

Chapter 8

Enhancing SME Finance in Bangladesh Through an Integrated Online Credit Bureau Platform

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ABSTRACT

The alternative functioning measures against the worldwide financial constraints on SME growth have yet to either be initiated or are being exercised in limited form in the Bangladesh context. The Credit Bureau, one of such measures, is being applied here in a limited form where further technological advancement and sophistication are needed. Given the urge, the study employed a “phenomenological method of qualitative research” with the objective of developing a new pattern or phenomenon of a ‘common online platform for credit bureaus’ from the essence of earlier experiences both home and abroad in the credit reporting industry. In data collection, it used document analysis and in-depth interviews to supplement the findings. Compiling the existing and new concepts

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resulting from the research findings, the paper concluded with a 'model proposition'. Thus, the study contributes to the further sophistication of the conventional credit information-sharing mechanism of the country. The research might help develop feasibility studies in the future to assist policy executors in this regard.

1. INTRODUCTION

SMEs are one of the key contributors to economic growth around the world (OECD, 2010; Karadag, 2016). But they receive a disproportionately small share of credit from the financial system across developed and developing countries (Creehan, 2018; Nemoto et al., 2018). Literature shows that the formal financial sector does not provide access to loans for 65 million formal MSMEs (micro and SMEs) in emerging nations, which have unmet financial needs of \$5.2 trillion annually (Schumukler, 2017). One of the most prominent factors contributing to this lack of SME finance is information asymmetries among borrowers and lenders (Darvas, 2013; Oztürk & Mrkaic, 2014).

Credit reporting is an institutional response to this problem of information asymmetries. Here, the institutional arrangements that allow creditors to share information are known as credit bureaus and registries (Love & Mylenko, 2003). However, Asian countries are mostly without comprehensive credit bureau coverage (Kwan, 2018). Not being an exception, the SME rating process in Bangladesh also has further development areas (Anwar, 2017).

Further, Bangladesh is currently working towards achieving the Development Vision 2041, for which there is no alternative except deepening innovation-driven and tech-based knowledge and practices (Alam, 2019). Again, the Fourth Industrial Revolution coincides with this. Appreciably sophisticated technology has brought different industry applications to Bangladesh. But in the question of SMEs' limited access to finance, though many countries are successfully addressing the issue by implementing different innovative functioning measures, these measures, including the sophistication of the country's credit bureau, are yet to be reviewed here in Bangladesh.

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