the financial sector players. Banks and financial institutions were primarily geared towards serving larger urban and semi urban based big businesses. Banking industry as a whole are in general neither well motivated nor well equipped to serve MSMEs in dispersed locations far off from business places. Besides because of higher risks in MSMEs lending, they also find MSMEs loan administration costlier as building and managing MSMEs lending portfolio requires higher unit cost. Commercial banks are not always interested to finance MSMEs because of the high supervision cost. In these circumstances MSMEs find it hard to get credit for inputs procurement and other expenses. These constrain MSMEs in accessing debt finance on affordable terms. I strongly believe project like this would create enabling environment to overcome these constraints.

Bangladesh’s inclusive growth strategy views MSMEs as crucially important drivers of sustained broad based output, employment and income generation as it accounts for more than 40% of overall employment and 80% of industrial jobs in Bangladesh. Bangladesh Bank, which is gradually emerging as a developmental Central Bank, has adopted a comprehensive approach in addressing MSMEs financing impediments and disincentives through aligning all the lending institutions for socially and environmentally responsible financing ethos in their corporate culture.

We have separate and unique strategies in developing women entrepreneurs in Bangladesh as well. Because of our interventions every financial institution is currently having separate MSE/SME business segments with dedicated women desk. I am aware of the fact that not all the financial institutions have the right approach and strategic alignment in their MSME banking approach
including lending technologies and portfolio management tools. We have taken various initiatives for sensitizing and capacity building of the bankers in the area of MSME Banking through various in-house initiatives and development partner supported project. One such initiative is under implementation by EU through the INSPIRED project. SME Banking training capacity of BBTA and BIBM has been significantly improved by the INSPIRED intervention and we are hopeful that the banking industry will gradually train their officials on various aspects of SME Banking using their Trainers developed project interventions. We have made the bankers aware of the importance of MSME banking and now it is the time to acquaint them how this can be done profitably. The objectives of BFP-B project include expanding bank and NBFI outreach to rural areas and to women entrepreneurs and green businesses in particular.

As all of us are aware, banks and NBFI in Bangladesh are heavily reliant on manual loan application, credit analysis and approval procedures and protocols. Credit scoring is not widely known and practiced in Bangladesh, and banks and NBFI follow the same detailed, high-transaction-cost individual credit analyses for their MSME loans that they use for larger, more profitable, corporate portfolio. As corporate loans are much larger ticket items, they are more profitable for lenders and can better bear the cost of detailed credit analysis and in terms of unit transaction cost corporate lending is much cheaper. What is needed to enable banks to reach the target MSME population is a cost-effective, yet analytically robust credit analysis and approval regime, which combines as much automation as is feasible, yet preserves the analytical integrity that will prevent unacceptably high levels of non-performing loans. This will comprehensively reduce the non-performing loans and, on the other hand, increase the portfolio profitability of lending institutions.

I am sure today’s seminar leader would share international best practices in lending process automation and also provides insights on how the best practice can be tailored and internalized by the local intermediaries. I am also hopeful that today’s seminar will be able to sensitize bankers, in streamlining and updating their lending platforms, incorporating such innovations as credit scoring, and “templatizing” their approaches to credit approvals.

We are very pleased to welcome Mr. Chima Nnadozie, whose experience with a leading Nigerian commercial bank in SME seems extremely appropriate to our needs here in Bangladesh. We all look forward to learning more of the approach that the Nigerian bank and the IFC pioneered in Nigeria with the hope that it will aid us as we attempt to upgrade and improve the lending capacity of our banks and NBFI, particularly in the area of MSME lending.

Thank you all for attending today’s seminar.