

# Supply Chain Finance Workshop



09 MAY 2023 | 01:00 PM - 05:00 PM



THE WESTIN DHAKA, BANGLADESH





**10 MINUTES**

# Opening Remarks

**Aparna Soni**

Relationship Manager  
ADB TSCFP

**Steven Beck**

Head  
ADB TSCFP



**30 MINUTES**

# **Credit Risk Management in Receivable Finance and Payable Finance**

**Aysen Cetintas**  
Education Director  
FCI



**ASIAN DEVELOPMENT BANK**



**FCI**

Facilitating Open Account – Receivables Finance

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# SUPPLY CHAIN FINANCE WORKSHOP

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Dhaka, Bangladesh | 9 May 2023



# CREDIT RISK MANAGEMENT IN RECEIVABLES & PAYABLES FINANCE

**AYSEN CETINTAS**

**EDUCATION DIRECTOR, FCI**



ASIAN DEVELOPMENT BANK



Facilitating Open Account - Receivables Finance



# Supply Chain Finance product concepts

PRODUCT

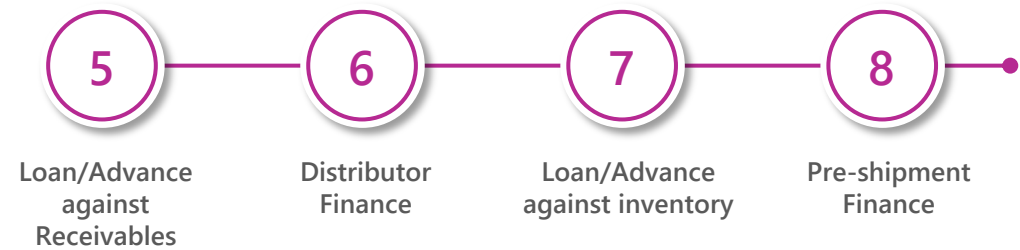
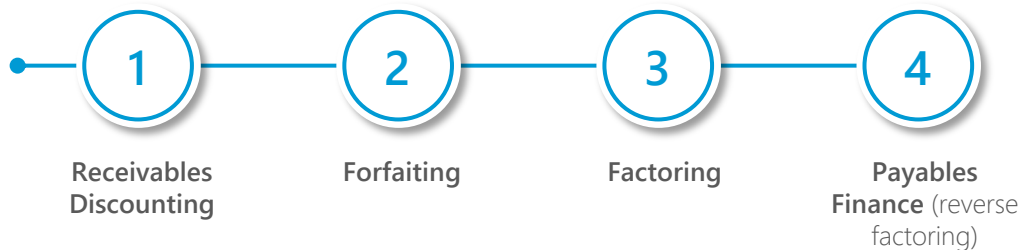
## SCF PRODUCTS

### RECEIVABLES PURCHASE

Sellers obtain financing by selling receivables to a finance provider

### LOAN-BASED

Seller/buyers receive loans and advances against underlying assets (receivables, inventory, etc.)



# FACTORING: DEFINITION

Factoring is a specialized financial service for open account trade receivables, offered either by a subsidiary/division of a bank or an independent provider that offers a range of services to a business based on their clients accounts receivable.

A factor provides some or all of the following basic services:



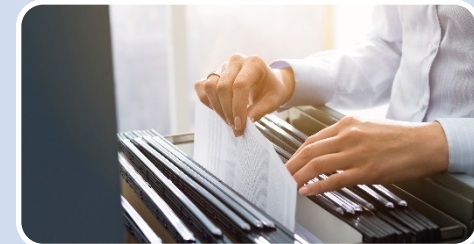
Credit Cover



Collection

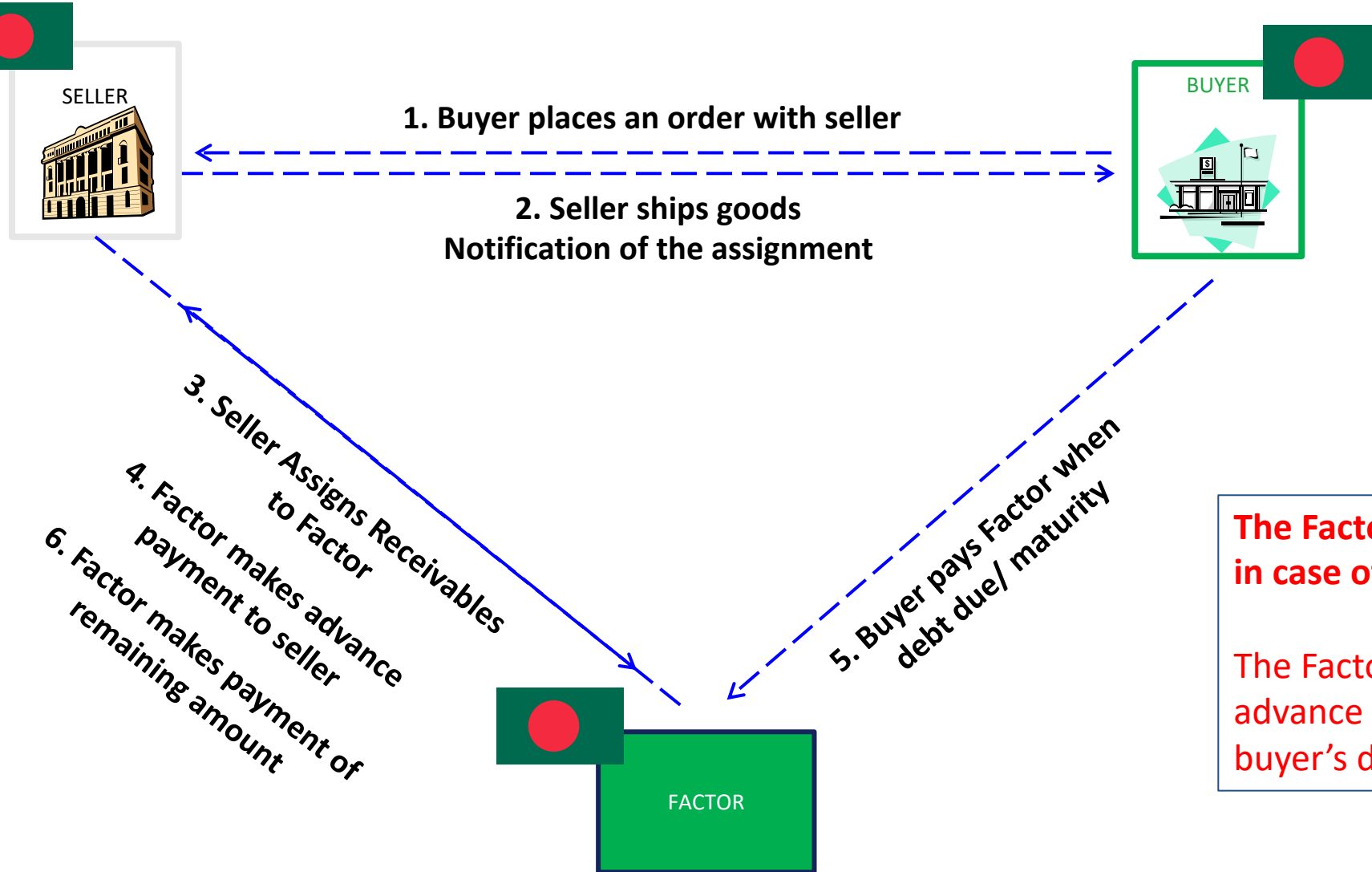


Finance



A/R Ledger  
Administration

# DOMESTIC FACTORING – FULL SERVICE (NON-RECOURSE)

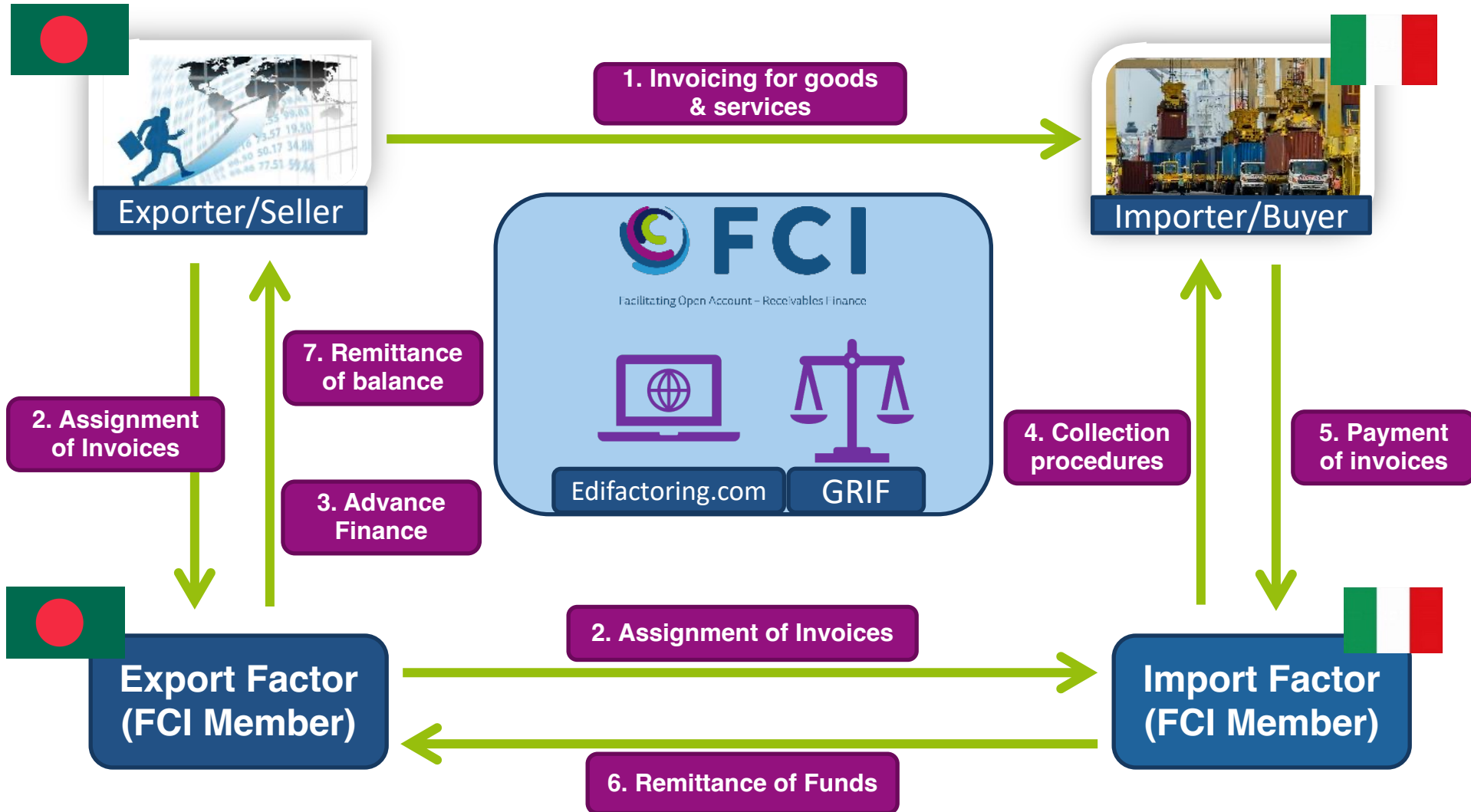


**The Factor assumes the buyer's credit risk in case of buyer's default!**

The Factor will not request seller for advance finance reimbursement in case of buyer's default.



# International Factoring: FCI 2-Factor System



**Credit cover (100%) on buyer is offered by the correspondent factor (Import Factor) along with the other services.**

# FACTORING RISKS



## Seller Risk

- Financial Risk
- Industry Risk
- Product Risk
- Performance Risk



## Debtor Risk

- Credit Risk
- Dilution Risk
- Dispute Risk
- Concentration Risk



## Receivables Risk

- Ban on Assignment
- Multiple Assignment
- Buyer Concentration
- Contractual Risk
- Country Risk



## Fraud Risk

- Related Party Transactions
- Seller-Buyer Collusion
- Fictitious Trade

## Other Risks

- Operational Risks
- Regulatory Risks
- Political/Country risks
- Legal & Compliance
- Reputational Risks

# THE MOST SUITABLE BUSINESS FOR FACTORING?



Which basic characteristic should a “suitable factoring business” have?

# THE MOST SUITABLE BUSINESS FOR FACTORING

Sales are on open account terms

Sellers are financially sound companies with acceptable levels of turnover

Buyers are creditworthy commercial businesses

The goods delivered or the services performed are “sell and forget”

There are no contractual features (or less formal arrangements) that reduce the value of the Receivable

There is a robust proof of delivery system

There is a good spread of debt

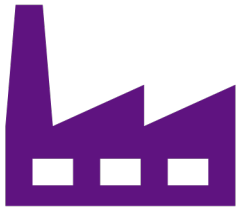
Turnover is growing and is not seasonal

# SECTORS



## Wholesale

- FMCG
- Clothing
- Home appliances
- Consumer electronics



## Manufacturing

- Metals
- Chemicals
- Automotive industry
- Other raw materials



## Services

- IT
- Marketing
- HR/recruitment services
- Transportation
- Logistics



## Other

- Energy sector
- Construction
- Public Sector
- .
- .



# SELLER RISKS IN RECEIVABLES FINANCE

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## What is likelihood of the prospect failing in the near future?

Financial Risk

Product / Industry Risk

Performance Risk

Commercial Dispute Risk

Collection & Settlement Risk



Check “**Viability of the Seller**”

- a) The Company
- b) The Management
- c) The Financial Situation
- d) The Product / Service / Industry of the Seller
- e) Seller Performance
- f) The Delivery Process
- g) The Debtor & Receivables Portfolio
- h) What is the financing needed for?

## SELLER SELECTION: 4 KEY CHECKPOINTS

Assignability

Collectability

Viability

Adequacy

Factorable  
Accounts  
Receivables



# SELLER SELECTION - ASSIGNABILITY

## Assignable without any legal constraints

- Ban on assignments to third parties
- Pledge over current assets



# SELLER SELECTION - COLLECTABILITY



## If seller fails, will I recover my financing from the A/R?

- Contractually complete open account sales
- Quality of buyers & Buyer concentration
- Dilution & disputes
- Delivery methods
- Country Risk

# SELLER SELECTION - VIABILITY

- **Check Points**

- Financial status of seller
- Able, experienced and honest management
- Traded profitable for a number of years
- Prospect for the future growth, sells a large volume
- Operating in a developing sector of the economy



# SELLER SELECTION – ADEQUACY OF SERVICE



- Find out what seller's needs are
  - Factoring Products
  - Credit cover/Buyer limits
  - Established finance limit
  - Advance payment percentage
  - Impact of factoring finance on bank lending
  - Other factors, another factor's finance
  - Buyer countries
  - Volumes, Number of buyers and number of invoices → profitable for the factor

# SELLER ASSESSMENT: OPERATIONAL RISK



- **Statement of monthly invoices** and credit notes – Sales ledger
- **Up to date contracts** with debtors
- Credit insurance contract & conditions / bad debts of last 2 years
- **Example of a commercial transaction:** Order, delivery note, invoice, advice of settlement, general terms and conditions
- **Purchase orders**
  - Complete, detailed, clearly defined
- **Invoice issuance**
  - According to local tax & legal regulations....  
**PAYMENT TERMS!**
- **Shipping documents**
  - Ability to confirm with forwarder that goods are shipped
  - Quantitative data must match with invoice's data.



# BUYER RISKS IN RECEIVABLES FINANCE

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# BUYER RISK

## Buyer Payment Default Risk

### **Insolvency & Protracted Default:**

This is the risk that the buyer might default on its payment obligation on the due date of invoice and/or become insolvent before due date of invoice.

## Dilution Risk

Dilution can include returns, chargeback, trade allowances and discounts, off-sets, bad debts, and other perceived risks.

## Litigation / Dispute Risk

A defense, counter-claim or set-off raised by the buyer. As a result of a dispute, the buyer may withhold payment of receivables and lead to an excess situation unless over-collateralized.

# THE VALUE OF THE ASSET

## Receivables assigned must represent:

- Sale(s) already made
- the real value of the sale



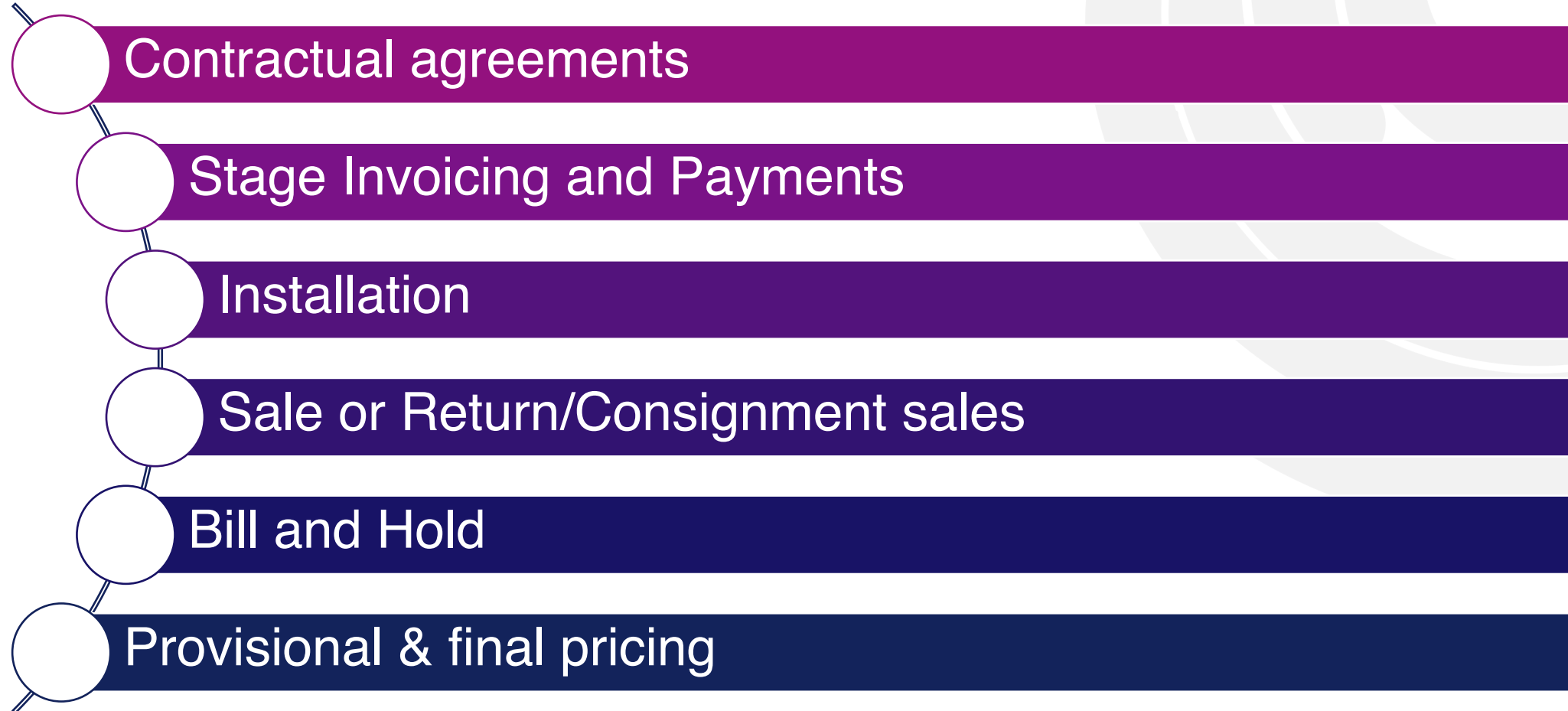
...but the buyer does not always pay 100% of the sales invoice...

**Dilution is something that impacts on the realisable value of the receivable and refers to amounts that buyer(s) may legally deduct from their payments!**

- Can be
  - within the terms and conditions of the contract of sale
  - consequence of failure by the seller
  - consequence of some reciprocal arrangement



# SOURCES OF DILUTION



# DISPUTES

## What is a Dispute ?

“Difference of opinion”

## GRIF Article 27 (i)

“A dispute occurs whenever a debtor fails to accept the goods or the invoice or raises a defence, counterclaim or set-off including (but not limited to) any defence arising from a claim to the proceeds of the receivable by any third party.”



# WHAT ARE THE CAUSES OF DISPUTES



## BUYER CONDITIONS / PURCHASE CONTRACT

- Penalties for late delivery and right to cancel
- Product warranty
- Payment terms
- Discounts – Retrospective Discounts
- Quality / Quantity issues



## SELLER ADMINISTRATION

- Does the seller understand the buyer's payment process?
- Is the seller aware of the trade practice in the buyer's country? (specific government regulations, customs docs., import quotas, licences)
- How efficient are the seller's delivery arrangements?
- Contra-trading



## FACTORING PROCESS

- Lack of introductory letter
- Wrong or no assignment notice on the invoices
- Indirect payments
- Unallocated cash



## DOCUMENTATION

- How good is the seller's invoice ?
- Are the prices correct ?
  - Are the buyer's name and address accurate ?
  - Are the payment terms correct or be misinterpreted?
  - Is the invoice date correct?

# WHAT ARE THE CAUSES OF DISPUTES

## Industries with high dispute potential



Perishable goods



High fashion goods



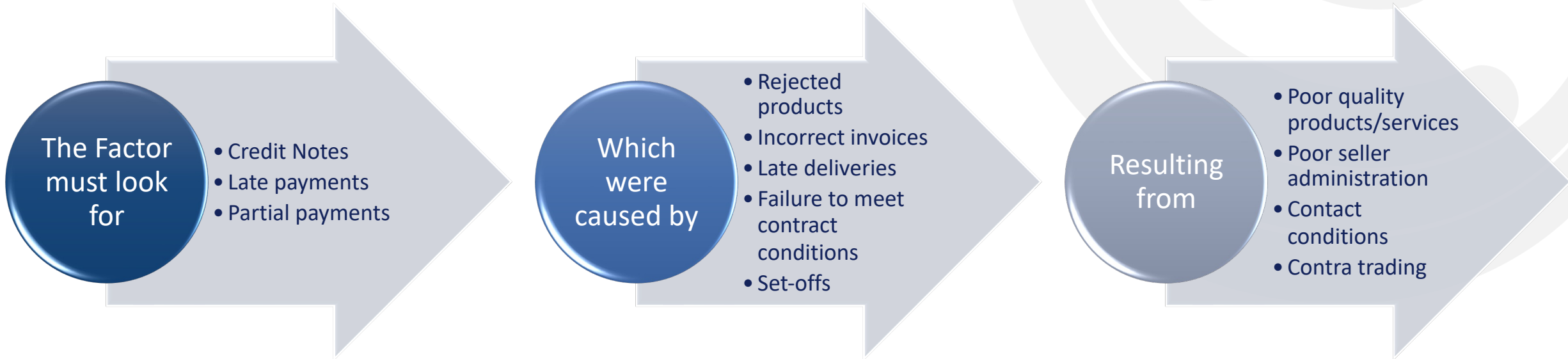
Goods with long term warranty



Online shopping / Mail orders

# HOW TO AVOID DISPUTES?

**“Select the right seller before the contract is signed.”**





# FRAUD DETECTION & PREVENTION

# FRAUD RISK IN RECEIVABLES FINANCE

## Fraud in Invoice Finance

- is an ever present risk for the receivables finance industry.
- in many cases, this risk could be identified before a factoring facility is offered to a prospective client!

## Key Vulnerability: Financing against

- copies of invoices
- e-invoices and electronic messages with details of invoices

### Collusion Risk

#### *Examples of high risk indicators:*

- Related party transaction
- Family connections – Seller and Buyer
- Extended tenor vs. industry standard
- Seller – buyer work together to fraud Factor

Over Invoicing

Fictitious Invoices

Multiple Assignments

Extended Payment Terms



# COMMON TYPES OF FRAUD



## DIVERSIONS OF CASH

- Depositing buyer cash into an account other than the factor's!
- Delaying transfer of funds to the factor, where cash dominion is with the customer
- Re-cycling to appear as buyer payments



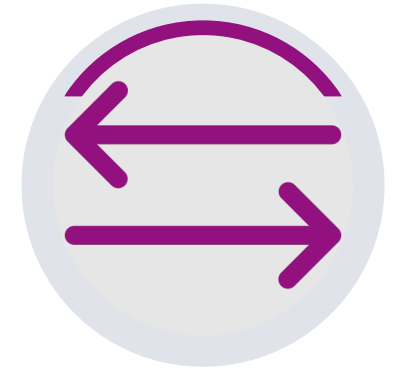
## FRAUDULENT NOTIFICATION

- Pre-billed and pre-assigned invoices
- Overstated invoices
- Fake invoices or fake buyers for products / services never shipped / rendered



## MANIPULATION OF REPORTING

- Due dates artificially extended to overstate eligible debts
- Applying credits and payments to the oldest invoice first



## UNDERSTATING LIABILITIES

- Hide contras by using different names on sales and bought ledgers
- Overstate eligible debts and reduce dilution by not notifying credit notes
- Hide related party transactions



# EARLY WARNING SIGNS

## Financial

Covenant breaches

Other bank facilities at limits

Frequent requests for 'over-payments'

Increasing stock turn

Increasing debt turn

'Window dressing'

Direct payments

Previously factored

## Relationships

Regular breaching of procedures

'Errors' in operational procedures

Unwillingness to provide supporting information

Recurrent operational problems in customer's business

Cancelled or postponed visits inc. Audits

Complex Group structures

Non-resident directors

Domineering owner

## Information

Unpredictable

Insufficient

Not in line with covenanted requirement

Inaccessible - particularly financial / control

Frequently estimated figures

Full cross guarantees not available

Un-reconciled accounts

## Business Structure

Weak management structures and expertise

Poorly resourced, and/or inefficient resources

Heavy reliability on product and/or service

Poor administration

Little or no internal segregation of duties

Limited industry experience

Short and changing terms



# RISK PREVENTION IN PAYABLES FINANCE & REVERSE FACTORING

# Reverse factoring

## How supply chain finance works

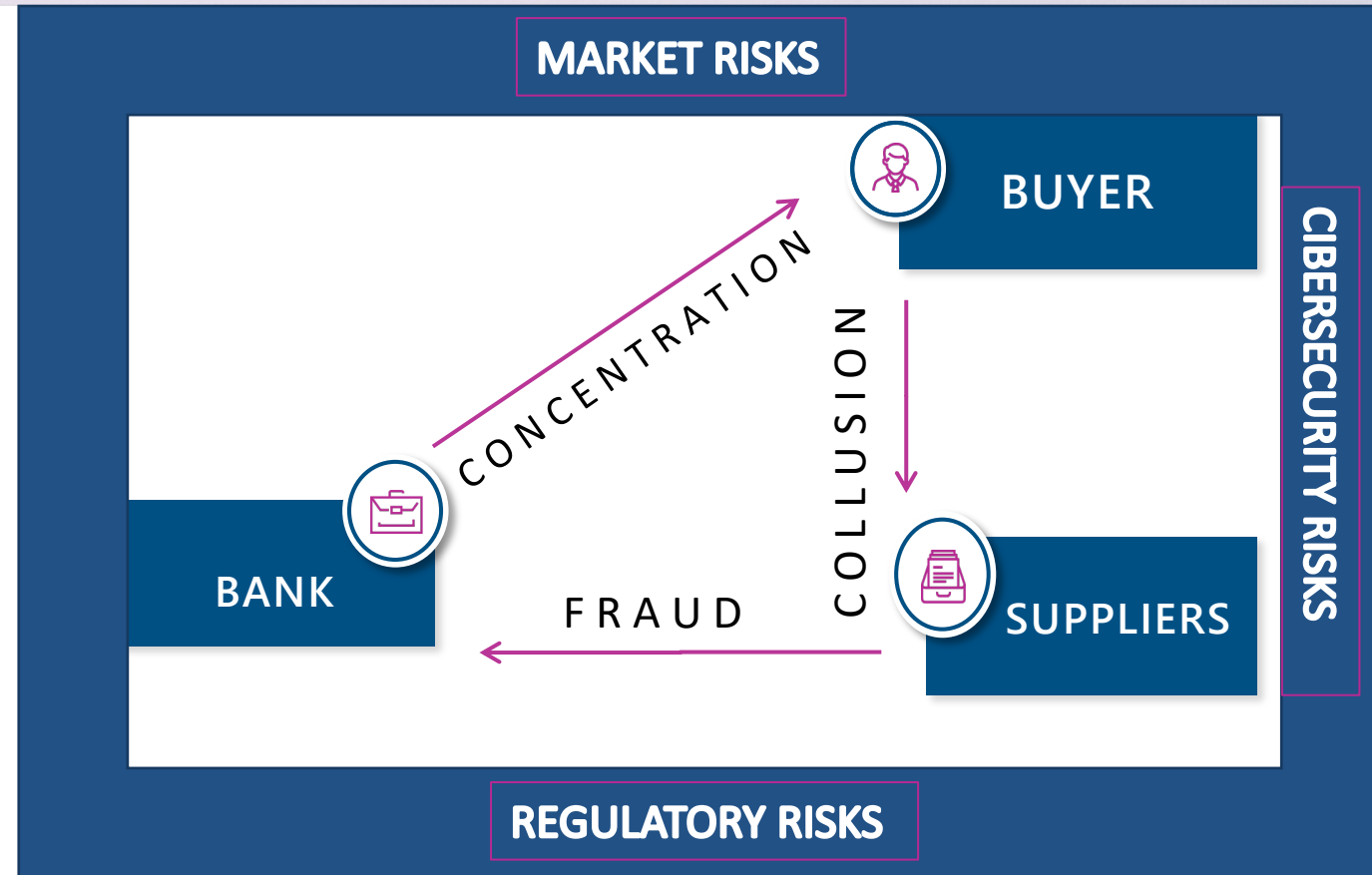




# Risk prevention in reverse factoring

## What risks shall we prevent in a Reverse Factoring transaction

- \*Market Risks
- \*Risk (concentration, large exposure)
- \*Collusion
- \*Fraud



# FIND OUT MORE ABOUT FCI



FCI  
LINKEDIN



FCI ACADEMY LINKEDIN



FCI  
TWITTER



FCI  
FACEBOOK



WEBSITE





**THANK YOU**

APPENDIX: MONITORING THE RISKS



# RISK MITIGATION - ASSESSMENT

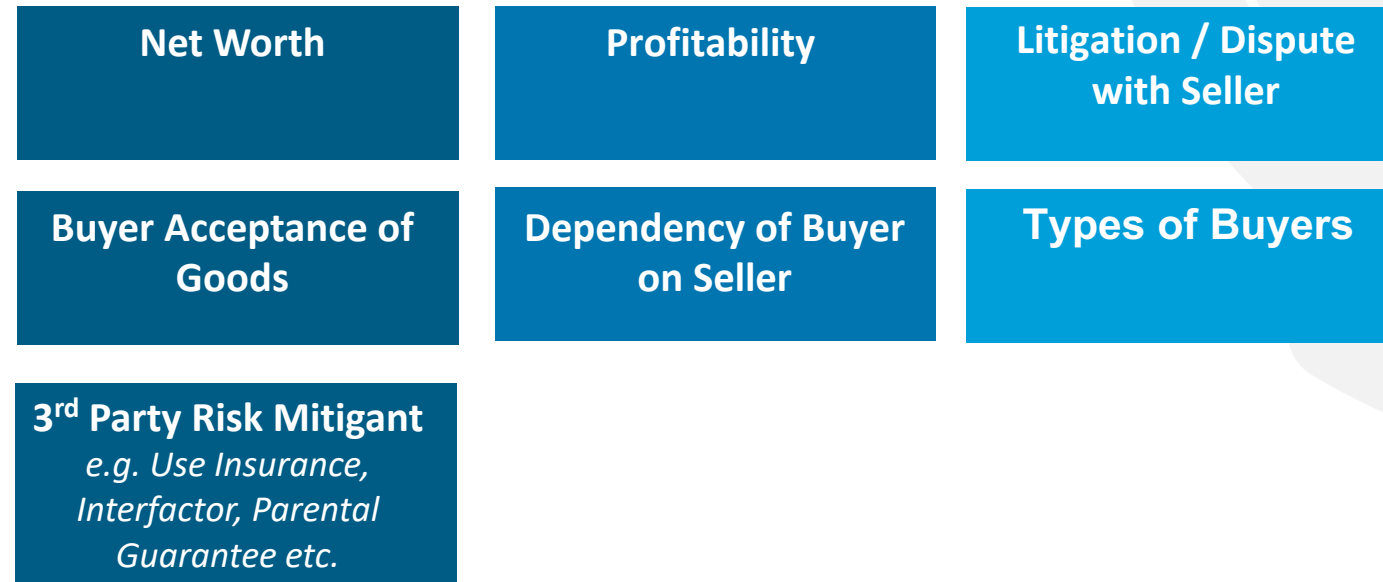
## A) Seller Assessment Framework

<b>Seller Selection</b>	<ul style="list-style-type: none"><li>• Company structure and Management</li><li>• Future business planning</li><li>• Financial strength</li><li>• Bankruptcy order / lawsuit</li><li>• Seller performance</li></ul>
<b>Industry &amp; Product</b>	<ul style="list-style-type: none"><li>• What's the industry development and outlook?</li><li>• Manufacturing Process &amp; Quality</li><li>• Country of origin</li><li>• Raw materials: Level of dependency; Alternative sources; Dispute risk</li><li>• Technical issues</li></ul>
<b>Receivables Portfolio</b>	<ul style="list-style-type: none"><li>• Assignable: Ban on Assignment? Charges over the assets?</li><li>• Collectable</li><li>• Receivables Ageing</li><li>• Any bad debt / overdue payment?</li><li>• Credit / Debit Notes</li><li>• Buyer concentration</li></ul>



# RISK MITIGATION - ASSESSMENT

## B) Debtor Assessment Framework



# RISK MITIGATION - ASSESSMENT

## C) Receivables Assessment Framework

<b>Portfolio of Buyers</b> The more buyers, the better	<b>Percentage of Total Open Account Sales Factored</b>	<b>Control on Payment</b> e.g. Controlled Collection, payment destination etc.
<b>Buyer Concentration</b>	<b>Terms of Sales</b> e.g. Credit Tenor	<b>Average Debt Turn</b>
<b>Dilution (Credit Notes)</b>	<b>Dilution (Bad Debts)</b>	<b>Length of Seller – Buyer Relationship</b>

# RISK MITIGATION - FIELD AUDITING

Conduct Periodic Field Auditing to mitigate risks:



## Meet the Management

- Managing Director / Owner
- Accountant / Controller
- Tax Advisor etc.

- Collect a personal impression of machinery, employee etc.
- Operating & Production Procedures
- Stock filled up or low
- Necessary investment etc.



## Visit the Premise



## Audit the Documents

### Financial documents

*Audited Financial Statement, Current Statement, Bank Account Statement, Receivables Ledger, Fulfillment of Tax / Social Insurance Liability, Credit Insurance Documents etc.*

### Contracts & Sample documents

*To check Ban On Assignment, Dilutions, Payment History, Bad Debts, Lawsuit, Transaction Documents etc.*



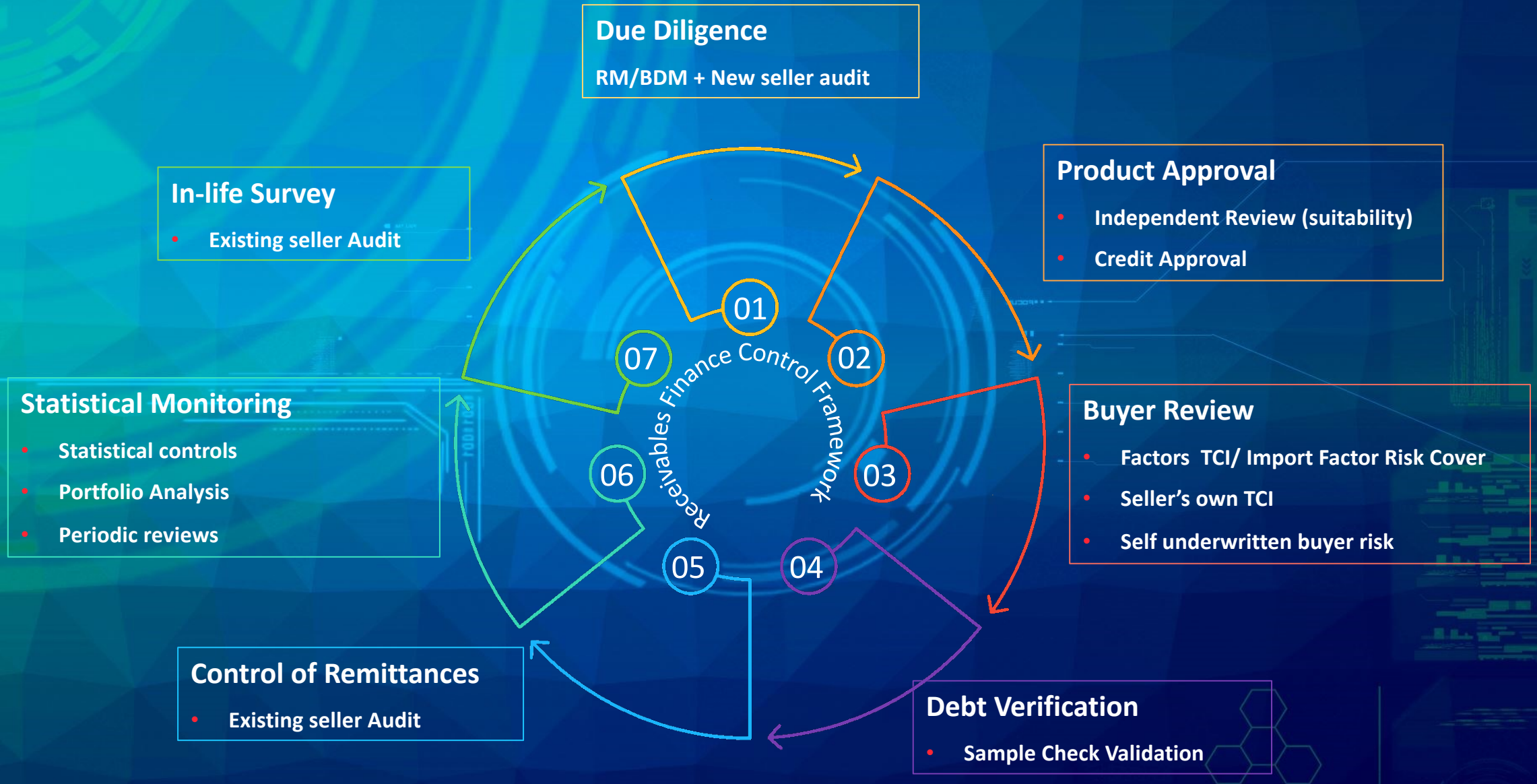
**Detect Problems Early**

# RISK MITIGATION - MONITORING

## Risk Monitoring Framework – To Mitigate Fraud Risk & Improve Portfolio Quality



# A CONTROL FRAMEWORK

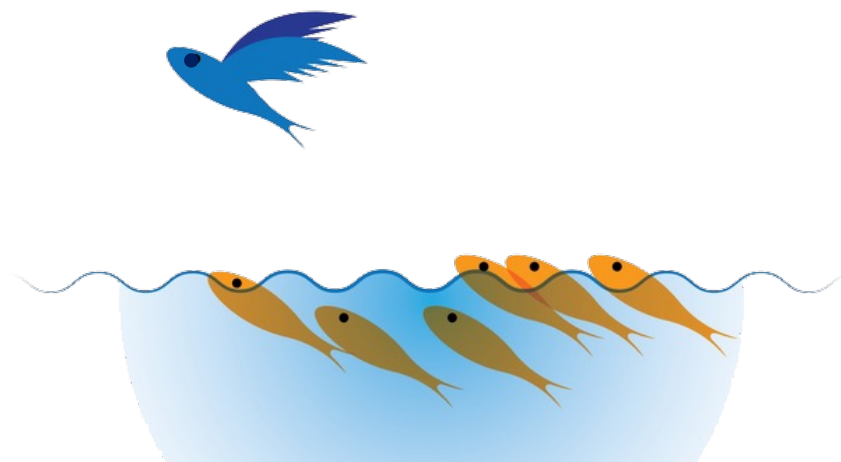




**30 MINUTES**

# **How to encourage adoption of supply chain finance by the buyers and suppliers in the ecosystem?**

**Saadman Khan Nabil**  
Head of Distributor Finance  
BRAC Bank



# EMBRACING TRANSFORMATION

SAADMAN KHAN NABIL

HEAD OF BUSINESS, SUPPLY CHAIN & DISTRIBUTOR FINANCE  
BRAC BANK LTD.

EX-HEAD OF DISTRIBUTOR FINANCE,  
THE CITY BANK LTD.

**CRITICAL TRANSITION PERIOD**

**KEY HIGHLIGHTS FROM THE TIMELINE**

**MARKET SIZE VS MARKET POTENTIAL**

**BARRIERS TO PROGRESS**

**BANKERS APPROACH TO PROGRESS**



# THE TRANSITION CROSSROAD

TYPICALLY IT TAKES 20 YEARS FOR A MAJOR SHIFT



SUPPLIERS & DISTRIBUTORS WERE THERE  
THEIR BUSINESS SCOPES HAVE EXPANDED

ANCHORS WERE THERE  
THEIR BUSINESS SCOPES HAVE WIDENED

BUSINESS ENVIRONMENT WAS EASY  
ENVIRONMENT NOW HAS BECOME INTRICATE

**EMERGENCE OF  
IDLC WITH  
FACTORING**



**1999**

**UNITED  
FINANCE  
JOINING THE  
BANDWAGON**

**EMERGENCE OF  
IDLC WITH  
FACTORING**



**1999**

**UNITED  
FINANCE  
JOINING THE  
BANDWAGON**

**EMERGENCE OF  
IDLC WITH  
FACTORING**

**IPDC FINANCE  
SPEARHEADING  
THE SEGMENT**



**1999**

**UNITED  
FINANCE  
JOINING THE  
BANDWAGON**

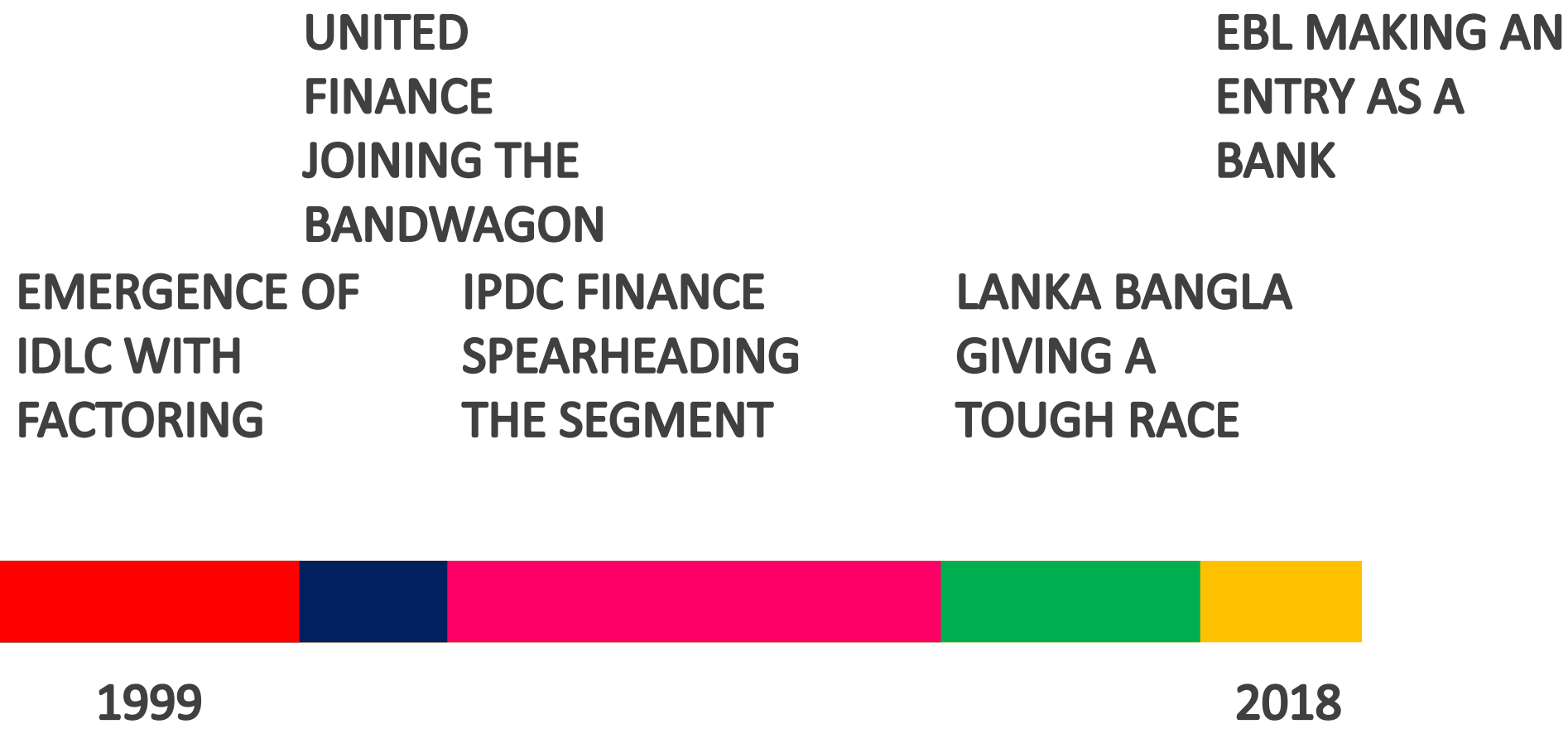
**EMERGENCE OF  
IDLC WITH  
FACTORING**

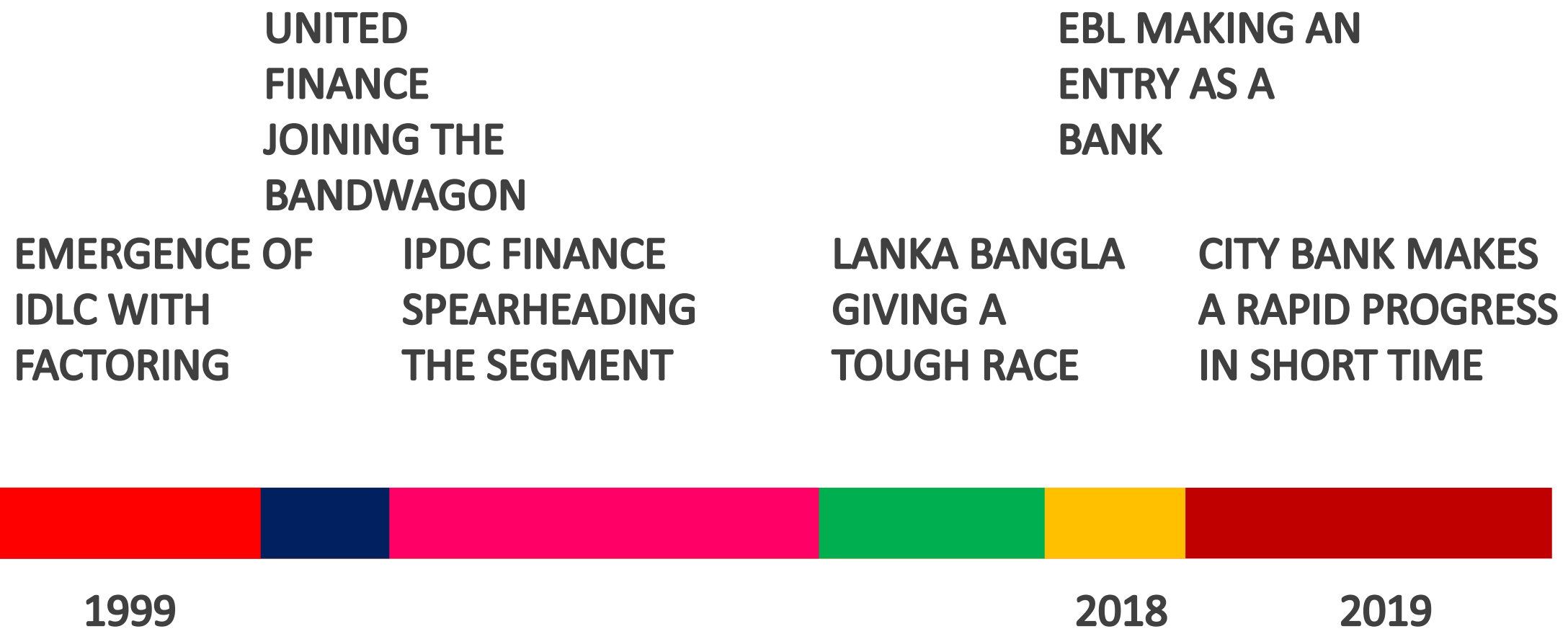
**IPDC FINANCE  
SPEARHEADING  
THE SEGMENT**

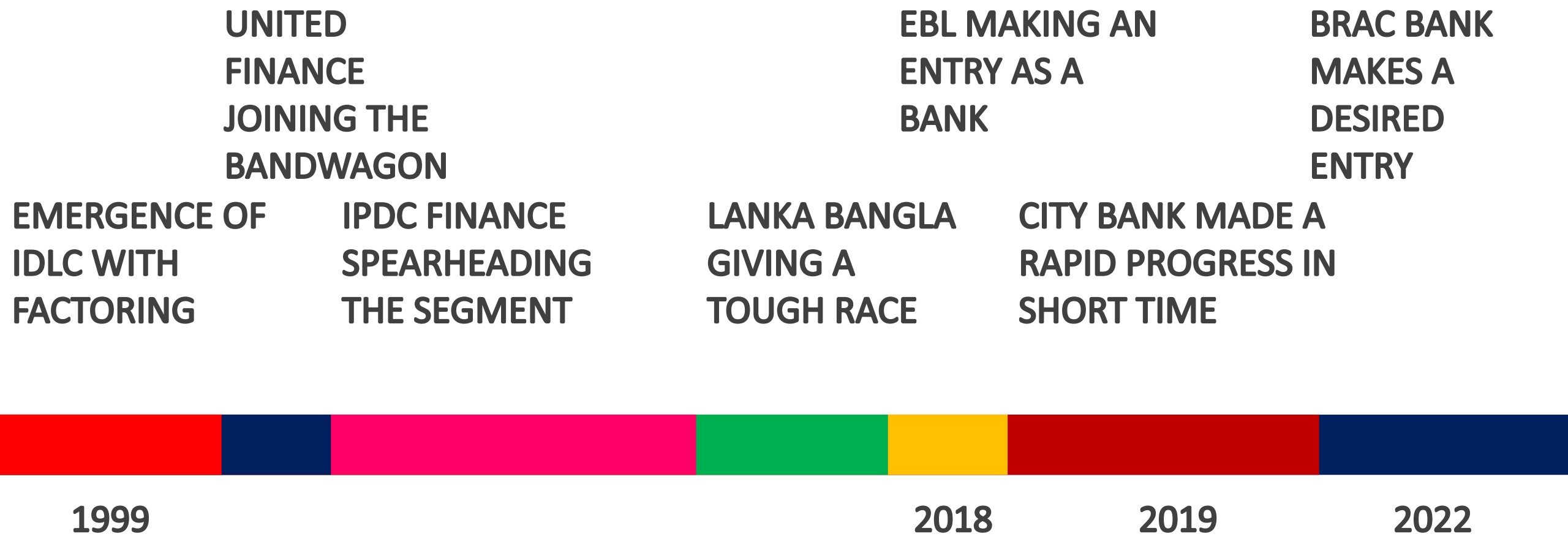
**LANKA BANGLA  
GIVING A  
TOUGH RACE**



**1999**









MN IN USD

187

PORTFOLIO SIZE  
COMBINING ALL  
THE  
PARTICIPATING  
BANKS & NBFIs

ONLY 10%  
RESOURCE  
UTILIZED

MN IN USD

187

MN IN USD

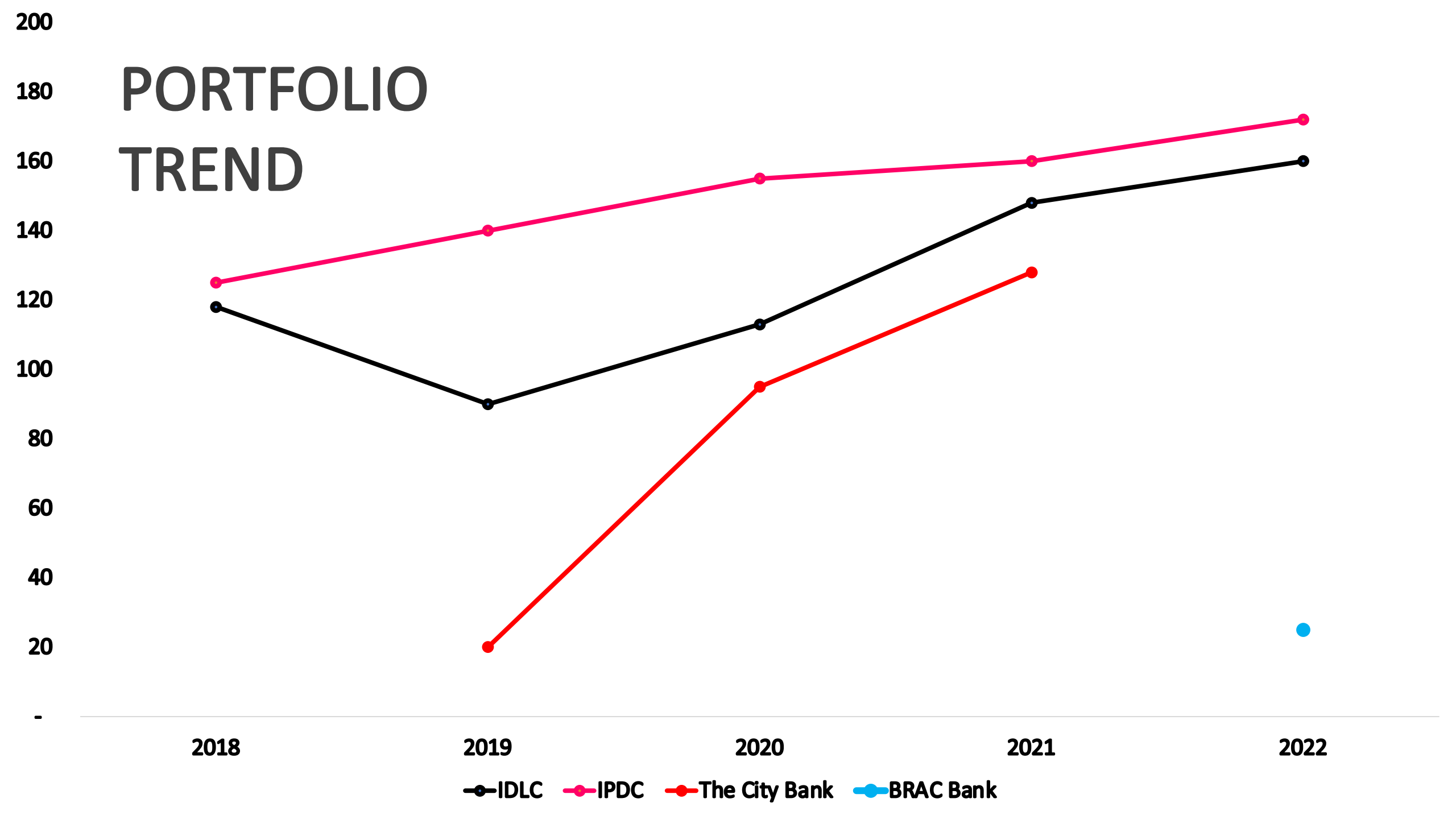
187

BN IN USD

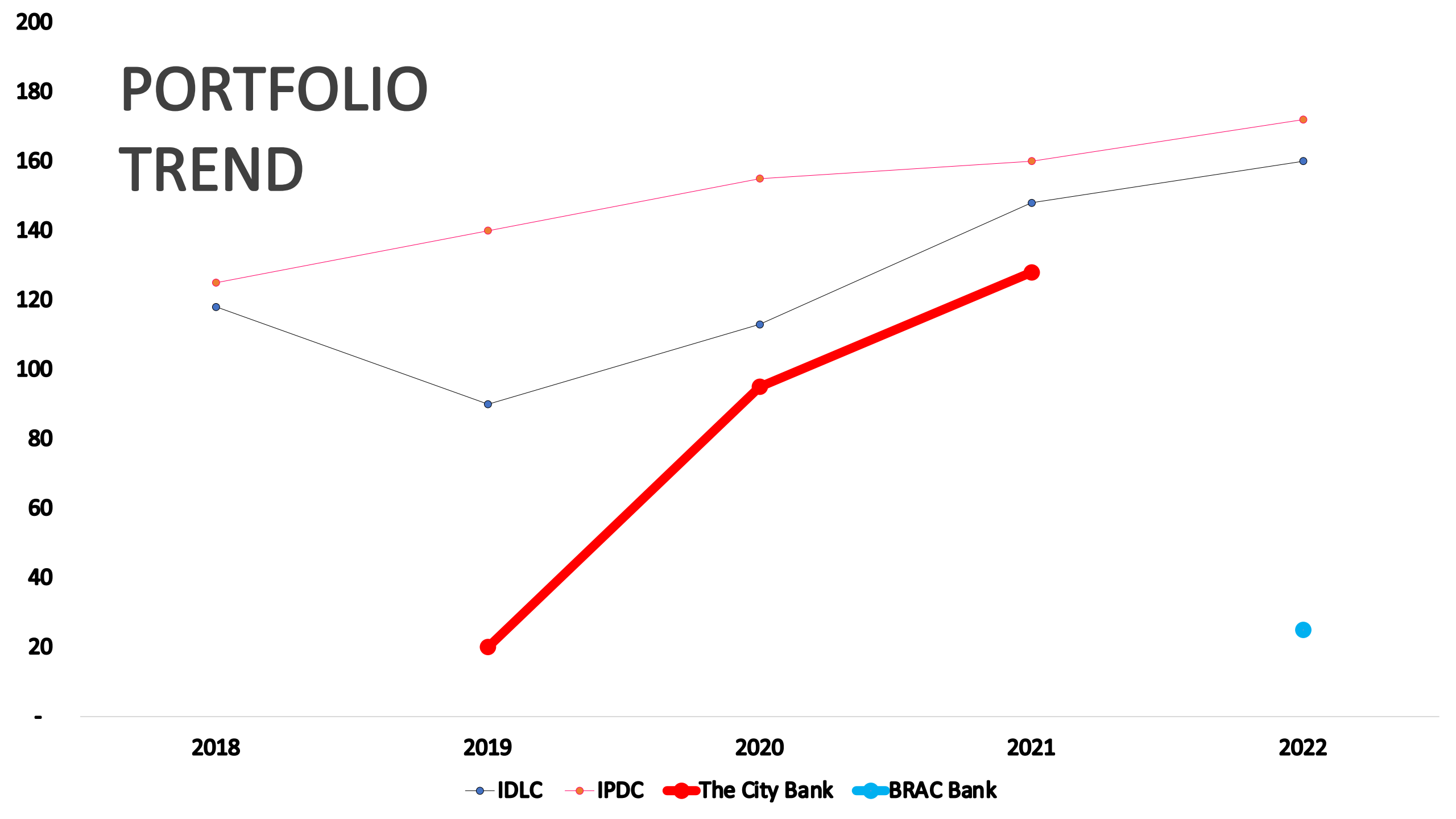
500

HUGE  
POTENTIAL  
LEFT  
UNTAPPED

# PORTFOLIO TREND



# PORTFOLIO TREND





**NOT HAVING A CONCRETE  
REGULATORY GUIDELINE**



**ANCHORS & BANKS JOINTLY MISSING OUT  
TO CAPITALIZE ON THE BIGGER CANVAS**



**INDUSTRY RELUCTANCE TO  
TRANSFORMATION**

**3 MAJOR  
BARRIERS TO  
PROGRESS**

**BANKERS**

**ANCHORS**

**CUSTOMERS**

# BANKERS

## TO THEMSELVES

KNOWLEDGE FACILITATION

OPENNESS TO NEW PROPOSITIONS

ACCOMODATIVE MINDSET

PRIORATIZING FIELD OVER DESK

NEGATING THE OPTIMISM BIASNESS





**BANKERS**

**ANCHORS**

**CUSTOMERS**

# **BANKERS**

## **TO ANCHORS**



**CUSTOM-MADE SOLUTION TO EVERYONE**

**UNDERSTAND THE NEED FIRST**

**MAKE LIFE EASIER**

**INTRODUCE TECHNOLOGY**

**EXPLAIN THE COMMERCIAL VIABILITY**

**BANKERS**

**ANCHORS**

**CUSTOMERS**

# BANKERS TO CUSTOMERS

REACH OUT TO THEIR PREMISES

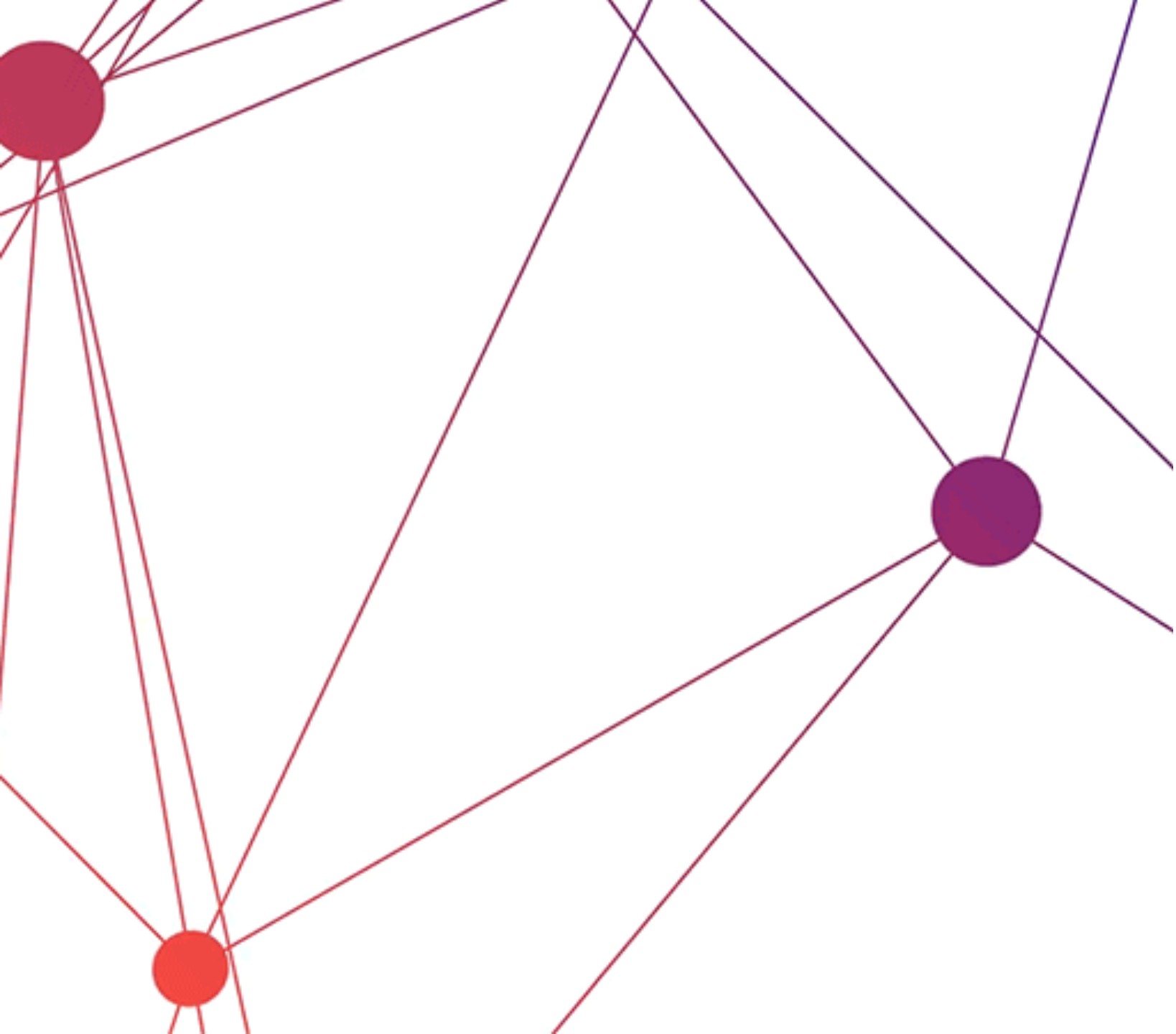
ELUCIDATE IN HIS LANGUAGE

UNDERSTAND HIS REQUIREMENTS

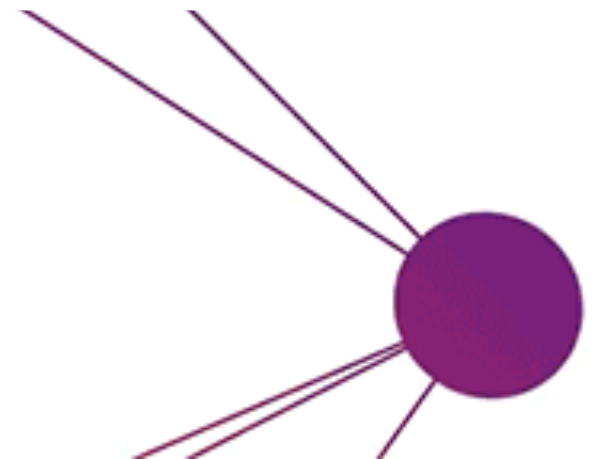
UNDERSTAND HIS BUSINESS NITTYGRITTY

ALLOW HIM TO GET THE CONTRAST



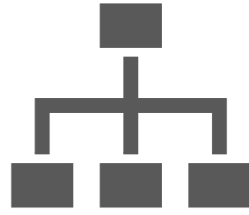


**WHEN ALL THE 5s BLEND  
TOGETHER, INEVITABLY  
50%+ RESOURCES GET  
MOBILIZED TO HAVE  
SKYROCKETING GROWTH**



# **MY RECOMMENDATIONS**

## ORGANIZATIONAL PERSPECTIVE



- HAVE AN EXPERIENCED, WELL INFORMED AND WELL NETWORKED MANAGER
- ALLOW HIM/HER TO BUILD A STRONG MONITORING AND SERVICING TEAM TO LEVERAGE ON THE FIELD STAFF

## REGULATORY PERSPECTIVE



- ASSIST CENTRAL BANK TO COME UP WITH A REGULATORY GUIDELINE ON THE PRODUCT
- REQUEST CENTRAL BANK TO FORMULATE A PANEL OF EXPERTS FOR THIS PRODUCT TILL THE INCUBATION PERIOD ENDS

## INDUSTRY PERSPECTIVE



- INCREASE STRONG INTRA AND INTER CONNECTIVITY WITHIN FIs
- FORM A FORMAL COMMUNITY WHERE ALL FIs PARTICULARLY THE MANAGERS WHO WORK ON THIS PRODUCT CAN SHARE THEIR VIEWS AND THOUGHTS ON PERIODIC BASIS

**THANK  
YOU**





**30 MINUTES**

# **What Opportunities New Age Technology-led Market Places bring for Supply Chain Finance?**

**Abdul Mabud Tushar**  
Chief Business Officer  
TREDX



# TREDX

— LOWEST RATE GUARANTEED —

*Bangladesh's  
First and Only*

## INVOICE AUCTION PLATFORM

# TREDX Executive Member's



## A Kasem Khan

### Chairman

Former President of Dhaka Chamber of Commerce and Industry . Currently Director of FBCCI & Bangladesh Thai Chamber of Commerce & Industry .



## Dr. M Masrur Reaz

### Managing Director

Chairman at policy exchange Bangladesh. Senior Economist and former Program manager at World Bank.



## Raja Debnath

### Co-Founder & CEO

SCF & SME Banking Advisory and Technology Specialist. Worked at IFC for 7 years.

# The global factoring market size



It's In 2022, the global factoring market was worth \$3626.5 billion, according to IMARC Group

By 2028 the whole market size will be \$ 5179.3 Billion

Compound Annual Growth Rate during 2023-2028

# Bangladesh factoring market size (Local)



It's during 1999-2022

By 2028 the whole market size?

Compound Annual Growth Rate during 2023-2028?

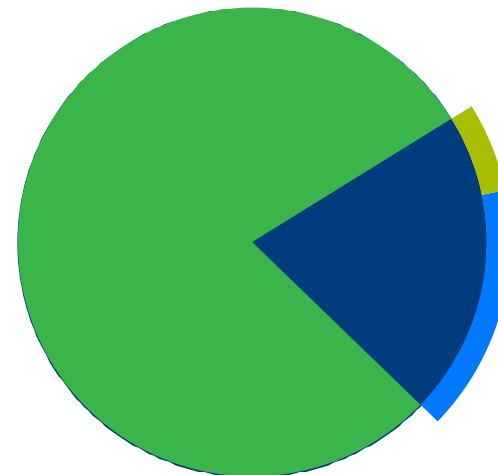
*Domestic Purchase*  
**12 Lakh Crore**

*Domestic Sales*  
**16 Lakh Crore**



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*Annual Domestic Trade*  
**28 Lakh Crore**



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*Supplier  
Finance 3%*

---

*Working Capital  
Finance 14%*

# TREDX

— LOWEST RATE GUARANTEED —



*Corporate Quality  
Credit Risk*



*Get Financed in just  
2 Days – On A Click*



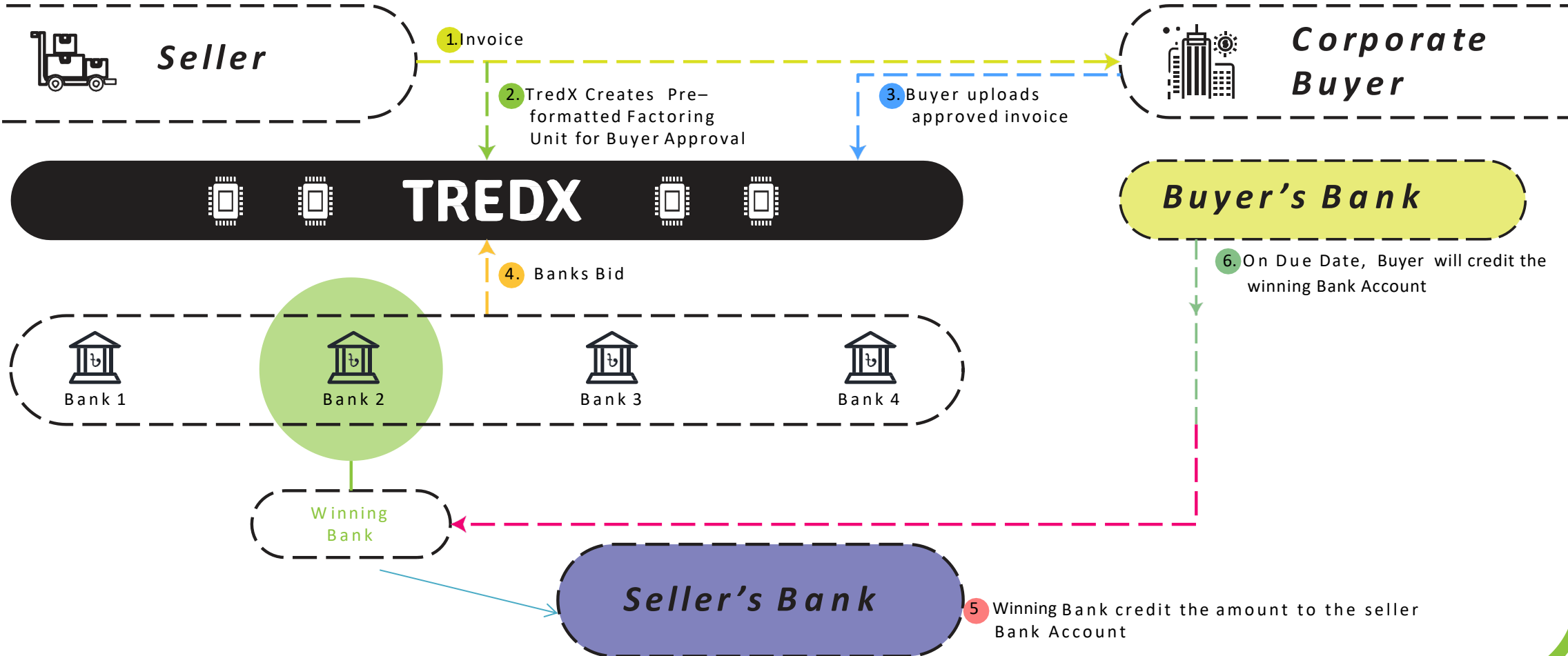
*Efficient Payment  
Cycles  
& Cash Flow  
Management*

*KYC as Per  
Bangladesh Bank Rules*

*Secured  
Digital Platform*

*Real-Time Notification  
to All stakeholders*

## TREDX Process Flow for Invoice Discounting





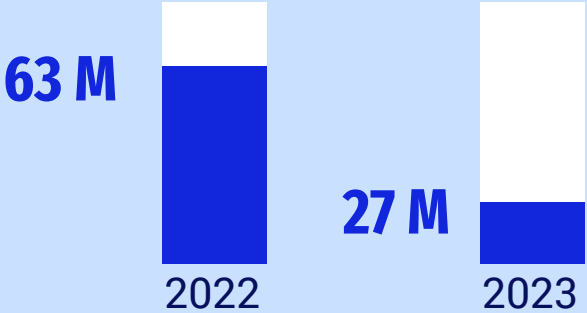
# Financial Benefits for Corporates

Category	Regular Financing	Digital SCF	Net savings
COGS	900 Million	900 Million	
70% of the Supply made with working capital loan	630 Million	630 million	
Interest rate & others cost suppliers carry	75.6 Million (12%)	53.55 million (8.5%)	22.05 Million

**Total Saved**  
 at Digital **SCF**

**22.05 M** 

# Comparison Between AIT Calculation



Operating profit

# 36M

With the help of Digital SCF Supplier can save 36 M

# 27 M BDT

According to section 52(U)  
If local supply is 900 M BDT



# 63 M BDT

According to section 52  
If local supply is 900M BDT



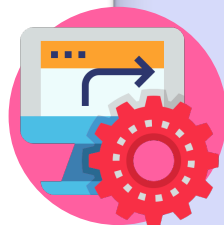
# Corporate Benefits



**Multi Product Approach**  
Make avaivalbe of their working capital and which help them to approach for multi product.



**Available fund**  
Get available fund anytime from bank regardless their regular credit line.



**Process automation**  
It allows all processes related to financing to run entirely automated.



**Transparency**  
It will help access to all relevant data and information concerning your suppliers working capital financing

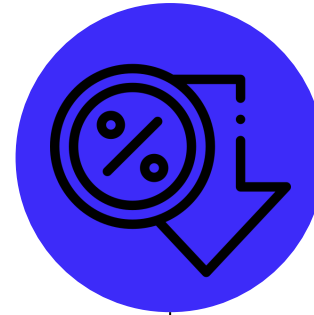
# Benefits of Suppliers/SME



## AIT Benefits

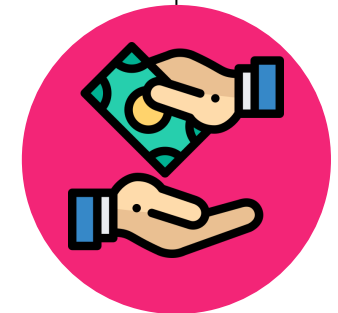
It help the suppliers to get AIT benefits. If a suppliers needs to pay 7% AIT through TREDX they can enjoy 3% AIT facilities.

Collateral free  
Get finance anytime  
without any collateral



Lowest Rate  
They can get finance at  
the lowest rate of the  
market.

Early Payment  
Through this platform  
they can get early  
payment



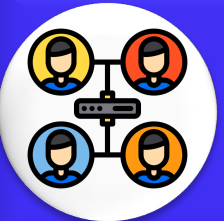
# Benefits of Financier



**Cooperation with the market leader**  
A large number of attractive SME Pool and corporate customers, a financially strong liquidity pool.



**Attractive returns**  
By financing short term working capital they can get attractive returns.



**Expansion of the customer base**  
They can join new ground in the digitalization of trade finance and can get a SME customer pool.



**Access to analyses and reports**  
Financier can get analysis report anytime which will help them to identify potential customer.



**Secured finance**  
Through Tredx only accepted bills to be available for bidding & they can use their available fund to lend in a secure way



# TREDX

\_ LOWEST RATE GUA RA NTEED \_

---

# THANK YOU



**20 MINUTES**

# **Case Study: Implementation of Successful Supply Chain Finance**

**Kamrul Mehedi**  
City Bank

# A SUCCESSFUL DISTRIBUTOR FINANCE JOURNEY IN BANGLADESH



**Analysis**



**Outcome**



**Kick Off**



**Walkway**

**Recomm.**





# Introduction



**The Problem**



# The Problem

1. Credit Facility diversion of the working capital
2. Less availability of credit facility as per time demand
3. Less technological integration
4. No understanding of importance of the above mentioned facilities and factors

# A SUCCESSFUL DISTRIBUTOR FINANCE JOURNEY IN BANGLADESH



**Analysis**



**Outcome**



**Kick Off**



**Walkway**

**Recomm.**



# Analysis

History Analysis &  
Competitive Analysis



**History**



**Competitive  
Analysis**



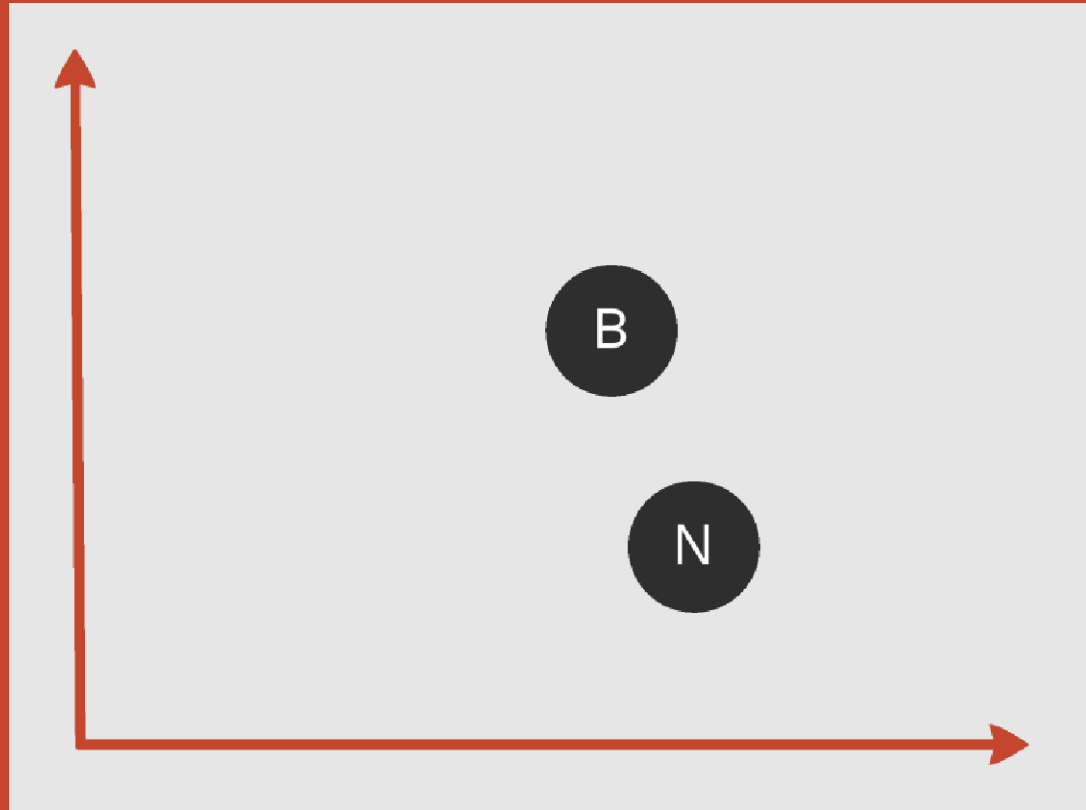
# History

1. Historically, maximum entrepreneurs in Small Business sectors are traders
2. Most of the traders do the business of trading products from Company to retailers or from Distributors to Consumers
3. Distribution Business has become one of the prominent business in the scenario of Bangladesh Economy.



# Competitive Analysis

That Time Scenario



Economical

Quality

## Bank

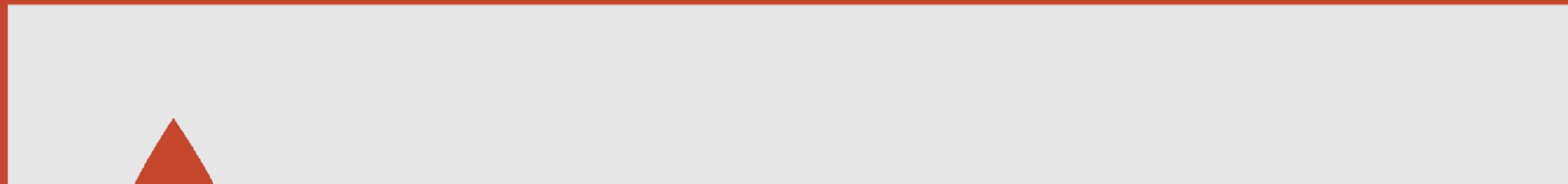
Doing with less activity  
with no proper  
structure with no  
technical alignment

## NBFI

Doing with less activity  
with no proper  
structure with no  
technical alignment

# Competit

That Time Scenario



Economical



Quality

## Bank

Doing with less activity  
with no proper  
structure with no  
technical alignment

## NBFI

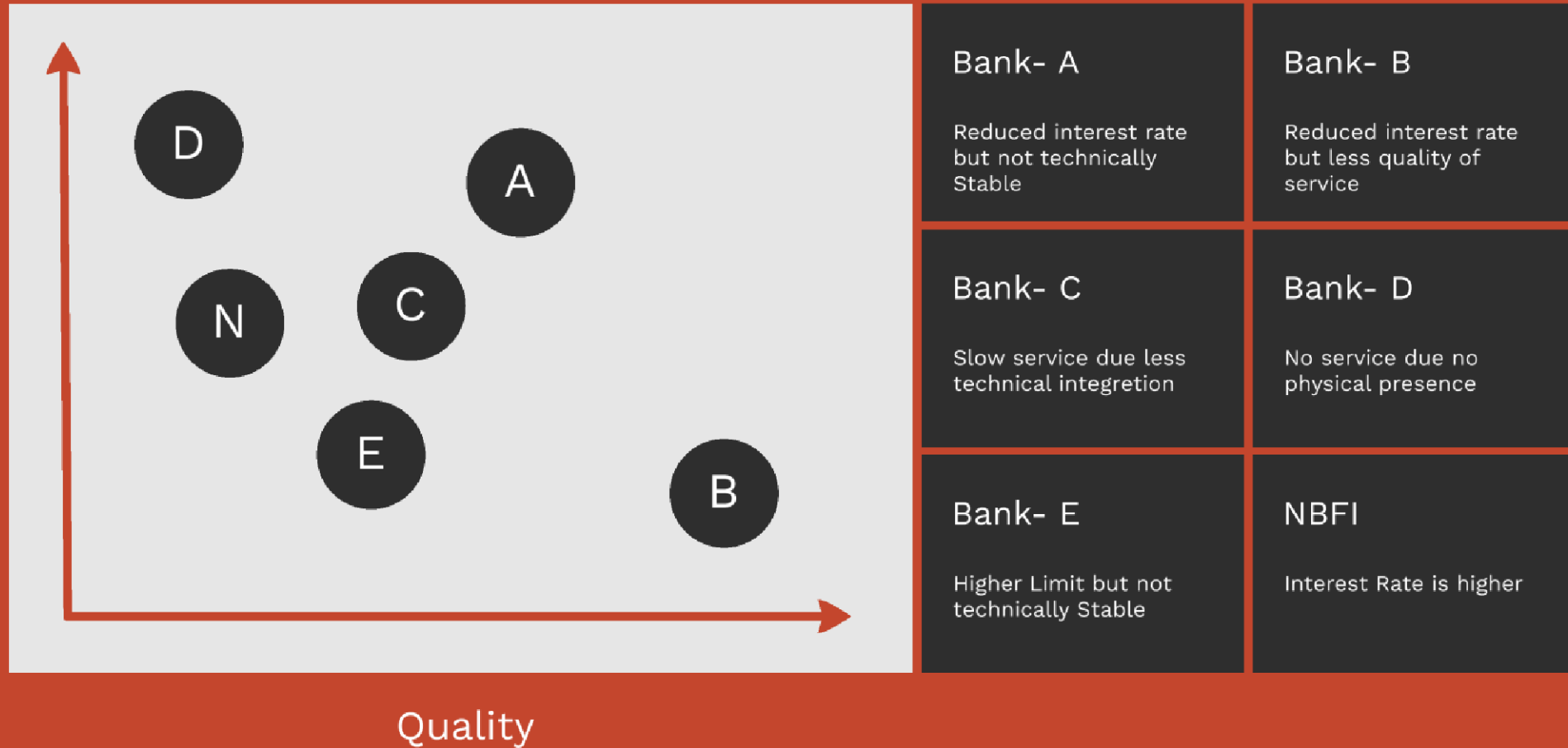
Doing with less activity  
with no proper  
structure with no  
technical alignment





# Competitive Analysis

The Current Scenario



Economical

Quality

# A SUCCESSFUL DISTRIBUTOR FINANCE JOURNEY IN BANGLADESH



**Analysis**



**Outcome**



**Kick Off**



**Walkway**

**Recomm.**



# Strategies taken

Made and Executed



**Step 1**



**Step 2**



**DOs**



# Plan in 1

Fixed the business  
module:

1. 100% 24x7
2. No Cash facilities



# Plan in 2

Made strong teams to execute:

1. Strategic Team
2. Business Team
3. Operations Team
4. Monitoring Team



# Important Factors

- Proper selection of Anchors & Distributors
- Almost perfect assessment of financing
- 100% control in giving barrier to loan diversion
- Proper monitoring of not making any overdue
- Providing service as per time demand
- Having strong MIS for this business line.

# A SUCCESSFUL DISTRIBUTOR FINANCE JOURNEY IN BANGLADESH



**Analysis**



**Outcome**



**Kick Off**



**Walkway**

**Recomm.**



**Outcome**

**Business**

**Quality**

**Socio Impact**



# Business Outcomes

- Significant number of Anchors & Distributors
- Created new vertical of business for the institution with cross selling opportunity
- Created a profitable portfolio for the bank which is in profit from the 1st year of operation

# Portfolio Quality

- NPL is significantly less in the market
- Scope of becoming NPL is less here
- Less risky due to no scope of Loan diversion

# Socio Economy Impact

- More financing for Small Business owners
- Creation of expanded business opportunity for Small Business owners
- Digitalizing the business more for Small Business owners

# A SUCCESSFUL DISTRIBUTOR FINANCE JOURNEY IN BANGLADESH



**Analysis**



**Outcome**



**Kick Off**



**Walkway**

**Recomm.**

# Recommendations

- Proper strategy making
- Knowledgeable resources
- Proper assessment and loanee selection
- Proper monitoring

An aerial photograph of a lush green field, possibly a soccer field, with a white circular graphic overlay in the center. The text "QA Session" is written in white inside the circle.

# **QA Session**



**Thank You!**



# Supply Chain Finance Training

09 May 2023 | Dhaka, Bangladesh

## SCAN THE QR CODES:



### EVENT PAGE

- Agenda
- Speakers' Profile
- Presentation (after the event)



### EVALUATION FORM

*Only those who accomplish this form will receive a DIGITAL CERTIFICATE OF PARTICIPATION.*





**15 MINUTES**

# **ADB – SCF Development Strategy**

**Aparna Soni**

Relationship Manager  
ADB TSCFP

**SUPPLY CHAIN FINANCE WORKSHOP**

**📅 09 MAY 2023 📍 DHAKA, BANGLADESH**

---

# ASIAN DEVELOPMENT BANK

## *Trade and Supply Chain Finance Program*

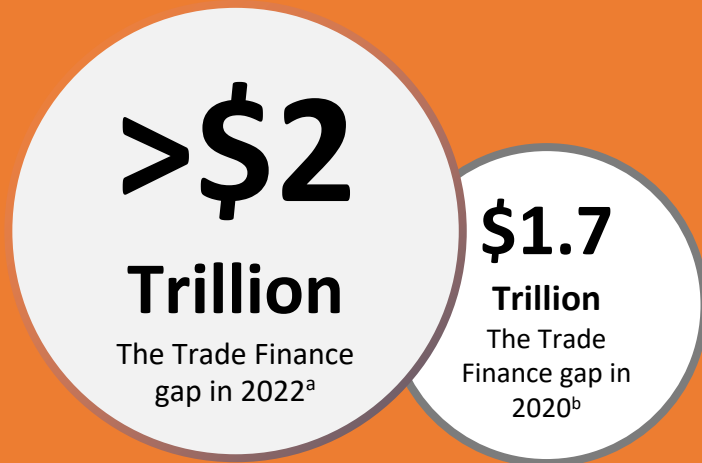
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Workshop on Supply Chain Finance

9<sup>th</sup> May 2023

Making global trade and supply chains  
**inclusive**, **green**, **resilient**, transparent, and  
**socially responsible**.

The Trade Finance Gap  
continues to widen.



SMEs financing needs are growing  
and the gap continues to widen

...Supply Chain Finance is an important tool  
to bridge the gap

# Supply Chain Finance Development Strategy

## Awareness Deepening



Provision of tailor-made webinars and/or e-training on SCF

## Regulatory support



Collaborate with regulators and governments to bridge regulatory gaps

## SCF Capacity Development



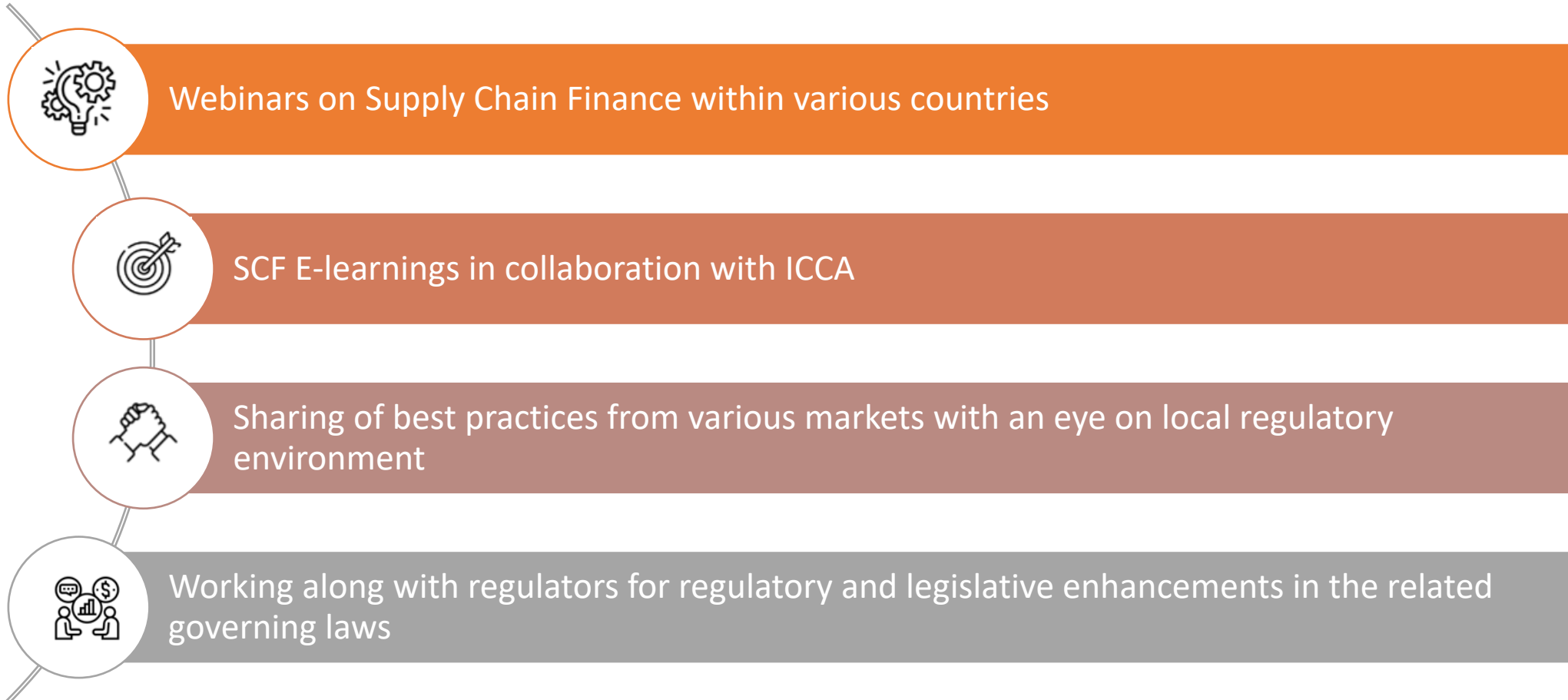
Provision of intense and targeted technical support to banks to build a SCF business;

## Risk Participation

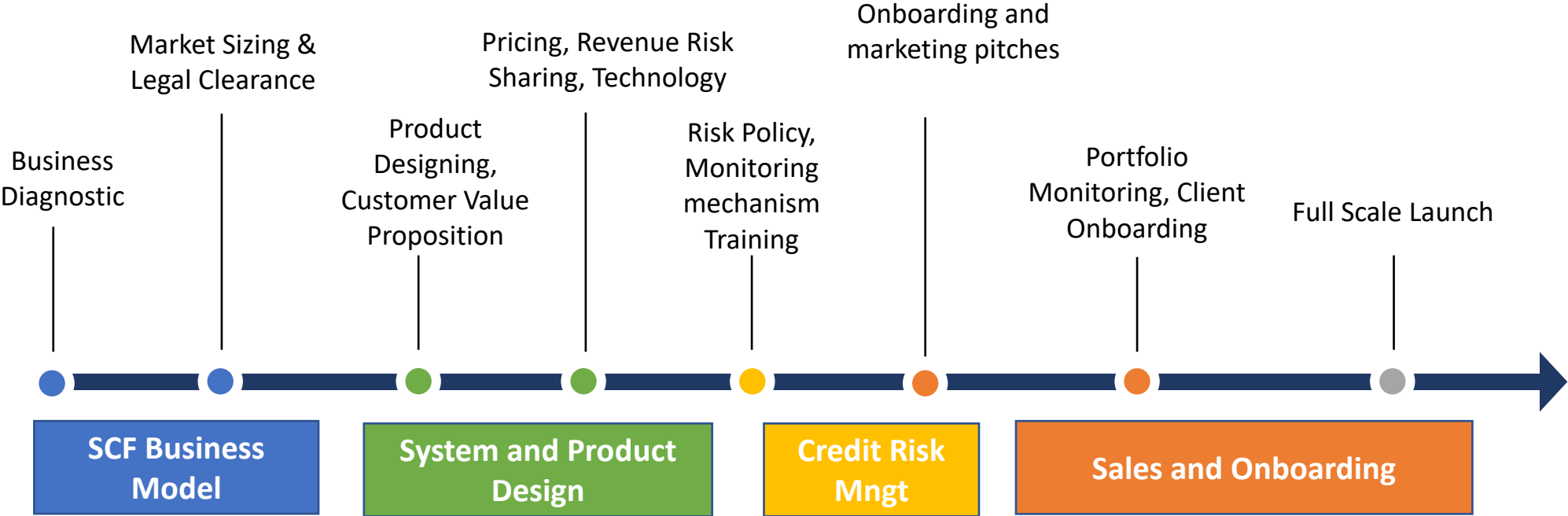


After completion of intense TA, onboarding of as SCFP Partner bank.

# Knowledge Sharing and Regulatory Initiatives



# SCF Capacity Development: Technical Assistance



**Project timeline of 8-10 months**

# Risk Participation with Banks

Funded/ Unfunded Risk  
Participation with the  
banks

ADB to share obligor risk  
with the bank

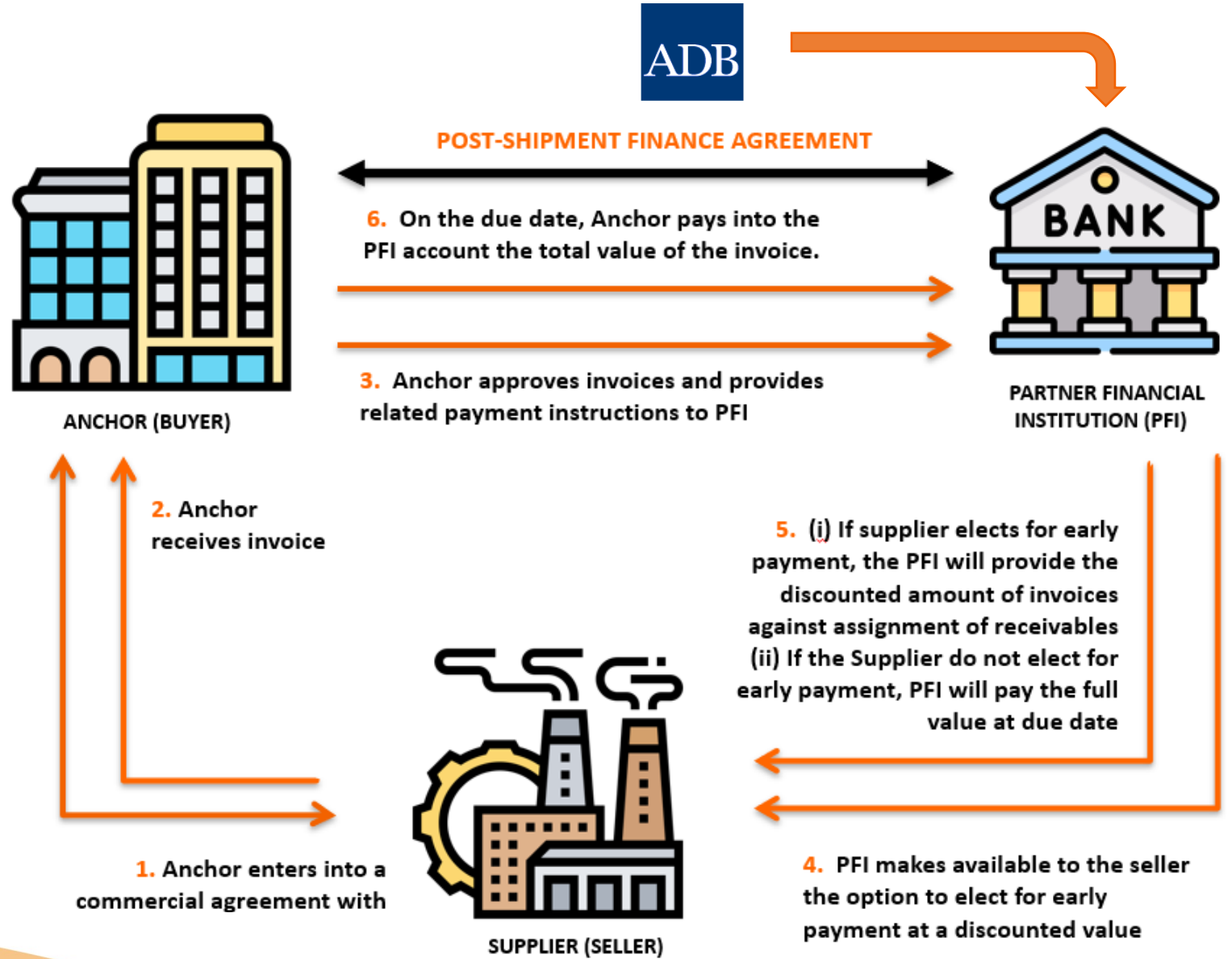
Revolving short tenor  
transactions of 90-180  
days

Banks gets capital relief  
based on ADB rating

Improvement for banks in  
risk appetite and risk  
adjusted returns

# Risk Participation: Structure

## Post-Shipment Post Acceptance Finance





# Other Initiatives

NO. 129  
SEPTEMBER  
2022

## ADB BRIEFS

### Deep Tier Supply Chain Finance white paper

- <https://www.adb.org/sites/default/files/publication/828506/adb-brief-219-deep-tier-supply-chain-finance.pdf>

### Enhance transparency and traceability of supply chain

### MLETR Advocacy Project

- <https://www.adb.org/sites/default/files/publication/704041/digitalizing-trade-asia-legislative-reform.pdf>

#### KEY POINTS

- Trade and supply chain finance promote stability and resilience in supply chains by supporting working capital needs of buyers and suppliers. However, small and medium-sized enterprises (SMEs) continue to struggle with access to financing.
- Environmental, social, and governance (ESG) targets and sustainability goals are not reachable without the participation of all supply chain participants. Deeper understanding of supply chains through greater visibility of participants, processes, and behaviors is imperative.
- Deep-tier supply chain finance (DTSCF) presents a compelling solution to fill the financing gap for SMEs, while penetration into the deeper tiers of global supply chains can assist in meeting ESG and sustainability goals.
- This paper presents the opportunities that DTSCF and its underlying technology can offer, a sample of models that have been successfully

#### Deep-Tier Supply Chain Finance

Sunil Mascarenhas  
Relationship Manager  
Trade and Supply Chain Finance  
Asian Development Bank (ADB)

Ben Sandstad  
Senior Legal Counsel  
ADB

Apama Soni Bhatta  
Relationship Manager  
Trade and Supply Chain Finance  
ADB

Angelia Chia  
Partner  
Mayer Brown

Carmen Maria Ramirez Ortiz  
Relationship Manager Associate  
Trade and Supply Chain Finance  
ADB

#### INTRODUCTION

**Increasing stability, resilience, and transparency in global supply chains**  
The coronavirus disease (COVID-19) pandemic highlighted the fragility of the globally integrated system of production and trade that underpins the world economy. The increased efficiencies of global supply chains have given consumers and companies virtually limitless choices and helped to keep prices low and inflation at bay. However, the pandemic showed that the very linkages that have provided significant benefits can also spread shocks across economies, if they are not properly structured and managed. Other issues linked to trade, such as adverse impact on the environment, unequal distribution of economic benefits, and the presence of child labor and human trafficking in supply chains, have been brought into sharp focus by the growing attention to environmental, social, and sustainability issues. These realizations urgently need to be upgraded so that their negative impact can be mitigated, and that they may play a role in wider sustainability-linked goals.

“Effects of supply chain linkages, and to use these sustainability goals, the inner workings of these are more transparent and traceable end-to-end. Serious attention then all components, players, and behaviors within the chain are assessed, and their efforts at meaningful.”

### Digitalizing Trade in Asia Needs Legislative Reform

- Legislative gaps impede the digitalization of trade.
- Digitalization makes global trade and supply chains more robust; supports economic growth, and job creation, and closes financing gaps for micro, small, and medium-sized enterprises (MSMEs).
- Adoption of the Model Law on Electronic Transferable Records (MLETR), developed by the United Nations Commission on International Trade Law (UNCITRAL), would address the problem. Only five jurisdictions have taken the step to date: Bahrain, Belize, Kiribati, Singapore, and the Abu Dhabi Global Market.
- Widespread adoption of the MLETR holds the promise of increased efficiency, consistency, and coherence in the modernization and harmonization of legislation on electronic commerce.
- The time for legislative reform is now; the expected benefits will contribute to post-coronavirus disease (COVID-19) pandemic economic recovery.

Raoul Renard  
Legislative Reform Lead  
International Chamber of Commerce

Carmen Maria Ramirez Ortiz  
Consultant  
Trade and Supply Chain Finance  
Asian Development Bank

Oswald Kuyler  
Managing Director of ICC Digital  
Standards Initiative

Steven Beck  
Head of Trade and  
Supply Chain Finance  
Asian Development Bank

#### INTRODUCTION

This report identifies country-level legislative gaps that inhibit the digitalization of trade in three economic country groupings in Asia: the Association of Southeast Asian Nations (ASEAN),<sup>1</sup> the Central Asia Regional Economic Cooperation (CAREC) Program,<sup>2</sup> and the South Asia Subregional Economic Cooperation (SASEC) Program.<sup>3</sup> It provides a snapshot of developments and opportunities for legal reform to enable the digitalization of transferable records.

ASEAN, CAREC, and SASEC member states are encouraged to (i) adopt the UNCITRAL MLETR, and (ii) accede to the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific.

In partnership with the International Chamber of Commerce, Enterprise Singapore, and the Asian Development Bank (ADB), the International Chamber of Commerce (ICC) Digital Standards Initiative (DSI) was launched in 2020. The DSI is focused on establishing

“Universal standards will connect existing digital islands and enable market forces to improve customer experience. As a leading and neutral voice in the industry, it made sense to bring this project under the umbrella of ICC. This will allow the ICC DSI to lead and coordinate efforts in developing standards and protocols to digitize trade.”

—John W. H. Denton AQ, ICC, Secretary General

a globally harmonized, digitized trade environment. It envisions digital standards that enable seamless digital trade throughout the trade ecosystem, with end-to-end interoperability for exporters, shippers, ports and customs authorities, logistics providers, financiers, and importers.

This will translate into enhanced resilience in trade finance and supply chain processes, increased productivity, the introduction of new services at scale, and the advancement of the United Nations (UN) Sustainable Development Goals (SDGs). This initiative will leverage technology to reduce the global trade finance gap, particularly among MSMEs.

<sup>1</sup> ASEAN is a regional grouping comprised of Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.  
<sup>2</sup> CAREC is a regional grouping comprised of Afghanistan, Azerbaijan, Georgia, Kazakhstan, Kirgiz Republic, Mongolia, Pakistan, the People's Republic of China, Tajikistan, Turkmenistan and Uzbekistan.  
<sup>3</sup> SASEC is a regional grouping comprised of Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka.



# Thank You

Making global trade and supply chains  
**inclusive**, **green**, **resilient**, transparent, and **socially responsible**.



**45 MINUTES**

# Panel Discussion: What's the Next Stage of Supply Chain Finance in Bangladesh?

Moderator: **Aparna Soni**  
ADB

Panelists:

- Sunil Mascarenhas (ADB)
- Kamrul Mehedi (City Bank)
- Arefin Khan (SCB)
- Raja Debnath (Veefin)



**15 MINUTES**

# Closing Remarks

**Neha Noronha**  
Relationship Manager  
ADB TSCFP



# Supply Chain Finance Training

09 May 2023 | Dhaka, Bangladesh

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