



OBL Cluster Financing Policy- 2020

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Background & Objectives:

This policy documents will guide business unit to process cluster financing with proper complete documentation for CMSME clients of OBL complying regulatory guidelines.

Main Objective of this policy is to financial inclusions of untapped markets by creating group among homogenous products & services provider ensure proper monitoring and to ensure timely repayment through cross personal guarantee In addition to this, the products will help bank to mitigate risk through creating diversified portfolio and will contribute mainly to increase profitability of rural Branch. Furthermore, in long run, the policy will facilitate to generate loyal customer base and ensure Bank's footstep in multiple segments. Moreover, this sort of financing will help to reduce pressure on liquidity as there is refinance opportunity from Central Bank.

This policy will also help to create positive impact on economic growth by creating new employment opportunities and will impact directly to grow GDP of the country.

This new Policy Guideline along with simplified- which shall support faster processing of proposals with an integration of all necessary information and other due diligence. This policy is integral part of SME policy of OBL.

The policy outline the borrower eligibility criteria and detail features of facility like documents required to process the facility, conditions related to the facility, security support, monitoring tools, regulatory issues etc.

1.1. Definition of Cluster:

After discussion with relevant stockholders like the Bangladesh Bank, Ministry of Industries, Bangladesh Small and Cottage Industries Corporation, Export Promotion Bureau, and the Federation of Bangladesh Chambers of Commerce and Industries (FBCCI), Bangladesh Bank defined cluster as "A cluster is a concentration of enterprises producing similar products or services and is situated within an adjoining geographical location and having common strengths, weaknesses, opportunities and threats".

List of major clusters:

1.2.1. Agro-Processing Agri-business/Plantation Clusters:

Major products are rice, Broken rice (commonly known as khud), husking dust (commonly known as kura), burning wood (commonly known as lakri), oil, and oil cake (commonly known as khail) etc.

1.1.2. Light Engineering and Meal Working Clusters:

Major products are Door and window grill, door and window frame, collapsible gate, iron and steel furniture, Motor parts, engine repair, pump, Machine tools, Agricultural equipment, automobile body building, repairing, and colouring, ship breaking etc.

1.1.3. Small Scale Knitwear and RMG Clusters:

Major products are thread, pants, jackets, ladies' three piece sets, towels/ gamchas, shirts, tape/ nima, frocks, baby set, suit and cloths etc.

1.1.4. Fashion-rich Wears, effects & Consumption Goods Clusters:

Major products and services are artificial ornaments/ other metals, air spa, hair protein, party makeup, facial, eye-brow pluck, Herbal facial, haircut, and orange facial etc.

1.1.5. Leather and Leather goods clusters:

Major products are gent's shoes, ladies shoes, baby shoes, sandal shoes, and Slippers etc.

1.1.6. Healthcare & Diagnostics Clusters:

Major services are X-ray, ultra-sonogram, ECG, different pathological tests, haematological biochemical tests, echo-cardiogram, CT scan, and surgery etc.

1.1.7. Plastics & Other Synthetics Clusters:

Major products are Mugs, Bowls, Buckets, Bodna, and many other home appliances.

1.1.8. Electronics & Electrical Clusters:

Major products are Electrical Board, Switch, Socket, Holder, Cut-out, Anti cut-out, Coil, Battery, TV, Pluspain base, and eclectic cables etc.

1.1.9. Educational Services Clusters:

Major services are education services /counselling.

1.1.10. Handloom & Specialized Textiles Clusters:

Major products are Blouse, Sari, Orna, Three Piece, famet, towel, Panjabi, cushion cover, bed sheet and pillow covers etc.

1.1.11. Handicraft & Miscellaneous Clusters:

Major products are dining table, Mat, Bamboo net, Large bamboo basket (commonly known as Dhol), Tabla, Nest, Kula, Candle stand, cup-plate, Clay piggy-bank, flower vase, different dices, mud cover, tub, oil-based perfume, Incense sticks, curry and rice cooking pot, bamboo goods, tray set, bowl set, file set, ruler set, cylinder set, and partition set, Wooden Furniture boxed bed, normal bed, dressing table, reading desk, computer desk, Sofa set, dining table and chairs, etc,

1.2 Definition of Cluster Financing:

Cluster based approach to lending is intended to provide a full-service approach to cater to the diverse needs of the MSE sector which may, be achieved through extending banking services to recognized MSE clusters. A cluster based approach may be more beneficial (a) in dealing with well-defined and recognized groups (b) availability of appropriate information for risk assessment (o) monitoring by the lending Institutions and (d) reduction in costs. The banks have, therefore, been advised to treat it as a thrust area and increasingly adopt the same for SME financing.

1.3. Criteria of selecting cluster:

- Product or services should be similar or homogenous along with related product.
- Enterprise must be production or service units including forward and backward linkage industries.
- Number of unit; Minimum 05 concerns and maximum 15 concerns.
- Adjoining geographical location: Several village, wards, unions and industrial estates
- Scattered within an area of 5 kilometre radius.

1.4. Eligibility and Feature of the cluster base loan:

Criteria	Cottage, Micro, Small & Medium (CMSME)
Ownership	Sole Proprietorship/ Partnership
Age range of the key person/ proprietor	<ul style="list-style-type: none"> Age range of the proprietor/ proprietor/ Managing Partner will be within 21 years to 60 years at the time of application. Age limit can be relaxed if there is ready business successor(s) whose age is not more than 50 years recommended by Head of SME
Nationality of Proprietor/ Partner/ MD/ Key Person	Bangladeshi [Supported by NID, Passport, Birth certificate etc.]
Business experience	Min. 01 year in same line of experience and/ or any other business with sufficient experience. But for new entrepreneur, we may finance under Bangladesh Bank refinance scheme. Business performance will be verified through physical visit and/ or other acceptable evidence.
Business Performance Validation	Business Performance will be verified through physical visit and/ or other acceptable evidence.
Required Documents	<ul style="list-style-type: none"> Trade License, Partnership Deeds, if applicable, Financial Information, Net worth Statements in Branch prescribed format, Photo ID of Proprietor/ partners and spouses of Proprietor/ partners with One copy PP size Photo Relevant business documents wherever applicable.
Availability	All OBL branches
Target Customer	Small scale manufacturer, Service Provider & Trader
Lending Type	Group (Minimum 05 concerns and maximum 15 concerns)
Facility Nature	Unsecured loan
Loan amount / Limit	<ul style="list-style-type: none"> Group Limit Minimum Tk. 05.00 Lac and Maximum Tk. 50.00 Lac Individual Minimum limit Tk.1.00 Lac and Maximum Tk. 5.00 Lac.
Interest rate	Interest rate will be determined by ALCO of ONE Bank Lid and may change as per guideline of Bangladesh Bank,
Processing Fee	Nil
Early Adjustment Fee	Nil
Tenure	Minimum 12 Months. Maximum 36 months (as per client's repayment capacity and DBR calculated as per cash flow method).
Disbursement Mode	To client's CD account with OBL in full or directly to the vendor by Pay Order.
Repayment	<ul style="list-style-type: none"> Any day of the month System will auto debit from the CD account.
Repeat loan criteria	In case of repeat loan customer must maintain at least 6 months satisfactory Credit relationship with OBL.

Instalment Charge	Failure	Penal Interest (@ 2% p.a on the overdue amount.
Nature of Facility		Term loan/ Monthly instalment.
Bank turnover		Not required but have to maintain a bank account with updated KYC.
Credit products		Standardized and multi products.
Collateral / Security		<ul style="list-style-type: none"> In case of proprietorship concern, personal guarantee of borrower and one eligible person acceptable to OBL; In case of partnership business, PG of all the partners & their spouse/ family members. PDC (Post Dated Cheque) for each instalment. Insurance to be taken as per OBL Credit Policy. Simple hypothecation on fixed and floating asset of the business Cross Personal Guarantee. Group Health Insurance (Best effort basis).
DBR		<p>We are proposing value based DBR as follows:</p> <ul style="list-style-type: none"> Monthly income Tk.20,000-Tk39,999: DBR 30% Monthly income Tk.40,000-Tk 64,999: DBR 40% Monthly income Tk.65,000-Tk 84,999: DBR 50% Monthly income Tk.85,000 plus: DBR 55%
CIB status		Latest status should be clean for each group member
Exception		Any exceptions of the PPG have to be approved by Managing Director.
Review of the policy		We will review the policy yearly (if required)
Special Terms		<ul style="list-style-type: none"> This Cluster financing policy will be followed for any cluster based Financing Time to time Bangladesh Bank instruction/ circular relating to cluster financing to be followed

In addition the above criteria, regular due diligence to be followed for processing the credit.

1.5. Bangladesh Bank Eligibility Criteria:

As per "SMESPD circular number 02 dated on 05 Sept 2019" Bangladesh Bank defines Cottage, Micro, Small and Medium enterprise as entities, which compiles the following criteria.

	SME Code	Category	Fixed Assets (Excluding Land & Building)	Manpower	Annual Turnover	Allowed loan limit
Cottage	43	Cottage (Industry)	Less than Tk.10.00 lac	Less than 15	N/A	Tk.15.00 lac
	Cottage industry consist of family members					
	SME Code	Category	Fixed Assets (Excluding Land & Building)	Manpower	Annual Turnover	Allowed loan limit
Micro	32	Trading	Less than Tk.10.00 lac	Maximum 15	Maximum 2.00 Crore	Tk.50.00 lac
	31	Service	Less than Tk.10.00 lac	Maximum 15		Tk.25.00 lac
	33	Industry	Tk.10.00 lac-Tk.75.00 lac	16-30		Tk.1.00 Crore

	SME Code	Category	Fixed Assets (Excluding Land & Building)	Manpower	Annual Turnover	Allowed loan limit
Small	12	Trading	Tk.10.00 lac- Tk.2.00 Crore	16-50	Maximum 2.00 Crore- 20.00 Crore	Tk.5.00 Crore
	11	Service	Tk.10.00 lac Tk.2.00 Crore	16-50		Tk.5.00 Crore
	13	Industry	Tk.75.00 lac- Tk.15.00 Crore	31-120		Tk.20.00 Crore
	SME Code	Category	Fixed Assets (Excluding Land & Building)	Manpower	Annual Turnover	Allowed loan limit
Medium	21	Service	Tk.2.00 Crore- Tk.30.00 Crore	51-120		Tk.50.00 Crore
	23	Industry	Tk.15.00 Crore- Tk.50.00 Crore	121-300	-	Tk.75.00 Crore