

Cluster Financing Policy and Guideline



United Finance Limited

Cluster Financing Policy and Guidelines

Cottage, Micro, Small & Medium Enterprise (CMSME) plays an essential role in the economic growth and development of the country. Cluster-based financing can ensure greater financial inclusion for the CMSME sector, boosting their capacity and making firms more competitive domestically and internationally. United Finance (hereafter referred to as 'the Company') understands the importance of cluster financing and has set up a financing framework with this policy and guidelines.

A. POLICY STATEMENT

The Company shall strive to identify clusters of the same or related businesses with similar strengths, weaknesses, opportunities and threats across the country and formulate products, processes, instructions and systems to facilitate financing in those clusters.

B. POLICY GUIDELINES

1. Definition of Cluster:

A group of businesses shall be considered a cluster when 50 or more businesses engaged in manufacturing or service are conducting their operations within a 5 (five) kilometer radius, and they have similar products or services with the same strengths, weaknesses, opportunities and threats. This definition shall also include any future changes to the "National Industrial Policy" or any other changes by the regulatory authority.

2. Identification of Cluster:

Priority will be given to clusters based on the guidance of regulatory authorities. Currently, the regulatory authority has identified the following clusters. Moreover, the Company shall continue to explore new clusters and inform the regulatory authority of their inclusion.

Serial	High Priority Clusters
1	Agro/Food processing and agro based machinery manufacturing
2	Ready-made garments, knitwear, design and fashion
3	Information and communication technology
4	Leather and leather goods industry
5	Light engineering sector
6	Jute and jute goods manufacturing industry

Serial	Priority Clusters
1	Plastic and other synthetics industry
2	Tourism industry
3	Home textile products
4	Renewable energy (solar power)
5	Automobile manufacturing and repairing industry
6	Tat, crafts and handicrafts industry
7	Energy efficient machinery (LED, CFL bulb production) and appliances production
8	Jewelry industry
9	Toy industry
10	Cosmetics and toiletries industry
11	Agar industry
12	Furniture industry
13	Mobile, computer and television servicing

3. Cluster Financing Target:

The Company shall set a yearly financing target as per the regulatory directives. If Bangladesh Bank changes or sets a revised target, the Company shall strive to comply.

4. Eligibility for Cluster Financing:

- Businesses should come from the CMSME sector
- Businesses should engage in the manufacturing or service sector
- Businesses should be clearly defined by the definition of cluster
- The entrepreneur must be a member of the association (where applicable)
- Clean CIB report is mandatory
- Entrepreneurs who have received vocational training (minimum 01-month) from any government or reputed private institution will get loan sanction on a priority basis.
- Women entrepreneurs will also receive loan approvals on a priority basis.

5. Financing Types and Limits:

The Company shall facilitate both working capital financing and term loan financing depending on the business nature and requirements of the client. The loan limits shall be determined based on the cash flow analysis of the business. However, during the loan sanction, the Company shall also monitor that the cumulative loan balance of all lenders does not exceed the limit set by Bangladesh Bank in the CMSME master circular. To verify the overall outstanding loan balance, the Company shall review the Client's Credit Information Bureau (CIB) report.

6. Interest Rates and Charges:

- The interest rates shall be as per the prevailing interest rates of the Company. The fees and charges shall apply to the Company's internal policy.
- To benefit the clients under cluster financing by providing low-cost funds, the Company shall actively participate in the various refinancing schemes offered by Bangladesh Bank from time to time.
- In case of availing refinancing from the Bangladesh Bank or any appropriate authority, the respective guidelines shall be followed.

7. Tenure, Grace Period and Installments:

The maximum tenure of a term loan facility is 05 (five) years and the maximum allowable grace period is 06 months. In addition, the grace period shall consider the Company's relationship with the Client and the business nature and purpose of financing. A term loan will be repaid monthly, quarterly, or half-yearly installments, and working capital financing shall follow the relevant circulars.

8. Collateral:

Individual, social, and group guarantees can be considered collateral in cluster financing. Regarding other forms of collateral security, the Company shall decide based on the internal credit-risk management policy and regulatory directives prevailing at the time.

9. Approval Process:

The Company shall apply its lending and operational guidelines to approve all loan facilities under cluster financing.

10. Internal Audit:

The Internal Control and Compliance Division shall conduct periodic audits to identify any control gaps and exceptions to the policy, guidelines and regulatory directives if there are any.

11. Reporting and Disclosure:

- The Company shall disclose cluster financing related information in the statement of affairs and display it in the head office and branch offices.
- The Company shall submit all regulatory reports relating to cluster financing within the stipulated time.
- The Company shall separately disclose essential information relating to cluster financing in the notes to the financial statements for the use of stakeholders.

12. Monitoring:

- The Company shall set up a clear monitoring strategy to ensure proper utilization of the funds disbursed. UFL will assist Bangladesh Bank in assessing fund utilization by arranging physical visits to the client's premises. In addition, on a requirement basis, UFL will also provide the necessary documents and information to Bangladesh Bank.
- The Company shall undertake various financial literacy programs to develop clusters regionally.
- In case of non-payment, the loan classification and provisioning policy of Bangladesh Bank shall apply.
- The Company shall encourage the utilization of information technology and mobile financial services for disbursement and collection activities.

13. Policy Revision:

All other aspects if not specified in this guideline shall be as per the prevailing policies/rules/regulations/circulars/letters of the central bank. The Board will review this (Cluster Financing Policy and Guidelines) on an annual basis.

	Original	Last Revision
Meeting Ref:	154 th Board Circulating Resolution	-
Dated:	February 19, 2023	-