



**United  
Nations**

Department of  
Economic and  
Social Affairs



# INTERNATIONAL CONFERENCE ON DATA AND DIGITAL GOVERNANCE 2024

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Shanghai and Deqing

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**Financing MSMEs for Sustainable Development :**  
*Building the Data to Business Growth Bridge*



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- 1 Problem worth solving?
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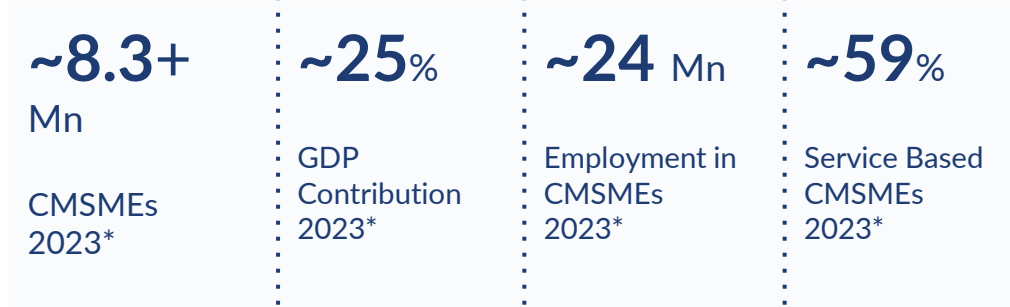
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# Background

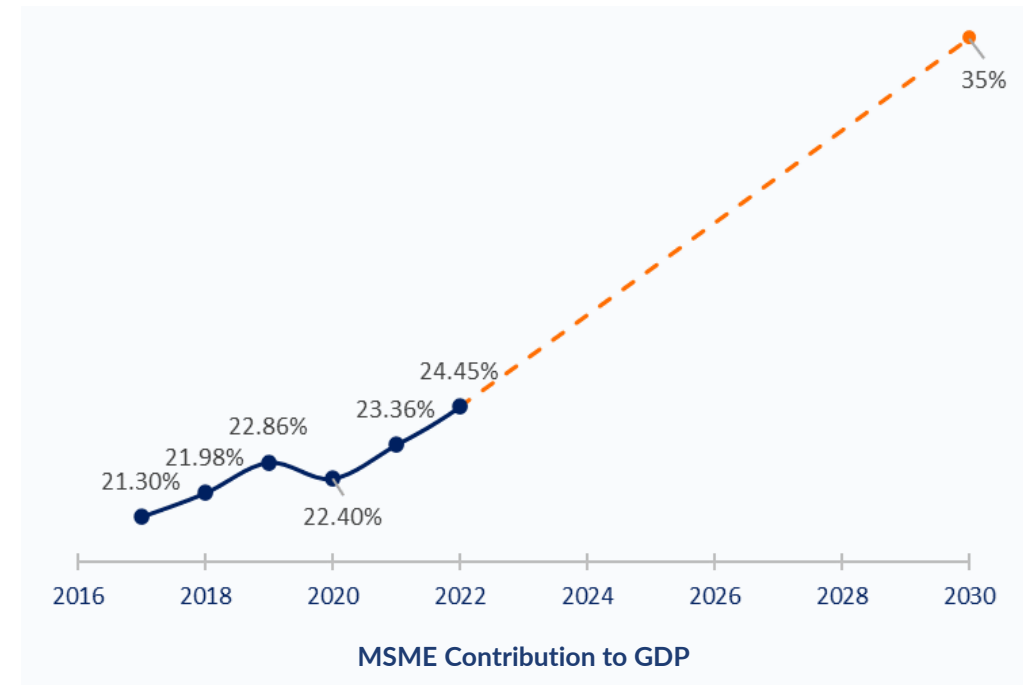
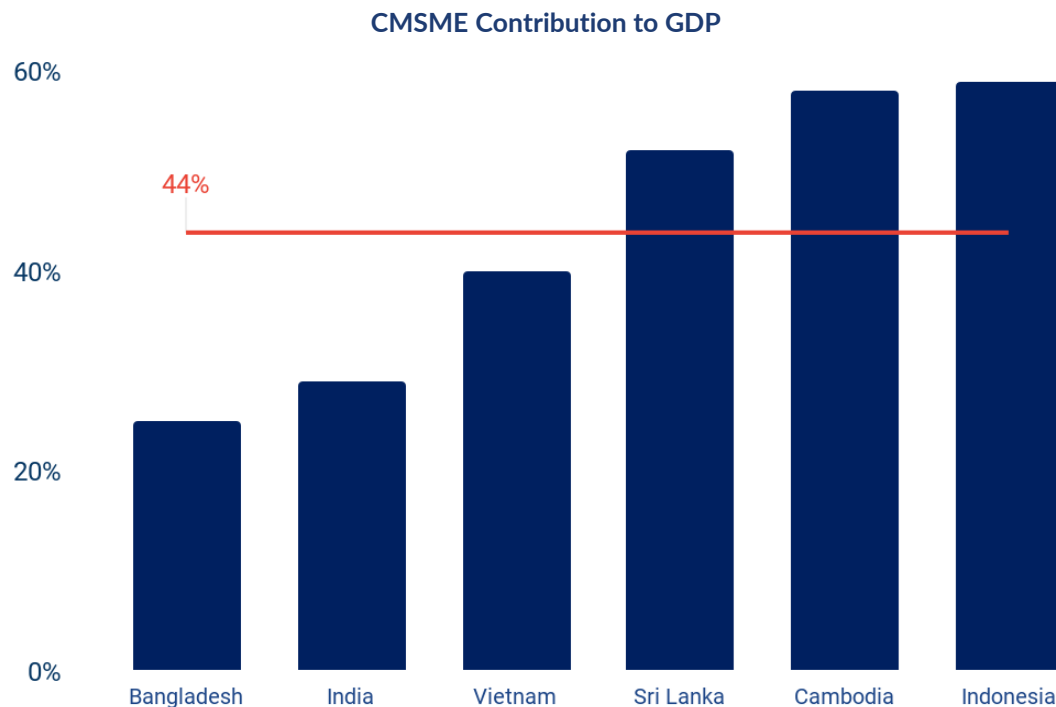
# CMSMEs create every 2 out of 3 jobs and contribute one-fourth to the GDP



Bangladesh's vibrant CMSME sector, with over 8 Mn enterprises, fuels the nation's economy. They employ 87% of the workforce, driving manufacturing, and contributing 25% to GDP, with an aim to increase it to 35% by 2030.



Sources: Bangladesh Bank, BBS, SME Foundation 2022, with LightCastle Analytics Projection



Sources: Bangladesh Bank, BBS, World Bank, ADB, SME Foundation, Japan Bangladesh Chamber of Commerce and Industry (JBCCI)

Sources: Bangladesh Bank, BBS, Bangladesh Economy Review, 2022

# And yet more than half of them can't access the finance needed to grow their business



~\$3.1 Bn

Financial gap for  
CMSMEs

2023\*

~52%

Partially Financially  
Constrained

2023\*

~36%

Fully Financially  
Constrained

2023\*

~\$800 Mn

Financial gap for Women  
Owned CMSMEs

2023\*

Sources: World Bank, 2018; with LightCastle Analytics Projection

## The Pain Points

### Not the write products

There is often need for collateral; Agri MSMEs have to pay monthly while the harvest season is 4 to 6 months; Track record comes first but you need capital to build track record

### Absence of Bookkeeping and Paperwork

Lack of traceable and verifiable financial record affects the creditworthiness and minimizes financing opportunities

Trade licenses, TIN, BIN, VAT Identification Number, clearance certificates, and more is often too expensive

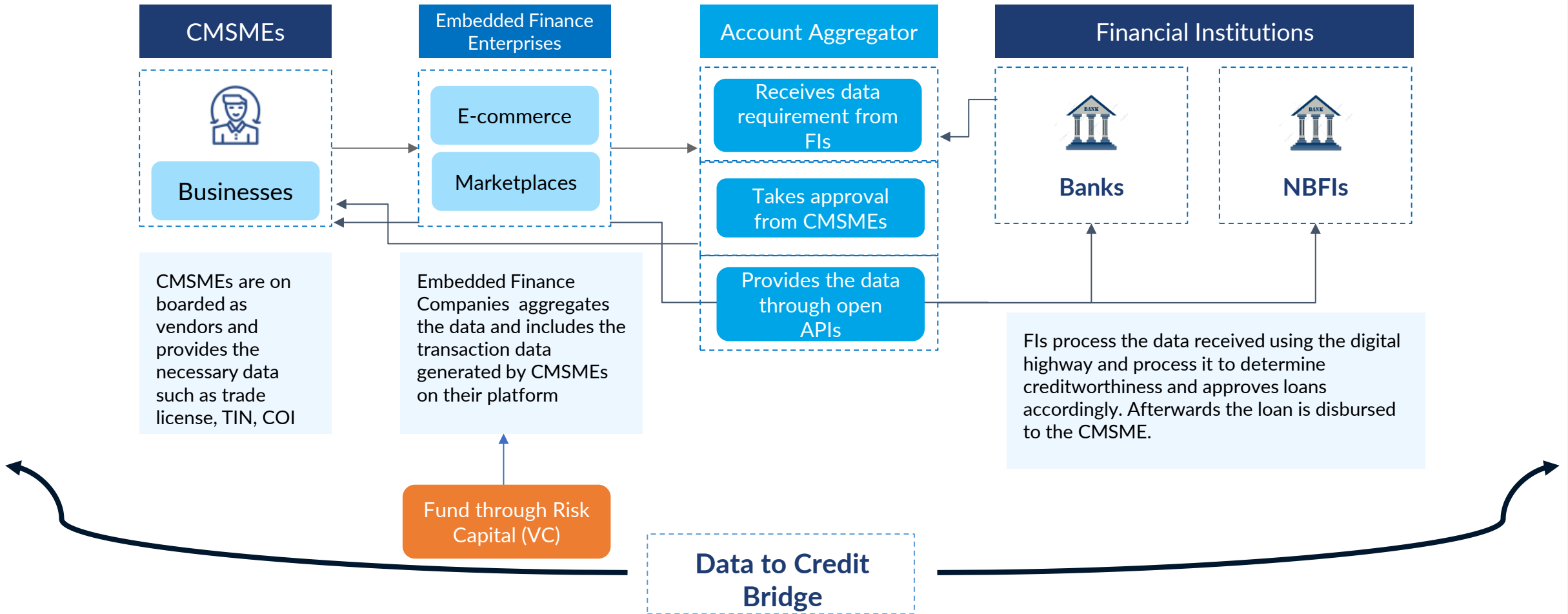
### Limited Financial and Digital Literacy; and Accessibility

CMSMEs are unaware of how to access the limited resources available to them, or do not have the capacity / affordability to access them

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# Digital Sandboxes and Innovation

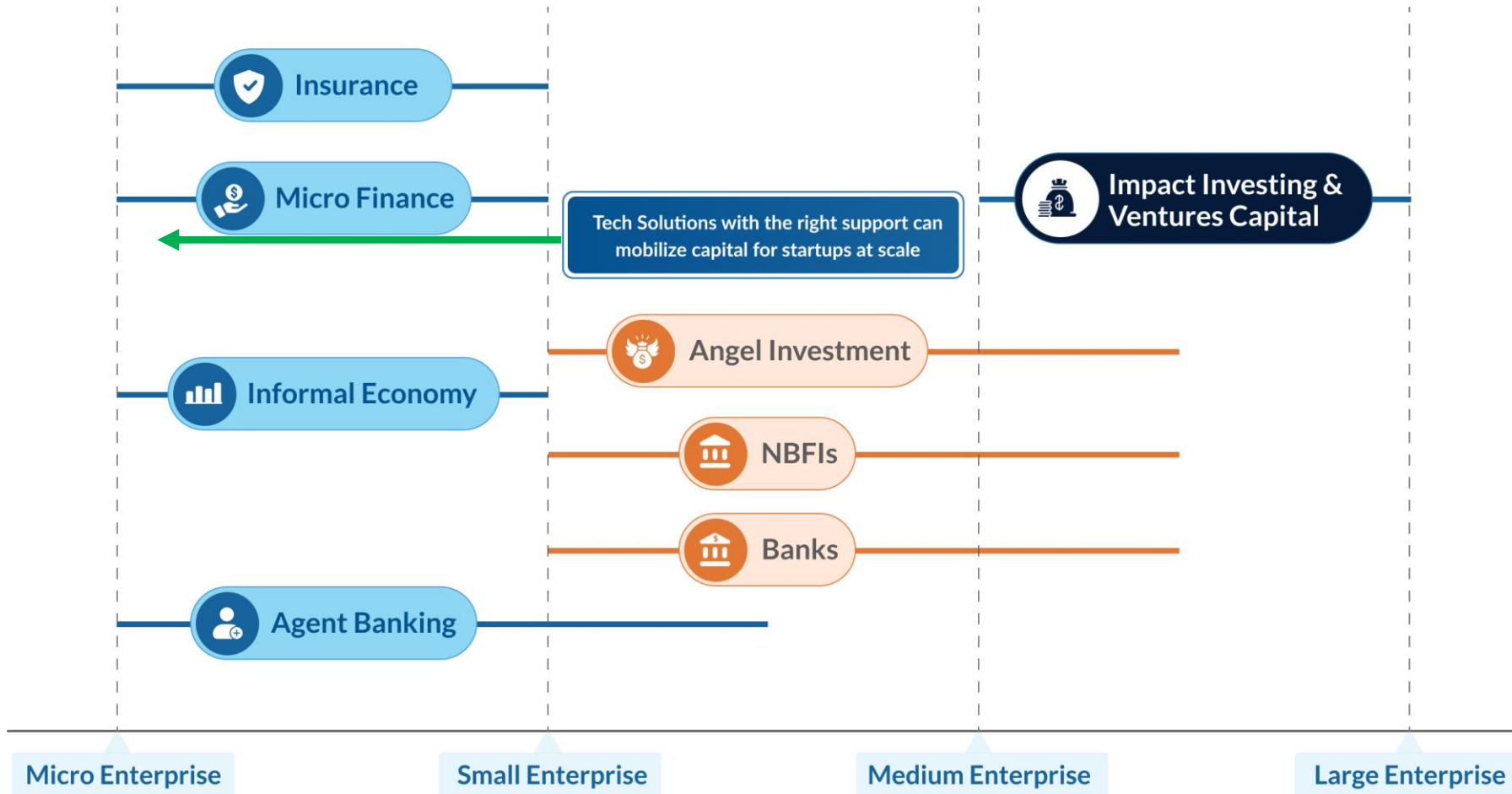
# It will ensure a streamlined data sharing process and facilitate greater volume of loan disbursements



Government Support: ICT Division, Central Bank, Securities & Exchange Commission – Allow experiment in a Controlled Environment (Sandbox)



# Tech Enterprises can ease the game, however it needs to be inclusive



# We will facilitate open-access database for financial institutions, digital highway for connectivity, and financing opportunities through SBPP



**Creating an open-access database for financial institutions**

Integrate an interoperable functionality to develop an open-access database for financial institutions, banks, and MFIs to help CMSMEs gain better access to formal sources of finance, by reducing loan verification time



**Developing a digital highway for connecting CMSMEs to Financial Institutions**

Establishing an interconnected digital highway that facilitates seamless communication and transactions between CMSMEs and multitude of financial entities, streamlining the process of accessing formal sources of finance



**Unlocking additional financing opportunities for CMSMEs**

Creating a framework that expands the range of funding options available by bypassing the regulatory barriers and expensive documentation requirements for CMSMEs

# Bangladesh Bank (the central bank) & leading embedded finance tech players attended our panel discussion & workshop



Picture 1 & 2: Panel discussion by the regulatory body, financial institutions, a2i and SME Foundation

Participants from the Central Bank included Mr. Md. Harun-Ar-Rashid, Director, BRDP (Banking Regulation and Policy Department) along with his team.



Picture 3 & 4:

Mr. Fahim Ahmed, CEO, Pataho and Mr. Adnan Halim, CEO, Sheab.xyz - both leading embedded finance players in Bangladesh explaining their model to bring access to financial services to root level including MSMEs



Picture 5:

Mr. Md. Harun-Ar-Rashid, Director, BRDP (Banking Regulation and Policy Department) endorsing his support and sharing his views



# Risk Capital mobilized through collaboration with international LPs and Bangladesh Government



Advising Startup Bangladesh Limited – USD 65 Mn Facility and have helped make 40 investments with 15 in Embedded Finance Startups



20 Investments – 10+ in Embedded Finance Startups and supported 50+ with mentoring and providing link to network (total funding with an European Embassy as an LP – USD 8.4 Mn)

<https://lightcastlepartners.com/insights/2023/05/biniyog-briddhi-investor-dealbook-2023/>

Building Open Data:

<https://lightcastlepartners.com/bangladesh-startup-ecosystem-dashboard/>

<https://investbangladesh.co/investors/>



# We conducted focus group discussions, key information interview, and study tours to understand the best course of action



Picture 6 & 7: Access to Finance: FGD Session

Participants are ideating potential regulatory sandbox ideas for implementation



Picture 8: Access to Finance: FGD Session

Participants are mapping key CMSME needs, to shortlist priority sandbox concept, for access to finance



Picture 9: Access to Market: FGD Session

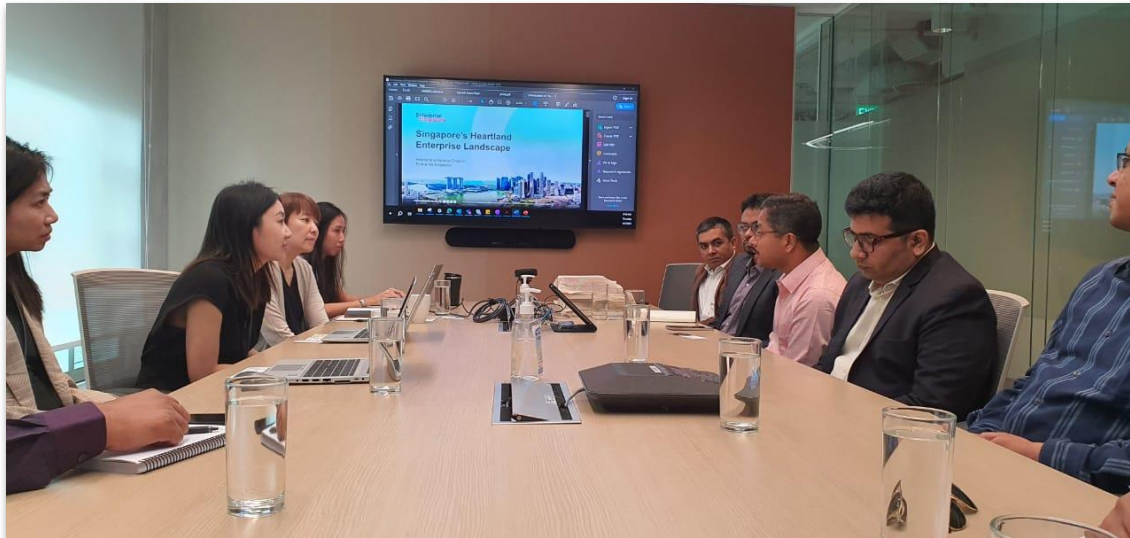
Participants are mapping key CMSME needs, to shortlist priority sandbox concept, for access to market



# We conducted focus group discussions, key information interview, and study tours to understand the best course of action



Picture 10 & 11: Validation Workshop being led by Mr. Tohurul Hasan, Head of Digital Financial Services & Digital Centre of a2i on the key implementation bottlenecks and finalized pilot scope.



Picture 12 & 13: Singapore Study Tour

Participants are learning key insights from Singapore's digital sandbox implementation stakeholders

In Picture - IMDA Singapore and Citibank, N.A. representations from public and private sectors

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# The Next Steps

# We will continue to create a wider network of CMSMEs and financial institutions as the platform matures from the pilot phase



Scale up the experiment and have other embedded finance enterprises join while also working with the government to set a transparent guideline



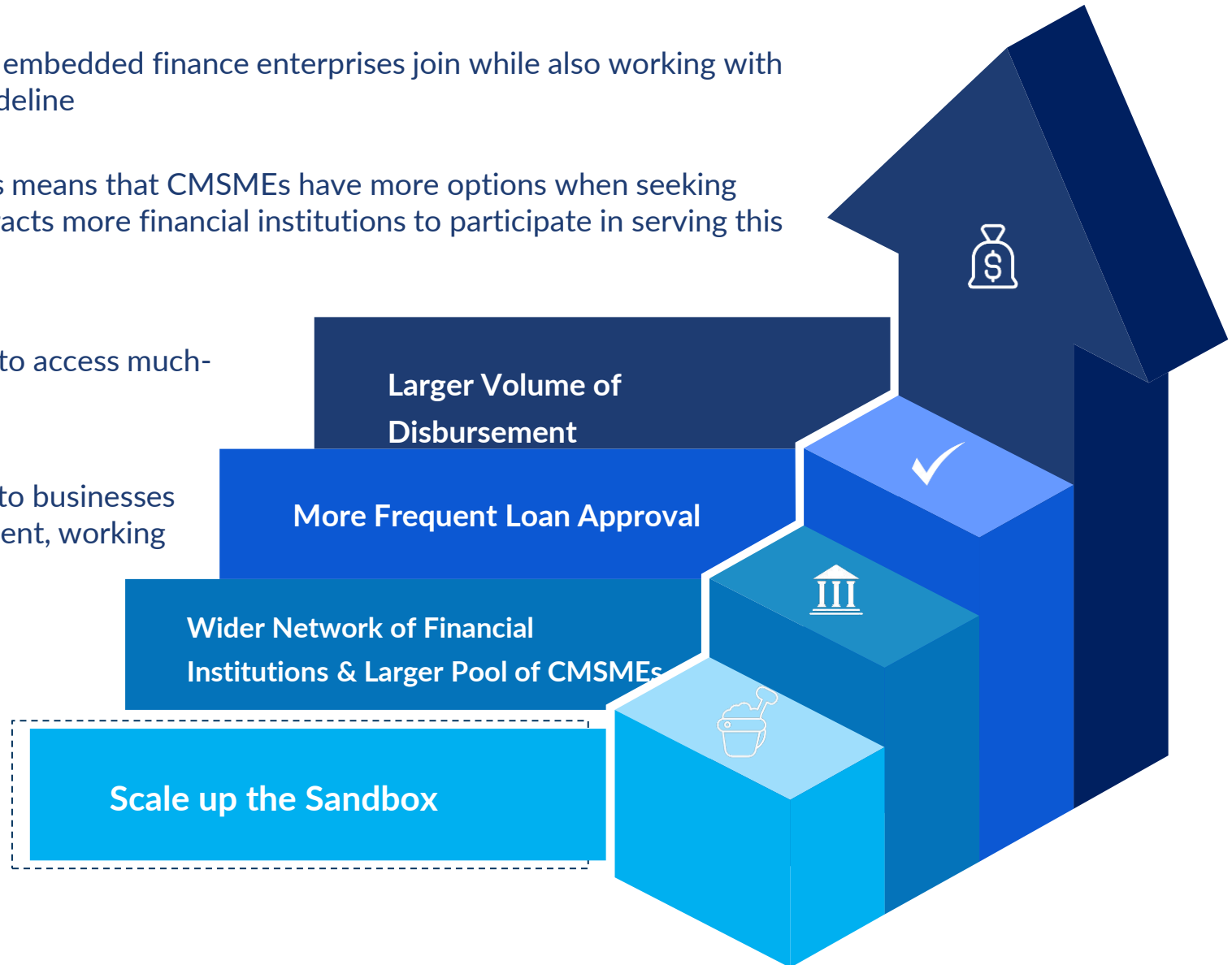
A wider network of financial institutions means that CMSMEs have more options when seeking financing. A larger pool of CMSMEs attracts more financial institutions to participate in serving this market segment.



Reducing the time it takes for CMSMEs to access much-needed funds for business purposes.



Providing a greater volume of financing to businesses for purposes such as expansion, investment, working capital, and innovation.





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# Steps to keep in mind

# Developing countries can follow a simple 4-step process to leverage their own regulatory sandbox



- **Outline of the Implementation Steps**

Understanding the factors that may impact the timeline of the sandbox initiative and managing expectations

- **Following Successful Examples**

Understanding the reasons behind the success of overseas sandbox examples and incorporating the learnings



- **Participants Readiness**

Assessing the capacity, resources, and willingness of the stakeholders

- **Expertise Development and Awareness Training of Stakeholders**

Assisting the stakeholders to understand the sandbox concept, their roles and responsibilities

# Stakeholder readiness, expertise development, following successful examples, and outlining the steps are the key



<b>Participants Readiness</b>	Assessing the readiness of participants, identifying potential risks and challenges, and developing strategies to mitigate them are crucial for the success of the sandbox initiative. This step involves evaluating the capacity, resources, and willingness of stakeholders to participate effectively in the sandbox activities.
<b>Expertise Development and Awareness Training of Stakeholders</b>	Building the capacity of stakeholders and raising awareness about the sandbox initiative are essential for ensuring their active involvement and understanding of the objectives and processes involved. This step involves conducting training sessions, workshops, and outreach activities to educate stakeholders about the sandbox concept, their roles and responsibilities, and the benefits of participation.
<b>Following Successful Examples</b>	Examining the objectives, design, implementation strategies, stakeholder engagement approaches, regulatory frameworks, and outcomes of each sandbox program. Then tailoring the learnings and insights gained from overseas sandbox examples to the local context and specific needs of the target jurisdiction, including - applicability and feasibility of adopting similar approaches, strategies, and practices within the local regulatory, legal, economic, and cultural context.
<b>Outline of the Implementation Steps</b>	Identifying and understanding the factors that may impact the timeline of the sandbox initiative is critical for managing expectations and planning effectively. This step involves considering various factors such as regulatory requirements, technological constraints, stakeholder engagement, and resource availability to determine the realistic timelines for implementing the sandbox activities.



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Thank You

Merci

Спасибо

Gracias

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# Annex



# Acronyms

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<b>API</b>	Application Programming Interface	<b>Mn</b>	Million
<b>BIN</b>	Business Identification Number	<b>NBFI</b>	Non-banking Financial Institutions
<b>Bn</b>	Billion	<b>SBPP</b>	Smart Business Profile Platform
<b>CMSME</b>	Cottage, Micro, Small, and Medium Enterprises	<b>TIN</b>	Tax Identification Number
<b>COI</b>	Certificate of Incorporation	<b>UN DESA</b>	United Nations Department of Economic and Social Affairs
<b>e-KYC</b>	Electronic Know Your Customer	<b>UNDP</b>	United Nations Development Programme
<b>FGD</b>	Focus Group Discussion	<b>UNESCAP</b>	United Nations Economic and Social Commission for Asia and the Pacific
<b>FI</b>	Financial Institutions	<b>VAT</b>	Value Added Tax
<b>GDP</b>	Gross Domestic Product		
<b>MFI</b>	Mobile Financing Institutions		