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Dynamics of Micro Finance Programs in Poverty Alleviation in Bangladesh: Present Status Challenges and Policy Actions

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Abstract *Microfinance has evolved as a potent driver of financial inclusion in Bangladesh with much positive impact on poverty alleviation and other social development indicators. Despite massive success in terms of outreach, employment generation and empowerment of millions of poor, a large number of low-income poor people have remained excluded from the network of the financial services. The article examines achievements of microfinance industry in Bangladesh, its present challenges and prescribes policy measures to bring more unbanked poor people in the fold of financial services.*

1. Introduction

Microfinance has evolved as a potent driver of financial inclusion in Bangladesh with much positive impact on poverty alleviation and other social development indicators. The microfinance industry in Bangladesh started its operations with support from Bangladesh Bank and donors' grants during late 1970s with the objective of delivering micro financial services among the poor people for poverty alleviation. The industry has evolved from its initial focus on credit, disbursing standardized loan products and collecting obligatory savings to the development of diversified loan, flexible savings and other micro financial

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products. This sector has now attained maturity and entered into a dynamic phase in terms of financial inclusion, positive impacts, and sustainability.

In the microfinance sector, total loan outstanding is around TK 210 billion (USD 3.2 billion) in December 2010 disbursed among 30 million poor and savings worth TK 160 billion (USD 2.4 billion). This sector accounted for around 3 percent of GDP in 2010. The existing theoretical literature attributes the high success of micro finance programs in Bangladesh to peer group micro lending, high density of population, macroeconomic stability and liberal socio-political environment etc.

There are four main types of institutions involved in microfinance activities in Bangladesh: (a) Grameen Bank; (b) NGO-MFIs that have received licenses from Microcredit Regularly Authority (MRA); (c) Commercial and Specialized banks; (d) Government sponsored microfinance programs (e.g. through Bangladesh Rural Development Board-BRDB, cooperative societies and programs under different ministries of the Government). However, Grameen Bank and 10 large Microcredit Institutions (MFIs) represent near 90% market share of the microfinance industry. Although micro finance has positive impact on the living standard of the poor (nearly 30 million), a large portion of the poor people, hardcore poor in particular, are yet out of micro finance's network. According to a recent survey of Institute of Microfinance-In M (Access to Financial Services, Funded by UK Aid, 2011), about 41% of poor HH do not have access to any type of credit. Given this background, the paper attempts to assess the present performance and challenges of microfinance programs in Bangladesh. The objectives of the paper are two fold: first, to review present achievements and challenges of micro finance programs in Bangladesh, and second, to put forward policy options to build a strong micro finance industry capable to meet financial services of the poor people for alleviation of poverty.

The rest of the paper is organized in the following way. Review of literature is made in Section 2. Section 3 reviews the salient features of micro finance programs in Bangladesh. Section 4 analyses the achievements of micro finance programs. Section 5 analyses challenges that MFIs are facing in delivering services among the poor. Finally, Section 6 contains policy implications and conclusions.

2. Review of Literature

Now we observe phenomenal growth of studies on different issues of micro finance. There are some studies relating to target/outreach of micro finance programs such as Grosh and Baker (1995) and Meyer, Nagaranjan and Dunn (2000).The major impact studies on micro finance are BIDS (1990,1999 & 2001), Zaman (1997,1999, 2004) MRA (2010) and S. R Osmani (2012). Most studies show positive impacts on income, saving and employment of the poor, women in particular. Sustainability is vital for survival of micro finance institutions but only a few studies are undertaken to address the issue (Khandaker, Khalily and Khan, 1995; Conning, 1999 and Khalily, Imam and Khan, 2000). A summary of some Impact assessment studies, drawn from Salehuddin (2004) can be seen in Appendix IA and IB.

3. Salient Features of Micro Finance Programs in Bangladesh

- Microfinance is a broader concept than microcredit. The former includes microcredit, micro savings, micro insurance, pension and other financial products provided mainly by NGOs/MFIs among the low-income poor people. However, microcredit is the main product offered in Bangladesh. Credit services of this sector can be categorized into six broad groups: i) general microcredit for small-scale self employment based activities, ii) microenterprise loans, iii) loans for ultra poor, iv) agricultural loans, v) seasonal loans, and vi) loans for disaster management. Loan amounts up to BDT 30,000 are generally considered as microcredit; loans above this amount are considered as microenterprise loans.
- In delivery of financial services among the poor, MFIs in Bangladesh address the problems of targeting, screening, monitoring and enforcement innovatively. The problem of screening i.e. distinguishing the good (creditworthy) from the bad (not creditworthy) borrowers is solved by MFIs through formation of groups. Since all borrowers of a group are jointly liable for each other's loan and they know each other in almost all respects, a bad borrower has little chance to enter into a group. The problem of monitoring is also resolved through joint liability of all members of a group as well as close supervision of MFI's staff. Borrowers under joint liability lose right to future credit in case of a default member implying that group members monitor each other and compel debt repayments by threatening to impose social sanctions upon peers who default strategically. Though the poor have no useful physical collateral, peer pressure works as social collateral that make group members to repay loans regularly. Now MFIs conduct individual-based model vis-a-vis group based model in delivery of credit.
- Microcredit is used mainly in off-farm income generating activities (Annexure-II). Small business accounts for the highest share (43.02%) followed by livestock (18.11%), agriculture (12.23%), fisheries (4.91%), food processing (3.78%) and cottage industries (3.03%).

- The geographical concentration of NGO-MFIs in Bangladesh is high in economically advanced regions compared to that of the backward region. In June 2010, Dhaka district had the highest concentration as usual where more than 60 licensed NGO-MFIs were operating while Gazipur had the second highest concentration. The lowest concentrations were observed in the four districts i.e. Rajbari, Shariatpur, Bandarban and Rangamati where less than 5 NGO-MFIs licensed from MRA were operating.
- According to the size of institutions in terms of the number of borrowers served, MFIs are grouped into four major types: very large, large, medium and small (Annexure-IIIA). Two of the largest MFIs, viz., BRAC & ASA, are each serving over four million borrowers. Currently there are 5 very large, 21 large, 115 medium and 341 small MFIs operating in Bangladesh. Institutional concentration ratio is highly skewed in favour of large MFIs: just 10 of the institutions are in control of 70 percent of the market share while two largest organizations have control of over 55 percent in terms of both clients and total financial portfolios. Only 5 NGO-MFIs who are very large have 63% of total loan outstanding and client's savings while 341 small NGO-MFIs have only a share of 4% in loan outstanding and 5% in client's savings.
- Although the fund composition of NGO-MFIs is shifting, total fund has increased over time. Previously donor driven NGOs are now increasingly trying to become more dependent on local fund with the decline of foreign fund, which stood only at 2.7 percent in June 2010 (Annexure-IIIB). Savings from the clients (31.15 percent) and surplus income from microcredit operations (27.8 percent) appeared as two major sources of fund in 2010. Funds from Palli Karma Shahayak Foundation (PKSF), Government owned Wholesale Fund and the commercial banks account for 16.08 percent and 15.11 percent
- Both loan outstanding per borrower and savings per member are increasing gradually (Annexure-IVA).The loan outstanding per borrower has increased over the years and average growth rate of loan outstanding per borrower is around 75 percent (from Tk. 4377.11 in 2006 to Tk.7558.92 in 2010). Savings per member has also been increasing over the years. In 2006 savings per member was Tk. 1,207.34, and in 2010, it stood at Tk. 2,097.83, which is 73.7 percent higher.
- Most of the NGO-MFIs' capital adequacy ratios are generally high as their repayment rate is very high, but for a few of them the ratios are very low which could be a cause of concern for the sustainability of these NGOs (Annexure-IVB).

- The average borrowing cost and financial cost ratio of top ten NGO-MFIs are Tk. 4.46 and Tk.6.14, which are much higher compared to average of all MFIs but savings cost ratio is lower (Annexure-VA). The average savings cost ratio of 482 MFIs is Tk. 1.80 and top ten MFIs' savings cost ratio is Tk. 1.68, which is much lower. The highest savings cost ratio is TK 2.86 for CARITAS Bangladesh but its borrowing cost ratio is zero, which indicates that CARITAS does not have any commercial borrowings; all of their funds are grant received from donor. The cost structure of BRAC and BURO Bangladesh are much higher compared to average cost scenarios of the top ten as well as cost scenarios of all MFIs.
- Top ten MFIs have higher portfolio yield, interest rate spread, return on assets and operational self-sufficiency, which indicates that these top NGO-MFIs have better financial performance (Annexure-VB). The average portfolio yield of 482 NGOs is 22.71 percent whereas average portfolio yield of top ten NGOs is 25.02 percent, which is higher as they are bigger MFIs.
- A total of 62 (12.8 percent) NGO-MFIs have negative net surplus (MRA, 2010). There are different reasons for the negative surplus, the major causes of losing are: (i) High staff salary (ii) Low repayment rate (iii) Low service charge realization (iv) High loan loss provision (LLP) (v) High depreciation charge and (vi) Poor fund management.
- Microcredit Regulatory Authority (MRA) is the watchdog of microfinance industry in Bangladesh established by the Government under the "Microcredit Regulatory Authority Act -2006" to promote and foster sustainable development of microfinance sector through creating an enabling environment for NGO-MFIs in Bangladesh. As the statutory body, MRA monitors and supervises microfinance operations of NGO-MFIs. License from the Authority is mandatory to carry out microfinance operations in Bangladesh. The number of NGO-MFIs licensed from MRA stood at 610 as on February 2012.

4. Achievements

There is a close nexus between finance and growth as many seminal imperial works reveal (Levine, 1997). Providing easy access to financial services among poor by MFIs and other institutions brings myriads benefit in Bangladesh, the birthplace of modern microfinance of the world. The assessment of key impact studies also show positive impact of micro finance on the lives of the poor people. (Annexure-1A & 1B).

4.1 Potent Driver of Financial Inclusion for the Poor: In Bangladesh, MFIs are the most powerful driver of financial inclusion that leads to greater asset accumulation by the poor, their ability to smooth consumption and cope with external shocks. The Bangladesh Household Income and Expenditure Survey, 2010 reveals that MFIs including Grameen Bank are the dominant sources of loans for the poor (72.38%). Now about 30 million poor, more than half of the poor, are in the financial folds of MFIs. No other institution either public or private has been as successful as MFIs to reach the poor with finance that helps them promote income, employment and alleviate poverty.

The amount of microfinance disbursed by MFIs is increasing fast with a high recovery rate (more than 90%) in Bangladesh. Not only that, the amount of annual microcredit (around BDT 250 billion) disbursed by NGO-MFIs has already outpaced the amount of annual agricultural credit (BDT 120 billion) by state owned and private banks. Obviously, micro credit has evolved as the most powerful tool of financial inclusion in rural areas where more than 70% people live. Obviously, MFIs have emerged as the strongest part of rural finance creating momentum toward broadening and deepening of rural financial markets.

4.2 Micro credit for Poverty Alleviation via Promotion of Self-Employment: MFIs have proved that micro borrowers are creditworthy who pay regularly with recovery rate more than 90 percent. In fact, the key success of microfinance lies in addressing lack of finance faced by the poor in generation of self-employment for poverty alleviation. Microfinance provides small funds for income generating activities and thus it creates self-employment, promotes income and helps the poor to get out of the poverty trap. Microfinance also makes consumption smooth for the poor and helps them cope with the vulnerability stemming either from temporary lack of work or natural disasters.

Microfinance programs have been able to generate self-employment for near 30 million poor households in different economic activities, off-farm activities in particular (Annexure-II). Some studies show that the generation of self-employment is the main mechanism through which microfinance has been effective in accelerating growth of income/expenditure and alleviating poverty, which is reflected in the higher labour force participation ratio among participants in microfinance programs as compared to non-participants. It is also revealed that poverty situation has improved among recipients of microfinance (Hossain, 1984, 1988: Rahman 1996; BIDS 1990, 1999 & 2001; Morduch 1998, Khandhker S.R 1998, 2003 and Zaman 1999 & 2004).

A resent paper by S. R. Osmani (2012) upholds the role of microcredit in poverty dynamics in the rural areas of Bangladesh. The paper was based on the findings from the first phase survey of long-term panel surveys covering 6500 rural households in 63 districts, and it examined the factors, including the role of microfinance, that have a causal influence on poverty dynamics. The study used the dynamic adaptation of the entitlement approach for determination of contribution of micro credit. A conservative estimate was about 5 per cent – in the sense that if microcredit had not existed rural poverty would have been almost 5 per cent higher than what it was in 2010. The contribution to the reduction of extreme poverty was found to be considerably higher – about 9 per cent.

Though poverty remained stubborn in Bangladesh for nearly two decades since Independence 1971, it began to decline appreciably since 1990 (Table-1A). S. R Osmani (2012) rightly recognized the key players involved in poverty reduction in Bangladesh e.g. sustainable annual growth of GDP, strong inflows of external remittances and massive expansion of microfinance (Table-1B).

4.3 Promotion of Savings and Investment: MFIs have been able to defy the perception that the poor do not save. MFIs in Bangladesh initially mobilized compulsory savings but now these institutions collect different types of savings viz-a-viz obligatory savings. The outstanding of savings of MFIs stood at BDT 160 billion in December, 2010.

Table 1A: Trends in Poverty Reduction in Rural Bangladesh: 2000 to 2010

Poverty Indices	2000	2005	2010
Headcount index	52.6	43.8	33.1
Poverty gap	17.7	9.8	6.5
Squared poverty gap	4.9	3.1	1.8

Source: *S.R. Osmani (2012)*

Table 1B: Performance of the Bangladesh Economy: 1990 to 2010

	1990-2000	2000-2005	2005-2010
Annual Growth of GDP per capita (%)	3.1	4.0	4.8
Annual Growth of Agricultural GDP (%)	3.2	2.5	4.2
Flow of Remittances as % of GDP	3.2	5.5	9.7
Microcredit disbursement as % of GDP	n.a	1.8	3.1

Source: *S.R. Osmani (2012)*

MFIs influence the rural informal credit market through its impact on poor household's savings and investment. MFIs help reduce the dependency of poor on the informal money market directly through the provision of microfinance and also indirectly through the scope for increased savings by poor households. Loans from MFIs supplement their own investment and bridge the consumption need in slack season. In addition to cash savings, poor household's savings take various forms of direct investment. The value of such investment may be substantial and it may even be higher than cash savings. MFIs are expected to contribute to accumulation of both working and fixed capital of the poor. (Hossain, 1984; Rahman 1996; and Zaman 2004).

S. R. Osmani (2012) also upholds the positive contribution of microcredit in asset accumulation by the poor. Access to microcredit was found to enhance the probability of moving up the asset ladder and to reduce the probability of falling. While this is true for both poor and non-poor households, the effect is much stronger for the poor. Most of the poor borrowers started their journey in life with fewer assets compared to poor non-borrowers. But over time they have been able to accumulate assets at a faster pace in comparison with poor non-borrowers, thereby narrowing the original gap in endowments, and access to microcredit is found to have made a positive contribution in this regard. Furthermore, faster pace of asset accumulation has not remained confined only to those borrowers who have utilised the loan productively; it has also extended to those who have used the loans mainly for consumption purposes. For the latter group, access to microcredit has helped by reducing the need for asset depletion at times of crises. The study has also found that microcredit's contribution to asset accumulation has translated itself into contribution to poverty reduction. Access to microcredit reduces the probability of being poor by 2.5 per cent.

4.4 Empowerment of women: In Bangladesh, recipients of microfinance are above 90% women who have been able to raise their empowerment through involvement in income generating activities. Empowerment of women includes both material and non-material benefits achieved through participation in micro credit programs. Material benefits mean increase in income, nutrition, food security, health care facilities etc. Non- material benefits include increase in power of decision-making, self-sense of honor, respect and recognition from family members and others of the society and higher mobility. Though Goetz and Gupta (1996) reveal minimal impact of microfinance on empowerment of woman, many studies like Rahman (1996), Hashemi, Schular and Riley (1996), Mahmud (2000, 2004) show positive correlation between participation in microfinance and empowerment of woman.

4.5 Impacts on Human Capital Formation: Besides micro credit programs, some MFIs conduct non-formal education, health and other social programs, which contribute to increase in school enrollment and education of children of poor households. Most MFIs require that the members learn to sign their names. Thus MFIs have been effective in generating relevant skills and social awareness, which leads to human capital formation badly needed for socio economic upliftment of the poor. (Rahman 1996; Khandker 1998, BIDS 2001).

4.6 Employment of Large Numbers of Graduates: MFIs do not only create self-employment for millions of the poor, these institutes also generate jobs for more than 0.10 million young graduates. The continued tireless service rendered by thousands of committed and devoted graduates across the whole of Bangladesh has contributed a lot to make the microfinance industry a success in Bangladesh and the most viable model for financial inclusion of the poor of the globe. Based on information provided for the fiscal year 2010 by 482 NGO-MFIs, microfinance sector has created direct job opportunities for over 110,000 people; 82 percent of them are male and 18 percent are female (MRA, 2010).

4.7 Export of Bangladeshi Model of MFI: The success of group based microcredit lending model among the poor in Bangladesh initiated by Nobel Peace Winner Prof. Mohammad Yunus is not confined only in the territory of Bangladesh, its wave has also reached other developing as well as developed countries of the world creating hope of relief from poverty and social exclusion among millions of the poor. Such success has generated markets abroad for Bangladeshi large MFIs (e.g. BRAC, ASA) to sell their service in building MFIs.

5. Challenges

5.1 Inclusion of Hardcore Poor: Some studies report that MFIs have been able to reach among half of the poor of the country. MFIs have failed to reach the hard core poor in particular. The very poor or hardcore poor accounts for 19.9% of rural population who are often severely undernourished, marginalized and often ill or unable to work. They are excluded from microfinance for a range of causes relating to their low capacity, low self-esteem and vulnerability.

5.2 Reaching Economically Backward Region: MFIs/NGOs could not become able effectively to reach among the people of economically backward regions of the country. As a result, MFIs showed poor performance to reduce poverty in economically poor areas. It implies that the success of NGOs' operations depends largely on the better performance of key sectors of national economy (agriculture/industry) and without Government direct support, NGOs approach is not fully effective to produce pro-poor growth in economically backward regions.

5.3 Graduation of Micro finance Recipients: Another burning issue for MFIs is to help those who graduated using microfinance and need large loan to develop SMEs.

5.4 Overlapping: It is alleged that in some cases microfinance has created debt cycles to pay the installments of loan by making fresh loan from. Now it is imperative to address the issue of overlapping for sustainability of MFIs and small borrowers.

5.5 Sustainability: The issue of sustainability has drawn much attention of all stakeholders of microfinance due to (a) higher dependence of microfinance on subsidies/donor funds (b) high interest rate and operational cost (c) interest of transforming microfinance programs into financially viable ones to attract commercial funds for scaling up programs. In Bangladesh, large MFIs have attained near sustainability but a good number of MFIs still depend on subsidized funds like Palli Karma Sahayak Foudation (PKSF) fund and donor's fund. In fact, if we want to extend outreach of microfinance among the excluded poor, and cater the demand of large loan of the graduated microfinance recipients, we need both soft and commercial fund since subsidized and donor's funds are not sufficient to meet the growing demand.

5.6 Diversification of products: So far, the focus by NGO/MFIs has mainly been on delivering credit. However, the poor need financial services covering the entire gamut - savings, loans, insurance, credit, payments, pension etc. By providing these services, NGO/MFIs can accelerate the pace of effective financial inclusion.

5.7 Governance: Good governance is essential to ensure quality of leadership and management. Governance and financial sustainability are also closely interrelated. Weak governance and management characterize many MFIs in Bangladesh. Many MFIs became club of retired persons and close relative of social elite having no understanding and commitment regarding microfinance industry. One key challenge for survival of the microfinance is to ensure accountability and transparency in overall management of MFIs.

5.9 Regulation and Supervision: The MRA is now the sole watchdog of the vast microfinance market of the country. As a new organization, it is evolving day by day. The present capacity of this regulatory organization seems to be insufficient in terms of manpower, resource base and geographical concentration (only in Dhaka). Besides, all MFIs in Bangladesh are incorporated under 4 different laws that has created many problems. There is therefore a need to bring all MFIs under one common law as Bank Company Act, 1991.

5.10 Ownership: Except Grameen Bank, all MFIs have not yet included representatives from among the clients of micro finance.

5.11 Research and Training: There is the lack of skilled manpower and research works in addressing emerging issues of microfinance.

6. Policy Options and Conclusions

Key policy options

(1) Expansion of Outreach: To enhance the outreach in remote area and provide fast services to existing customers, MFIs need cost effective channel. In this case, mobile financial services are the best options. MFIs may establish partnerships with mobile phone operators and banks to reach the unbanked low income people. Presently some MFIs are providing only foreign remittances; other mobile financial services such as deposits, person to person payments may be launched.

(2) Adequacy of Fund: MFIs need more funds to serve graduated clients and the unbanked poor people. Enhanced supply of funds for graduated clients can be made possible by (a) raising voluntary and involuntary savings of NGOs/MFIs (b) attracting more funds from commercial banks (c) increasing size of wholesale funds (PKSF) (d) introducing loan guarantee services (e) raising fund from capital markets and (f) securitization of income receivables of MFIs. Soft funds for hard core poor may be increased through greater involvement of large MFIs and donor agencies. The present allocations for different ministries/departments of the Government in serving the hard core poor must be enhanced. The fund for CSR allocated by private companies must be increased to meet various needs of the hard-core poor.

(3) Strengthening Supervisory Framework: The overall strength and capacity of MRA needs to be enhanced significantly in terms of manpower, resource base, geographical outreach and rule making authority in order to make it capable of meeting all of its operational targets. Supervisory works must be streamlined towards ensuring good governance of MFIs, which is vital for financial and operational sustainability. Days are gone for soft loans funds; good governance is a must for continued growth of commercial funds.

(4) Broadening Ownership: To make MFIs more transparent, accountable and people-oriented, new measures may be taken to include representative from micro borrowers and non-political highly honoured professionals having good grounding on microfinance and its mission.

(5) Diversification of Products: MFIs must diversify financial products and innovate suitable products for extending horizontal and vertical outreach of microfinance with a view to addressing the financial needs of the poor. Such diversification will ensure viability of MFIs as well as its programs designed for poverty alleviation. All groups of the poor are likely to need financial services relating to savings, credit and insurance.

(6) Rational interest rate: A crucial factor to attain sustainability is the application of rational interest rate. One may argue that MFIs set high interest rate in the name of poverty alleviation and the poor people would not be able to break the vicious circle of poverty if interest rate is not lowered. This is not justified. MFIs in Bangladesh charge between 11-15 percent flat interests which is much lower than that of money lenders (more than 100%) and BRI (27%) - a successful commercial MFI in Indonesia. The interest rate of MFIs is high as compared to that of commercial banks since transactions costs are higher in dealing with small loans and taking financial intermediary directly to the Poor's doorstep. Surplus generated from this operation is revealed back through the revolving fund in order to be able to serve more clients and enhance loan size. MFIs should charge such interest rate to cover operational cost with a view to achieving sustainability and attracting huge commercial funds into microfinance industry.

(7) Programs for Hard core poor: They need support beyond subsidized funds, which includes food relief, training and health facilities. Already Grameen Bank and large MFIs have taken special programs to address the problems of hardcore poor. But well coordinated area based sufficient programs are required. Each large MFI can be given the lead role in particular economically backward area to avoid overlapping. Government support must also be continued for hardcore poor through enhanced investment in physical and social infrastructures under different Government ministries/departments, and social safety nets.

(8) National Data Base: There must be a national data base covering all institutions providing microfinance. This needs concerted efforts by MRA, PKSF and large MFIs. This database will ensure accountability and transparency in micro finance operations and remove the overlapping problems. MRA may do comprehensive multidimensional credit rating of all licensed NGO-MFIs and make them public regularly.

(9) Strengthening Research and Training Capability: MFIs are facing many emerging issues that need to be addressed for smooth development of the microfinance industry. To meet the present and future challenges, it is imperative to strengthen research and training capability of MRA.

Conclusion

Despite many initiatives from Government, private and social sector, one-third of population in Bangladesh are still passing their days in abject poverty. Since poverty is a multidimensional complex problem, microfinance alone can not eradicate poverty. Effective poverty reduction needs concerted efforts from Government, private and social sector that include maintaining sustainable growth trend in agriculture, industry and manpower export. It requires strengthening of local governments, adoption of sustainable measures for mitigation of sufferings of people affected by recurring natural disasters and population controls.

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Annexure I(A)

A Summary of Key Impact Assessment Studies

Source	Economic Indicators	Type of Change	Social Indicators	Type Change
Hossain 1988	Working capital	+		
	Non-agricultural Investment	+		
	Agricultural Investment	?	Social Investment	+
	Labour force participation rate	+		
	Income	+		
BIDS 1990	Income	+		
	Expenditure	?	Child/women ratio	?
	Employment	+	School enrolment	+
	Land purchase	+		
Pitt & Khandker 1995	Various Labour Supply	+		
	Men's Labour Supply	-		
	Household Expenditure	+		
Khandker 1998/2003	Income	+		

Source: *Ahmed, Salehuddin, 2004: "Microcredit and Poverty: New Realities and Strategic Issues*

Annexure I(B)

Key Findings of PKSF ME Study by BIDS

Broad Category	Economic Indicators	Type of Change	Cause of Change
	Income	+	
	Food Security	+	Greater Access to cultivable lan through the rental market
	Wage (land poor)	+	Transport and other non-agri. activities supported by micro cr
	Employment (land poor)	+	Better access to the land renta m Wage employmen in non-ag. se
Economic Impact	Assets (land poor)	+	Av, lower land size than non-participants larger operational h impact of MF (poultry, livestoc bicycles, rickshaw/van)
Social and other Development impacts	Fertility and contraceptive use	+	Programme participation female method dominate
	Health and nutrition	+	Programme placement effect
	Sanitation and drinking water	+	Programme participation
	Literacy and school enrolment of children		Programme participation
	Social mobility	?	
	Women's participation and household welfare	+	participation in a microcredit programme increasing women's income

Source: *Ahmed, Salehuddin, 2004: "Microcredit and Poverty: New Realities and Strategic Issues"*

Annexure II

Disbursement of Microfinance in Different Activities by NGO-MFIs

Sub-Sector	% disbursement upto December 2001	% disbursement upto June 2006
Agriculture	12.77	12.23
Fisheries	4.48	4.91
Food processing	7.11	3.78
Small business	41.81	43.02
Cottage Industry	3.08	3.03
Transport	3.49	2.78
Housing	1.30	1.16
Health	0.39	0.45
Education	0.02	0.08
Livestock	20.53	18.11
Others		

Sources: *CDF Ststistics, Various Issues*

Annexure III(A)

Types of NGO-MFIs and their Market Share in June 2010

NGO-MFI Type	Range of Borrowers	No. of MFIs	No. of Clients	No. of Borrowers	No. of Employees	Loan Outstanding (Million Tk.)	Savings (Million Tk.)
Very Large	More than 5 Lac	5	16103056	11959193	56563	91706.30	32561.25
Large	1 Lac to 5 Lac	21	3962855	3177550	21907	23471.71	8534.28
Medium	10000 to 1 lac	115	4142141	3244888	23465	24575.01	8212.12
Small	Less than 10000	341	1238087	935661	8281	5897.96	2414.77

Source : *MRA (2010)*

Annexure III(B)

Fund Composition of NGO-MFIs in Bangladesh

Source of Fund	June 2008		June 2009		June 2010	
	(Million)	(%)	(Million)	(%)	(Million)	(%)
Clients' Savings	36397.32	29.66%	40526.91	29.73%	47436.35	31.15%
Loan from PKSF	22708.58	18.50%	22666.20	16.63%	24484.12	16.08%
Loan from Commercial Banks	23487.03	19.13%	23896.37	17.53%	23006.41	15.11%
Donors' Fund	4549.07	3.71%	4110.29	3.02%	4109.29	2.70%
Cumulative Surplus	31170.02	25.39%	36261.74	26.60%	42339.27	27.80%
Other Funds	4435.49	3.61%	8847.97	6.49%	10907.40	7.16%
Total	12747.51	100.00%	136309.48	100.00%	152282.84	100.00%

Source : *MRA (2010)*

Annexure IV(A)

Selected Indicators of NGO-MFIs in Bangladesh

Particulars	June, 2006	June, 2007	June, 2008	June, 2009	June, 2010
Savings per member (Tk.)	1207.34	1332.66	1448.36	1735.52	2097.83
Outstanding loan per borrower (Tk.)	4377.11	5048.38	5614.55	6188.01	7558.92
Borrower to client (member) ratio	75.05%	81.66%	81.18%	78.92%	78.03%
Savings to Outstanding loan ratio	36.75%	32.33%	31.78%	35.54%	35.56%
Borrower per Branch	1413	1484	1496	1036	1115
Member per Branch	1883	1817	1843	1312	1429
Outstanding loan per Branch (Million Tk.)	6.19	7.49	8.40	6.41	8.42
Savings per Branch (Million Tk.)	2.27	2.42	2.67	2.28	2.99

Source : *MRA (2010)*

Annexure IV(B)

Selected Ratio Analysis of Top NGO-MFIs in Bangladesh

Name of NGO-MFIs	Capital Adequacy Ratio (%)	Loan Outstanding to Borrower Ratio (in times)	Ratio of Classified loans to Total loan Outstanding (%)
BRAC	30.01	2.80	7.20
ASA	80.07	14.10	2.70
Buro Bangladesh	18.40	1.30	3.50
Thengamara Mohila Sabuj Sangha (TMSS)	22.30	4.98	3.20
Jagorani Chakra Foundation	18.68	1.15	9.00
Society for Social Service	15.30	1.51	2.00
Shakti Foundation for Disadvantage Women	25.53	2.11	1.30
United Development Initiatives for Programmed Actions-UDDIPAN	11.10	1.51	2.00
RDRS Bangladesh	62.05	2.40	19.60
CARITAS Bangladesh	43.03	100.00	15.00

Source : *MRA (2010)*

Annexure V(A)

Cost Scenario of Top NGO-MFIs in Bangladesh

Name of NGO-MFIs	Saving cost Ratio	Borrowing cost Ratio	Financial cost Ratio	General & Admin.cost Ratio	Total Operating cost for L/O
	Per 100Tk.	Per 100 Tk.	Per 100Tk.	Per 100 Tk.	Per 100Tk.
	(a)	(b)	(c)=(a+b)	(d)	(e)=(c+d)
BRAC	2.59	5.87	8.46	11.83	20.28
ASA	0.62	0.39	1.01	16.38	17.39
Buro Bangladesh	1.72	11.16	12.88	17.98	30.86
Thengamara Mohila Sabuj Sangha (TMSS)	0.64	3.18	3.82	15.37	19.18
Jagorani Chakra Foundation	1.63	4.57	6.20	11.18	17.38
Society for Social Service	2.21	4.55	6.76	15.21	21.97
Shakti Foundation for Disadvantaged Women	1.09	8.46	9.55	14.94	24.48
United Development Initiatives for Programmed Actions-UDDIPAN	1.11	4.22	5.33	14.87	20.20
RDRS Bangladesh	2.32	2.24	4.56	18.45	23.01
CARITAS Bangladesh	2.86	0.00	2.86	13.47	16.33
Average of Top Ten NGOs	1.68	4.46	6.14	14.97	21.11
Average of 482 NGOs	1.80	2.23	4.03	17.99	22.02

Source : *MRA (2010)*

Annexure V(B)

Sustainability Analysis of Top NGO-MFIs in Bangladesh

Name of NGO-MFIs	Portfolio Yield	Interest Rate Spread	Return on Asset (ROA)	Operational Self-Sufficiency (OSS)
BRAC	29.52	21.07	3.64	114.29
ASA	26.99	25.97	9.28	143.55
Buro Bangladesh	31.62	18.73	0.86	97.54
Thengamara Mohila Sabuj Sangha (TMSS)	22.94	19.13	2.95	110.32
Jagorani Chakra Foundation	22.53	16.33	4.88	125.40
Society for Social Service	25.87	19.12	4.36	108.56
Shakti Foundation for Disadvantaged Women	26.46	16.92	0.71	101.96
United Development Initiatives for Programmed Actions-UDDIPAN	23.58	18.25	3.65	107.45
RDRS Bangladesh	22.78	18.22	2.69	84.88
CARITAS Bangladesh	19.73	15.06	2.47	109.74
Average of Top Ten NGOs	25.02	18.88	3.59	110.37
Average of 482 NGOs	22.71	18.10	3.57	107.84

Source : *MRA (2010)*