

Annual Report

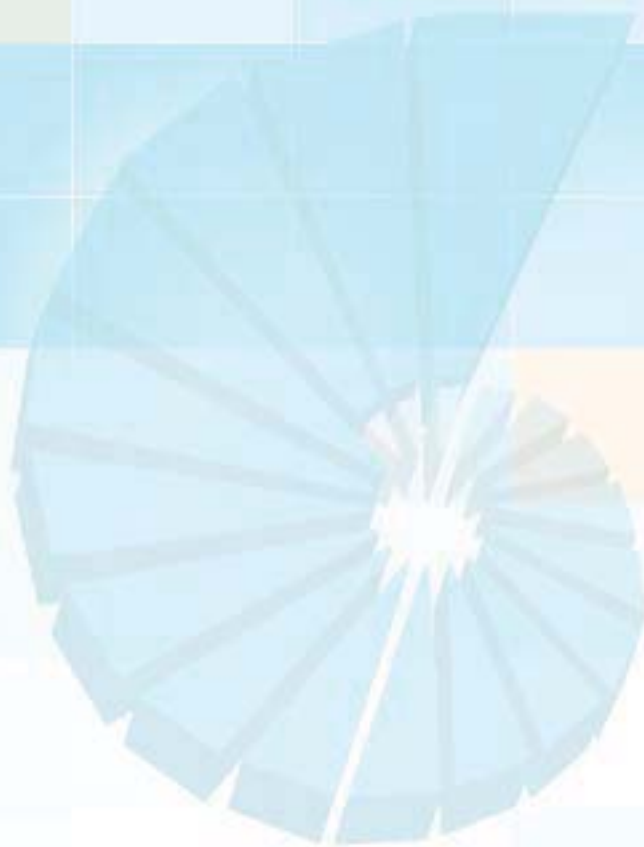
2013-2014



BURO *Bangladesh*

Annual Report

2013-2014







CONTENTS

Executive Director's Statement 04

Glimpses of BURO 07

Highlights

Our Success

What We Stand For

Our Values

BURO in Forward Motion

Recognition

Microfinance Market 17

Corporate Governance 23

Financial Inclusion 31

Microfinance for Hardcore Poor 37

Microfinance for Moderate Poor 41

Microfinance in Agriculture 49

Microfinance in SME 55

Micro Insurance Services 61

Performance Analysis 63

Disaster Management 69

Human Resource Development 73

Rural Water Supply 77

Future Direction 79

Independent Auditors' Report 85

Five Years at a Glance 109

Executive Director's Statement

I would like to draw the attention to the three new initiatives that BURO has embarked upon as the demand created by its given services. The spaces created in the lives of its clients further seek innovation in its services. First: business and financial literacy. Second: WaterCredit – a new social program. Third: financial inclusion and deepening of financial inclusion.

This is my pleasure to write a couple of sentences for BURO Bangladesh as its Executive Director to see that the efforts of those who have created and those who have later joined their hands with the organization do not go in vain. The dignity, honor and self esteem of the organization in its internal and external environment are increasingly protected unabated. It has become possible due to taking the blend of the professional and practical experiences of the old and new staffs at any level of the organization. The organization following the basic principles of continuity has entered into bringing new homogenous culture within the organization. This has started gradually eroding the differences among the staffs at different levels of the organization. The most important observation of mine and my colleagues is that the organization has started sowing the seeds of responsiveness and responsible behavior of the staffs at all levels.

The increasingly reduced differences in the frame of mind, approach and attitude from the Central level to the Branch level up to the lowest tier of the staffs is the significant development that I perceive every moment. This is developing high cohesion and high integration among the staffs at different levels towards the mission of the organization. The reciprocity and synergy within intra and inter departmental entities of the organization are highly noteworthy. This has started developing shared sense of ownership among the staffs of the organization. This is increasingly strengthening the vivacity of the organization. The increased vivacity of the organization is manifested in the behavior, attitude and opinion of the external environment about BURO.

But all these stated achievements being demonstrated by the staffs have become possible due to the aggressive behavior of the organization to deepen the diverse program that the organization implements. The deepening of the program among the clients is based on two dimensional approaches: horizontal and vertical movement of the financial services embracing the old and new clients of the organization. The reinforcement to the flexible financial

services stem from three dimensions. First: strengthening the existing social programs. Second: stressing on the institutional capacity through new dimensional training. Third: introducing new concept on the financial services. This is the demonstration of taste, flavor and spirit combined together where lies the maximum utility of the clients and staffs of the organization.

At this point I would like to draw the attention to the three new initiatives that BURO has embarked upon as the demand created by its given services. The spaces created in the lives of its clients further seek innovation in its services. First: business and financial literacy. Second: WaterCredit – a new social program. Third: financial inclusion and deepening of financial inclusion. Business and financial literacy program will protect its clients as the entrepreneurs safe and secure. WaterCredit is intended to bring changes in the behavior of the clients towards the utility of safe drinking water. Financial Inclusion though BURO practices for a long time develops an orbit where Bangladesh Bank, BURO and Commercial Banks travel together. The three institutions because of Financial Inclusion exist in commune of microfinance.

The internal and external environments of BURO are largely credited for the consistent development of relations of fraternity. I am glad to express my gratitude to those organizations, development partners, central bank, banks and non-banks, MicroCredit Regulatory Authority-MRA, NGO Affairs Bureau, different ministries of the government and others who remain with us for all the time. My sincere and honest thanks and warmest regards!



Zakir Hossain
Executive Director
Dated: September, 2014





The growth and development of BURO with forward motion since the beginning unequivocally surfaces the organization as the Social Capital for Bangladesh ...

Glimpses of BURO

Glimpses of BURO

Institution

BURO Bangladesh is set-up as a national ‘not-for-profit’ organization in 1990. It has meanwhile successfully emerged as an irreversible institution. BURO has also attained its overriding undeniable characteristics within the overall realm of microfinance industry in Bangladesh. It has solidly identified itself as specialized micro-finance institution through untiring efforts within the overall realm of the Bangladesh financial market. The achievement helps its own sustenance and those of the poor clients. The former is the retention of its well experienced human resources who are promoting the phenomenal growth of BURO. The horizontal and vertical expansion of the organization is constantly accompanied with those of the programmatic restructuring by the organization. This materializes the exploration of the diversification of its experiences which are transformed into BURO financial and social products for its clients. The combination and application of knowledge, technology and wisdom of the internal and external environment is the tip of the organization. The high quality flexible financial services to low-income people, particularly the women are regarded as the most urgent demand of the day.

The new technologies are being introduced to respond to the ever growing financial and social demands. Equal weight is given by BURO on the two fundamentals irresistibly required in the lives of the clients. The organization introduces new and new technologies with the retention of and strengthening the existing services that makes the lives of the people more comfortable. The

supply provision of BURO delivers six loan products, two savings products and one insurance scheme through its microfinance operation. The dire needs of the economical markets bring remittance services to the people as technology through a high profile network of its branches. The agriculture is traditionally the backbone of the nation-state. The given significant emphasis on agriculture by the organization brings the diversification of its clients. This is the part of the organizational restructuring at the bottom level. The small and marginal farmers are brought into the orbit of BURO through providing agriculture loans. The programmatic restructuring of agricultural loan is its vertical movement to a higher order. The loans are stepped up to the graduated clients called SME loan.

The new financial service compared to the previous year is the ‘Financial Inclusiveness’ as the strategic maneuver on the part of the organization for the clients. The ‘Financial Inclusiveness’ recently inducted is the cross-cutting of the microfinance services awarded by the organization to its clients.

The basic principle that the organization all along throughout its journey upholds is that the social policies are in-built in its economical policies. Notwithstanding the fact that BURO implements disaster mitigation program for microfinance clients affected due to man-made and natural causes. But meanwhile it begins to introduce parallel intervention intended to maintain healthy balance between the social and economical aspects of the clients. The services delivery provision of the organization maintains certain degree of non-financial

services. The ongoing social technologies are business development services (BDS), food security, human resource development, disaster management, operation research, providing technical assistance to NGO-MFIs, and rural water supply.

The new technology encompassing exclusively social aspect is in the offing. This will be the significant elevation of the organizational and programmatic restructuring further strengthening overall organizational endeavors for the clients.

The growth and development of BURO with forward motion since the beginning unequivocally surfaces the organization as the Social Capital for Bangladesh. The economical and financial markets with special emphasis on the Financial Inclusiveness, the introduction of new social dimension, own very wide spectrum of clients, and its unprecedented human capital base are the cornerstones of BURO. BURO attains its financial sustainability addressing its mission. The space is created to diversify the participation of the clients in the activities of the organization. The original taste, flavor and spirit of BURO are retained without making any compromise with the introduction of both financial and social technologies. Notwithstanding the limitations of the organization in both the internal and external environment BURO propels constantly with forward motion. The well articulated mission is considered as the nucleus of the organization. All its interventions center around the mission facilitating high cohesion and high integration to develop and sustain among its own human resources and client base. There lies the sustainability of BURO Bangladesh.

Our Identity

Since its inception in 1990 BURO rolls over at a constant pace with forward motion gradually embracing organizational restructuring with multidimensional approaches. BURO does not keep itself limited to dogmatic understanding of its service recipients rather moves steadily towards emerging as monolithic organization. On its way it banks its own previous experiences. It capitalizes those experiences blending with the new developments in the markets of the financial and economical relations changing the dimensions of the base of BURO.

Customers

There are four categories of customers who are selected based on certain specific criteria.

Very Poor/Extreme Poor

- owning less than 10 decimals of land
- annual income equal to or less than BDT 20,000 and having assets less than BDT 30,000
- age limit between 18-55 years

Moderate Poor

- owning less than 0.50 acres of land
- annual income equal to or less than BDT 60,000 and having assets less than BDT 200,000
- age limit between 18-55 years

Micro Entrepreneurs and Small & Marginal Farmers

- owning more than 0.50 acres of land
- annual income equal to or less than BDT 200,000 and having assets less than BDT 1,000,000
- age limit between 18-55 years

Professionals of Insufficient Income

- The teachers and staffs of the school who have taken initiative working as business entrepreneurs in their own localities
- The officers and staff of different institutions who have also become entrepreneurs with their own initiatives in their own localities
- Those who have previous experiences to be benefited through borrowing and investing capital in businesses at the same time creating employment opportunities for others

Legal Status

BURO Bangladesh is registered with:

- The Department of Social Welfare, No. TA. 0489 dated 9 April 1991.
- NGO Affairs Bureau No. 610 dated 19 March 1992.
- The Registrar of Joint Stock Companies & Firms, Bangladesh No. S-7026(214)/07 dated 6 September 2007.
- Licensed from Micro Credit Regulatory Authority (MRA) No.00004-00394-00288 dated 25 June 2008.
- Tax Identification Number (TIN): 142-400-2581.

Linkages

BURO Bangladesh has established linkages with:

- The Federation of NGOs in Bangladesh (FNB), Bangladesh.
- Credit and Development Forum (CDF), Bangladesh.
- Network for Information, Response and Preparedness Activities on Disaster (NIRAPAD), Bangladesh.
- International Network of Alternative Financial Institutions (INAFI), Bangladesh.
- MicroFinance Network, Mexico.
- Campaign for Popular Education (CAMPE), Bangladesh.
- Banking with the Poor (BWTP).

Access to Information

BURO Bangladesh regularly furnishes information to a number of important national and international agencies. These are:

- Microcredit Regulatory Authority (MRA), Government of Bangladesh.
- Credit and Development Forum (CDF) for publication of Microfinance Statistics.
- Microfinance Information eXchange (MIX), Washington D.C.
- Bangladesh Economic Review, Ministry of Finance and Planning, Government of Bangladesh.
- National and international organizations for disseminating Annual Report.

Information dissemination is the most fundamental to reduce information asymmetry in development. BURO exposure to external environment carries the most powerful weapon designated as the creative wisdom of the organization. This is the combination of expanded wisdom of the individuals within the organization and the constituents of its base. This generates constantly from sharing of their experiences about the social, political and economical relations in their own surroundings. The value addition to the creative wisdom of the organization stems from the mixture of information symmetry. BURO develops information symmetry through filtering the experiences of the constituents of the base in the internal and external environment.

The organization maintains separate desk manned by one skilled human resources of the organization. This is intended to enhance information dissemination on BURO endeavors as Social Capital in microfinance. This step is taken in accordance with Right to Information Act, 2009.

Our Success

Our success hinges on:

Methodology

A minimalist approach just dealing with microfinance for poverty reduction.

Product and Services

A high quality set of financial service products and services well-adapted to the needs of the poor.

Clients' Choice

We are always meticulous to the client's need, what they want and what they dislike. This means BURO is careful about customers' free choice. This practice is not generally followed by any MFIs.

Business Discipline

We have made our clients more conscious and brought in our financial discipline. Their capacity was developed through numerous training at the grassroots levels. They are enabled in the money management properly which ensures a sustained income flow from their respective businesses.

Professionalism

We build our professionals' knowledge-based capacity and strengthen institutional capacity. There is virtually no professional knowledge gap among staffs at all levels. Decision-making is delegated to the branches and decentralized from the Head Office. This enables them to perform most efficiently and effectively as per program plans.

Harvest Knowledge & Experience

We bring in specialization and harvest knowledge and experience from national and international arena. The donors and many international experts provide us with timely financial support and guidance.

Every organization shall maintain certain basic parameters which are not dogmatic understanding rather changes with the changing circumstances within and outside the organization. The continuous refreshing of these parameters is essential with the retention of the previously practiced fundamental elements of the organization. The changes are the new taste, new flavor and new spirit induced in the internal and external environment of the organization.

Professional Attainment

- Awarded third position in the NGO-MFI sector by the Institute of Chartered Accountants of Bangladesh (ICAB) for Best Published Reports and Accounts 2012.
- Awarded certificate of merit in NGO/MFI category by the South Asian Federation of Accountants-SAFA for Best Published Reports and Accounts 2012.
- The social performance of BURO based on CERISE SPI tool underlines a unique score compared to international benchmarks set for Asian MFIs. The SPI score of BURO is 70 out of 100. SPI is a social audit tool that gives scores based on the performance of an organisation on 4 dimensions: (1) targeting the poor and excluded (2) adaptation of services (3) benefits to clients and (4) social responsibility.
- BURO is awarded with credit rating grade AA₃ (double A) in the long term and ST-2 in the short term. BURO is indeed among a few MFIs in the country that achieves this excellence.

Legal and Compliance

- The Income Tax assessment of the organization has been duly completed for the assessment year 2013-2014.
- Paid off BDT 20.68 million as overall taxes in the National Exchequer.
- Microfinance in compliance with the rules of MRA operational.
- Maintain 15% of customers' total savings fund constituting fixed deposit form (10%) and liquid form (5%) in accordance with the rules of MRA.
- Maintain accumulated surplus reserve fund (10%) in conformity with the rules of MRA.
- BURO follows the guidelines of Bangladesh Bank on Agriculture and SME loan

Product and Services

- Some financial products redesigned.
- Five branches in Kurigram district for Hard-Core poor with flexible approach in microfinance being operation.
- Agriculture loan for small and marginal farmers being introduced.
- Microfinance in SME in operational.
- With the approval of MRA the contractual savings for the customers in operation
- Business and Financial Literacy introduced for the clients

Policy Implementation

- New Comprehensive 'Rules of Business for Micro Financial Services' in operation based on the previous experiences of BURO and guidelines given by MRA
- A rigorous internal control system in place.
- Supply chain of foreign remittance to rural areas strengthened.
- Customers' controlling authority for withdrawal all of their savings from the general account leaving BDT 20.

Operational Performance

- Hard Core poor branches enters into making profit from this year
- 120% and 114% operational self-sufficiency and financial self-sufficiency respectively
- Net Surplus (Operational Profit) BDT 593.53 million
- Capital Adequacy Ratio stands 17.12%
- Borrowing from Bank BDT 13.52 billion
- 29% of total revolving loan fund constituting customers' savings
- 98.05% on-time recovery rate (OTR).
- 2.76% for portfolio at risk (>30 days) and 96.42% without any payments in arrears.
- 9.88% operational expense ratio
- BDT 0.06 as cost per unit of money lent
- Per Loan Officer dealing with BDT 5.44 million



Our Values

Listening to Customers

- BURO spinning on its clients base
- Respect the service recipients as valued clients.
- The program pivots on clients' choice.
- Demand creation by the clients themselves
- Clients' voice about the quality and adaptations of BURO financial services
- Change rules and regulations based on customers' likings and disliking.

Customers Empowerment

- Access to flexible and quality financial services for the clients.
- Enhancing money management capacity through savings, loan and business expansion services.
- Emphasizes on the increase in financial assets of the clients.
- Protect the dignity, honor and self esteem of the customers.

Right to Access Information

- Reduce information asymmetries for the clients on business and liquid through knowledge management
- Ensure every right of the clients to verify the pass-books with branch level transactions.

- Regular information dissemination to the clients about the use of their savings by BURO.
- Ensure clients' voice in the use of their savings by the organization.
- Promote clients' participation in the activities of the organization
- Strictly maintain privacy of the clients of the organization

Financial and Social Services as Universal Right

- BURO as the safe and secure place for the clients to keep savings.
- Clients mandated to withdraw savings whenever is necessary.
- Organization mandated to maintain smooth supply provision of liquid as credit for the clients for investment.
- Develop intertwined relationship between the financial and social services
- Create space for introducing new technology in the financial and social services

Features of Quality Financial Service

- Services those are provided timely.
- Services those are prompt and quick.
- Services those meet the clients' aspirations and happiness.
- Services those the clients can afford.
- Organize financial counseling for the clients

Financial Prudence

- Cost recovery principle for services delivery to the clients.
- Capacity to mobilize funds from commercial sources or market.
- Capacity for financial management, audit and financial control.
- Friendly investment climate with the help of the stakeholders.
- Financial Inclusiveness as the most dominant factor to apply financial and social innovations

Good Governance

- Strategic vision/mission: Long and short-term perspective about the demand of the clients, and BURO Bangladesh.
- Responsiveness: Serving the interests of all stakeholders.
- Transparency: A free flow of information between the organization and concerned stakeholders.
- Accountability: Decision-makers answerable to the stakeholders and the organization.
- Compliance: Strictly following the directives of Microcredit Regulatory Authority (MRA)
- Bureaucracy: BURO taking extremely less time for overall loan supply provision to the clients.
- Conflict Resolution: Head office regularly monitoring through digital technology to provide timely services that prevents creating chaos within the organization at any level

Social and Development Commitment

- BURO's social policies in-built in financial policies
- BURO's endeavors incorporating social investment integrated with its mission
- Pursue commercial objective to provide sustainable micro-finance services
- BURO as potential entity in financial and economical markets to developing reciprocity between the two markets
- BURO outreach in both social and financial services encompassing vertical and horizontal movement from low to high

The above stated fundamental elements that BURO practices and professes in the internal and external environment are not the overnight output of BURO intervention. Rather these are the outputs of continuous journey that are nurtured every moment by the organization. The long term impact is not only just the inclusion of new fundamentals to practice and profess by the organization but also changing from heterogeneous to homogenous growth of the organization culture.

The growth and development of BURO with forward motion since the beginning unequivocally surfaces the organization as the Social Capital for Bangladesh. The economical and financial markets with special emphasis on the Financial Inclusiveness, the introduction of new social dimension, own very wide spectrum of clients, and its unprecedented human capital base are the cornerstones of BURO

BURO IN FORWARD MOTION ...

▶ 1990-1994		
Genesis	Central Bank Approach	Development Partners' Attention
Five "Model Branches of Sustainable Rural Financial Service" started	Friendly financial norms for financial services identified	International evaluation: BURO is sustainable model
▶ 1995-1999		
Continued Development Partner's Attention	Emerging Social Capital	International Relations
Evaluation with new innovations; Strategic planning exercise; Operational research for new financial products conducted	Interventions at pre, during and post disaster; Entry into commercial capital	UN General Assembly recognizes BURO; First microfinance international rating organized
▶ 2000-2004		
Formal Financial Market	Strengthened Social Capital	New Innovation
Relations with the banks begins; Product development review recognized; Corporate governance strengthened	MIS and FIS as internal control system review; Development Partner's end term review; Second and third microfinance international rating done	First comprehensive business plan; Strategic planning exercise; Review of product costing; Microfinance model for the very poor done
▶ 2005-2009		
Strengthened Access to Formal Financial Market	Strengthened Social Capital	New Innovation
Intense entry into commercial banks; non-banks and international agencies; Massive expansion of microfinance program begin	Char Livelihood Program for disaster preparedness and mitigation; Rural water supply program launched	Automation of branches; Microfinance in agriculture for small and marginal farmers; partnership with 'bank syndicated financing; Foreign remittance service for the rural people; First ever commercial bank syndicated financing in agriculture begin
▶ 2010-2014		
Strengthened Access to Formal Financial Market	Strengthened Social Capital	New Innovation
Massive expansion of SME program; Graduation of hardcore poor to mainstream microfinance initiated	Institutional capacity and participation within the overall realm of regulation begins and continues Amending the existing rules matching those of MRA First ever social performance rating of microfinance conducted Fourth and fifth microfinance rating conducted	Automation of branches continued; Training and capacity building services further strengthened Business and financial literacy program initiated Enhancing institutional capacity of the clients thru WaterCredit Financial Inclusion linking commercial banks initiated

BURO provides significant emphasis on the due recognition of its endeavor through participating in the highly competitive market of microfinance sector at both international and domestic level. As the front ranking specialized microfinance institution BURO stresses on bringing competitive environment within the internal environment of the organization through best utilization of the organizational resources. This has eventually brought productive outcome for the organization from the international and national institutions giving due recognition to endeavors of BURO.

CGAP- The World Bank Financial Transparency Award

BURO Bangladesh is awarded Merit Recognition in Financial Transparency Award 2005 and 2006 by the Consultative Group to Assist the Poor (CGAP)/ The World Bank.

SAFA Award for Best Published Reports and Accounts

The South Asian Federation of Accountants-SAFA established in 1984 to coordinate the accounting profession from the SAARC member nation-states awards BURO the first position for the Best Presented Accounts in the category of NGO-MFI for the year 2005 as well as 2007. In 2008, BURO is awarded joint winner along with BRAC, and in 2009 is awarded first runner-up and in 2010 and 2012 is awarded certificate of merit.

ICAB National Award for Best Published Reports and Accounts

The Institute of Chartered Accountants of Bangladesh (ICAB) awards BURO for last eight years consecutively for its best published Reports and Accounts for the financial year 2005 (second), 2006 (first), 2007 (third), 2008 (second), 2009 (second), 2010 (third), 2011 (third), and 2012 (third). This is a notable national recognition to a NGO-MFIs especially for its financial transparency.

Credit Rating

BURO is awarded with credit rating grade AA₃ (double A) in the long term and ST-2 in the short term. BURO is indeed among a few MFIs in the country that achieved this excellence.

Social Performance

The social performance of BURO based on CERISE SPI tool underlines a unique score compared to international benchmarks set for Asian MFIs. The SPI score of BURO is 70 out of 100. SPI is a social audit tool that gives scores based on the performance of an organisation on 4 dimensions. First: targeting the poor and excluded. Second: adaptation of services. Third: benefits to clients. Fourth: social responsibility.

The Social Performance of BURO was conducted by MicroSave with the financial assistance from Michael & Susan Dell Foundation. The report was presented at a seminar held recently in Dhaka.



What We Stand For

Vision

A happy, prosperous and pluralistic democratic society that meets the basic needs of the people in Bangladesh.

Mission

An independent, sustainable, cost-effective microfinance institution that provides diverse, appropriate and market responsive, quality financial and business development services at competitive prices along with other social development programs to very poor, poor and vulnerable non-poor customers.

Strategic Priorities

BURO maintains continuously strategic thinking with the participation of the organizational leadership to ensure the smooth functioning of the organization. Nonetheless it has decidedly identified certain strategic priorities which are the guiding principles of the organization.

- Promote product diversification.
- Pursue use of commercial capital.
- Facilitate foreign remittance flow to the rural and urban areas.
- Facilitate the nation-state and market to create favorable investment climate for the microfinance clients
- Continuously refresh market segments in consonance with the market of economical relations of the country
- Include new innovations in the financial and social services at regular intervals as the mainstream programs of the programmatic restructuring within the organization
- Organize organizational restructuring in relation to programmatic restructuring of the organization
- Exercise increasing presence with the concerned authorities of the government agencies and microfinance sector
- Adapt strategies with the emerging demands in the demand side for vibrant supply chain of BURO

Market Positioning

- Identify the major attributes that the customers value most in the financial products.
- Review different attributes in terms of product quality, prices, availability & service delivery.
- Continuously assess BURO Bangladesh and its competitors' offer for positioning in the market.
- Improve the vivacity in BURO comparative advantage as constant phenomenon within the nation-state.
- Develop linkage with NGO-MFIs across the boundaries of the nation-state for future effective collaboration within the greater realm of microfinance industry.
- Exercise commendable presence in the domestic and international financial and social forums

The strategic priorities and market positioning are not dogmatic rather adaptations are made in consonance with the market demand depending on the time, place and condition. Furthermore the strategic thinking of the leadership emphasizes on the reciprocity and synergy between the strategic priorities and market positioning to facilitate both supplementing each other.

The
convergence
of diverse
institutional
technologies in
Microfinance ...

Microfinance Market



Microfinance Market



Economical and Financial Market

The growing increasing complexities in the markets of the political and economical relations within the realm of whole world also make the functioning of the micro-finance institutions more complicated. As the political and economical market are intertwined that one influences the other similarly the financial market is also intertwined with the economical market. Bearing in

mind that the financial market is the sub economy market the changes in the financial market will unequivocally bring the changes in the market of the economical relations. The microfinance institutions imbibed in the organizational restructuring of the market of economical relations within a nation-state are also adversely affected. The innovations as flexible financial services will be jeopardized. The market of the economical relations demands innovations in the financial market to reverberate its vivacity to gain more access by the clients of MFIs.

The deepening of innovations in the financial market with the horizontal and vertical scaling in respect of freedom of the capital and clients in their freedom of movement will be jeopardized under the changing circumstances in the world. The intertwined behavior between savings deposit by the clients and lending by the MFIs is threatened. The universal relation with ups and down as natural part might be distorted. The silent mechanism in the economical market creating frightening environment will be furthered in the lives of the people in general. The unstable behavior in the economical market due to changing circumstances in the relation between financial and economical market has the probability to demonstrate new economical recession in the lives of the people. The long attempt to create homogenous growth in governance with positive social, political and economical relations within the realm of a nation-state will be inundated. The new paradox in the growing crises of economy all over the world underscores the new dimensional approach in the relation between the economical and financial market. What is needed as BURO understands is that the four integral institutions: people, Bangladesh Bank (Central Bank), Banks and MFIs shall stay in commune as part of their 'struggle for existence and survival of the fittest'.

The fear is that the continuation of the political and economical crises all throughout the globe though is yet to reach Bangladesh, the crises in these two markets will obviously influence at some stage. The market segmentation among the formal financial institutions (Banks) and semi formal financial institutions (MFIs) is very much likely to occur within the political and economical doldrums going on in 2014. The market segmentation may become grimmer increasing with some of the formal and semi formal financial institutions may be liquidated due to worldwide economical and political crises to become more dominant. The other option is that the corruption and politicization

may infiltrate among these institutions threatening the existence of those institutions. Here stands the financial inclusion which instead of becoming dogmatic understanding shall diversify in its understanding.

The diversification is the horizontal and vertical deepening of financial inclusion that BURO had been working for a long time through its multiple diversified financial services. The existence of the people, Central Bank, Banks and MFIs in commune is the integration between the economical and financial market. This has become of omnipotent importance to remove the growing crises in economy. The synergy and reciprocity between economical and financial market is of supreme importance to bring positive changes in the lives and living conditions of the two markets. This is urgently needed to enhance increased national economical growth of a given nation-state. The two markets work as independent institutions as both backward and forward linkages to each other by virtue of their role relations with different characteristics.

The given importance of financial market is the niche of controlled money circulation as well as in the growth of the markets of entrepreneurs with diverse dimensions. The controlled money circulation by the financial market is anticipated to contribute to the organized development and growth of businesses in economy. The financial market can be considered as the nexus

between the economical market and national economic growth of any nation-state. The social capital and social business are and shall be inbuilt in the economical policies. This is to enhance both social and economical investment simultaneously working hand in hand in development.

The nation-state Bangladesh is unique in resurrecting its economical market from the unprecedented devastation during liberation war. The fast movement of economical market gradually begins from crawling to opening new spaces for new market itinerants in the market of economical relations through financial market. In a nation-state with unprecedented condensed population the market of economical relations had to depend on the formal financial institutions. It could not spread to larger horizon for certain period all throughout the nation-state because of the very low profile of basic utilities available in the urban and rural market. The space is created in both the economical and financial markets to fill in by the usurious capital primarily in the rural and urban areas followed. The nation-state in the beginning of 1980s makes certain aggressive behavior with the development of infrastructures facilitating the growth of the financial market. The new entrant within the overall realm of the financial market popularly known as Microfinance Institution (MFI) is the nexus between the financial market and poor as well as between the economical market and poor.





Trend in the Microfinance Industry

With a population of about 160 million and its growth rate of 1.57% Bangladesh presently has 77% rural population with those of urban at 23%. The nation-state is predominantly dominated by agriculture as the backbone of economy. Yet 25.6% of the total population lives below poverty line but with a declining trend.

The CDF statistics 2013 shows that 550 NGO-MFIs including Grameen Bank have about 18,332 branches employing 227,806 credit staff. All the 64 districts of the country are covered with microfinance. The reporting NGO-MFIs account for 33 million active clients. The net savings stood at BDT 200 billion. The loan portfolio was BDT 366 billion. Total revolving fund was BDT 436 billion. The major sources of financing include customers' savings: 47.98%, own/equity: 34.2%, PKSF: 7.48% and banks: 10.34%. Microcredit contributed 34.32% to agriculture of GDP in 2013.

Grameen Bank is the specialized microcredit bank as well as the biggest actor in microfinance industry in Bangladesh. The clients of Grameen Bank presently stand at 8.5 million, portfolio is BDT 84 billion and savings is BDT 92 billion.

The above statistics indicate two dimensional implications. First: more rigorous interventions are needed from the NGO-MFIs. Second: the integration between

the commercial sources of capital and the microfinance service providing NGO-MFIs to benefit both the financial and economical markets. The integration necessitates taking the intensive services of capital and technology, infrastructures and human resources existing in both the financial and economical markets.

MFIs Increased Access to Formal Financial Sector

The commercial banks are now increasingly wholesaling funds to the NGO-MFIs. In addition to both private and public sector commercial banks, some foreign banks and non-banks are financing microfinance programs. PKSF as the largest wholesaling of microfinance has meanwhile funded 197 NGO-MFIs. Anukul Foundation and Stromme Foundation are also providing loans to the NGO-MFIs. The banks are following a number of conduits to supply capital that includes



syndication, securitization, guarantee and direct lending. The contribution from banking sector to the capital base of NGO-MFIs during the last five years is growing at a constant pace. This brings back the vivacity in the lives and living conditions of the NGO-MFIs to embed the use of commercial capital.

Bangladesh Bank through adopting Agriculture and SME policies and programs opens the space for more intense and diverse participation of NGO-MFIs within the realm of financial market. The policies adopted by Bangladesh Bank further paves the increased access of NGO-MFIs to economical market through bringing participation of both skilled and non-skilled human capital.

The government vis-a-vis Central Bank as the tip of the financial market are needed to give due attention to develop positive corporate culture among the new market entries. BURO understands positive corporate culture as the professional behavior that brightens the internal environment and its linkage with the external environment. The positive corporate culture will bring the growth of the increased space in length, breadth and width within the realm of the financial markets. This will have a push effect of the economical market to also expand its space in length, breadth and width.

More NGO-MFIs Being Used as Remittance Channels

The increased capital flow within the nation-state will contribute to business development at different regions of the nation-state. The introduction of new technology in the financial and economical markets through NGO-MFIs is bringing alterations in the lives and living conditions of the people. The pragmatic policies adopted quite few years ago by the government indicate its aggressive behavior to rejuvenate the participation of the people in the markets. The remittance supply as the new technological innovation in microfinance has been in operation for a long time. To make the money transfer faster to the recipients, the branches of a few NGO-MFIs provide services to both the recipients of remittances and the banks with the approval of the central bank. The constant flow of remittances reaching its recipients through the NGO-MFIs is anticipated to develop integration between the people and the markets.

Islamic Microfinance on Horizon

The Islamic Development Bank (IDB), Jeddah, Saudi Arabia carries out feasibility study in Bangladesh to promote Islamic microfinance based on Sharia. There are some small NGO-MFIs in the country implementing programs based on Sharia. Rural Development Scheme (RDS) of Islamic Bank Bangladesh Limited is implementing Islamic microfinance which underscores the high potential market of Islamic microfinance in Bangladesh. It is anticipated that the productive collaboration between the lender and NGO-MFIs will contribute to the integration between the financial and economical market.

Update on Microfinance Regulation

The Microcredit Regulatory Authority Act, 2006 was passed in July 2006 with an effect from August 2006. In accordance with the mandatory conditions for micro-credit operations around 694 licenses are meanwhile issued by MRA. The rules for the compliance of the NGO-MFIs are finalized by MRA. The rules are put into operation since January 2011. The banks and government departments carrying out microfinance programs are outside the purview of the Microcredit Act. License is granted with a fee that varies according to the size of the NGO-MFIs.

The introduction of new technology in institutional form within the realm of financial market has started developing the organized behavior of NGO-MFIs since the formation and functioning of MRA. The close collaboration between MRA and NGO-MFIs is anticipated to contribute to the development of positive corporate culture among the NGO-MFIs.

The experience sharing meeting between MRA and the NGO-MFI sector is being held at regular intervals in order to learn both advantages and disadvantages arising out of MRA interventions within the realm of NGO-MFI. The instantaneous feedback from the MRA clears the causes of such situation and helps NGO-MFIs to solve the issue themselves. These types of experiences sharing help both MRA and NGO-MFI to enrich respective treasure of interventions at the same time develop reciprocity and synergy between these two undeniable institutions in microfinance industry.

BURO
underscores
corporate
governance
in microfi-
nance ...

Corporate Governance

Corporate Governance

BURO begins its journey since considerable period ago to establish corporate governance in the internal environment of the organization. The relations of BURO with the external environment are also reasonably important for a competent transparency and accountability of the organization. The corporate governance of BURO has the taste, flavor and spirit in its relation with the external environment also. BURO maintains broad based corporate governance culture within the organization. It stresses significant importance on the continuous improvement in all the essential components of corporate governance in the process of gradual introduction changing the organizational culture. The eventual purpose of bringing corporate governance is to create homogeneous organizational culture embedded in the frame of mind, approach and attitude of the staffs at every level of the organization.

Constitutional Aspects

The corporate governance of BURO begins with the guiding body of the organization that encompasses three tier systems. It is intended to graft both governance and management issues of the organizations within the realm of corporate governance of the organization. The benefit of the organization lies in unlocking instead of locking the management system of the organization. This further keeps all aspects of the management in the eyes of the governance and those of the governance in the eyes of the management system of the organization. The three tier system of corporate governance are designated as: (1) General Body, (2) Governing Body, and (3) Operational Board of Directors (OBD).

General Body

The General Body constitutes 18 members who come from different professional domains. These are: business, banking, law, diplomat, academics, journalism, and social development. The General Body is the supreme authority of electing the Governing Body after every three-year. The members of the Governing Body remain responsible and accountable to the General Body of the organizations. All the decisions of the organization adopted by the organization shall be approved at the Annual General Meeting (AGM) of the General Body at the end of each year.

Governing Body

The Governing Body of the organization consists of 07 members with different professional background. The Governing Body is the gem of diverse professional experiences irresistibly required for the growth of the organization. The Governing Body works as the conduit between the Governance and Management of the organization. The decision making authority of the Organizational Management remains accountable to the Governing Body.

Chairperson

S K Sarkar, *Treasurer of BRAC University*

Vice Chairperson

Altaf Hossain

Executive Director, Akij Food & Beverage Limited, Akij Group

Finance Secretary

Dr. Md. Nurul Amin Khan

Former Principal-Government College and Eminent Poet & Educationist

Member

- Anwar Ul Alam
Former Secretary and Ambassador, Government of Bangladesh
- Dr. Rowshan Ara Firoz
Professor, Department of Philosophy, University of Dhaka
- Mohammad Rafiqul Islam
Managing Director, Global Strategy Exchange
- Mirza Quamrun Naher, *Development Activist*

Ex-Officio Secretary

Zakir Hossain, *Executive Director*

The Executive Director is not a member of the Governing Body but works as an ex-officio secretary. Executive Director is the Chief Executive Officer (CEO) of the organization.

In 2013-2014 four Governing Body meetings were held each on 04 August 2013, 28 December 2013, 27 March 2014, and 29 May 2014. The 20th AGM was held on 01 February 2014. At the AGM the annual report, audit report, budget, appointment of auditors etc. were discussed and approved by the members.



Operational Board of Directors (OBD)

The decision making authority concerning the management of the organization is the Operational Board of Directors (OBD) together with the Executive Director. The Executive Director is authorized to take decisions under special circumstances. The OBD is directly facilitating the Executive Director to exercise all executive and financial matters of BURO. The OBD consists of 05 Directors of the organization.

- M. Mosharrof Hossain
Finance Director
- Md. Sirajul Islam
Special Program Director
- Md. Mukitul Islam
Operation Director
- Khandaker Mahfuzur Rahman
Risk Management and Internal Audit Director
- Pranesh Chandra Banik
Special Program Deputy Director

The members of the OBD remain directly responsible and accountable to the Executive Director of the organization. The OBD also attends the meeting to facilitate the Executive Director at the meeting of General and Governing Body.

Each member of the Operational Board of Directors (OBD) has respective role relations in consonance with the corporate governance of the organization. Though there is cross fertilization between and among line mechanism of the organization, the OBD is followed by the line mechanism in the management of the BURO program areas.

Senior and Mid Level Professionals

Program Coordinators

Khondoker Moklasur Rahman
Assistant Coordinator-Program

Abdur Razzak Chowdhury
Assistant Coordinator-Program

Zonal Managers

Mohsin Hossain Khan, *Tangail*

Zafar Ahmed Jewel, *Gazipur*

Md. Ashraful Alam Khan, *Modhupur*

Saidur Rahman, *Narayanganj*

Aminul Islam, *Barisal*

Istak Ahammed, *Dhaka Metropolitan*

Abdus Salam, *Comilla*

Rafiqul Islam, *Rangpur*

Shamim Kabir, *Mymensingh*

Haroun Or Rashid, *Jessore*

Mir Mukul Hossain, *Pabna*

Reaz Uddin, *Khulna*

ABM Alauddin Ahmed, *Faridpur*

Samar Ali Fakir, *Chittagong*

Awlad Hossain, *Sylhet*

Altaf Hossain, *Bogra*

Tutul Chanda Pal, *Rajshahi*

Mohammad Zohirul Islam, *Noakhali*

Administration

Md Shahinoor Islam Khan

Officer (Head) - Administration

Md. Enamul Kabir, *Officer- Administration*

Human Resource Management

Md. Arshad Alam, *Officer-Human Resource Management*

Finance and Accounts

Abdul Halim, *Assistant Coordinator-Finance and Accounts*

Internal Audit

A.B.M. Aminul Karim Majumder

Assistant Coordinator-Internal Audit

Monitoring and Reporting

Sayed Ahamed Khan

Officer-Monitoring and Reporting

Training and Capacity Building

Md. Nazrul Islam, *Assistant Coordinator-Training*

Remittance and Publication

S M A Rakib, *Officer-Remittance and publication*

Information Technology (IT)

Shahinur Islam, *Senior Manager-IT*

Disaster Management

S Z M Shahriar, *Manager-Disaster Management*

Audit Committee

The following three members constitute the Audit Committee belonging to governing body of BURO:

1. Altaf Hossain
Vice Chairperson of Governing Body - Chairperson
2. Dr. Md. Nurul Amin Khan
Finance Secretary of Governing Body - Member
3. Mohammad Rafiqul Islam
Member of Governing Body - Member

The Risk Management and Internal Audit Director perform his responsibilities as the secretary of the committee. Audit Committee is free of any relationship that forbids interference during exercising respective independent judgment as a member of the committee.

Role and Purpose: The primary roles of the Audit Committee are to assist the governing body in performing its oversight responsibilities for:

- The budgeting and financial reporting
- Internal control and risk control
- Legal and regulatory requirements implementation
- Assessing qualifications and performance of the external and internal auditors

Two meetings of the audit committee are being held deeply discussing the transparency, accountability, and financial control management of the organization. The meetings emphasize on increasing institutional capacity of the finance and program unit, increasing integration between the finance and program section and increasing follow up services from the Head Office to the Branch and respective client base of the organization.

Advisory Support

Graham A.N. Wright has been BURO's international honorary advisor for a long time. He is providing valuable inputs in the continued development of the organization and assisting the management in quality decision-making, future development and program planning. Wright is now working as Group Managing Director of MicroSave.

Policy and Functional Aspects

Policy and Procedures

The organization stresses on significant importance on the growing professionalism within the realm of BURO. The organization constantly enhances good governance to be practiced by the organization. Accordingly the organization acts through implementing various rules and procedures to ensure practices of Corporate Governance by the organization. First: Rules of Business for Micro Financial Services. Second: Staff Service Rules. Third: Accounting and Financial Procedures and Rules. Fourth: Internal Audit Manual. Fifth: Human Resource and Administrative Manual. Sixth: Program Implementation Manual. Seventh: Gender Policy. Eighth: New Branch Opening Policy.

Working Committees

Seven different committees are functioning with cross-functional management. This is intended to develop and maintain high cohesion and high integration towards achieving the mission of the organization. First: Recruitment and Promotion Committee. Second: Gender Committee. Third: Sales & Purchase Committee. Fourth: Land Purchase Committee. Fifth: Disaster Management Committee. Sixth: Building Construction Committee. Seventh: Committee for Old Papers Disposal. All committees are approved by the Governing Body.

Program Management Structure

BURO Bangladesh operates through its branches at different places. A branch is managed by one Branch Manager, one Accountant, and 6-8 Program Organizers (POs)/Assistant Program Organizers (APOs). There are 634 branches which are supervised by 74 Area Officers. Overall, there are 18 Zonal Officers that administer all the branches and area offices.

Staff Benefit Funds

Along with the services of all staffs, the staff benefit funds are regulated by well defined service rules of the organization. These funds are: **First:** provident fund. **Second:** gratuity fund. **Third:** health fund. **Fourth:** housing fund. **Fifth:** staff family security fund. **Sixth:** advance for motorbike and bicycle purchase. **Seventh:** income tax payment for the staff. **Eighth:** leave encashment. **Ninth:** advance salary payment on simple terms to facilitate buying life insurance policy.

Provident Fund

BURO operates a contributory provident fund for its employees from which benefits are given to its employees in accordance with its policies. National Board of Revenue (NBR) approved and recognized this fund for the purpose of taxation. The fund is operated by a separate board of trustees consisting seven members selected from the employees of the Institution. All permanent employees of the Institution are contributing monthly to the fund which is equal to 10% to 20% of the basic salary. The Institution also contributes 10% of employees' basic salary to the fund each month. Income earned from investment of this fund is credited to the employees' accounts on a yearly basis and this fund is audited every year by a firm of chartered accountants.

Gratuity Fund

The organization operates a gratuity scheme for its permanent employees and maintains a separate account for this. Gratuity is payable to staff leaving the organization. Gratuity is given for one time, two times and three times at the rate of one month's last basic salary for completing five years, twelve years and twenty years of uninterrupted services respectively.

Health Fund

The organization makes a provision and contributes to health fund every year and maintains a separate account for this. Every permanent employee, who completes two years of service, is entitled to receive the grant from health fund in accordance with the rules of BURO.

Housing Fund

BURO Bangladesh operates a housing fund and maintains a separate account. The loan is given to the employees. Employees are entitled to receive this benefit once they have completed at least seven years service. The benefit from housing fund is accessible in the form of a loan bearing 5% simple interest per annum.

Staff Family Security Fund

The Institution operates a mandatory staff family security fund for its regular staff in order to reduce future uncertainties that may affect their families. The fund is managed by a separate board as per the Institution's policy. All employees of the institution are eligible to become members of the fund by contributing Taka 500

each per month as subscription. If a regular staff dies during his/her tenure of service, the nominee/nominees of the said staff will be entitled to receive a one-time grant of Taka 250,000. If someone leaves the Institution after two years of service, he/she is entitled to get back the money deposited so far. In case the staff leaves before completing two years of service, he/she is not entitled to get back any amount.

The total amount of staff benefit fund as on June 30, 2014 stood at BDT 503.22 million which includes BDT 354.2 million as provident fund, BDT 42.2 million as gratuity, BDT 10.08 million as health fund, BDT 12.35 million as housing fund and BDT 84.39 million as staff family security fund.

Income Tax Return Submission

Submission of income tax return is mandatory under the government rules. The organization has been regularly submitting the returns to the government. The government has exempted the non-profit organizations dealing with microfinance from paying income tax from the surplus earned. However, if there is any income from other than microfinance, it will be subjected to the relevant rules of taxation. The income tax assessment of the organization has been duly completed for the assessment year 2013-14.

Internal Control System

To ensure transparency, efficiency and overall effectiveness the organization develops and pursues a very rigorous and transparent internal control system. Most international standard norms and practices are also meticulously incorporated. These practices reflect the high profile and very sound institutional and managerial competencies. The components of internal control system are laid down below.

Budget Formulation and Variance Analysis

The initial budget planning starts at the branch level. A yearly budget is split into monthly figures spelling out financial and program targets. All budgets of the branches are consolidated in the head office to formulate the organization's aggregate budget. Financial monitoring is carried out monthly based on budget variance, MIS and FIS reports.



Fair Staff Recruitment Process

Recruitments are made through fair competition and public announcements. The criteria are well defined in the service rules. Advertisements are made in the leading newspapers in the country. Generally written and viva tests are held. For senior level recruitments assistance of external experts are taken. Executive Director approves all recruitments recommended by the Committee for Recruitment.

Procurement and Other Policies

The organization maintains an enlisted group of suppliers and signs a MoU for one year with them to supply printed materials and stationary items as per general agreement.

Travel Policy

There is a well-defined policy for domestic and international travel including food and lodging for all grades. A policy for continent-wise per diem also exists for all grades.

Payments/Advances

All payments are made through crossed cheques. Advances to the staff are made with prior approval of the management.

Clients Passbook Checking

The most critical risk in an MFI lies with collection of savings and loan repayments by the program organizer (PO) or the loan officer. Savings deposited and loan repaid by a client are recorded in the client's passbook and in the collection sheet (which is the primary record of the office). To ensure that the transactions have been duly recorded, the branch manager along with the accountant and branch organizer conducts 100% checking of all clients' passbooks every quarter.

Financial Control

Fund management is done prudently keeping in view the demand of funds and its availability at the branch and head office. Financial control is generally exercised at three levels: the Governing Body, the Head Office and the respective Branch. The Governing Body monitors all financial matters quarterly. The Executive Director and Finance Director exercise financial control based on monthly financial statements and the findings of internal auditors. At branch level, the managers exercise financial control on the basis of budget and financial projections. Financial transactions in the head office and branch offices are regulated with regard to following four areas. **First:** field level transaction control. **Second:** treasury management. **Third:** budgetary control. **Fourth:** accurate financial reporting.

Internal Audit

The audit and risk management department is staffed with a Director. A total of 71 audit staffs work in this department with most of them are based in the zonal offices. The internal auditor reports hundred percent on the checking of the three fundamentals of prudential finance management. **First:** loan portfolio management. **Second:** loan and savings balancing (reconcile the balance with collection sheet). **Third:** loan and savings pass book verification. The auditor also reports on the compliance of BURO and MRA rules for branch and head office, program-wise reports, and reports on fund management concerning cash and bank.

The audit reports are submitted to the Executive Director. These are discussed in meetings at higher level and asked for clarifications, if there is any anomaly. Punitive and corrective measures are taken where necessary. The findings of the auditing guide the management in taking right decisions for modifying policies, systems and procedures.

Risk Management

The risk management of the organization covers core risks that include industry risk, credit risk, liquidity risk, interest rate risk and operational risks. The aim of risk management is that BURO evaluates and takes well calculative business risks and thereby safeguards the organization's capital, its financial resources and profitability. Risk management is done through internal control system and standard practices followed globally.

Monitoring

BURO monitoring unit monitors intensively the indicators in the progress of the branch functioning this financial year. First: passbooks of the clients verifying with the loan collection sheet. Second: the application of loan disbursement procedure of the organization. Third: supervises the functioning of branch managers and existing status of remittance services. Fourth: application of members' savings deposit and withdrawal procedure. Fifth: admission of SME members and SME loan disbursement procedures. Sixth: verification with loan collection sheet, savings withdrawal, and status of balance. Any discrepancies in the functioning of the branches are identified by monitoring unit, recorded at the branches and follow-up services provided during the next visit by the monitoring unit. Monitoring reports back to the decision making of the organization.

External Audit

The organization conducts annual audit regularly every year. Reputed audit firms are appointed for a period of one year by the General Body in the annual general meeting.

Standard Practices

BURO Bangladesh follows some of the internationally accepted reporting and prudential requirements. This is being done to conform to the standard norms and practices pursued world-wide and to prepare for any future prudential requirements in the country. These practices and the relevant indicators portray a clear picture of the organization's financial and managerial soundness.

Capital Adequacy

Capital adequacy analysis is being used to measure the financial solvency of the organization and determine whether the risks that it has incurred can be adequately

offset with capital and reserves. The current capital adequacy ratio is 17.12%.

Asset Management

Loans advanced to the customers make up the portfolio of the total assets and forms the biggest current asset. To determine the quality of loan portfolio, monthly aging analysis is performed. The financial accounts of 2013-14 at the year-end shows the organization achieves a first-rate portfolio indicating 96.42% of the portfolio with no arrear payments.

The organization pursues clear policies in acquiring land and building to optimize the operation of its business. It follows clear-cut policies to acquire necessary equipments and vehicles for building an effective infrastructure for the institution to meet the needs of both the staff and customers.

Management

Human Resource Development (HRD) is well organized in a manner that provides clear guidance and support to operational staff - including recruitment and training of new personnel. All key processes have been formalized. With much effectiveness it controls risk throughout the organization. The organization undertakes short-term and long-term financial projections and uses these to ensure fiscal and budgetary control.

Earnings

The management has been effectively using and mobilizing the available resources to ensure sustainable benefit to its customers while aiming at a modest return on the investment.

Liquidity Management

Based on experience, 10-15% of savings balance of all branches is deemed adequate to meet the liquidity reserve ratio. For the liquidity requirement, 40% has been earmarked for general savings, 30% for contractual savings and 30% for operating and financial expenses.

Loan Loss Provisioning and Write off

Management makes provisions for loan losses every quarter in order to maintain the loan loss reserve at adequate levels for bad loans. The loan loss reserve ratio is 3.03%. The adequacy of the provision is determined by applying appropriate percentages to the outstanding balances in various aging categories. The write-offs of any loans, if necessary, are charged against reserve. Loans are written off in full after one year of the loan term.

The Financial
Inclusion
demonstrating
the right
response in
right time ...

**Financial
Inclusion**

Financial Inclusion

The application of remittances together with the effect of other microfinance services has the demand creation of fertilizing the institutional capacities of the microfinance clients all throughout Bangladesh. The uncovering diversification in banking sector is yet to contribute significantly to the total gambit of the lives and living conditions of the majority section of the people. But it needs to bring innovation from the commercial banks also. As more and more innovation will be identified as the new technology the institutional capacities of the formal financing institutions will also be strengthened. This necessitates different modus operandi of the banking sector within the realm of the nation-state. The latest battle is imbibed in identifying new modus operandi to bringing greater segment of the population within the realm of banking sector. But the balance between financial inclusiveness and financial stability is essentially required. The balance is imbibed in the space created by the congruent application of remittance services mostly in agriculture. The dimension of technological application is logically the most appropriate so the cross fertilizing the create space by the diverse financial services needs the application of financial inclusion by the banks.

The initiatives by different governments supported by the market segment involve the banking sector within the regulations of the government. The initiatives witness the emergence of country specific regulatory measures. The continuity of this process awards different mechanisms in financial market in different nation-states. The homogeneity in banking sector or financial market among the different nation-states is lost. It has become necessary to expand our understanding about financial inclusiveness going beyond bringing the increasing section of the people from the largest segment of the population. The congruent place-

ment of financial inclusion in the created space by other financial services is of paramount importance but shall not deviate much than that of the remittance services. This is due to the fact that the virginity in the application of dormant or latent human potentials is opened by remittance services. Thus, financial inclusion is reckoned in Bangladesh as access to financial services from:

- a. Officially regulated and supervised entities (banks and financial institutions licensed by Bangladesh Bank, MFIs licensed by the Micro-credit Regulatory Authority, and
- b. Official entities themselves (post offices offering savings, money transfer and insurance services, national savings bureaus).

The policies formulation, planning and implementation is the sole responsibility of Central Bank of Bangladesh popularly known as Bangladesh Bank (BB). The financial sector includes banking and non banking but semi formal institutions popularly known as NGO-MFIs. BB performs all the core functions of a typical monetary and financial sector regulator, and a number of other non core functions. The adopted measures to bring synergy and reciprocity are intended to bridge the gaps in financial inclusion of the larger segment of the people that will cross fertilize the increasing the spaces due to microfinance services. This needs accessing banking services. The cross fertilization of the space by the financial inclusion demonstrates the following features.

First: refinance schemes for banks against their loans to Small and Medium Enterprises (SMEs) with the support from multilateral donors like IDA and ADB. The limit is expanded from US\$ 12.50 million to US\$ 75 million for ensuring credit availability to this sector.

Second: the agriculture credit program announced by BB for all banks is intended to engage in lending for a comprehensive range of no- and off-farm rural economic activities. Bangladesh Bank for the first time has introduced a refinance scheme for sharecroppers of US\$ 62.50 million to disburse using NGO linkages (BRAC).

Third: access to the banking sector by the farmers is presently facilitated and enhanced by allowing them to open their bank account by ten taka (US\$ 0.125) only. BB has meanwhile introduced a refinancing loan amounting US\$ 25 million for the farmers to disburse through NGO-MFIs.

Fourth: Introducing Green Bank is the development of infrastructures as the nucleus in the development of economic growth of a nation-state. The expansion of its programmatic approach by Bangladesh Bank is diverted towards the development of infrastructures: Taka 200 crore (\$25 million) refinance line has been introduced. The refinancing is intended for environment friendly investments in solar energy, Biogas plants and Effluent Treatment Plants (ETP).

Fifth: Bangladesh Bank is persistently working to develop Corporate Social Responsibility (CSR) by the financial institutions. This is clearly evident from the guidance issued by Bangladesh Bank.

The adopted measures to cross-fertilize the created space of the microfinance services by the Financial Inclusion indicates significant advance in programmatic intervention. Bangladesh Bank involves Banks, NGO-MFIs and other stakeholders in its policy formulation, planning and implementation. The approach is unique to cross fertilize the experiences to identify common approach to achieve its 17 objectives. The Credit and Development Forum is the largest network and the only network of NGO-MFIs in Bangladesh. The CDF represents NGO-MFIs in their relationship with BB to benefit the member organizations reaching the financial inclusion to grassroots.

Primarily four institutional arrangements cross fertilize the increased space facilitating the entry of financial inclusion and its deepening in the market.

The concerned institutions are:

1. Government respective line Ministry,
2. Banks,
3. NGO-MFIs and
4. Credit and Development Forum (CDF).

All the four major institutions share their experiences with BB about advantages and disadvantages being

faced by them in boosting financial inclusion. The mechanism to device by BB is designated as the main concern of NGO-MFIs..

The deepening of financial inclusion has diversification. The central Bank introduces the following as the demonstrative indicators.

1. Agriculture credit program for the marginalized farmer.
2. Opening bank account by the famers and street children with a minimum amount of Ten Taka (US\$ 0.125).
3. Introducing green banking approach.
4. School banking.
5. Foreign remittance distribution using NGOs' network
6. Introducing agent banking system to serve unbanked population within the realm of the nation-state
7. Introducing mobile banking which is expanding very fast for its cost effective safe and secure transactions.

The relationship is facilitated between the Bangladesh Bank and NGO-MFIs, between the Banking sector and NGO-MFIs and between the Banking sector and members of NGO-MFIs. This is intended to boost the financial inclusion through developing congenial working environment among BB, Banks, NGO-MFIs and the people.

The financial inclusion finds its gainful application in the SME and agriculture sector. Bangladesh Bank has introduced refinance schemes for banks against their loans to Small and Medium Enterprises (SMEs). The multilateral development partners such as the IDA and ADB are supplementing BB's refinance programs with their co-financing lines. The refinance schemes of BB for banks against their loans to Small and Medium Enterprises (SMEs) have been expanded from US\$ 12.50 million to US\$ 75 million for ensuring credit availability to this sector. To widen and strengthen SMEs, recently Bangladesh Bank has formed SME and Special Programs Department. This is intended to enhance investment in this sector especially to help women in increasing their contribution to industrialization. It has been made mandatory that at least 15% of the credit will have to be disbursed among women entrepreneurs.

The agriculture credit program announced by BB for FY-2010 enjoins all banks to engage in lending for a comprehensive range of no- and off-farm rural economic activities. The refinance lines are projected to be available to them from Bangladesh Bank. BB has announced its Annual Agricultural/Rural Credit Policy and Program for FY 2009-10 of US\$ 1,438 million. Bangladesh Bank for the first time to ensure institutional credit facility for



the share croppers has introduced a refinance scheme of US\$ 62.50 million which will be disbursed through NGO linkages. To implement agricultural credit program BB has formulated a three stage monitoring system. Besides, the farmers are now allowed to open their bank account by ten taka (US\$ 0.125) only.

Bangladesh Bank is increasing its concentration on infrastructural development. A US\$ 25 million refinance line has been introduced in FY-2010 against bank loans for environment friendly investments in solar energy, Biogas plants and Effluent Treatment Plants (ETP). Already Participatory Agreement with some banks for receiving refinance facility for loan against ETP is under process. In addition commercial banks have been persuaded to invest in power generation plant under Public Private Partnership (PPP). Meanwhile BB itself has established a 20 kilo watt solar panel.

According to vision 2021 of present Govt. poverty has been targeted to be reduced below 15%. As a short term measure to achieve this target BB authority hopes the credit facilities for agriculture and SMEs will be very effective and will ease the implementation of long term strategies.

The quality of customer service of Bangladesh Bank modernization program for the cash department has been

initiated, such as, setting up CCTV. In view of reducing poverty; accelerate economic activities with satisfying the credit needs, the recent initiatives of BB in bringing the people outside the bank under banking services in line with financial inclusion is likely to contribute in economic development of Bangladesh.

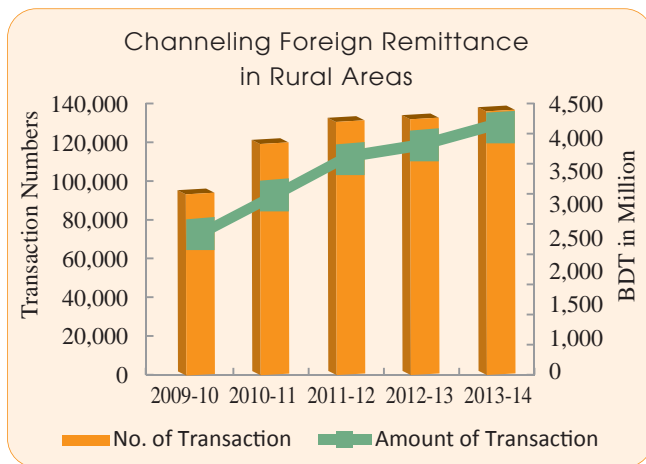
The uniqueness of Financial Inclusion is the development of cohesion among the Bangladesh Bank, Banks, NGO-MFIs and clients of the financial services. Furthermore the uniqueness is also the programmatic and organizational restructuring which have just begun their respective journey. It is anticipated that the deepening of financial inclusion programmatically and organizationally will create supreme integration among the stated stakeholders in the financial and economical market.

Remittances Services

Bangladesh Bank (Central Bank) within a very short span has taken two very pertinent initiatives to rejuvenate the rural and urban economy. First: remittance services. Second: financial inclusion. Though both constitute two sides of the coin, the remittance services are well known to Central Bank in respect of its sources as well as the recipients. Unlike remittance services financial inclusion has recently been

introduced by the Central Bank as new technology in the financial market particularly for the rural areas. Nothing much is known about financial inclusion can be assumed that the introduction of remittances directly to the hands of the recipients through the NGO-MFIs. This has opened the space for further deepening the investment by the entrepreneurs in the rural and urban areas. The creation of space by the remittance services for further investment through financial inclusion transformed both the technologies in the financial market as intertwined. One sustains the other through expanding the spaces to stay together.

The remittance program is unequivocally an undeniable technology in the financial market that opens the virginity of the use of remittances in the market of economical relations. The remittances either from the foreign or domestic sources had so long been mostly sleeping in unproductive usage. Due to the dire necessities of the national economic growth to constantly enhance increasingly by the rural economy and to



as the easy conduit for the recipients. This surfaces the remittance as the new financial services for the MFIs together with maintaining the services delivery provision for its congruent application by the recipients. BURO as one of the microfinance institutions includes remittance program initiative. This is not only an encouraging endeavor for the clients but has also proved to be stimulant for microfinance industry in Bangladesh. The income effect for the remittance recipient households is highly significant. BURO provides all kinds of technical assistance in the application of remittances by the recipients. The recipients of remittances have total controlling authority over their own capital. The

assume the commanding role in the future the efficient utilization of remittances are golden stones for the national economy. It was necessary to ensure that the flow of the foreign or domestic remittance within the realm of the nation-state without any bureaucratic hindrances or hassle reach the recipients in the urban, rural and rural remote areas. The easy conduit for remittances reaching the door of the recipients is not the end rather is the beginning of its effective utilization for the rural economy contributing to national economic growth. The matching between the beginning and end of remittances flow is the congruent application of remittances in the lives and living conditions of the recipients.

The understanding of congruent application of remittance flow resolutely needed tapping the unutilized resources, unfurling the latent entrepreneurial qualities and containing the wastage of remittances by the recipients. This has opened the vista for the microfinance institutions to working





The benefit of deepening of Financial Inclusion



CASE STORY

The financial inclusion of BURO is the changed agent of many of its clients. The deepening of financial inclusion brings changes in both the programmatic and organizational intervention by its client Muktirani. The client was once a very poor totally depending on her husband as the only sources of income. It had been turning gradually absolutely impossible for her to run the family of five members that includes her three daughters. But the timely approach from the client for loan and the appropriate training, technical assistance and follow-up services from BURO has reached Muktirani as the owner of 15 weaving machines. At present, ten workers are working in her weaving machines. She has the savings of BDT 17,894 though her outstanding loan amounts BDT 150,000.

organization extends its services to providing technical assistance to its uses. The value addition emanates from BURO working as the safe and convenient conduit for the supply of remittances to its recipients even in the remotest areas.

BURO has adopted several steps that totally interdict the intruders as the claimants of remittances coming from foreign or domestic sources. The issuance of remittance client cards and providing remittance services through two terminals are highly noteworthy. These are: (1) computer with GPRS internet connectivity and (2) Electronic Funds Transfer Point-of-Sale (EFTPOS). The number of clients is increasing day in, day out. Because of issuing card to its remittance customers, KYC of the customers is completed. The organization has developed partnership relations with Bank Asia Limited, Prime Bank Limited, AB Bank Limited, Citibank, N.A., United Commercial Bank Limited, Social Islami Bank Limited and Mercantile Bank Limited. All implementing partners collect remittances through the Exchange House and BURO

delivers remittances to beneficiaries at the respective locations on behalf of each of the respective banks. It has started remittance operations since December 2007. Up to June 2014, a total of 622,168 customers are served. The transacted volume of transfer amounted to US\$ 215 million. The organization has set up a remittance service department for furthering its operations.

BURO, DFID/RPCF and Bangladesh Bank have jointly contributed in setting up terminal facilities in 125 remote branches to channel remittance. BURO is implementing another project titled “Expanding Remittances in Rural Bangladesh” with the support of UN Specialized Agency “International Fund for Agricultural Development” (IFAD). This is intended for providing technical assistance to augment remittance services through another 100 terminals across the country totaling 225 terminals. This initiative includes significant contribution from BURO. A new window will also be opened in the utilization of remittances through the youth at-risk of either gender.

Microfinance
truly
applicable
for the
hardcore
poor but ...

Microfinance for Hardcore Poor

Microfinance for Hardcore Poor

The NGO-MFIs since the beginning of their microfinance operation remain usually limited to the poor and marginal households in the rural and peri-urban areas due to the absence of communication facilities beyond the rural areas. The alarming situation was that the loan officers in a number of instances face problem to come from the rural remote areas due to threat, intimidation and coarse communication with the urban areas. The left out poor from the NGO-MFIs are mostly virtually the hardcore poor whose capability functioning remain unexplored at the same time from contributing to national economic growth. Due to their absence not only from the mainstream interventions but also from developmental interventions from the NGO-MFIs the social and economical status of hardcore poor reaches to extreme grim by the end of 1980s. With one of the major causes of addressing the status of hardcore poor through microfinance BURO emerges within the realm of NGO-MFI industry.

The given situation BURO is the cause of Economic and Social Empowerment of the Hardcore Poor (ESEHP) in the urban areas of Uttara, Dhaka with the financial assistance from Stromme Foundation. The successes of the project have two implications. First: the ESEHP project implemented at Uttara in Dhaka has been graduated to mainstream microfinance. Second:

the replication of EHESP begins in district Kurigram since early 2009 financed by Stromme Foundation. The replication of the project is being implemented through five new branches set in five remote upazillas viz. Chil-mari, Razarhat, Ulipur, Nageshwari and Kurigram Sadar. The Kurigram project is also the replication of urban experiences in the rural and rural remote areas.

All the five hardcore poor branches in Kurigram district covered 13,540 customers and 10,344 borrowers as of June 2014. The current experience suggests that the sustainability is pretty difficult in working with the hardcore poor. The difficulties arise because of the small loan size borrowed at commercial rates which increases the cost of capital. This has one very fundamental implication that it is needed to offer different low interest rate or increase the loan size for the hardcore poor. This will facilitate them to match the income and expenditures. Nonetheless the On Time Loan Recovery Rate is 98.76% and the portfolio at risk >30 days stands at 1.51%

However, it shall be noteworthy that the five branches for the hardcore poor have entered into profit making from this year. This indicates that the hardcore poor are also bankable provided they are organized by a specialized microfinance institution.

Five branches for the hardcore poor have entered into profit making from this year. This indicates that the hardcore poor are also bankable provided they are organized by a specialized microfinance institution

The financial results of the pilot programs in terms of balance sheet and income statement of five branches are shown in table-1.

Table-1: Summarized balance sheet and Income Statement as on 30 June 2014

Balance Sheet of Hard Core Poor-Kurigram District		Income Statement of Hard Core Poor-Kurigram District	
Particulars	Taka (BDT)	Particulars	Taka (BDT)
Property & Assets		Income	
Fixed Assets	5,874,413	Interest on Loan	21,477,382
Loan Portfolio net of LLR	96,032,165	Other Income	603,563
Advance	438,115	Total Income	22,080,945
Current Assets	0	Expenditures	
Cash at Bank Balance	4,358,912	Interest on Savings	577,705
Total Assets	106,703,605	Interest on Borrowing	9,326,437
Fund and Liabilities		Loan Loss Provision	
Customers' Saving	24,430,082	Other Expenses	8,595,542
BURO Bangladesh Fund	67,128,030	Total Expenditure	19,226,532
Stromme Foundation	26,774,840	Net Profit/(Loss)	2,854,413
Accumulated Profit/(Loss)	(11,629,347)		
Total Fund and Liabilities	106,703,605		



The non-financial services provided in the hardcore five branches in Kurigram include non-formal child education, adolescent awareness program, and basic life management training that includes nutrition, water & sanitation awareness support etc during the period 2013-14. The performance of providing non-financial services with the support of Stromme Foundation in 2013-14 is exhibited in table-2:

Table-2: Performance of hardcore poor branches

“Figures in Quantity”

Name of activities accomplished	30 June 2014
Shonglap Center established	40
Adolescent Girls enrollment	1,000
Skill base training for adolescent girls	1,000
Formation of Shonglap support team-SST	40
Formation of Peoples’ Organization	7
Leadership Development training for Peoples Organization leaders and members	21
Business Development training for Microfinance program beneficiaries	100
Awareness build up training for beneficiaries	4,010

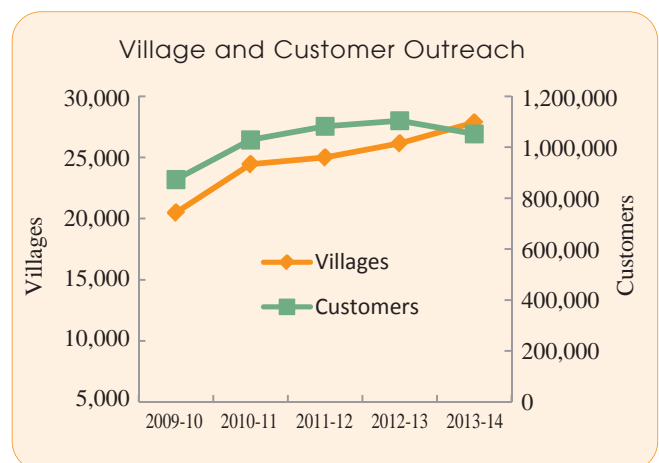
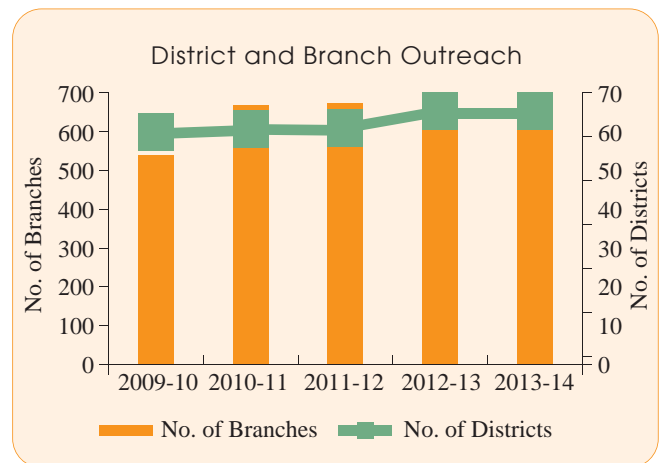
Customers' increasing trend to preserve the savings indicates ...

Microfinance for Moderate Poor

Microfinance for Moderate Poor

Geographical Coverage

As of June 30, 2014 BURO expands its geographical coverage to a considerably large extent. Through 634 branches BURO provides its flexible financial services to 27,878 villages in 1,417 unions of 61 districts in all seven divisions.



All branches disbursed a total amount of BDT 23,629 million as against BDT 22,110 million in the preceding year resulting 7% increase in disbursement

Customer Outreach

The number of active customers stands at 1.1 million as of June 30, 2014 as against 1.2 million in last financial year. The women constitute around 99% of the total customers. Customer dropout is common in the micro-finance industry for a variety of reasons that includes migration, business failure, and switching to other MFIs due to convenient location etc. Dropout rate increases to 9% from 8% in 2013-14.

Savings Services

All savings products are payable to the customers on demand. Savings is not held as security for loan. Strong and accountable governance, sound asset management and an enabling legal and regulatory environment are three cornerstones for large scale savings mobilization. The organization offers savings services to all its clients (whether they choose to borrow or not), with the following basic objectives

First: The poor people have a formidable capacity to save. BURO duly recognizes this fact. It provides a secured place for keeping savings, increasing financial strength and capital growth of the customers. This is intended to reduce their dependency on external resources; and

Second: The improvement in the sustainability of the institution by developing a relatively stable means to finance its loan portfolio.

BURO Bangladesh discharges a fiduciary responsibility in accepting savings from the poor. It has worked hard to:

First: Strengthen the governance and management functions to optimize the security of the savings products offered by the institution.

Second: Assess, understand and respond to the demand for a variety of differentiated savings products and offer a range of liquid and illiquid products; and

Third: Develop and implement policies, procedures and processes that optimize the internal control and risk management system.

General Savings

The small depositors usually value convenient, easy access and relatively secure delivery savings services. The delivery systems must respond to their restricted mobility and availability of time to be useful to women. The customers also value privacy, preferring systems that do not reveal to other customers how much they save and withdraw. The general savings account is like a current account. The customers can save or withdraw on demand. The general savings account requires a nominal minimum balance of BDT 20. The customers of the general savings account have the following advantages:

First: Savings of any amount from BDT 10 - BDT 5,000 at the Kendra (group) meeting in the village. They can deposit any amount above BDT 5,000 at the branch.

Second: Withdraw savings at any time on demand, and

Third: Receive compounded interest at the rate of 6 percent per annum of their general savings account balance.

Contractual Savings

The poor often value regular and disciplined savings systems as a way of building up useful lump sums. This savings can be invested or used for social obligations such as marriages, funeral or children's education. These

products respond to the poor's demand for illiquid savings systems. The liquid savings system protects their money from frivolous spending and allows the slow but steady accumulation of a lump sum. BURO pays a significantly higher rate of interest on these regular voluntary savings than on the general savings account.

The contractual savings account allows savers to determine the amount and time of deposits and withdrawals. In the contractual savings account clients agree to regularly deposit a set amount for a set period of time after which they can withdraw the entire amount plus the interest. The savings account offers the following advantages to the customers:

First: Customers can choose to deposit on a weekly or monthly basis according to their income/ cash flows.

Second: Customers can choose to deposit weekly savings in the range of BDT 25 – BDT 2,000; and monthly savings in the range of BDT 100 – BDT 8,000.

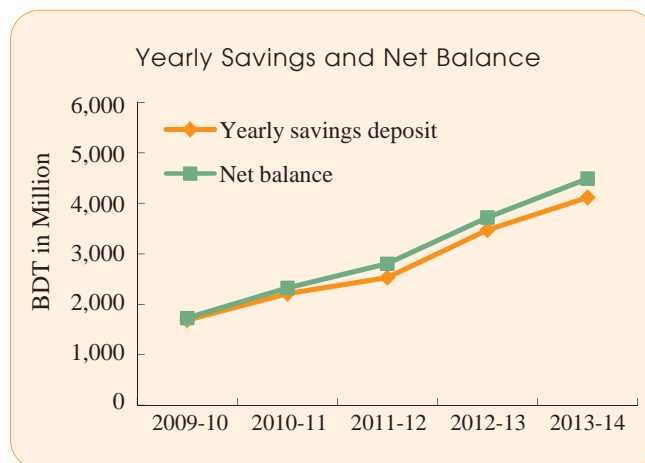
Third: At the end of the period, customers receive more than the total deposited amount.

Fourth: Customers can (and often choose to) open more than one account in the same name simultaneously.

Fifth: Interest is paid on a compound basis on three-year term for 8%, five-year term for 9%, and ten-year term for 12%.

The objective of savings services is to provide a safe place for the rural and urban customers to enable them to be self-reliant through increasing savings to build their financial base. BURO has two savings products for its customers that include general savings and regular

voluntary savings. It maintains open access savings where there is no restriction in withdrawal. BURO's experience shows that voluntary and open access savings can mobilize more net savings than the compulsory savings.



Savings Performance

As of June 30, 2014, the net savings balance is BDT 4,487 million as against BDT 3,716 million in the preceding year. During the year, the customers' deposit is total of BDT 4,113 million and withdrawal is BDT 5,066 million. The savings registers an increase of 21% during the year as opposed to 33% in the preceding year. Yearly savings deposit and withdrawal for the last five years is shown in table-3.

Table-3: Savings deposits, withdrawals and net balance as on June 30

FY	Yearly		Net Balance	In-creased	Average Savings per Clients BDT
	Deposit	Withdrawals			
	Million BDT				
2009-10	1,682.96	1,265.93	1,726.78	32%	1,976
2010-11	2,206.64	1,611.92	2,321.50	34%	2,255
2011-12	2,526.28	2,043.77	2,804.01	21%	2,590
2012-13	5,066.19	4,154.52	3,715.68	33%	3,363
2013-14	4,112.82	3,341.48	4,487.02	21%	4,261

Average loan size based on disbursement is BDT 24,422 as against BDT 21,018 in 2012-13. The loan portfolio increases by 6% during the year

Savings by Products

In 2013-14, the net savings stands at BDT 4,487 million. The net savings include general savings amounting BDT 4,003 or 89% and contractual savings BDT 484 million or 11%. The total savings breakdown is mapped in table-4.

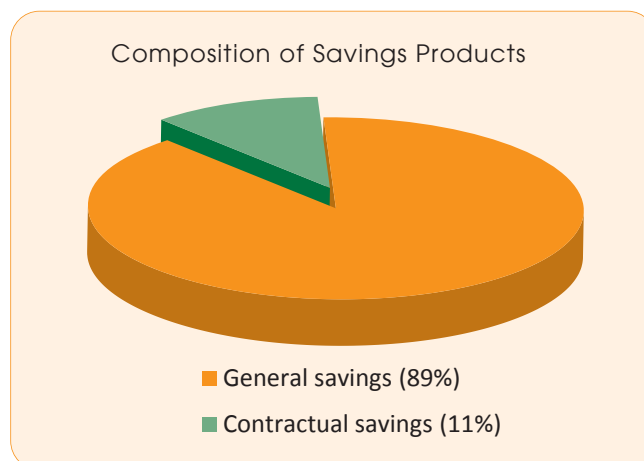


Table-4: Savings balance by product as on June 30

“Amount in Million BDT”

Products	2009-10	2010-11	2011-12	2012-13	2013-14
General Savings	1,138.67	1,772.14	2,319.73	3,436.56	4,003.37
Contractual Savings	588.10	549.35	484.27	279.11	483.65
Total	1,726.77	2,321.49	2,804.00	3,715.67	4,487.02

Loan Services

BURO emphasizes significantly on supporting economic activities to generate employment and income to reduce income inequality between its targeted audiences and other sections of the community.

The loan products are produced in response to the demands of its customers to assist their economic activities – they are market-led and customer responsive. BURO gains many comparative advantages:

- The clients do not have to take loans from BURO like many NGO-MFIs. BURO only gives loans as

and when the clients want them to support their economic activities.

- BURO loans are not linked to savings balances like the practices of most of the NGO-MFIs clients. The institutional behavior of loans and savings services are completely de-linked and made entirely voluntary.
- Customers can prepay their loans in order to qualify for new and larger loans.
- The customers of BURO can have short-term loan for meeting any emergency needs in addition to existing loan(s).

The flexible loan and customer friendly services had the push effect on the customers' increasing demand for loan from BURO particularly which has become a constant phenomenon. The rising trend effectively demonstrates the demand for increased loans

General Loan: The loan is intended to allow the rural and urban poor households to finance their economic activities. This is intended to build a strong capital base. General Loans are working capital given to the poor and disadvantaged households to start a business. This is anticipated that the given loans will fill in the gap in the businesses. General Loans range from BDT 20,000 to BDT 75,000 depending on the economic activity, the borrower's management capacity, and demand for the product and/or services in the market. The loans are repayable within a year in 46 installments at an annual interest rate of 27 percent.

SME Loan: BURO develops its SME loan for 15-20% entrepreneurs. These entrepreneurs are capable of graduating from the groups. SME loans as individual loans contribute significantly to creating self employment at post independence of the nation-state. The present day demand is to create diversification of SME loan. The use of microcredit presently is contributing to business expansion and employment generation. Furthermore, the inclusion of Missing Middle borrowers into financial relation has become of utmost importance. The inclusion can be facilitated by SME loan. The modalities to consider Small and Medium Enterprise loan necessitate two fundamental conditions. First: creation of wage labor employment of at least one person while using SME loan. Second: the borrower of SME has his/her own equity in the use of the loan.

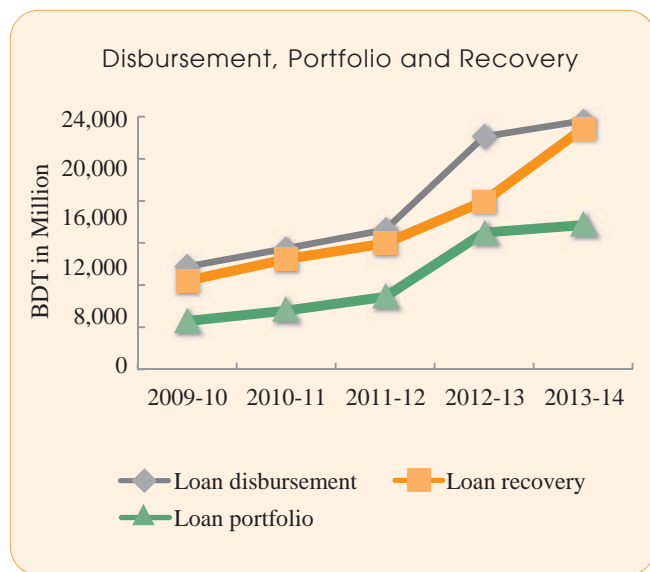
The SME loan is assessed on the basis of household cash flow, business projections and the reputation of the borrower amongst her/his business peers in the community. The size of the loan depends on the size of the businesses and the comparative advantages that the entrepreneurs have. The micro-enterprise loans range between BDT 50,000 - BDT 500,000. These loans are repayable within one to three years in 46-138 installments at an annual interest rate of 27 percent.

Agriculture Loan: The loan is exclusively for agricultural activities. The loan is designed to increase the farm activities enhancing the livelihood of the poor rural and peri-urban households. The agricultural loan also enhances food security of the households. The creation of self-employment through developing agriculture sector is given significant emphasis. The great opportunities exist for employment creation through proper investment

in agriculture. It is necessary to organize availability of quality seeds, fertilizers, irrigation, pesticides and other implements of agricultural production. The loans are disbursed to landless and marginal farmers in organized groups. Agricultural loans of BDT 20,000 – BDT 100,000 are given for one year depending on the activity, land-holding etc.. The loans are repayable in 46 installments with an annual interest rate of 27 percent.

Hand Loan: The loan is intended to serve as a “social security net”. The loan is designed to implement after the Customer Consultative Group Discussions and Client Satisfaction Surveys. The hand loan is designed to protect customers from shocks to their household economies. The loan is also intended to protect the erosion of their financial, physical and social assets. Hand loans are also used to finance any purpose such as important festivals and ceremonies (Eid, Puja, Christmas, marriages, etc.), health care and child education. The hand loan is a small loan of BDT 5,000 which is repayable within 3 months at an annual interest rate of 27 percent.

Disaster Loan: BURO provides disaster relief with support from leading commercial and non-commercial sources of capital during extreme emergencies, such as cyclone, floods, tidal surge etc.. The organization places emphasis on the promotion of self-help and self-reliance of disaster-affected rural communities, encouraging and helping households to stand on their own feet. The disaster loan is intended to reduce the effect of shocks to the financial and physical assets of the households immediately after natural disasters. The



disaster loans meet the immediate needs of the affected households for cash. They respond to the deteriorated situation arising out of disaster. The disaster loan ranges from BDT 5,000 – BDT 15,000 with an interest rate of 20 percent to be repaid over one year.

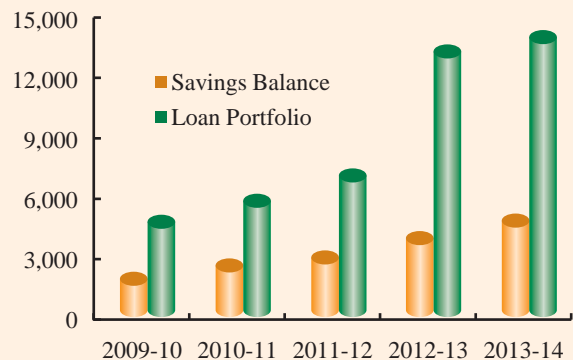
Water & Sanitation Loan: Environmental health concerns continue to be an ominous factor contributing to diseases and poverty. Access to safe drinking water is also free from arsenic contamination. Access to hygienic sanitation will reduce sickness. Both these two fundamentals will increase the labor productivity. The loan facilitates accessing pipe-water and tube-well for safe water. The sanitary loan is offered to customers seeking to install sanitary latrines in their homesteads. Both the water and sanitary loans range from BDT 5,000 – BDT 25,000. This loan is repayable within a year with an interest rate of 27 percent.

BURO's experience indicates that the customers prefer flexible quality financial service. They want larger loans and business development support services (BDS). The organization continues to revamp its policies and plans to stay competitive in the industry.

Loan Performance

In 2013-14, the average loan size based on disbursement is BDT 24,422 as against BDT 21,018 in 2012-13. The loan portfolio increases by 6% during the year. The flexible loan and customer friendly services had the push

Comparative View of Savings vs Loan Portfolio (BDT in Million)



effect on the customers' increasing demand for loan from BURO particularly which has become a constant phenomenon. The rising trend effectively demonstrates the demand for increased loans. The on-time loan recovery rate is 98.05% compared to 98.22% in 2012-13.

During the financial year, all branches disburse a total amount of BDT 23,629 million as against BDT 22,110 million in the preceding year resulting 7% increase in disbursement. This year, BDT 22,904 million is recovered leaving the net outstanding loan balance at BDT 13,725 million. The yearly and cumulative loan disbursement and loan outstanding positions are shown in table-5.

Table-5: Yearly loan disbursement and balance as on June 30

(BDT in Million)

FY	Disbursement		Loan Port-folio	Average Loan Size	
	Yearly	Cumulative		Disbursement	Balance
2009-10	9,778.91	33,380.59	4,594.29	10,361	6,113
2010-11	11,491.22	44,871.81	5,600.07	11,051	6,325
2011-12	13,264.53	58,136.34	6,884.43	12,757	7,537
2012-13	22,110.89	80,247.23	12,999.58	21,018	13,680
2013-14	23,628.52	103,875.75	13,724.51	24,422	15,309

Agriculture is the biggest space for the application of technological innovation with the participation of the peasant community ...

Microfinance in Agriculture



Microfinance in Agriculture



Agriculture is the backbone of national economic growth of the nation-state Bangladesh. Agriculture is also base of the inward and outward looking market for the nation-state. The biggest source of employment generation is agriculture. Agriculture is also projected as the largest technology to rejuvenate the rural economy. The out migration of the people from the rural and urban areas has negative impact on the lives of the rural market. The reasonable development of infrastructures paves the easy access to rural and rural remote areas.

This largely contributes to change the existing cropping pattern in the surrounding areas of roads and high ways. Yet a long distance is needed to go in respect of three fundamental areas: (1) introduction of new technology with the poor and middle class farmers, (2) provision of leverages for capital assistance, and (3) developing them as organized force in agriculture. The Government agencies are engaged with their own style of intervention. The vacuum thus created due to manmade and natural disasters shall be filled in by the professional NGO-MFIs. The NGO-MFIs facilitates the poor and middle class youth at-risk to emerge as entrepreneur in agriculture.

The technology in agriculture is basically the farm equipments used in agriculture practices. The poor and middle class youth at-risk are unable to access due to insufficient or lack of required capital. Technology plays the vital role in the regard of skill development and crop production. The organization lays significant emphasis in knowledge management. New innovations in the seeds and seedlings of agricultural crops are available. The biggest question is reaching these innovations to poor and middle class youth at-risk through professional agencies remaining within the closest proximity.

The rural economy in certain instances is attempted to become vibrant through taking the services of developed rural markets as service cum trading centers. Significant spaces are created in respect of space (area) and quality for the poor and middle class youth at-risk in many of these developed rural markets popularly known as growth centers. The motivation to these groups of rural people is anticipated to become successful provided the technology can be arranged for them in a rewarding manner. BURO at this crucial juncture to bring back vivacity in agriculture and the rural markets with their participation stands as the linkage between the formal financial institutions and the poor and youth farmers at-risk.

The provision of leverages of capital assistance as both public and private formal commercial sources of capital is abundant. There are reasonably good number of financial institutions working in Bangladesh. The two problems in respect of liquidity disbursement by the formal financial institutions are: (1) most of the financial institutions are centralized (capital oriented). This keeps their liquid base depressed in disbursement with the fear that they might lose their investment in urban and rural areas. This particular fear leads these financial

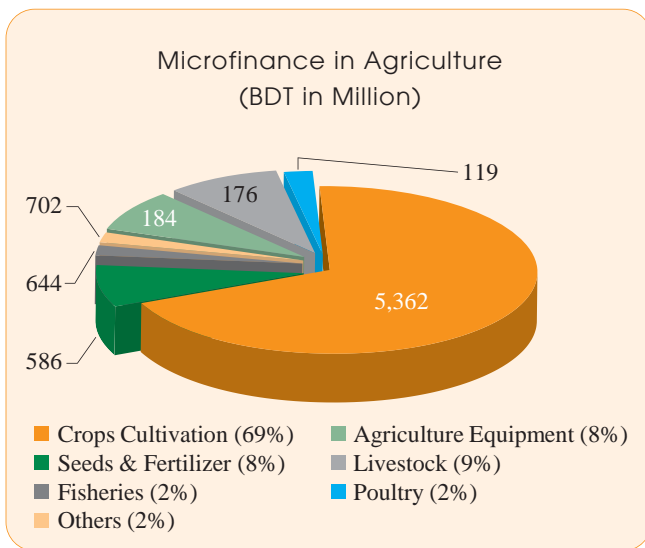


institutions select the big entrepreneurs who are within their reach facilitating the recovery of big loan disbursed by these financial institutions.

The vacuum is thus being created continuously in respect of leverages for capital provision directly reaching poor and middle class youth at-risk. (2) Those financial institutions which are decentralized up to urban cities with some of them reaching rural areas. But these financial institutions pose two threats to the poor and middle class youth at-risk. First: bureaucratic hurdles to cross by the poor and youth at-risk. Second: less reluctance of the financial institutions with micro loan provision for the poor and youth at-risk. The investment of micro and small loan will increase the management costs of these financial institutions. BURO among the front ranking NGO-MFIs in Bangladesh stands again as among the most prominent NGO-MFIs by virtue of its diverse professional experiences. It works as the very much potential conduit to work as the outlet of liquid from these decentralized financial institutions to the poor and youth at-risk in the rural and urban areas.

The people are needed to develop as organized force in agriculture to increase their reliance on their abilities to apply as small entrepreneurs in the market of economical relations. It shall be their understanding that these poor and youth at-risk shall neither survive at the mercy of the elite class nor shall be pulled into the process of social degeneration. The development of the poor and youth at-risk as the organized forces are their exposure to knowledge management. The knowledge management shall primarily stress on the technology to use in agriculture, provision of capital, and marketing facilities that they can avail themselves of. The engagement of these groups of rural and urban people into constant knowledge management shall constitute even technical assistance and follow-up services by the NGO-MFIs. This will continuously improve their treasure of knowledge. The proper knowledge management from the professional agencies will have push effect on the targeted audience towards the market intermediary organizations between the financial institutions and the poor and youth at-risk.

The value chain in agriculture is how better the reciprocity and synergy can be developed among the three fundamental areas. First: introduction of new



technology with the poor and middle class youth at-risk. Second: provision of leverages for capital assistance. Three: developing them as organized force in agriculture. The success of the massive funding of farming activities is the growth and development of rejuvenated rural economy. The overall reciprocity and synergy among the three fundamentals is the food

security. This is projected as the food production, preservation and consumption embedded in the agricultural financing. BURO Bangladesh has opened a new window for financing the poor and youth at-risk constituting more than 90% of the total farmers. The farmers find it yet difficult to access either MFI or bank financing because the lenders consider it highly risk-prone areas. This necessitates the increased financing agricultural sector to augment agriculture production and generate more seasonal employment.

The reciprocity among the stated three fundamental areas enhancing value chain is the increasing agricultural production imbibed in knowledge management. The knowledge management for the farmers shall provide due attention on the skill development and selection of crop that will transform into a profitable sector. The organization provides the farmers with various training to build their capacity to raise crop production. Trainings are given on a number of fields enhancing the livelihoods of the clients. These include basic training for the customers on land practices, training on crop diversification, pest control, irrigation and modern technology dissemination for land cultivation.





In consonance with the envy of the Government the initiative of BURO microfinance in agriculture is one of the most rewarding opportunities for the farmers to explore whenever they will wish for farming practices.

The clear instruction to BURO Branches is to give supreme importance on agriculture simultaneously with SME development in rural and urban areas by the poor and youth at-risk. This is intended to bring harmonious growth in rural economy.

The matching among the space, technology and time in agriculture depends on how better business and financial literacy skills are acquired by the farmers. This is unequivocally required for the development of SME in agriculture. BURO has developed business development services for different categories of entrepreneurs in agriculture with the help of MasterCard Worldwide. The necessity of business and financial literacy for the SME development is further strengthened with the financial inclusion program of Bangladesh Bank (Central Bank). Keeping the multidimensional approaches and widened vacuum for the development of SME in agriculture BURO is taking all out measures depending on time, place and condition.

During the last five years the number of borrowers and amount of loan disbursed for different sub-sectors in agriculture increase at a very highly significant rate. The rate of loan recovery was 100%. The details of loan disbursement are shown in table-6.

Table-6: Sub-sectors in agriculture financing as on June 30

Micro Enterprise	2009-10		2010-11		2011-12		2012-13		2013-14	
	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT
Crops Cultivation	225,463	2,327	303,326	3,238	301,693	3,608	348,654	4,083	368,145	5,362
Agriculture Equipment	28,630	296	38,518	411	39,566	473	34,215	387	40,225	586
Seeds & Fertilizer	32,209	332	43,332	463	44,512	532	54,265	641	44,215	644
Livestock	25,051	259	33,703	360	34,620	414	47,214	564	48,203	702
Fisheries	17,894	185	24,074	257	29,675	355	32,452	389	12,658	184
Poultry	21,473	222	28,888	308	24,729	296	18,214	218	12,125	176
Others	7,158	74	9,629	103	19,783	237	12,547	150	8,215	119
Total	357,878	3,694	481,470	5,139	494,578	5,915	547,561	6,432	533,786	7,773

The social and economical aspects of SME are the two sides of the coin crystallizing a process of increasing participation of the people in small and medium enterprise development ...

Microfinance in SME



Microfinance in SME



Literally the full abbreviation of SME is the Small and Medium Enterprise (SME). But in practice the understanding has little deviation incorporating micro enterprise to bring the total spectrum of SME from the base to end point of SME. The logical argument is that NGO clients begin with very small applicable for microenterprise development. The continuation of microenterprise development experiences gradual developments in two dimensions during the process of micro business development. First: business orientation through

knowledge management. Second: capital accumulation with small drops of profit margin. The microenterprises through homestead gardening are also found mostly used for household consumption. This leaves capital accumulation by the clients of microenterprise development is meager amount. But the asset quality of our clients is found to be the entrepreneurial qualities that they acquired during the process of microenterprise development.

The clients remain in the process of microenterprise development for couple of years. Then they are found to be encouraged and becoming enthusiastic for small and medium enterprise development. During the process of micro enterprise development between 1-2 years most of the clients take 2-3 different flexible loans from the organization. Other than refinancing the growth of the previous business they are found to maintain two to three additional businesses utilizing the additional flexible loans that they take from the organization. The trend to take risk for small and medium enterprise development begins to germinate. This trend is enhanced with their gradual participation in the markets which brings their exposure to different businesses in the market.

The development of small and medium enterprise thus begins from the combination of the minimum required business skill and participation in the market at low profile. The interaction with other businesses at the same time the development of markets in the periphery of the clients has the push effect on one side of the coin which is the elevation of the businesses. But the elevation of business from microenterprise to small and medium enterprise development requires the growth of the other side of the coin.

The growth in knowledge for business and financial management is the improved skill in business and financial literacy of the clients. Without the business and financial literacy for skill development required in SME management by the microenterprise clients or any other clients will be the suicidal step. The demand creation for the skill development in business and financial literacy moves simultaneously along with the growth of the microenterprise development. BURO instead of jumping into small and medium enterprise development screens out those potential clients who have acquired maximum skill of microenterprise development. They emerge over the period as the small and medium entrepreneur clients of BURO. But they carry along with more sophisticated knowledge on business and financial

literacy during the transition process to emerge from micro entrepreneurs to small and medium entrepreneurs.

BURO is very much cautious about the niche of the larger loans for small and medium enterprise development. This is the disbursement of larger loans. To match this objective of BURO the clients are providing their experiences to work with 2-3 loans simultaneously. The

2-3 loans if is combined is also a large loan size but bigger amount is needed for small and medium enterprise development. The disbursement of the needed bigger amount of capital shall be preceded with imparting business and financial literacy through training for a long time. BURO considers the importance of knowledge management lies in reducing the business risks. It is also intended to open new investment opportunities as forward linkages of SME. The exposure to knowledge management by the consumers of SME loan is also intended to facilitate them in the selection of their investment areas.

The knowledge management is further anticipated to provide better understanding about market integration needed to sustain the investment by the consumers of SME loan. The knowledge management for the consumers of SME loan is also intended to facilitate the selection of convenient location for both the producers and consumers of goods and/or services to gather together and share their business experiences. The knowledge management that the consumers of SME loan are exposed constitutes limited Business Development Services (BDS) including business literacy and financial literacy support to the entrepreneurs. It

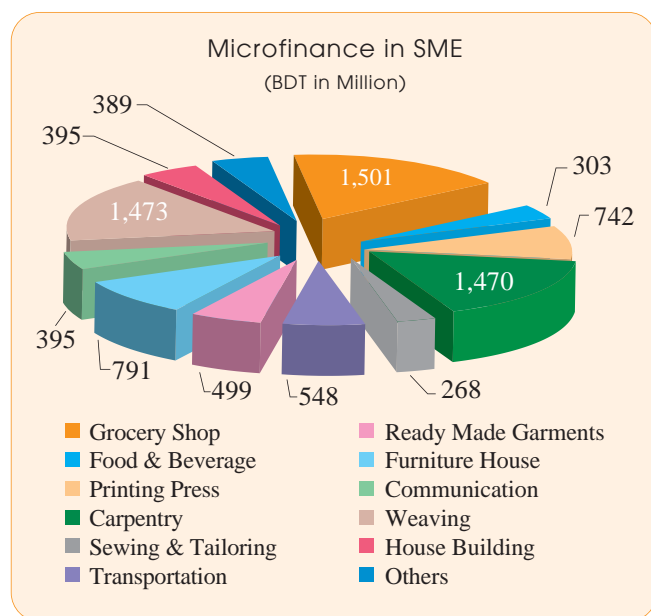


Table-7: Sub-sectors in micro-enterprise financing as of June 30

Micro Enterprise	2009-10		2010-11		2011-12		2012-13		2013-14	
	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT
Grocery Shop	4,488	346	5,386	429	5,369	303	14,784	1,721	12,384	1,501
Ready Made Garments	254	142	305	176	400	404	1,408	1,623	2,501	303
Food & Beverage	385	65	462	81	541	352	4,080	571	6,121	742
Furniture House	225	79	270	98	320	287	14,098	162	12,125	1,470
Printing Press	25	65	30	81	35	104	1,408	281	2,214	268
Communication	265	165	318	205	354	325	2,812	283	4,521	548
Carpentry	658	165	789	205	745	42	3,520	414	4,123	499
Weaving	1,258	85	1,509	106	455	29	2,302	822	6,524	791
Sewing & Tailoring	895	135	1,075	168	1,514	87	2,816	332	3,258	395
House Building	369	125	443	155	2,077	144	16,192	1,251	12,152	1,473
Transportation	2,658	155	3,189	192	1,096	62	2,816	332	3,259	395
Others	2	1	2	2	6,327	346	4,225	481	3,214	389
Total	11,482	1,530	13,778	1,898	19,233	2,484	70,461	8,273	72,396	8,774





SME with increased momentum in microfinance



CASE STORY

The application of financial inclusion in SME has been vividly manifested to begin with small loan of BDT 5,000 borrowed by Nazma from BURO. The vertical elevation of financial inclusion in a synchronized way underscores the increase in ownership of Nazma. With an outstanding loan of BDT 120,000 the monthly income of Nazma on an average is BDT 30,000. She deals with 100-150 retail sellers from her garments shop. To facilitate her small business she also owns a storing facility in the market.

includes areas ranging from the basics of money-management, book-keeping and basic accounting through the development of market linkages to spur the growth of micro-enterprises.

The business development services shall maintain its uniqueness to adapt with the customer's quality, business type and marketing facilities. The financial management includes financial analysis, developing self-confidence in business, conflict resolution and entrepreneurial qualities. These are intended to link with other business and business expansion and are needed to adapt at the same time.

The latest innovation of BURO business and financial literacy is its linkage with MasterCard Worldwide to develop business development services reaching its targeted clients in its microfinance program. BURO's uniqueness is to adapt with the customer's quality, business type and marketing facilities. The financial management including financial analysis is intended to develop self-confidence in business, conflict resolution and entrepreneurial qualities. The demand driven from the clients are the more easy learning that will promote expansion of their livelihood activities.

Social and
economical
aspects
in-built in
microfinance ...

Micro Insurance Services



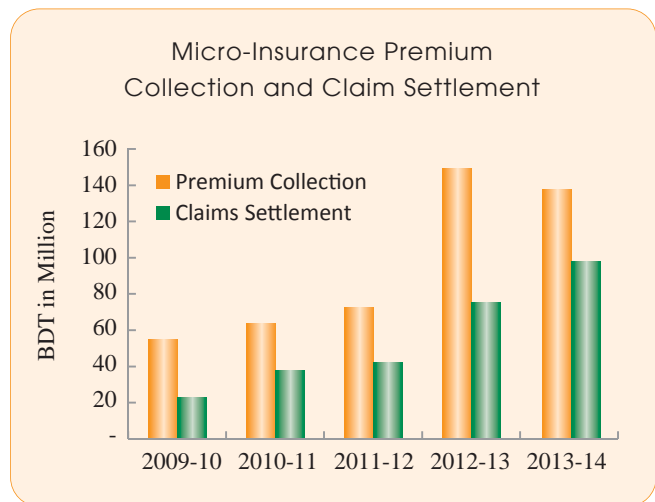
Micro Insurance Services

Micro insurance is introduced as a mechanism for reducing the vulnerability of the customers. The very poor, poor and micro entrepreneurs (small & marginal) are emphasized as the targeted customers. It secures them from those risks beyond the protection by savings or credit.

Micro Insurance i.e. Customers' Security Fund has been promoted with two objectives. First: the social objective. Second: economical objective. The social objective recognizes that social protection of the customers is necessary to reduce the vulnerability of the households to income and consumption shocks. The economical objective is to increase the stability and profitability of the poor households.

The value addition will stem from reducing the impact of customer risk on loan and savings portfolios, generating additional revenue, supporting risk management, and reducing customers' vulnerability to economic stresses. The social and economical objectives are intended to bring both demand (customers) and supply (organizations) as the consumers of and producers to each other's goods and/or services.

The variations in one time insurance premium for the clients are very tiny depending on the size of the loans but permitted for any loan size that BURO offers. The benefit of opening insurance is that the entire outstanding



loan amount in case of death of either the borrower or guarantor within the loan cycle will be totally waived subjected to the conditions.

A total of 946,466 insurance holders are registered in the year against 1,050,800 in 2012-13. The premiums are collected to the tune of BDT 151 million compared to BDT 137 million in 2012-13. The claims numbering 3,762 are settled amounting BDT 74 million during the period 2013-14 compared to 3,595 claims in the preceding year involving BDT 98 million. The portion of this insurance fund is used in the development of Kendra/Centre. The details are exhibited in table-8.

Table-8: Yearly premium collection and claims settlement

Year	Premium Collection		Claims Settlement		Kendra Expendi-ture BDT
	Nos.	BDT	Nos.	BDT	
2009-10	823,811	54.59	3,624	22.79	5.71
2010-11	936,911	63.35	3,707	37.70	6.51
2011-12	961,839	72.42	4,715	41.65	5.53
2012-13	1,050,800	137.33	3,595	97.87	3.32
2013-14	946,466	150.58	3,762	74.10	2.11

The
sustainability
of BURO is
that of its
clients ...

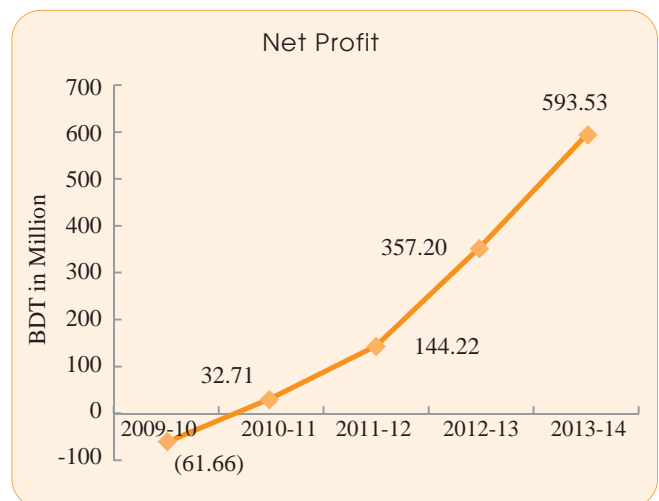
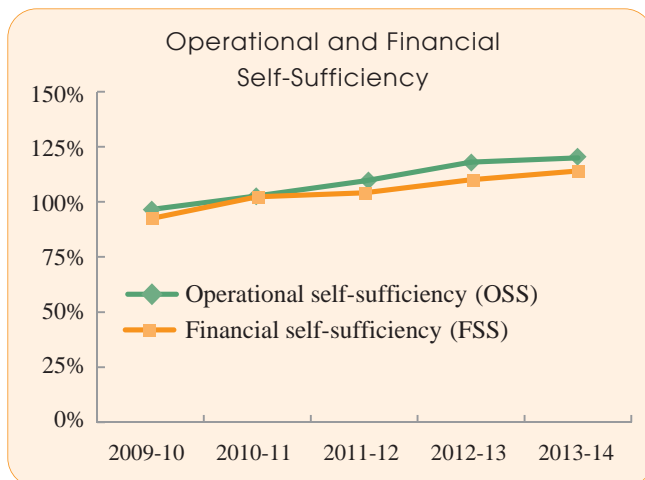
Performance Analysis



Performance Analysis

Sustainability and Profitability

BURO operates as a profitable and sustainable organization since 1998. During the year 2013-2014, the



organization achieves 120% operational self-sufficiency (OSS) as opposed to 118% in the last year. The financial self-sufficiency (FSS) in the year is 114% compared to 110% in 2012-13.

Net profit of BDT 594 million is posted in 2013-14 compared to BDT 357 million in 2012-13. The net profit increases by 66% over the preceding year. The return on equity (ROE) stands at 35% compared to 31% in 2012-13. The net financial spread rises to 5.75% compared to 4.57% in 2012-13.

Portfolio Quality

Loan portfolio is the greatest asset of an MFI. Quality is characterized by low portfolio risk and high loan recovery rate. The organization maintains a high quality portfolio of loans. The on-time loan recovery rate in 2013-14 is registered at 98.05% versus 98.22% in 2012-13.

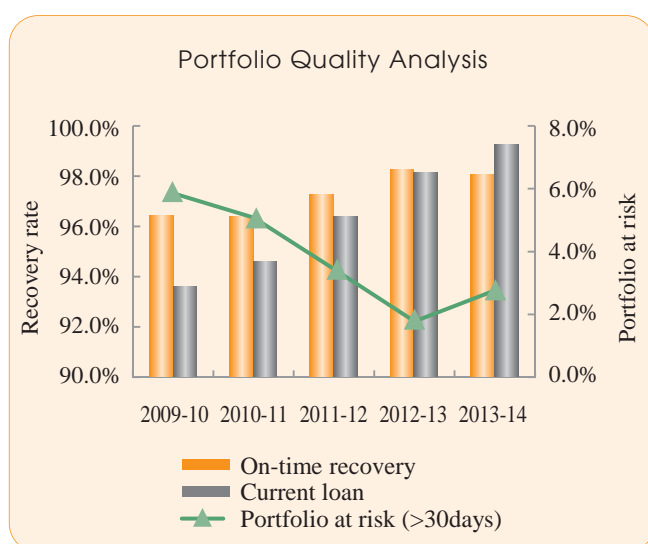


Table-9: Portfolio Ageing as of June 30, 2014

Portfolio Status	Numbers	BDT in Million	%
Current Loan	852,127	13,233.74	96.42%
Loans Overdue by:			
1 - 30 days	4,888	112.55	0.82%
31 - 180 days	8,236	128.11	0.93%
181 - 365 days	2,343	31.62	0.23%
Over 365 days	28,881	218.49	1.59%
Total	896,475	13,724.51	100%

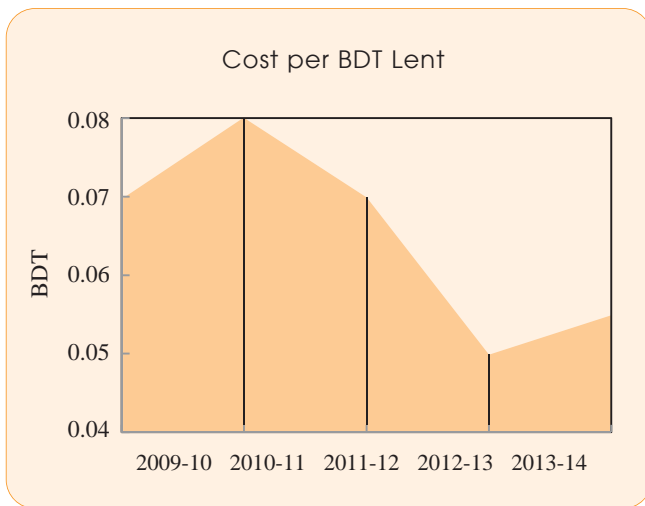
As of June 30, 2014, 96.42% of the portfolio is without any payments in arrears at all. Portfolio at risk greater than 30 days is at 2.76% at the end of 2013-14 compared to 1.77% in 2012-13. Loan loss reserve ratio is figured out at 3.03% compared to 2.46% in the preceding year. The reserve contains adequate fund to absorb potential risks or capital losses. Loan write-off is made by 0.43% compared to 0.64% in 2012-13. Efforts to collect bad loans continue during the year. As per policy, the loan loss reserve requirement works out at BDT 412 million while provision is made at BDT 416 million. The ageing of portfolio is shown in table-9.

Leverage Ratio

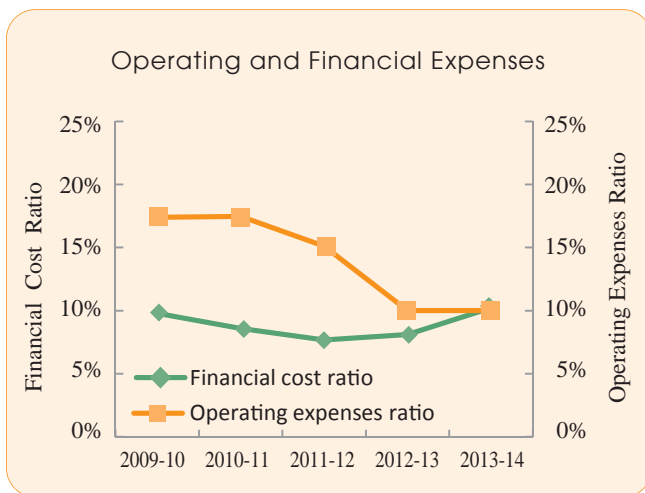
In the financial market, equity is considered as a base for commercial borrowing. Before an MFI can borrow commercially it is imperative that the organization is financially viable and that it will continue to be viable in the long term. This is understood by debt-equity ratio, equity to asset ratio and debt service coverage ratio (DSCR). In 2013-14, the debt to equity ratio figures at 5.17. Besides, the equity to total assets ratio (capital adequacy) is 17.12% and Debt Service Coverage Ratio is 1.15 times. The given ratios are favorable enough to encourage the lenders and the savers to have ample confidence in the institutional capacity of BURO.

Efficiency and Productivity

Efficiency and productivity ratios refer to the ability of the MFIs to minimize costs of operations and enhance profitability. These ratios indicate whether the MFIs are maximizing the use of resources. Productivity refers to the volume of business that is generated (output) for a given resource or asset (input) while efficiency refers to the cost per unit of output.

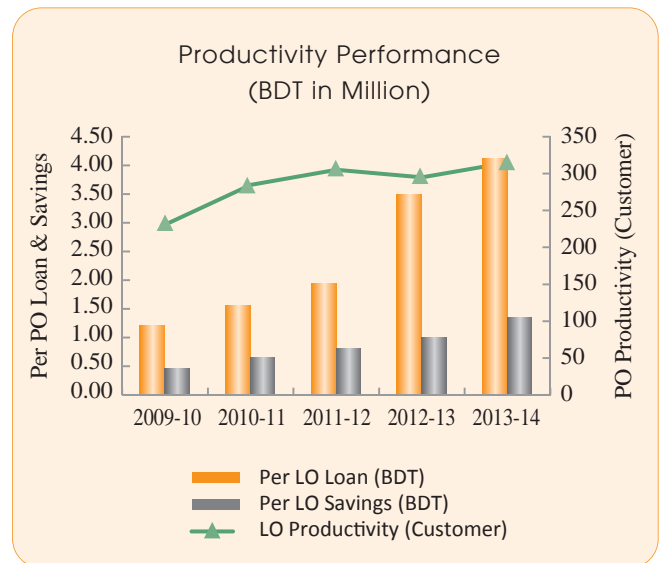


The operating cost ratio is a measure of efficiency. This decreases to 9.88% in 2013-14 compared to 10.34% in 2012-13. The cost per unit of money lent increases to BDT 0.06 during the year compared to BDT 0.05 in the preceding year. The financial cost ratio also increases to 10.23% in 2013-14 compared to 8.11% in the preceding year. In 2012-13 the portfolio growth is 89%. To reach this growth BURO had to borrow capital from the banks at a higher interest rate. The cost of higher interest rate in 2012-13 had to be paid in 2013-14.



The customer/loan officer ratio remarkably goes up to 315 in 2013-14. Unlike most of the NGO-MFIs' loan officer (LO) of the organization performs more than three types of financial transactions with a single customer. Thus this performance clearly outstrips the average performance of a typical loan officer in the industry. The loan outstanding per LO increases to

BDT 4.11 million in 2013-14 from BDT 3.48 million in 2012-13. The savings balance per LO increases to BDT 1.34 million from BDT 1 million in 2012-13.



Financing Mix

The overall capital grows steadily in the last couple of years with the infusion of borrowed funds, client savings and retained earnings. The financial resources deployed stand at BDT 16,167 million as opposed to BDT 14,480 million in 2012-13 with an increase of 12%. Of the total resources employed 12% is contributed by equity/own fund, 59% by commercial borrowing and 29% by customers' savings. The average revolving loan fund (RLF) is used 1.54 times in 2013-14 as compared to 1.94 times in 2012-13. The details of financing mix are shown in table-10.

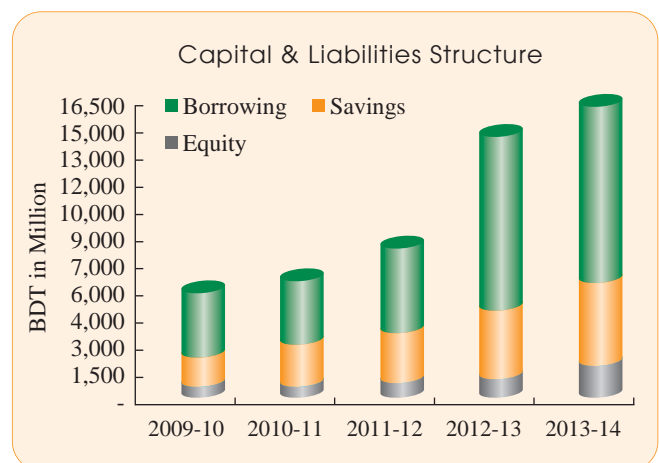
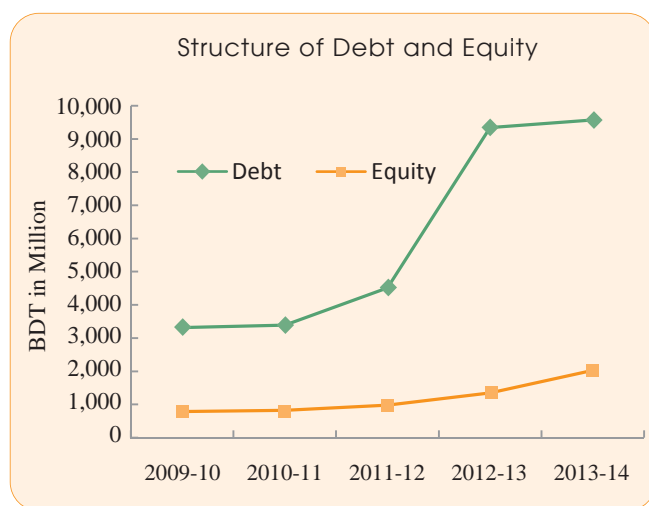


Table-10: Yearly RLF as on June 30

“Amount in Million Taka”

Financial Resources	2009-10		2010-11		2011-12		2012-13		2013-14	
	Taka	%	Taka	%	Taka	%	Taka	%	Taka	%
Equity/Net Worth	787	14	826	13	982	12	1,350	9	2,023.14	12
Client Savings and others fund	1,775	30	2,361	36	2,836	34	3,782	26	4,571.27	29
Commercial Borrowing	3,316	56	3,389	51	4,513	54	9,348	65	9,572.69	59
Total	5,878	100	6,576	100	8,331	100	14,480	100	16,167.10	100
Growth	34%		12%		27%		74%		12%	



investment stands at 7% which is the same as that of last year. The investment constitutes major two items: (1) 10% of customers’ total savings and (2) 10% of accumulated surplus reserve fund in accordance with the rules of MRA. The cash and bank balance is 1% as against 2% in 2012-13. The other current assets remain at 2% compared to 1% in 2011-12. The details are shown in table-11.

Asset Composition

The asset structure shows that during the year 82% of the total assets are held in terms of loan portfolio compared to 87% in the preceding year. The net fixed assets are 4% which is the same as that of 2013-14. The international benchmark of the fixed assets stands around 10-15%. The nature of fixed assets mostly includes purchased plots of lands for office premises some of which are under construction. The long-term

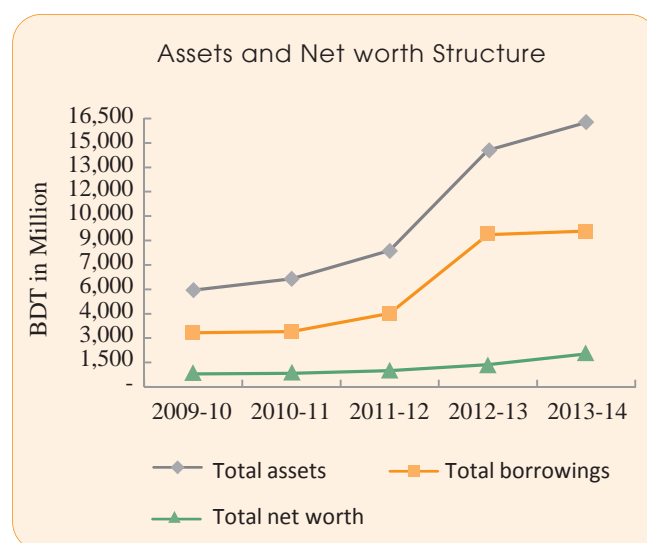


Table-11: Asset composition as of June 30

“Amount in Million Taka”

Assets Composition	2009-10		2010-11		2011-12		2012-13		2013-14	
	Taka	%	Taka	%	Taka	%	Taka	%	Taka	%
Net fixed assets	220.80	4	490.46	7	611.59	7	644.39	4	659.88	4
Net loan portfolio	4,410.46	75	5,309.55	81	6,583.54	80	12,679.16	87	13,308.31	82
Investment	443.44	7	223.32	3	575.01	6	802.56	6	1,086.93	7
Other current assets	118.33	2	144.01	2	141.40	2	172.96	1	282.45	2
Cash and bank balance	741.29	12	470.43	7	473.12	5	244.59	2	905.58	6
Total	5,934.32	100	6,637.77	100	8,384.67	100	14,543.66	100	16,243.15	100
Growth	35%		12%		26%		73%		12%	



The dignity, honor and self esteem of women entrepreneurs unfurl



CASE STORY

Mukul Begum is the unique example of microfinance customer of BURO. The step by step increase in loan has improved her institutional capacity. At some stage the organization finds the reliance in her abilities to do better business. This prompts the organization to provide with large loan. The outstanding loan at this moment is BDT 400,000 which facilitates her to take a shop for the sales of the products in her own garment factory. Mukul Begum has future mission of enlarging her business with increasing dimension.

The disaster
response and
disaster
mitigation as
such disaster
management ...

Disaster Management



Disaster Management

Bangladesh is a disaster prone country as part of the natural phenomenon. People are the victims of cyclone, tornadoes and flood almost every year. This worsens their poverty. BURO could not remain indifferent to disaster. BURO has adopted disaster management as one of its vital programs since almost the beginning of the organization. The program is primarily intended to deliver software services stressing on preventive measures. The software delivery increases the knowledge of the community on comprehensive risk reduction culture. The disaster management from BURO is the use of continuously increased institutional capacity of the customers. The increased institutional capacity occurs with the knowledge management and technical assistance from the organization.

Capability Functioning: The genesis of the effective disaster management lies in exploring maximum utilization of capability functioning of disaster-affected victims. The infusion of knowledge from the external

environment is blended with the existing indigenous practices that the disaster-affected people practice traditionally.

Transformation into Human Capital: The capability functioning of the disaster affected people is enhanced through creating them as human capital. Disaster management is intended to reduce economic erosion of the customers through providing two services. First: the disaster preparedness service from the organization and by the people. Second: disaster response from the organization and by the disaster affected people.

Human capital at the nation-state, community and family level are the most essential entities. They are intended to transform the technological and capital assistance into constructing blocks after blocks for a permanent framework for disaster response and disaster reduction. Sensitization of the issue at every level is of paramount importance that will bring the use of preventive measures at the door of the community and family level.

Paradigm Shift: Disaster management is based on the paradigm shift of BURO from traditional interventions through relief toward more pragmatic, realistic and developmental approach for disaster management. The relief operations except under special circumstances depend on the magnitude of devastations caused by disaster. The reliance on people's own capability functioning is the supreme authority in disaster management by the organization.

Shared Sense of Ownership Feeling: The maximum utility can be achieved through integrating community people and local government in disaster management. This is intended to avoid wastage of resources. Union Parishad as one of the local government tiers is the most important avenue. It works as the centripetal force for the community elite representing different institutions. This is followed by the community people in general to disseminating, sensitizing and raising the public awareness at a given locality.

The non-government organizations have emerged among the strongest means to proliferate the public awareness. There are many examples that the community people particularly the poor have greater understanding. This is due to constant efforts from the NGOs about the means manifested in abating the miseries themselves during disaster. Strive for greater reliance within the limited resources is encouraging. This requires to fuel constantly reducing their disaster losses.

Cooperation and Coordination: Sensitizing the issue at the nation-state, community and family level will not be adequately enough rather cooperation and coordination between and among the different entities will materialize their growing awareness of interrelationships among disaster, environment and development. The potentialities of different concerned institutions as well as individuals and taking its application in combination will reduce the vulnerability of the community people. Thus human and economic losses due to disaster are reduced.

Cascade Effect: All existing services delivery environment at the nation-state, community and family level shall be symbiotic between and among each other. This will sensitize the issue of disaster management. The sensitization of the issue is imbibed in raising public awareness significantly with education as the media. The education will be provided not only through training. But also this will take cascade effect of the given services to the concerned institutions and/or individuals.

The uniqueness of BURO disaster management is the involvement of its women leadership to negotiate with central government concerned agencies and local government

Managing the Disaster Fund

There is no scope of charitable work in microfinance. However, during any natural calamity BURO comes forward to the aid of its affected customers. In this context, BURO has set up a disaster fund. Affected customers can take loans at a cheaper rate to recuperate their damaged business activities. The fund is placed with a bank that earns interest. Four donors viz. SIDA, SDC, DFID and AusAID provide grants of BDT 30.27 million which now stands at BDT 106.54 million resulting in an increase of 3.5 times.

Output of Disaster Management Program

Over the period, the disaster program emerges as an integral entity of the organization in its poverty reduction for the hardcore poor, poor and vulnerable non-poor. BURO responds to the disaster affected people in terms of the following:

- Distribution of emergency relief in kinds
- Quick disbursement of loans to affected customers of BURO
- Rehabilitation support e.g. new house building/repair, road construction/repair, raising ground of flood shelter, water & sanitation facilities etc.
- Other economic activities e.g. seeds distribution, fertilizer distribution etc.
- Participate actively in Strengthening the Network of Information, Response and Preparedness Activities in Disaster

Competencies Related to Disaster Management

The total organization is the strength of BURO in disaster management which evolves over the period based on its working experiences. The customers of the organization are well equipped with knowledge management to demonstrate their abilities. The necessary measures shall be adopted by the customers at pre-disaster situation to challenge the onslaughts of natural disaster during and post disaster situation.

The well instrumental training unit is the nexus between the community people and the organization to deliver its technical assistance and follow-up services at pre, during and post disaster situation. In its treasure the organization has its experiences of working with the rehabilitation program. The construction of road, ground and home-stead raising etc. are the expertise of the organization.

The uniqueness of BURO disaster management is the involvement of its women leadership to negotiate with central government concerned agencies and local government. All in all BURO has emerged as an entity in disaster management with the abilities to work with disaster management at the time of national crises.

The
undeniable
necessity is
the creation
of human
capital ...

Human Resource Development



Human Resource Development

BURO adopts major initiatives since 1995 in respect of Human Resource Development (HRD). The strategic consideration is to increase the productive efficiency of the organization through creating human capital at both organization and customers' level. The knowledge management by BURO through training is the fundamental tool both for its customers and staff. The professional capacity of the staff enhances the ability of the institution to move forward with its mission. The increasing knowledge based capacity of the staff, formalizing systems & procedures as well as strengthening the existing systems in the organization are the central nerve of the professional capacity of the staff.

Customer Development Training

BURO organizes different need based training courses for its customers to strengthen their capacities and skill to boost their income and raise social awareness. Last year

the organization built 128,197 customers on different need-based courses.

- Basic life management skill development
- Entrepreneurship development and business planning
- Business and Financial Literacy
- Leadership development
- Easy accounts keeping
- Disaster management

Basic Life Management

The BLM training is imparted when the customers meet regularly to carry on financial transactions and discuss the basic issues of their lives. The training addresses a variety of social and human issues that encompasses group mobilisation, literacy, afforestation, family planning, health and sanitation, income generation, savings and human rights.

Enterprise Development Training

The enterprise development training provides financial and technical assistance services with its entrepreneurial clients that include a series of training courses e.g. new business creation, quality product development, simple book-keeping and accounting, business planning and management, trade based skill development, etc.

Business and Financial Literacy Program

Business and financial literacy program is the life line of the customers in their successful elevation of investment capacities together with the expansion of the businesses. BURO provides significant emphasis on synchronization training at different levels of the customers to improve their institutional capacity in business and financial management.

Staff Development Training

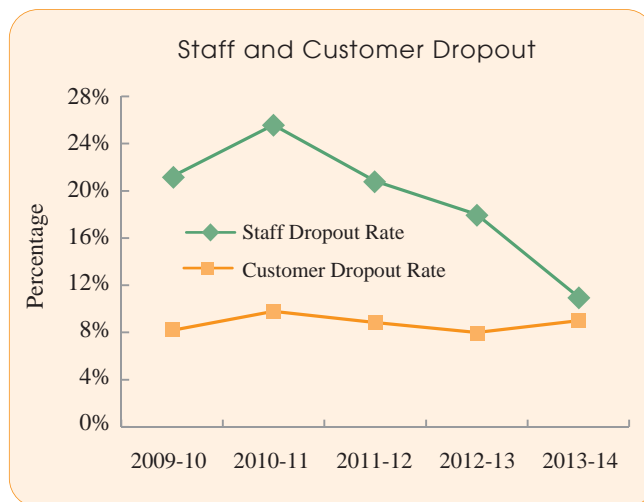
The staff development training produces discernible impact in improving the professional capacity of the operational staff. A total of 5,569 staff is working with almost 100% staffs are trained. A twelve days long Foundation course and a Refresher Course followed by need based training courses are mandatory for each staff to attend from time to time. Last year BURO training division delivered different need-based training courses to 1,980 staff. The following categories of training courses for the managers and staffs at different level are offered by the organization.

- Microfinance and microenterprise programming
- Organizational core competency development
- TOT on business and financial literacy
- Management development
- Delinquency management
- Finance and accounts management
- Software orientation
- Disaster management

The staff training has four components, which include the following:

Foundation

Once recruitment of new staff is finalized for head office and branch offices, the staffs are provided with a



12-day foundation training that gives an overview of BURO and its overall operations.

On-the-Job

The training is intended to enhance the skill and set the attitude of staff by filling in the gaps in their professional understanding, and updating them with appropriate knowledge.

Development Management Training Program

The program is a priority for the organization to support the objective to create and develop awareness, capacity and skills. This program is intended to enable the managers to think, analyze and act positively. All senior and mid-level supervisors and managers are participating in this program. Meanwhile BURO develops its own trainers' pool to conduct this package for the branch managers.

Quality Management Training

The Citigroup in collaboration with the Asian Institute of Management-AIM, the Philippines takes an initiative for the trainers of MFIs. The participation in the three initiatives of Philippines Citigroup was of worthy enough to boost the institutional capacity of NGO-MFIs and of their customers. BURO meanwhile participated in the three training courses in 2006-2007: (1) Microfinance management development program, (2) Quality training for the MFIs, and (3) Credit and Risk Management for MFIs.

The institutional capacity of BURO in providing microfinance services as well as to transform itself into a more specialized institution is further strengthened. The comparative advantages of BURO helps the organization to develop corporate culture at home and abroad.

HRD Impacted Positively

The organization stresses on the development of efficiency of staffs at all levels. It always earmarks an adequate fund for staff development. The investment in human resource development has impacted positively. Effective leadership has been created at different levels. Productivity of staff has risen substantially and this has resulted in scaling up the efficiency of operations.

Training Performance

A total of 1,980 staffs receive different training courses based on their needs during 2013-14. Customers numbering 128,197 are trained mainly on social awareness and leadership development issues. These trainings are also organized as per needs of the customers. The detailed statistics of training during the year appear in table-12.

Table-12: Training recipients: 2013-14

Particulars	Participants
Staff Training	
Foundation course	1,116
Development Management course	73
Monitoring and Supportive Supervision	126
MIS Software and Computer	126
Portfolio Management	22
Training on Small and Medium Enterprise	12
TOT on Financial Literacy	505
Total	1,980
Customer Training	
Awareness raising	22,250
Leadership development	1,240
Financial Literacy	103,025
Business development	1,682
Total	128,197

Staff Position and Recruitment

The organization has a total of 5,569 staff that includes 4,455 males (80%) and 1,114 (20%) females as of June 2014. The head office maintains a staff fleet of 119. During the year, 827 staff is recruited mostly at the entry level. The staff dropout rate goes down to 11% in 2013-14 compared to 18% in 2012-13. This is due to the development of highly professionalized skill of staff with due rewarding.

Competencies Related to Human Qualities

The abilities of the organization cropping up over the period are clearly manifested in the growing institutional capacity of BURO vis-a-vis transforming BURO into social capital. The Training Unit emphasizes on demand creation primarily focusing on capacity building and institutional strengthening services eventually lowering the cost of the services of the organization. The range of consumers of its services stretches to other development organization beyond the traditionally considered NGOs; for example: business development organizations.

Physical & Infra-structural Facilities

The glimpse of BURO evolution with an independent training with its own skilled human and material resources enabling the organization to emerge as a successful training service providing organization is noteworthy.

BURO has its own training complexes constituting infra-structures and physical facilities composing three training centers located at Tangail, Comilla, Chittagong and Khulna respectively. The number of trainers is 38. The trainers are long time experienced, skilled and subject matter specialist.

The training centers have the facilities like class and hall room (air-conditioned), sound system, multimedia, modern computer lab, guest room, waiting room, dining room, indoor game facilities, dormitory for the participants, uninterrupted power supply, and other basic amenities.

The training complex of BURO has a Rest House with full facilities at Tangail.

The training centers and the training unit are not just limited to developing its professional trainers instead also develop program, accounts, finance and audit staff. This helps reduce the pressure on the external environment for trainers or resource persons facilitating to depute any program, accounts and finance staff (trainers) to provide services to the organization.

The fresh
water supply
is the
increased
productivity
of the rural
areas that ...

Rural Water Supply



Rural Water Supply

With assistance from the World Bank, The SDF is implementing the government's Social Investment Program (SIPP) that launches 'Private Financing of Public Utilities' scheme. This has become an innovative model of public, private and people's partnership program.

Potable fresh water right from the supply tap is still a dream for millions of urban and rural populace in Bangladesh. Arsenic contamination of ground water meanwhile emerges as grave concern. Amidst the scarcity of safe drinking water in urban and rural areas around 1,795 people of a village of Munshigonj district have had access to piped water supply with all-out assistances from BURO, The World Bank and the Social Development Foundation (SDF) to make the dream into reality.

As a part of SIPP at the same time for reducing the health hazards due to arsenic contamination the World Bank provides financial grants support of 40-50% for piloting village piped water supply project. BURO implements the project in Puran Baushia village under Gazaria Upazila of Munshigonj District.

The project aims at supplying water free from arsenic, iron and other harmful elements to 570 target households through a piped network at a price that is affordable by the population and making the project commercially viable. BURO has constructed a water tank of 75,000 liter capacity along with a treatment plant of 30,000 liter capacity. The numbers of households that are connected presently stands at 464 including 5% households from hardcore poor community. The number of pipe line connections is gradually increasing. BURO is getting bills from the users regularly.

The total cost of the project stands at BDT 7.58 million. The community contribution is BDT 0.71 million (10%). BURO has placed BDT 3.08 million (40%) while SDF/The World Bank provides BDT 3.79 million (50%).

BURO looks
forward to its
condensed
application of
institutional
capacity ...

**Future
Direction**



Future Direction

Expanded Micro Finance

The identity of BURO as the demonstration model that it begins its journey is intended to achieve its sustainability. The provision to supply high quality financial services is its original conduit which is yet retained by the organization. But as the organization rolls over it not only encompasses its organizational restructuring but also accommodates programmatic restructuring. It is the outcome of the dual role of BURO as well as those of the base in the internal and external environment with both having respective demand and supply. The reciprocity and synergy to develop between demand and supply of the organization shall mandatorily supplement those of its constituents forming the base. The reciprocity and synergy between demand and supply facilitate programmatic restructuring overlapping the base of the organizational restructuring as the coating to protect the base.

The phenomenal growth of the organization replacing its original image conceived as the demonstration model with the nation-wide commendable image of

specialized institution is the horizontal and vertical scaling of programmatic and organizational restructuring. Over the period the journey reaches its expansion program and plans to raise the customers from current level of 1.2 million to 1.5 million in 2013-14 within the realm of existing 634 Branches. The programmatic restructuring includes and adapts new programs which are unequivocally vital in the lives of its clients. The continuation of the existing programs traveling alongside with the new programs is anticipated to strengthen the protection of the constituents of the base in the internal and external environment of BURO. The horizontal and vertical scaling of both programmatic and organizational restructuring will run parallel protecting the vivacity in the lives of each other.

Agriculture Financing

Agriculture is the spinal cord of the national economic growth of the country. The economical and financial markets are greatly influenced with the vivacity in the lives of agriculture. The constantly increasing vivacity in the lives of the economical and financial markets is also the vivacity of agriculture. Ironically the nexus between economical and financial markets is financing

agriculture to bring, continue, and sustain the increasing vivacity of agriculture. It necessitates the creation of increasing space depending on time that facilitates the participation of the financing institutions as well as the borrowers in agriculture. The intensive application of microfinance will be largely facilitated by the client base of the organization. Entrepreneurs in agriculture will emerge with easy increasing scale of financing which will also facilitate bringing new technology in agriculture. Remittance in microfinance is such an example to strengthen the financing agriculture. Microfinance in agriculture will strengthen Food Security of its clients through increased production, preservation and consumption of food. Thus Food Security itself is a technology working as both consumers of, and suppliers to rural or urban markets.

SME Financing

The overriding demand creation from its client base and beyond that BURO perceives is the small and medium enterprise (SME). It presently functions at low scale. But the abundant investment opportunities spin encircling the creation of entrepreneurs. The diversification of taste of the consumers will also diversify the taste of the entrepreneurs. It brings the opportunities for constantly unfurling the latent potentialities of unemployed or underemployed youth-at-risk for either of the gender. It demands the future scale of investment in SME shall be more intensive and extensive to maximize the utilization of the factors of production with comparatively higher status of markets for factors of production. Furthermore the creation of increased space depending on time shall also encourage the professional (organized) development and growth of SMEs in multiple sectors. The professional development of SMEs is imbibed in business to business and market to market integration. This brings forth the integration between the financial and economical markets as both the backward and forward linkages between these two markets in the development and growth of SMEs.

The consumers of goods and/or services will bring encouraging enthusiasm among the entrepreneurs due to the increased consumption by the consumers. The interplay of market demand and supply cross fertilizing the market competitiveness will create specialized entrepreneurs. The development of specialized entrepreneurs

will create demand in taste for both the inward and outward looking market. The step by step movement by the SME entrepreneurs will bring about the constructive application of technology in agricultural and non agricultural sector. The given understanding leads BURO in its decision making to launch a massive small and medium enterprise program in 2013-14 through bank financing. BURO will explore its professional relationship intensively with the commercial sources of capital that helps the organization matching rural and urban market to market integration through SMEs.

Intensive and Extensive Automation

The organization is contemplating full automation of its 634 branches by June 2015 and accordingly steps are taken. Presently, 320 branches are totally automated. The constructive application of technology will integrate BURO and its client base with reciprocity and synergy that will make both the constituencies transparent and accountable to each other.

Business and Financial Literacy Youth At-Risk

The experiences of BURO that gradually transforms from its traditionally conceived image of demonstration model into nation-wide image of specialized institution is its regularity in innovating business and financial literacy program. It is not just limited to its youth clients-at-risk rather innovating business and financial literacy is the cross-cutting issue for its application within the realm of business development and management. However, BURO champions the challenge of introducing business and financial literacy program as an innovation for the youth women clients-at-risk in the rural and urban settings. It is unambiguously decided to continue in the future coming days for its clients from birth stage to prime stage of its clients. It differs in knowledge management of business and financial literacy in consonance with the life cycle of BURO clients in respect of business development and management. Those commercial sources of capital and the corporate donors will be encouraged whose mission matches with the mission of BURO.

Digital Financial Service

BURO is bringing new technology in its microfinance services popularly known as Digital Financial Services (DFS) with the financial assistance from Rockefeller Philanthropy Advisors. The ICT technology in loan disbursement to and loan recovery from using mobile phone will initially use the existing available platform on pilot basis. Within the next 3-5 years BURO is anticipated to take DFS using ICT mobile technology to all of its branches all throughout Bangladesh through establishing agent network based on their branches and group leaders.

Financial Inclusion

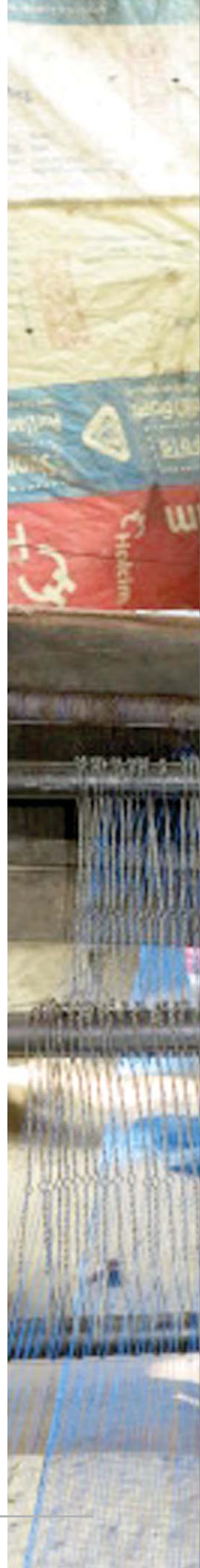
The expanded length, breadth and width of the rural and urban population in respect of financial needs surface another new technology for the microfinance initiatives to adopt appropriately by the microfinance institutions. The very much timely initiative taken by Bangladesh Bank (Central Bank) is anticipated to be highly rewarding to strengthen the businesses at different stages of the rural and urban client base of the organization. The multiple implications of financial inclusion in business development range from sector-wise market segmentation for the client base. It will pass through adapting the business and financial literacy depending on the application of additional financial impetus in businesses. This eventually will end up with market participation by the client base. The uniqueness of Financial Inclusion is the linkage between the commercial banks and microfinance institutions, between the client's base and banks through MFIs, strengthening institutional capacity of the client's base through business and financial literacy program.

WaterCredit

The undeniable truth is that the mainstream program of BURO is the financial services with diversification in consonance with the demands created by the customers themselves over the period. Nonetheless BURO since its inception also brings social issues simultaneously to embed in the lives of its client base. The organization emphasizes on the maturity of the time that BURO stands at this stage with the created advantages by the organization about its own institutional capacity. The programmatic restructuring of the organization in real sense steps in and brings the social programs as the mainstream program along with its microfinance program. The WaterCredit is the new technology that BURO introduces in the mainstream social programs. This is intended to take the services of its institutional capacities to enhance the institutional capacities of the client base for further capitalization by them bringing healthy lives of the client base.

Policies for Microfinance Sector

BURO has meanwhile emerged as the commendable microfinance institution with the demonstrative indicators. This brings changes its role relations in respect of continuous vertical elevation of microfinance sector. This is imbibed in formulating congenial policies that refreshes the environment of microfinance sector continuously. The more and more easy environment for the application of capability functioning of the microfinance sector will bring favourable business relations. This will occur among the entities within as well as between the entities and the banks approaching the microfinance sector. BURO has established undeniable relations with the Central Bank of Bangladesh, commercial banks and Microfinance Regulatory Authority (MRA). This relationship will be continuously strengthened through providing its services and receiving those of the stated stakeholder institutions.







INDEPENDENT AUDITORS' REPORT



Toha Khan Zaman & Co.

Chartered Accountants

Independent Auditors' Report

BURO Bangladesh

House No. 12/A, Block No. CEN (F),
Road No. 104, Gulshan-II,
Dhaka-1212, Bangladesh

Report on the Financial Statements:

We have audited the accompanying Financial Statements of BURO Bangladesh, which comprises the Statement of Financial Position as at 30 June 2014 and the Statement of Comprehensive Income, Statement of Receipts and Payments, Statement of Cash Flows and Statement of Changes in Equity for the year then ended 30 June 2014, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements:

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion:

In our opinion, the financial statements present fairly, in all material respects the financial position of BURO Bangladesh as at 30 June 2014 and its financial performance for the year then ended in accordance with the Bangladesh Financial Reporting Standards (BFRS) and complies with applicable laws and regulations.

We also report that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof.
- In our opinion, the organization as required by law has kept proper books of accounts, so far as it appeared from our examination of those books.
- The financial statements dealt with by the report are in agreement with the books of accounts.

Dated, Dhaka
25 September 2014


(Toha Khan Zaman & Co.)
Chartered Accountants

Local in Touch, Global in Reach

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Toha Khan Zaman & Co. is a member of  International. A worldwide network of independent accounting firms and business advisers

BURO Bangladesh

STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET) AS AT 30 JUNE 2014

PARTICULARS	NOTE	As at 30-06-2014	As at 30-06-2013
PROPERTY AND ASSETS:			
A. Non-Current Assets:			
Property, Plant and Equipment	6.00	802,804,561	765,842,684
Less: Accumulated Depreciation	6.00	142,923,894	121,454,505
Total Non-Current Assets:		659,880,667	644,388,179
B. Current Assets:			
Cash and Bank Balance	7.00	906,482,093	244,592,485
Investments – Various Funds	8.00	374,309,357	298,704,926
Customers Savings Reserve Fund	9.00	473,550,000	403,857,500
Accumulated Surplus Reserve Fund	10.00	170,000,000	100,000,000
Investments- Others Fund	11.00	69,069,165	0
Other Current Assets	12.00	281,552,996	172,955,304
Loan Portfolio- Net of Loan Loss Reserve	13.00	13,308,310,066	12,679,157,106
Total Current Assets:		15,583,273,677	13,899,267,321
Total Properties and Assets:		16,243,154,344	14,543,655,500
CAPITAL FUND AND LIABILITIES:			
C. Capital Fund:			
Revolving Loan Fund (Donors' Grant)	14.00	138,815,884	138,815,884
Emergency Disaster Fund (Donors' Grant)	15.00	106,536,596	96,044,574
Others Fund	16.00	69,625,095	0
Accumulated Surplus Reserve Fund	17.00	170,000,000	0
Accumulated Surplus	18.00	1,538,156,492	1,114,624,751
Total Capital Fund:		2,023,134,067	1,349,485,209
D. Non-Current Liabilities:			
Customers' Contractual Savings	19.00	483,646,703	279,118,857
Customers' Emergency Fund	20.00	838,162	838,162
Customers' Micro Insurance Fund	21.00	83,421,890	65,764,703
Borrowing from Specialized Institutions	22.00	59,505,925	87,213,656
Borrowing from Commercial Banks	23.00	9,513,185,006	8,541,816,918
Borrowings from Non- Banking Financial Institution	24.00	0	719,657,045
Total Non-Current Liabilities:		10,140,597,686	9,694,409,341
E. Current Liabilities:			
Employees' Security Deposits	25.00	58,940,334	56,415,290
Customers' General Savings	26.00	4,003,367,873	3,436,561,031
Bank Overdraft	27.00	0	1,636,613
Others Liabilities	28.00	17,114,384	5,148,016
Total Current Liabilities:		4,079,422,591	3,499,760,950
Total Capital Fund and Liabilities:		16,243,154,344	14,543,655,500

1.00 Figures have been rounded off to the nearest taka.

2.00 Annexed notes from part of the accounts.



(S. K. Sarkar)
Chairperson




(Zakir Hossain)
Executive Director



(M. Mosharrof Hossain)
Finance Director

Signed in terms of our separate report of even date annexed.

Dated, Dhaka
25 September 2014



(Toha Khan Zaman & Co.)
Chartered Accountants


BURO Bangladesh

STATEMENT OF COMPREHENSIVE INCOME
(INCOME AND EXPENDITURE STATEMENT)
FOR THE YEAR ENDED 30 JUNE 2014

PARTICULARS	NOTE	2013-2014	2012-2013
A. Income from Micro Credit Operation:			
Service Charge on Loan to Borrowers	29.00	3,525,893,777	2,287,938,874
Fees on Remittance Fund Transfer		5,306,203	4,011,633
Sales of Loan Application Forms		26,423,847	29,168,399
Micro Credit Borrower Admission Fees		8,587,050	10,602,196
Interest on Bank Deposits		66,561,739	60,163,274
Interest on Staff Loan		1,151,526	1,511,715
Others		8,078,387	3,933,244
Total Income from Micro Credit Operation:		3,642,002,529	2,397,329,335
B. Financial Cost for Micro Credit Operation:			
Interest on Borrowings from Banks	30.00	1,388,641,324	778,673,553
Interest on Customers' Savings	31.00	178,077,465	145,763,284
Total Financial Cost:		1,566,718,789	924,436,837
C. Gross Financial Margin (A-B):		2,075,283,740	1,472,892,498
D. Provision for Loan Losses		153,644,293	82,951,161
E. Net Financial Margin (C-D):		1,921,639,447	1,389,941,337
F. Operating Expenses for Micro Credit Operation:			
Salary and Allowances	32.00	1,025,510,538	758,370,495
Rental Office		73,780,113	67,714,458
Payment to National Exchequer	33.00	20,629,620	18,302,074
Transportation	34.00	76,155,705	62,564,926
Training & Research Expenses	35.00	8,362,525	5,223,569
Other Direct Costs	36.00	67,395,094	68,417,079
Office Supplies		27,558,731	24,473,724
Audit & Professional Fees		2,099,818	4,114,402
Contribution to Development Project		200,000	0
Depreciation	6.00	26,415,538	23,560,786
Total Operating Expenses for Micro Credit Operate. :		1,328,107,682	1,032,741,513
G. Net Income/(Loss) from Operations (E-F):	15.00	593,531,765	357,199,824

1.00 Figures have been rounded off to the nearest taka.

2.00 Annexed notes from part of the accounts.



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(Zakir Hossain)
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(M. Mosharrof Hossain)
Finance Director

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Dated, Dhaka
25 September 2014


(Toha Khan Zaman & Co.)
Chartered Accountants

BURO Bangladesh

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2014

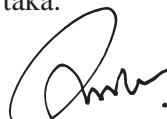
PARTICULARS	2013-2014	2012-2013
Cash Flows from Operating Activities:		
Net operational income	593,531,741	357,199,824
Adjustments to determine net cash from operating activities:		
Depreciation on fixed assets	26,415,538	23,560,786
Loan Loss Provision	153,644,293	82,951,161
(Increase)/Decrease in Other Current Assets	(108,597,692)	(31,553,380)
Increase/(Decrease) in Current Liabilities	12,854,799	9,184,720
Net cash from operating activities:	677,848,679	441,343,111
Cash Flows from Investing Activities:		
Increase in Loan Portfolio	(782,797,253)	(6,178,569,099)
Increase in Investment	(75,604,431)	(23,691,190)
Increase in Customers' Savings Reserve Fund	(70,000,000)	(103,857,500)
Increase in Reserve Fund	(69,692,500)	(100,000,000)
Increase in Others Investment	(69,069,165)	0
Purchase of Fixed Assets	(41,908,026)	(56,356,891)
Net cash used in investment activities:	(1,109,071,375)	(6,462,474,680)
Cash Flows from Financing Activities:		
Increase in Clients' Savings	771,334,688	911,638,669
Increase in Borrowing	224,003,312	4,836,018,094
Increase in Customers' Micro Insurance Fund	17,657,187	34,922,750
Increase in Others Fund	69,625,095	0
Increase in Emergency Disaster Fund	10,492,022	10,024,726
Net cash from financing activities:	1,093,112,304	5,792,604,239
Net Increase/(Decrease) in Cash:	661,889,608	(228,527,330)
Opening Cash and Bank Balances	244,592,485	473,119,815
Closing Cash and Bank Balances	906,482,093	244,592,485

1.00 Figures have been rounded off to the nearest taka.

2.00 Annexed notes from part of the accounts.



(S K Sarkar)
Chairperson



(Zakir Hossain)
Executive Director



(M. Mosharrof Hossain)
Finance Director

Signed in terms of our separate report of even date annexed.

Dated, Dhaka
25 September 2014



(Toha Khan Zaman & Co.)
Chartered Accountants


BURO Bangladesh


STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

Particulars	Donors' Grant		Accumulated Surplus	Total
	Revolving Loan Fund	Emergency Disaster Fund		
For the year 2013-2014:				
Balance as at 01 July 2013	138,815,884	96,044,574	1,114,624,751	1,349,485,209
Add: Addition during the year	0	10,492,022	593,531,765	604,023,787
Less: Adjustment (2012-2013)	0	0	24	24
Balance as at 30 June 2014	138,815,884	106,536,596	1,708,156,492	1,953,508,972
For the year 2012-2013:				
Balance as at 01 July 2013	138,815,884	86,019,848	757,424,927	982,260,659
Add: Addition during the year	0	10,024,726	357,199,824	367,224,550
Balance as at 30 June 2013	138,815,884	96,044,574	1,114,624,751	1,349,485,209

1.00 Figures have been rounded off to the nearest taka.

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(M. Mosharrof Hossain)
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Signed in terms of our separate report of even date annexed.

Dated, Dhaka
25 September 2014


(Toha Khan Zaman & Co.)
Chartered Accountants

BURO Bangladesh
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

1.00 BACKGROUND OF THE ORGANIZATION:

BURO Bangladesh is a national ‘not -for-profit’ organization that was set up in 1990 with a view to work for the poor on sustainable basis to reduce poverty. It is a specialized micro-finance institution that provides high quality flexible financial services to low-income people. The organization is responsive to diverse financial needs of customers. Its financial services constitute multiple loans, savings, and micro-insurance and remittance services. The recipients of micro-finance services are poor, particularly women. Remittance services are provided to the relatives of overseas Bangladesh.

The organization is registered with the Registrar of Joint Stock Companies and Firms under the Societies Registration Act XXI of 1860 vide registration No.S-7026(214)/07 dated 06 September 2007; with Department of Social Welfare(Registration and Control) vide registration No.TA-0489 dated 31 July 2007 (Duplicate); with NGO Affairs Bureau under Foreign Donations (Voluntary Activities) Regulation Ordinance 1978 vide registration No.610 dated 19 March 1992 and last renewal on 26 April 2012 effective from 19 March 2012; and with Micro Credit Regulatory Authority (MRA) has issued license to perform Micro Credit Operations vide registration No.00004-00394-00288 dated 25 July 2008.

3.00 BASIS OF ACCOUNTING:

The financial statements are prepared in accordance with Bangladesh Accounting Standards (BAS) on accrual basis of accounting, except for interest on loan to borrowers and FDR which is accounted for on cash basis, under historical cost convention in conformance with generally accepted accounting principles. Wherever appropriate, such principles are explained in the succeeding notes.

4.00 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

4.01 Currencies:

The financial statements have been prepared and presented in Bangladeshi Taka.

4.02 Revenue Recognition:

Revenues have been recognized on cash basis.

4.03 a. Interest Income and Expenses:

■ **Service Charges on Loan:**

Service Charges on Loan have been recognized on cash basis.

■ **Interest Expenses:**

Interest Expenses have been recognized on cash basis.

■ **Other Expenses:**

Other Expenses have been recognized on cash basis.

b. Interest Paid on Savings:

Interest paid on savings has been accounted for on cash basis.

4.04 Depreciation on Fixed Assets:

Fixed assets are recorded in the books at actual cost. Depreciation on these assets, except land and land development, is charged on straight-line method at the following rates based on the nature and estimated useful life of each asset.

Asset Category	Rate of Depreciation
Building Construction	2.5%, 5%, 10%
Electrical Equipment	30%
Office Equipment	20%
Furniture and Fixture	10%
Motor Vehicle	10%

Full year's depreciation is charged on fixed assets during the year of acquisition and no depreciation is charged during the year of disposal.

5.00 SIGNIFICANT ORGANIZATIONAL POLICIES:

5.01 Loan Loss Provision:

■ Loan Classification:

Loans are classified in accordance with the guideline of Microcredit Regulatory Authority as noted below:

Particulars	Loan Loss Provision Ratio
Good Loan Outstanding	01%
1-30 days Doubtful Loan Outstanding	05%
31-180 days Doubtful Loan Outstanding	25%
181-365 days Doubtful Loan Outstanding	75%
Above 365 days Bad Loan Outstanding	100%

■ Loan Loss Provisioning:

Provision for loan loss is made in accordance with the guideline of Microcredit Regulatory Authority as noted above.

■ Write Off Policy:

Loan loss is written off in the financial statements having approval of competent authority if it becomes established that the loan will never be recovered.

5.02 Policy on Loan to Customers:

The rate of interest for all types of loan is 27% per annum except disaster loan which is 18% per annum as per policy of BURO Bangladesh. The interest rate for all types of loan for hardcore poor is 25%.

6.00 PROPERTY, PLANT AND EQUIPMENT: Tk. 659,880,667

6.01 The above amount has been arrived at as under:

Particulars	Head Office	Branch Offices	Total 30-06-2014	Total 30-06-2013
Value at Cost:				
Opening Balance	397,695,567	368,147,117	765,842,684	710,365,393
Add: Additions during the year	25,663,992	16,243,995	41,907,987	56,947,207
	423,359,559	384,391,112	807,750,671	767,312,600

Particulars	Head Office	Branch Offices	Total 30-06-2014	Total 30-06-2013
Less: Disposal during the year	4,946,110	0	4,946,110	1,469,916
Closing Balance Taka:	418,413,449	384,391,112	802,804,561	765,842,684
Accumulated Depreciation:				
Opening Balance	56,863,870	64,590,635	121,454,505	98,773,319
Add: Depreciation charge for the year	14,710,828	11,704,710	26,415,538	23,560,785
	71,574,698	76,295,345	147,870,043	122,334,104
Less: Adjustment or disposal	4,946,107	42	4,946,149	879,600
Closing Balance Taka:	66,628,591	76,295,303	142,923,894	121,454,504
Written Down Value:	351,784,858	308,095,809	659,880,667	644,388,180

7.00 CASH AND BANK BALANCES: Tk. 905,582,093

7.01 Breakup of the above amount is given below:

Particulars	Notes	30-06-2014	30-06-2013
Cash in Hand	7.02	38,952,131	14,173,560
Cash at Bank	7.03	867,529,962	230,418,925
Total Taka:		906,482,093	244,592,485

7.02 Cash in Hand: Tk. 38,952,131

The management through balance confirmation certificate has confirmed the above balance as on 30 June 2014.

7.03 Cash at Bank: Tk. 867,529,962

Breakup of the above amount is given below:

Particulars	30-06-2014	30-06-2013
Current Accounts	703,604,934	155,390,819
Saving Accounts	374,188	67,555
Short-term-Deposit Accounts	163,550,840	74,960,551
Total Taka:	867,529,962	230,418,925

8.00 INVESTMENTS– VARIOUS FUNDS: Tk. 374,309,357

8.01 Breakup of the above amount is given below:

Particulars	Notes	30-06-2014	30-06-2013
Shops (Five) in Tangail Town	8.02	650,200	650,200
Staff Security Deposit	8.03	26,599,444	21,658,638
Emergency Disaster Fund	8.04	113,237,086	102,745,065
Fixed Deposits with Banks		233,822,627	173,651,023
Total Taka:		374,309,357	298,704,926

8.02 Staff Security Deposit: Tk. 26,599,444

Breakup of the above amount is given below:

Name of the Bank	30-06-2014	30-06-2013
BRAC Bank Limited	26,599,444	21,658,638
Total Taka:	26,599,444	21,658,638

8.03 Emergency Disaster Fund: Tk. 113,237,086

Breakup of the above amount is given below:

Name of the Bank	30-06-2014	30-06-2013
Jamuna Bank Limited	3,317,997	2,965,896
Bank Asia Limited	26,703,989	24,008,080
BRAC Bank Limited	83,215,100	75,771,089
Total Taka:	113,237,086	102,745,065

8.04 Fixed Deposits with Banks: Tk. 233,822,627

Breakup of the above amount is given below:

Name of the Bank	30-06-2014	30-06-2013
Bangladesh Krishi Bank	84,681,176	43,436,817
HSBC	11,625,141	11,112,358
BRAC Bank Limited	75,356,452	68,059,226
Rupali Bank Limited	26,030,695	18,562,475
Bank Asia Limited	36,129,163	32,480,147
Total Taka:	233,822,627	173,651,023

9.00 INVESTMENTS - CUSTOMERS' SAVING RESERVE FUND: Tk. 473,550,000**9.01 Breakup of the above amount is given below:**

Name of the Bank	30-06-2014
Mercantile Bank Limited	22,000,000
The Farmers Bank Limited	160,000,000
Lanka Bangla Finance Limited	291,550,000
Total Taka:	473,550,000

9.02 The above balance represents investment of Customers' Savings Reserve Fund made in accordance with the provisions of Micro Credit Regulatory Authority Rules 2010 under clause 34 (1) and 34 (2).

10.00 RESERVE FUND OF ACCUMULATED SURPLUS: Tk. 170,000,000

10.01 Breakup of the above amount is given below:

Name of the Bank	30-06-2014	30-06-2013
NRB Global Bank Limited	170,000,000	0
Lanka Bangla Finance Limited	0	100,000,000
Total Taka:	170,000,000	100,000,000

10.02 The above balance represents investment of Reserve Fund made in accordance with the provisions of Micro Credit Regulatory Authority Rules 2010 under clause 20 (1).

11.00 INVESTMENTS OTHERS FUND: Tk. 69,069,165

11.01 Breakup of the above amount is given below:

Particulars	30-06-2014
Gratuity Fund	41,887,254
Housing Fund	12,331,527
Health Fund	9,850,384
Vehicle Insurance Fund	5,000,000
Total Taka:	69,069,165

12.00 OTHER CURRENT ASSETS: Tk. 281,552,996

12.01 Breakup of the above amount is given below:

Particulars	Notes	30-06-2014	30-06-2013
Security Deposits	12.02	1,038,689	1,038,752
Staff Loans and Advances	12.03	280,514,307	171,916,552
Total Taka:		281,552,996	172,955,304

12.02 Security Deposits: Tk. 1,038,689

Breakup of the above amount is given below:

Name of the Bank	30-06-2014	30-06-2013
Bangladesh Telecommunication Company Limited	310,271	310,328
GSP Finance Company (Bangladesh) Limited	124,919	124,918
Rajdhani Unnayan Kartipakkha	600,000	600,000
Others	3,500	3,500
Total Taka:	1,038,690	1,038,746

12.03 Staff Loans and Advances: Tk. 281,414,307

a. Breakup of the above amount is given below:

Particulars	Notes	30-06-2014	30-06-2013
Head Office	b	147,771,139	76,897,146
Branch Offices	c	130,561,842	95,019,406
Zonal Office	d	2,181,326	0
Total Taka:		280,514,307	171,916,552

b. Head Office: Tk. 147,771,139

Breakup of the above amount is given below:

Particulars	30-06-2014
Salary	1,596,082
Mobile	9,000
Car Loan	146,043
Motorcycle	237,500
Training	312,111
House Rent	1,650,000
Fixed Assets	108,733,340
Transport	217,859
Advance for Exposure Visit	5,880
Staff Housing Loan	26,059,839
Others	8,803,485
Total Taka:	147,771,139

c. Branch Offices: Tk. 130,561,842

Breakup of the above amount is given below:

Particulars	30-06-2014
Salary	383,003
Mobile	165,595
Motorcycle	43,993,217
Bicycle	9,217,474
House Rent	8,376,914
Fan	117,136
Others	68,308,503
Total Taka:	130,561,842

d. Zonal Office: Tk. 147,771,139

Breakup of the above amount is given below:

Particulars	30-06-2014
Salary	397,126
Motorcycle	1,700
Fuel & Conv.	33,000
Bicycle	1,749,500
Total Taka:	2,181,326

e. Loans and advances except for Car & Housing given to staff are interest-free. The period of loan for bicycle and mobile phone is one year each, and that for motorcycle is three years. The period of car loan is eight years bearing interest rate @ 5%. The period of Housing loans is twenty years bearing interest rate @ 5% including 3 months grass period.

13.00 LOAN PORTFOLIO-NET OF LOAN LOSS RESERVE: Tk. 13,308,310,066

This represents various loans outstanding with the clients in the following categories:

General Loan:

This loan is allowed for rural and urban poor households to finance their economic activities. General loan is working capital loan given to poor and disadvantaged households. General loan ranges from Tk.1,000 to Tk.100,000. The loan is repayable within one year.

Micro-enterprise Loan:

Micro-enterprise loan is given to the loaner on the basis of household cash flow, business projections and reputation of the borrower. The micro-enterprise loan borrowers are expected to generate equity and wage labor employment. Micro-enterprise loan ranges from Tk. 50,000 to Tk. 500,000 repayable within one to three years.

Agriculture Loan:

This loan is given exclusively for the purpose of agricultural activities for increase of farm's activities. The agriculture loan also enhances food security of households. Agriculture loan ranges from Tk. 1,000 to Tk.100,000 is given for one year.

Hand/Emergency Loan:

This loan is intended to serve as a social security net. Hand loan is given to meet festivals, health care and child education expenses. This loan is a small loan of Tk. 10,000 repayable within 3 months.

Disaster Loan:

The purpose of this loan is to reduce the effect of shocks to households' financial and physical assets immediately after natural disasters. Disaster loan ranges from Tk.1,000 to Tk.20,000 and is repayable within one year.

Water and Sanitation Loan:

Environmental health concerns continue to be an ominous factor contributing to diseases and poverty. Access to safe drinking water and sanitation will reduce sickness and thus increase the labor productivity. The loan ranges from Tk.1,000 to Tk.20,000 and is repayable within one year.

Breakup of Loan, by Products, is given below:

Name of the Bank	30-06-2014	30-06-2013
General Loan	3,363,824,743	3,797,417,609
Micro-Enterprise Loan	6,129,753,524	5,844,940,176
Agriculture Loan	4,183,703,955	3,301,169,485
Hand/Emergency Loan	43,762,295	48,359,468
Water and Sanitation Loan	3,465,603	7,694,095
	13,724,510,120	12,999,580,833
Less: Loan Loss Reserve	416,200,054	320,423,727
Total Taka:	13,308,310,066	12,679,157,106

BURO Bangladesh had 896,475 loan accounts outstanding at the end of year 30 June 2014 compared to 950,234 at the end of year 30 June 2013.

The Loan Loss Reserve (LLR) has been worked out at Tk. 412,199,056 on 30 June 2014 as pre existing policy of BURO Bangladesh. But the actual Loan Loss Reserve has been made to Tk. 416,200,054. During the year under reporting, provision for loan loss has been made for an amount of Tk. 4,000,998. The method of calculation of LLR is shown below:

Number of Payments in Arrear	Number of Loan Accounts	Aging of Portfolio		Loan Loss Reserve	
		%	Taka	%	Taka
Current Loan Outstanding	852,127	96.43%	13,233,739,810	1%	132,337,398
Loan Overdue Status (Days):					
1-30 Days	4,888	0.82%	112,548,128	5%	5,627,406
31-180 Days	8,236	0.93%	128,110,292	25%	32,027,573
181-365 Days	2,343	0.23%	31,620,844	75%	23,715,633
Over 365 Days	28,881	1.59%	218,491,046	100%	218,491,046
Total:	896,475	100%	13,724,510,120		412,199,056

BURO Bangladesh does not renegotiate loans under normal circumstances as well as in any other circumstances, such as, catastrophic events.

Breakup of loan loss reserve is given below:

Particulars	30-06-2014	30-06-2013
Opening Balance	320,423,727	300,886,988
Add: Provision made during the year	153,644,294	82,951,161
	474,068,021	383,838,149
Less: Amount Written Off during the year	57,867,967	63,414,422
Closing Balance	416,200,054	320,423,727

14.00 REVOLVING LOAN FUNDS (DONOR'S GRANT): Tk. 138,815,884

Breakup of the above amount is given below:

Particulars	30-06-2014	30-06-2013
Department for International Development (DFID), UK	93,022,179	93,022,179
Swiss Agency for Development and Cooperation	23,378,560	23,378,560
Swedish International Development Agency	14,545,494	14,545,494
Australian Agency for International Development	4,274,300	4,274,300
UNESCO/ Stitching Gilles – Foundation, Belgium	2,147,712	2,147,712
Canada Fund	1,163,139	1,163,139
PACT Inc./USAID	284,500	284,500
Total Taka:	138,815,884	138,815,884

15.00 EMERGENCY DISASTER FUNDS (DONORS' GRANT):Tk. 106,536,596

BURO Bangladesh focuses its efforts on the promotion of self-help and self-reliance of disadvantaged rural communities, with particular attention to women. Normally, it is not involved in any relief or charitable activities for its customers but it does not remain nonchalant when the customers become extremely vulnerable and their existence is threatened. In such situations, disaster assistance is provided.

In order to respond to emergency relief and rehabilitation needs of BURO Bangladesh's customers, emergency disaster funds have been created with financial grants from the following donors:

Particulars	30-06-2014	30-06-2013
Swedish International Development Agency (SIDA)	11,374,757	11,374,757
Department for International Development (DFID), UK	9,247,243	9,247,243
Swiss Agency for Development and Cooperation (SDC)	9,000,000	9,000,000
Australian Agency for International Development	651,000	651,000
Sub Total:	30,273,000	30,273,000
Add: Interest on investment of the above funds	76,263,596	65,771,574
Total Taka:	106,536,596	96,044,574

16.00 OTHRES FUND: Tk. 69,625,095

Breakup of the above amount is given below:

Particulars	30-06-2014
Gratuity Fund	42,204,014
Housing Fund	12,345,330
Health Fund	10,075,751
Vehicle Insurance Fund	5,000,000
Total Taka:	69,625,095

17.00 ACCUMULATED SURPLUS RESERVE FUND: Tk. 170,000,000

Breakup of the above amount is given below:

Name of the Bank	30-06-2014
NRB Global Bank Limited	170,000,000
Total Taka:	170,000,000

18.00 ACCUMULATED SURPLUS: Tk. 1,538,156,492

The above amount has been arrived at as under:

Particulars	30-06-2014	30-06-2013
Opening Balance	1,114,624,751	757,424,927
Add: Prior year Adjustment (Fund)	170,000,000	0
	944,624,751	757,424,927
Add: Surplus /(Deficit)during this year	593,531,765	357,199,824
Less: Adjustment (2012-2013)	24	0
Closing Balance	Taka: 1,538,156,492	1,114,624,751

19.00 CUSTOMERS' CONTRACTUAL SAVINGS: Tk. 483,646,703

In contractual savings account, clients agree to deposit regularly an amount as fixed by them. Customers can withdraw the entire amount including interest thereon and can choose to deposit on a weekly or monthly basis. Interest is paid on a compound basis in the range of 8% to 12%. The under noted figures represent contractual savings transactions:

Particulars	30-06-2014	30-06-2013
Opening Balance	279,118,857	1,581,152,347
Add: Deposits during the year	348,847,820	1,205,829,907
	627,966,677	2,786,982,254
Less: Withdrawals during the year	144,319,974	2,507,863,397
Closing Balance	Taka: 483,646,703	279,118,857

The number of contractual savings accounts was 382,318 at the end of year 30 June 2014 compared to 32,235 at the end of year 30 June 2013.

20.00 CUSTOMERS' EMERGENCY FUND: Tk. 838,162

This represents fund generated by the loaners up to 31 December 2002. BURO Bangladesh, however, ceased maintaining the system of collecting emergency fund after 2002. The customers' group (as opposed to any individual customer) is the owner of customers' emergency fund. This fund is to be used for the following purposes:

- To pay off loans in the event of loaners death or permanent disability;
- To issue supplemental loans in the event of loss of the loaners' income earnings capability through Loss or damage to the assets purchased with the original loan and
- To meet small expenses/emergencies agreed upon by the Kendra (Centre).

This has been arrived at as under:

Particulars	30-06-2014	30-06-2013
Opening Balance	838,162	868,004
Less: Withdrawals during the year	0	29,842
Closing Balance Taka:	838,162	838,162

21.00 CUSTOMERS' MICRO INSURANCE FUND: Tk.83,421,890

The premiums are one-time payment in a year. After death of customers the entire outstanding loan of clients will be waived. This has been arrived at as under:

Particulars	30-06-2014	30-06-2013
Opening Balance	65,764,703	30,841,953
Add: Deposits during the year	150,580,461	137,332,840
	216,345,164	168,174,793
Less: Withdrawals and adjustment during the year	132,923,274	102,410,090
Closing Balance Taka:	83,421,890	65,764,703

22.00 BORROWINGS FROM SPECIALISED INSTITUTIONS: Tk. 59,505,925

22.01 Breakup of the above amount is given below:

Particulars	Notes	30-06-2014	30-06-2013
Stromme Foundation	22.02	35,000,000	65,625,000
Anukul Foundation	22.03	24,505,925	21,588,656
Total Taka:		59,505,925	87,213,656

22.02 Borrowings from Stromme Foundation: Tk. 35,000,000

A number of loans were borrowed from Stromme Foundation for on-lending to BURO Bangladesh's customers. Interest rates ranges from 7% to 10% per annum. These loans have three months' moratorium. Institutional guarantee from BURO Bangladesh is the security for loans. Movement of the amount of said loan is given below:

Particulars	30-06-2014	30-06-2013
Opening Balance	65,625,000	74,687,500
Add: Received during the year	20,000,000	50,000,000
	85,625,000	124,687,500
Less: Refund during the year	50,625,000	59,062,500
Closing Balance Taka:	35,000,000	65,625,000

22.03 Borrowings from Anukul Foundation: Tk. 24,505,925

A number of loans were borrowed from Anukul Foundation for on-lending to BURO Bangladesh's customers. Interest rate is 8% to 10% per annum. These loans have three months' moratorium.

Movement of the amount of said loan is given below:

Particulars	30-06-2014	30-06-2013
Opening Balance	21,588,656	18,595,658
Add: Received during the year	10,000,000	10,000,000
	31,588,656	28,595,658
Less : Refund during the year	7,082,731	7,007,002
Closing Balance Taka:	24,505,925	21,588,656

There is no overdue or default in respect of repayment (loan and interest) of above borrowings by BURO Bangladesh from their respective due dates.

23.00 BORROWINGS FROM COMMERCIAL BANK: Tk. 9,513,185,006

23.01 Breakup of the above amount is given below:

Sl. No.	Particulars	30-06-2014	30-06-2013
01	Bank Asia Limited	402,152,336	413,111,619
02	BRAC Bank Limited	575,194,140	306,224,915
03	NCC Bank Limited	199,986,877	299,787,017
04	Standard Chartered Bank	400,000,000	400,000,000
05	Rupali Bank Limited	364,496,262	0
06	Southeast Bank Limited	206,501,887	307,551,633
07	Jamuna Bank Limited	761,621,383	856,972,640
08	Mercantile Bank Limited	287,734,854	339,702,547
09	ONE Bank Limited	200,000,000	255,991,725
10	Bangladesh Krishi Bank	252,373,522	192,077,915
11	Eastern Bank Limited	425,000,000	462,500,000
12	The City Bank Limited	675,768,131	897,816,743
13	Dutch Bangla Bank Limited	411,308,893	563,133,208
14	HSBC	300,000,000	150,000,000
15	Habib Bank Limited	100,000,000	100,000,000
16	United Commercial Bank Limited	691,775,935	499,708,217
17	EXIM Bank Limited	645,793,506	472,331,905

Sl. No.	Particulars	30-06-2014	30-06-2013
18	Pubali Bank Limited	300,000,000	300,000,000
19	Commercial Bank of Ceylon PLC	74,999,998	100,000,000
20	Prime Bank Limited	450,780,454	499,907,538
21	Standard Bank Limited	100,000,000	200,000,000
22	National Bank Limited	237,773,141	250,000,000
23	Trust Bank Limited	499,923,687	299,999,296
24	Bank Alfah Limited	50,000,000	0
25	NRB Bank Limited	100,000,000	0
26	The Farmers Bank Limited	100,000,000	0
27	Shajalal Islami Bank Limited	400,000,000	0
28	State Bank of India	100,000,000	0
29	NRB Commercial Bank Limited	200,000,000	0
30	Citibank NA Syndicate Finance	0	375,000,000
	Total Taka:	9,513,185,006	8,541,816,918

23.02 There is no overdue or default in respect of repayment (loan and interest) of above borrowings by BURO Bangladesh from their respective due dates.

24.00 BORROWINGS FROM NON- BANKING FINANCIAL INSTITUTION: Tk. Nil

24.01 Breakup of the above amount is given below:

Name of the non- Banking Financial Institution	30-06-2014	30-06-2013
Lanka Bangla Finance Limited	0	494,657,045
Industrial Promotion and Development Company of Bangladesh Limited (IPDC)	0	100,000,000
Premier Leasing & finance Limited	0	125,000,000
Total Taka:	0	719,657,045

24.02 There is no overdue or default in respect of repayment (loan and interest) of above borrowings by BURO Bangladesh from their respective due dates.

25.00 EMPLOYEES' SECURITY DEPOSITS: Tk. 58,940,334

This represents amount received as security deposits from Branch Managers, Accountants, Assistant Accountants, Program Organizers and Assistant Program Organizers as per policy of BURO Bangladesh:

Particulars	30-06-2014	30-06-2013
Opening Balance	56,415,290	53,763,194
Add: Received during the year	7,958,640	11,663,101
	64,373,930	65,426,295
Less: Refund during the year	5,433,596	9,011,005
Closing Balance Taka:	58,940,334	56,415,290

26.00 CUSTOMERS' GENERAL SAVINGS: Tk. 4,003,367,873

26.01 The general savings account is like a current account, where customers can save or withdraw the amount on demand. The rate of interest is 6% compounded per annum of their general savings account balance. The under noted figures represent general savings amount:

Particulars	30-06-2014	30-06-2013
Opening Balance	3,436,561,031	1,222,859,030
Add: Deposits during the year	3,763,978,633	3,860,358,188
	7,200,539,664	5,083,217,218
Less: Withdrawals during the year	3,197,171,791	1,646,656,187
Closing Balance Taka:	4,003,367,873	3,436,561,031

26.02 The number of General Savings Accounts was 1,323,113 at the end of year 30 June 2014 compared to 1,359,813 at the end of year 30 June 2013.

27.00 BANK OVERDRAFT: Tk. Nil

The figures below represent overdraft amount:

Particulars	30-06-2014	30-06-2013
Opening Balance	1,636,613	0
Add: Addition during the year	0	1,636,613
	1,636,613	1,636,613
Less: Repayment during the year	1,636,613	0
Closing Balance Taka:	0	1,636,613

28.00 OTHER LIABILITIES: Tk. 17,114,384

Breakup of the above amount is given below:

Particulars	30-06-2014	30-06-2013
BURO Bangladesh Provident Fund	2,700,978	3,793,243
Security Deposit from Shops	700,000	200,000
Others (Including Staff Security Fund)	6,916,782	1,154,773
Dormant Accounts	6,796,624	0
Total Taka:	17,114,384	5,148,016

29.00 SERVICE CHARGE ON LOAN TO BORROWERS: Tk. 3,525,893,777

Breakup of the above amount is given below:

Particulars	2013-2014	2012-2013
Service Charge	3,522,107,633	2,282,911,518
Written Off Recovered	3,786,144	5,027,356
Total Taka:	3,525,893,777	2,287,938,874

30.00 INTEREST ON BORROWING FROM BANKS: Tk. 1,388,641,324

Breakup of the above amount is given below:

Particulars	2013-2014	2012-2013
Commercial Banks	1,118,071,400	760,648,754
Non- Banking Financial Institution	261,060,516	7,083,333
Specialized Institutions	7,431,468	8,656,601
Others	2,077,940	2,284,865
Total Taka:	1,388,641,324	778,673,553

31.00 INTEREST ON CUSTOMERS SAVINGS: Tk. 178,077,465

Breakup of the above amount is given below:

Particulars	2013-2014	2012-2013
Interest on General Savings	139,797,355	715,153,249
Interest on Contractual Savings	38,280,110	43,217,246
Total Taka:	178,077,465	758,370,495

32.00 SALARY AND ALLOWANCE: Tk. 1,025,510,538

Breakup of the above amount is given below:

Particulars	Notes	2013-2014	2012-2013
Field Office	32.02	878,227,520	715,153,249
Head Office	32.03	147,283,018	43,217,246
Total Taka:		1,025,510,538	758,370,495

33.00 PAYMENT TO NATIONAL EXCHEQUER: Tk. 20,629,620

33.01 It is mandatory for all NGOs and Micro-Finance Institutions (MFIs) to submit their annual income tax returns as per income tax laws. Income earned by a non-government organization registered with NGOs Affairs Bureau from operation of micro-credit is exempt from income tax as per Clause 1-A of sixth schedule, Part- A of Income Tax Ordinance 1984. However, if there is any income other than from micro-finance, it will be subject to tax as per income tax laws. Breakup of the above amount is given below:

Particulars	Notes	2013-2014	2012-2013
Direct Tax	32.02	9,671,855	683,613
Other Tax	32.03	10,957,765	17,618,461
Total Taka:		20,629,620	18,302,074

33.02 Direct Tax: Tk. 9,671,855

Breakup of the above amount is given below:

Particulars	2013-2014	2012-2013
Income Tax on Staffs Salary	2,205,955	0
Corporate Tax	6,538,675	0
Tax Deduction from Interest on Bank Deposit	927,225	683,748
Total Taka:	9,671,855	683,748

33.03 Other Tax: Tk. 10,957,765

a. Income tax assessment position of BURO Bangladesh is given below:

Income year ended 31 December	Assessment year	Income as per return field	Taxable income	Tax paid
2003	2004-2005	9,477,932	760,101	99,520
2004	2005-2006	1,816,58	1,861,585	406,679

Income year ended 31 December	Assessment year	Income as per return field	Taxable income	Tax paid
2005	2006-2007	98,378	983,878	120,393
2006	2007-2008	860,599	860,599	98,370
2007	2008-2009	1,139,140	1,139,140	151,078
2008	2009-2010	5,626,026	5,626,026	1,272,757
2009	2010-2011	14,953,899	14,953,899	3,604,726
2010	2011-2012	30,339,290	30,339,290	7,439,823
2011	2012-2013	20,967,281	20,967,281	5,091,820
2012	2013-2014	60,163,274	60,163,274	14,885,819

b. The income tax assessment of the organization has been duly completed for the assessment year 2013-2014.

34.00 TRANSPORTATION: Tk. 76,155,705

Breakup of the above amount is given below:

Particulars	2013-2014	2012-2013
Fuel and Lubricants	35,388,163	36,228,024
Travelling Allowance	32,063,312	21,268,220
Car Maintenance	2,424,572	2,817,393
Daily Allowance	6,279,658	2,251,289
Total Taka:	76,155,705	62,564,926

35.00 TRAINING AND RESEARCH: Tk. 8,362,525

Breakup of the above amount is given below:

Particulars	2013-2014	2012-2013
Staff Training	5,616,395	4,781,574
Operation Research	604,198	441,995
Meeting & Workshop	2,141,932	0
Total Taka:	8,362,525	5,223,569

36.00 OTHER DIRECT COSTS: Tk. 67,395,094

Breakup of the above amount is given below:

Particulars	2013-2014	2012-2013
Office Maintenance etc.	3,415,297	35,511,908
E-Mail, Telephone and Fax	9,504,362	9,106,

Particulars	2013-2014	2012-2013
Electricity, Gas and Water	13,220,709	11,376,985
Entertainment	7,599,000	7,574,188
Bank Charges	3,397,999	3,652,991
Postage and Telegram	801,691	1,194,743
Printing Materials	1,493,481	0
Repair & Maintenance	339,176	0
Advertisement	90,000	0
Newspaper & Periodicals	37,824	0
Computer Accessories	169,094	0
Registration (Membership Fee)	1,113,597	0
Miscellaneous Expense	26,212,864	0
Total Taka:	67,395,094	68,417,080

37.00 KEY MICRO-FINANCE RATIOS:

Details are given below:

Particulars	30-06-2014	30-06-2013
Sustainability/Profitability:		
Return on Equity(ROE)	35%	31%
Operating Self- Sufficiency (OSS)	120%	118%
Financial Self-Sufficiency (FSS)	114%	110%
Net Financial Spread	6%	5%
Portfolio Quality:		
On Time Recovery Rate (OTR)	98.05%	98.22%
Portfolio at Risk-PAR(>30 Days)	2.76%	1.77%
Risk Coverage Ratio	101%	101%
Loan Loss Reserve Ratio	3.03%	2.46%
Write-Off Ratio	0.43%	0.64%
Assets/Liability Management:		
Yield on Gross Portfolio	26%	23%
Current Ratio	382%	397%
Financial Cost Ratio	10.23%	8.11%
Annual Growth to Total Assets	12%	73%
Leverage:		
Debt to Equity	4.73	6.93
Debt Service Coverage Ratio by Times	1.15	1.13
Equity as Percent of Total Assets	17.12%	12.37%
Efficiency/Productivity:		
Loan Officer (LO) Productivity	315	295
LO Productivity (Loan-BDT)	4,110,365	3,476,753
LO Productivity (Savings-BDT)	1,343,820	993,763
Average Disbursed Loan Size (BDT)	24,422	21,018
Average Outstanding Loan Size (BDT)	15,309	13,680
Cost of per Unit Money Lent (BDT)	0.06	0.05
Operating Expenses Ratio	10%	10%

Five years at a Glance (as on June 30)

	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
A	Institutional Profile					
	Number of Districts	56	57	57	61	61
	Number of Upazilla	369	394	394	399	403
	Number of Union	1,359	1,411	1,411	1,411	1,417
	Number of Villages	20,492	24,451	25,012	26,173	27,878
	Number of Branches	506	628	629	634	634
	Total Personnel	5,634	5,379	5,447	5,417	5,569
	Staff Dropout Rate	21%	26%	21%	18%	11%
	Number of Customers	873,715	1,029,343	1,082,789	1,104,717	1,053,035
	Customer Dropout Rate	8%	10%	9%	8%	9%
B	Savings Portfolio (million BD Taka)					
	Yearly Savings Deposit	1,683	2,207	2,526	5,066	4,113
	Cumulative Savings Deposit	6,189	8,396	10,922	15,988	20,101
	Yearly Savings Withdrawals	1,266	1,612	2,044	4,155	3,341
	Cumulative Savings Withdrawals	4,462	6,074	8,118	12,273	15,614
	Savings Portfolio	1,727	2,322	2,804	3,715	4,487
	Savings Portfolio Growth	32%	34%	21%	33%	21%
	Per Client Average Savings (BDT)	1,976	2,255	2,590	3,363	4,261
	Savings to Loan Portfolio	38%	41%	41%	29%	33%
C	Loan Portfolio (million BD Taka)					
	Yearly Loan Disbursed	9,779	11,491	13,265	22,110	23,629
	Cumulative Loan Disbursed	33,381	44,872	58,136	80,246	103,875
	Yearly Loan Recovered	8,436	10,485	11,980	15,995	22,904
	Cumulative Loan Recovered	28,786	39,272	51,252	67,247	90,151
	Loan Portfolio	4,594	5,600	6,884	12,999	13,724
	Loan Portfolio Growth	41%	22%	23%	89%	6%
	Number of Borrowers	751,548	885,435	913,362	950,234	896,475
	Borrower/Customers Ratio	86%	86%	84%	86%	85%
D	Sustainability/Profitability					
	Return on Equity (ROE)	(8)%	4%	16%	31%	37%
	Return on Performing Assets	31%	32%	28%	23%	26%
	Operating Self-Sufficiency	96%	103%	109%	118%	120%
	Financial Self-Sufficiency	92%	102%	104%	110%	114%
	Financial Spread (Net Financial Margin)	2.68%	4.25%	4.29%	4.57%	5.75%
E	Portfolio Quality					
	On Time Recovery Rate (OTR)	96.44%	96.38%	97.27%	98.22%	98.05%
	Cumulative Recovery Rate (CRR)	98.94%	98.89%	99.01%	99.18%	99.24%
	Portfolio at Risk-PAR (>30days)	5.85%	5.08%	3.44%	1.77%	2.76%
	Risk Coverage Ratio	103%	100%	111%	101%	101%
	Loan Loss Reserve Ratio	4.00%	5.19%	4.37%	2.46%	3.03%
	Write-Off Ratio	0.00%	1.31%	1.61%	0.64%	0.43%
F	Assets/Liability Management					
	Yield on Gross Portfolio	32%	31%	30%	27%	26%
	Current Ratio	758%	728%	577%	609%	382%
	Financial Cost Ratio	9.78%	8.59%	7.69%	8.11%	10.28%
	Annual Growth to Total Assets	59%	35%	12%	26%	12%
G	Leverage					
	Debt to Equity	4.21	4.10	4.59	6.93	5.17
	Debt Service Coverage Ratio	1.08	1.11	1.09	1.13	1.15
	Capital Adequacy Ratio	20.44%	18.78%	17.49%	12.37%	17.12%
H	Efficiency/Productivity					
	Loan Officer (LO) Productivity	231	285	306	295	315
	LO Productivity (Loan-BDT)	1,213,494	1,549,548	1,942,558	3,476,753	4,110,365
	LO Productivity (Savings-BDT)	456,096	642,364	791,200	993,763	1,343,820
	Average Disbursed Loan Size (BDT)	10,361	11,051	12,757	21,018	24,422
	Average Outstanding Loan Size (BDT)	6,113	6,325	7,537	13,680	15,309
	Cost of per Unit Money Lent (BDT)	0.07	0.08	0.07	0.05	0.06
	Operating Expenses Ratio	17.41%	17.47%	15.12%	10.34%	9.88%

Five Years Balance Sheet (as on 30 June)

Figure in Million Taka

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
PROPERTY AND ASSETS					
Current Assets					
Cash and bank balance	741.29	470.43	473.12	244.59	906.48
Investment	443.44	223.32	575.01	802.56	1,086.93
Other current assets	118.33	144.01	141.40	172.96	281.55
<i>Loan portfolio</i>	4,594.29	5,600.07	6,884.43	12,999.58	13,724.51
<i>Loan loss reserve (LLR)</i>	183.83	290.52	300.89	320.42	416.20
Loan portfolio-net of LLR	4,410.46	5,309.55	6,583.54	12,679.16	13,308.31
Total Current Assets	5,713.51	6,147.31	7,773.07	13,899.27	15,583.27
Long - Term Assets					
<i>Fixed assets at cost</i>	281.91	565.87	710.37	765.84	802.80
<i>Accumulated depreciation</i>	61.10	75.41	98.77	121.45	142.92
Fixed assets -net of accumulated depreciation	220.80	490.46	611.59	644.39	659.88
Total Long - Term Assets	220.80	490.46	611.59	644.39	659.88
Total Assets	5,934.32	6,637.77	8,384.67	14,543.66	16,243.15
LIABILITIES AND FUNDS					
Current Liabilities					
Employees' security deposits	47.67	53.74	53.76	56.42	58.94
Clients' general savings	727.82	1,004.55	1,222.86	3,436.56	4,003.37
Bank overdraft	(0.62)	0.70	0	1.64	0
Other liabilities	9.49	7.32	0.25	5.15	17.11
Total Current Liabilities	784.35	1,066.31	1,276.87	3,499.76	4,079.42
Long-Term Liabilities					
Clients' regular voluntary savings	998.96	1,316.95	1,581.15	0	0
Clients' contractual savings	0	0	0	279.12	483.65
Emergency funds	0.96	0.90	0.87	0.84	0.84
Security funds	47.18	38.37	30.84	65.76	83.42
Borrowing from Specialized Institution	101.52	115.01	93.28	87.21	59.51
Borrowing from Commercial Banks	3,214.31	3,274.42	4,419.39	8,541.82	9,513.19
Borrowing from Non-Bank Financial Institution	0	0	0	719.66	0
Total Long-Term Liabilities	4,362.93	4,745.65	6,125.53	9,694.41	10,140.60
Funds and Surplus					
Revolving loan fund (donors' grant)	138.82	138.82	138.82	138.82	138.82
Emergency disaster fund (donors' grant)	67.74	73.80	86.02	96.04	106.54
Other Funds	0	0	0	0	69.63
Accumulated surplus reserve fund	0	0	0	0	170.00
Accumulated surplus	580.49	613.20	757.42	1,114.62	1,538.16
Total Net Worth	787.04	825.82	982.26	1,349.49	2,023.14
Total Liabilities and Net Worth	5,934.32	6,637.77	8,384.67	14,543.66	16,243.15

Source: Audit Report

Five Years Income and Expenditure Account (as on 30 June)

Figure in Million Taka

	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
A	Financial & Micro Credit Income					
	Service charges/Interest on loans	1,223.54	1,545.31	1,706.75	2,287.94	3,525.89
	Service charges from remittance services	11.25	11.89	7.38	4.01	5.31
	Sales of loan application forms	32.15	35.78	29.17	29.17	26.42
	Borrowers admission fees	11.21	12.02	10.68	10.60	8.59
	Interest on bank deposits	20.30	28.73	20.97	60.16	66.56
	Interest on staff loan	0	0.15	1.52	1.51	1.15
	Others	1.95	9.76	4.81	3.93	8.08
	Total Financial & Micro Credit Income (A)	1,300.41	1,643.64	1,781.28	2,397.33	3,642.00
B	Financial Cost					
	Interest on borrowings	435.05	451.81	462.63	778.67	1,388.64
	Interest on customers' savings	66.50	83.34	110.28	145.76	178.08
	Total Financial Cost (B)	501.56	535.15	572.92	924.44	1,566.72
C	Gross Financial Margin (A-B)	798.85	1,108.49	1,208.36	1,472.89	2,075.28
D	Provision for loan losses	164.00	173.64	110.66	82.95	153.64
E	Net Financial Margin (C-D)	634.85	934.86	1,097.70	1,389.94	1,921.64
F	Operating Expenses					
	Salary and allowances	491.00	671.77	698.24	758.37	1,025.51
	Rental office	42.49	54.92	63.33	67.71	73.78
	Payment to national exchequer	6.90	8.80	10.19	18.30	20.63
	Transportation	44.56	47.64	54.17	62.56	76.16
	Training & research expenses	13.64	11.73	9.49	5.22	8.36
	Office supplies	26.17	22.02	25.05	24.47	27.56
	Depreciation	16.71	22.50	27.21	23.56	26.42
	Audit & professional fees	2.77	2.04	1.60	4.11	2.10
	Project contribution	0	6.19	4.03	0	0.20
	Other expenses	52.28	54.53	60.16	68.42	67.40
	Total Operating Expenses (F)	696.52	902.14	953.48	1,032.74	1,328.11
G	Net Surplus/(Deficit) (E-F)	118.91	(61.66)	32.71	144.22	593.53

Source: Audit Report



“ The results of the basic model unequivocally show that group-based credit programs have significant positive effects in raising household welfare including per capita consumption, household non-land assets and net worth. Microfinance increases income and expenditure, the labor supply of males and females, non-land asset and net worth as well as boys’ and girls’ schooling. Microfinance, especially female credit, also reduces poverty. The results using long-panel data thus confirm most of the earlier findings that microfinance matters a lot, and more for female than for male borrowers.

(P-28) POLICY RESEARCH WORKING PAPER NO. 6821; Dynamic Effect of Microcredit in Bangladesh; (Shahidur R. Khandker and Hussain A. Samad); The World Bank; Development Research Group; Agriculture and Rural Development Team; March 2014



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