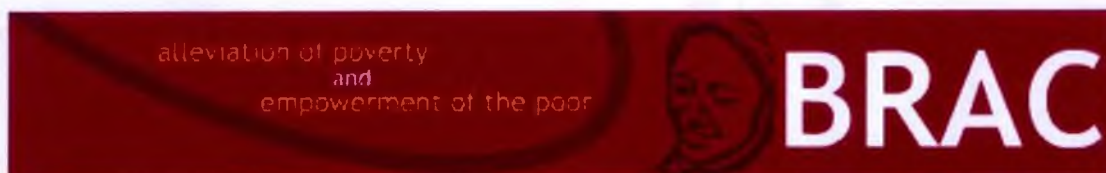


BRAC



"Contribution of the village poor women in the success Of Microfinance":

A case analysis based on BRAC



Prepared for

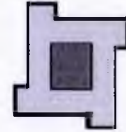
Mr. Anup Chowdury
Senior Lecturer,

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Prepared by:

Md. Khorshed Alam
BRAC Business School

BRAC



Letter of Transmittal

Mr. Anup Chowdury
Senior Lecturer, BRAC Business School &
MBA Programme Co-ordinator.
BRAC University.
October 23, 2008

Subject: *Submission of "internship report"*.

Dear Mr. Chowdury,

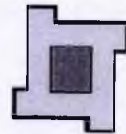
With much pleasure and contentment, I submit to you my internship report titled "*Contribution of the village poor women in the success of Microfinance*- a case analysis on BRAC" as per the requirement of my graduation (BBA). The different appendixes related for this report are also attached with the report.

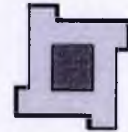
The purpose of this report was for me to analyse the various role playing contribution of village poor women and BRAC itself for its members through organizing themselves into VO, by savings deposit to BRAC and moreover regular loan repayment behaviour. These are the most secret and remarkable contribution in line with the success of BRAC Microfinance. The report greatly contributed in educating me about the struggle and mentality of women and as well the contribution of BRAC in the process of success.

I'm greatly thankful to you for your guidance, suggestions, and constructive criticisms during the preparation of this report that only impelled me further into excelling. Besides, I will appreciate if you give me any guidelines regarding my reports. I'm looking forward for your kind consideration.

Yours sincerely
Md. Khorshed Alam
(BBA, ID: 04304099)

BRAC





Acknowledgement

This report would not have been possible without the help of BRAC staff based at various levels of the organization.

I express my gratitude towards Ms.Mantasha Ahmed, BRAC Public Affairs and Communication Officer, Mr.Shamiron Das, Chief accountant of Microfinance Programme at BRAC Head office and Regional Branch Manager (Manikgonj, Patuakhali & Mymensingh), without whose acceptance my internship would not have materialized.

The staff and in charges based at TARC (Mymensingh & savar)were very generous with their time .The managers from the BRDP area offices ;Shambuganj,Haluaghat, Fulpore,Valuka,Trishal,(Mymensingh); Netrakona ,Manikgonj, Patuakhali Shared with me their valuable experiences and added to the interest in my learning .The staff members working at the field level are greatly appreciated for their candor at discussing and answering sensitive questions as well as for encouraging my work .

I would also like to thank and appreciate the cooperation of these areas poor women who are trying to shape their lives through the microfinance

Last but certainly not the least, I would like to thank Dr.Salehuddin Ahmed, Pro-VC of BRAC University, Dhaka; Mr.Anup Chowdury ,Sr. Lecturer and Young Researcher of BRAC Business school, BRAC University as well as Dr.Imran Matin ,Head of BRAC Research &evaluation division and Programme Director, BRAC Africa for working out the details of an experience and suggestions that has proven to be most educational and helpful.



Executive summary:

This report searched a burning question about the contribution of village poor women's in the success of microfinance .I deal with this report as the requirement of my BBA internship project at BRAC microfinance division. To get the answers from the people who are involved directly to this program I went to field visit to the whole Mymensing ,Netrokona ,Jamalpure and some parts of Kishorgonj ,Patuakhali and Manikgonj districts BRAC field offices .During the field visits I found so many interesting answers and reality of microfinance programme .Microfinance in many ways is the cornerstone of BRAC's development programs. Since its inception in 1974, It's working to provide collateral free financing to the poor especially women, in a simple, efficient and affordable manner. The main credit product is DAVI, UNNOTI and PROGOTI .These are called based on the loan size that provide for borrowers. In line with the success of microfinance both BRAC and its members play the driving force .BRAC organizes these borrowers to VO and gives training and economic and mental support to its members These VO basically consists of 30-40 women. It is the heart of all BRAC activities .These VO reduces the overall cost of operation because a staff can cover a huge numbers or borrowers to give services. On the other hand, its members have been utilizing its loan in the productive sector and repaying loan regularly .They also save money as their deposits, it is helping to BRAC financing of revolving fund loan. Moreover village poor women's positive mentality play a vital success factor for BRAC microfinance programme .Overall BRAC and its members are playing as the two important success factors for the success of microfinance.

Key words:

Microfinance, village organization, credit products, productive sectors, savings and women's positive mentality



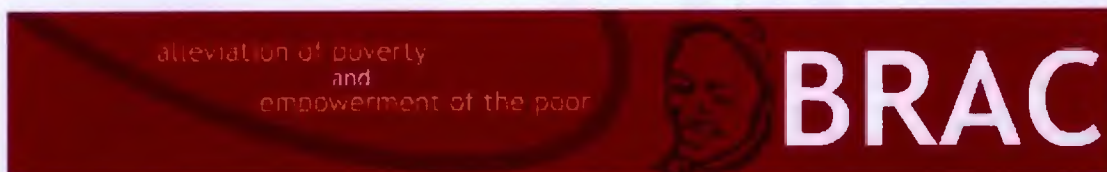
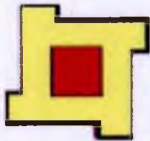
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BRAC



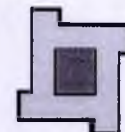
01. Organization Name , Brand Logo &
Founder



Building Resources across Communities -BRAC

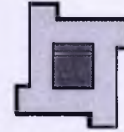


Founder & Chairperson: Fazle Hasan Abed



2.0: Acronyms Related to Report/BRAC

AO	Area office
BDP	BRAC Development program
BRDP	BRAC rural development Programme.
BO	Branch office
BMP	BRAC microfinance programme
BMAR	BRAC Microfinance annual report
DFO	Development financial organization
ES	Economic support
MELA	Micro enterprise lending & assisting
MED	Micro enterprise development
CFPR -TUP	Challenging the frontiers of poverty reduction –targeting the ultra poor
TUP	targeting the ultra poor
PKSF	Palli kormo shohayok Fund



3.0: Introduction:

Through its years of struggle against chronic deprivation, hunger and injustice, Bangladesh has been home to many innovations in tackling poverty ,BRAC, a development organization founded by Fazle Hasan Abed in February 1972 soon after the liberation of Bangladesh, has acted as both the initiator and catalyst for many such innovations and change. Its initial focus was on assisting the refugees returning from India to Bangladesh, a newly independent country. In 1973we broadened our focus to long term sustainable poverty reduction.

Over the course of our evolution BRAC has established it self as pioneer in recognizing and tackling the different dimensions of poverty .Its unique, holistic approaches to poverty alleviation and empowerment of the poor encompasses a range of core programme in economic and social development, health ,education and human rights and legal services .

Today BRAC is the largest southern NGO and employees more than 100000 people, the majority of which are women and reaches more than 110 million people with its development interventions in Asia and Africa.

4.0: BRAC: an overview * 1

BRAC , one of the world largest NGOs started as an almost entirely donor funded ,small scale relief and rehabilitation project initiated by Dr. Fazle Hasan Abed to help Bangladesh overcome the devastation and trauma resulting from the liberation war and focused on resulting refugees returning from India.

With its innovative approaches to development, following no rigid model, but continuously expanding and growing through experimental learning, BRAC today provides and protects livelihood of an estimated 110 million of the 150 million of Bangladesh .BRAC approaches poverty alleviation and empowerment of the poor through a holistic way. This method combines microfinance under its economic development program with health, education, social development, human rights, and

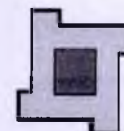


legal services. From the time of its inception in 1972, BRAC recognized women as the primary caregivers who would ensure generational sustainability of their families and households. BRAC has therefore been committed particularly to the empowerment of women and educated of children.

BRAC economic development programme provides the foundation for all of BRAC's development work and has so far organized 5.31 million poor, landless and disadvantaged people, mostly women, into 170277 village organizations (VOs). The VOs serve as forums where people can collectively address the principal structural impediments to their development path, receive awareness training, credit support, savings facilities and get the opportunities to mobilize economic and social power. BRAC microfinance program strives to ensure economic and social sustainability of the poor by offering credit and assisting and encouraging them to save. So far BRAC's microfinance program has disbursed BDT 208409 million with 98.52% recovery rate and requires no collateral. Member's savings equals a total of BDT 10595 million with BRAC. BRAC finds it essential that its microfinance members are informed and aware enough to use their loans in an optimum way; that they are cognizant to the rights, maintain good health and hygienic and have the confidence to establish a means of income generation .

BRAC non formal primary education program, set up in 1985 also serves as a primary example of the organizations innovation and extensive coverage and has been replicated in about a dozen countries. It fulfills BRAC's goal of poverty reduction through access to education for these traditionally outside formal schooling. BRAC develops its own education materials in line with the government curriculum with customized materials that target indigenous groups and others marginalized groups. The adolescent development program trains adolescent BRAC school graduates, both girls and boys, in vocational skills, health awareness including reproductive health and leadership.

Only 365 of the population in Bangladesh have access to primary health care services beyond childhood immunization and family planning. BRAC's health, nutrition and



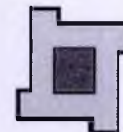
Population program takes a broad approaches to the health needs of the poor by providing basic curative and preventive services to more than 97 million people trained as health workers and volunteers work to raise awareness among the rural poor of health issues and aim to reduces maternal and child mortality and vulnerability to common dieses. Services are offered to control infectious disease like tuberculosis acute respiratory infections diarrhea etc .BRAC has collaborated with the government to immunize children and pregnant women, leading to 80% immunization coverage of the population .the program also provides services to pregnant women for improving their health and nutrition status.

Throughout its operation, BRAC has always been encouraged its field stuff to maintain a responsive and adaptive approaches to program beneficiaries. BRAC's coverage extends to 110 million of the 141 million inhabitants of Bangladesh and 69427 villages in the country's 64 districts. BRAC continues to maintain a strong commitment to development at the grassroots level and stands by its belief that community partnerships and institution building go along way in sustainable development and the spreading and transferring of knowledge to future generations.

The organization has been a symbol of innovation and dynamism, ever ready to experiment with innovative ideas and has been called upon to assist a number of countries in crisis including Afghanistan, SriLanka, Tanzania, Uganda, southern Sudan and Pakistan. Recently it has taken initiative to expand its program to more than other ten countries of Asia and Africa.

4.1: BRAC Vision:^{*2}

BRAC vision is of a just, enlighten, healthy and demographic world free from hunger, poverty, environmental degradation and all forms of exploitation.



4.2: BRAC mission^{*3}

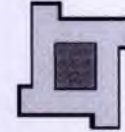
BRAC mission is to work with people whose lives are dominated by extreme poverty, illiteracy, disease and other disadvantages. With a holistic approach, it strives to bring about positive changes in the quality of life of people who are poor. It achieves its mission by;

- Working with the poor ,especially women and children
- Engaging in multifaceted development interventions
- Striving to promote positive changes in quality of life
- Working towards attaining socially ,financially and environmentally sustainable programme
- Actively promoting human rights, human dignity and gender equity.
- Helping to shape national and global policies on poverty reduction and social progress
- Fostering the development of human potential
- Offering professional development opportunities to its staff
- Encouraging commitment to the goals and values of the organization.

4.3: Values^{*4}

- Concern for people, especially the poor
- Human dignity & Belief in human capacity
- Gender equity
- Fairness & Honesty and integrity
- Discipline & Creativity and innovation
- Participation
- Accountability & Cost consciousness, Teamwork, Openness, Sharing information, Transparency.

BRAC

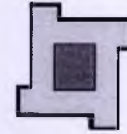


4.4: Profile of the founder and chairperson:^{*5} Dr. Fazle Hasan Abed is the founder and now the chairperson of the world largest DFO, BRAC. He has been described as a living legend. He and BRAC are two of the positive things for which Bangladesh is known around the world, by global leaders as well as the poorest of the poor.

Mr. Abed was born in 1936 in Sylhet. After going to Habigonj govt high school, Comilla Jilla School and Pabna Jilla School and latter to Dhaka College, Abed went to the University of Dhaka and University of Glasgow in Scotland, UK initially to study naval architect but latter he switched to Chartered accounting. In 1968 he came back to Bangladesh to work at Shell oil but during the liberation war when he was asked to be the liaison officer for the Pakistani army he quit and went back to the UK where he helped to initiate a campaign to raise funds for a war ravaged Bangladesh. After the war Abed returned home and formed BRAC with a view to help through the rehabilitations. But latter he introduced Micro credit in Bangladesh as a pioneer. He is also called as the pioneer of micro credit^{*6}

Except Nobel Prize he has been awarded lots of the world prestigious award for BRAC and his great contribution as leader. Some of the prestigious achievements are as follows;

- The Ramon Magsaysay Award for Community Leadership^{*7}
- UNESCO Noma prize for literacy & UNICEF Maurice Pate Award
- Doctorate of laws from Queens university Canada
- Social Entrepreneurship award & Gates Award for Global Health's
- Honorary Doctorate of Education from University of Manchester, UK
- Doctorate of Humane Letters from Yale University
- Clinton Global citizenship Award & Conrad N. Hilton Humanitarian Award 2008



5.0: BRAC Microfinance program components:^{*8}

Fazle Hasan Abed, the founder and chairman of BRAC, started rehabilitation program work in a village called Sulla to resettle war refugees immediately after the liberation war of Bangladesh. In doing so he discovered that the poor need micro credit in order to break free of poor the traps of the dalal or mohajans who lent money against collateral at high interest rate. Thus, with its first loan of BDT 10000 given to a group of poor fisherman at no interest, BRAC pioneered micro-credit in Bangladesh. As abed and his fellows in these activities lent different amounts of money to different individuals, they also discovered that most of the money lent was not repaid and the loan money was being consumed. That was given on group's basis rather than individual's basis and service charge and repayment schedule was imposed. This mechanism worked well.

Group Credit was given for different purposes such as agriculture, small business and housing. The process was on till 1975 when it was found that it led to conflicts within the groups since no one wanted to take the risk of responsibilities. This led to some changes in the lending areas. The individual would take the loan and bear full responsibilities of repaying the loan whether or not he made a profit. This method worked better than group credit.

After Sulla BRAC stepped into Manikgonj .Inspired by the success of its microfinance program, BRAC started thinking about what to do next to reach out to more people .As result microfinance program started to expand.

Before going to discuss details about the BRAC Microfinace programme service offerings we are going to discuss about what are differences between Microcredit and microfinance .Most of the NGO's in Bangladesh mismatch of the two concepts according



to the opinion of Director of BRAC Microfinance programme, Mr. Sabbir Ahmed Chowdury. But BRAC views these two concepts from different concepts.

5.1: Micro credit *⁹

Micro credit is a kind of small loan that is given under certain conditions to an individual or group by a bank or institution and that is repayable after a period of time. This is operated under a certain framework for a specific group of people. In case of individual lending, no collateral or guarantee of loan is required. In case of group lending, a number of individuals can provide collateral or guarantee a loan through a group repayment pledge. The incentive to repay group lending is based on peer pressure –if one default, the others create pressure on repayment.

5.2: Microfinance: *¹⁰

It includes different kinds of loans (general loan, loan for IGAS etc), saving and insurance given to people at different levels. This process ensures maximum utilization of loans, given savings opportunities, insurance facilities (life insurances, livestock insurance). This means that microfinance is not only limited to credit but also includes others facilities. If we put the definition of microfinance in an equation:

Microfinance = credit + savings + other financial facilities.

It is essential to understand the poverty conditions prevailing in program areas and the need to develop products that are relevant for specific conditions and experiences of poverty. BRAC's microfinance program has five principal products, each targeting a different market segment—CFPR/TUO (challenging the frontiers of poverty



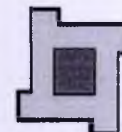
reduction /targeting the ultra poor), IGVGD (income generation for vulnerable group development),

- DAVI,
- UNNOTI.
- PROGOTI/MELA/WEDP.
-

Challenging the frontier of poverty reduction as abbreviated, CFPR is a brainchild of long vigilance of BRAC trying to find the answer for the most deprived and vulnerable segment of the rural population of Bangladesh. It is very unique approach to try and identify the people who cannot afford to meet the most basic human necessities- necessities that are required for survival. Therefore, considering the socio-economic state of the country, BRAC inaugurated this program in 2002 addressing two core concerns – the extreme poor or the ultra poor and the social constraints that have had a stranglehold over this vulnerable segment. Thus this program is try to push down its intervention that are relevant to the livelihood strategies of the ultra poor as well as to push out constraints regarding socio political and cultural periphery. Thus the ultimate goal of the CFPR program is to improve livelihood conditions o f the ultra poor so that they can graduate to the mainstream of development program. The first phase 2002-2006 has completed and the program is approved for the second phase from 2007-2011 where 300000 will be STUP (specially targeted ultra poor) members and 500000 will be OTUP (other targeted ultra poor) members.

5.3: DABI:

The goal of DABI (short for daridro bimochom which means alleviating poverty) is to cater to the moderate poor both in rural and urban slums. This program organizes landless groups and provides them with financial services and self-employment opportunities

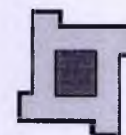


.Dabi provides different schemes of financial services including collateral free loans and savings facilities to low income earners so that they can begin their own income generating businesses .As of December 2007, the total numbers of outstanding borrowers is 4550855 and BDT 42615 million has been disbursed for the year.

Key features of DAVI
<ul style="list-style-type: none">• Loan range _ BDT 5000-BDT 30,00• Service charge _ 15%• Repayment period _ 1 year• Repayment mechanism _ equal weekly installments• Loan products _ general , day to day retail selling• Weekly personal deposit• Security deposit _ 5% of loan amount• Death benefits _ BDT 5000.

Members are selected according to the member selection criteria set by BRAC .The MF staff must follow this guideline as the sustainability of the program lies with members and their repayment pattern. Program organizers set out to meet prospective members keeping the criteria in mind. During the discussions, the Po notifies the prospect about the rules and regulation of the organization, set requirements for member and borrower selections, credit requirement, and finally savings and its importance. It's during this time that the members are oriented about the small group leaders and VO member management committee. After a group of 15 women have agreed, the Programme organizer sets a time and date for all the prospects to come to the area office for the official formation of the village organization (DAVI)

5.4: UNNOTI

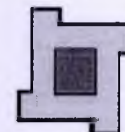


Considering the existing situation of the farmers where lack of capital results in unsatisfactory outcome level, BRAC has taken initiative via for agro based production enterprises which in turn benefits small and marginal farmers. This initiative is known as UNNOTI (meaning growth development).

The goal of UNNOTI is to provide financial services to meet specific needs of small and marginal farmers. Agriculture is the backbone of Bangladesh's economy and to a large extent drives the livelihoods of the poor, either directly or indirectly. Crop diversification, growth in the non crop sector and maintaining high productivity are thus of great importance for food security, proper growth and livelihoods of the poor. Therefore there is a wide scope for intervention in agriculture and the introduction of new ideas and enterprises.

Key features of UNNOTI
<ul style="list-style-type: none"> • Loan range _ BDT 10000-BDT 50,00 • Service charge _ 15% • Repayment period _ 1 year • Repayment mechanism _ equal weekly installments • Loan products : agriculture, livestock and poultry, rural trading • Weekly personal deposit :BDT25 per meeting • Security deposit _ 5% of loan amount • Death benefits _ BDT 10000.

Through the UNNOTI program, BRAC provides support to the marginal farmers who own more than one acre of land, a group not being targeted by the mainstream microfinance programs. The marginal farmers don't need a huge amount of money to support their projects; loan size ranges from BDT 10000-BDT50000.



5.5: PROGOTI

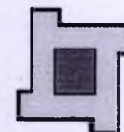
The Progoti or MELA program (meaning progress) was launched in 1996 in order to generate income and create new employment opportunities through enterprise development in the rural and semi urban areas of Bangladesh. The goal of the program is to provide credit facilities and technical assistance to new and existing small business and BRAC microfinance graduates whose access to formal financial institutions is limited in rural and semi urban areas of Bangladesh.

Key features of PROGOTI
<ul style="list-style-type: none"> • Loan range _ BDT 50000-BDT 3000,00 • Service charge _ 15% • Repayment period _ 1 year • Repayment mechanism _ equal weekly installments • Loan products : 12 months, 18 months • Weekly personal deposit: BDT. 25 per meeting • Security deposit _ 5% of loan amount • Deaths benefit _ BDT 10000.

Since its inception, progoti has disbursed BDT25533 million among 343237 borrowers and as of Decembers 20007, the number of outstanding borrowers is 1113551

5.6: Women entrepreneur development program:

BRAC also introduced the Women Entrepreneur Development Program (WEDP) in 2000solely for women entrepreneurs. The cumulative disbursement in WEDP up to December 2006 is BDT 1719.37 million among 22172 women. Through this program



BRAC has addressed the financial needs of those entrepreneurs who neither does not belong to the target group of microfinance institutions nor have much access to commercial banks.

Key features of PROGOTI
<ul style="list-style-type: none"> • Loan range _ BDT 50000-BDT 3000,00 • Service charge _ 15% (flat)per annul • Repayment period : 12,18 and 24 months • Repayment mechanism _ equal monthly installments by accounts payee cheque • Types of business : 39 different business sectors are supported • Weekly personal deposit :BDT25 per meeting • Security deposit _ 5% of loan amount • Incentive for early repayment of loan: 15%interest rebate on advance installment.

6.0: Components of VO based credit schemes: *11

Basically BRAC microfinance programme operates its 95% transactions through VO based credit schemes .Expected borrowers claim loans in a VO meeting .They explains details what they want to do by the loan worth .By the suggestions with others members of the VO, BRAC staff sanctions the loan for the certain borrower or member. BRAC's VO based credit schemes offer several different loan products. The more common of these two loans are;

General loans can be taken for any profitable income generating activity, such as rural trading, rural transport, paddy husking, food processing, small shops and restaurants etc. While first loan sizes are relatively small, the amount increases over time depending on

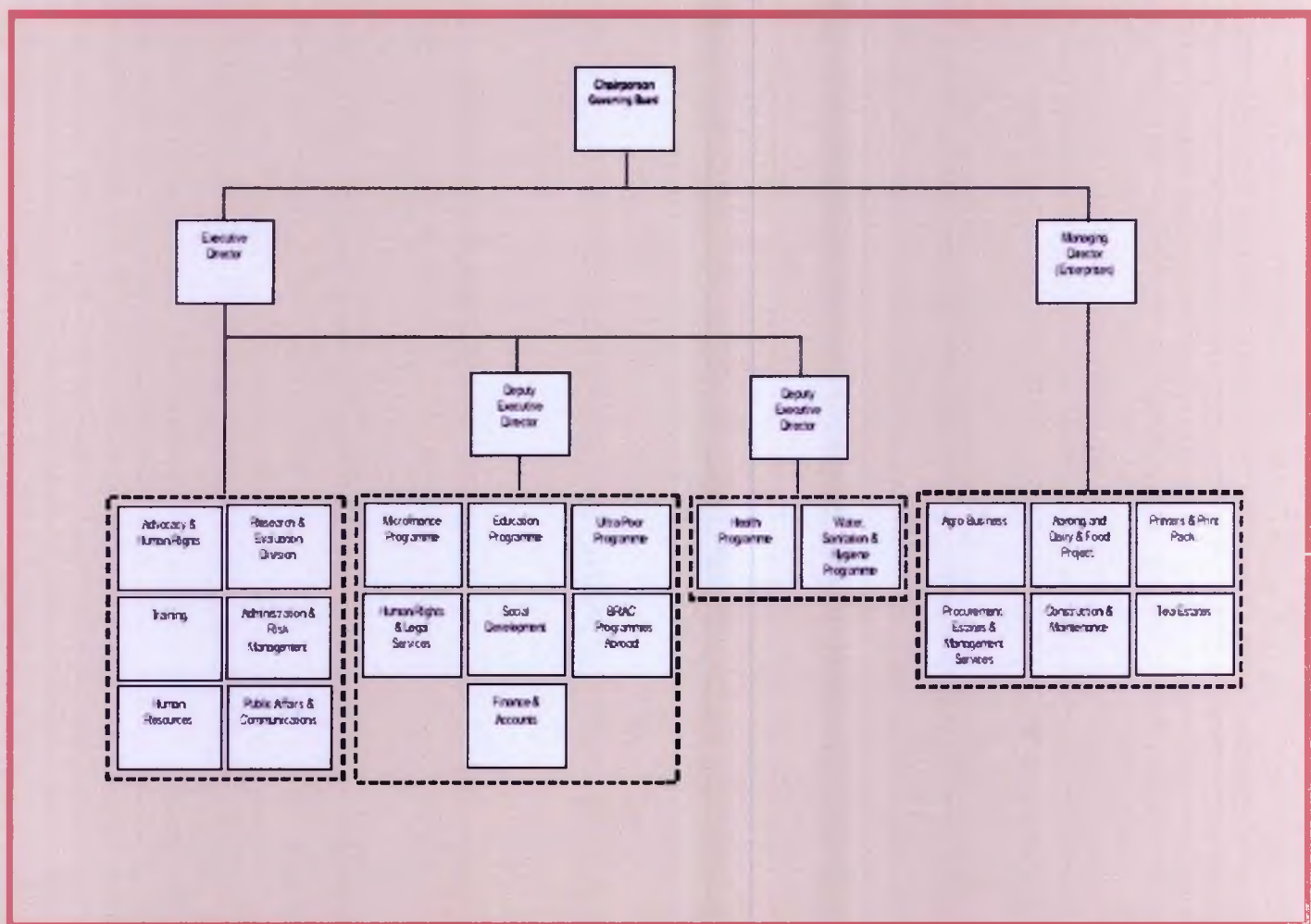


both loan use pattern as well as past repayment behavior .General loans are collateral free and repayable to any member within adequate amount of savings deposit.

Group members can also obtain sector wise programme loans in areas such as poultry, livestock, agriculture, sericulture, fisheries and social forestry. In these sectors BRAC provides training and technical assistance and inputs alongside the programme loans in order to ensure effective utilization of funds .in 2007 the rate of interest for both general and programme loans was 15% Flat. In addition, members can obtain two year housing loans at a 10% flat rate of interest to construct or upgrade their homes

7.0: Operational network organization: *12

BRAC ORGANOGRAM





7.1: Governance*13

Apart from the Chairperson of BRAC, the rest eight members of the governing body are non-executive. Distinguished individuals with high reputation in business and professions with pro-poor mindset have been elected to the Governing Body to bring their diverse skills and wise counsel in the governance of BRAC. In the year 2004, four meetings of the Governing Body and an Annual general Meeting of the general body were held. The audit committee also held four meeting in the year 2004.

BRAC also appointed its first ombudsperson on September 1, 2004 with a comprehensive mandate to investigate any incident of maladministration and misuse of power within BRAC. Clear-cut policy regarding authority of each level of staff has been laid down. The staffs are empowered to take decisions at area, regional and programme level. Procedure manuals and policy documents contain organizational policies and procedures, which are open to all. The internal control of BRAC is dealt by Internal Audit, Monitoring and Financial monitoring section. 100% audits are conducted where irregularities are detected in the course of normal internal audit, which is on sample basis. The frequency of audit in each of the Area offices, Head offices and commercial projects is at least once a year but two or more are conducted at locations and programme that warrant a close watch.

In 2004, a system of continuous audit, whereby all financial transactions at BRAC Head Office are checked within a week, and risk based auditing has been introduced. Internal audit, during 2004, was conducted in 2,915 locations and 26 reviews undertaken. These reviews were discussed in review meetings and corrective measures were taken. Quarterly reports are prepared on unsettled irregularities of the review meeting decisions and submitted to the audit committee. BRAC Inventory & Internal Financial Monitoring Section consists of 14 staff, periodically monitoring on inventory and internal financial control at BRAC Head Office and projects. The total number of inventory monitoring spots/areas was 68 and the figure for financial control was 13 in 2004.



Audit reports for all projects, along with FD-4 certified by the Auditors, were submitted to the NGO Affairs Bureau, Prime Minister's Office. A total of 31 external auditing missions, from 6 audit firms, reported on different BRAC programmes in 2004. External Audit Groups include Ernst & Young, Malaysia Aziz Halim Anwar & Co; SF Ahmed & Co Ahmed Ahmed & Co; JR Chowdhury & Co SK Barua & Co

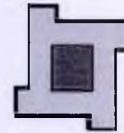
BRAC has two Donors' Consortia for the BRAC Education Programme and for the Challenging the Frontiers of Poverty Reduction programme. These two programmes account for a large part of total donor finance to BRAC. The consortia conducted their own audits and external reviews and met twice in 2004 to discuss findings. The Consortia donors are the European Commission, Department for International Development (U.K), DGIS (the Netherlands), CIDA (Canada), NOVIB (the Netherlands), NORAD (Norway) and World Food Programme (WFP). BRAC Finance & Accounts Division has won the World Bank 2004 CGAP Financial Transparency Award.

8.0: Visions for the Future: *14

When the world is free from hunger and poverty, BRAC's work will be done. Until then, it will strive to find practical and scalable approaches to eradicate poverty wherever it find. With one billion people in the world today still suffering from poverty, the task ahead is enormous. Even in countries which are making good progress on economic growth and many of the MDG goals, there are second generation development challenges that remain to be solved. These include- the need to provide quality education for all, reduce maternal and neonatal mortality; expand the frontiers of sustainable agriculture production; adapt to climate change and sustain and expand the gains made by the poor in a globalize economy .BRAC will be working actively and in close alliance with civil society, private sector, government and knowledge institutions, in addressing these challenges.

9.0: Job Description

9.1: Nature of the jobs:



I joined as an intern at BRAC, a national private and the largest NGO of the world. BRAC is a large organization which has been implementing so many programme with a view to alleviate poverty and empowerment of the poor especially the women .it has many core programme which are directly related to its vision and mission. These core programmes combine microfinance under its economic development programme with health, education, social development, human rights, environment awareness programme and legal services. There are others programme which help this organization to run its operation smoothly .these programme are known as support programme .various support programmes provide the necessary physical and technical support for other programme to run smoothly and effectively. Such programme includes the training division, research and evaluation division, advocacy and human rights unit, finance and accounting, internal audit and monitoring, human resources, administration and special projects, public affairs and communications and publications.

All activities related to intern student whether she/he is from home or abroad is performed by the internship unit of BRAC public affairs and communications division. The intern is also placed according to the intern choice and interest where she /he wants to do his/her projects related jobs .During my internship period I joined to BRAC accounts and finance division related to microfinance programme accounts and finance .I joined here with a view to know much more about the various accounting system or policy related to micro finance. Because of my internship requirement I have to stay at BRAC TARC at Mymensingh, Barisal and Savar.

During the two months of field visit I frequently visited in Mymensing , Netrokona ,jamal pore and some parts of kishoreganj ,Patuakhali and Manikgonj.

At the time of internship, there were other 12 intern from the Duke University of USA. all the students were from different school of duke university .We were solely responsible for developing the website contents for the BRAC .This website will basically used for the international visitors and various stakeholder of BRAC who are interested to develop their knowledge about BRAC as well as who wants to develop their knowledge profoundly. With a view to develop the website contents we have to visit all the programme directly so that we can get more clear know and accurate information. There



are others most important reason is to interview the benefices to pull them into the website.

I have said that we were totally 18 visitors along with tow faculty members from Duke University School of economy and public policy.

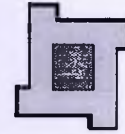
Because of my interest on BRAC Microfinance programme, the faculty members from duke school of economics and public policy give the sole responsibilities to work as a team leader for the 3 member's team. as a intern at microfinance we were interviewed so many women from the different VO of Mymensingh, Netrokona ,Jamalpore ,gazipur and Manikgonj .We observed their recent families conditions and their improved by taking the loans from BRAC .We try to find out their struggle and survival in life .We directly observed and collected various statistical data from women ,staffs and related beneficiaries and microfinance borrowers .We visited to the households, business ventures of microfinance borrowers and unnoti borrowers. We also try to get data related to process of being members into VO i.e. BRAC different programmes especially Microfinance programme, different product features, process of taking loan and repayment systems.

Moreover my team and I especially engaged how savings play an important role for organization and members as well. These were basically the specific jobs that I did during my field and project visit.

After the finished of field visit I gained joined the accounts and finance division microfinance unit. During this time I did various jobs related savings and credit system at BRAC as well as term loan related accounting.

9.2: Critical observations

During my field visit across the rural side I interviewed a large number of women who were very much interested to give interview with us .They talked to me very frankly when introduced them like themselves my mother is also one of the Vo member in Manikgonj .She also takes loan like all of you regularly and give interview when any foreigner as well as Bangladeshi people .As because of good communication ,they replied very positive which any one cannot find out from them because of the sensitiveness of

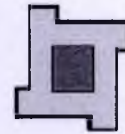


the questions .I found out several unexpected answers from these women that nobody can expect from these loyal members.

- One of the most important objections regarding services of BRAC Microfinance programme is that customer –organization good relationship is now declining
- Second severe objections from the women is that day by day where other NGOs are trying to reduce the customer service default rate, BRAC is not caring about it .According to the women perspective we are contributing a lot towards the success of BRAC overall performance but the BRAC staff (Officer –women call the BRAC people as officers) shows such a behavior that only they are contributing not member.
- Loan range is one of the great problems for BRAC. According to the most of the women of Manikgonj,Gazipur ,netrokona and Mymensingh & Patuakhali the loan range in BRAC is also very low .we cannot use these loan in productive sector because of the heavy inflation in country. Due to inflation in the country other NGOs have increased their loan range but BRAC has taken initiative but is not being implementing
- Last but not the least ,most of the women is not interested to deposit in BRAC because they thought the interest rate is very low compare to commercial bank .In spite of this low interest rate they deposit their money weekly . They get the great shock when they try to withdraw it but the staffs of microfinance behave badly.

9.3: Recommendations

These are the most severe observation what I found during my field visit in different areas of BRAC Operations .In my opinion; these problems regarding the member's dissatisfaction due to staff's behavior should be changed. This should be changed as these 110 million is the heart of BRAC operation or organization. These large loyal customer or member dissatisfaction can greatly affect not only the microfinance programme but also all other programmes related to BRAC organization. If these aren't corrected then other competitors of BRAC like ASA and GraeenBank will obviously dominate over BRAC .If this happen it will negatively affect BRAC operation.



- Savings is the assets of respective members. They save due to protect themselves for the future. According to the women only they withdraw their savings deposit when they fall in severe financial crisis. They thought that during this time without any kind of helping them, BRAC restricts the members to withdraw the deposits. In my opinion if BRAC make them understand and make a good communication and relationship related to this issue they can easily remove these this problem. Though this is easy problem but not a valueless to the point of BRAC. Because the savings is one of the great source of BRAC financing of revolving fund. Every year savings supplies more than thousands core BDT capital into fund at reasonably cheap cost.
- Customer is the asset for any customer oriented organization. Now a days customer is considered as the soul of business whether it is profitable or non-profitable. Without good people or loyal customers no organization can survive. Due to rough behavior, loan policy, loan processing time and conflict with staffs a large number of loyal customers are switching BRAC. We know that switching cost is very bad for a customer as well as business organization.

But when they do?

They do it when they seem the organization is cheating with her. Retaining loyal customer is less costly than attracting and organizing new one. Because a loyal customer works like an advertisement for the organization and they spread word of mouth communication to new and potential customers. That's why problems regarding customer satisfaction should be resolved as soon as possible for the betterment of both organization and customers.

- The loan disbursement into individual customer especial among the DAVI borrowers should be increase so that they can invest the money into productive sector, this is very necessary in this time of inflation. This claim from the borrowers are justifiable where others NGO give a entire level loan more than 10000-15000. But at a time the authority should be careful about the utilization of loan so that they can repay.



10. Abstract

BRAC is an organization synonymous with development and microfinance activities. Microfinance in many ways is the cornerstone of BRAC's development programs. It has focused specially on women .In line with the operation of microfinance programme over 34 years BRAC microfinance is being considered as the successful program and therefore it is being replicated not only in Bangladesh but also other parts of Afro-Asia. BRAC and its huge members across the country together play the secret role towards the success of BRAC Microfinance .BRAC is helping in the success of microfinance by giving micro credit to its landless, capital-less, marginal members through organizing them into The Village organization, by giving adequate training support to make them efficient so that they find out proper place where to be invest the loan and how could the loan be utilized properly. In the success of BMF, VO members play as the most important role. When they become VO members they regularly deposits regularly into BRAC. These savings deposit play a vital role for BRAC financing of revolving loan fund. The savings deposits are also less costly in case of capital sourcing. The interest rate of savings deposit is only 5% whereas BRAC charges 15% Flat interest rate for its loan service .The savings also maintains the liquidity position of BRAC Microfinance programme .Liquidity obviously plays an important role for the success of any financial organization whether it is Development financial institutes or commercial financial institutions. Lastly, the high loan recovery rate(98-99%), women's mentality and utilization of loan by the village poor women plays the vibrant role in the success of microfinance .To repay and properly utilized the loan the village poor women have to work heart and soul .Proper uses of loan makes sure the regular repayment and circulation of loan .If the loans are not regularly repaid by these poor village people then every year the organization had to make larger amount loan loss provision .This would create various problems regarding the operations ,decision making ,sourcing of capital to running the operations .In these perspective The contribution of village poor women in the success of BRAC Microfinance plays a vibrant role that should be recognized by concerned authorities .

Key words: *Cornerstone, Replicated, Cost of capital, Loan loss provision, Savings, Development financial organization, Loan recovery performance rate and Women's mentality.*

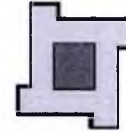


11.0: Description of the project:

The titled of internship project is –“the contribution of women in the success of microfinance”: a case analysis based on BRAC Microfinance”. My internship project is related to BRAC Microfinance programme and its sacred success story in the field of microfinance it is now the largest NGO. .Fazle Hasan Abed, the founder and chairman of BRAC, started rehabilitation program work in a village called “Sulla” to resettle war refugees immediately after the liberation war of Bangladesh. In doing so he discovered that the poor need micro credits in order to break free of poor the traps of the dalal or mohajans who lent money against collateral at high interest rate. Thus, with its first loan of BDT 10000 given to a group of poor fisherman at no interest, BRAC pioneered micro credit in Bangladesh. As abed and his fellows in these activities lent different amounts of money to different individuals, they also discovered that most of the money lent was not repaid and the loan money was being consumed. That was given on group’s basis rather than individual’s basis and service charge and repayment schedule was imposed. This mechanism worked well.

Group Credit was given for different purposes such as agriculture, small business and housing. The process was on till 1975 when it was found that it led to conflicts within the groups since no one wanted to take the risk of responsibilities. This led to some changes in the lending areas. The individual would take the loan and bear full responsibilities of repaying the loan weather or not he made a profit. This method worked better than group credit.

After Sulla BRAC stepped into managing .inspired by the success of its microfinance program, BRAC started thinking about what to do next to reach out to more people. Microfinance program started to expand.



BRAC economic development programme provides the foundation for all of BRACs development work and has so far organized 5.31 million poor, landless and disadvantaged people , mostly women, into 170277 village organizations (VOs). The VOs serve as forums where people can collectively address the principal structural impediments to their development path, receive awareness training, credit support, savings facilities and get the opportunities to mobilize economic and social power. BRAC microfinance program strives to ensure economic and social sustainability of the poor by offering credit and assisting and encouraging them to save. So far BRAC microfinance program has disbursed BDT 208409 million with 98.52% recovery rate and requires no collateral. Member's savings equals a total of BDT 10595 million with BRAC. BRAC finds it essential that its microfinance members are informed and aware enough to use their loans in an optimum way; that they are cognizant to their rights, maintain good health and hygienic and have the confidence to establish a means of income generation.

As a successful development financial institute (DFI) BRAC has organized so many village poor women across the countries and they have trained them to be efficient as small entrepreneur .after the training they have been given economic support as form of micro credit so that they engage themselves in the productive sector .over the year it has succeed through continuous effort to alleviate poverty .during this struggle and fight against poverty and the process of empowerment of the women financially ,mentally and physically BRAC and its millions of members have been working together to reach the final destination of poverty , hunger and all sorts of exploitation free Bangladesh .

In line with the success of BRAC Microfinance ,the village poor women also has been working secretly without conscious knowledge .we are sometimes aware of it and even sometimes we don't care about it saying that if we don't give this and this how they could succeed .

All through my projects paper I have shown a huge related data that shows along the organization members contributions are also remarkable and they are catalyst of success of Microfinance where we agree or not .



All through the paper I have searched out the women's contributions interims of organizing themselves to VO, savings deposit what they save into BRAC, loan recovery performance rate, women's mentality and utilization of loan in productive sector

11.1: Objective of the project:

We can divide our overall objectives into two separate parts.

1. General objective :

- To broaden my basic knowledge by learning practically from the organizational structure thought the direct involvement of these jobs
- To learn more about the DFI operations in the field level and corporate level

2. specific objective :

- To find out the overall contribution of BRAC Microfinance programme to struggle and fight against poverty alleviation and empowerment of the poor women.
- to locate the specific contribution of village poor women in line with the success of microfinance
- to identify the role of savings, loan recovery performance ,women's mentality and loan utilization of poor women in the success of BRAC Microfinance
- to recommend some valuable information that are gained from the member so that they can take corrective actions for the further betterment of organization
- to find out customer-organization relationship

11.2: Methodology:

Data is one of the most important parts based on which we can make relations and justification and reliability of our measurement. I both collected qualitative and



BRAC

quantitative data for my internship project. The measurement of the qualitative data was the observation through directly to get an abstract idea. These data were used to make a decision whether she has been able to survive from the poverty line or not. According to me, the qualitative data means the courage, confident and economic and financial freedom of women to take decision in the context of family and society i.e. empowerment of the women. The quantitative data is refers as these data which are countable like her present monthly income ,land and other property that she has gained through the engagement of BRAC .

We were relying on both primary and secondary data to get an accurate and clear idea. most of the primary were collected from our filed visit to BRAC operations areas .More data were collected from the field visit and direct interview of beneficiaries and staffs and officers of BRAC and the rest data were collected from different BRAC publications, BRAC website ,PKSF website and NGO Bureau website and others reliable sources

I used the sample size of about 147 borrowers and no borrowers as sample. These non borrowers were taken because they have been influencing women borrowers because they are either the family members or husband of the borrowers.

Moreover I also took equal number of men and women i.e. 36 men and 36 women to justify their mentally .In this context I used only the members and I selected 12 members from three regions like Mymensingh, Dhaka and Barisal

11.3: Limitations:

Microfinance sector is a vast field. It is so vast that it is very tough to cover the basic of micro credit within a short period. Limited access to sensitive files is also a factor for limitations. Most of the information contained within this report was either obtained through documents published by the company itself or informal interviews during my visit in the field offices. The report could have delved deeper into certain matters, but that has not been possible because certain sensitive information were not readily shared due to organization regulations. Moreover as I worked as an Intern, therefore I had not that



BRAC

much accessibility to all those factors. Moreover there are some sensitive information's which can't be easily collectible because of organization prohibition.

12.0: Analysis of the project:

The title of the article of the project is- the contribution of the poor village poor women in the success of microfinance .In case of success of microfinance, most of the time we always considered the institutional contribution but we refused the small but great and secret contribution of village poor women.

In my present selected report I am trying to find out the overall contribution both BRAC as organizer and inspirer of these poor women and the poor women .Without each other contribution no one can survive in the loan long.

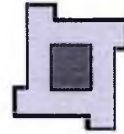
That means the success factors of microfinance can be discussed in two ways;

- organization's contribution I.e. BRAC contribution
- Members /village poor women's contribution

13.0: BRAC's contribution to the success of its microfinance program:

BRAC's microfinance programme has focused specially on women. The reason for rural women being placed in a vulnerable position in the community is their continuous state of helplessness, both economically and socially. Employment opportunities are very limited for them. Female members of the households lack health care services, receive less nutrition and are less educated than their male counterparts. Also the growing number of female headed households as results of death of the bread earner, divorce, desertion and male migration, has left women at the helm of the households. With all these factors in mind, BRAC focuses mainly on rural women giving priority to their needs, bringing about meaningful transformation in their lives by making small loans available to them for income generating activities.

BRAC's differs from other microfinance institutions in its realization that poverty is a multidimensional concept and development needs for different categories of the poor are

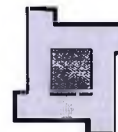


BRAC

not homogeneous. BRAC's commitment to this reality is marked in two ways. first, BRAC has always opted for the credit plus approach where loans are given to poor women in the form of skill training, non formal primary education for children of BRAC members, health care, social development services and the creation of grassroots organizations for the poor .second in order to reach the diversified groups of the poor, BRAC applies different approaches for facilitating their access to financial resources in the form of microfinance services. To date the programme has reached over four million village members, of whom 99.5 % are women .Results now show that the moderate poor, as well as vulnerable households are the principal users of microfinance .Compared to extreme poor households they are more likely to join in NGO, more like to take a loan, more like to have a larger loan and more likely to develop a profitable micro-eEnterprise with their loan. There are several reasons why the extreme poor households are less likely to join or once joining, less able to make effective use of loans. Perhaps the most common factor is households need an existing source of regular income .Repayment conditions typically require payment on weekly basis as soon as the loan is taken and in many cases, before any income has been generated by the investment of the loan .For households without such as assured repayment source, taking loan is simply to risky. Very often, NGO staff or other borrowers will discourage such poor households from joining the programme .It is the members of this extreme poor group that are particularly disadvantaged using conventional microfinance instruments and its for this group that are particularly disadvantaged using conventional microfinance instruments and it is for this group that new modes of intervention are needed . This is a new frontier in the poverty reduction challenge.

13.1: Organizing the ultra poor: *15

BRAC programme for the ultra poor organizes the ultra poor who are the most deprived segments of our population ,lacking even the most basic necessities' .Many have no adequate shelter and very little to eat .they suffer from extreme malnutrition and are



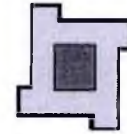
consequently very prone to all forms of diseases. These households are particularly vulnerable to recurring natural calamities and are often caught in a poverty traps .BRAC programme aim to assist the targeted population through economic support, a special investment programme in the form of a grant of asset or capital in kind and stipends ,skill development training ,social services. These women are also introduced to a savings scheme. At the end of two years cycle, the programme intends to merge programme participants into the mainstream microfinance programme. BRAC is organizing the ultra poor people through their4 various special programs for different segment of poor .Organizing process of BRAC poor people are as follows,

Specially Targeted Ultra poor (STUP):*16.

The specially targeted an Ultra poor area a carefully selected group of ultra poor women who form the majority of the CFPR_TUP programmes membership. Their elaborate selection process includes surveys, community meetings and participatory rural appraisals to identify those who are most in need of the facilities provided by the programme. Once selected, STUP members receive a comprehensive support package which includes enterprise development training, economic support in the form of asset transfers and health subsidies as well as social development support. The STUP programme has a two year cycle at the end of which the members are expected to graduate into mainstream development programmes such as microfinance.

13.2 Income generation for vulnerable group development (IGVGD) ultra poor:

The income generation for vulnerable group development programme is a collaborative programme between the government of Bangladesh, the world food programme and BRAC. Under this initiative, IGVGD members receive food assistance in the form of



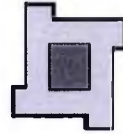
wheat. They are also incorporated into BRAC's development programmes and encouraged to form village organizations. Their participation in BRAC's microfinance programme enables the IGVGD members and entitles them access to collateral –free micro credit to initiate income generating activities. As part of the TUP programme, IGVGD members receive a support package consisting of skill development training, essential health care and social development support. IGVGD is also a two year cycle programme with a new intake at the start of every cycle.

13.3: BRAC Development Programme (BDP) Ultra poor: *17

The BDP Ultra poor consists of members of BRAC's VO-based microfinance schemes who are unable to take full advantage of the credit plus facilities and inputs provided by BRAC due to lack of confidence and inadequate technical know how .through their participation in the TUP programme ,BRAC strives to enhance the capacity of these women so that they can set up and operate enterprises to generate regular income in order to achieve this ,the TUP programme applies an integrated support package in addition to the credit facilities that are offered to these women under the microfinance programme .the package includes a wide range of training programmes including basic skill development training and monthly refreshers. These training courses re tailored to the specific needs of the participants' .In addition under the TUP programme, The BDP members also receive essential health care services and social development support.

13.4 Economic support:

The economic support component of CFPR_TUP is specially deigned for the specially targeted ultra poor and consists of grants of productive assets/capital in kind as subsistence allowance stipends. The asset transfers include poultry, livestock, leased land .A well planned and structural method is followed in determining the most efficient types of involvement and in distributing assets to STUP participants. The STUP members are



subject to intensive follow up. In 2007, the 50000 STUP members received assets in order to start income generating activities. All of them received subsistence allowance as short term income support.

13.5: Skill development training: *18

Training is provided for skills development to all three categories of TUP members, employment and enterprises development training aims to reach the poorest and develop their capacity to participate in mainstream income generating activities. The emphasis on such training is on imparting knowledge of basic entrepreneurship and economic sustainability, during 2007, 500000 STUP members IGVGD members received skills development training.

14.0: Women's contribution to the success of microfinance:

In line with the success of BRAC Microfinance programme across the communities, engagement of BRAC members with BRAC has really surprising contribution. They have multiple significant & hidden contributions which basically work as a driving force towards the success of microfinance programme. I have found many important facts through my field visit and life time experiences as a son of BRAC microfinance programme members or borrowers. The surprising as well as the remarkable contributions of village poor women towards the success of BRAC microfinance is as follows.

14.1: The Village Organization ----Heart of BRAC operations:

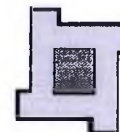


BRAC's microfinance programme has focused specially on women. More than 98% of the BDP members are women. BRAC focuses on institution building to bring the rural poor people into the mainstream of development. BRAC believes that a common platform created a need by the poor themselves is crucial prerequisite whereby the poor can make themselves count in the development process. We know that Bangladesh is a high level of poverty accompanied by low productivity activities. Because they cannot provide collateral and typical deal in small denominations of money, the poor are denied access to the formal banking system and are thus deprived of the facilities to borrow, save and invest in productive activities. In addition, moneylenders from their informal credit markets charge very high interest rates restricting poor people's access to credit earnings. Making credit available, especially to the rural poor is therefore, considered as an essential strategy in reducing income poverty. BRAC started its operations with an ultimate aim to

- Make credit available to poor women, especially in rural areas.
- Provide credit at a reasonable price
- Involve poor women in income generating activities through credit provision
- Promote the economic development of the country by increasing the income level of the rural poor
- Operate self sustaining credit activities.

Table 1 : Microfinance programme at a glance ^{*19}

Particulars	December 2005	December 2006	December 2007
District coverage	64	64	64
Total No of area offices	1381	1383	2867
Total number of VO	160197	170277	260785
Total number of Members	4.84 million	5.31 million	7.37 million



% of women members	98%	98%	98%
Outstanding borrowers	4.16million	4.55 million	6.4 million
Cumulative loan disbursement	BDT.17928million	BDT.24355million	BDT.36344million
Members savings *	BDT.9159million	BDT.10595million	BDT.13467million
Average loan size			
Repayment rate	99.82%	99.52%	99.54%

The most important parts of the BRAC Microfinance program is the Village Organization .If any women wishes to access all the facilities provide by the BRAC Microfinance programme it is bound to be the member of the VO member .Without being member of the VO ,no women is allowed to access into facilities provide by the BRAC Microfinance programme .The VO is the nucleus of BRAC's poverty alleviation efforts .It is the gateway trough which BRAC introduces its services to meets members but more importantly it is the gateway through which the disadvantaged people enter into a more empowered, healthier and economically sound future. The VO is heart of BRAC's credit programme approach.

The village organization is an association of poor, landless people come together with the help of BRAC to improve their socio-economic position .The main goal of the VO is to strengthen the capacity of the poor for sustainable development and enable the poor to



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participate in the national development process, the VO is also the link between rural people and BRAC the VO plays a central role and is often a starting point for all these strategies.

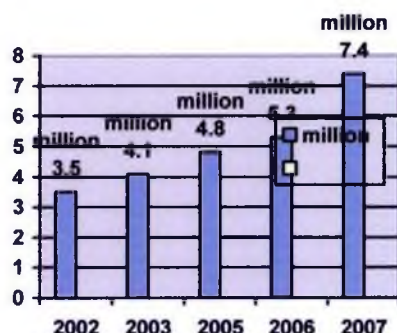


Figure 01: membership in million *20

BRAC uses the VO as means to implement its credit services to its members. Before BRAC opens a new area offices it staff conducts a door to door survey to identify the target population of the area. Generally the target area ranges within a 5-6 Km radius of area offices .Members receive an orientation course at the time of VO formation and each VO is subdivided into small groups comprising five members with a leader. The VOs have a management committee consisting of an elected chairperson; a secretary, a cashier and a leader of the small group normally there are forty members in a VO .once a VO have 20members activities may start.

The VO is set up to develop a well disciplined organization of the rural poor with particular emphasis on women's participation and development the capacity of the poor for sustainable development. The VO through which the rural poor are enabled to participate in the national development process

When a VO is formed the members select a president and a treasurer. They hold VO meetings every week. Women begin to save with BRAC as soon as they become members and they can request for loans by the 4th week. Group member must show the ability to deposit savings on regular meetings and once this has been established loan



will be disbursed to individuals. While the individual is ultimately responsible for the repayment of the loan, group pressure ensures that loan is repaid on time.

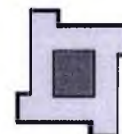
BRAC microfinance staff meets VOs once a week to discuss and facilitates credit operations. Any women specially the poor women who want to take loan from BRAC Microfinance have to be a member. different poverty group has different terms and conditions .by fulfilling these terms and conditions any women can be the member of the VO of BRAC microfinance programme .As of December 2007, BRAC's Microfinance program has mobilized 10 million members into village organizations and has disbursed over billion amongst them .The members combined savings stood at US\$ 198 million .

Table 2: Microfinance programme at a glance

Particulars	December 2005	December 2006	December 2007
District coverage	64	64	64
Total No of area offices	1381	1383	2867
Total number of VO	160197	170277	260785
Total no of Members	4.84 million	5.31 million	7.37 million
% of women members	98%	98%	98%
Outstanding borrowers	4.16million	4.55 million	6.4 million
Cum. loan disbursement	BDT.17928million	BDT.24355million	BDT.36344million
Members savings *	BDT.9159million	BDT.10595million	BDT.13467million
Repayment rate	99.82%	99.52%	99.54%

From the microfinance programme at glance we find that the microfinance programme already has covered all 64 districts of Bangladesh with its Village organization.

These VO mainly work as the nerve centre for BRAC microfinance program as well as is often a starting point for all these strategies what we have discussed above .the member of the VO's help the BRAC staff when any members fail to repay loan .In case of any default loan of a group members the other members work as a pressure group for the staff



or for BRAC .This pressure given by the VO member or committee plays a very vital rule to increase repayment rate. Over the year we have found that when any member become fail to repay loan then Vo members take proper initiative and found out proper arbitrage system which basically goes in favor of BRAC .In case of collection of defaults loan the attempt of BRAC staffs fails more but the attempt taken by BRAC VO members bring more successful results than BRAC staffs.

Moreover the Vo is a extra spirit for BRAC .If we look at the micro finance programme at a glance we see that BRAC microfinance programme has more than 110 million members/borrowers (i.e. customers) .We can call these borrowers as customers or well wisher's of the BRAC .If we have common knowledge on customer service relationship or marketing related basic knowledge then we can easily realize how much these borrowers are important for the success of BRAC microfinance .We know that a loyal customer acts as a loyal advertisement medium .Their positive word of mouths communication spread the reputation across her communities and it creates the brand image and reputation. Over the year ,these members of the VO has been playing as a advertisement medium and therefore BRAC has become a common and loyal households Brand across the families of Bangladesh .Due to their loyal response or engagement with BRAC ,BRAC staff and their operations across the communities has been smooth and fluent. Basically in line with the success of microfinance, BRAC has widely recognized not only Bangladesh but also many parts of the Afro-Asian countries

14.2: Savings: The catalyst of Revolving fund

BRAC microfinance programme has to disburse a huge amount of loan to its members annually .Therefore capital financing is one of the most crucial part of its credit operations .Every year it has to manage /collect a huge capital from different sources .This credit operations are carried out through a revolving loan fund (RLF).This RLF consists of retaining earnings, donor's funds, VO members savings ,loan from banks and



PKSF .loan realized are credited to and from a part of the RLF for extending further credit .This process of lending ,recovery and further lending ensures that the credit facilities are eventually available to all VO members .A 2% loan loss reserve is kept in order to cover the risk of default loans. Frequent borrowing and payment allow the borrowers to take high risk.

Table 3: Sources of RLF *²¹

Source	2004 as %	2005 as %	2006 as %	2007 as %
Members savings deposits	48.33	46.30	41.72	26%
Loan from PKSF	15.71	8.14	3.64	3%
Grants from donors	10.35	8.53	6.41	5%
Retained earnings	15.02	16.34	26.54	18%
Loan from banks	9.50	20.69	21.69	48%
Others	1.09	00.00	00.00	00%
Total RFL %	100	100	100	100

*

From the records of financing of RFL we find that savings is the most important part of RFL. Savings are a part of income not consumed immediately in favor of the future .An important part of BRAC credit operation is the collection of savings. Experience shows that the regular savings of VO members indicates a better discipline in VO credit operations. From the member's point of view, savings represents an opportunity to earn interest which they cannot enjoy from the formal market or regular financial institutions. Savings opportunities with BRAC provide members with funds for consumption, children's education and other investments. It also provides security for old age and serves as a contingency fund during natural disasters.

Table 4: Savings Balance between 2007& 2006 *²²

BRAC

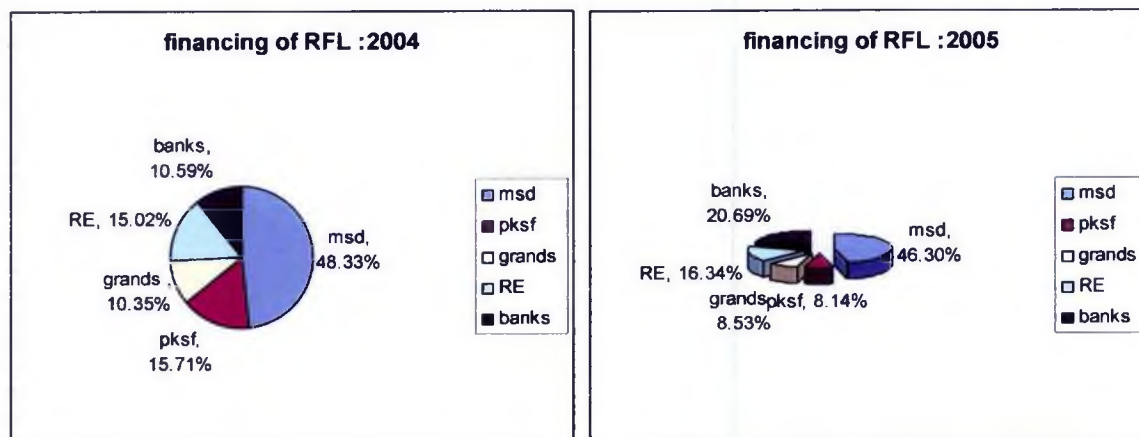


	2007	2006
VO member's savings deposits:		
Opening balance	10595093766	9159249306
Deposit during the year	12098641068	6166743042
Withdrawals during the year	(9226546815)	(4730898582)
<hr/>		
Closing balance	13467188019	10595093766
<hr/>		
VO member's savings deposits are analyzed as follows:		
Compulsory savings	4753602995	3390430005
Own savings:	8713585024	7204663761
<hr/>		
	13467188019	10595093766
<hr/>		

The average rate of interest paid in respect of savings deposits by VO member's is 5% (before 2006 it was 6%) per annum.

A VO member can save in these ways;

- Own savings: on average, they are required to save a minimum of US\$ 10 cents (BDT.5) every week a member can also a maximum amount of BDT 20.
- Compulsory savings; when they take loans, it is mandatory that they deposit 5% of the loan amount into their savings account. The interest rate for the savings 5 %.(since 2007 but it was 6% before 2007).Normally borrowers can withdraw their savings anytime by maintain certain rules.
- Current account savings: BRAC has recently introduced current account savings that bear no interest but allow the group members to make unlimited withdrawals.

Figure 3: RFL ^{*23}

nB:

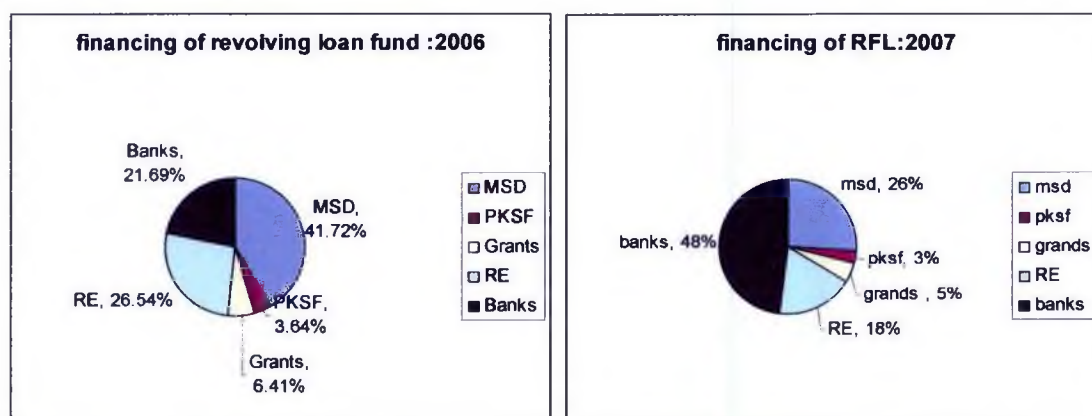
Msd= members savings deposits

Grants =Donor's grants

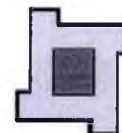
RE =retained earnings

Banks = loan from local banks

Pkssf = palli kormo sahaok fund



In December 2007, BRAC's total microfinance loan fund was US\$534.46million. group members savings totaled US\$ 138.63million, retained earnings US\$ 97.57million, loan from PKSF US\$ 255.81million and grants from donors US\$24.07 million. As the pie charts above shows, there are significant changes in the composition of sources of capital. Most remarkable is the considerable decreases of donor contribution and loans from PKSF



.If we observe we see that the increase of savings into the financing of revolving fund are rapidly increasing. But we also found that in 2005 and 2006 the contribution of % of savings has decreased a little but not at large extent .This was not happened due to decline in the contribution of members of these two years. To rapidly expand just in these two years take more loan from Banks. There triumphs were to expand to attract more members and to collect more savings. We know that BRAC has more than 10 million members and therefore they save more than thousands million dollars every year as the name of own and compulsory savings .If we see then we realize that only in 2007 all the VO members save a total worth of BDT 12098.64 million

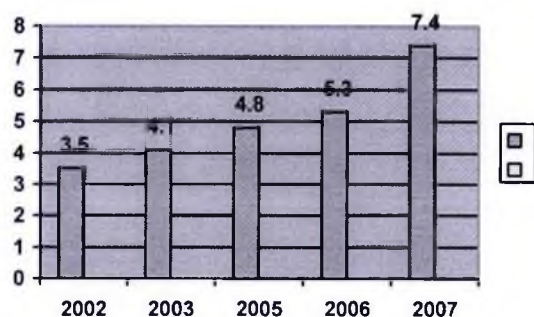


Figure 4: members in million *24

Though they save a small amount but they are not really small or less important. They are not less valueless or less important. The overall contribution in the financing of revolving fund was decline in 2007 2006 because of their huge expansion of operation in 2006, as the overall BRAC local or area offices were doubled in 2007 to 2867 to 1383. It increased due to meet the financing of capital they just borrow money from commercial banks and retained earnings .But we cannot say based on the 20% decrease in the total source of financing of capital ,the savings contribution were decreased. Though the 20 % of financing to RFL were decline by the Members savings but the overall savings were increased to \$198 million from \$158million.



Table 5: Profile of savings balances:*25

Financial Year	Savings balances in million US\$
2001	78
2002	86
2003	107
2004	137
2005	141
2006	156
2007	198

BRAC realized that cost/sourcing of capital through the process of savings deposit of VO members are less expensive than that of cost/sourcing of capital from other commercial and non commercial sources .That's why in 2007 BRAC doubled its VO area offices to reach more village women to serve and to attract more savings deposit .

From the above records we found the important of savings in line with the success of Microfinance.

The most crucial questions about the savings are that why savings is important for the organization or over all operation for BRAC.

Savings helps the BRAC in the following ways:

- It maintains the Microfinance liquidity balance
- It assures a Less cost of capital sourcing
- Decreased pressure from Donors

Liquidity is one of the most vital parts and parcel of a financial institutions whether it is a DFO-Development financial organization or commercial banks .As a DFO, BRAC has to deal with financial transactions and therefore it is required huge liquid



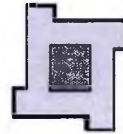
capital to meet the loan demand and demand of savings withdrawals .As VO members basically come to BRAC to get loan. When they demand loan ,BRAC has to fulfill the demand .Again VO savings deposit is the asset of respective members .That's why when they demand it to withdraw, it is allowed to withdraw .BRAC basically maintain these two types of demand from their client through the savings deposits of members .This helps BRAC at great extends.

More over its less costly to sourcing capital .We know that all over Bangladesh and abroad there's no organization who will give you 5% interest bearing capital .But BRAC is getting capital from its members at a rate of 5% whereas sourcing capital from any where in Bangladesh is almost 9-15% .

Table 6: Profile of capital and donor's contribution:

Fiscal year	Total investment (million US\$)	Donor's grants as %
1980	.78	100%
1985	2.30	97%
1990	21.25	68.20%
1995	63.73	54.%
2000	152.00	34.20%
2005	259.00	24%
2006	339.00	30%
2007	482.00	20%

If we earnestly observe the above data we find over the year BRAC total investment is increasing .at the beginning it was 100% donor support oriented but now they are more independent in case of capital invest .over the year it is using more own fund



basically which come profit of microfinance and from savings sources. Over the year where savings contribution is taking the position of donors contribution .from the table we get these records of past and present.

14.4: Loan utilization & loan recovery performance rate:

BRAC and other NGOs claim that they are 100% successful in terms of loan recovery performance rate .In case of BRAC, its loan recovery rate over 99.54 % according to the annual report 2007. If we want to measure the successful organization based on the loan recovery rate then we can say that BRAC is the successful organization which is giving loan to its members and managing these loan with very successfully.

According to the microfinance manager to Kalapara Branch , Mr.Abdur Rahim “BRAC microfinance programe loan recovery performance rate is now rapidly increasing and its close to 100% because more borrowers are aware of using the loan from where they get more benefit, but 10-15 years ago they would use loan in such area which was less profitable. Therefore they couldn’t able to repay the loan properly as well they would become default.” He also added that “when I first joined at BRAC in 1997at Barisal then in this area loan recovery performance rate was average 80% but now it is more than 95 %.This is because in the past I saw that more people would take loan for cow raring or for productive uses but used it in the unproductive sector .But now people use loan more efficiently in productive sector because they know what are more profitable and how to invest money ”.

I used a total number of 147 respondents from the different locations to find out the field of loan utilization and how these loan utilization help to loan recovery performance rate. Proper utilization of loan to the proper field has a positive relationship to the higher repayment rate .If people can use their loan properly it helps them to repay loan at a



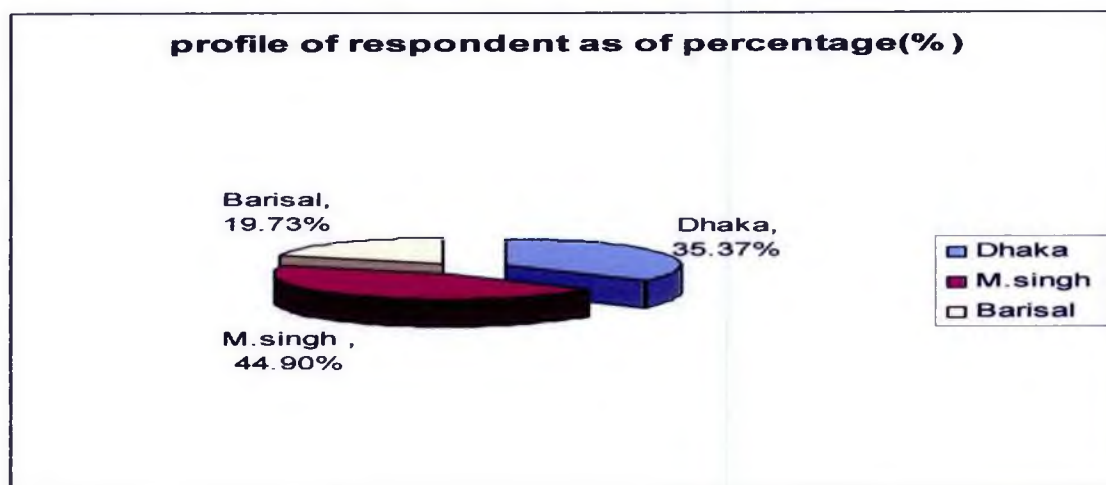
frequent good manner because the proper utilization of loan help them to earn much more money to repay the loan without hassles. I used both men and women to collect data what they thought about loan utilization and therefore loan repayment .Anyone can raise a question why we are using both men and women .This is because traditionally in the rural area most of our households use or invest money through joint decision. But there are some women who used money by their own decision as they have no male family members. That's why I used both men and women to find out what are proper and profitable field of loan utilization that help them to repay the loan without any hassles. Just to find out proper loan utilization and its impact on loan repayment rate, we collected data from the following areas and the following numbers;

Table 7: Profile of the respondent:

Region	Location/district	Total no of interviewer by area	No of women	No. of men	Grand total	% as of total interviewers
Dhaka	Manikgonj & Gazipur	52	29	21	52	35.374%
Mymensingh	Proser, netrokona, kishorgonj	66	42	24	118	44.90%
Barisal	proper ,Kuakata ,barguna	29	17	12	147	19.73%



Figure 5 : Profile of the respondent as of percentage (%)



BRAC offers loans to its borrowers for different sectors or fields. They give loans for livestock's (cattle and goats rearing, poultry farms), agriculture and vegetables cultivation (irrigation, tiller, hybrid crops and vegetables), fisheries and fish business, small business like grocery shops and handicrafts business, land lease and purchase.

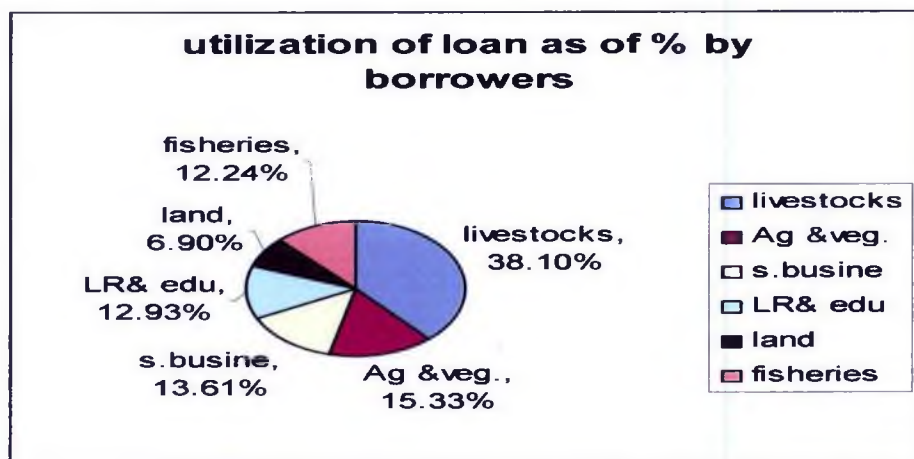
By analysis data we found the following information related to loan utilization

Table 8: Data collection

Uses of loan by sectors	No. of borrowers/beneficiaries	Grand total
livestock's & poultry	56	56
Agriculture and vegetables	24	70 = (56+24)
Small business	20	90 = (70+20)
Land purchased & leased	10	100 =(90+10)
Fisheries and business	18	118 =(100+18)
Loan repay, food & education expenses	19	147 =(118+19)



Figure 6 : Loan utilization as of percentage by borrowers/beneficiaries



Proper utilization of loan help borrowers to gain more money to repay the loan .If the borrowers can earn more money then can easily repay and they never face any problems regarding installment .but if they can't use loan properly then they have to face many problems to collect installment money .In the long run if they find that there is no others options they become defaulters and finally it directly affects in the loan recovery performance rate .If loan recovery performance tare increase then organization can use the money else where and it helps in line with the profit of organization .If more borrowers defaults frequently due to unproductive use of loan then organization have to make more loan loss provision and organizational decision making fluency can may be hampered greatly. More borrowers use their loan to cattle rearing ,agriculture and vegetables cultivation because they thought that using money in these sectors are profitable than that of others .It gives them immediate profits that's why they can repay the loan without hassles .according to BRAC staffs and borrowers when they used loan in these sector they didn't feel any problems .but they had to face problem if they use in unproductive sectors because they are getting immediate profit or money to repay loan .as they are poor and in many case their solvency don't support to repay loan properly .so finally we see that proper utilization of loan and high loan recovery performance are inversely correlated .



14.4: Women mentality and loan recovery performance rate:

Positive women mentalities are one of the secret catalysts in the approach of microfinance success. Women mentality and loan recovery performance rate are positively correlated. We have found that if women would show negative mentality like the men then it would hard for any NGO to be succeeded. They have proved that in case of loan repayment they are much more ahead of men. This relationship also helps in the success of Microfinance programme .Overall positive mentality to repay the loan regularly helps to higher yields in case of loan recovery performance .This mentality is basically referred in this concerned how much people are ready to repay the installment with a regular good manner. This mentally also includes to both men and women mentally .Because in case of borrowing loan from NGO ,though all NGOs give loan to women and more than 95-98% members are women. But in case of decision making regarding how and what purposes they will use these loans, joint decision have been taken most of the case .In this concerned both women and men mentally are an important factor .Besides these now a days more NGOs are offering loan for men borrowers which is known as enterprise loan and in this case only men members are taking sole decision making steps to use loan and repay the loan.

This is the true concepts but we are looking something different from the traditional thinking. To justify the mentally between men and women, we took 12 men and 12 women separately from each three region and as a whole we took 36 women from 3 regions and 36 men from the same 3 regions.

These women were selected based on the following criteria;

- Widow and there's no male member to influence her decision to utilize loan.
- Independent women who takes households regarding decision freely
- Has been involved with BRAC for more than 5 years
- At least read and write clearly.

These men were selected as the following basis;

- Only men who has taken loan as a enterprise borrowers



BRAC

- Who has taken loan on his name
- Who takes decision independently in case of business ,borrowing loan and repayment
- Has been involved with BRAC for more than 2 years
- At least read and write clearly.

Considering these criteria we asked them the following first two questions to find out or to justify their independent mentalities regarding loan repayment .we gave them options of choosing multiple answers .The questions and respondents and their overall percentage.

1. Why do you think you should repay the loan regularly?
- 2.

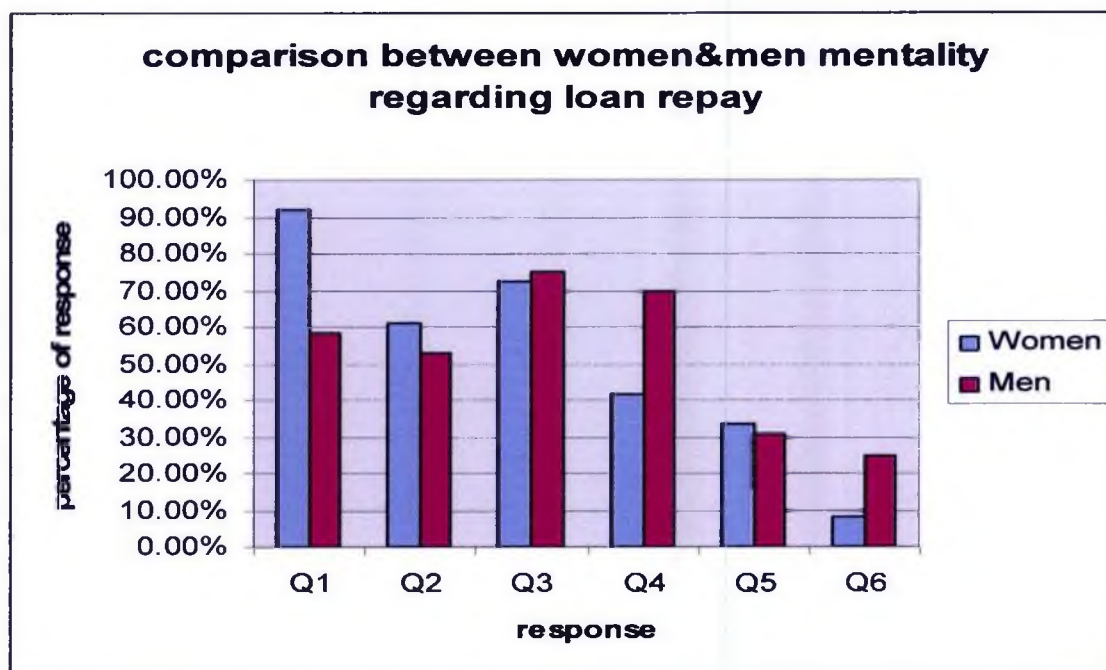
Table 9 : women mentality regarding loan repayment

Options	Response out of 36 & as of %
Q1.As BRAC has helped me ,I also help BRAC through regular installment	33/36 =91.67%
Q2.It helps to remove hassles	22/36 =61.11%
Q3.If I repay regularly it helps me to take more loan	26/36 =72.23%
Q4.Field officers give continuous pressure or encourage to repay properly	15/36 =41.67%
Q5.Its my duty to repay by hocks or crocks	12/36 =33.34%
Q6.Neutral /no opinion	3/36 =8.33%



Table10: men mentality regarding loan repayment

Options	Response out of 36 & as of %
Q1.As BRAC has helped me ,I also help BRAC through regular installment	21/36=58.33%
Q2.It helps to remove hassles	19/36=52.77%
Q3.If I repay regularly it helps me to take more loan	27/36=75%
Q4.Field officers give continuous pressure or encourage to repay properly	25/36=69.55%
Q5.Its my duty to repay by hocks or crocks	11/36=30.56%
Q6.Neutral /no opinion	9/36=25%



*Response refers the replied answers by respondent.

We asked them why you think you should repay the loan based on six options .Based on the above questions and independent responses given by these borrowers we find a way



of measuring mentalities of women and men members of BDP. As they had options to select multiple answers they chosen independently .Though we have made them understand the questions properly, there are some people who chose more answers and there are some people who didn't answers at all as neutral or no answers. Taking into consideration of their independent response we found the comparison data from the comparison table and graphs to make a conclusion. From the graphs we see that more than 90% women repay the loan regularly because of BRAC contribution in life's whereas only 58 % men thought this and repay the loan regularly. We also get others important mentality from both women and men.

3. If you fail to manage installment money then what do you do most of the times.

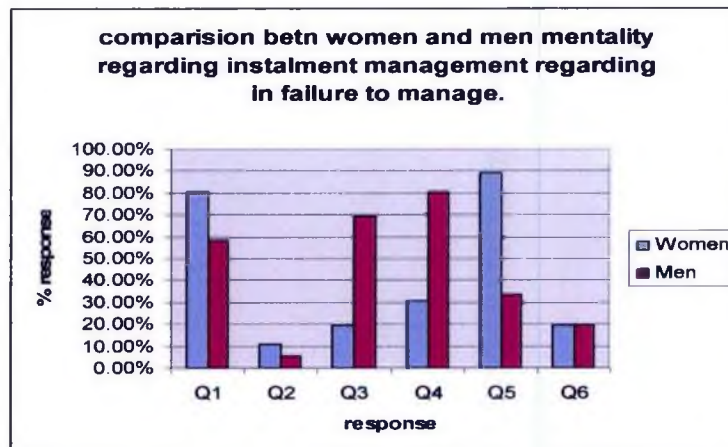
Table 11: women's mentality regarding managing loan installment (in case of failure)

Options	Response out of 36 and as of %
Q1.Borrow from other sources	29/36=80.56%
Q2.Sell valuables	4/36=11.12%
Q3.Leave business place or home to get rid of from current week if above 3 attempted ended in vain	7/36=19.45%
Q4.Show cause & Try to understand the field officers	11/36=30.56%
Q5.It never happened	32/36=88.89%
Q6.Neutral or indifferent	7/36=19.45%



Table 12: men's mentality regarding managing loan installment (in case of failure)

Options	Response out of 36 and as of %
Q1.Borrow from other sources	21/36=58.33%
Q2.Sell valuables	2/36=5.56%
Q3. Leave business place or home to get rid of from current week if above 3 attempted ended in vain	25/36=69.44%
Q4.Show cause & Try to understand the field officers	29/36=80.55%
Q5.It never happened	12/36=33.33%
Q6. Neutral or indifferent	7/36=19.45%



3. If the BRAC staffs behave rough with you in any cause then what actions basically you follow? (Behavioral actions in case of troubles between borrowers and staffs)

Options	Women's mentality as of %	Men's Mentality as of %
Q1.You try to make a good lesson for this staff	2/36 =5.56%	5/36 =13.89%



Q2.You never care because you thought it's an accident	22/36 =61.11%	2/36 =5.56%
Q3. You try to default the loan /delay	2/36 =5.56%	15/36 =41.67%
Q4.You switch the organization and spread negative words of mouth information's	5/36 =13.89%	12/36 =33.33%
Q5.You complain the higher authority and if they don't care then take actions	5/36 =13.89%	2/36 =5.56%
Grand total %	100%	100%

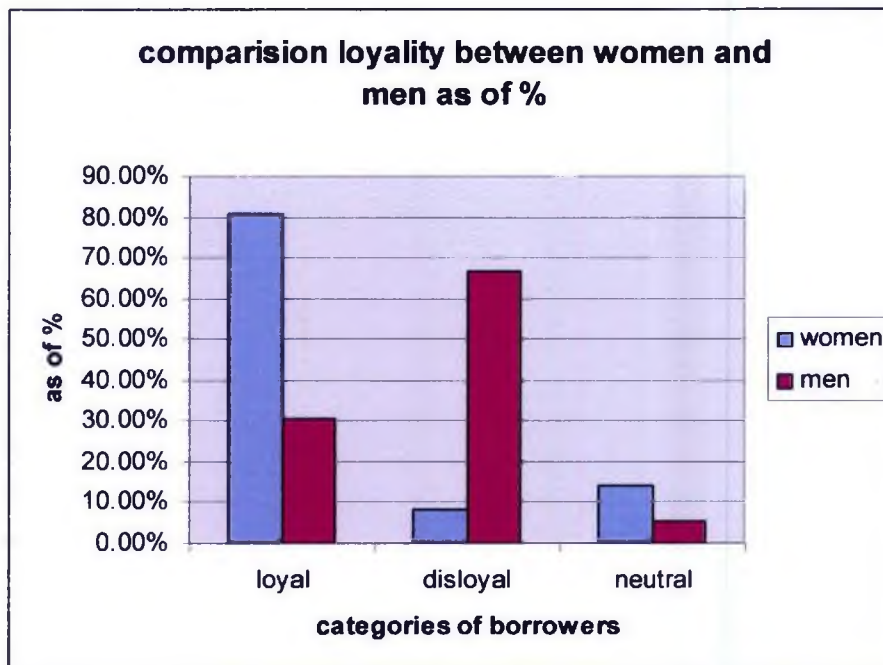


This questions and response given by these borrowers show the behavioral action that can damage the reputation of the organization and two side's relationship as whole. In case of this question we gave the members just to select one option .This helps us to specific



action what they basically will do if they fall in crisis with staffs or organization. These mentality regarding behavioral actions can influence the overall operation as whole. Though this action can't cause any severe crisis but these is also considerable. In case of any trouble we found that women behavioral actions are much more tolerable than that of men .from the table and graphs we find that records clearly .we find that more than 61.22% women evade this troubles as an accident whereas only 5.56% never mind it but the most of the men try to do any way so that they can teach a good lesson for organization or staffs.

Figure 10 : Profile of loyal and disloyal borrowers comparing between women and men:

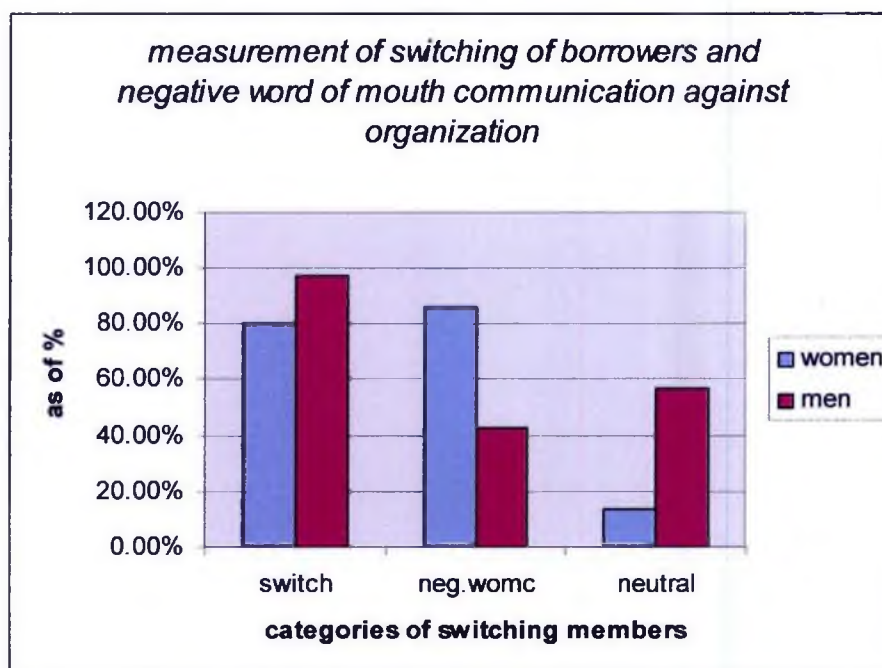


Loyal customer is one who wants good for the organization and always stay connected in case of any troubles .they also spread positive word of mouth communication to others .This positive words of mouth communication work as an advertisement for the

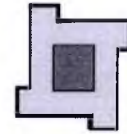


organization. so loyal customer can be considered as one of asset for organization .there are some loyal customer who switch the organization but they never spread negative words of mouth communication because they thought that the organization contributed a lot for and there are some customers who leave and spread negative word of mouth communication .we selected loyal ,disloyal and neutral borrowers of BRAC based on the 3 question which they answers independently .the loyal customers for BRAC were these members who got at least 10 and 6-9 points were the scale for selection of neutral borrowers and less 5 or less than 5 was measurement scale for disloyal borrowers .we find that more women compare to men are both loyal and neutral borrowers .80 % women are loyal borrowers whereas only 30% men are loyal borrowers .

In case of any troubles between organization and borrowers, more men switch the organization as well as remain neutral but less women switch the organization but these who switch they spread more negative word of mouth communications.



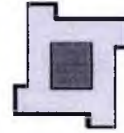
Considering all the data we can say that more women are positive in case of correlation between borrowers and BRAC .They show tolerable behavioral actions and switch the



organization less. There is also a great negative site for the women because they spread more negative words of mouth communication. Again these women spread more positive words of mouth communication when they get any good service from BRAC. This is happened because the village women disclose their any real life incident to the women's only gathering in there house. But overall their mentalities are more helpful for the success of microfinance.

15.0: Results and discussion:

The above analysis done by me relates village poor women's struggles, heart and soul attempts with a view to survive economically. They try heart and soul and this attempts involve themselves to get economic support from different microfinance organization. BRAC is one of these organization which has been working with these women since its inception in 1974 as a micro credit organization. At the begging its loan recovery rate was so low because of proper monitoring and lacks of the village organization. The most important cause was that at the beginning more men were involved as a credit borrowers. According to a research done by "Hossain & Chowdury (1991)" "Men are more indiscipline than women in terms of loan repayment. They showed that where women has repaid the loan in spite of having various problems like inefficient management and fraudulence of officers but men showed different unacceptable reasons. They were also condemned the men for default the loan in VO because they took loan by the name of women members."*²⁶ Although this reports and past and present records claimed that women are more discipline, more sensitive and loyal to organization as well as their mentalities are positive than that of men. They are more careful and they can use the small loan more efficiently than that of men. This is because women in our societies are less empowered in terms of financial decision and therefore when they get small money to use they can use it more properly.



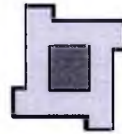
Another research done by “ Ahmed ”(1991)showed “The microfinance programme under RDP were operated in 110 locations at the time of 1990.The membership was about .5 million and 60% of the members were the village women .He also found by evaluated the overall programme that the average loan recovery performance was 83.6 %.whereas women and men loan recovery performance rate ratio was 87.4%:76.1 %.This indicated that women are more ahead of men in case of loan repayment as well as loan utilization. Moreover this report found that during that season 60% members of the VO was women and the rest were men. Most of the men took loan in the medium and short term basis but the women only took the loan as short term basis .The overall loan recovery performance from the short terms were better than that of medium and long term. The women were also more progressive in terms of repayment of short terms loan ” *27

Although our report we found that women are the secret factor for the success of microfinance .BRAC as an organizer of these poor women gives them training, economic support and mental and legal support whereas these poor women get the loan and use it properly and repay the loan in a good manner regularly .BRAC,s different support is helping to build tolerable behavior l and therefore these women are contributing through their repayment of loan regularly .

In these context we say that “BRAC –Village women ”has 40:60 contribution in line with the success of microfinance .Only giving loan and training of women couldn't be as the most important driving force for the repayment of loan or the success of microfinance .The power of utilization of loan in the proper sector or profitable sector and hard works to getting the benefit could be remarkable for the success of microfinance.

16.0: Conclusion

The motives of this report were to find out a burning question whether is there any contributions for the success of microfinance from the part of women or poor people. I tried a lot to find out this important answer that has been evaluated throughout my papers. This report is disseminating a good message for all these who were indifferent about this



BRAC

matter or who thought that there is no such great contribution in the success of microfinance.

I hope that this report will help a lot. I would like to invite the prominent researchers to work on this field.



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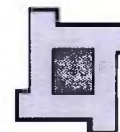
18.0: Appendixes:

- Questionnaires
- Microfinance annual report 2007
- Others important supporting data or information.

18.1 Questionnaire.

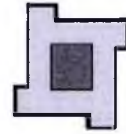
Utilization of loan:

1. What's your name?
2. How many years have you been involved with BRAC Microfinance?
 - 1-5 years
 - 6-10 years
 - 10- more years
3. How many times have been taken loan?
 - 1 time
 - 2 times
 - 3-5 times
 - 5-10 times
 - 10-15 times
 - 15-more times
4. Have you fall in any crisis in case of repayment of loan ?
 - Yes
 - No
5. How many times and/or how many installments?
6. Who gives you suggestion to take loan?
7. How do you make decisions?
 - jointly



- individually
8. Where do you basically use the money?
- Agriculture and vegetables cultivation
 - Cows, goats and livestock's
 - Small business (groceries, van and vehicles transport ,handicrafts, rice husking)
 - Repay loan and invest for children's higher education
 - Fisheries and fish business
9. Which is the most profitable sector to use loan?
- Agriculture and vegetables cultivation
 - Cows, goats and livestock's
 - Small business (groceries, van and vehicles transport ,handicrafts, rice husking)
 - Fisheries and fish business
 - Nursery
10. Who is more careful to repay the loan regularly –
- You
 - your husband
11. Do you repay loan regularly?
12. Do you think you should repay the loan regularly?
- Yes
 - No
 - neutral
13. If you fail to manage money for one week to repay for that then what you do?
- Borrow from others
 - Sell valuables
 - Try to understand the F.O
 - Switch the house at the time of Vo meetings
 - It never happened
 - No answers
14. Why do you think you should repay regularly?

BRAC



- As BRAC has helped financially ,I also helping BRAC through repayment of my loan
- Its my duty

Test of loyalty of borrowers:

(Each positive answer, carry 5 points and negative answer carry 5 points but only from no. 4-6)

1. How long have you been involved with BRAC?

- Less than 5 years
- More than 5 years but less than 10 years
- More than 10 years

2. Have you been involved with others NGO?

- Yes
- No

4. Did you get any good offer from other NGOs?

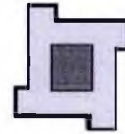
- Yes
- No

4. If others NGO give you better offers than BRAC what will you do?

- Switch the BRAC
- Stay with BRAC but also involved with that NGOs.

5. If you get good service and benefit and BRAC staffs behave well then

- Tell it others
- Does not tell to others



BRAC

6. When you leave BRAC due to biting experience with BRAC (it could have been any reasons)

Then you -----

- Spread negative word of mouth communication
- keep yourself neutral

Test of Behavioral action in case of troubles between BRAC and members:

1. If you experienced a bad and unexpected behavioral or troubles with your org what do you do

Q1.You try to make a good lesson for this staff	
Q2.You never care because you thought it's an accident	
Q3. You try to default the loan /delay	
Q4.You switch the organization and spread negative words of mouth information's	
Q5.You complain the higher authority and if they don't care then take actions	
Grand total %	

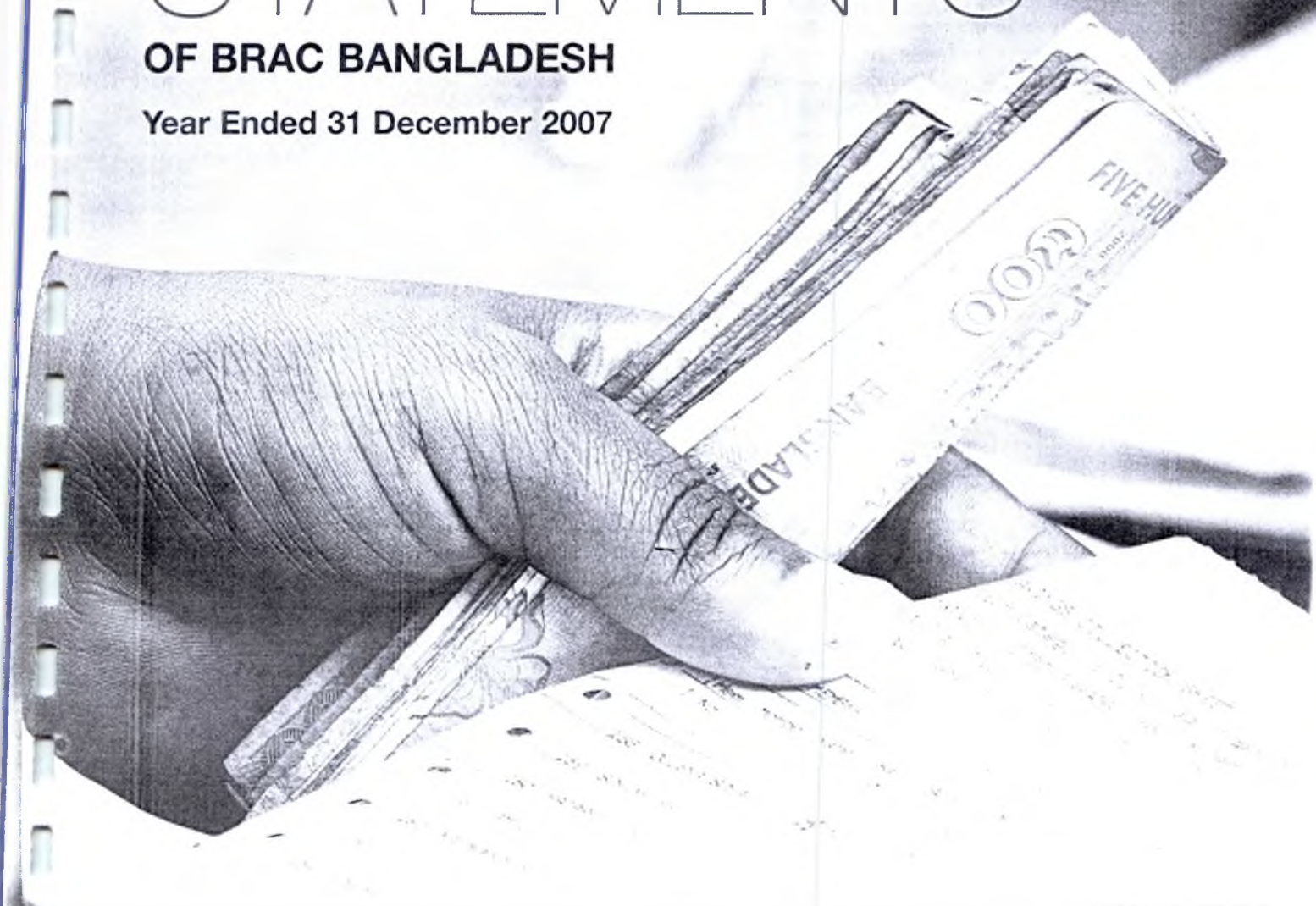
18.2: BRAC annual report 2007

AUDIT

FINANCIAL STATEMENTS

OF BRAC BANGLADESH

Year Ended 31 December 2007



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INDEPENDENT AUDITORS' REPORT

To The Governing Body of BRAC

We have audited the accompanying Balance Sheet of BRAC (registered in Bangladesh as a society under the Societies Registration Act 1860 and operating as a non-government development organisation) as of December 31, 2007 and the related Statements of Income and Expenditure and Cash Flows for the year then ended. These financial statements, which are set out on pages 1 to 36, are the responsibility of BRAC's Governing Body.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Clause 37 of the Rules and Regulations of BRAC and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with auditing standards adopted in Bangladesh. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRAC as of December 31, 2007 and the results of its operations and its cash flows for the year then ended in conformity with the accounting policies summarized in Note 2 of the financial statements.

Ernst & Young

ERNST & YOUNG
Chartered Accountants
Kuala Lumpur, Malaysia

S. F. Ahmed

S. F. AHMED & CO
Chartered Accountants
Dhaka, Bangladesh

March 16, 2008

BRAC

(Registered in Bangladesh under the Societies Registration Act, 1860)

BALANCE SHEET

as at December 31, 2007

	Notes	2007 Taka	2006 Taka
ASSETS			
Property, plant and equipment	3	5,468,612,685	5,183,385,740
Investments in related undertakings	4	1,806,369,952	1,523,765,580
Investments in securities and others	5	44,285,706	138,675,672
Loans to Village Organisation (VO) members	6	33,986,290,977	22,669,668,041
Motorcycle loans		566,378,307	585,738,231
Inventories	7	1,636,657,415	1,384,601,385
Grants and accounts receivable	8	826,085,804	939,172,234
Advance, deposits and prepayments	9	1,915,282,147	1,158,788,928
Fixed deposits	10	9,318,975,818	4,253,836,074
Cash in hand and at banks	11	4,594,103,724	1,215,260,543
TOTAL ASSETS		60,163,042,535	39,052,892,428
LIABILITIES AND NET ASSETS			
Liabilities:			
Deferred income	12	425,549,866	418,540,632
Term loans	13	20,142,007,672	6,954,270,946
VO members' savings deposits	14	13,467,188,019	10,595,093,766
Securitized financing	15	71,785,351	655,729,513
Other long term liabilities	16	3,145,191,876	2,392,790,818
VO members project & current account		25,059,115	35,568,433
Grants received in advance account	17	1,623,732,366	862,514,483
Other current liabilities	18	745,080,907	942,429,596
Provision for taxation		171,441,030	126,741,030
Bank overdrafts	19	6,881,999,845	3,886,408,953
Total Liabilities		46,699,036,047	26,870,088,170
Net Assets:			
Capital fund			
-unrestricted		13,074,137,119	11,932,393,750
-temporarily restricted		389,869,369	250,410,508
		13,464,006,488	12,182,804,258
TOTAL LIABILITIES AND NET ASSETS		60,163,042,535	39,052,892,428

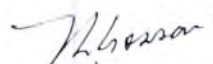
The annexed notes form an integral part of these statements.



Chairperson, Governing Body

BRAC

Dhaka, March 16, 2008



Executive Director

BRAC