

# **Non Financial Services (NFS) to SMEs for Sustainable SME Banking**

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Access to finance remains a key constraint to SME development.

Increasing ATF can only be successful, if NFS are taken into account.

In fact, financial and non-financial services are often correlated.

Creation of DFIs/Development Banking after World War-II was aimed at providing both financial and non-financial services.

Twin roles of Development Banks: financing and promotional

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SMEs are “Missing Middle”.

SMEs are firms whose financial requirements are too large for Microfinance but too small to be effectively served by corporate banking models.

SME financing is generally thought of within Inclusive Finance framework.

SME financing can also be perceived without inclusive finance framework.

NFS/BDS is basically required for SMEs within IF framework.

SMEs report many obstacles to their growth, such as regulations and taxes, corruption, lack of infrastructure, anti-competitive policies, political instability, lack of capabilities and managerial skills with other macroeconomic factors and so on, in addition to financial obstacles. So how important is access to finance with respect to these other barriers? It is quite difficult to disentangle the impact of these different obstacles because they tend to be correlated.

NFS and Access to Finance go hand in hand, by enhancing SMEs capacity to access finance, and enable them to make more effective use of the finance and repay.

NFS decrease the credit risk by increasing the profitability and sustainability of clients.

Globally, banks have been taking innovative steps & actions to provide NFS to their clients.

IFC, in 2010, commissioned a market study on the banks providing non-financial services to SMEs in developing countries.

### **Study Findings**

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1. First, 94% of banks indicated that their main objective in providing non-financial services to SMEs is to differentiate themselves from the competition. Other bank objectives include improving client retention (69%), portfolio growth (50%), and customer service (44%). In addition, several banks reported that they seek to encourage client sustainability and reduce the level of delinquency.
2. Second, banks supply a variety of non-financial service offerings. According to the results, 90% banks provide direct support to their SME clientele through their account managers. Additionally, banks reported offering the other types of services like information dissemination (81%), training (76%), and consulting (19%).
3. A majority of the banks do not use their internal training centers for delivery of training services. Instead, they partner with a variety of service providers, both international and domestic. Examples of partner service providers are training institutions, consulting firms, government training institutions, or nongovernmental organizations (NGOs).



# Some Global Practices

## INDIA

- ☞ **ICICI Bank** often conducts customer meetings and focus groups discussions with SME clients to get their requirements, and bank relationship managers try to monitor the relevancy of their products and services through their relationships with SMEs.
- ☞ **ICICI Bank** supports SMEs to create a positive perception of the bank and establish an image of the bank as SMEs' main partner for growth.

# MALAYSIA

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Alliance Bank, Malaysia disseminates a wide range of information, knowledge and events through its online 'Bizsmart Academy' with a specific focus on younger entrepreneurs and innovations

# TURKEY

☰ Turk Ekonomi Bankasi (TEB) has been providing comprehensive non-financial services to SMEs in Turkey. This approach could be considered as the success story for both, bankers and clients.

☰ TEB Bank has launched a lot of initiatives in non-financial services for SMEs, such as SME Academy, SME consultants, SME Hotline, TEB SME Club and TEB SME TV. All these services are targeted both for existing customers (as retaining tool) and prospective customers.

# MALAWI

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Officials from **NBS Bank in Malawi** reported that most of their SME clients who were trained in loan management proved to be loyal clients with good repayment records.

# KENYA

☰ Barclays, KCB and Family Bank of Kenya promote business clubs for their SME clients whilst I&M Bank has introduced an online business club for all its business account customers.

☰ KCB has partnered with a local TV station to host the 'Lions Den' competition which is aimed to provide opportunity for investment and mentorship for both new and existing business.

# Practices in Bangladesh

## BANGLADESH BANK

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- 📄 Establishment of SME/ Agri Centres.
- 📄 Banks and FIs have been advised to provide training and other capacity building supports through business development service providers (SME Loan Policy).
- 📄 Banks and FIs have set up dedicated 'SME Help Desk' and 'Women Desk' as per instruction of Bangladesh Bank.
- 📄 Banks and FIs have been advised for establishing separate 'Women Entrepreneurs Development Unit' in their Head Office and Regional Offices.

## Bangladesh Bank ...Cont..

- 📄 Bangladesh Bank took another effective measure to promote women entrepreneurs through their SMESDP Circular No. 2 of 2015.
- 📄 Under the circular, Banks and NBFIs have been directed to provide loans to at least three new women entrepreneurs along with necessary capacity building supports for them (by each branch in each year) .

# SME FOUNDATION

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- It has been mainly providing different non-financial services for enhancing capacity and competencies of entrepreneurs
- Provides services throughout the country and all around the year
- Already designed and started implementation of tailor-made programs as per requests of banks and NBFIs for providing NFS (jointly, mainly training)



# IDLC FINANCE LTD

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- ☞ Training for Women Entrepreneurs
- ☞ SME toolkits
- ☞ Product fair
- ☞ Facilitation in other fairs (SME Fair)
- ☞ SME membership card

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☰ EBL, Trust, BRAC, Bank Asia etc. have been providing trainings to women entrepreneurs

☰ They also arranges workshops jointly with some SME related stakeholders like BWCCI etc.

## BENEFITS (*Banks and FIs Perspective*)

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- ☞ Brand & image building
- ☞ Retain existing clients by creating happy bonding
- ☞ Attract new clients and increase customer base
- ☞ Scope for cross sell products
  - more and new business in future from existing clients
- ☞ Good rating by clients
- ☞ Increase loyalty of the clients
- ☞ Improve the profitability and sustainability of clients
- ☞ Decrease credit risks and improve portfolio quality
- ☞ Accurate and updated data of clients

## BENEFITS *(Clients Perspective)*

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- 📄 Enhance business skills
- 📄 Improve access to information and market
- 📄 Increase ability to compete
- 📄 Develop networks
- 📄 Raise profitability
- 📄 Enhance growth
- 📄 Improve business environment

## TYPES of NON-FINANCIAL SERVICES

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- ☞ Training & capacity building
- ☞ Information
- ☞ Advisory and consultancy
- ☞ Marketing, linkage and networking
- ☞ Policy and advocacy
- ☞ SME toolkits & hotline
- ☞ Website, e-marketing, online business etc.
- ☞ Award & recognition
- ☞ Business plan, bankable project, project profile etc.
- ☞ Management Services

## NON-FINANCIAL SERVICES...

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- ☞ Trade fair and exhibition
- ☞ Mentoring
- ☞ Study and experience sharing visits
- ☞ Business diversification
- ☞ Startup & new business creation
- ☞ Research & development
- ☞ Business incubation & support centres
- ☞ Training academy
- ☞ SME clients club

# MODES OF SERVICES

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- ☰ One stop services
- ☰ Website and online
- ☰ Call centre
- ☰ Dedicated desks and support centres
- ☰ Training institute/resource centre
- ☰ Business incubators
- ☰ Training institute/resource centres
- ☰ Partnership with specialized service providers

# Recommendations

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1. Appropriate Policy Measures of BB.
2. Strengthening the Role of SMEF as National Organization for NFS.
3. National Advisory Committee (to be stationed at SMEF)
4. Activating Financial literacy Program.
5. Earmarked fund for NFS (like CSR)
6. Role of existing associations and new association.



**Thank You**