

If you are not willing to risk the unusual, you will have to settle for the ordinary.

– Jim Rohn

SME Loan Process Flow

STAGE 1: PREPARING and Tracking of Business Information

The financial institution will require information about your enterprise before it can decide whether to grant a Credit to you. To facilitate the Credit processing procedure by the financial institution, it is important that you provide the financial institution with full and complete information on your enterprise. This is to ensure a fast and smooth processing of your Credit application. Start keeping the following if you are not doing so:

1. Keep ready reference of statutory documents e.g. Trade License, Certificate of Incorporation etc and other documents e.g. Rental deed of the shop premises.
2. Financing requirements
3. Specific purpose(s) of the Credit and in what way the Credit can help the business
4. Keep written record of daily sales
5. Maintain Inventory register
6. Keep ready information of key buyers, , frequency and collection terms and receivable register
7. Key ready information of suppliers, purchase volume, frequency and payment terms and payable register
8. Open a bank account and deposit daily sales proceed in the account. Route supplier payment and buyers payment through the account

STAGE 2: THE APPLICATION PROCESS

To expedite the application process, you should submit a duly completed Credit application form and all relevant documents as required by the financial institutions. Each financial institution would have different Credit application forms and Credit application checklists. However, most financial institutions require more or less the same list of documents for verification and evaluation. The following table lists the documents required (depending on the type of company established) for the Credit application.

1. Trade license
2. Bank Account (Current Account) in the name of Business
3. National ID card
4. Drug License (only for drug business)

5. BSTI certificate (For food producing companies)
6. Permission from DC (for Diesel and Acid Business)
7. PetroBangla Certificate (for Diesel and Octane Business)
8. Last 1-3 years bank statement (demand can vary based on bank)
9. Agreement of shop or house
10. Position Document
11. TIN certificate
12. VAT certificate (only in applicable case)
13. Electricity Bill
14. Telephone Bill
15. Educational qualification certificate
16. Names of employees, salary, post and monthly salary sheet
17. IRC (Import Registration Certificate) and IRE certificate (for Export & import business)
18. Stored/Stocked products and price of that products
19. List and total price of fixed asset
20. List of creditors
21. List of debtors
22. Description of present Credit from anywhere (if any)
23. CIB (Credit Information Bureau) report of Bangladesh Bank, here it has to be mentioned that, the particular bank provides CIB form to the entrepreneur to fill up and to give it back to the bank and the bank manage the other arrangements to get CIB report from Bangladesh Bank
24. Passport size picture of Credit applicant and guarantor, here it's mentionable that, financial Organization can take more than one guarantor if they want
25. Trade License and CIB report of guarantor if guarantor is a businessman
26. One year sales report and profit account of the business
27. Certificate of incorporation and Memorandum of Articles (for private limited company)
28. Resolution of Credit taking decision (for private limited company)
29. Audited Financial Statement, Balance sheet, Profit-loss account, Cash flow statement, trade account (for limited company)
30. Current customers/clients list (for limited company)
31. Registered from Joint Stock Company and Notarized partnership deed from Notary

Success is how high you bounce after you hit bottom.

– General George Patton

club (for partnership business)

31. Resolution of partners for Credit taking

Financial institutions need the documents to verify/understand/ evaluate the following in general:

1. The existence of the company/business, its directors/business owners and the power to borrow and legality of borrowing
2. The business operations risks and management depth, experience and expertise of the owners and key management team
3. The business operations risks and management depth, experience and expertise of the owners and key management team
4. The financial strength and repayment capability (including the cash flow) of the borrower
5. The business net worth and gearing of borrower
6. The operating risks of the business
7. The strategies/contingency plans of the borrower to mitigate such risks and maximise profitability
8. The proposed facilities are in line with the borrowing needs
9. The amount applied for reflects the requirements of the business based on existing or projected turnover
10. The overall risk associated with the proposed borrowing

You should make full disclosure of all financial information about yourself and ensure that it is accurate at the time of your application. Declaration of the correct information will also ensure that your Credit application will be processed in a timely manner. Most Financial Institutions have an application checklist that lists out the documents required. You should ask the financial institution for their checklist.

Visit and Interview by Financial Institutions

To understand the business and for the purpose of clarification, financial institutions may carry out interviews as well as conduct a site visit to your business premises. This is to enable the financial institution to verify and assess your financial position better. The questions posed during the interview session and site visit relates to the nature of business, management structure, market positioning i.e. market share, competitors, market outlook, future plans.

STAGE 3: ASSESSMENT OF THE CREDIT APPLICATION

After you have submitted all the required documents, the financial institution will assess your Credit application. You can refer to the client charter displayed at the financial institution brochure, website to find out the duration needed by the financial institution to process your application. In assessing your Credit application, the financial institution would look for certain basic requirements which are summarised as follows:

1. The viability of your business
2. Whether the risks are acceptable based on the lending guidelines of the financial institution
3. Whether your Credit is for business development
4. Your credit history with the financial institution
5. Your key management and business style i.e. conservative, aggressive, prudent etc.
6. Your succession plan, age and health
7. Sources of capital e.g. from the shareholders of the business
8. Sufficiency of your financial commitment in the business (in the form of shareholders' funds, directors' advances and third party collateral provided by the owners themselves) [You should ensure that you put in adequate capital to support your business and not rely solely on bank Credits. This is to ensure that your business has the capacity to absorb any adverse shock to its performance.]
9. Your capacity or ability of the business to repay the Credit considering Primarily from the generation of sufficient cashflow i.e. cash received less cash disbursed for expenses incurred is adequate to service the Credit. (Profits cannot be relied upon to service nor repay Credits as it is a derived figure at the end of a period) and Other sources of repayment. The repayment programme will be structured in a manner that will not impose undue strain on the business.
10. Security offered by you to compensate/mitigate weaknesses.

Financial institutions do conduct credit checks and study the conduct of the business current accounts, repayment records of their Credits and trade facilities. Some financial institutions have already put in place their Credit evaluation matrix in the form of scores as part of their credit evaluation processes.

I honestly think it is better to be a failure at something you love than to be a success at something you hate.

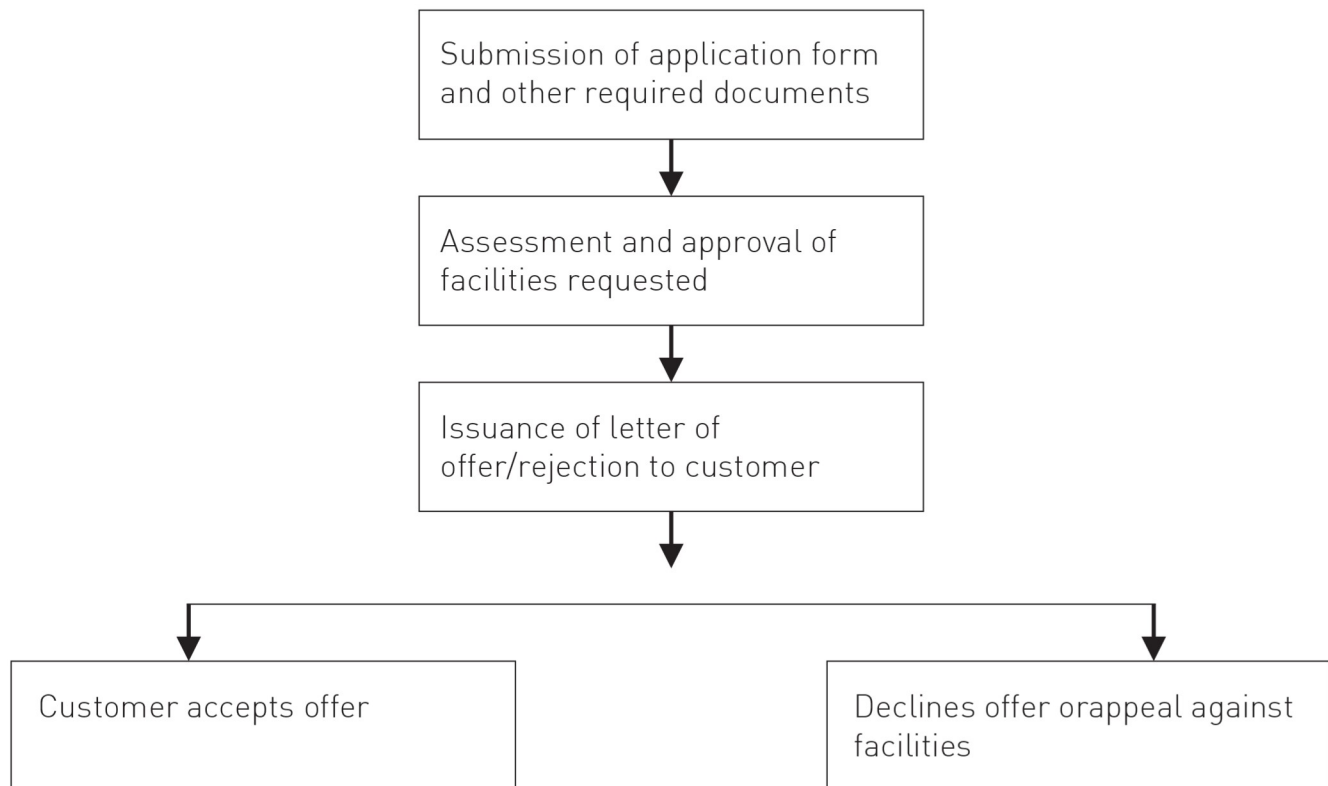
– George Burns

APPROVAL OF THE CREDIT APPLICATION

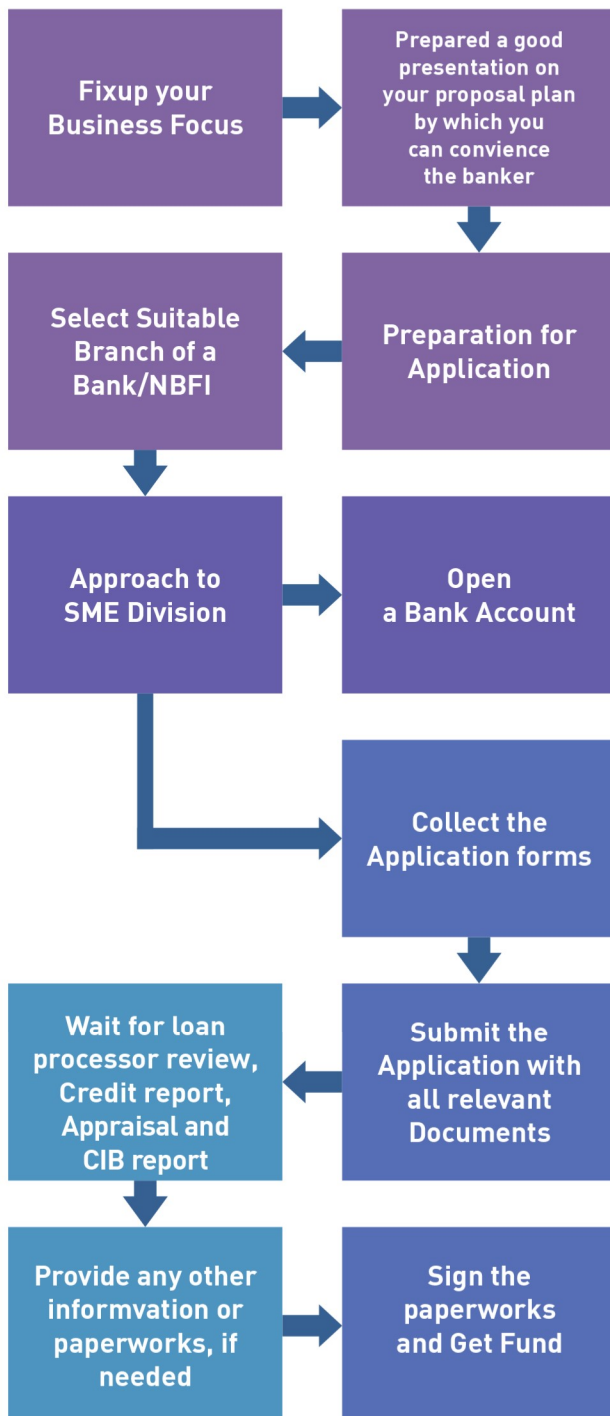
Once the financial institution approves your Credit, it will issue a letter of sanction/ offer which will state the

terms and conditions (T&C) under which the facility will operate. You should read and understand all the T&C therein

Diagram Credit Application Process



Process Flow Chart of Getting SME Loan from Banks & NBFIs



| Introduction |
|--|
| <ul style="list-style-type: none"> • Brief introduction of the entrepreneur attaching National Id • Brief profile of the Enterprise including Trade licence, TIN • Legal Status |
| Management Aspects |
| <ul style="list-style-type: none"> • Legal and Corporate structure • Administrative Overhead |
| Marketing Aspects |
| <ul style="list-style-type: none"> • Product • Present Market- include all existing client list with their demand |
| Technical Aspects |
| <ul style="list-style-type: none"> • Production Capacity • Location and Factory Arrangement • Factory Overhead |
| Financial Aspects |
| <ul style="list-style-type: none"> • Estimate of Working Capital • Investment Position of the Enterprise • Sources of Finance • Existing Liability Position • Operational performance |
| Financing Proposal to Bank/NBFI |
| <ul style="list-style-type: none"> • Proposed Financing Amount • Securities to be provided ,ie. Document of land ownership/ Rental deed/lease deed • Brief Profile of Guarantors • Possible threats and Mitigation Factors |