

**Report on
Financial Performance of BRAC International's Social Enterprises
A study of Activities of the Finance Department**

By

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An internship report submitted to the Graduate School of Management in partial fulfillment of
the requirements for the degree of
[MBA]

Graduate School of Management
Brac University
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Declaration

It is hereby declared that

1. The internship report submitted is my original work while completing my degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

Student's Full Name & Signature:

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Letter of Transmittal

28 January 2023
Dr. Md. Kausar Alam
Assistant Professor,
BRAC Business School,
BRAC University.

Subject: Submission of Internship Report on “Financial Performance of BRAC International’s Social Enterprises A study of Activities of the Finance Department”.

Dear Sir,

This is a great pleasure to submit my report on “Financial Performance of BRAC International’s Social Enterprises”. It was a golden opportunity for knowledge gathering and practical experiences. I firmly believe that this knowledge and experience will help me in my professional life. I have tried hard to fulfill your expectations by sharing details of every topic and avoiding unnecessary amplification of the topics.

It will be my pleasure to hear from you for further clarification.

Sincerely,

Elezabeth Rimi Gomes
ID: 19264050
MBA Program
Semester: Fall 2022

Non-Disclosure Agreement

This agreement is made and entered into by and between BRAC International and the undersigned student at BRAC University Student to complete the internship report titled ‘‘Financial Performance of BRAC International’s Social Enterprises, A study of Activities of the Finance Department.’’

Acknowledgment

At the beginning of preparing this report, I would like to convey gratitude to the Almighty Creator for his blessing in completing this internship report. I have received endless support and guidance in the preparation of this report from numerous sources. I would like to thank them all.

I would like to thank my honorable ‘‘Supervisor’’ Dr. Suman Paul Chowdhury, Associate Professor, BRAC Business School, BRAC University, for his valuable lectures which provide continuous guidance and assistance in preparing this report.

Lastly, I would like to convey my deepest gratitude to my Internship Supervisor at BRAC International Ms. Juliet Usha Roy, ACCA, Assistant General Manager, Finance & Accounts. She mentored me for three months of my internship with great motivation. Upon her guidance, I have been working in BRAC International’s Finance Social Enterprise team learning newer things daily. In addition to that, I am definitely very lucky to get huge support and learnings from the team of BRAC International. I thank all of them.

Executive Summary

BRAC International works in ten nations in Africa and Asia with the goal of creating a world devoid of all forms of exploitation and prejudice and one in which everyone has the chance to reach their full potential. In order to better serve its more than 650,000 clients, 96% of whom are women, BRAC first expanded its microfinance operations internationally in 2002. Currently, BRAC operates in Afghanistan, Liberia, Myanmar, the Philippines, Sierra Leone, South Sudan, Tanzania, Rwanda, Kenya, and Uganda across Asia and Africa. The ability of BRAC International to expand the scope of income-generating initiatives, microfinance, and social enterprises is crucial for the institution's long-term viability.

The objective of my report is to comprehend BRAC International's current financial situation in light of the financial success of social entrepreneurs operating within its member nations. The overall performance of the social enterprise is satisfactory, but the financial ratios show that the return on assets, debt-to-asset ratio, and liquidity ratio are all below average, and the income growth is erratic. I have compared the statistics with the two years before, and it is evident that the pandemic's impact caused the financial ratios to decrease while remaining stable in the year 2019. The company needs to improve its financial ratios to boost profitability in order to deal with the negative effects. BRAC International should put more emphasis on social enterprise activities and take the initiative to develop alternative metrics to assess performance because it primarily relies on microfinance.

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Chapter 1 **Introduction**

1.1 Introduction

The government does not provide funding for non-governmental organizations (NGOs). NGOs primarily get funding from other nations, which they use for a variety of projects aimed at preserving societal consciousness in the areas of education, sanitation, and health.

Since the independence struggle, Bangladesh has experienced increased levels of penury, starvation, and illiteracy. With funding from domestic and international donor companies, NGOs have been actively working from the start to eradicate this issue in the nation.

Since the country's founding, Bangladesh Rural Advancement Committee (BRAC), an NGO with Bangladeshi roots, has worked to improve the lives of the country's poor and disadvantaged citizens.

In addition, BRAC has been operating in a sizable setup outside the borders of Bangladesh. One of the most crucial and expansive projects run by BRAC is the microfinance initiative.

I was interested in finding some financial reporting that was based on the accomplishments and operations of eminent NGOs like BRAC, Caritas Bangladesh, and Care Bangladesh. However, I was unable to locate a lot of information on these NGOs' financial reports.

When I was performing my internship at BRAC International, I made the decision to analyze the financial performance of the social enterprises of BRAC International Finance with these things in mind.

1.2. Objectives of the study:

Primary objective:

The main purpose of my internship program is to get some real-world experience working in the finance industry. Discovering the connections between the many financial components and learning about financial reporting for companies that operate on a worldwide scale.

Secondary Objective:

The secondary objectives of my internship are as follows:

Building Network:

Internships can be very helpful in building networks as it works as a reference for a future career.

Developing Communication Skills:

As students engage in practical experience during internships and connect with a variety of people from various industries, internships aid in the development of written or spoken communication skills.

Enhanced Resume:

Accomplishing an internship can enhance the quality of my resume as it acts as a repository for the documentation of the internship training and it can help me to attract a potential employer.

Potential job:

After successfully completing the internship, there is a chance to consider the practical aspects of the training and the skills obtained, as well as a chance to get future employment within the company or industry.

1.3 Methodology:

With a few primary sources, this research was primarily created using secondary sources of data. Trend Analysis is used to analyze the data in order to provide a better outcome.

1.4 Limitations of the Study:

Time Constraints:

The limitation of time was the barrier to which large-scale research was not possible.

Confidentiality:

Not all of the information regarding this organization is available to the general public. Because of the organization's secrecy, it was challenging to get pertinent data and documents.

Lack of relevant information:

It was hard to find relevant information and literature for a better report.

Chapter 2

Organizational Overview

2.1 BRAC:

BRAC is a non-governmental organization that was founded in the Habiganj district in 1972 by its initiator, Sir Fazle Hasan Abed. At first, it went by the name Bangladesh Rural Advancement Committee (BRAC). The organization's name is officially known as "BRAC" as of 2009. BRAC initially provided aid and reintegration assistance to Indian refugees after the independence movement. Later, BRAC shifted its attention to pressing concerns including eradicating penury, spurring economic growth, raising the literacy rate, promoting community wellbeing, promoting sexual identity parity, and empowering the underprivileged in rural areas of the nation. BRAC currently supports programs on medical and educational care by providing elementary edification and training, microcredit, and programs on income production for the poor largely disadvantaged rural people. BRAC has also been working proudly on a national and international level recently.

2.2 BRAC International:

An influential NGO, BRAC International, works to uplift individuals and societies plagued by systemic racism, disease, and penury. Their strategy is based on the concept that those who are in vulnerable circumstances may be agents of change if given the knowledge, abilities, and hope they require to transform their life. It creates tested, scalable solutions that provide people the confidence and support they need to realize their potential. Over 130 million people have their lives affected by BRAC's institutional experience on effectively executed programs, which are used across 10 countries and where our models are customized for each nation's situation. Stichting BRAC International and BRAC International Holdings B.V. are the two components of BRAC International.

2.2.1 Stitching BRAC International:

Stitching was established in the Netherlands in 2009 and is governed and managed by BRAC International. All BRAC entities outside of Bangladesh, excluding its affiliates. The organizations are legitimately registered with the appropriate authorities in each nation in accordance with all applicable legal and regulatory requirements. A variety of essential programs for economic and social development are part of their distinctive, all-encompassing approach to reducing penury. The institutional know-how of BRAC on effectively implemented programs is used in nations where our methods are either duplicated or customized to the local circumstances. Their multi-stakeholder engagement, helps people reach their potential and create possibilities.

2.2.2 BRAC International Holdings B.V.:

BRAC International Holdings B.V., a wholly owned affiliate of Stichting BRAC International, was created as a private restricted liability company in agreement with Dutch law. Getting people involved in the economy and assisting them in creating long-term sources of income are two ways that this for-profit business conducts social responsibility. The main objective of BRAC International Holdings B.V. is to provide micro-credit to those who are economically underprivileged, excluded, and lack access to conventional financial services. Ugandan crop cultivation and distribution are also included in the social enterprise initiative.

In order to raise awareness of BRAC International on a worldwide scale, affiliates of BRAC International were established in 2006. It is essential for raising awareness, creating new business plans, mobilizing funds, and sustaining cooperative relationships with foundations, NGOs, research groups, and the media. To create and implement creative, cost-effective solutions to penury around the world, these affiliates collaborate with peers from other countries. Two affiliates exist. BRAC USA and BRAC UK are the two.

2.3 Vision:

A place where everyone has the chance to reach their potential and where there is no room for any type of exploitation or discrimination.

2.4 Mission:

The organization's goal is to help those who are harmed by systemic racism, illnesses, misery, and ignorance. It accomplishes this by putting in place socioeconomic and social programs that assist both men and women in achieving their fullest prospective.

2.5 Values:

2.5.1 Innovation:

The Foundation has been a trailblazer in providing possibilities for those in need to escape penury. BRAC places the highest importance on innovative program design and the desire to demonstrate global leadership in development projects.

2.5.2 Integrity:

The Foundation upholds the highest standards of integrity in all of our business interactions and values accountability and transparency in all aspects of our professional work. The essential tenets of their work ethic are these. Inclusiveness This Foundation is committed to involving, promoting, and honoring all people in society, regardless of their race, faith, sexuality, nationality, ancestry, generation, psychological or physical aptitude, economic status, or geographic location.

2.5.3 Effectiveness:

In all of the activities, the Foundation places high importance on effectiveness and excellence. Workers continuously strive to improve, exceed and achieve performance targets, and broaden and intensify the outcomes of the activity.

2.6 Goal:

The goal of Stichting BRAC International is to support charitable initiatives that reduce penury and enhance people's quality of life. Stichting BRAC International will strive to accomplish the Millennium Development Goals (MDG) and Sustainable Development Goals (SDG) to end penury and undernourishment through economic engagement, achieve universal primary education, promote sexual identity parity and promote female emancipation, juvenile training programmes, fertility and maternity health improvement, and ecological responsibility. To fulfill its objectives, BRAC accepts donations and perhaps other forms of support.

2.7 Countries BRAC International Operates In:

In 2002, BRAC began to broaden its microfinance activities abroad. Today, it serves ten Asian and African nations, providing financial services to much more than 0.65 million customers, 96 percent of who are women. With such a unique interdisciplinary framework that is customized to every country's situation, it has grown significantly in emerging economies. Currently, ten nations beyond the border of Bangladesh are making use of the structural experience BRAC has developed over years of executing programmes throughout many industries. The nations where BRAC International works include Afghanistan, Liberia, Myanmar, the Philippines, Sierra Leone, South Sudan, Tanzania, Rwanda, Kenya, and Uganda

2.8 Programmes of BRAC International:

2.8.1. Microfinance:

Liberia, Myanmar, Pakistan, Sierra Leone, Tanzania, and Uganda are among the countries where BRAC International operates microfinance programs. According to a survey it was found that 350 million adults in Sub-Saharan Africa and 625 million adults in South Asia lack access to formal financial services. They frequently select pricey, hazardous, and unreliable credit options. One of the biggest providers of financial services in Sub-Saharan Africa and Asia is BRAC. People who are not currently eligible for financial solutions can take advantage of a variety of financial options through BRAC International's microfinance programs. Families are able to increase their income, manage their spending, accumulate assets, and lessen their vulnerability to shocks with the aid of microloans.

2.8.2. Early Childhood Development (ECD):

In Afghanistan, Liberia, Pakistan, the Philippines, South Sudan, Tanzania, and Uganda, BRAC International runs educational initiatives. BRAC International works in nations where approximately 50% of the world's children do not attend school. The children from these areas have been excluded from the formal school system because of extreme penury, violence, displacement, and discrimination. Governments can fulfill their commitments to national and international education goals with the help of a comprehensive educational strategy.

The education program consists of initiatives including early childhood development (ECD), pre-primary edification, accelerated training procedure, primary education, reading sessions, teacher edification, volunteerism on females' edification, and creating a kid-friendly learning environment. By offering secondary scholarships, need-based training, and student mentorship, as well as assistance to government elementary and secondary schools, we may enhance the quality of the mainstream educational system. Children ages three to six are encouraged to learn through play in the play laboratories.

2.8.3. Agriculture, Food Security and Livelihood (AFSL) Programme:

Liberia, Sierra Leone, and Uganda all have agriculture initiatives under BRAC's umbrella. According to the United Nations, malnutrition affects one in nine people worldwide. BRAC wants to create highly productive, environmentally sound farming livelihoods in order to increase food security, income, and nutrition. Farmers who already have economic opportunities, financing, and expertise grow higher, make more money and nourish their families. BRAC's system incorporates infrastructure and outreach services to establish revenue streams for agricultural producers in order to prolong existing results. The extension service providers of BRAC encourage farmers to use sound agronomic methods and practices when running their farms. They offer a range of services, including information on different agricultural methods and assistance to other farmers. Promoters make money by offering cheap supplies for producers. BRAC sets up production company associations with growers and provides them with tech support so they may grow and utilize better crop varieties and invest in poultry and animals. A variety of seed farms, feed mills, and hatcheries are also being developed by BRAC. Additionally, organizations are collaborating with allies and public sectors to have the greatest sustainable impact. Across both language and math, participants' acquisition abilities increased noticeably as contrasted to the benchmark and center studies.

2.8.4. Health Programme:

In Afghanistan, Liberia, Nepal, Pakistan, Sierra Leone, South Sudan, and Uganda, BRAC has health programs.

BRAC works with nations that have poor health conditions, particularly a significant rate of child growth impediments under the age of five. BRAC aspires to provide a comprehensive approach to assisting individual governments in ensuring long-term health solutions. The foundation of the BRAC health system's successful implementation is community-based healthcare. Participation from the community and teamwork from our medical personnel are essential to its success. BRAC works to increase the ability of female doctors, nurses, and activists in health promotion at the facility and community levels so they can deliver preventive, curative, and educational healthcare services. In order to lower infant mortality, enhance maternal health, and tackle ailments like malaria and tuberculosis, they have teamed together with the Ministry of Health. These services are provided through instruction in basic literacy, the creation of oral rehydration solutions, and WASH initiatives that promote good hygiene habits. BRAC monitor expecting mothers for their birth and afterward checks ups, encourages facilities and guarantees complete immunization coverage in target areas. The health advocates provide bed nets sprayed with insecticide for mothers and newborn children, and they connect patients to hospitals for crucial care, such as tuberculosis treatment. The interventions of BRAC center on assuming a crucial position in both primary and secondary healthcare.

2.8.5. Ultra-Poor Graduation (UPG) Programme:

BRAC's UPG programs in Uganda is quite subpar.

The ultra-poor graduation programme from BRAC is a focused, time-bound sequencing intervention that incorporates social integration, training, consumer support, access to financial services, and asset transfers for livelihoods. The comprehensive strategy places extremely low-income households on a ladder of long-term economic independence and a sustainable future. Even though every program is made to be extremely purpose-specific, they all aim to meet the participants' households' immediate consumption needs, fostering personal abilities and interpersonal consciousness, mechanical knowledge and commercial aptitude, and securing economic accessibility via accessibility to funds can all help protracted fund formation objectives be supported. and financial edification.

By utilizing expertise, raising awareness, and developing capacity, BRAC's ultra-poor graduation effort offers greater contributions. BRAC engages in advocacy work and offers technical support to scale agents, such as governments, cross-border alliances, and other foreign NGOs, on how to create successful graduation programs in their respective local contexts.

2.8.6. Accelerating Impact for Young Women in Africa (AIM) Program:

BRAC International (BI) and the Mastercard Foundation (MCF) have teamed for USD 267.6 million to strengthen adolescent girls and young women (AGYW), between the ranges of 12-35, who are struggling to survive in Africa. Uganda, Rwanda, Tanzania, Sierra Leone, Ghana, Liberia, and Kenya all have this program running. By 2027, systemic change brought about by the Mastercard Foundation-BRAC International Partnership would benefit a million and two hundred teenage youthful girls and ladies as well as 9,500,000 people in Africa. BRAC International will expand on its tested and scalable social and economic development strategies through cooperation in seven East-West African nations: Uganda, Tanzania, Sierra Leone, Kenya, Liberia, Rwanda, Ghana, and.

2.8.7. Emergency Preparedness and Response Programme (EPRP):

The project's goal was to increase the capacity of Ugandan, Sierra Leonean, and Myanmar's schoolchildren, teachers, and volunteers to respond to emergencies. The project obtained extra funding from the Gates Foundation to carry out countermeasures efforts in Myanmar and Sierra Leone and for providing training to volunteers from various communities and committees for school disasters in Uganda in psychosocial care and cleanliness standards. The Emergency Preparedness and Response Programme was fully implemented by the BI Humanitarian Programme in April 2021 thanks to financing from the Bill and Melinda Gates Foundation.

2.8.8. Humanitarian Programme:

BRAC International is a well-known charity that works with displaced people and disaster victims to save lives and lessen suffering.

Integration of disaster risk reduction makes development programs sustainable and resilient to shocks. Additionally, thanks to BRAC's tried-and-true models that have been modified for humanitarian contexts, the women, men, and communities it serves are more resilient to disaster and better equipped to handle emergencies.

BRAC improved its capability by creating internal processes, protocols, and policies, as well as by strengthening staff members' knowledge and skills in humanitarian preparedness for effectively reacting to local, national, and international crises and disasters in order to bring peace.

2.8.9. Youth Empowerment Programme:

Uganda, Sierra Leone, South Sudan, Liberia, Tanzania, and the Philippines are all participating in this program. The youth empowerment program adopts a three-pronged strategy to ensure that Youngsters have access to education, societal and economic empowerment, and a reinforced environmental dimension to help them achieve their fullest potential. Recognizing the different requirements of younger generations, especially teenage girls and young women, will be accomplished. Adolescent girls and young women are empowered by the curriculum as a whole. By providing them with the means to overcome such challenges, empowers them to combat the social and economic oppressions they currently face.

2.9 Financing of Programmes:

Two main sources, donor grants and microfinance programs oversee the funding of the Stichting BRAC International programs in every country. Microfinance operations are financed through a variety of different channels. Our main source of income at the national level is microfinance, with external debt coming in second. The five-year microfinance funding strategy for BRAC International Holdings B.V. has been concluded and covers remortgaging, funding for expansion, and exploring different countries. From 2022 to 2026, the method projects the overall compensation required of around US Dollar 349 million, mostly to fund the growth for effective strategy but also partially to refinance the present outstanding debts of roughly USD 60 million. It aims to attain the ideal capital structure in the upcoming years at both the group and subsidiary levels. To maintain efficient operation, representatives of the leadership team also evaluate the recurring forecast for cash flow and total liquidity requirements. BRAC International Finance B.V., a distinct business, was established in December 2020 to effectively manage this finance strategy.

Donor funding is primarily used to carry out development initiatives in specialized fields. The affiliates BRAC USA and BRAC UK also assist the Foundation in obtaining money from donors. The social business programs have enough funding in 2021 to continue. In addition, BRAC collaborates with recognized national and international organizations in order to meet local needs and raise money.

Chapter 3

The Literature Review

3.1 Introduction:

The literary work is concentrated on digging into the financial health of Social Enterprises of BRAC International. To do so financial statements and other non-financial reports were considered and financial ratios and other statistical analyses were employed on the financial statements. Some other factors such as capitalization and budget utilization were also considered as the performance indicators.

3.2. The objective of the Literature:

Essentially, the report was created based on the operations of BRAC International's Finance Department. The purpose of this research is to present the activities that are done by the finance department and how efficiently they are doing this. This report also offers the framework to understand BRAC International's current financial viability based on financial performance by presenting financial ratios like liquidity ratio and debt ratio and the scope for improvement of social enterprises in different countries. The study highlighted the implications for financial management and how they are upgrading their flow of work with technology.

3.3 Financial Highlights:

Some financial highlights for 2021 are presented below:

Grant income:

In 2020 the Grant income (NGO activities) was USD 37.4 million and it increased to USD 38.9 million which shows an increase of USD 1.5 million.

Service charges:

When all operations were back to normal in 2021, the service charges on loans increased from USD 47.7 million to USD 69.2, which shows a growth of USD 21.5 million that is near about 45%.

Operating expenses:

Operating costs rose 8% in 2021, reaching USD 96.6 million. This rise is a result of the expansion of the company's workforce brought on by the launch of new operations in Sierra Leone, Liberia, Tanzania, and Rwanda.

Surplus:

The overall outcome for 2021 is a surplus of USD 6.28 million which was a loss of USD 1.37 million in 2020. Group reserves as a percentage of total assets were 33.2% in 2021 and in 2020 it was 44.9%.

Total assets:

The asset allocation advancement in microfinance companies and the advancement in donation initiatives in NGOs, including Ultra Poor Graduation Initiative (UPGI) and Accelerating Impact for Young Women in Africa (AIM Program), were the main drivers of the USD 90.2 million boost in total assets to USD 341.9 million in 2021.

Loans:

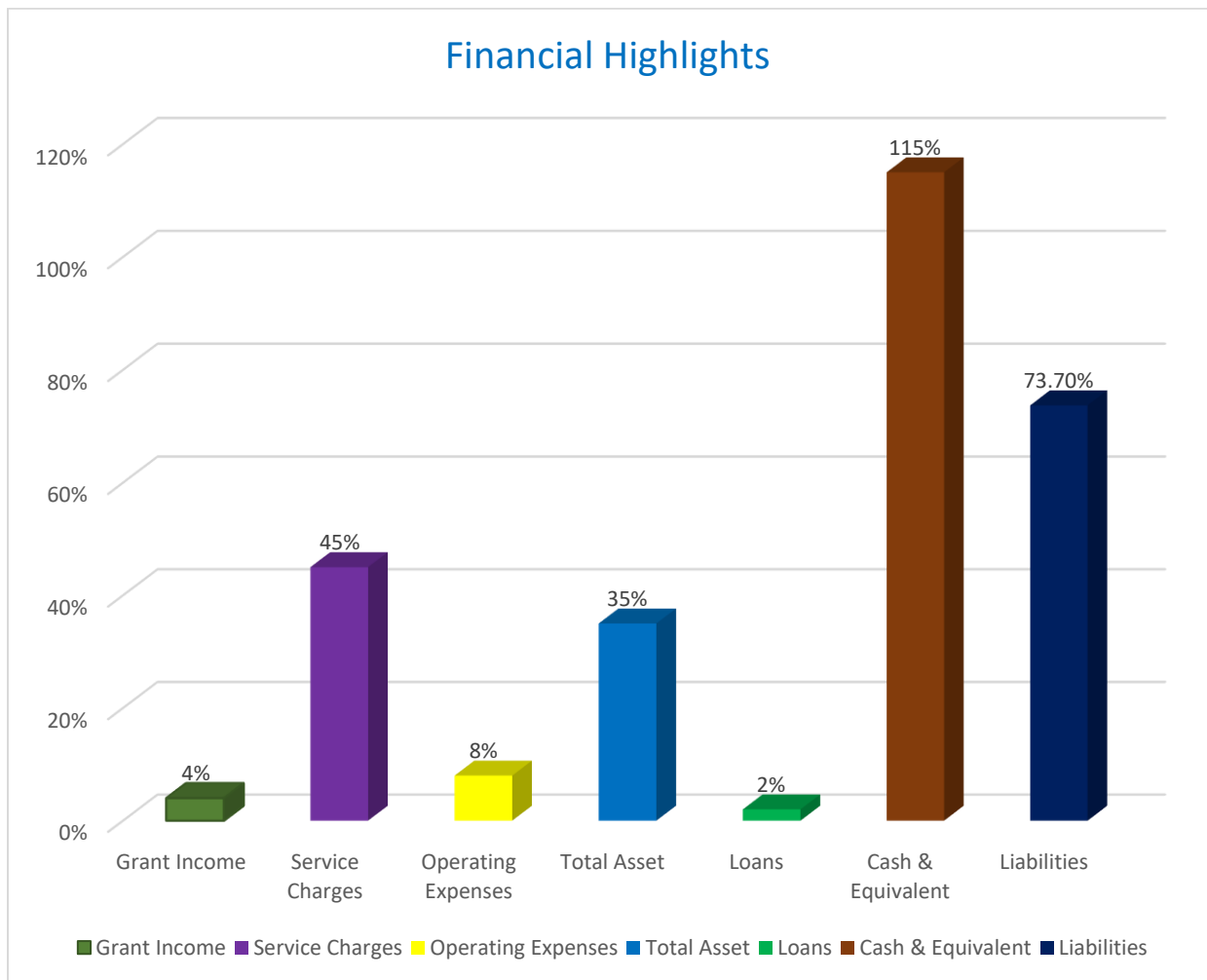
Loans made to consumers increased by 2% in 2021, reaching USD 150.8 million. The reserve for accumulated depreciation rose from USD 9.8 million to USD 13.8 million in 2021 as employees made a larger contingency, primarily as a result of the COVID-19 impact continuing to add and the state of politics in Myanmar as judged using a procedure that was consistently followed.

Cash and Equivalents:

Cash and cash equivalents rose by 115 percent in 2021 to reach USD 164.4 million. The cash flow statement includes information about the Foundation's monetary development. The integration of the Accelerating Impact for Young Women (AIM) programme, which is sponsored by UPGI and Mastercard, in NGO operations, is the main factor behind the shifts in income flow.

Liabilities:

Due to the rise in donor contributions, volunteer contributions, and loan collateral, current liabilities grew from USD 108.4 million to USD 188.3 million.

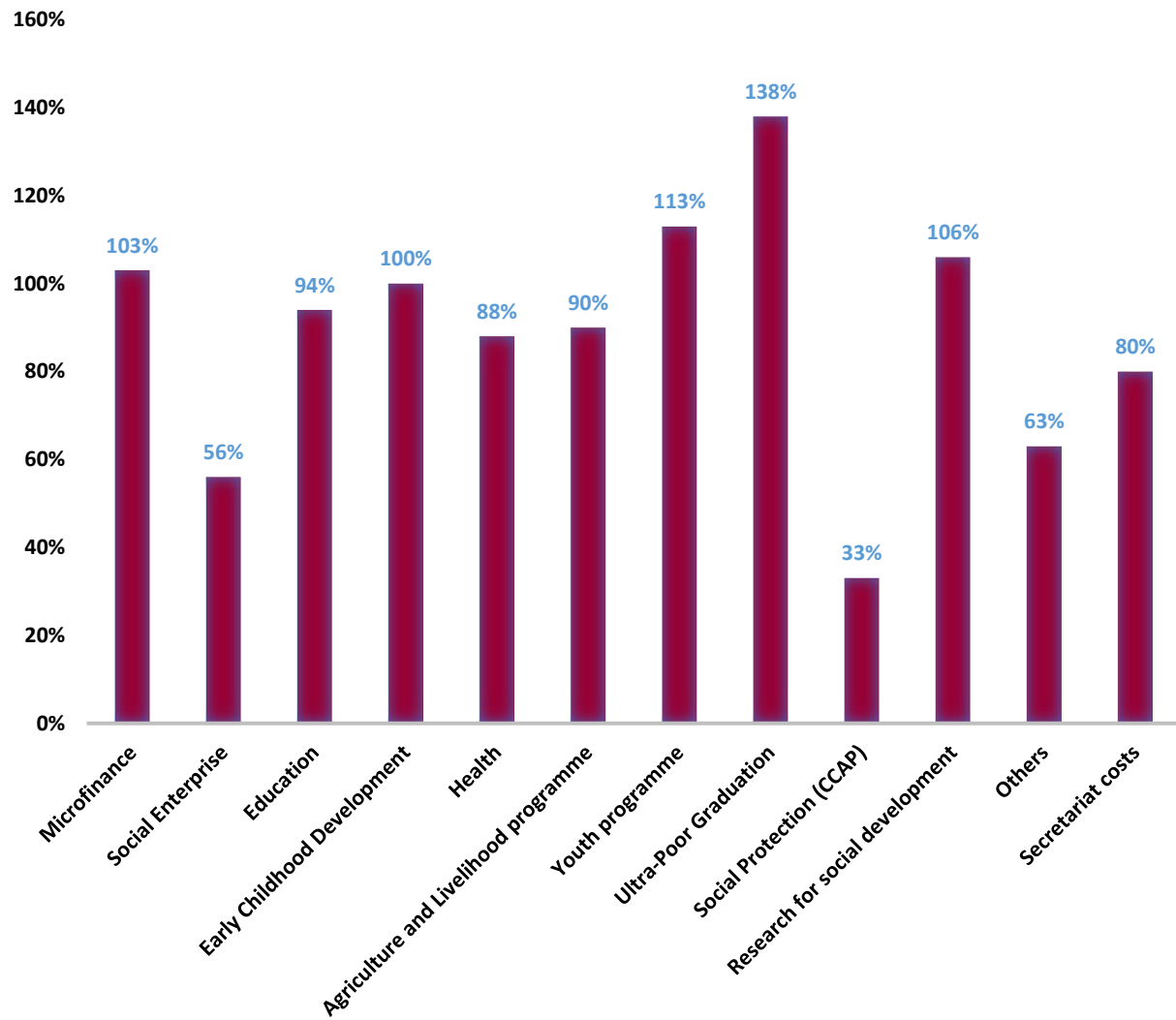


3.4 Utilization of Budget 2021:

In the year 2021, the budget was utilized so well, in some sectors the rate is more than 100% and some are lagging behind to requirements. Utilization of Microfinance, Youth programme, Ultra-Poor Graduation, Research for social development projects was above 100%. Meanwhile, the Education, Health, Agriculture and Livelihood programme, and Secretariat costs are near to being fully utilized. On the other hand, utilization of Social Enterprise was only 56%. The details of the budget are presented in the chart below:

Budget Utilization of 2021			
Particulars	Budget 2021	Utilization	Utilized
Microfinance	83.9	86.7	103%
Social Enterprise	1.6	0.9	56%
Education	18.2	17.1	94%
Early Childhood Development	1.6	1.6	100%
Health	7.4	6.5	88%
Agriculture and Livelihood programme	2.0	1.8	90%
Youth programme	3.1	3.5	113%
Ultra-Poor Graduation	1.6	2.2	138%
Social Protection (CCAP)	1.2	.4	33%
Research for social development	1.8	1.9	106%
Others	2.7	1.7	63%
Secretariat costs	9.4	7.5	80%

UTILIZATION OF BUDGET 2021



3.5 Comparison of data with the prior year:

For doing the comparison between the prior year, data collected from Stichting BRAC International Annual Report 2021 and the Balance sheet and Cashflow Statement of 2021 and 2020 are compared and presented in the following charts:

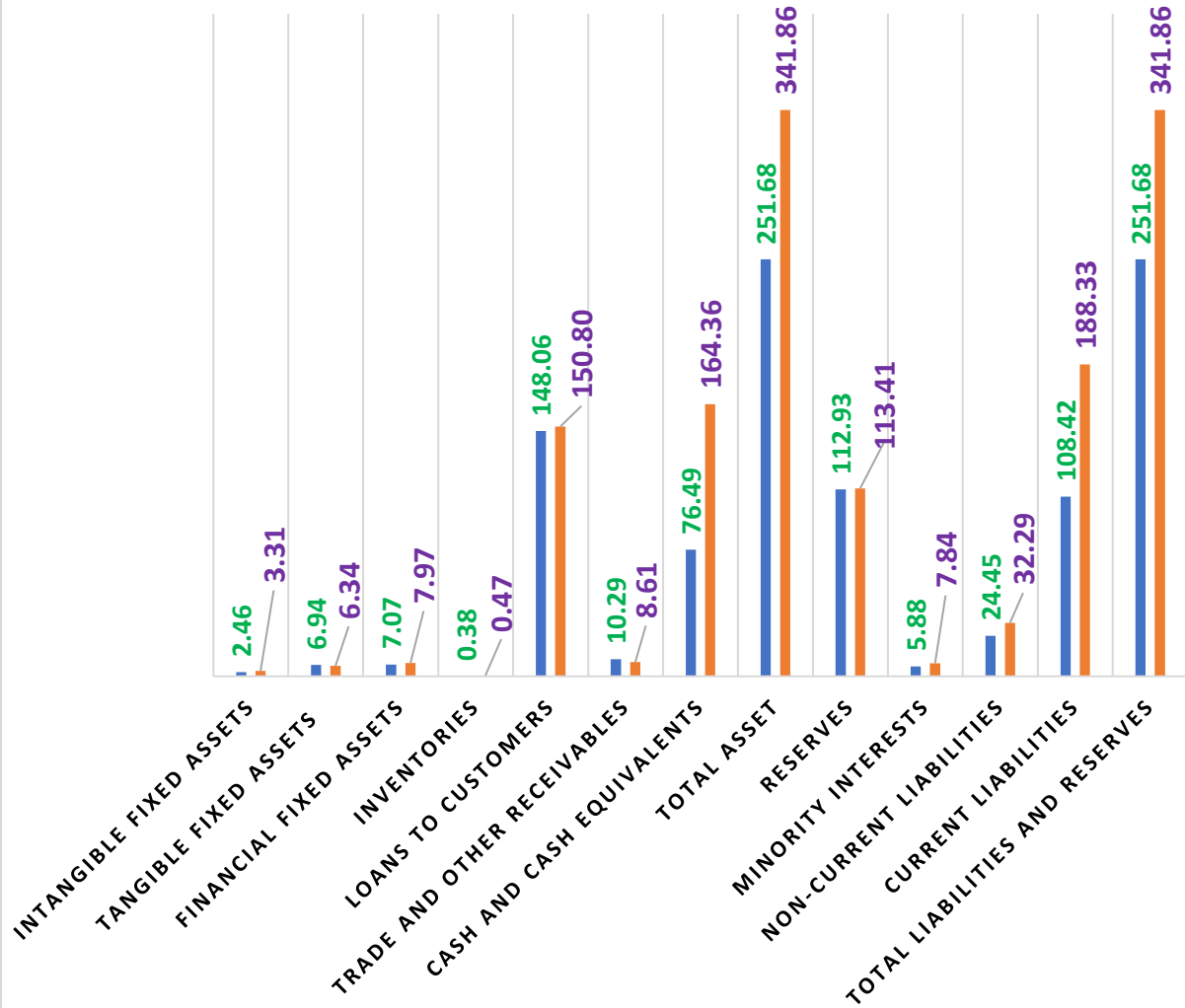
Consolidated Balance Sheet as of 2021 and 2020

Particulars	2021	2020
Intangible fixed assets	3314143	2461300
Tangible fixed assets	6336972	6936616
Financial fixed assets	7968233	7068147
Inventories	473084	376036
Loans to customers	150799407	148059617
Trade and other receivables	8613451	10289851
Cash and cash equivalents	164358145	76492913
Total Asset	341863435	251684480
Reserves	113410431	112932482
Minority interests	7838410	5876810
Non-current liabilities	32285705	24454795
Current liabilities	188328889	108420393
Total liabilities and reserves	341863435	251684480

BALANCE SHEET

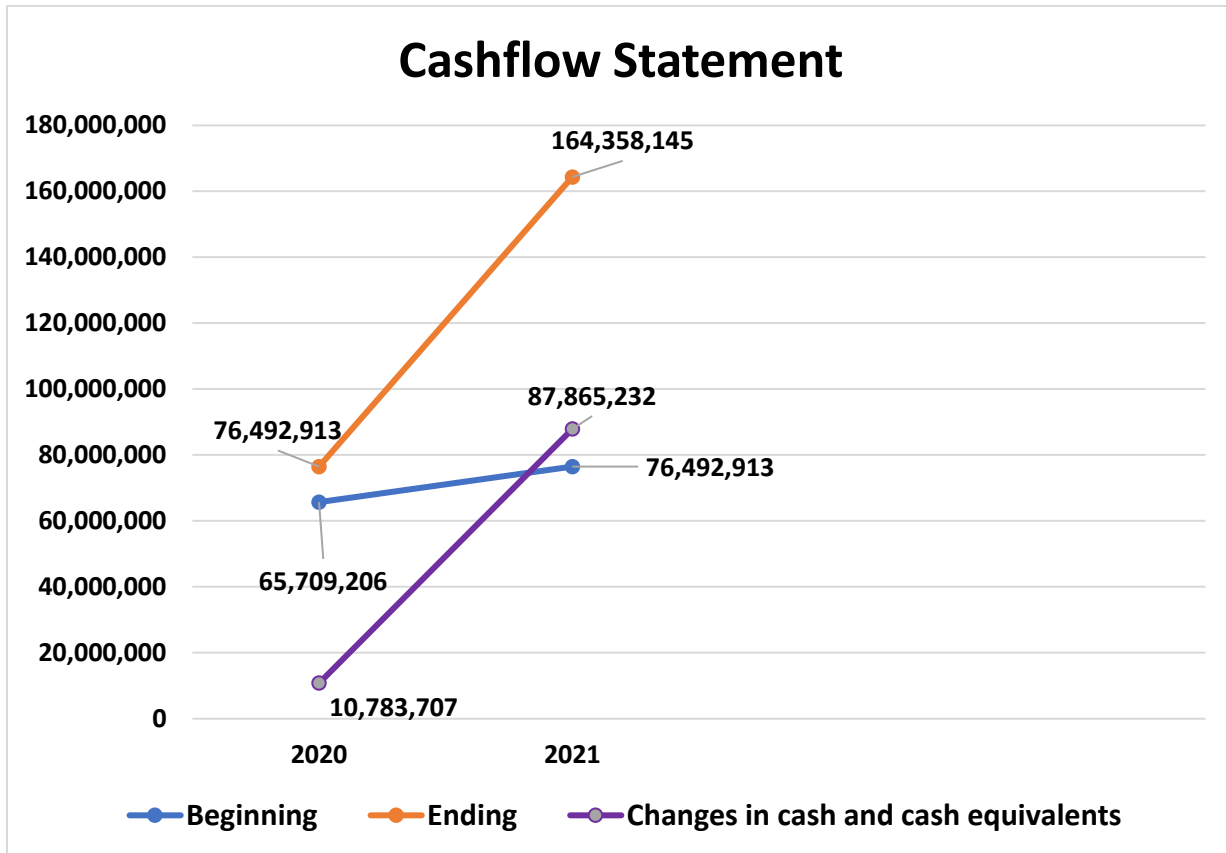
IN MILLIONS

■ 2020 ■ 2021



Consolidated Cash Flow Statement at end of 2021

Particulars	2021	2020
Beginning	76492913	65709206
Changes in cash and cash equivalents	87865232	10783707
Ending	164358145	76492913



3.6 Financial Instruments:

Financial instruments include, but are not limited to, investments in stocks, trade and other receivables, cash assets, loans and other financing commitments, derivative financial instruments, trade payables, and other amounts due. In the typical course of business, the Organization employs a number of financial products, which expose the Basis to the economic, exchange rate, interests, working capital, solvency, and perhaps creditworthiness.

Chapter 4

Methodology

4.1 Financial Ratios:

Financial ratios are fundamental calculations using quantitative information from a firm's financial documents. They are employed to acquire vital information about the operation, stability, and the company's profits. Financial ratios are frequently calculated utilizing data from a firm's income statement, balance sheet, and cash flow statement. Those ratios are essential for figuring out how efficiently a business uses its resources and outlays to generate earnings and revenues within the given time frame.

Two different sorts of ratio comparisons should be done in order to draw accurate findings from ratio analysis. They are the trend-analyzing method and the cross-sectional approach.

Cross-Sectional Analysis:

Financial ratios from several organizations are compared during the same time period using cross-sectional analysis. To determine how well the company has performed compared to other enterprises in the same industry, it often takes into account similar business lines.

Trend Analysis:

In trend analysis, ratios from the same company are examined over an extended period, generally years. Comparisons between years help to identify patterns, such as an increase or reduction in each criterion, and indicate potential areas that need remedial action. A comparison of ratios spanning three to five years works well.

4.2 Data Sources:

All the data was collected from a secondary source which is the Stichting BRAC International Financial Report from BRAC's official website and all charts are developed by the author according to the table data.

4.3 Period for Selecting Historical Data:

The historical data is collected from the disclosed annual report of Stichting BRAC International Financial Report 2021 and 2020. The time period is taken data from 2019 to 2021 for evaluation.

4.4 The method used for Data Analysis:

As we are evaluating only BRAC International's financial performance, that's why we are going to use Trend Analysis for analyzing the ratios for further calculation and interpretation because it considers two or more periods for comparison. Three aspects of Trend Analysis are chosen as the key indicator to analyze the financial performance.

4.4.1 Liquidity ratios:

The effectiveness of working capital, such as the availability of funds to meet a company's immediate and short-term obligations, is measured using liquidity ratios. Another definition of liquidity is a company's capacity to transform its assets into cash promptly and at the lowest possible cost. Liquidity ratios come in many different variations. They are as follows:

- Current Ratio
- Quick Ratio or Acid Test Ratio
- Cash Ratio

The current ratio is calculated below identifying the liquid situation of BRAC International.

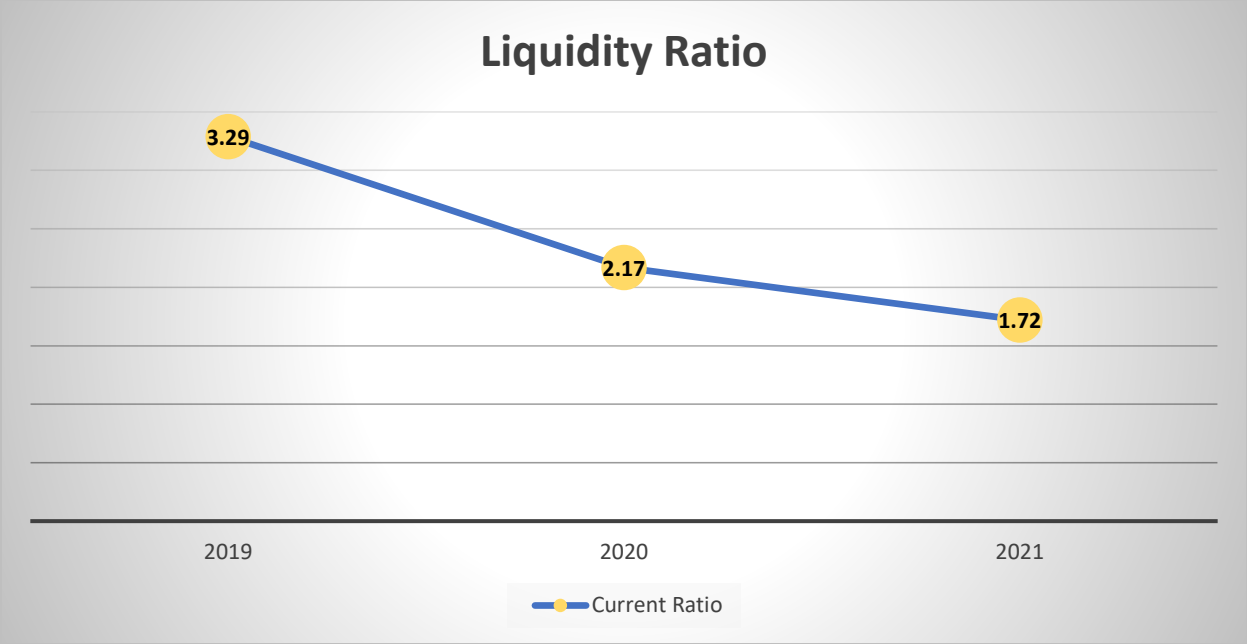
Current Ratio:

The current ratio determines a firm's capability to repay short-term debt or that which is overdue within a calendar year.

It shows how a business can use its present assets to the fullest extent possible to pay down the current obligations and other accruals.

Theoretically, the higher the initial ratio, the more effective a business is at meeting its responsibilities because there is a greater percentage of short-term net assets compared to the cost of its short-term debts. However, a high liquidity ratio may also be an indication that a business is not making good utilization of its cash flow, getting good financial assistance, or handling its liquidity.

Liquidity Ratio			
Details	2021	2020	2019
Current Asset	324,244,087	235,218,417	235,218,417
Current Liability	188,328,889	108,420,393	71,548,509
Inventories	473,084	376,036	321,507
Current Ratio: Current Asset / Current Liabilities	1.72 times	2.17	3.29



It demonstrates that BRAC International is powerful enough to handle its liabilities. The current ratio decreased in 2021 as a result of the increase in current liabilities brought on by the addition of new donor money.

The company's present assets in 2019 might be used to meet its short-term liabilities 3.29 times over. The ratio was 2.17 times in 2020, but it fell to 1.72 times in 2021, which suggests the organization only covered its present liabilities at a lower rate than the benchmark. A higher ratio demonstrates effective asset maximization.

4.4.2 Leverage ratios:

Leverage ratios quantify a company's level of debt. By calculating the proportionate degree of the debt burden that a corporation has accumulated, a leverage ratio determines the capacity of an organization to satisfy its debt responsibilities. Such ratios contrast a company's overall debt load with its assets or stock. A higher percentage suggests that a company could well have taken on more borrowing than it could realistically be anticipated to pay off by future working capital.

The leverage ratio can take on various shapes.

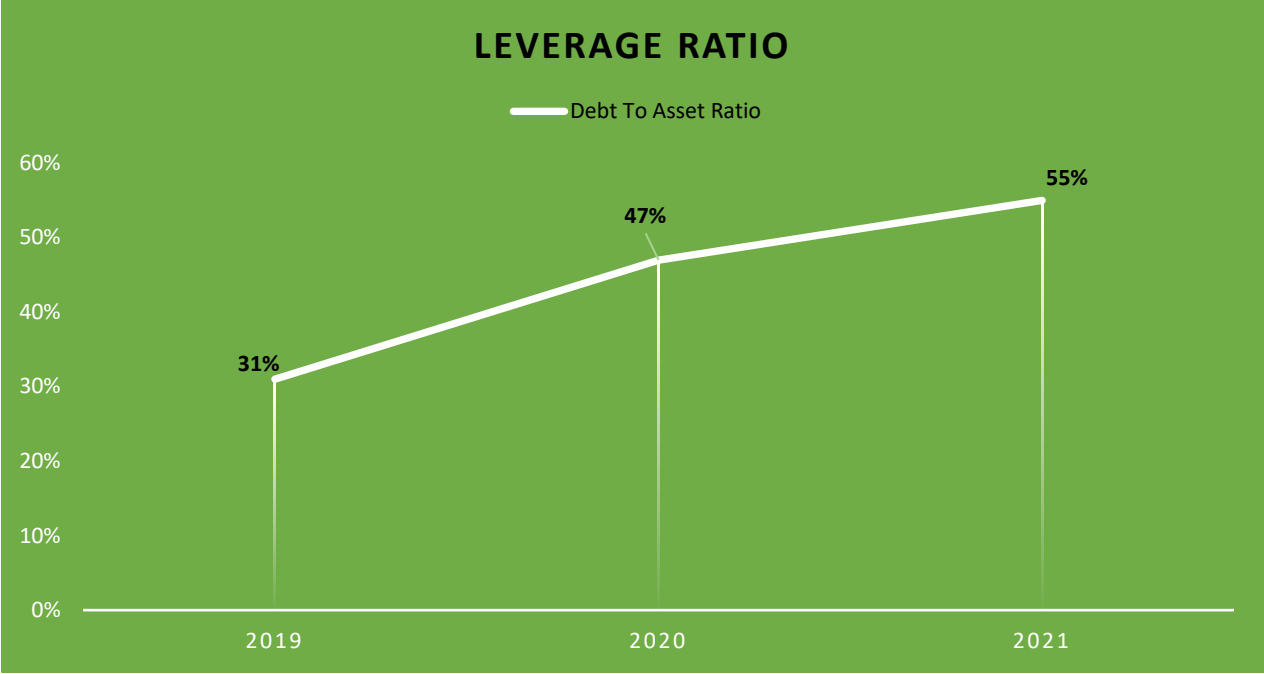
- Debt to Assets Ratio
- Debt to Equity Ratio
- Debt-to-Capital Ratio
- Debt to EBITDA Ratio
- Asset-to-Equity Ratio

Debt to Assets Ratio is calculated below to identify the financial obligations:

Debt to Assets Ratio:

The debt-to-assets ratio shows how much of a firm's capital is contributed by credit as opposed to ownership. It is used to evaluate a corporation's economic vulnerability. When the percentage is less than 1, the majority of capital financing is emanating from equities, whereas when it is larger over 1, a sizable share of investments is financed with borrowing. A company may also be in danger of default if its federal deficit is exposed to sudden interest rate hikes as would be the situation with variable borrowing.

Leverage ratios:			
Details	2021	2020	2019
Total Asset	341,863,435	251,684,480	227,916,680
Total Debt	188,328,889	108,420,393	71,548,509
Debt to Asset Ratio: Total Debt ÷ Total Asset	55%	43%	31%



A company's debt-to-asset ratio determines what further indebtedness it possesses in comparison to all of its resources. In this situation, a higher debt ratio indicates that a company is excessively leveraged.

The graph shows that 31% of the acquisition of liquid wealth is sponsored in 2019 by lenders. In contrast, the ratio increased to 47% in 2020. Approximately 45% of the total asset is covered through equities in 2021, while 55% is supplied by borrowing.

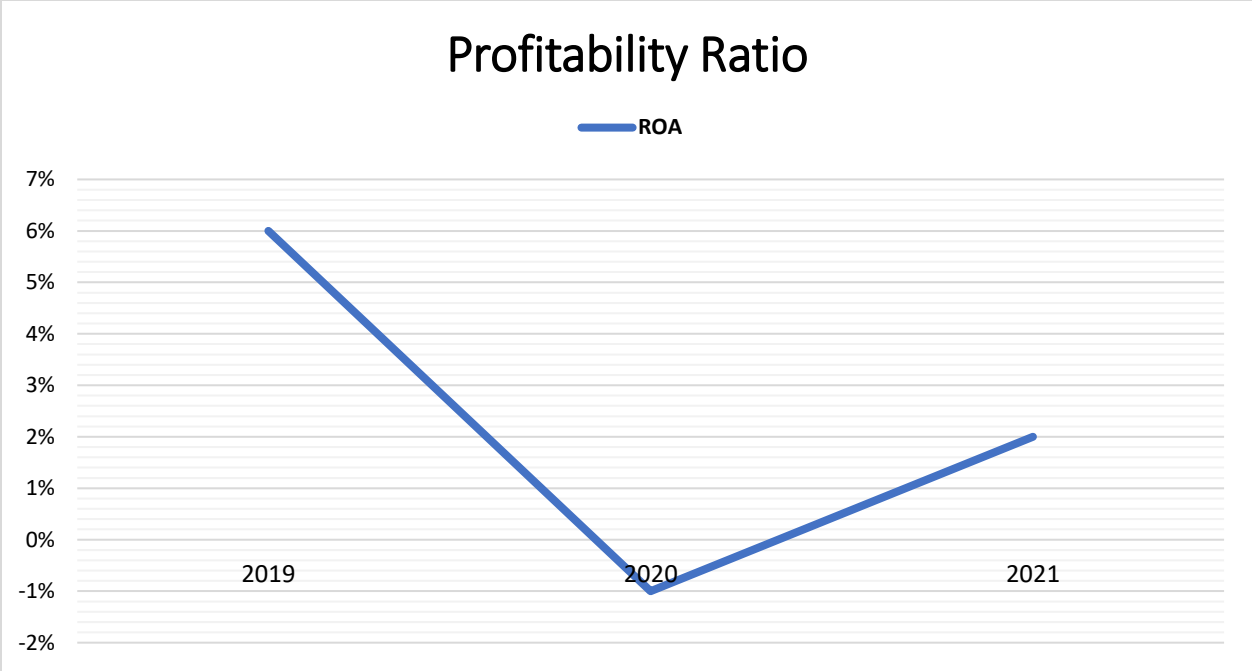
4.4.3 Profitability Ratio:

Using its available resources such as existing funds, including earnings, reporting financial items, operational expenses, and owners' equities, to make money over a specific time period, a corporation can make profits; profitability ratios are used to assess this. Types of profitability are as follows:

- Gross Profit Margin
- EBITDA Margin
- Operating Profit Margin
- Net Profit Margin
- Cash Flow Margin
- Return on Assets
- Return on Equity
- Return on Invested Capital

The following formulas are used to calculate return on asset (ROA), which are determined as a form of profitability ratios:

Profitability Ratio:			
Details	2021	2020	2019
Net Income	6,278,669	(1,372,732)	13,137,960
Total Asset	341,863,435	251,684,480	227,916,680
Total Equity	121,248,841	118,809,292	121,574,020
Return on Asset (ROA): Net Income / Total Asset	2%	-1%	6%



The amount of profit a company makes from its entire assets, including current and noncurrent assets, is measured by ROA, while its profit from shareholders' equity is measured by ROE. Both ratios show only little growth following the pandemic's effects.

According to the computations, the return-on-asset portfolio was 6% in 2019 but decreased to -1% in 2020, representing a deficit of 1%. Overall revenue outweighed the deficit in 2021. On investing in the assets, a 2% profit got earned.

Chapter 5

Findings and Recommendation

5.1 Findings:

The financial highlights and other calculations are indicating the rise in income over the years. The composition of income has changed noticeably over the years. Some other drawbacks are discussed below:

The decline in income-generating development projects:

The percentage of development projects that generate cash has decreased, meaning that BRAC International hasn't yet figured out how to create sizable initiatives that can support itself financially.

Fluctuated Income Growth:

The amount of money BRAC International depends on coming from social entrepreneurs is rising. The percentage of revenue from social companies has changed during the last three years.

Reliance on Microfinance program:

More than half of the overall income is now generated by microfinance, a part of the income that has been growing over time. Therefore, it can be shown that at BRAC International, reliance on microfinance programs is growing less than that of social enterprises.

Decreasing Liquidity Ratio:

The current ratio was utilized to assess BRAC International's liquidity situation. Liquidity management can be crucial for assessing a company's financial performance. A current ratio between 1 and 3 is ideal, whereas one below 1 indicates poor financial health. The calculation shows that the current ratio of BRAC International is dropping from 3.25 to 1.72. Liquidity management at BRAC International is therefore effective yet unstable.

Higher Debt to Assets Ratio:

The financial risk of a company increases with the debt-to-asset ratio, and when the ratio exceeds 100%, the organization is thought to be in poor financial condition. The debt-to-asset ratio in the instance of BRAC International is relatively high and rising over time.

Lower Return on Asset:

The ROA of a company demonstrates how well it uses its assets to produce profits. Over 5% ROA is generally seen as good, but over 20% is great. We can see that ROA has varied in BRAC International's calculations, and that following the impact of Covid in 2021, it is rising.

5.2 Recommendation:

Based on the above analysis and findings following recommendations are forwarded in order to strengthen the financial performance of BRAC International:

Increase Profitability:

BRAC International is less profitable, according to the profitability ratio results. There is no competition with other NGOs because it is an NGO. However, rather than relying on donations, BRAC International should improve its profitability and aim toward higher returns for running its other activities.

Stabilize Income Growth:

Even yet, Covid 19 was unable to interfere with BRAC International's overall functioning, and they were able to cover all staff salaries as well as other costs. But because of the epidemic, their income decreased, and they are currently working to make up for that loss. In order to make it sustainable, they need emphasize on income growth rate.

Development of Alternative Measure:

Financial ratios and other financial performance indicators by themselves are insufficient to assess a company's financial standing. Data Envelopment Analysis (DEA) must be established as a substitute measure for more research as a result.

Strengthening Social Enterprises:

The revenue is dependent on microfinance because a sizable portion of it is generated by it. Social enterprises are succeeding in their industry while having fewer activities than microfinance. BRAC International should make an effort to support the social enterprise's projects for this reason. Additionally, this will assist in enhancing financial performance.

Improve Liquidity:

Although BRAC International's liquidity management is largely effective, it might be improved. When liquidity approaches 1, it is extremely dangerous for a company, and BI has a liquidity of 1.72. BRAC International needs to work on it in order to maintain stable liquidity.

Collaboration with IT Department:

As most of the activities are IT-based, the BI finance team should collaborate with them for better output. Because if the system has an issue that occurs, it takes a time to resolve it. Sometimes the senior employees lag behind to cope with the new technology compared to freshers.

Conclusion:

A healthy company must have a stable financial system. By raising money from donors and providing improved chances for productive investment, NGOs play a critical role in increasing economic efficiency. To assess a company's financial performance, all the data from its financial statements must be considered in order to get a conclusion about what is happening within the business, and the accountable parties must have a clear understanding of it.

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