

# Cluster Financing Policy of UFIL

## **Definition of Cluster:**

Fifty or more similar/homogenous/related products or services initiatives located in a specific geographic location of a maximum 5 kilometer area, will be collectively treated as a Cluster.

In this case , the business strengths, weaknesses, opportunities, and threats of the enterprises located under the cluster will be identical. Mentionable that, the definition of cluster is subject to change specially if the National Industrial Policy makes any amendment in this regard.

Now a day Banks and financial institutions have to disburse at least 50% of their Cottage, Micro, Small and Medium Enterprises (CMSME) cluster loans. The government and central bank take different initiatives to reach the CMSME and develop their capacity and increase access to finance.

However, if any new definition is declared in National Industrial Policy, the revised definition will be circulated by Bangladesh Bank.

## **Following cluster to be considered as a top priority and high priority:**

<b>Top Priority clusters</b>	
1	<b>Agriculture/food processing and agri machinery manufacturer industry</b>
2	<b>Readymade garments industry, Knitwear, design and beauty accessories</b>
3	<b>ICT</b>
4	<b>Lather and lather item industry</b>
5	<b>Light Engineering</b>
6	<b>Jute and Jute based industry</b>
<b>Priority Clusters</b>	
1	<b>Plastic &amp; other synthetic industry</b>
2	<b>Tourism Industry</b>
3	<b>Home Textile items</b>
4	<b>Renewable Energy (solar Power)</b>
5	<b>Automobile manufacturing and repairing industry</b>
6	<b>Loom, handicraft and fine crafts</b>
7	<b>Electricity Savings equipment (LED, CFL, Bulb production)/Electronic equipment manufacturing/ Electronic material development industry</b>
8	<b>Jewelry industry</b>
9	<b>Toy industry</b>
10	<b>Cosmetics &amp; Toiletries</b>
11	<b>Agar industry</b>
12	<b>Furniture industry</b>
13	<b>Mobile/Computer/Television Servicing</b>

Any other cluster which is not in the above list, identified by the bank shall be treated as other clusters.

### **Cluster-based Financing Target:**

1. The FI has to set a target of cluster financing to 10% of its net CMSME Portfolio as of 31 December 2022. The target is to be increased by 1% additional each year and reach up to 12% at the end of the year 2024.
2. Bangladesh Bank may revise/reset the target if necessary.
3. FI has to disburse a minimum of 50% of its Cluster finance to above mention cluster and a maximum of 50% can be disbursed to other clusters.

### **Eligibility of availing Cluster Loan Facility:**

- The enterprise must be CMSME engaged in manufacturing or service.
- It should be clear that the initiative falls under the specific cluster
- If there is an association of entrepreneurs in the cluster the entrepreneur must be a member of the association.
- A borrower cannot be a defaulter as per the CIB report.
- Those candidates will be given priority in getting loan/investments if they are trained for a minimum period of 01 months from related initiatives from government institutions or reputed private institutions.
- Women and special needs entrepreneurs under a cluster will get priority.

### **Loan Limit:**

- Depending on the nature and requirement both working capital and term loans can be given.
- The following Loan/Investment Limits mentioned in Para-2.6 of SMESPD Circular No-02/2019 will be followed to determine the maximum limits:

Loan Limit	Cottage Industry	Micro Industry		Small Industry		Medium industry	
	Manufacturing	Manufacturing	Service	Manufacturing	Service	Manufacturing	Service
Maximum loan limit	15.00 lac	1.00 crore	25.00 lac	20.00 crore	5.00 crore	75.00 crore	50.00 crore

- A customer can take loan/investment facility from multiple bank/financial institutions as per requirement. The aggregate loan/investment limit shall not exceed the specified limit. This should be confirmed by looking at the CIB history.

**Interest Rate:**

1. Regular loan- (As per the policy)
2. Refinance Scheme- (As per the policy)

**Tenure:**

1. Term loan maximum tenure is 5 years.
2. Grace period (if applicable) will not be more than 6 months.
3. For working capital financing maximum tenure is 2 years.

**Processing Fees:** According to the approved schedule of charges

**Repayment:** Monthly/Quarterly/Half-Yearly as per the client's requirement.

**Security:**

1. Personal or group guarantees can be considered as security.
2. Credit Guarantee Scheme, declared by Bangladesh Bank from time to time can be accepted in case of unsecured or partially secured loan under cluster finance.

**Reporting & Monitoring:** As per the Bangladesh Bank Guideline.

**Others:** As per the Bangladesh Bank Guideline.

**Note:** Cluster Finance will be processed/provided from all branches of Uttara Finance And Investments Ltd.