



**National Bank Limited**  
**Credit Risk Management Division-MSME**  
**Head Office, Dhaka.**

**Cluster Financing Policy of National Bank Limited.**

**Background of the policy:**

Cottage, Micro, Small & Medium Enterprise (CMSME) plays an important role in the economic growth and development of a country and also works as the platform for job creation, income generation, raising economic growth, creating new business sectors, reducing poverty and regional discrimination, ensuring equality of women and empowering them. CMSME entrepreneurs strive to construct this sector by dint of their dedication and hard work. However to sustain the business operation and secure a sustained growth, they require financial support in addition to their hard work to position themselves in the market. To promote the sector, the Government and Bangladesh Bank took different initiatives to reach the CMSME and develop their capacity and increase access to finance. In this respect, Bangladesh Bank issued a comprehensive circular SMESPD Circular no. 5 dated August 14,2022 on Cluster Financing in alignment with SMESPD Master Circular 02/2019 where precise guidance and instructions were given on “Cluster Financing” and accordingly the Cluster Financing Policy have been developed for compliance of Bangladesh Bank directives as mentioned in the respective circular. Any upcoming circulars to be issued by Bangladesh Bank, market circumstances as well as internal policy of the Bank will be meticulously followed and will supersede any clause /terms of the existing one. This policy will help to expedite the achievement of cluster financing target set by Bangladesh Bank by way of a proper identification of different clusters as per National Industrial Policy, SMESPD Circular of Bangladesh Bank, recommendations of SME Foundation etc. The policy will act as standard for all operations including definition and identification of a cluster, loan approval, disbursement, security support, refinance claim (if any) submission, conditions related to the facility, reporting and monitoring, regulatory issues and any further instructions of Bangladesh Bank from time to time to be meticulously followed. Finally this policy will also help to grow Bank’s financing activities with marginal level customers. So, based on the guidelines given by Bangladesh Bank, NBL has formulated the CMSME Cluster Financing Policy.

SI No	Particulars	Description
1	Name of the Policy	NBL CMSME Cluster Financing policy
2	Cluster financing policy	Cluster Financing Policy needs to be developed, circulated and be posted on NBL website upon necessary approval from Board of Directors (BOD) of NBL. An interim Policy can be uploaded to mitigate the regulatory deadline and final version will be updated after the BOD approval.
3	Purpose of the Policy	To define and identify different clusters as per Bangladesh Bank guidelines and circulars. All updated circulars of Bangladesh Bank including SMESPD Circular No. 05 dated 14.08.2022 will be taken into cognizance to ensure the achievement of cluster financing target set by Bangladesh Bank.
4	Definition of Cluster	<ul style="list-style-type: none"> <li>• Similar type of manufacturing or service concern located in specific geographical boundary within the radius of maximum 05(five) kilometers</li> <li>• Number of such business in the particular area will be at least 50(Fifty)</li> <li>• Business strength, weakness, opportunities and threats of all these business concerns with in a cluster should be similar</li> <li>• Definition of cluster will be followed as updated in National Industrial Policy moreover the revised definition will be circulated by Bangladesh Bank</li> </ul>
5	Cluster Identification	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. Following cluster to be considered as a high priority and priority:

		<table border="1"> <thead> <tr> <th colspan="2"><b>High Priority Clusters</b></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Agriculture/ food processing and manufacturing industry of agricultural machinery</td> </tr> <tr> <td>2</td> <td>Readymade Garments industry, Knitwear, design and decoration</td> </tr> <tr> <td>3</td> <td>ICT</td> </tr> <tr> <td>4</td> <td>Leather and Leather item industry</td> </tr> <tr> <td>5</td> <td>Light engineering</td> </tr> <tr> <td>6</td> <td>Jute and Jute based industry</td> </tr> <tr> <th colspan="2"><b>Priority Clusters</b></th> </tr> <tr> <td>1</td> <td>Plastic &amp; other Synthetic Industry</td> </tr> <tr> <td>2</td> <td>Tourism Industry</td> </tr> <tr> <td>3</td> <td>Home Textile products</td> </tr> <tr> <td>4</td> <td>Renewable Energy (Solar power)</td> </tr> <tr> <td>5</td> <td>Automobiles manufacturing and repairing industry</td> </tr> <tr> <td>6</td> <td>Handloom, Handicraft and cottage Industry</td> </tr> <tr> <td>7</td> <td>Electricity/Energy savings Equipment (LED,CFL Bulb production)/ Electronic Machineries production Industries/ Electronic material development Industry</td> </tr> <tr> <td>8</td> <td>Jewelry Industry</td> </tr> <tr> <td>9</td> <td>Toy Industry</td> </tr> <tr> <td>10</td> <td>Cosmetics &amp; Toiletries Industry</td> </tr> <tr> <td>11</td> <td>Agar (Aromatic) Industry</td> </tr> <tr> <td>12</td> <td>Furniture Industry</td> </tr> <tr> <td>13</td> <td>Mobile/Computer/Television Servicing</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Any other clusters newly identified by Bank or any other financial institutions which is not in the above list, shall be treated as other clusters.</li> <li>List of clusters as mentioned in National Industrial Policy</li> <li>The revised definition will be circulated by Bangladesh Bank</li> <li>List of clusters provided by SME foundation</li> <li>Any other clusters newly identified by Bank or any other renowned organization</li> </ul>	<b>High Priority Clusters</b>		1	Agriculture/ food processing and manufacturing industry of agricultural machinery	2	Readymade Garments industry, Knitwear, design and decoration	3	ICT	4	Leather and Leather item industry	5	Light engineering	6	Jute and Jute based industry	<b>Priority Clusters</b>		1	Plastic & other Synthetic Industry	2	Tourism Industry	3	Home Textile products	4	Renewable Energy (Solar power)	5	Automobiles manufacturing and repairing industry	6	Handloom, Handicraft and cottage Industry	7	Electricity/Energy savings Equipment (LED,CFL Bulb production)/ Electronic Machineries production Industries/ 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
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6	Cluster-based Financing Target	<ul style="list-style-type: none"> <li>10% of total CMSME loan portfolio within 31 December 2022</li> <li>The target is to be increased by 1% additional each year and reach upto 12% by 2024.</li> <li>Bangladesh Bank may revise/reset the target if necessary.</li> <li>Until further instructions by BB, Minimum 50% cluster financing of Annual target of Banks will be in favour of clusters identified as mentioned in SI no. 5 of the policy (in paragraph 2(kha) of Bangladesh Bank SMESPD Circular No. 05 dated 14.08.2022) and rest 50% of the annual target may be in favour of other clusters.</li> </ul>																																										
7	Cluster selection and process	<p>Until further instruction by BB, Minimum 50% cluster financing of annual target of Banks will be in favour of customers identified in paragraph 2 kha of Bangladesh Bank SMSPD Circular no. 05 dated 14.08.2022 and rest 50% of the annual target may be in favour of other clusters.</p> <p>Process:</p> <ol style="list-style-type: none"> <li>Any Branch/ Sub Branch of the Bank can primarily identify potential/ existing clusters within the proximity of the Branch at best.</li> <li>After the primary identification of potential cluster, the matter will be placed to MSME Division, HO for final visit for assessing its true potentiality and other parameters as per policy.</li> <li>Once the cluster is finalized for financing, MSME Division may establish an alliance with SME Foundation, MoI under its Credit Wholesaling Program or can extend facility by Bank's own channel &amp; fund depending on the availability and capacity.</li> <li>Post financing the on-site monitoring and collection activities will be entrusted with the sourcing channel (or nearest NBL Branch/ Sub Branch) and off-site monitoring from RO and CRM (MSME) Division, HO Credit team.</li> </ol>																																										

8	Customer's Eligibility under Cluster Financing	<ul style="list-style-type: none"> <li>• Customer must be from CMSME segment</li> <li>• Must be <b>manufacturer or service</b> concern, trading concern is not allowed.</li> <li>• Confirm/verify the identification whether the client is under particular cluster</li> <li>• If there is any association of the cluster in the particular cluster, the Entrepreneurs must be a member of that association.</li> <li>• As per CIB report the entrepreneur must be free from defaulted Loan.</li> <li>• If the entrepreneurs attains minimum 1 (one) month of training on the relevant sector from any Government or renowned Private organization will get priority for availing Loan.</li> <li>• Women entrepreneur and Special need Entrepreneur under any particular cluster will get priority to availing loan</li> </ul>
9	Loan Limit	<ul style="list-style-type: none"> <li>• As per nature and requirement of the sector both working capital and term loan will be provided</li> <li>• Maximum loan limit for manufacturing and service sector shall be determined as per SMESPD Master circular No. 02 dated 05/09/2019</li> <li>• Client may take loan from several Banks/ Financial Institutions but his/her aggregate loan amount shall not exceed the highest ceiling as specified in CMSME Master Circular 02/2019.</li> </ul>
10	Interest rate and other charges	<ul style="list-style-type: none"> <li>• As per BRPD circular on the rate of interest and schedule of charges shall be applicable to determine the rate of interest and charges</li> <li>• If loans are eligible under any BB re-finance scheme then interest rate will be applicable as per the relevant scheme.</li> </ul>
11	Loan tenure	<ul style="list-style-type: none"> <li>• Maximum 05 years including maximum 06 months grace period will be considered for term loan in terms of business nature based on Banker customer relationship</li> <li>• Installment frequency of loan repayment for customer will be determined by Monthly/quarterly or half yearly.</li> <li>• For working capital facilities tenor will be determined as per relevant circular/ policy etc</li> </ul>
12	Security	<ul style="list-style-type: none"> <li>• Collateral arrangement will be as per NBL CRM policy and Parameters of NBL CMSME Loan Products PPG along with Bangladesh Bank prudential guidelines for CMSME sectors</li> <li>• Personal Guarantee, Social or Group Guarantee will be considered as security. In that case directives of SMESPD Circular 02/2019 clauses -7.1,7.2 and 7.3 are applicable.</li> <li>• Credit Guarantee Scheme declared by Bangladesh Bank from time to time can be availed under cluster financing</li> </ul>
13	Loan Approval	<ul style="list-style-type: none"> <li>• After receiving the Loan application from eligible customer, Bank shall assess the proposal as per Banks usual credit approval policy norms and determine that the customer is under cluster</li> <li>• To determine the cluster of the entrepreneurs and to assess the proposal, Bank will develop necessary format and annexure.</li> </ul>
14	Reporting and Monitoring	<ul style="list-style-type: none"> <li>• Bank will maintain the cluster financing information separately in the Statement of Affairs both at Head Office and Branch Level.</li> <li>• Bank will submit the cluster financing report to SMESPD, Bangladesh Bank within the 15<sup>th</sup> day of following quarter as per prescribed format of Bangladesh Bank</li> <li>• New field to be created as "Cluster Financing" for the loans &amp; advances to be disbursed under cluster to identify them separately on core Banking Software</li> <li>• To ensure fund utilization under cluster financing Bank will develop specific action plan and monitoring system through i) Branch and Sub-Branch, ii) Regional Office, iii) CRM-MSME and iv) CAD. In this respect, Bank shall assist Bangladesh Bank to conduct physical visit and inspection from time to time</li> </ul>
15	Capacity Building program	<ul style="list-style-type: none"> <li>• Banks will arrange awareness related program in different regions for both customers and Bank officials as per</li> </ul>

		paragraph 11 Gha of Bangladesh Bank SMESPD Circular 05 dated 14.08.2022 which will help to gather knowledge regarding importance of cluster financing to develop socio-economic structure and to achieve cluster financing target set by Bangladesh Bank.
16	Other conditions	<ul style="list-style-type: none"> <li>• If the customer fails to repay the loan in due time , Bank will follow the relevant rules for provisioning and classification as per BRPD guidelines</li> <li>• To comply all rules in order to disburse the Loan, Other issues like receipt of application, processing time, disbursement, fund utilization, monitoring and recovery will be followed by existing policy of CMSME and Guidelines of Bangladesh Bank.</li> <li>• Bank shall submit Cluster Financing related information &amp; documents to Bangladesh Bank as and when required.</li> <li>• In order to inform the stakeholders about Cluster Financing, Bank shall disclose related information in the Notes of the Financial Statements</li> <li>• Bank may use Information &amp; Communication Technology , Mobile Financial Services/ Digital Financial Service for disbursement and collection of loans under Cluster Financing ( if applicable)</li> <li>• Cluster Finance will get priority for financing under different low-cost Re-finance schemes initiated by Bangladesh Bank from time to time to ensure Socio-economic development</li> <li>• For any other issues regarding cluster financing, BB Master Circular No. 02 of 2019 and Bank's CMSME Policy to be followed</li> <li>• All upcoming circulars of Bangladesh bank and internal circulars of Bank will be followed accordingly</li> </ul>
17	Cluster Product & Facility Structure	<ul style="list-style-type: none"> <li>• A specialized cluster product will be developed based on the collaboration Agreement with SME foundation / Bangladesh Bank for availing low-cost Pre/ Re-finance fund from the same.</li> <li>• Bank's existing CMSME Products will be eligible for cluster borrowers i.e NBL Festival small business loan, NBL small business Loan, NBL weavers Loan, NBL Nari Jagaran Loan, NBL Nobo Uddog Loan, NBL Trinomul Uddog Loan and others.</li> <li>• All the cluster facility would be extended in the form of Term Loan and Working capital facility on case-to-case basis depending on the customer's situation and financial requirement</li> <li>• Maximum Tenor of loans will be for 60 months for the term loan including maximum 06 months grace period and For working capital facilities tenor will be determined as per relevant circular/ policy etc</li> </ul>

#### **Credit Assessment and disbursement process:**

A thorough Credit and Risk Assessment is to be conducted before sending proposal to sanctioning Authority for approval of Loans & advances. Approval of loan proposal and disbursement of loan will be done as per updated PPGs, delegation of business power, CRM Policy of Bank and Bangladesh Bank guideline to be issued time to time. For any ambiguity of credit decision- market's best practice and prevailing regulation to be followed.

#### **Refinancing Program for customers who are identified under different clusters**

Customers under different clusters will get priority for availing loans under different refinancing schemes and credit guarantee schemes of Bangladesh Bank. Existing dedicated business operation process Manual will be followed for ensuring operation of refinance fund under cluster financing.

## **Review and Amendment**

The review of any policy is an ongoing process. This policy may be amended from time to time as and when required to accommodate the changes in the market condition, cyclic aspect of the economy, government policy, industry demand, Bangladesh Bank's regulations, guidelines and experience of the Bank in financing different clusters. As the preparation and implementation may require changes, modifications, amendments, incorporation, relaxation of any of the terms & conditions & other related matters, Managing Director & CEO may be empowered to do the same keeping Bank's interest protected. He may also be empowered to approve exception/deviation, necessary Forms/ Formats and other necessary devices related to proper implementation of the product, considering the business prospect of the Bank, if permitted by the Guidelines of Bangladesh Bank.