Microenterprise Lending and Assistance Program (MELA)

Review, Analysis and Recommendations

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Executive Summary

As it enters the 21st century with an outstanding loan portfolio of Tk165 million lent to over 4,700 borrowers in one hundred branches, the MELA program has arrived at a transition plateau in its evolution to a mature development finance program. It is large enough to have a lending history, significant cash flow, and an emerging management capacity. On a practical and immediate basis, the two primary MELA constraints at this point are a shortage of management talent and a shortage of loan capital. However these constraints are resolved, the program has clearly moved beyond the "pilot program" stage while maintaining a high quality loan portfolio throughout its history.

However, in spite of its growth it is still very much a child of the parent BRAC VO program. In almost all ways, MELA is still primarily defined by its historical roots, in that it is still very much a "large VO program" offering standardized loan products based on the VO lending structure, heavy emphasis on collateral and personal relationship rather than business analysis, emphasis on volume and risk avoidance rather than calculated risk management, and characterized more by centralized rule-setting, rather than creative business strategy.

This stage is probably an unavoidable step in the evolution of the MELA program. The central question is if MELA will grow beyond its historical constraints to become a distinct and fundamentally different BRAC program, focused on small enterprises serving external markets. The unanswered question is whether MELA will succeed in its stated goal of creating wage employment and net new income and employment for rural Bangladesh communities. While there is no reason that MELA should not be able to outgrow its structural roots and current constraints, there is also no guarantee that it will successfully graduate from the current plateau on which it currently resides.

Overall, the program is healthy as it currently exists, with a solid portfolio, slowly emerging regional management capacity, and a broad base of small business loans. The gap that currently exists is not in what MELA has done, but in what it has failed to do. As mentioned previously, the current program can best be described as a "large VO program" and as such is unlikely to have any significant economic impact without significant change. The current lending activity is insufficiently focused and strategic to have much more of an impact than shuffling income and employment from one community business to another.

However, given the fact that MELA, like all businesses, must evolve through successive stages of growth, this current status is hopefully just a way-station on the road to a stronger and more well-developed future. Shorebank's recommendations contained in Section IV are extensive and self-explanatory, but the four major recommendations that justify special attention here are as follows:

1. MIS and Management Systems. MELA's current MIS and portfolio analysis procedures and capacity need to be significantly strengthened. The variety and complexity of MELA risk is much more complex than VO loan program risk, and

so MELA must significantly strengthen its MIS and management practices. MIS data ranging from scheme codes to incremental job creation to repeat borrower status needs to be incorporated into a more revealing system of data analysis. MELA management needs to itself become more proficient at data analysis, rather than relying on an MIS department that is ill equipped to perform the necessary strategic analyses of trends, portfolio, concentration, and other issues.

2. Program and Economic Development Strategy. MELA must create a program strategy that has much more substance than the current "grow volume and avoid risk" behavior pattern. Faced with complex rural economic forces and competitive issues, absent a strategic and much more tightly focused MELA program, the lending activities will not make any difference in the economic health of rural communities. The current unfocused drive to lend in all markets will insure that MELA will be successful in no markets. Each MELA branch should lend to no more than three business sectors. Unlike its larger banking cousins that can succeed based on volume and sheer size alone, the MELA program will only succeed on the strength and insight of its strategy, analysis and deeply informed market understanding of the rural economic "value chain".

3. Competitive Analysis and Product Line. Within the strategic context developed in #2 above, the MELA program drastically needs a much better understanding of the competitive context in which it is proposing to operate, and thus should embark on a series of market analyses that will help inform competitive strategies and product development. The current MELA loan product offering is a clone of the standardized and bureaucratic VO loan program (which was designed to serve a much less competitive and complex market). The MELA product line needs to be significantly more varied and market-driven if MELA is to be successful.

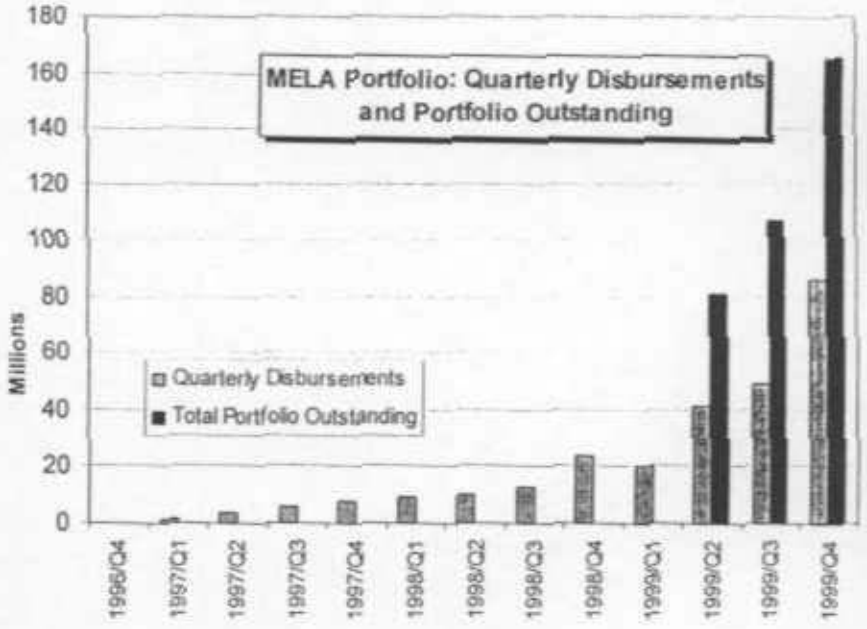
4. Management and Staff Capacity Building. If MELA is to reach its development impact potential, BRAC will need to train its existing staff, as well as hire additional POs with MBA / business backgrounds and fresh perspectives. Developing the skill base of both the new and existing 'old school' staffers will not be easy. The lack of financial skills in current staff is a very serious constraint on the ability of the program to make business loans. Without a consistent emphasis on building the business and market analysis skills of loan officers, and the strategic management & training ability of senior staff, the program will not achieve its development impact goals, irrespective of how much money is disbursed.

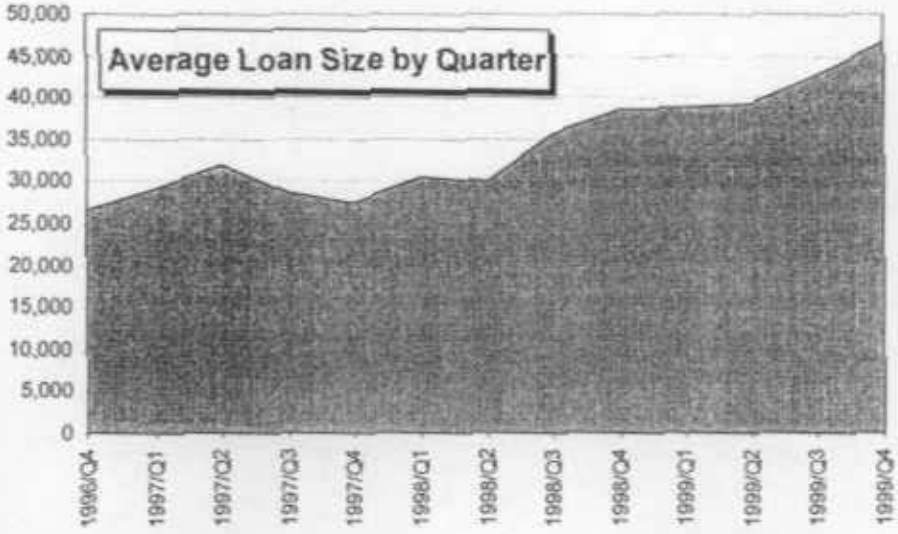
The potential of the MELA program is great, and it has been a pleasure for Shorebank staff to be associated with its development. We hope that the following pages are a useful and positive part of the continuing dialogue concerning this program, and offer some useful ideas to BRAC Management. As always, we are honored by the opportunity to work with BRAC, and to help support BRAC's leadership role in economic development and microfinance.

I. MELA Loan Portfolio Trends (1996-1999)

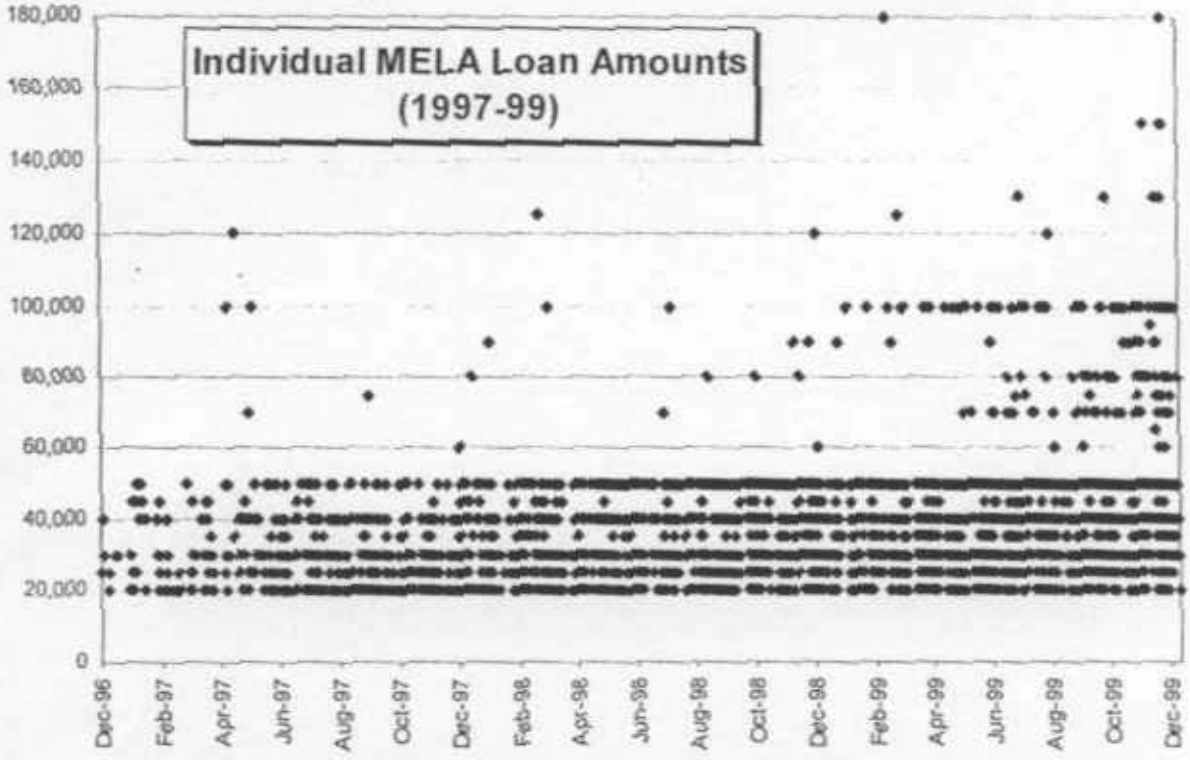
A. Portfolio and Average Loan Size Growth

While the first seven MELA loans were made in late 1996, MELA effectively began in 1997, so it is still very much a young and emerging program. In spite of its youth, with 6500 loans made as of December 1999, it is possible to begin some substantive analysis of the loan portfolio and program strategy. That is the intent of this section of this report. As the chart to the right illustrates, the program has grown rapidly since early 1997 to its year-end 1999 Tk165 million ($3.3MM) outstanding level. What is most interesting is not the fact that the portfolio and program in general has grown, for there has never been a question that the "large VO/small business" lending market was quite large, and could certainly absorb all of the funds that BRAC MELA would be able to generate. What is more interesting is the way that the MELA loan portfolio has emerged in terms of other characteristics besides simply volume. One of the strongest trends has been the consistent increase in average loan size, increasing from Tk26,600 in 1996 to Tk46,800 as of the end of 1999. As will be discussed elsewhere, this increase in loan

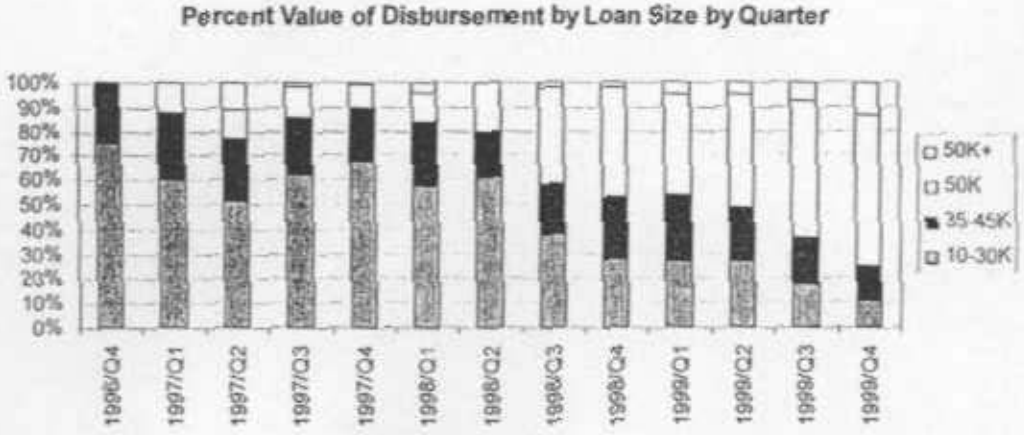




size has occurred without a significant increase in delinquency. It is believed that this increase in loan size is a result of both the growing confidence of the MELA staff/lending system and the very strong market demand in this loan segment. The irony is that, based on interviews with field staff and District Managers, the market demand is so strong that were it not for the still very conservative, VO-trained MELA staff and the constraints of the MELA lending bureaucracy, this average loan size would be significantly greater, probably around Tk100,000 or more. The constraints on the MELA lending portfolio are staff lending skills, culture and program design constraints that are internal to BRAC, not external market constraints.



The chart above has a single point for each of the 6500 MELA loans made since December 1996, organized by date. It not only shows the increasing intensity of total loan volume, but the increasing number of loans that are made at Tk50,000 and above.

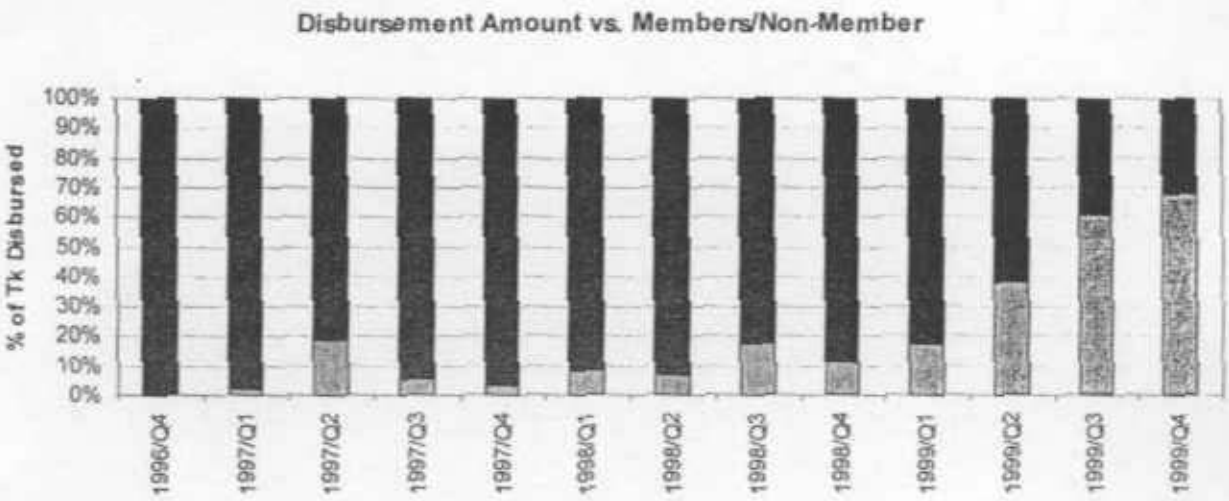


In a more summary fashion, the chart to the left shows the increasing concentration of the total portfolio outstanding in the Tk50,000 loan level. Specifically,

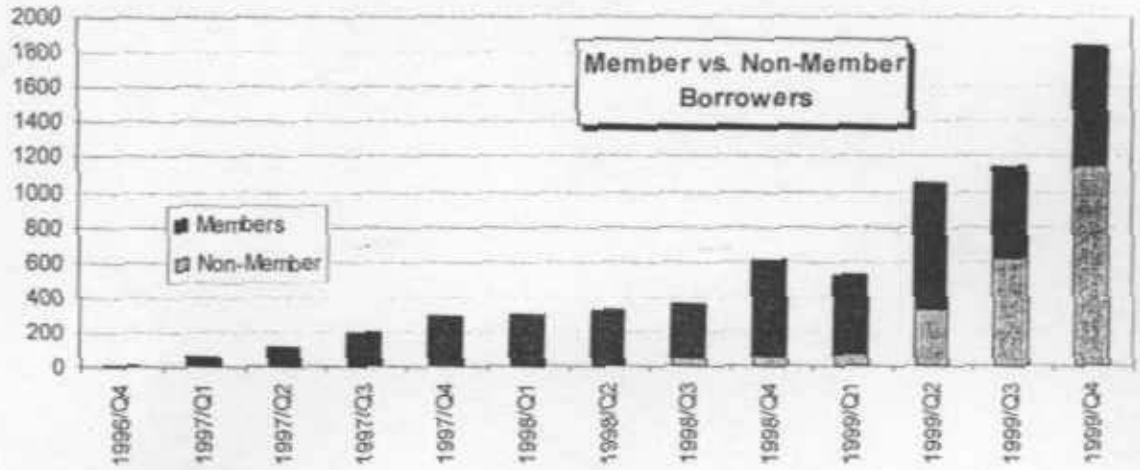
61% of the total disbursement volume in the fourth quarter of 1999 were in loans of Tk50,000. This trend is even stronger than suggested by the 61% figure, for 75% of the total value of disbursements was in loans of Tk50,000 value or greater.

Overall, this trend is both positive and necessary, for if MELA is to achieve its stated goal of growing existing small businesses, new rural jobs and wage employment, it must consistently increase its average loan size, eventually up to at least Tk150,000. This dramatic portfolio growth must be accompanied by a parallel development of staff, management and strategic capacity, for it is only through the development of strong management skills focused on implementing a highly focused and strategic MELA plan will this program achieve its economic development goals.

B. MELA Borrower Profile



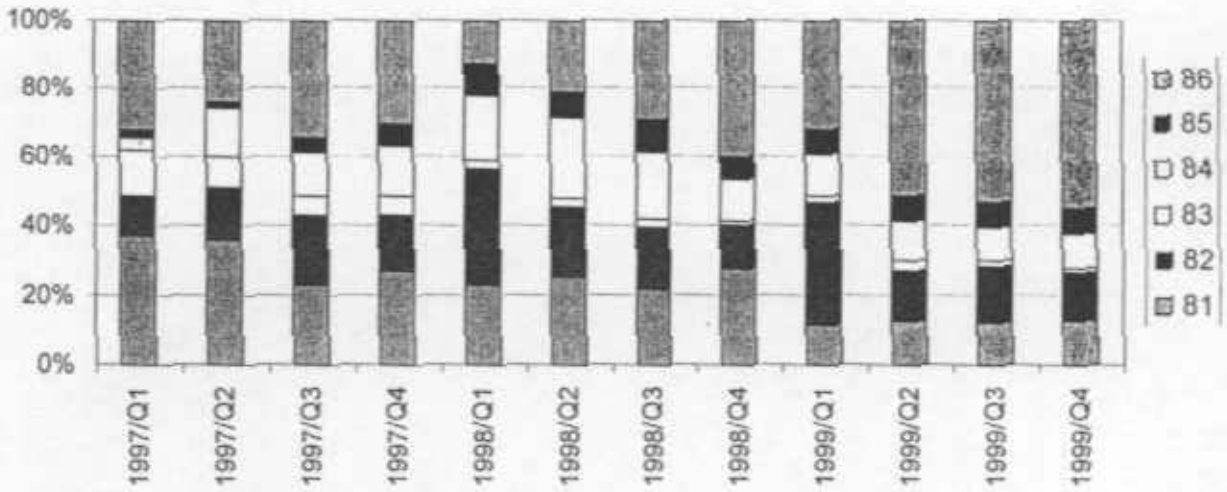
As the average loan size of the MELA loan has evolved, so have the characteristics of the MELA borrower. The primary shift with respect to MELA borrowers, as suggested by the graph below, has been to move away from the VO Member as a MELA borrower to the Non-VO Member. This is natural and not surprising, for the great majority of VO Members have neither the experience, skills or capital to move beyond self-employment to the creation of job creating, wage-employment generating small business firms.



This slow but important evolution away from VO Members as MELA borrowers is also consistent with the fact that the portfolio quality and past due loan data strongly suggest that VO Members are much higher risk MELA borrowers than Non-VO Members, as will be discussed in the loan credit quality section of this report. In the fourth quarter of 1999, 67% of MELA loan disbursements were made to Non-VO Members.

Another key shift that has been occurring with respect to the MELA Borrower has been with respect to the type of business (sector/scheme code)[1], as illustrated by the graph and table below. From the early days of the MELA program, when 37% of the loan volume

Disbursement Volume by Sector



disbursed was in the Textile sector and only 4% in the "Other" (code 86) category, the situation has been dramatically changed. As of the end of 1999, 55% of loan disbursement volume are now being made to the "Other" category, and only 16% to the Textile (code 81) sector. Unfortunately, given that the "Other" category is a catch-all of many types of borrowers, it is impossible to say more specifically what business sector is responsible for the growth of MELA loans. Under the Recommendations section, Shorebank makes strong recommendations that this system of loan categorization and scheme codes be significantly revised and improved, so that it will enable management to understand more clearly the nature of the MELA borrower, emerging markets, and risk characteristics across business sectors.

Loan Disbursement vs. Sector vs. Time

	Textiles	Cottage	Transport	Food Processing	Agro-Based	Other
1997/Q1	37%	11%	13%	4%	3%	32%
1997/Q2	36%	15%	9%	14%	2%	24%
1997/Q3	23%	20%	5%	13%	4%	35%

[1] 81 = textile sector, 82 = cottage industry , 83= transport sector, 84 = food processing sector, 85 = agro based sector, and 86 = 'other' (mainly groceries and restaurants/hotels)

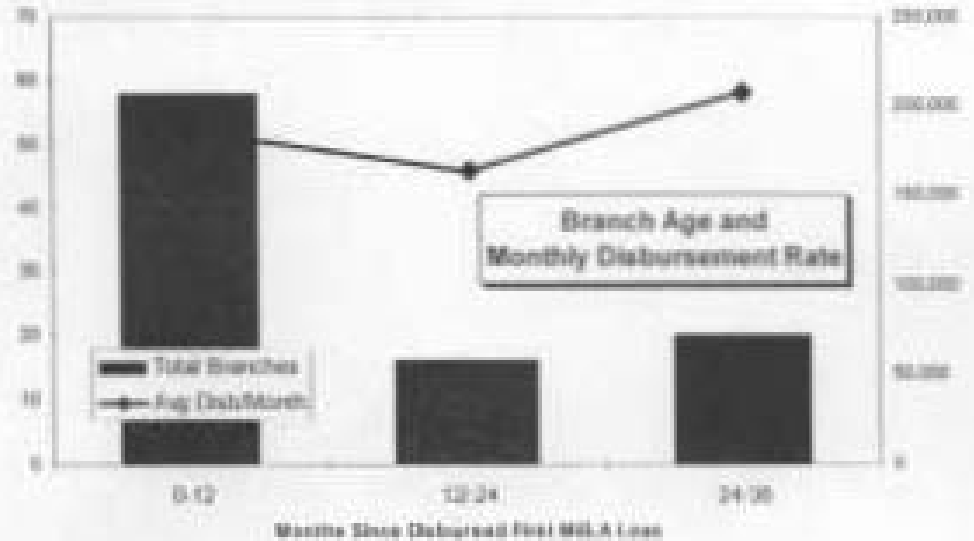
1997/Q4	27%	16%	5%	14%	7%	31%
1998/Q1	23%	34%	3%	19%	9%	13%
1998/Q2	25%	21%	2%	23%	8%	21%
1998/Q3	22%	18%	3%	19%	10%	29%
1998/Q4	26%	12%	1%	12%	6%	40%
1999/Q1	11%	36%	2%	12%	7%	32%
1999/Q2	15%	14%	3%	11%	7%	52%
1999/Q3	12%	16%	2%	10%	7%	54%
1999/Q4	13%	14%	1%	10%	7%	55%
Grand Total	16%	17%	2%	12%	7%	40%

C. Stages of Growth and Branch Productivity

Given the youth of the MELA program, it is unclear at this time what are the various "stages" of development that a MELA branch goes through as it ages and gains experience. Nonetheless, this question is important, for it will form the basis of projections for the MELA program, an essential element of future program management, financial projections, and capital/fundraising activities. It is useful to start with some background facts about the "age profile" of the existing 97 MELA branches. For purposes of this analysis, MELA Branch "age" is defined as the number of months since the particular branch disbursed the first MELA loan[1].

- 62% (58 branches) of the MELA branches are 1-12 months old ("Year 1 MELA Branches"); 17% (16 branches) are 13-24 months old ("Year 2 MELA Branches"); 21% (20 branches) are 25-36 months old ("Year 3 MELA Branches"). What is particularly notable is the high percentage of Year 1 MELA Branches that are very young. (see graph).

- Of the Tk271 million cumulative disbursed MELA loan funds through December 1999, 48% has been disbursed by Year 3 Branches; 20% disbursed by Year 2 Branches; and 32% by Year 1 Branches.



- Given the significant difference in branch ages, it is not appropriate to compare the total disbursement across branches or the level of portfolio outstanding.

- It may be useful, however, to attempt to understand the different levels and stages of MELA Branch productivity, as part of the larger process of understanding MELA Branch evolution and maturation. The graph on the previous page attempts to show the "productivity" of each of these different stages of MELA Branches, in terms of the disbursement per month per branch.

  What is surprising and disturbing about this analysis, however, is that the monthly productivity (disbursement per month) of the Year 3 MELA Branches (Tk208,000 per month) is not significantly more productive (only 6% improvement) in terms of loan disbursement value than the Year 1 Branches (Tk186,000/month). One would expect that with greater experience and more stable customer relationships, the productivity per branch would be significantly greater for Year 3 Branches.

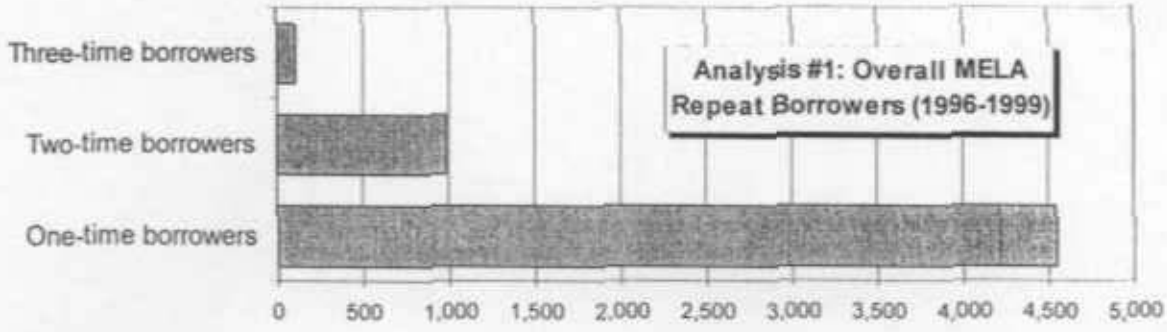
  What is of further concern is the actual drop in productivity for Year 2 Branches. The reason for this overall lack of significantly increased productivity is unclear.

II. MELA Repeat Borrowers: A Mystery

To be successful over the long term, MELA should be filling a continuing and defined capital lending gap and should have satisfied customers. One important indicator of this success is that MELA would have a high "repeat borrower" rate. If MELA borrowers are satisfied with the service and loan product they receive from MELA, it is unlikely that they are facing only a single, one-time capital need. If they are growing, they will need additional funds. If they are facing working capital needs, they will face a continuing need. Any business with relatively high transaction & marketing costs—and MELA is no exception—cannot survive without a high repeat customer rate. A low repeat borrower rate will insure that MELA will be forever chasing "new" borrowers, will have high outreach and marketing costs, will not develop a good reputation in the business community, and will have no enduring economic impact.

Unlike the VO program, MELA does not have a "captive" borrower pool that is tightly defined within a village or community group. MELA faces a very large pool of possible borrowers, competition of varying characteristics and strength, and a more selective customer base. For this reason, this Review has examined as best as possible the issue of repeat borrowers for MELA. The results of this analysis are disturbing, for the MELA repeat borrower rate is less than it should be. This analysis raises questions that can only be answered via a detailed and extensive "lost, non-repeat" borrower survey, for the information in the MIS system raises the issue of MELA repeat borrowers, but does not offer any significant insight into why the repeat borrower rate is as low as it is.

In summary, the repeat borrower rate is the best overall market test that should be measured, understood, and strategically managed by MELA Management. The only major exception is that if the MELA program is shifting its target market significantly



from one customer base to another customer base, then those customers from the first market segment would not be returning to borrow again, for MELA was shifting its focus and target market. Developing some insight into this overall question is the purpose of this section.

A. Analysis #1: Overall MELA Multiple-Loan Borrowers (1996-1999)

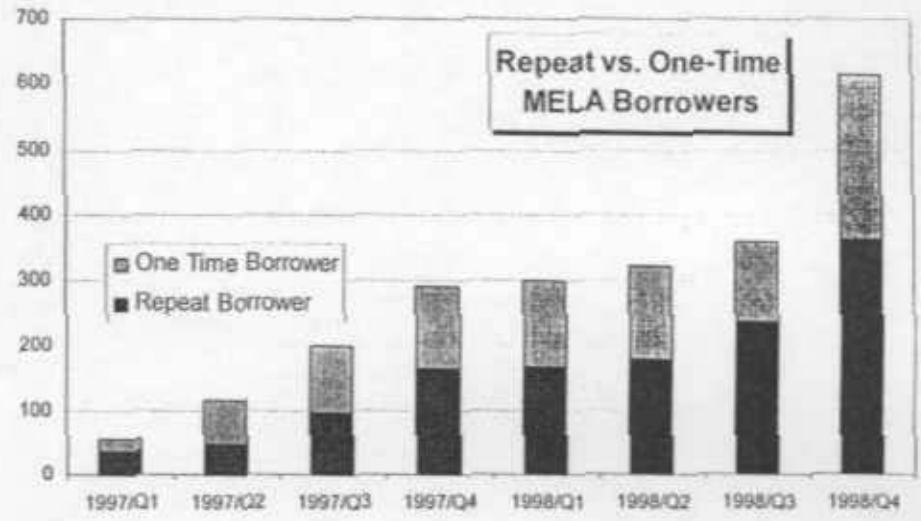
The first level of analysis was to work with the MIS Department to do a gross, overall analysis. Since the MELA program began, there have been 5,632 separate borrowers (80% or 4509 are VO Members)[2]. As the graph on the previous page suggests, of these 5,632 borrowers only 20% have taken more than one loan. Some have taken three loans (103 borrowers); some have taken two loans (984 borrowers) and the rest have taken only a single MELA loan (4,545 borrowers).

These numbers and this level of gross analysis is insufficient to accurately understand the repeat borrower performance, for there are MELA borrowers that have taken out a loan for the first time in 1999, so they have not had the opportunity to become a two or three-loan borrower. In spite of this caveat, however, these numbers begin to raise the question of repeat borrowers, for they seem lower in total than one would expect.

B. Analysis #2: Multiple-Loan Borrowers (1996-1998)

The next level of analysis will be restricted to asking a more refined and narrow question: "Of MELA borrowers that took out their first loan in 1996-1998, and have had sufficient time to pay off their 12/18/24 month loan, how many have taken out a second loan?"

This analysis is more restrictive, for it does not expect a borrower who took out a loan in 1999 to become a two-loan borrower (for a 1999 first-time borrower cannot become a two-loan borrower until at least 2000!). This analysis compensates for longer-term structures, and thus does not expect an eighteen-month loan borrower to become a repeat borrower in less than 18 months. To be precise, this analysis would have to do a borrower by borrower analysis or survey, and that is beyond the scope of this report. However, given that the MIS system does have a system to specifically identify each specific borrower and loan, and that information can be compared over time (1996-1999) on a monthly basis, it is suggested that this analysis is accurate enough to raise a substantive question about the MELA repeat borrower issue.

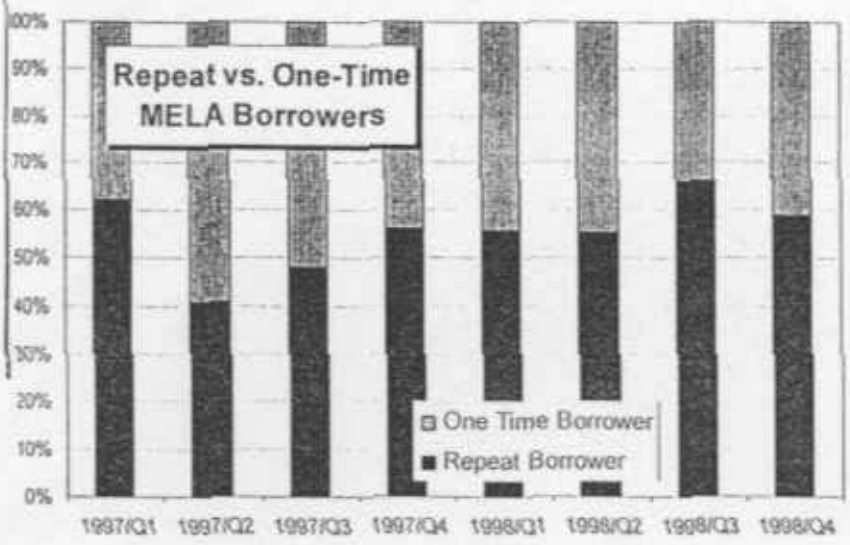


This analysis categorizes each borrower by the quarter that they first received a MELA loan, so as to see if there are shifts in the repeat borrower behavior over time and since

the beginning of the MELA program. So, the data in the second quarter of 1997 show of the potential repeat borrowers that took out their first MELA loan during 1997Q2, how many have taken out a second loan between that time and the end of 1999, and how many just took out a single loan in 1997Q2, and never took another MELA loan.

As the these two graphs suggest (see graphs above and below), it seems that the consistent trend since about 1997Q3 is that roughly 40-50% of MELA borrowers do not become repeat borrowers. Why this is the case is not known. The following paragraphs suggest some possible explanations, but they are still unsatisfactory, and raise more questions than answer.

One possible answer is that MELA staff is selecting the wrong borrowers in the first place and making them their first loans only to discover that they are poor credit risks, and therefore not approving additional loans. While this may be true, it is not supported by the MELA portfolio delinquency and overdue data (which is healthy). Portfolio credit quality data does not suggest sufficient loan quality problems that would be consistent with this explanation of poor borrower repayment performance creating low repeat borrower rates.



Another possible answer is that MELA is shifting its borrower market from some initial customer group such as VO Members to Non-VO Members. This might be part of this dynamic, but if so it would suggest that after an initial "shift" in 1997, the repeat borrower rate would be increasing, as the MELA borrower market was shifted to the new market. While this is a more persuasive explanation than the previous credit quality answer, this is still not totally consistent with the steady drop-out rate of 40%, although it is possible if the target market were experiencing continuing fluctuation and change, still into 1999.

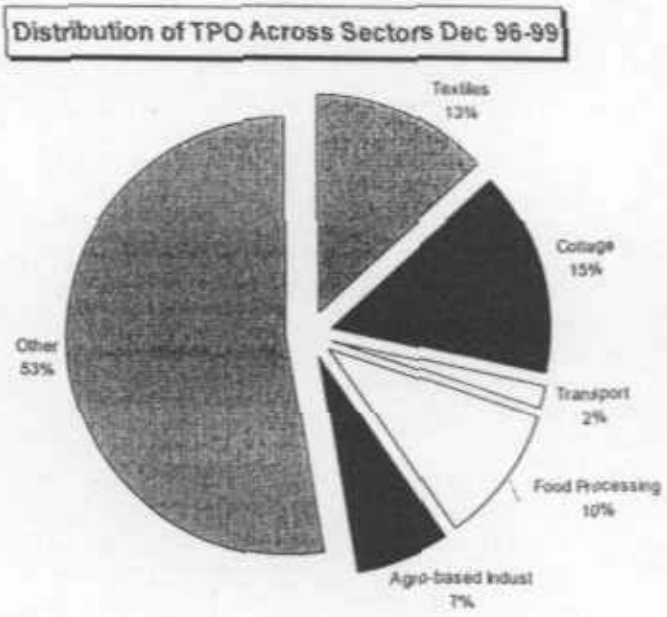
Some MELA District Managers suggested that the borrowers, after having taken their first MELA loan and understanding the effect of the MELA interest rate, chose to take their future financial needs to another institution that offered lower or more flexible terms. This may be possible, but to assume that the borrower does not understand before the first MELA loan is disbursed the competitive reality of the lending market and their ability to secure financing at other sources for better terms (only to discover it during the course of their first MELA loan) seems not likely.

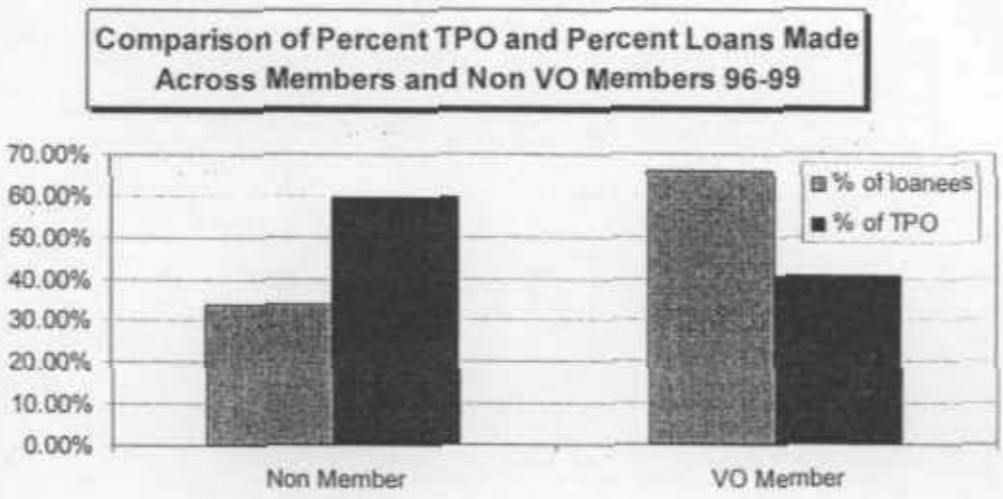
A third possibility is that after the MELA borrower completes his or her loan, there is no need for additional loan funds. While this is possible, it is unlikely.

In any event, the repeat MELA borrower issue needs further research and explanation, and an ongoing management measurement process, for this is a key market test of the MELA program. A 40% first-time borrower loss rate that persists over time is not healthy for the MELA program, unless it is a conscious result of clear strategic choices and is factored into the cost and performance projections for the future.

III. MELA Portfolio Analysis

Despite strong growth in loan size, in branches, in membership and in total portfolio outstanding (TPO) since MELA's inception, portfolio quality remains strong. Overdue loans and portfolio at risk (PAR) as a percent of the outstanding portfolio in December 1999 are at 0.6% (Tk417,778) and 2.34%(Tk3.6 MM) respectively. This is not surprising for four reasons. First, MELA lending officers and managers are all from BRAC's RDP program where a strong risk-averse culture prevails. Second, MELA makes up a tiny fraction of the market, thus MELA POs are easily able to cream the best customers. Third, POs are lending primarily to local retailers whose businesses are easier to both find and analyze. And fourth, larger loans are only made to businesses with substantial collateral, and the loan sizes disbursed are far smaller than the businesses can profitably absorb.

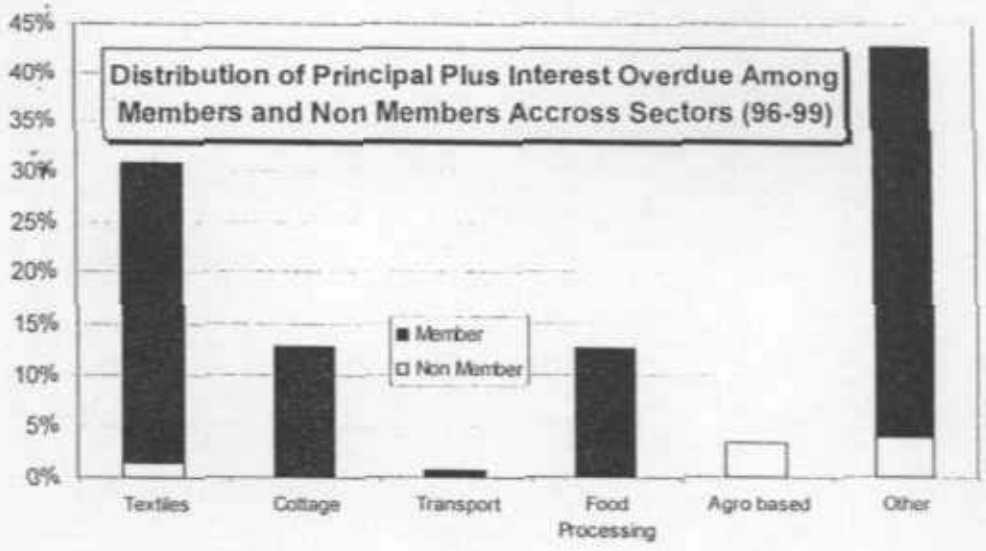




Although delinquency is low, it is still important to analyze why it is occurring, and whether there are any patterns or concentrations of 'risky' loans. Shorebank's five main findings are summarized in the following pages.

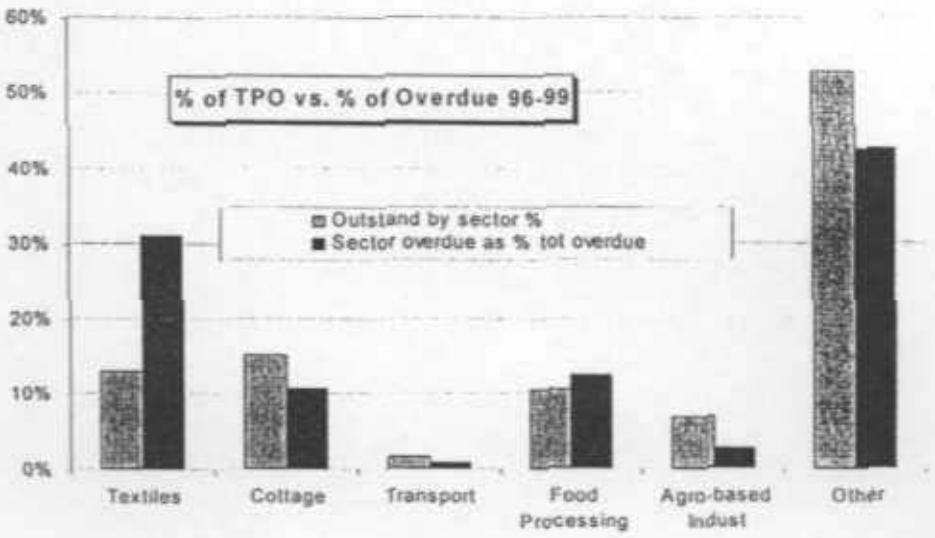
A. Most 'risky' loans are in the hands of former VO members

Since 1996, 40% of the value of all loans disbursed has been to former VO members, yet this group holds 72% of all loans at risk. It is likely that this is a function both of unsatisfactory borrower selection (i.e. not rejecting borrowers outright), as well as inadequate business analysis (especially in terms of cash flow and debt service coverage) and monitoring. VO members have historically handled far less cash at any one time with more frequent repayment periods. The larger MELA loan disbursements and the less frequent repayment period contribute to their inability to manage on time repayments.

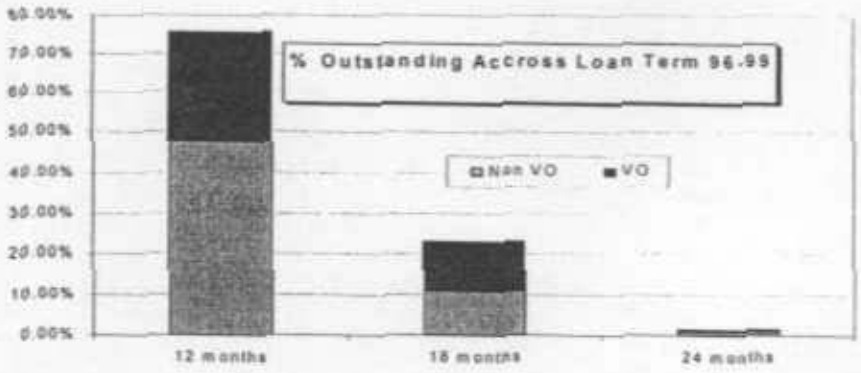


B. Most overdue loans are found in the 'other' category

The "other" category is made up primarily of groceries, restaurants and hotels. While it is not surprising given the total TPO in this sector (53%), we believe it should be lower given that these businesses are local retailers whose businesses should be relatively easy to analyze and monitor.

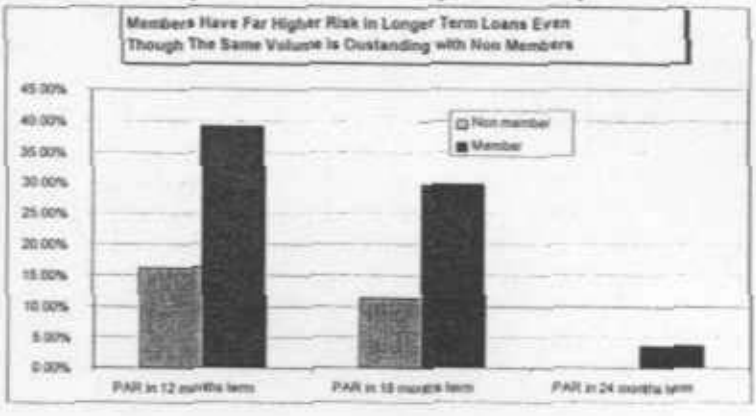


C. The textile sector has disproportionately more risk

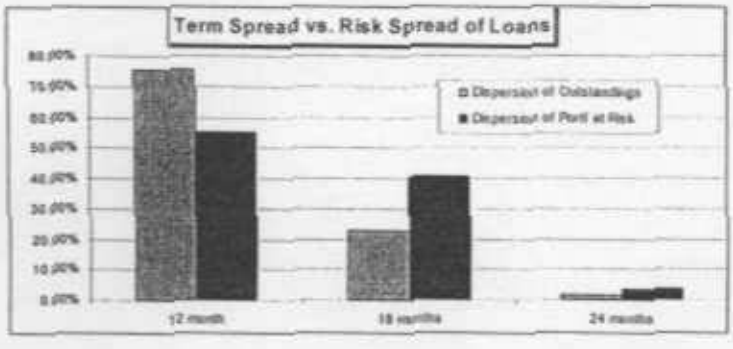


The textile sector has disproportionately more risk (30% of overdue loans) relative to its size in the outstanding portfolio (13%). Most (9%) of the risky textile loans have a term of 18-months. Since late 1996, former VO members make up 75% of the number of textile sector loans disbursed. Based on discussions with ten district managers, the handloom business is the most risky subsector in the textile group. The food processing sector has a slightly higher risk than its weight of TPO. Agro-based and cottage industries hold less risk relative to their weight in the portfolio. Yet, surprisingly, many district managers mentioned agro businesses as being one of the higher risk areas to lend in. The evidence, however, for the category as whole, does not bear this out. Cottage industry, a productive sector with significant job creation potential, has far less 'risky' loans outstanding (10%) compared with its weight in the TPO (15%). An effort to grow this sector will improve both MELA profitability and it development impact.

D. Disproportionate concentration of risk in longer-term loans to VO members.

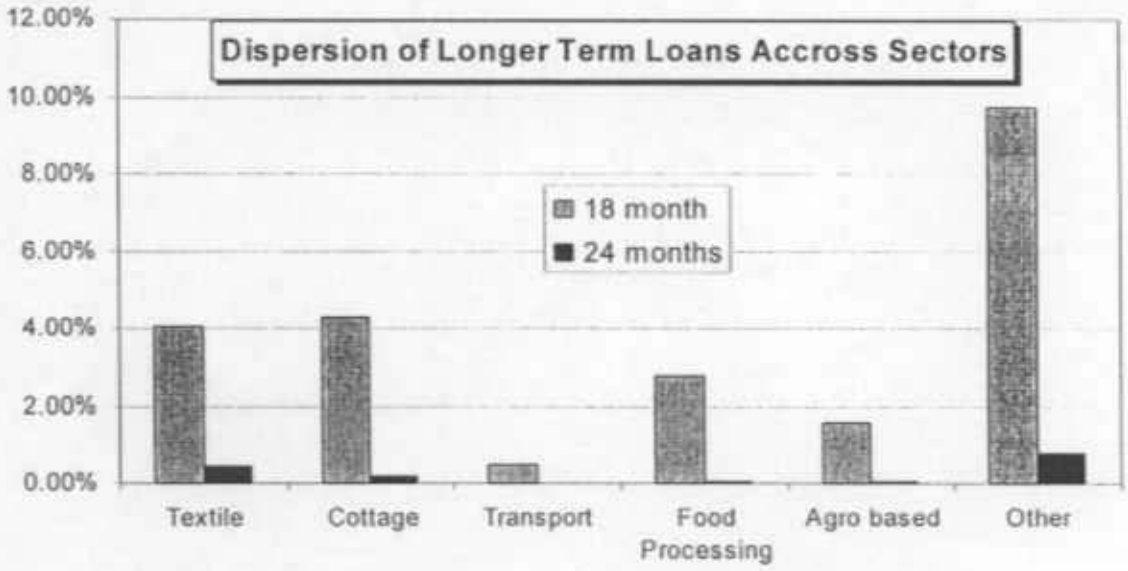


All 'risky' 24 - month loans are in the hands of VO members. Non-VO members do not have any delinquent loans in this category, despite the outstanding 24-month portfolio being split more or less equally between these groups. 18-month loans show similar trends in that former VO members hold three times as much or the 'risky' portfolio in this category. The chart above shows that both members and non-members have roughly the same outstanding taka in longer-term loans. Thus, all else being equal, we would expect these larger businesses to display similar delinquency trends. The chart above shows this is not the case. The problem is not simply one of proportionately higher delinquency in longer term



loans (as the table below would suggest). Rather, it rests with both borrower selection and the structuring of the longer term debt to fit the nature and cash flow of the business. It is not clear, for example, why a viable grocery business would require 18-month terms. Yet, the data shows us that over 25% of all 18 term loans are going to retail businesses in the 'other' category, which comprises primarily of groceries stores, restaurants and hotels. It is likely that both the loan size and the term of the loans to these stores contribute to the incidence of delinquency. The textile business makes up another 10% of 18-month loans. If the loans are to powerloom businesses, this makes sense. If they are to tailors, it does not. MELA POs need to receive more training on loan structuring, and tailor the loan structure to the financial dynamics and needs of the business.

Sectorwise Dispersion of Loans Across Term 96-99				
Sector	12 month	18 month	24 months	Grand Total
Textile	8.67%	4.03%	0.42%	13.12%
Cottage	10.70%	4.31%	0.21%	15.22%
Transport	1.13%	0.50%	0.00%	1.63%
Food Processing	7.61%	2.78%	0.06%	10.44%
Agro based	5.16%	1.56%	0.04%	6.77%
Other	42.29%	9.74%	0.79%	52.82%
Grand Total	75.56%	22.91%	1.53%	100.00%

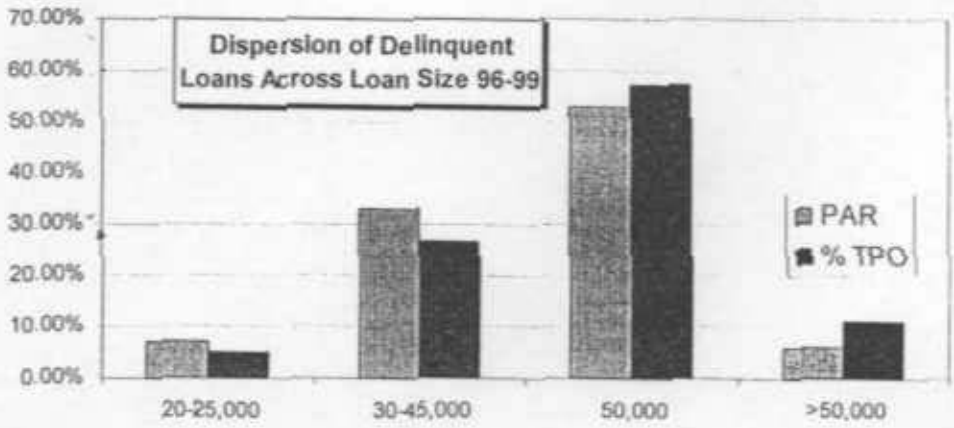


E. Smaller loan sizes (<Tk45,000) have proportionately higher delinquency

This surprising finding has a MELA corollary: larger loans (> Tk50,000) have relatively lower delinquency. Even more startling is that, in absolute terms, there is 6% of value of delinquent loans in the above Tk50,000 category and 7% in the > Tk25,000 category (see adjacent table). All delinquent borrowers in the <Tk25,000 loan size group are members. In the >Tk50,000 loan size group, delinquency is evenly split between members and non members.

Loan Size	20-25,000	30-45,000	50,000	>50,000
PAR	7.00%	33.00%	53.00%	6.00%
% TPO	4.90%	26.69%	57.50%	10.91%

The chart shows that since 1996 loans disbursed to borrowers with a loan size below Tk45,000 have carried more risk relative the amount disbursed in the same loan size category. The table shows which sectors have the most delinquent outstanding (taka) among borrowers who received a loan of Tk45,000 or below. The table below shows that most of the value of the delinquent loans in the < Tk50,000 – disbursement size category is in the hands of non members.



PAR Dispersion Across Loan size < Tk 50,000	
Textile	6.60%
Cottage	8.49%
Transport	0.28%
Food Processing	5.62%
Agro based	2.10%
Other	17.18%

Based on extensive discussions with MELA field staff (10 district managers) as well as a visit to two branches lead Shorebank to believe that business analysis of Members is not sufficient. Good character is not a substitute for being able to manage a larger cash flow. It is likely that certain members should never have received MELA loans in the first instance (i.e. a borrower selection problem). Even 'small loans' are substantially larger than what members have ever handled in the past. It is unlikely that borrowers can immediately absorb the full loan amount, and diversion of funds results. Fund diversion was cited by both head-office and field staff as another cause of delinquency. More careful analysis of loan use and appropriate loan size is needed. Where loans are made, more frequent repayment periods (e.g. bi-weekly) will reduce cash flow risk.

Loan Size	PAR - Non Member	PAR - Member	Total PAR
20000	0%	3%	3%
25000	0%	4%	4%
30000	0%	12%	13%
35000	1%	1%	2%
40000	2%	14%	16%
45000	0%	2%	2%
% Total PAR	4%	36%	40%

IV. MELA Program Recommendations

A. Management Information System

At present, the MELA MIS system is primarily a loan accounting system rather than an MIS system that supports management analysis and decisions. To support the current operations and future strategic decision making of MELA Management, this MIS System must be fundamentally strengthened, and the ability of MELA Management to analyze on their own the MIS data must be significantly improved. The list of recommendations below will complement (not replace) the more standard key indicator and monthly trend reporting that MELA should be generating, much along the same lines of BRAC's RDP VO lending program.

(1) Scheme code information. It is a certainty that the risk and performance of MELA loans will vary from one industry/business sector to another; it also a certainty that the economic impact of one sector is quite different from another sector. For both of these reasons (risk management and economic impact assessment) it is very important to track in useful detail the type of business being supported by the MELA loan. The current system of scheme codes is not effective, and what effectiveness it has is being quickly eroded as the concentration of loans in the "other" category increases.

As was recommended in the 1998 BRAC Donor Review, it is necessary that the current scheme code be redesigned and all loans be re-calibrated to the new system. There should not be a single sector that has more than 10% of the loans. The "other" category must be broken apart to reflect more precisely the loans in the category. To better understand the economic impact of the MELA program, there should be a more accurate description of each type of business, and at least twenty scheme code/sector categories should be developed to reflect the nature of the MELA supported businesses.

(2) Interest and Principle Tracking. The current MIS system does not track separately past due interest vs. past due principle. This lack of clarity and clear flaw in the MELA MIS system is surprising in a lending MFI organization of BRAC's experience, and should be remedied quickly. Without this detail, it is not possible to determine portfolio at risk, past due interest, and other key management data. All loans must be recalibrated to bring the MIS database up to date with this new information for all loans.

(3) Repeat Borrower Status and Borrower Credit Quality. Each separate borrower should have an MIS tracking process that categorizes the borrower with respect to scheme code, repeat status (how many loans they have received), delay time between loans received, and an overall rating of borrower credit quality.

(4) Job and Employment Information. The current job and employment information are essentially useless for any analytical or management purposes. A Tk50,000 loan to two businesses, one with fifty employees and another with five employees, are clearly very different transactions with different economic impact, and the role of the MELA funds are very different from both businesses, but the MIS system suggests that the MELA funds have "created" five employees with one loan and fifty employees with the other loan. What is essential is to track employment information that has meaning, rather than just fills a bureaucratic MIS slot.

There is a strong necessity to track different types of employment information: (a) what is the total employment of the company; (b) what additional employment is supported by the MELA loan (reality, not wishful thinking); and (c) what is the employment growth of the MELA supported business over time. Each of these is a different data field. The first two data fields are entered once only, when the loan is initially entered or disbursed. The third field is updated every six months or a year, so that BRAC can track the growth (or demise) of the enterprises that the MELA program supports. If it is deemed necessary by BRAC Management, two additional data fields can be entered when the loan is disbursed: percent of employment that is part-time vs. full-time, and percent employment that is female.

What is most important is the incremental or marginal impact of the MELA funds—what jobs are created as a result of MELA funds, and what is the growth of the MELA-supported enterprise over time. The goal is to support growing employment growth, and the MIS system must track that process.

(5) Competitive Lending Information. The MIS system needs to help inform MELA Management about competitive issues, and so each loan (when disbursed) should include information about other sources of loan funds used by the MELA borrower. A flexible number of fields in a linked data file should code and track the specific other banks or banking systems will help describe what other kinds of formal sources of funds the MELA borrower is utilizing: Islamic Bank, Agrani Bank, specific other non-profit MFI lenders, etc.

(6) Use of Funds. The level of risk varies greatly among different types of uses of MELA loan funds. Working capital, risk and lending structure differs significantly from the purchase of production equipment or the purchase of a building or a seasonal capital need. These different uses must be categorized and each loan when disbursed must be categorized as to the primary use of funds. If possible, the generic term "working capital" should be avoided, for it is so general as to often not be useful. More specific terms such as purchase of inventory or supporting receivables should be used.

(7) Management Data Review. Head office MELA management should review the results of this information on a monthly basis with each District Manager, for discussion, verification, and analysis.

(8) MIS Department vs. MELA Management Role Clarification. There is some potential confusion on the difference between the roles of the MIS Department vs. the role of MELA Management. Too many times during this MELA review, when questions of analysis, strategy, information or policy arose in the conversation the answer or strong reference was made to the "MIS Department". This can lead to confusion. It is certainly the role of the MIS department to collect data and information, store it accurately and completely, and create the capacity to generate standard reports. It is not the role of MIS to do analysis, to "answer questions", or to do any type of management or analytical analysis. This is not their skill base or their role. MELA Management needs to be able to develop the capacity to use easily available software such as Microsoft Excel to analyze the downloaded MIS database.[3]

(9) Portfolio at Risk. Sufficient data fields should be added to the MIS tracking process to allow an analysis of total portfolio at risk.

(10) Productivity and Profitability Information. Since MELA is planning to grow into a very large program relatively quickly, collecting and analyzing program wide information on costs and profitability becomes very important for head-office managers. Since all costs are fixed at the head-office level, this is less important for day-to-day branch management. Shorebank does suggest, however, that branches construct their own income statements and track their profitability monthly. Productivity information and analysis (loans per PO; portfolio yield per branch etc.), however, is critical at the branch level and a system should be set up to regularly calculate key ratios and track performance.

Finally, reports that enable management to analyze branch performance as a group of branches age (Yr 1 branches vs. Yr 2 etc) will be useful in rolling out and budgeting for new branches.

B. Program Management

(1) Program Management. MELA must have strong and 100% dedicated leadership if it is to accomplish its mission of enterprise creation, economic development, and job creation. The proximity of the MELA program to the strong cultural "magnet" of the VO program makes it difficult for the MELA program to develop along a different path, train for different skills, use different risk analysis techniques (business cash flow, not just collateral), and overall create a lending program that behaves very differently than the existing BRAC VO program. This suggests bringing in staff external from BRAC, and developing management strength totally dedicated to MELA.

Senior management should have a background and expertise in small business operations and lending. It is more important that this person have small business expertise than lending expertise; lending skills and analysis can be

learned, but "instincts" about small business operations, marketing and competitive forces are much, much harder to acquire via training.

(2) Staff Training. MELA District Managers and Lending Officers (POs) need training in competitive market analysis, and extracting and analyzing businesses financial and market information from businesses that do not keep formal records. This is a far more difficult job than that of a regular bank officer, who walks into a business and is presented with a set of financial statements to analyze. Constructing cash flow statements to understand a borrower's capacity to repay a loan is essential for any loan decision that is not based purely on collateral or character. Cash is highly fungible among MELAs targeted borrowers, moving towards the most pressing need of the moment. Shorebank believes that it is a primary job of each District Manager to train and mentor his loan officers. Training should thus be provided to District Managers, and possibly to the five top performing POs in high potential areas.

As part of the training, Shorebank advises that the old loan application form should be redesigned, and that POs are given (and trained in) a form that will assist their business analysis, rather than confusing it.

(3) Competitive Analyses. MELA management must commission a series of competitive analyses that are focused on understanding the competitive environment for the MELA products. These analyses may vary between District, but should be created to understand the lending environment in detail, and to help guide MELA management in its efforts to find the appropriate market and development niche for the MELA program. At present, there is a significant lack of knowledge about the competitive pressures and environment that MELA faces, and this "flying in the dark" will not be helpful to program growth and impact.

(4) Product Analysis. A similar competitive and market study needs to be done for each of MELA's current products. The current product lineup is a stepchild of the VO lending strategy and history, and is ill suited to the MELA lending market. Much greater understanding of the financial needs of MELA's target borrowers needs to be developed.

C. New Product Development

While a standardized, cookie-cutter product is appropriate for the majority of BRAC's VO lending market, MELA lends to a far wider range of businesses with different risk profiles, much more competitive pressures, and very different financial needs. Needs vary according to a businesse's stage in its life cycle (start-up, vs. mature), the sector in which it operates, and the use of the loan proceeds. While it is wise not to overload a new program with a wide range of products which vary with respect to term, price, size, repayment schedule, and incentives, MELA management should ensure that the needs of its primary target market are getting met by its product offering. The standard "VO loan"

that only varies with term is not sufficient to serve or compete well in the MELA market. If MELA is specifically targeting agro-based industries, for instance, it should be offering a seasonal product to meet the needs of these borrowers. For manufacturing equipment, for instance, the terms should be much longer. If not, one of two things will occur: the inappropriately structured loan will result in higher borrower delinquency, or the business will simply go elsewhere for capital that is more appropriately structured.

Similarly, if MELA wants to retain its top performing 'gold card' borrowers, it should reward them (e.g. a reduced interest rate for repeat borrowers who pay every installment on time). Finally, to remain the financial institution 'of choice' among borrowers, MELA should ensure that its price is competitive, while not compromising the sustainability of its program. Two product suggestions emerging from our discussions with District Managers are highlighted below:

(1) Short Term Lending Product. To meet a clearly stated market need, as defined by interviews with the MELA District Managers, MELA should develop a short-term (six month) loan product. At present, the one-year loan does not fit these shorter term, seasonal financing needs, and there is a high penalty in terms of a very high effective interest rate should a one-year loan borrower decide to pay off the one year loan in six months.

(2) Flexible Payment Terms. There is a market need for flexible payment terms with respect to term or payment schedule. This should be considered as part of the market and product market analyses suggested above.

D. Portfolio Management

1) As in the case of the RDP VO program, a series of key portfolio volume, quality, and productivity indicators should be tracked on a monthly basis. The current set of MELA portfolio reports are inadequate, and don't even meet the standard set by the VO program.

2) The aging of the portfolio outstanding is particularly critical, both across sectors and across districts and branches. Currently, the only piece of information head-office managers have is the absolute amount overdue at the district level. There is no management report on concentrations of delinquency among members or non-members, between sectors, across loan sizes, within different loan term categories, or within specific districts or branches.

3) Delinquency should be analyzed in any sub-sector category that has either 10% or more of the total portfolio outstanding or is particularly risky. The analogy in the RDP program would be breaking out rural trading into smaller sub-sectors because it has most of the TPO (and, thus a high percentage of risky loans) and analyzing risk in the housing sector, because of the traditionally higher delinquency in this sector, even though it has less than 4% of TPO.

4) The cottage industry sector holds a disproportionately lower amount of delinquent loans, while having significant development impact potential. As such, MELA management should seek to grow this sector and understand the constraints facing borrowers.

5) BRAC should conduct a field investigation into the higher risk in the textile area (handlooms) as well as the smaller grocery stores that have delinquent borrowers. Finally, Members' businesses should be as carefully scrutinized as non-members should.

E. Strategic MELA Focus and Risk Management Capacity

Sectoral Focus. Overall, MELA management should adopt a process whereby individual branches develop a much tighter sectoral or industry focus. At present, there is extreme diversity and spread in the markets that the MELA branches are attempting to serve. "Jack of all trades, Master of None."

Such a spread among divergent market segments will insure that the branch level MELA staff will be unable to develop significant market, business or risk analysis knowledge or depth, for they are attempting to cover far too many market segments. Increased MELA Loan Officer skill depth and experience—much desired by Senior BRAC Management—will be virtually impossible to attain, regardless of the amount of training offered to the MELA staff, without focusing each branch's MELA lending portfolio and target market. Only with a strategic focus by each branch can there be any possibility of economic impact, skill and expertise development by staff, increased risk management skill, and lower overall transaction costs.

As long as each MELA branch and PO is covering many markets, they will be frustrated in their attempts and ability to develop skill, market knowledge, and strategic impact. Without tighter focus, MELA will similarly be unable to develop a market presence or a successful competitive advantage in the small business lending market. Trying to compete in all markets insures lack of competitive success in any market, but unfortunately this is the current strategy of the MELA program. This lack of focus will insure that these branches and the MELA program will remain a "large VO lending program", with limited if any economic impact, no ability to manage risk, no competitive advantage, reliant on collateral based lending (just like the banks), and will experience a constant churn or turnover of borrowers due to being thinly-spread, reactive and not proactive lenders.

It is not suggested that each branch have only a single MELA market focus, but no more than three market segments or scheme codes should comprise each branches loan portfolio. This will imply that the MELA PO must learn to and be able to say "No!" to possible borrowers, for they will fall outside of the selected focus. This will be hard if Senior BRAC Management is pushing for "volume, volume" and "profitability", and not pushing for strategic focus, impact, and depth. So long as

BRAC Management does not reinforce the goal of strategy, focus and depth, the MELA program will continue to be a "large VO" lending program, with little to differentiate its value added or economic impact or ability to manage risk.

F. Developing a MELA Financial Model

- On a general basis, Shorebank believes there is no question given the relative size of the MELA lending market, increasing average loan sizes, and the small overhead required to support the program, that MELA can be a self-sustaining program if it can acquire sufficient capital.

- In spite of that reality, BRAC still needs to create a financial model for MELA to help project out alternate program scenarios. The model will help BRAC understand capital needs, manage cash flow at the branch level, and whether the program is having the desired impact. A model will also allow BRAC to test the impact of different program and product designs (interest rates and fees, term, loan size, staff ratios, the provision of technical assistance, repayment schedules) on program sustainability and performance.

  As always, the model will only be as useful and accurate as the input information. There was not sufficient time during this visit to design the model and acquire the detailed branch level and program information to create a useful model. Shorebank recommends that it work with BRAC senior management to develop a set of base assumptions, which are necessary to make any model construction meaningful.

- To create this model, at least the following information will be necessary. Some of this information is "fact" in that it defines what the program costs & ratios are at present; others are "variables" that can be modified to help develop alternate program projections (loan structure, interest rate mix, etc.)

  - MELA Branch level costs for staff, direct overhead and allocated overhead expenses, as well as regional/district level costs that are necessary to support the MELA program.
  - Initial assumptions about the loan to Taka to PO staff ratios.
  - Head Office expenses that are necessary to support the MELA program, and any allocated HO expense, by category
  - The different MELA loan product information: term, interest rate and payment structure, projected loss rates per sector.
  - Anticipated staff turnover behavior, projected sectoral concentration.
  - Projections of capital raising capacity – it will not be useful to create a model for a TK1,000 million MELA program if the expected capital raising capacity is only TK400 million, for instance.
  - Initial estimates of loan amount per job created will help to begin the modeling process for economic impact.

Appendix 1: Sample MELA Management Reports

It is beyond the scope of this report to detail the total range of management reports the MELA Management should develop and use monthly to effectively manage the MELA program, but the following are indicative of the nature and detail of the reports necessary to support a higher level of program and analysis and strategic management.

These reports below do not include the "standard" Portfolio Management Reports that are familiar to all BRAC Management: portfolio outstanding, disbursements, past due, credit quality, TPO at risk, etc. These portfolio quality and volume reports are standard and represent nothing new to BRAC, but, nonetheless, reports of this nature should be developed for MELA. These trend reports should have all the key indicators and ratios that enable a manager to determine the performance of a branch or district over time.

The reports described below are not loan accounting reports but more of "Portfolio Strategy and Management" reports that have a higher level of analysis than just "What is the MELA portfolio and how much of it is late?" type of reports than familiar to BRAC.

All of these reports can be either produced by the MIS department or by MELA Management using Microsoft Excel and, with practice, should take no more than one or two days per month to produce. Again, these reports listed below are only indications of the type of reports that should be developed: they are not a total list with detailed recommendations, but rather indicative of the type of analyses that should be performed monthly and discussed with the MELA District Managers on a regular basis.

A. Portfolio Concentration and Trend Reports[4]

	10-30K	35-45K	50K	50K+	Average Loan Size
1996/Q4	75%	25%	0%	0%	26,667
1997/Q1	60%	28%	11%	0%	29,138
1997/Q2	51%	25%	12%	10%	31,870
1997/Q3	62%	23%	12%	1%	28,663
1997/Q4	67%	22%	9%	0%	27,500
1998/Q1	57%	26%	11%	4%	30,548
1998/Q2	61%	18%	20%	0%	30,093
1998/Q3	37%	20%	40%	1%	35,752
1998/Q4	27%	24%	45%	2%	38,721
1999/Q1	27%	26%	41%	4%	38,918
1999/Q2	26%	21%	46%	4%	39,248
1999/Q3	17%	18%	56%	7%	42,911
1999/Q4	11%	14%	61%	13%	46,860
Total	25%	19%	47%	7%	26,667

Loan Amount Disbursed by Quarter by Sectors

	Textile	Cottage	Transport	Food Process	Agro-base	Other	Grand Total
1997/Q1	37%	11%	13%	4%	3%	32%	100%
1997/Q2	36%	15%	9%	14%	2%	24%	100%
1997/Q3	23%	20%	5%	13%	4%	35%	100%
1997/Q4	27%	16%	5%	14%	7%	31%	100%
1998/Q1	23%	34%	3%	19%	9%	13%	100%
1998/Q2	25%	21%	2%	23%	8%	21%	100%
1998/Q3	22%	18%	3%	19%	10%	29%	100%
1998/Q4	28%	12%	1%	12%	6%	40%	100%
1999/Q1	11%	36%	2%	12%	7%	32%	100%
1999/Q2	13%	14%	3%	11%	7%	52%	100%
1999/Q3	12%	16%	2%	10%	7%	54%	100%
1999/Q4	13%	14%	1%	10%	7%	55%	100%
Grand Total	16%	17%	2%	12%	7%	46%	100%

(When appropriate, this report should be revised to match the expanded and more detailed sectoral scheme suggested)

B. Borrower Profile Reports

Quarter [5]	Non-Member	Members	Non-Member	Members	Total
1996/Q4	0%	100%		160,000	160,000
1997/Q1	2%	98%	30,000	1,660,000	1,690,000
1997/Q2	19%	81%	680,000	2,985,000	3,665,000
1997/Q3	6%	94%	325,000	5,465,000	5,790,000
1997/Q4	3%	97%	260,000	7,770,000	8,030,000
1998/Q1	8%	92%	765,000	8,430,000	9,195,000
1998/Q2	7%	93%	655,000	9,065,000	9,720,000
1998/Q3	17%	83%	2,200,000	10,635,000	12,835,000
1998/Q4	11%	89%	2,715,000	21,060,000	23,775,000
1999/Q1	17%	83%	3,555,000	16,760,000	20,315,000
1999/Q2	39%	61%	15,915,000	25,295,000	41,210,000
1999/Q3	61%	39%	29,870,000	19,220,000	49,090,000
1999/Q4	68%	32%	58,245,000	27,790,000	86,035,000
Total	42%	58%	115,215,000	156,295,000	271,510,000

(This report is for total disbursement; is should also be done for TPO)

	1997/Q1	1997/Q2	1997/Q3	1997/Q4	1998/Q1	1998/Q2	1998/Q3	1998/Q4
One Time Borrower	38%	59%	52%	44%	44%	45%	34%	41%
Repeat Borrower	62%	41%	48%	56%	56%	55%	66%	59%

(The repeat borrower analysis should be done for sectors, districts and branches, to discern trends and issues.)

Appendix 2: Insights From Field Interviews

A. Market Information

- There is an insufficiently informed perception of market competition. Staff understands that there are competitors, and understand some of the reasons that borrowers prefer other lenders vs. MELA (interest rate, flexibility of payment terms, shorter term products, etc.) as well as some of the potential competitive advantages of MELA (lack of corruption, speed of response). Overall, however, the understanding is not an organized understanding of market forces, but more informal and ad hoc, and thus not useful to develop strategy and policy.
- Overall, there is not an organized understanding of the competitive advantage—actual or potential—for the MELA program. Absent such a strategic analysis and understanding, each branch and district will deal with competitive issues in an uncoordinated and uninformed manner, which will not be successful.
- District Managers believe that they could increase their volume significantly with some changes: (a) the development of a short-term (six month) loan product, or the ability to pay off a longer term loan early without an interest rate penalty (as is currently the case); (b) being able to lower the cost of the mortgage filing, as a result of being approved as a financial institution by the Bank of Bangladesh; (c) increasing the DM loan approval authority to Tk100,000.
- While in some areas, some banks are not interested in smaller loans, in other areas, the District Managers gave examples of other credit suppliers. Overall, however, there is insufficient competitive information to make any informed judgment except to state that there is competition to MELA.
- There is no sense of program, portfolio or competitive focus for the branches—they are responding to any and all potential and credit-worthy borrowers, in the desire to increase volume. This will effectively defeat the development of any competitive strategy or increased economic impact.

B. Portfolio Delinquency

Although they were uncomfortable to talk about it, MELA POs were aware of the higher delinquency among Members. They attributed it to: (a) a lack of other sources of cash to draw on during 'difficult' times; (b) an inability of the member to handle a larger loan; (c) diversion of funds into other activities; (e) inadequate analysis of the business; and (f) poor borrower selection, due to the 'good character' reference from the VO program.

Higher Risk Business	Problems borrowers face
Handloom (Textile)	Cheaper imported goods from competitors; expensive imported inputs
Oil Seed (Food Processing)	Seasonality of business; difficult to get stock of inputs; price of inputs fluctuates; subject to natural disasters
Agro Based businesses	Seasonality of business; difficult to get stock of inputs; price of inputs fluctuates; subject to diseases and natural disasters

C. Loan Process Highlights

- POs seek out around 50% of customers. The rest come to the branch. There is a far higher rejection rate among potential clients who approach MELA. POs visit the businesses at different times (mostly between 3 and 4 times) before making a loan.
- It takes, on average, around one month from the time of the loan application until the money is disbursed (assuming that the loan is less than Tk50,000 and does not have to go to the Head Office, which adds another month).
- The Tk50,000 ceiling on loan approvals at the district level cause most loans to be made at Tk50,000 or below.
- Larger loans take between one week and four weeks to get approved by head-office. This is, in part, because head-office requests additional information about the business and the borrower. The gathering of legal documents (e.g. for collateral) and the registration of the property usually takes another 10 days.

D. Loan Structuring

- Loans are not structured according to business's needs. POs make 'cookie cutter' loans that are mostly for 12 months.
- Decisions to increase the loan size or the duration of the loan term are often not related to either the nature of business, the borrower's ability to handle cash, or the actual cash flow that the business generates.
- No cash flow based lending is taking place, although POs do check the income streams that the borrowers receive. Loan officer training, and on the job support from trained District Managers should help overcome this problem.

E. Repeat Borrowers

- District Managers believe that the repeat borrower rate is around 80%. The MIS data shows it is lower. (40% of those borrowers who could take out a second loan are choosing not to do so, creating a repeat borrower rate of about 60%).
- Repeat borrowers requiring substantially larger loan sizes are all in the productive sector: food processing, textile and the cottage industry businesses

F. Missed Opportunities

- The development impact potential of MELA is limited due the lack of a strategy and direction from the head-office level. The primary message that MELA staff receives is: a) to get volume up and b) to keep delinquency down. And since there is an 'invisible cap' on loans at Tk50,000, the only way to get volume up is to lend to many businesses quickly. Hence the emphasis on grocery stores, etc.

  Productive businesses, where they are being sought out, could absorb larger amounts of capital and generate many more net new jobs than they are able to with the smaller loan amounts. At least half the District Managers said that they could disburse sixty Tk100,000 loans within a year, yet far fewer are being made. This is a catch-22

situation as, on the one hand, POs should ideally be trained in cash flow based lending before they can take on these larger loans. Yet, with the stringent collateral requirements demanded by the MELA program, they could certainly already be making some of these loans.

- Related to the above (i.e. MELA POs chasing any and all businesses across the board with no strategy), they are not developing depth expertise in particular productive sectors. This is a lost opportunity.

  Having sectional expertise will: a) lessen the portfolio risk as lenders come to better understand the business and its potential better and can make a better lending decision; b) help the borrower who will benefit from the lender's increased expertise and advice; c) increase productivity as the lender will take a shorter time if he/she knows the sector well; d) increase loan volume as, it is likely that the lender will be less afraid to make larger loans when he/she understands the risk better; e) increase development impact, and f) increase branch profits as a result of greater efficiency and reduced delinquency.

- POs who are instructed only to lend against substantial collateral ignore many good businesses run by people who have recently migrated to an area and do not own land (collateral). We believe that the amount of collateral demanded at this stage is excessive, especially for smaller non-Member loans. Once BRAC's lending officers can do cash-flow based lending, the need for collateral is far less.

- Around 30% of the RDP branches are not ideally located to reach MELA borrowers within a 15 km radius. It is likely that 'good' businesses are overlooked as a result. Either motorbikes in high potential areas or additional POs can address this.

- Shorter-term seasonal loans for borrowers who require cash for shorter periods (e.g. 6 to 8 months) will expand BRAC's borrower base in the agro sector.

- The lower than expected repeat borrower rate (discussed earlier) is clearly a lost opportunity in terms of earnings and development impact.

Footnotes

[1] Given that it often takes 3-6 months until a new MELA branch makes the first MELA loan, this method of aging MELA branches actually understates the actual age of the branch significantly.

[2] There is some confusion on the target group/non-target group designation that should be clarified. According to the MIS MELA records, there are 87 separate borrowers that over time been classified as both target group as well as non-target group. 77 of these members started as target group and then for the next loan were re-classified as non-target group. This may not be a issue of consequence, but should be examined. For loan tracking and repeat borrower analysis purposes, this is not a key issue, for the borrower still retained their distinct branch and member number.

[3] MELA management must develop the capacity to take a copy of the database (.dbf) files from MIS department, open and save that file in Excel, and then use the PivotTable and other tools of Excel to analyze trends, clusters, concentrations, and ratios. Excel has more than adequate capacity for this task, and should be used to its fullest to produce analyses, reports, trend reports and other targeted analyses. Analysis should be done on individual loan, branch, district and sector (scheme code) levels. Unlike the VO lending program, MELA Management must develop the capacity to create "real time" analyses of the MELA portfolio, market and sectoral conditions, and understand the data coming in from the field on a current basis, not waiting just for reports from the MIS department, although their standardized reports have their specific role and importance.

[4] These reports should be done both on an percentage and absolute Taka basis. To save space, only the percentage based reports are shown in this listing.

[5] These reports should be done both with quarterly and monthly detail. To save space, only quarterly reports are shown here.