

Policy Guideline For

**“Cluster Financing under Cottage, Micro,
Small and Medium Enterprises (CMSME)”**

February 15, 2023

Commercial Bank of Ceylon PLC
Bangladesh

INTRODUCTION

Cluster Financing Policy Guideline describes the guideline and procedures for handling cluster financing related operations by CBC branches and SME centers in Bangladesh.

This policy guideline has been prepared keeping in mind the organization of CBC branches, SME centers and Head Office, Dhaka.

Cluster Financing Policy Guideline is prepared in line with the following:

- SMESPD Circular No. 05 dated August 14, 2022 on the subject- “Cluster financing in CMSME sector”
- SMESPD Circular No. 02 dated September 05, 2019 on the subject- “Master Circular on Cottage, Micro, Small & Medium Enterprise (CMSME) Financing.
- Prudential Regulations for Small Enterprises Financing and subsequent circulars issued by Bangladesh Bank.
- Credit Risk Management Policy of Commercial Bank of Ceylon PLC.
- Different circulars on Credit Operations issued by CBC.

DEFINITION OF CLUSTER

It will be collectively treated as cluster if 50 (Fifty) or above products or service initiatives/enterprises that are similar/homogeneous/related and located in a specific geographic location of a maximum area of 05 (five) Kilometers radius.

In a specific geographic location those similar businesses will have same business strengths, weaknesses, opportunities, and face similar threats.

If any other definition is declared in National Industrial Policy, the revised definition will be included upon circulation by Bangladesh Bank.

SCOPE

The standards set out in this Policy Guideline are based on applicable legal and regulatory requirements in compliance with cluster finance circulars/instructions of Bangladesh Bank and is applicable to all Branches, SME Centers and all other Units or Divisions of the Bank.

ACTIVITIES UNDER CLUSTER FINANCING

IDENTIFICATION OF CLUSTER

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

Clusters to be categorized in “High Priority” and “Priority” segments as follows:

High Priority Clusters	
(1)	Agricultural/Food Processing and Agricultural Machinery Manufacturing Industry
(2)	Readymade Garments Industry, Knitwear, Design and Beautification
(3)	Information and Communication Technology (ICT)
(4)	Leather and Leather Product Industry
(5)	Light Engineering
(6)	Jute and Jute based industry
Priority Clusters	
(1)	Plastic and Other Synthetic Industry
(2)	Tourism Industry
(3)	Home Textile Products
(4)	Renewable Energy (Solar Power)
(5)	Automobile manufacturing and repairing industry
(6)	Loom, Handicrafts and Crafts
(7)	Electricity Savings Equipment (LED, CFL Bulb manufacturing)/Electronic equipment Manufacturing industry/ Electronic material development industry
(8)	Jewelry Industry
(9)	Toy Industry
(10)	Cosmetics & Toiletries Industry
(11)	Agar (Aromatic) Industry
(12)	Furniture Industry
(13)	Mobile/ Computer/ Television Servicing

Any other clusters identified by the Bank, which are not included in the above list, shall be treated as other clusters.

CUSTOMER'S ELIGIBILITY FOR CLUSTER FINANCING

- The enterprise must fall under CMSME and engaged in manufacturing or service sector.
- Enterprise must be located in the specific cluster.
- If there is an association of entrepreneurs in the cluster, the entrepreneur must be a member of the association.
- Proposed enterprise/ applicant must not be a defaulter as per the CIB report.
- Entrepreneurs obtained a minimum of one month training on the relevant business initiatives from a government or reputed private institutes will get priority in availing loan.
- Women and special needs entrepreneurs under a cluster will get priority in availing loan.

INTEREST RATE OF LOAN AT CUSTOMER LEVEL

- Interest Rates and Charges will be applicable as per the BRPD circular on the rate of interest and Schedule of Charges.
- For loans under any reference scheme, the interest rate for the relevant scheme shall be applicable.

TYPE AND SIZE OF LOAN AT BORROWER LEVEL

- Depending on the nature and requirement both working capital and term loans can be given.
- Highest ceiling of loan limit as per SMESPD circular 02/2019 shall be applicable for cluster financing:
Figure in BDT M

Loans/ advances limit	Cottage Industry/ Enterprise	Micro Industry/ Enterprise		Small Enterprise		Medium Enterprise	
	Manufacturing	Manufacturing	Service	Manufacturing	Service	Manufacturing	Service
Maximum limit	1.5	10	2.5	200	50	750	500

- If a borrower avails loans from other Banks/FI's, the cumulative loan limit shall not exceed the highest ceiling as per the above mentioned circular which must be ensured through CIB report.

LOAN TENURE AT CUSTOMER LEVEL

- For a Term loan maximum tenor will be 05 (Five) years. A grace period not over 06 (Six) months can be given based on banker & client relationship. Repayment mode can be set to monthly/ quarterly / half yearly basis.
- For working capital loans relevant circular shall be applicable.

COLLATERAL

- Collateral should be determined as per the Credit Policy of the Bank.
- Personal, social or group guarantees can be considered as security. In that case directives of SMESPD Circular 02/2019 clauses 7.1, 7.2, and 7.3 are to be considered.
- From time to time Credit Guarantee Scheme can be accepted in case of unsecured or partially secured loan under cluster finance.

LOAN APPROVAL PROCESS

- After getting the application (as per prescribed format) from appropriate/ eligible person for taking loan under this scheme, Bank must ensure that the enterprise is located in a specific cluster.
- Bank will decide to finance or not after evaluating the loan/ investment proposal.
- Loan/ investment proposal will be approved according to bank's internal credit policies.