



A REPORT ON



***MICRO-CREDIT OPERATIONS IN BANGLADESH RURAL
DEVELOPMENT BOARD (BRDB)***

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Letter of Transmittal

January 30, 2016

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Subject: Submission of Report micro-credit operations in Bangladesh: A Comparative Analysis of BRDB.

Dear Sir,

With due respect, I would like to convey my heartiest gratitude to you for instructing me to prepare this report on the topic “micro-credit operations in Bangladesh: A Comparative Analysis of BRDB”, which has been prepared as an integral part of my degree requirement. I have tried my best to complete this report by maintaining the instruction that you have given me to prepare a report. I hope this report will be up to your expectation.

I hereby submit the complete report for your kind evaluation. I highly appreciate any kind of complains, suggestions, and explanation regarding this report, shared either verbally or written without hesitation.

I shall be highly gratified if you are kind enough to receive this report.

Thank you

Yours Obediently,

Mumtahina Akter

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Letter of Certificate

I am pleased to declare that, **Mumtahina Akter** ID NO: 13164066 a student of MBA program, Department of Business Administration, Brac University, has prepared this Project Report on the given topic of “**Micro-credit operations in Bangladesh: A Comparative Analysis of BRDB**” Under my direct supervision. During the period of Project report preparation she tried with best possible efforts to utilize her full potentials and to make the report qualitative one.

To the best of my knowledge, her project report and the result of his study is authentic and original.

However, after a painstaking series of correction, modification, revision and ending, now I am convinced to approve her submission of the report to the department for final evaluation and grading.

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Letter of Declaration

I hereby declare that this project report is prepared honestly and sincerely. The study is original in nature. I have tried my best to make this report analytical, informative and descriptive. I also ensure that, this report has not been submitted to anywhere earlier in any form in the same or other institutions for the attainment of the degree and in future it will not be submitted anywhere for this objective in its present or modified form.

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ACKNOWLEDGEMENT

First of all, I express my gratefulness to Almighty Allah who has enabled me to pursue my study.

I would like to take this opportunity to express my sincere gratitude to those without their blessings and cooperation this report would not have been possible.

I would like to thank to my honorable supervisor Mr. MahmudulHaq for being the driving force and for encouraging me to give my best throughout the task. Clearly this would not have been possible in absence of his expertise and guidance.

Finally, I also acknowledge my family and friends for their support throughout while preparing this report.

Mumtahina Akter

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Executive Summary:

The report title is “*Micro-credit operations in Bangladesh: A Comparative Analysis of BRDB*”,

Micro-credit playing a significant role for the development of our economy by creating employment opportunity and producing important alternative work facility and increasing social value for saving huge social crisis for our country. So as a part of the development strategy, we should intensify our efforts to develop this sector to grow industrial base. For meeting the situation of micro-credit need to upgrade their workforce capabilities and social facilities in order to implement social and economic stability at a competitive situation.

The main of incentives of any NGOs which were normally involved in many social programs such as education, health, relief and rehabilitation to move quickly into microcredit were demand from the members, opportunity to become self-reliant (income covers expenses), and creating sustainable permanent institution, and career for staff members. The variations were in interest rate, savings and loan ceiling, size of groups etc. not much on the fundamental structure of the model.



ABSTRACT

The main objective of the study is to assess the impact of micro-credit operations of Bangladesh Rural Development Board (BRDB). The study was conducted among recipients of microcredit provided by the BRDB in lakshmipurSadarUpazila of Lakshmipur district. The study reveals that BRDB covered higher proportion of landless households compared to control area. On an average each member in program area received credit 5.35 times with an average of Tk. 44,000 from the date of their joining. A significant number of members used their credit in unplanned areas. The respondents opined that due to involvement in micro-credit program, average food provisioning of BRDB members increased about 20 percent. The calorie intake method reveals that 6-percentage point poverty reduced due to micro-credit. Percentages of hardcore and ultra-poor in program area were significantly lower compared to control area. 94 percent under BRDB mentioned that their economic condition improved to some extent due to the involvement in micro-credit program. Micro-credit had also positive impact on changing the housing condition. The relationship between access to micro-credit and incidence of poverty was not statistically significant at 5 percent level of significance. Improvement of economic condition assessed through self-assessment was positively related with the duration of membership in micro-credit program, number of times received credit and amount of credit received and these were statistically significant. Impact of micro-credit on human poverty related indicators was relatively less compared to the income poverty related indicators. For accelerating poverty reduction and woman development through micro-credit the study recommended establishing the effective monitoring and evaluation systems on utilization of micro-credit by the beneficiaries, appropriate training to the beneficiaries, increase credit size and increase full time employment opportunity.



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CHAPTER-01

Prefatory Part

Chapter-01: Prefatory part

1.1 Introduction

Bangladesh is one of the poorest countries in the world. According to Bangladesh Bureau of Statistics (BBS), the percentage of population living below the absolute poverty line in Bangladesh was about 26 percent in 2012. The growth of poor people is much higher than that of non-poor people that added more poor people to the total population. Poor people have lack of access to credit to initiate income-generating activities. It is very difficult for the poor people to get working capital from the formal banking system. A collateral free loan is needed for the poor People to start income generating activities. Based on this requirement, micro-credit program has been evolved as one of the most important approaches to poverty alleviation and women empowerment and many other programs.

Microcredit a term broadly used to mean very small-sized supervised loans without any collateral. Amounts of microcredit in Bangladesh vary from Tk 1000 to Tk 10,000 per beneficiary and are provided mainly by micro-finance institutions/program and also banks and conventional financial institutions to poor people with less than half an acre of land to undertake employment and income generating activities. Micro-finance institutions (MFIs) develop various tools to provide the poor with access to financial services so that they can increase their income and productivity. Microcredit program aimed at poverty alleviation



cover a large number of borrowers with the objective of substantially removing socio-economic imbalances, especially in rural areas.

1.2 Background of the Study:

Bangladesh was started by Small Farmers Development Program (SFDP) of Bangladesh Academy for Rural Development (BARD), Comilla, which was emerged on the basis of the analysis of problems in the sixteen rural areas in eight Asian countries at which problem identification and solution seeking field workshops were held under the “Asian Survey of Agrarian Reforms and Rural Development (ASARRD)” a project of Food and Agriculture Organization (FAO) of the United Nations in 1972 (Roy, 2004). Now, in addition to the GrameenBank, there are a lot of Government and Non-government organizations which are implementing micro-credit programs to alleviate rural poverty. Micro-credit program helped expansion of public service, creation of employment opportunities, acceleration of agricultural production and infrastructural development. As regards disbursement and recovery, it appears that the rate of recovery is more than 85 per cent on an average in the government program. The success stories of few projects in the government sector indicate remarkable achievements in income earning, empowerment of women and creation of employment opportunities. One of the government sectors is BRDB which shows mega success in this project to fulfill their mission. According to BRDB, mentioned that the ultra-poorest 10 per cent of the Bangladesh population could not take advantage of BRDB’S micro finance loans. They were so desperate that the risk of taking out a loan and the requirement of a savings account kept them out of mainstream development efforts. These people initially needed wage employment rather than credit for self-employment. BRDB is now trying to bring them into its system.

The evaluation reports of different programs revealed that most of the programs had important contribution to poverty reduction, woman empowerment and population control. But there is a lack of specific studies on how many people crossed the poverty line through micro- credit program and how much time required for graduation from below poverty line to above poverty line. This information is necessary for the policy maker to formulate appropriate policy for poverty reduction and women development. Moreover, most of the studies did very much qualitative assessment. Specific contribution of the programs of micro-



credit and the contribution of different factors were not analyzed. This limits formulation of appropriate plan for poverty reduction and women development too. This study will be able to solve these problems, which will be very much useful for the policy planners to formulate appropriate policies for poverty reduction and also this study will add new knowledge for the researchers and academicians.

1.3 Origin of the Study

This report is being assigned as a part of the Masters of Business Administration (MBA) Course. Micro-credit sector is expanding its hand in difference financial event every day. In recent days the micro-credit Financing has become an important area for Commercial development in Bangladesh. To align its policy with the regulation of Central Bank, BRDB have become more concerned about micro-credit and opened windows to conduct business in this particular area. This study has been conducted to fulfill the requirements of MBA program and gain an insight about the present condition of micro-credit operations in the economy of Bangladesh and their financing scenario in light of Bangladesh Bank regulation.

1.4 Objectives of the Study

Broad Objective

The broad objective of the report is to have an overview on the micro-credit operations of BRDB.

Specific Objectives

The secondary objectives of this report are to- To know about microcredit product and services and the activities of Bangladesh Rural Development Board (BRDB) in this sector. Also, highlight the current circumstances of micro-credit situation in our country based on evaluation of govt. and non-govt. institutions.

1.5 Methodology of the study:

Sources of Data: As it is implied above, data has been collected from both primary as personal observation and secondary sources as evaluation on different research papers and policies etc. as given below:



Primary Source: Interview of experienced deputy director of the BRDB will be taken to get the insight of the micro credit.

Secondary Source:

Almost all of the data required for this report will be from secondary source such as

- Company websites
- Annual reports
- Bangladesh Bank report
- ADB reports

1.6 Limitations of the Study

Some limitations had been faced during the time of preparing this project report. The present study was not out of limitation. But It was a great opportunity to have the knowledge of all curriculum activities of Bangladesh Rural Development Board which my workplace too.

Some constrains are as follows-

- One of the major limitations is the shortage time period. Since I am working on Accounts department, I don't have permission to know all department policy directly. On the other hand 3 months is not enough to know everything of a Institutions, so this report doesn't contain all the area of BRDB.
- Second, lacking of various sources of information like inability to take interview of BRDB UCC and monitoring field activities. Because of these limitations this report may not contain some important information.
- Confidential information was undisclosed for the sake of organization.
- Omission and error may be there due to my lack of experience in preparing a professional report like this one.



CHAPTER-02

Micro-credit operations in Our Current Economy

Micro-credit operations in Our Current Economy

2.1 Definition:

Poverty and employment creation are the overarching goals of all the SAARC nations. Sharing our knowledge and experience in this endeavor can gradually build a South-Asian Common Knowledge Pool that may guide the future of this region from a poverty zone to a prosperity one. However, characteristics of Bangladesh are that it is one of the most populous countries having population of 152.5 million within a small territory of 147600 square kilometer. Life expectancy of people at birth is 65 years and 70 percent of them live in rural areas. Despite being one of the most populous and rural-based economy with frequent natural attacks, the country has achieved commendable success in the last 4 decades by reducing poverty from 59 percent in 1984 to 31.5 percent in 2010 (BBS, 2011). The country maintained six percent real GDP growth for the last decade. Poverty also declined more than 2 percentage point since 2005. Given this pace of development and following the simple algebra, the story ahead for Bangladesh is that it can be a poverty-free country by 2030. It may surprise many of us that with moderate level GDP growth and 65 percent landless population, how the country achieved this covetous success while the development partners were always assuming it as a huge challenge for a resource poor country.

Fortunately, while policy makers in Bangladesh de-linked financial network of rural economy by reducing loss-making rural branches as per recommendations of Financial Sector Reform Program in 1990, the country witnessed a demand driven pro-poor growth model that evolved



within the rural sector through massive expansion of NGO-MFIs following the success of BRDB's microcredit activities. After a long-experiment with continuous success, our learning from them is that while their social mission enables them to address poverty, a large number of growth-promoting high yielding small projects financed by them significantly contribute to employment creation and sustainable moderate level GDP growth amid a period of global financial and economic crises. Allure by their contribution for a social cause, establishment of a separate body for the regulation and supervision of the industry is well debated among the policy-makers, academicians and practitioners since late 1990s. However, considering several factors such as enormous involvement of MFIs in savings mobilization, furthering their activities in social business, building confidence among the financiers for their continuous support; Government in Bangladesh has established a separate regulatory and supervisory body i.e. Microcredit Regulatory Authority (MRA) in 2006. The Authority also promulgated some prudential rules in 2010 for development of the industry on a sustainable basis by bringing more transparency, reducing distortion and creating a level playing field for all the market players. Nevertheless, there are still some problems and challenges faced by the industry as well as this newborn Authority in implementing regulations and supervisions of NGO-MFIs along with other providers of microfinance services.

2.2 Micro-credit operations in Bangladesh:

Before the independence of Bangladesh, all but one commercial bank in Pakistan were privately owned. The common people especially, low-income groups were hardly allowed to receive bank loans. Apprehending major popular discontent, the government initiated a few microcredit programs in the late 1960s. Prominent among them were the Faria-Bepari Jute Financing Scheme and the Small Loan Scheme. Under the first scheme, retailers in jute trading, farias (factors) as well as beparis (petty merchants), were financed by scheduled banks and maximum loan limit for farias was Rs 1000 and for beparis, Rs 2000. These loans were collateral free, but trading licenses were to be deposited with banks as security. Under the second scheme, the State Bank of Pakistan advised scheduled banks to develop their own small loan schemes to cater to the needs of small economic activities. Some of the new schemes were the 'Peoples Credit' of the National Bank of Pakistan (loan ceiling Rs 2000), 'Shopkeepers Loan Scheme' of Habib Bank Ltd. (ceiling Rs 1000), and 'Small Loan Scheme' of United Bank Ltd. (ceiling Rs 1000). These programs failed because dishonest bank officials

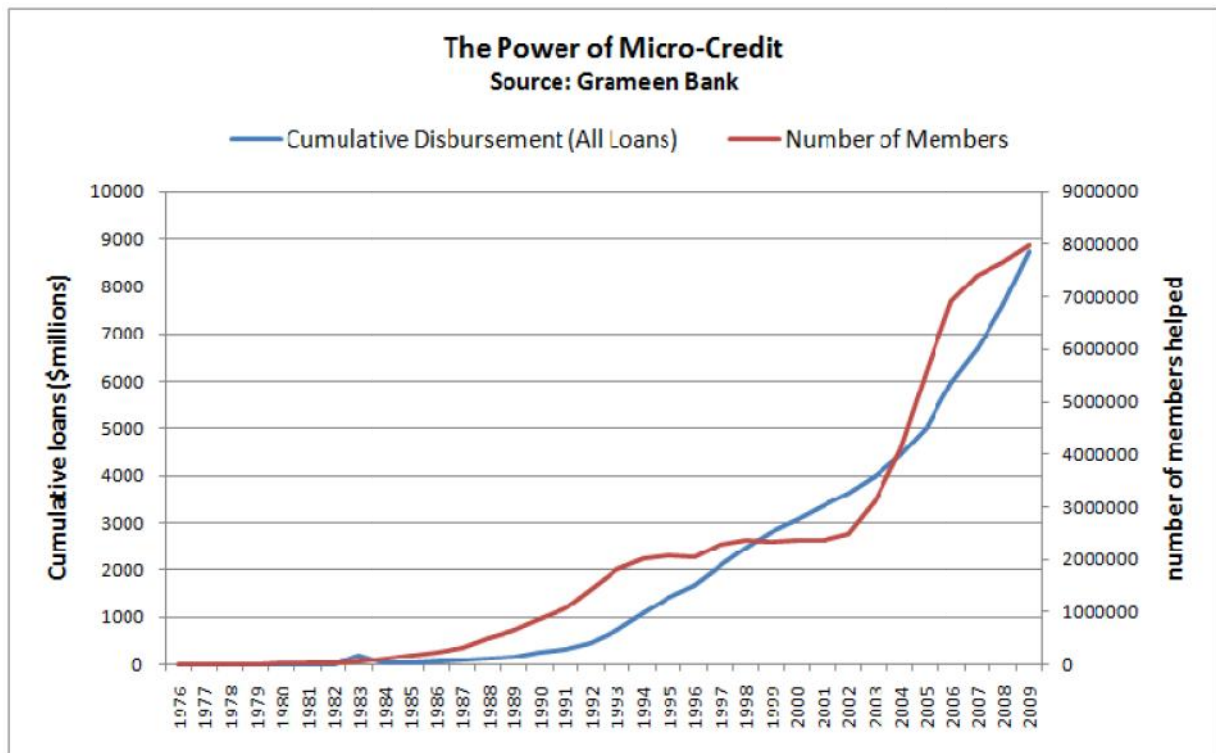


extended lending to big traders under fake names and against the licenses of farias, beparis and small traders. Dishonesty of dealers and the absence of regulatory law thus accelerated the failure of these microcredit ventures.

Following independence of Bangladesh, the government nationalized all inherited scheduled banks and with a view to introducing people-oriented mass banking, to offer savings and micro-lending services for the village poor. The government established Bangladesh Krishi Bank and later, RajshahiKrishiUnnayan Bank to supply small size agricultural credit. Although nationalized commercial banks (NCBs), BKB and RAKUB had institutional obesity and the rigidity in their rules and regulations made their microcredit operations inefficient, together they managed to disburse Taka 1,798.45 million as microcredit up to 30 June 2000.

During the war of liberation, many spontaneously formed volunteer groups helped freedom fighters as well as refugees through providing food, clothes and moral support. Some of these groups continued their rehabilitation and humanitarian activities in the country after the war was over and soon turned into organizations for social welfare and development. They became known as non-government organizations (NGOs) and gradually expanded their areas of activities to createsocial awareness, expand literacy, increase health consciousness, and generate self-employment and income through microcredit schemes for the poor.

Under group-based microcredit programs, borrowers have to form themselves into groups of five and accumulate savings before becoming eligible to borrow. The savings collected from the members by the MFIs on weekly basis vary between one and five taka per member per week. Both group-based and family-based approaches provide the poor with not merely microcredit but also other support services such as training on identification of feasible income-earning activities, organization of production and marketing activities, and development of basic skills. Other support services include those related to social awareness, family planning, education, nutrition, hygiene, and environment.



2.3 Microcredit Regulatory Authority (MRA) of Bangladesh Regulates Fixed Assets of Microfinance Institutions (MFIs)

The Microcredit Regulatory Authority (MRA), a Bangladeshi government authority that oversees the operations of nongovernmental organization (NGO) microfinance institutions (MFIs), reportedly has regulated investments in fixed assets by microfinance institutions (MFIs) in the country. The regulation stipulates that MFIs may not invest more than 35 percent of their “cumulative earning surplus”[1] in fixed assets such as real estate. MFIs are also required to liquidate existing assets if they exceed the 35 percent threshold. MRA granted a grace period under which MFIs have until November 2016 to implement the regulation.

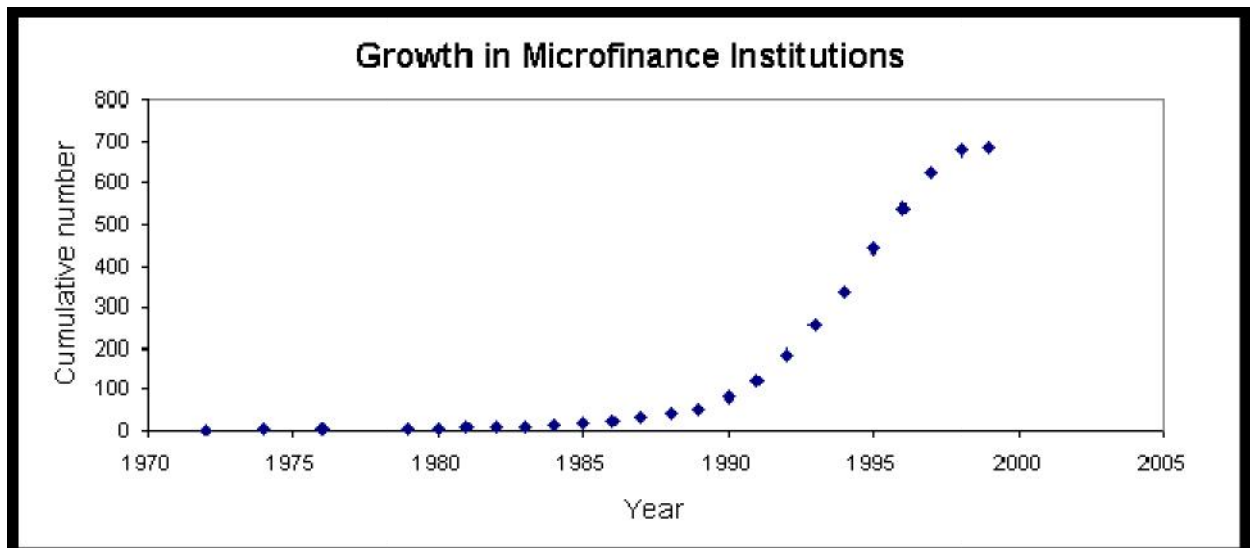
In addition to the limitation on the use of profits, ShazzadHossein, the director of MRA, said that “the Micro Credit Regulatory Authority Act 2006 and MRA Rules 2010 stated [...] how to spend funds of a MFI, including the provision that “no microcredit organisation will use the deposit fund for purchase of any moveable or immovable asset or to meet any expenses”As of June 2014, MRA reported 697 licensed NGO-MFIs serving approximately 25



million clients in the country with total outstanding loans of BDT 278 billion (USD 3.6 billion) and total deposits of BDT 113 billion (USD 1.4 billion).

2.4 Overview of the Micro credit in the economy of our country:

There is a great interest in small micro-credit as a major plank of poverty reduction in Bangladesh. The government has formulated a comprehensive micro credit policy by putting special emphasis for developing micro finance as a thrust sector for balanced and sustainable industrial development in the country to help deal with the challenges of free Market economy and globalization. Some data with a national scope that are pertinent to characterizing micro credit in Bangladesh's of 2012-2013. There are some 50,440 private sector establishments of various sizes in Bangladesh with some 3.5 million workers employed in them. The urban Bangladesh accounts for some 60% of units and 76% of employment in the private-sector enterprises. Rural Bangladesh accounts for the rest. 93% of all units in Bangladesh belong in the micro-credit category, i.e. have between 20 and 99 employees. However, micro credit account for only 44% of the total employment of the enterprise sector. Private companies limited by liability account for strictly a very small proportion of the total number of micro credit in Bangladesh.



2.5 Contribution of micro-credit in the Economy:

In view of present economic development effort in Bangladesh the micro credit sector plays an important role. These are reflected in the following performance /activities of this sector:



- During the Fourth Five year plan, a total of 0.35 million jobs were created against the target of 0.4 million.
- Contribution of micro credit sector to GDP remained above 4.5% during the period from 2009-10 to 2011-2012 despite decline in the amount of advances to this sector.
- Micro-credit sector employs 35% of the total labour force. As a result, this sector is the present available sector for creation jobs.
- Micro-credit sector help alleviate poverty, increase income level of rural people and promote agro-industrial linkage in Bangladesh.
- Microcredit sector requires lower energy supply, lower infrastructure facilities and this sector imposes less environmental risk.
- They contribute towards better utilization of local 'resources and skills that might otherwise remain unutilized.

From the above discussion, we can say that micro-credit is playing an important role in our economy in various ways.

2.6 Current Status of micro-credit in Bangladesh:

The micro finance along with micro-credit worldwide is recognized as engines of economic growth. The commonly perceived merits often emphasized for their promotion especially in the developing countries like Bangladesh include their relatively high labor intensity, dependence on indigenous skills and technology, contributions to entrepreneurship development and innovativeness and growth of industrial linkages.

2.7 Brief Macro-economic Review:

Bangladesh, mainly backed by the growth of manufacturing, construction and service sector has achieved a year-upon-year GDP growth of 6.5 1% in 2011-12, as compared with the 6.63% in FY 2010-11, and 5.38% in 2009-10. Per capita GDP recently surpassed\$500. From

1% during the 1970s, growth rate of GDP per capita has ramped up to over 3% since the early 1990s and, since 2008-09, even higher, to 4 off percent. Growth has been more stable too; Bangladesh among the handful of countries that sustained positive per capita growth in



each year since the early 1990s. This performance has been underpinned by rising agricultural and non-farm rural output and a rapid expansion in export of readymade garments (RMG). Faster economic growth has helped Bangladesh to reduce the poverty rate by about 1(one) percentage point per year since 1990. Poverty fell from 60% in 1990 to 50% in 2002. Although the latest poverty data are still being collected, proxy indicators suggest that good progress on poverty reduction and social development has continued in recent years. Many MDGs are also on track for being met. (World Bank 2010) The rate of gross investment in GDP in 2010-12 is 24.33%. The relative share of private sector in gross investment, which has been growing secularly, is 18.73% in 2010-12. Between 2010-11 and 2011-12, credit to the private sector grew by 11.2%. The population growth rate averaged 1.5% or so; the literacy rate has averaged at 62% during this decade. Growth rate of manufacturing output of Bangladesh is on an increasing trend. Manufacturing growth during 1992-96 averaged 8.2 1%. In the next four years, the corresponding growth averaged more than nine percent annually. Service sector grew at an average rate of 4.9%, which is lower than that of industries (manufacturing) sector. The quantum index of MICs has grown by 5.4%. The export of readymade garments (RMG) both woven and knitwear has picked up a commendable mode of growth, which earns over 76% export earnings.

No.	Purpose of microcredit taken by poor households	% of total loan
1	Agriculture	15.20
2	Cattle and poultry rearing	20.87
3	Fishing	2.20
4	Nursey	.19
5	Tubewell installment	.29
6	Irrigation	.19
7	Business of raw materials	.80
8	House repairing and building	4.29
9	Rickshaw/ van	3.23
10	Street vendor	1.40
11	Processing activities	2.03
12	Land leasing	2.03
13	Marriage	.17
14	Food and other consumer goods	.08
15	Petty trade	36.69
16	Small and medium business	5.49
17	others	4.85
	Total	100



2.8 Products and Services of MFIs:

MFIs in Bangladesh provide a wider spectrum of financial services, which are created through a demand driven innovative process in meeting the poor's complex livelihood and heterogeneous needs. The industry provides different types of savings products so that the poor can save even for a day with very little amount. MFIs have been given permission by MRA to start mobile financial services under Bank-led Agent Model where they have to sign an MOU with commercial banks for subsequent approval from Central Bank. In a further move, BB is going to expand mobile financial services by allowing loan disbursement and repayment activities under agent/partnership agreement.

Products and Services of MFIs

savings	credit	Insurance	others
<ul style="list-style-type: none"> • Regular/compulsory savings • Voluntary savings • Flexible • Daily • Time deposit • Fixed deposit • Risk fund 	<ul style="list-style-type: none"> • Term loan • Entrepreneurs loan • Housing loan • Health & sanitation • Seasonal • Education • Disaster • Special • consumption 	<ul style="list-style-type: none"> • Health • Life • Credit • Property • Crop • Others 	<ul style="list-style-type: none"> • Inward foreign remittance • Mobile financial services

2.9 Matured stage of NGO-MFIs

During the matured stage, the NGO-MFIs have experienced robust growth providing both geographical and demographic access to microcredit throughout the rural economy. They have appeared with a wide range of innovative financial services including diversification of their products and services and sources of fund. Within a very short span of time, they have occupied the lion share of rural financial market and are assumed to have significant contribution to the equitable growth path of the country. Recent status of microfinance industry and its contribution to pro-poor development are discussed below in brevity.

2.10 Outreach of Microfinance Services

Microfinance industry in Bangladesh has reached a sizeable position as it provided financial services to 34.36 million clients in 2011 covering almost 72 percent of poor population while



28 million of them are active borrowers. In the same calendar year, the industry supplied Taka 454 billion microcredit with savings services of Taka 140 billion. The industry maintained robustness even in a regulatory regime as most of the outreach indicators such as loan outstanding per client, loan outstanding per borrower, loan outstanding per branch, savings per client, savings per borrower, and savings per branch showed double-digit growth in 2011. However, some indicators such as no. of branches, no. of members/clients and clients per branch experienced somewhat sloth mainly due to closure NGO-MFIs who failed to meet new microcredit regulatory requirements.

Outreach of Microfinance Particulars

Particulars	2010	2011	Growth
No. of Branches	19134	18281	-4.46
No. of Borrowers (Million)	27.83	28.00	.61
No. of Members/Clients (Million)	36.18	34.36	-5.03
Loan disbursement (Billion Taka)	383.60	454.49	18.48
Loan Outstanding (Billion Taka)	246.27	289.49	17.55
Member/Clients' savings (Billion Taka)	117.71	140.00	18.91
No. of people below the poverty line (Million, estimated)	47.15	48.04	1.89
Clients per branch	1890.87	1879.55	-.60
Borrowers per branch	1454.49	1531.64	5.31
Loan outstanding per branch (Tk. Million)	12.87	15.84	23.03
Savings per branch (Tk. Million)	6.15	7.66	24.45
Loan outstanding per Member/Client (Tk.)	6806.80	8425.20	23.78
Loan outstanding per borrower (Tk.)	8849.08	10338.93	16.84
Savings per client (Tk.)	3254.28	4074.51	25.20
Savings per borrower (Tk.)	4230.69	5000.00	18.18
Savings-Loan ratio	47.81	48.36	1.15
Microcredit coverage (% of poor population)	76.73	71.52	-6.79

2.11 Govt. attaching much priority to micro-credit sector

Now a day the government is giving much priority to the micro-credit sector in a bid to generate employment, alleviate poverty, create new entrepreneurs including women and decentralize the avenues of employment. Micro-credit have been playing a unique role in an economy like Bangladesh by creating jobs and increasing income and production. The government is considering taking up many stimulating steps including bank loan to the entrepreneurs to develop the sector. Now the fair it would contribute much to resolving



problems and removing constraints in the sector. The micro-credit showcase will also make a concrete bridge among the entrepreneurs and financial institutions which must accelerate the development in the sector,” Some countries across the world have become industrialized making the Micro-credit as their base. “It is important for Bangladesh to help the micro-credit sector flourish before going for full industrialization,”. Bangladesh is passing a very crucial period as fresh political unrest has emerged in the country which may hamper the investment-friendly environment. The government plan to expand 40 BSCIC estates across the country. There are 30 million unemployed people in the country and 2 million more are being added to the employment market while recruitment by the government has been totally stopped. “So, only the private sector is left to provide jobs to this large number of unemployed population.” The micro-credit award has been introduced to recognize the contribution of small and medium entrepreneurs to the national economy. It has been playing a very significant role in providing jobs and help alleviate poverty. “Some 1.5 million people are employed in the country’s micro-credit and they are helping 15 million people indirectly through these employments,” Bangladesh International Arbitration Centre (BIAC), will help the SMEs and micro finance operation. “It was opened with a promise to help settle commercial disputes in a quick, transparent and cost-effective Manner by the ICC, B and some other local business bodies.”

2.12 Policies of Micro-credit Financing

The development of micro-credit in developing countries is generally believed to be a desirable end in view of their perceived contribution to decentralized job creation and generation of output. It constitutes the dominant source of industrial employment in Bangladesh (80%), and about 90% of the industrial units fall into this category. The actual performance of micro operations, however, varies depending on the relative economic efficiency, the macro-economic policy environment and the specific promotion policies pursued for their benefit. For the JOBS Program, Bakht, Zaid (1998) and Abmad, Salahuddin et al. (1998) developed research papers that describe the policy environment within which micro-credit in Bangladesh operate. The reports also discuss the accompanying legal, regulatory and administrative constraints to employment creation by Micro-credit.

2.13. Policy Issues



2.13.1 Public Development Outlay

Although successive five-year plan documents have mentioned development of small, medium and cottage enterprises as priority area, public development expenditure in this sector has not been commensurate with this declared policy. Thus, in the Fourth Five Year Plan, the revised public allocation to this sector was Tk. 2,016 million, which was a meagre 0.58 per cent of the total public development outlay in the plan. What is even worse, only about 69 percent of this small allocation were actually invested during the plan period? In the current Fifth Five-Year Plan, the share of the sector in total public development expenditure has gone down even further. If the sector has to make much headway, there is need for substantial increase in public investment in the sector. Particularly in the area of training, extension, research, market promotion, etc. Collaborative effort of the government with business associations, non-governmental organizations NGOs and other development partners is recommended in such public outlays.

2.13.2 Trade Policy:

During the past decade, substantial reforms have been carried out in the external trade regime of Bangladesh. The import procedure has been greatly eased and deregulated. Import tariffs have been lowered and quantitative restrictions virtually eliminated. All these have facilitated greater access of domestic producers to imported raw materials . This has particularly benefited micro credit as they were affected more adversely by the regulated trade regime. However, import liberalization has also exposed domestic producers to competition from foreign goods. To ensure a level playing field and to enable domestic micro finance to compete effectively with imports, the following policy concerns need to be addressed.

2.13.3 Prior Announcement of Policy Changes

To enable domestic products, particularly the micro finance, to prepare themselves to face external competition there is need for adequate forewarning about impending policy direction. This is particularly true and trade policy measures. If the government makes prior announcements of its impending trade policy changes, particularly with respect to tariff schedules, investors will be aware of the degree of competition they will be facing with the changes and will make adjustment in their investment and production plans accordingly.



2.13.4 Tariff Rationalization

To encourage domestic production, there should be adequate gap between duty on raw materials and duty on finished products. In fixed duty on finished products, possible under invoicing and dumping should be taken into account, as otherwise, effective duty rates on finished goods will turn out to be lower than that on raw materials in spite of the higher statutory rate on the finished item.

2.13.5 Appropriate Tariff Valuation

To avert the problem of under invoicing, a system of tariff value has been put in place for certain categories of imports. There are complaints that these tariff values are often not in line with the going world price of these items which sometimes puts domestic producer at a relatively disadvantaged position.

2.14 Fiscal Policy

2.14.1 Value Added Tax

The main components of indirect tax in Bangladesh are Value Added Tax (VAT), Supplementary Duty and Excise Duty. VAT is imposed on producer; manufacturer, importer, exporter or service rendered under the Value Added Tax Act, 1991, on goods or specified services, at the rate of 15% at every stage of transfer. VAT paid against the inputs adjustable against the VAT on output to be collected from the buyers and the net sum stands payable on delivery of goods or specified services to the VAT authority. Exemptions allowed to certain goods or service or certain taxpayers. All cottage industries, except those producing particular products, are exempted from VAT. But, manufacturer, producer or service rendered (other than cottage entrepreneurs), whose annual turnover does not exceed Tk. 1.5 million are required to pay Turnover Tax at the rate of 2.5 per cent in lieu of 15 per cent VAT. This limit is too low for small industries. As a result, micro credit are subjected to the same 15 percent VAT as their large-scale counterparts. In addition, supplementary duty is imposed at variable rates on certain categories of consumption goods across all size categories. Finally, excise duty applies to a limited number of items irrespective of size classification. Thus, in terms of indirect taxes, there is virtually no differentiation between micro-finances and their large-scale counterparts, which is considered inequitable by most Organizations.

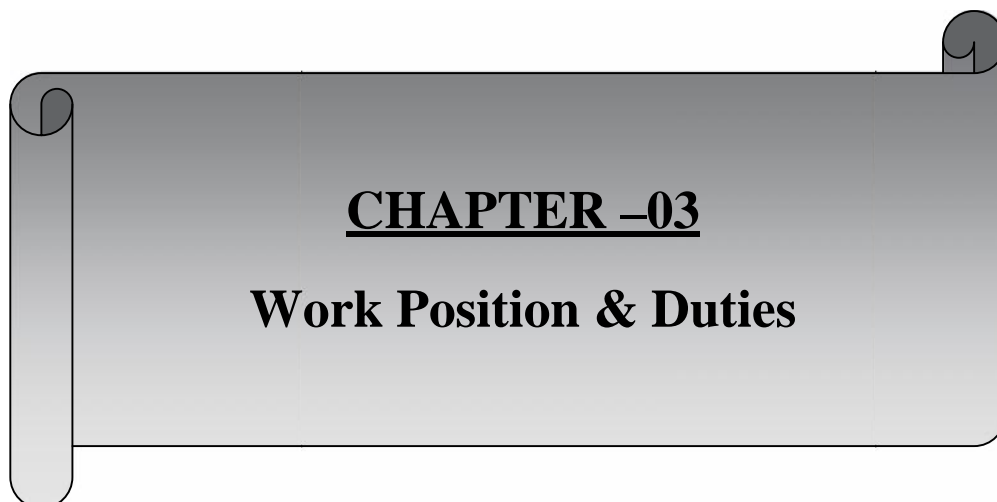


2.14.2 Tax Holiday

Similarly, there are no differentiated treatments of micro-credit either with respect to duty on capital machinery or direct taxes. There are provisions of tax holidays for enterprises of all size categories subject to rules and procedures set by the National Board of Revenue. To avail themselves of tax holiday, enterprises recommended by the relevant sponsoring agencies have to get the approval of the National Board of Revenue, which is cumbersome and lengthy process. The tax holiday, however, is not available to sole proprietorship enterprises which are the usual form of small and cottage industries in Bangladesh.

2.14.3 Wealth Tax

Wealth tax is payable by an individual if his net wealth exceeds Tk.2.5 million. As per existing law, no wealth tax is payable by a company, the usual legal form of a large industry. On the other hand, the legal form of small industries is usually sole proprietorship, and hence these enterprises have to pay wealth tax on their business capital. Thus, fiscal policy in Bangladesh is not particularly tailored to provide support to micro credit, which is pointed out by micro entrepreneurs as a critical policy constraint hindering Micro-credit growth.



Work Position & Duties

3.1 Description of the job:

I started my work in Bangladesh National Co-operative Federation for Rural Development, MOTIHJIL in December, 2014 which is regulated and maintained by BRDB rules and



regulations. I tried my best to achieve absolute knowledge & experience from my through report, though it was little bit awkward to my directors and to me to provide govt. information. I visited the following department to have sufficient. Though, I performed my duties in the Accounts and finance departments-

Directors name	Name of Department
1. Md. Kamruzzaman	Deputy Director (Inspection)
2. Md. ZiaulHasan	Deputy Director (planning)
3. Md. SolaymenChowdhury	Deputy Director (Revenue)

3.2 Duties & performance in General divisions:

General division is one of the most important departments where all kind of official activity starts. Because it includes multi tasks & all kind of transactions actually run in this department. During my working period I learn most from this section like-

- Receiving and monitoring all receiving and payment transactions.
- Prepares asset, liability, and capital account entries by compiling and analyzing account information.
- Documents financial transactions by entering account information.
- Recommends financial actions by analyzing accounting options.
- Summarizes current financial status by collecting information; preparing balance sheet, profit and loss statement, and other reports.
- Substantiates financial transactions by auditing documents.
- Maintains accounting controls by preparing and recommending policies and procedures.
- Guides accounting clerical staff by coordinating activities and answering questions.
- Reconciles financial discrepancies by collecting and analyzing account information.



- Secures financial information by completing data base backups.
- Maintains financial security by following internal controls.
- Prepares payments by verifying documentation, and requesting disbursements.
- Answers accounting procedure questions by researching and interpreting accounting policy and regulations.

3.3 Duties & performance in credit division:

Credit division mainly deals with the approval of different types of loan, manage the repayments of our UCC to avoid the credit default risk. I think it is the most risky department comparing to the other departments because our main income comes from the loan interest. If we approved a loan which becoming impossible to collect that amount of money with interest which will also faces a huge loss. I did following works in this department-

- Fill up the documents required for preparing the loan proposal
 - Made renewal loan proposal.
 - Made statement of account wise recovery of classified loans.
 - Prepare voucher for collecting the install of lease financing
- Duties & performance in Audit division:
- Complies with federal, state, and local financial legal requirements by studying existing and new legislation, enforcing adherence to requirements, and advising management on needed actions.
 - Prepares special financial reports by collecting, analyzing, and summarizing account information and trends.
 - Maintains customer confidence and protects operations by keeping financial information confidential.
 - Maintains professional and technical knowledge by attending educational workshops; reviewing professional publications; establishing personal networks; participating in professional societies.



- Accomplishes the result by performing the duty.
- Contributes to team effort by accomplishing related results as needed.

CHAPTER- 04

Bangladesh Rural Development Board (BRDB)

4.1 Bangladesh Rural Development Board (BRDB):

BRDB is the largest public sector agency in the field of microcredit and social mobilization in Bangladesh. It organizes the rural poor through co-operatives and informal groups to provide an institutional framework for their development through credit, skill development training, and services in family planning, health, education and other social development components. Target groups include small farmers who own land up to 0.5 acre, and asset less women and men. Between 1990/91 and 1997/98, BRDB distributed Tk 10.30 billion as microcredit to 1.6 million beneficiaries through 0.12 million groups in 440 thanas.

BRDB loan recovery rate is high (about 97%). It planned to disburse Tk 4.03 billion of microcredit in 1999/2000. Bangladesh academy for rural development (BARD) and rural development academy (RDA), primarily set for training and action research, also implement microcredit programs. Cumulative disbursements made by these two organizations up to 1998 were Tk 416 million and Tk 100 million respectively and their recovery rate was 98%. Other government agencies that operate with microcredit programs are a number of ministries, departments, and some specially created agencies for alleviating poverty. In



1999/00, they disbursed Tk 20.35 billion as microcredit. palli karma sahayak foundation (PKSF) alone extended microcredit to about 700,000 borrowers through 150 NGOs affiliated as partner organizations. According to some estimates, the number of all beneficiaries receiving microcredit from 363 NGO-MFIs in the country during 1976-2000 crossed 5 million. Activities for which microcredit is sanctioned or used are livestock and fisheries, rural transport, small entrepreneurship and trading, manufacturing, housing, rural forestry, poultry, service, and other non-farm self-employment and income generating/livelihood trades.

The acts under which NGOs operating with microcredit program can be registered are the Societies Registration Act 1860, company's act 1994, Co-operative Societies Act 1984, Charitable and Religious Trust Act 1920, and Trust Act 1882. NGOs willing to receive donations from different foreign sources have to be registered with the NGO Affairs Bureau under the Foreign Donations (Voluntary Activities) Regulation Ordinance 1978.

MFIs have been observed to have transaction costs. Identification and selection of target borrowers and the activity of maintaining a high loan recovery rate are costly as well. Group lending, for example, involves social intermediation, including group formation, training, and other noncredit activities. These activities are necessary to create a sense of responsibility in individual borrowers of microcredit. Because of such high transaction costs, microcredit programs are heavily dependent on subsidized.

4.2 Vision, Overview, Mission, Strategy

4.2.1 Vision of BRDB

As other micro-credit operations organizations, BRDB has the vision of Poverty free and self-reliant rural Bangladesh.

4.2.2 Overview:

Bangladesh Rural Development Board is the prime government agency engaged in rural development and poverty alleviation. BRDB basically operates by organizing the small and marginal farmers into cooperative societies for increasing agricultural production through improved means and by forming formal or informal groups of landless men and distressed women to promote income generating activities in the rural areas. The origin of BRDB lies in



the erstwhile Integrated Rural Development Program (IRDP) which was launched in the early 70s to replicate Two-Tier Cooperative, popularly known as the Comilla Model the Upazila Central Cooperative Association (UCCA) - Village based farmer cooperatives (KSS) system. The system is based on the "Comilla approach" to rural development, as conceived by the Bangladesh Academy for rural Development (BARD) in the early 1960s. IRDP was introduced to promote economic growth through increased agricultural production.

Two-Tier Cooperative as the core component of IRDP together with other elements such as capital accumulation, training, credit, marketing, extension and technological support promoted IRDP to help attaining food autarky in the country. In view of IRDP success the program was transformed in 1972 into a nation- wide institution called Bangladesh Rural Development Board. Gradually, the activities of BRDB expanded beyond its originally mandated functions to the task of alleviation of endemic rural poverty by reaching the poorest of the poor through group- based self-employment and income enhancing initiatives.

In order to fulfill its lately assumed mission of reducing rural poverty. BRDB had to adopt a new strategy and undertake a number of development projects in addition to its normal programs. BRDB has so far implemented 66 development projects and 11 are known under implementation. Each project designed and implemented by BRDB includes in itself various social development issues such as Primary Health Care, HIV/AIDS, sanitation, environment, mass education and the like which has an indirect impact on reducing rural poverty. BRDB thus moved from a sectoral approach to a multidimensional approach with the following goal, objectives and strategies.

4.2.4 Mission of BRDB

BRDB compile their mission to reduce poverty and improve socio-economic conditions of the rural poor people through rural development, cooperative based activities, development of cooperative based marketing system and continuous research on rural development. The outstanding mission of BRDB includes the followings:

- (i) To organize Comilla type of cooperative for optimum utilization of human as well as material resources available to development.



- (ii) To organize rural masses into cohesive & disciplined group for planned sustained development.
- (iii) Accumulate/mobilize rural capital through thrift deposit & sale of shares.
- (iv) Ensuring proper utilization of institutional credit
- (v) Developing human resources through training & motivation to the portfolio of demand driven as well as women empowerment.
- (vi) Integrate Supply & Services for effective utilization.
- (vii) Develop local leadership as community catalyst.

BRDB basically emphasis on institution building toward RD, which involves human element, is by no means an easy job. As such, it has well defined strategically dimension.

4.2.5 Strategies:

BRDB's efforts includes institutional building which act as a leading instrument to promote RD a package organizational human infrastructure with the following elements:-

- Institutions setting both formal & non-formal nature.
- Training of both beneficiaries & functionaries as animators.
- Credit as Micro/Farm loan /Rural Non-Firm (RNF)
- Marketing & storage efforts.
- Other productive inputs.
- Implementing community & target based projects & programs.
- Encouraging rural capital mobilization.
- Multipurpose catalysts.
- Shift of assumption from time bound project to program approach.
- Collaborating with NBD's, Local self-government & NGOs.



- Gender development activity.
- Efforts towards sustainable track of activity.

4.3 History

In the early sixties the Comilla Model was evolved in rural development by Dr. Akhter Hamid Khan (1914 - 1999), a renowned social scientist and social reformer, through an action research work at the Bangladesh Academy for Rural Development (BARD) in Kotbari, Comilla. This model is known as the Two-Tier Co-operative system, which has become the main vehicle of Rural Development in Bangladesh.

The origins of the BRDB lie in the erstwhile Integrated Rural Development Programme (IRDP), launched in the early 1970s to replicate the Two-Tier Cooperative System, popularly known as the TCCA-KSS System. The TCCA-KSS System – based on the Comilla Approach to rural development – became the keystone of the IRDP. At the most fundamental level, its application sought to promote economic growth through increased agricultural production and ensure that the rural poor attained self-sufficiency in food production.

The IRDP utilised the TCCA-KSS System to deliver a portfolio of poverty alleviation initiatives, including capital accumulation, training, credit provision, sales and marketing assistance, and extension and technological support.

The Integrated Rural Development Programme was dissolved with the promulgation of the Bangladesh Rural Development Board Ordinance LIII, which came into effect on January 13th, 1982. Under this Ordinance, a board to be called the Bangladesh Rural Development Board was established to carry out the purposes of the said ordinance. That is, to formulate policies, coordinate activities and supervise the implementation of various projects and programs relating to rural development, and to strengthen the rural economy of Bangladesh.

4.4 Organogram

The Board of directors that governs the BRDB consists of twenty-one members. The Honorable Minister of Local Government, Rural Development and Cooperatives acts as its chairperson, the Secretary of Rural Development and Cooperative Division as the Vice-Chairperson and the Director General of the BRDB as the member secretary.



Senior representatives from various ministries, departments and agencies constitute the members of the Board. The Board is mainly responsible for dealing with policy issues, developing long-term plans, coordinating and reviewing operational progress and formulating future guidelines. The Director General of the BRDB is responsible for the implementation and evaluation of policies.

The main office of the BRDB is located in Dhaka and consists of five main divisions, (i) Administration, (ii) Field Services, (iii) Planning, Evaluation and Monitoring, (iv) Finance, Accounts and Auditing, and (v) Training. Each division is headed by one Director who is assisted by Joint, Deputy and Assistant Directors, as well as supporting staff. Rural Development Officers are responsible for implementing the BRDB program on the ground, at District and Upazila levels.

4.5 Activities Of BRDB/ Main Scheme:

The BRDB's Main Scheme seeks to deliver an institutional development package that, at its heart, promotes the formation of cooperatives amongst the rural poor.

Main Scheme is the core program of BRDB which is funded by the Government of Bangladesh. The Main Scheme aims to develop the socio-economic condition of the small and marginal farmers, women and rural poor through two-tier cooperatives; which involves village based cooperatives linking with Upazila central cooperative Association.

Through this two-tier cooperative structure, BRDB provides development services; such as, short and medium term credit, training in modern agricultural and extension techniques, supplies of high-yielding varieties of seed, fertilizer, irrigation technologies, marketing and sales support. It is through the delivery of these services that the BRDB promotes rural development and seeks to alleviate poverty.

The BRDB Main Scheme activities are as follows:

1. Organize farmers into village cooperative groups for providing support facilities aimed at increasing farm productivity and income.
2. Unite village cooperative into Upazila Central Cooperative Associations – known as Upazila Central Cooperative Associations (UCCAs). Deliver essential services, such as



supervised credit, training, agricultural extension, input supplies, technology and marketing support, to village societies through UCCAs.

3. Link UCCAs with national-level organizations.
4. Develop local leaders.
5. Ensure timely and sustained provision of required inputs.
6. Organize training for BRDB officials (both for utilization on development works and to strengthen the workforce of Government departments).
7. Undertake continuous monitoring and evaluation for existing programs and projects, and research avenues of service expansion.

4.6 Poverty Alleviation:

The BRDB was initially mandated to foster agricultural growth and reach self-sufficient food production. With the tremendous success of this approach (food production doubled within fifteen years from the early 1970s and the country reached near self-sufficient levels of production) the BRDB continued to focus its development efforts on those with production capabilities – that is, small and marginal farmers.

However, as it became clear that this approach to development largely neglected landless and ‘assetless’ people and that the socio-economic condition of such people was in fact continuing to worsen, the BRDB renewed its policies and placed the development of the rural poor at the top of its priorities.

By shifting its strategy and expanding its activities, the BRDB was able to couple its efforts to improve agricultural production with the active promotion of self-employment and income generating activities.

To this day, the BRDB places equal value on both the provision of financial and technological inputs and skills development, through training and education. With this approach, the BRDB continues to promote improvements in agricultural production and provide those with no means of production with opportunities to improve their standards of living.



As well as providing assistance to farmers and the rural poor, BRDB is implementing poverty reduction program for the Insolvent Freedom Fighters and their dependents.

4.6.1 Impact on Poverty:

BRDB's anti-poverty interventions have resulted alleviation of rural poverty to a remarkable extent. Approx. 31% of its beneficiaries in general have crossed the poverty line with visible progress in attaining a better standard of living as evidenced under RD-5 Project of BRDB as follows:

Indicators:	Changes
1. Afford three meals a day	70%
2. Ability for improved housing	40%
3. Arrangement for safe drinking water	98%
4. Improved health care & sanitation	71%
5. Primary education for children	93%
6. Afford improved and alternative dress	80%
7. Increase of assets	70%
8. Adopted family planning measure	91%
9. E.P.I	95%
10. Vegetable cultivation in homestead	76%
11. Social A forestation	80%
12. Participation of women in decision making	92%
13. Employment for members (43 hrs/week)	80%
14. Alternative employment opportunities	60%

4.6.2 Poverty Alleviation Projects:



A. Integrated Poverty Alleviation Program (IPAP)

It's a Government funding program, with its area of operation reaching 450 Upazila across the country. The aims of the program is to form informal groups, imparts skill training, self-employment, accumulation of own capital through thrift deposits, supply of micro-credit for income generating activities, raise awareness and rebuild the confidence of the poor, human resource development, up-keeping environment and ensuring the sustainability of the previously completed projects under BRDB. It has Credit Disbursement 68020.77 Lakh taka and Credit recovery 49202.95 Lakh taka where Rate of Credit recovery is 87%.

B. Rural Poverty Alleviation Program (RPAP)

This program is a Government funded project that covers 125 Upazilas. The program aims to alleviate poverty and improve the living standard of the targeted rural poor. This is achieved through individual income generating activities for the rural poor and organizing them in to informal groups. Like, Informal Groups (Male) 10404 & Informal Groups (Female) 39150 and the Rate of Credit recovery is 87%

C. PalliProgatiProkalpa (PPP)

This project is a Government funded project that operates in 477 Unions of 476 Upazilas of Bangladesh. The major objectives of the project are:-

- Comprehensive village development through alleviation of poverty of the rural people and ensuring them an improved quality of life;
- Empowerment of the rural women;
- Reduction of the number of poor;
- Generation of awareness with mindset for increased Human Development Index;
- Promotion of Income Generating Activities with micro-finance and reduction of migration of the rural population.

D. Rural Livelihood Project (RLP)



The overall objective of this project is to support the government poverty reduction efforts through the creation of sustainable farm and off-farm employment opportunities among the poor people of the community. It worked on District Covered: 23, Upazila Covered: 152

E. Insolvent Freedom Fighters and their dependents training and self-employment program (FF)

This project aims to ensure the up-liftmen of the insolvent freedom fighters and their dependents are provided skill development training and micro-credit access on easy terms. This project operates across the country and is funded by the Government. Its Rate of Credit recovery is 50%.

F. Minor Crops Production, Preservation, Processing and Marketing Program (MCP&MP)

This is a government funding program that aims to reduce poverty and create employment opportunity through minor crops production, processing and marketing. The Project operates in 204 Upazilas across the country where no. of Members (Nos) 1,07,077 and the Capital formation in the form of savings (Lakh taka) : 120.00 Lakh taka

G. Comprehensive Village Development Program (CVDP)

This program aims to reduce poverty and improve the standard of living through implementation of a village based comprehensive development program that ensures the delivery of basic services (education, agriculture, health, security and environment) to the villagers. It's a government funding program. Its area of operation is 450 villages of 6 Upazilas (Madhukhali, Patnitola, Birgonj, Shajadpur, Paikghacha and Jhalakathisadar).

H. Production and Employment Project (PEP)

This project is a self-financing project that aims to improve the quality of life of the rural poor by substantial increase in income and social empowerment. The project operates in 27 Upazilas of greater Faridpur District which,

Credit Disbursement : 109026.04 Lakh taka

Male : 27710.90



Female	: 81315.14
Beneficiaries (Loanee member)	
Male	: 48318
Female	: 145216
Rate of Credit recovery (%)	: 99 %

I. DosthaParibarUnnayanSamity (DOPUS)

This program aims to reduce poverty of the rural poor and distressed women. This is achieved through empowering them to participate in income generating activities through the provision of the projects development training and micro-credit funds. This program operates in 22 Upazilas of 21 Districts where the Credit Disbursement 1257.94 Lakh taka, Credit recovery 935.99 Lakh taka and the rate of Credit recovery 91%

Local Level Rural Poor Employment Program (LORPEP)

Similar to the DOPUS program, but operates in 16 Upazilas within Feni, Noakhali and Luxmipur Districts where Rate of Credit recovery is 88%.

J. Socio - Economic Development Program in Hill Tracts (SEDPHT)

This is a government funded program that aims to reduce poverty and develop their physical quality of life of the landless, asstless and disadvantaged people of Chittagong Hill Tracts area. The project achieves this aim by providing skill development training and micro-credit for income generating activities. This program is implementing in 25 Upazilas under Rangamati, Khagrachari and Bandarban Districts.

K. Primary Health Care (BAN-PHC 006)

This project is funded by the Directorate of Health and has been implemented in only 3 Upazila's. This project aims to alleviate poverty and improve the quality of life of the vulnerable families. The project achieves this aim through providing seed capital as loan to generate income and create self-employment, allowing families to meet their basic needs which will promote and protect health within their families and communities.

10. A. MohilaBittaheenKendriyounnayanSamity (MOBIKUS)



10. B. DaridrobimochoneMohiladerArthokarmasangsthan (DAMAK)
10. C. Productive Employment & Development program for Rural Women (PEDPRW)(Funded by AARDO)
10. D.Special Multipurpose Dev. Projects For Poverty Alleviation In Disaster Prone Areas(MDPPADPA)

L. Participatory Rural Development Project (PRDP-2)

The overall and general goal of the project is set as the Link Model is extended in Bangladesh in accordance with the regional characteristics, it is BRDB's policy to extend the Link Model in Bangladesh, and the project will enhance BRDB in building a durable and flexible model that could be adopted by different Upazilas and districts after the project will be completed. The immediate goal is set forth as the Link Model functions in the project area, which is meant: (a) the Link Model has been proved effective at the Upazilalevel, (b) BRDB has gained institutional capacity to operate the Link Model.

Specific Objectives: Union development officers and organizers will be responsible for overall coordination and facilitation at Union Coordinating committee as well as at Village Committee are institutionalized in BRDB.

4.7 Women's Development

Women in Bangladesh, particularly those in rural areas, are severely disadvantaged. Inhibited by a low social status and lack of access to remunerative employment and educational opportunities, they have historically been unable to reap the benefits of development.

Since inception, the BRDB has been striving to improve the status of women within Bangladesh. It realises the necessity of involving all in the development process, and for that reason has undertaken steps to ensure women's participation.

In 1975, the BRDB launched a countrywide women's development project titled, "Strengthening Population Planning through Rural Women's Cooperatives". The project sought to mobilise women in the development process by organising them into cooperatives, which then granted members access to BRDB services. The success of the project led it to become established as a main scheme programme under the recurring revenue budget.



To This day, the program seeks, as always, to reach the following objectives:

- Organize rural poor women into cooperatives for their participation in socio-economic development,
- Improve rural women's socio-economic condition by equipping them with skills and knowledge,
- Provide working capital to female co-operators, to allow them to undertake various income generating activities and entrepreneurial development projects.
- To provide training on different IGA's, various STD's and HIV/AIDS preventive measures, women rights, women empowerment, child abuse etc.

4.7.1 Tangail Women's Training Centre:

It is an important and specialized women training Centre of BRDB situated in Tangail which providing valuable support and services to rural women, The Centre was built to provide advanced training to women co-operators, which could not be administered at the Upazila level. The Centre trains society representatives, who then return to their villages and train their fellow co-operators. To date, the Centre has provided training to over 9000 members.

4.7.2 Overview of the BRDB's Women's Programs

A. Mahila Bittaheen Kendrio Unnayan Samity (MOBIKUS)

This program aims to reduce poverty of the distressed women and empowered them socio-economically through providing skill development training and micro-credit for income generating activities. This program is implemented in 20 Upazilas within Dhaka, Manikgonj, Munshigonj, Narayangonj, Gazipur and Narsingdi Districts.

B. Self-Employment Project for the Poor Women (DAMAK)

This project aims to alleviate poverty, raise the standard of living and empower them socio-economically of the distressed women. The project operates in 21 Upazilas in the greater Jessore District.



C.Productive Employment and Development Program for Rural women (PEDPRW-AARDO)

This project is funded by the Afro-Asian Rural Development Organisation. The project aims to alleviate poverty, develop living standard and empower rural women. It is implemented in only 3 Upazilas in 3 Districts.

4.7.3. Achievements of the Women's Program:

This achievement shows how BRDB worked to develop women empowerment in Bangladesh.

Number of Societies Formed	7227
Members Enrolment	255406
Total Shares Deposited	90.88 Million Taka
Total Savings Deposited	209.46 Million Taka
Total Credit Disbursed	4708.75 Million Taka
Total Credit Realised	4145.90 Million Taka
Loan Recovery Rate	96%

4.8 PalliDaridraBimochanKarmachuchi (PADABIK) of BRDB

PalliDaridraBimochanKarmachuchi (PADABIK) is a program of Bangladesh Rural Development Board (BRDB) funded by the Government of Bangladesh. The main objective of this program is to create self-employment of rural poor people (male and female) and their overall standard of living through organizing them in informal groups, forming capital, imparting training and providing micro-credit. The main activities of the program are:

- a. informal group formation for male and female;
- b. training on skill, human resource and social development;
- c. formation of own capital through savings;



- d. disbursement of micro-credit for initiating income generating activities;
- e. providing marketing facilities; and
- f. achieving self –reliance through sustainability fund.

The first phase of PADABIK was started in 1993 in 145 upazilas of Bangladesh and continued up to June 1998. Then the second phase continued from July 1998 to June 2003. Now the program has been running by BRDB based on revolving fund through informal groups in 152 Upazilas. Out of the total number of groups and members, 60 percent are women. This program has made significant contribution to health and nutrition, family planning, awareness development, adult education, use of improved burner, tree plantation and women's empowerment (BRDB, 2007: 43; BRDB, 2008:29).

4.9 Extension Services

The extension services offered by BRDB help uplifting the status of the poor in various ways. Major achievements of such services are stated below:

Activities	Cumulative Total
(i) Tree Plantation	169.221 million
(ii) Pisciculture	1281.699 million
(iii) Sanitary Latrine	0.100 million
(iv) No. of Families using Improve Chulli	1.852 million
(v) Inoculation & Vaccination of Cattle/Poultry	271.630 million.
(vi) Establishment of Nurseries	0.002 million
(vii) Coconut Plantation	0.855 million

4.10 Training

The Training Division at the BRDB plays a vital role in ensuring skills development amongst BRDB staff and beneficiaries. Through the provision of training courses, at the four training



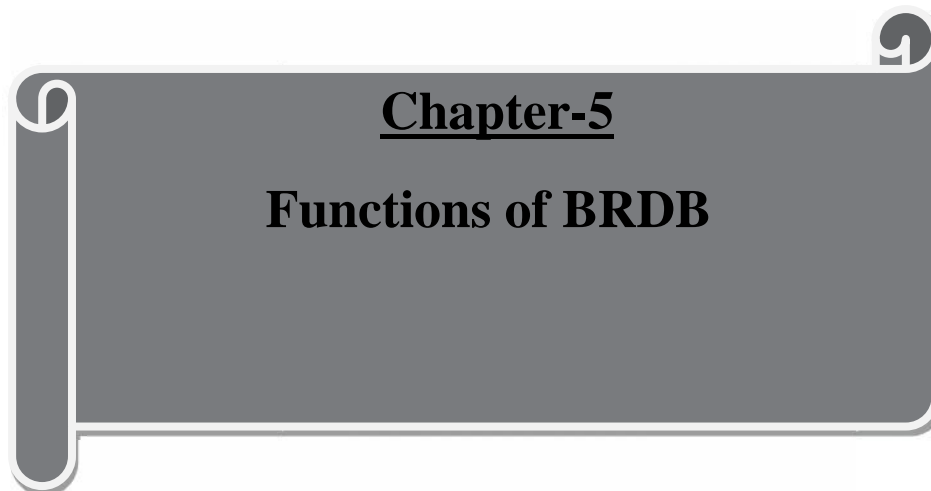
institutes of the BRDB, and by arranging for foreign courses, study tours, symposiums and seminars, it ensures that BRDB staffs are well-skilled in the requirements of their jobs.

In addition to institutional training, the Training Division manages all local level training for beneficiaries. At Upazila level, through Upazila Central Training Center's, training is offered on income generating activities, Women's empowerment, awareness development, environmental sustainability and a whole host of other knowledge and skill development areas.

Residential training is yet another method through which officers and staff at the BRDB are provided the opportunity to develop their skills.

Training Institutes

- Bangladesh Rural Development Training Institute (BRDTI)
- Noakhali Rural Development Training Institute (NRDTC)
- Tangail Women's Training Centre
- Bangabandhu Poverty Alleviation and Training Centre (BPATC)



Functions of BRDB

5.1 Guidelines by Bangladesh Bank for micro credit Financing:

The purpose of the Development Guidelines is to provide directional guidelines to the banks that are considering introduction of micro financing to entrepreneurs all across Bangladesh.



These Guidelines will assist banks to develop and implement pragmatic and value added products, efficient Credit Approval & Risk Management processes, sound organization structure, strong credit administration and robust collection procedures. It may be noted here that these are the minimum requirements and should not in any way be construed to restrict the role of the management processes through establishing comprehensive credit risk management systems. The Process Guidelines have been organized into the following sections:

- Policy Guidelines
- Product Program Guidelines
- Segregation of Duties
- Credit Approval
- Procedural Guidelines
- Approval Process
- Credit Administration
- Risk Management
- Collection & Remedial Management

5.2 Policy Guidelines:

Before embarking upon micro financing, authority shall develop full documented product program guidelines. These guidelines shall include objective/quantitative parameters for the eligibility of the borrowers and determining the maximum permissible limit per borrower. These fundamental guidelines will be the key elements that would support each microcredit culture and they will dictate organization's behavior when dealing with customers and managing lending portfolio of such loans. Any deviations from these guidelines must all cases will require approval from competent authority. Fundamentally, credit policies and procedures can never sufficiently capture all the complexities of the services. Therefore, the



following credit principles are the ultimate reference points for all concerned BRDB staff making consumer-financing decisions:

- Assess the entrepreneur's character for integrity and willingness to repay
- Only lend when the entrepreneur has capacity and ability to repay
- Only extend credit if BRDB can sufficiently understand and manage the risk
- Use common sense and past experience in conjunction with thorough evaluation and credit analysis.
- Do not base decisions solely on customer's reputation, accepted practice, other lender's risk assessment or the recommendations of other officers
- Be proactive in identifying, managing and communicating credit risk
- Be diligent in ensuring that credit exposures and activities comply with the requirement set out in Product Program generic Product Program Guideline (PPG) has been developed for micro Financing. It should take this as a reference and have the right to alter/amend these guidelines in terms of their own policy without compromising the fundamentals of credit principles.

5.2.1 Product Program Guideline

The guidelines are suggestive but not limited to this list, based on the requirements further guidelines to be incorporated in the PPG to ensure that the PPG is covering all the aspects of risk and return for the particular product.

- PPG Guideline No. 1: Customer Segment
- PPG Guideline No. 2: Purpose
- PPG Guideline No. 3: Nationality
- PPG Guideline No. 4: Age Limit - Minimum age (years) / Maximum age (years)
- PPG Guideline No. 5: Minimum Income
- PPG Guideline No. 6: Loan Size



- PPG Guideline No. 7: Loan to Price Ratio
- PPG Guideline No. 8: Security! Collateral
- PPG Guideline No. 9: Legal Documents
- PPG Guideline No. 10: Interest Rate
- PPG Guideline No. 11: Maximum Term of Loan
- PPG Guideline No. 12: Repayment Method
- PPG Guideline No. 13: Disbursement Mode
- PPG Guideline No. 14: Disbursement pre-condition
- PPG Guideline No. 15: Debt Burden Ratio (DBR %)
- PPG Guideline No. 16: Verification of Personal Details and Quotation
- PPG Guideline No. 17: Substantiation of Income

5.3 Segregation of Duties:

Adequate segregation of duties is a prerequisite of an effective system of internal control. To be adequate, segregation must ensure that persons independent of each other perform the following functions, although, within limits, certain may be combined so long there inadequate supervision:

- Credit approval, monitoring and recovery — by Credit unit
- Credit documentation and administrations — Loans processing and disbursement unit
- Credit collection and monitoring— UCC's monitoring unit
- Credit recovery — by Credit unit

The credit approval team will be independent from the ucc's monitoring team who will evaluate and approve the loan. The Credit Administration under Operations department will check and ensure the documentation and disburse the loans. This will ensure the better control of the BRDB asset and mitigate the risk of compromise of the duties.



5.4 Credit Approval

Applications are received at Credit Approval unit from BRDB local administrations office and monitored whole processing unit. As mentioned, they should develop their own set of comprehensive Loan Presentation Forms (LPF), which should at minimum include the following documents:

- Credit Memorandum
- Work sheet for Working Capital Requirement
- Income Statement
- Balance Sheet
- Cash Flow Statement
- Financial Ratios
- Checklists

Applications will be evaluated / assessed by Credit Analysts / Deputy Director on the basis of a fully documented Loan Presentation Forms (LPF). The evaluation process is carried out based on the agreed and standard guidelines for different loans services and the documents checklist as per the PPG. The detailed credit and risk assessment should be conducted prior to the approving of any loans. The monitoring unit is responsible for loan provided and should be the owner of the customer relationship, and must be held responsible to ensure the accuracy of the loan application submitted for approval. They must be familiar with the Lending Guidelines and should conduct due diligence on new borrowers, purpose of the loans and guarantors.

Credit Applications should include, as a minimum, the following details:

- Amount and type of loan(s) proposed.
- Purpose of loans.
- Loan Structure (Tenor, Covenants, Repayment Schedule, Interest)



- Security (if any)

5.4.1 Credit Approval Authority

Lending Authority is delegated to individual credit analysts and credit manager or senior credit executives by the Head of Deputy Director for the services. Records of such authority are also retained with UCC's supervisor. Copies of all Delegation of Lending Authorities are also retained by Loan Administrations Department.

5.5 Procedural Guidelines

5.5.1 Approval Process

Credit approval should be centralized within the Credit function. Regional credit centers may be monitored, however, all large loans (as defined in the PPG) must be approved by the Head of Credit or delegated Head Office credit executive. Any credit proposal that does not comply with Lending Guidelines, regardless of amount, should be referred to Head Office for Approval. Any UCC's of lending authority should be reported to chairman, Head of Internal Control, and Head of Credit. It is essential that executives charged with approving loans have relevant training and experience to carry out their responsibilities effectively. As a minimum, approving executives should have:

- At least 5 years' experience working in UCC's team as a senior supervisor or Rural Development Officer (RDO).
- Training and experience in financial statement, cash flow and risk analysis.
- A good working knowledge of Accounting.
- A good understanding of the local market. A monthly summary of all new facilities approved, renewed, enhanced, and a list of proposals declined stating reasons thereof should be reported by Credit Team to the Business Head.

5.5.2 Duplication of Check

All approved applications must be checked against bank's database to identify whether the applicant is enjoying any other loan in other account apart from the declared loans.



5.5.3 Maintenance of Negative Files

Two negative files — one listing the individuals and the other listing the employers - are to be maintained to ensure that individual with bad history and dubious integrity and employers with high delinquency rate do not get loan from organizations.

5.6 Credit Administration

After approval, Credit Team will send / forward the approved application along with the security and other documents to the Credit Administration Department under Operations Unit for processing. The Credit Administration function is critical in ensuring that proper documentation and approvals are in place prior to the disbursement of loan facilities. Under Credit Administration there may be two-sub unit, Documentation & QC and Loan Administration Dept. who will process the document and disburse the loan.

5.6.1 Credit Documentation

- To ensure that all security documentation complies with the terms of approval.
- To control loan disbursements only after all terms and conditions of approval have been met, and all security documentation as per the checklist of approved PPG is in place.
- To maintain control over all security documentation.
- To monitor borrower's compliance with agreed terms and conditions, and general monitoring of account conduct/performance.
- Upon performing the above, Documentation dept. will forward the Limit Insertion Instruction to the Loan Administration unit for limit and other information to input into the organizations main system.

5.6.2 Disbursement

Loan Administration dept. will disburse the loan amounts under loan facilities only when all security documentation is in place. All report is obtained, as appropriate, and clean.

5.6.3 Custodial Duties



Loan disbursements and the preparation and storage of security documents should be centralized in the regional credit centers. Security documentation is held under strict dual control, in locked fireproof storage.

5.6.4 Compliance Requirements

- All required Bangladesh Bank returns are submitted in the correct format in a timely manner.
- Bangladesh Bank circulars/regulations are maintained centrally, and advised to all relevant departments to ensure compliance.
- All third party service providers (values, lawyers, insurers, CPAs etc.) are approved and performance reviewed on an annual basis.

5.7 Risk Management/ Credit Risk

The credit risk is managed by the Credit & Collections unit (CCU), which is completely segregated from main office. The following elements contribute to the management of credit risks: The credit risk associated with the services is managed by the following: 1 .Loans will be given only after proper verification of customer's static data and after proper assessment & confirmation of income related documents, which will objectively ascertain customer's repayment capacity.2.Proposals will be assessed by independent Credit division (CCU) that is completely separated from head office but monitored by them.3 .Every loan will be secured by hypothecation over the asset financed, and customer's authority taken for re-possession of the asset in case of loan loss.4.The loan approval system is encouraged to be parameter driven as much as possible which will substantially eliminate the subjective part of the assessment procedure. 5.There will be dedicated 'collection' force that will ensure timely monitoring of loan repayment and its follow up.6.The Credit & Collection activities will be managed centrally and loan approval authorities will be controlled centrally where the local authority will have no involvement

5.7.1 Contact Point Verification: Contact Point Verification should be done wherever possible for all applicants. The external CPV includes residence, office and telephone



verifications. All verifications are done to seek/verify/confirm the declared/undeclared information of the applicant.

5.7.2 Fraud Risk: There is an inherent fraud risk in any lending business. The most common fraud risks is-

5.7.2.1 Application Fraud

The applicant's signature may not be verified for authenticity. However, the applicant's identity should be confirmed by way of scrutiny of identification and other documentation. A Contact Point Verification (CPV) agency should be in place to verify applicant's residence, office and contact phone numbers etc. There always remains the possibility of application fraud by way of producing forged documents. Considering the current market practices and operational constraints, it may not always be feasible to validate the authenticity of all documentation.

5.7.2.2 Political and Economic Risk

Political and economic environment of a country play a big role behind the success of business. It should always keep a close watch in these areas so that it is able to position itself in the backdrop of any changes in country's political and economic scenario.

5.7.2.3 Operational Risk

For consumer loans, the activities of front line sales and behind-the-scene maintenance and support are clearly segregated. Credit & Collections Unit (CCU) will be formed. CCU will manage the following aspects of the product: a) inputs, approvals, customer file maintenance, monitoring & collections; b) the Operation jobs like disbursal in the system including raising debit standing orders and the lodgment and maintenance of securities. Type 'a' jobs and type 'b' jobs will be handled by separate teams within CCU; therefore the risk of compromise with loan / security documentation will be minimal. It will ensure uncompromising checks, quick service delivery, uncompromising management of credit risks and effective collections & recovery activities.

5.7.2.4 Maintenance of Documents & Securities



CCU or Operations Unit will hold the applications and other documents related to micro-credit loans in safe custody. All this documents will go under single credit file per customer developed before launch of the product. The physical securities and the security documents will be held elsewhere inside fireproof cabinets under CCU' s or Operation's custody. The dual-key system for security placement and retrieval will have to be implemented.

5.7.3 Internal Audit

All micro-credit operations should have a segregated internal audit department who will be responsible with performing audits of all departments. Audits should be carried out on a regular or periodically as agreed by the Management to assess various risks and possible weaknesses and to ensure compliance with regulatory guidelines, internal procedures, and Lending Guidelines and Bangladesh Bank requirements.

5.8 Collection & Remedial Management Monitoring

A micro-credit loan specially BRDB portfolio should be subject to a continuous process of monitoring. This will be achieved by regular generation of over limit and overdue reports, showing where facilities are being exceeded and where payments of interest and repayment of principle are late. There should be formal procedures and a system in place to identify potential credit losses and remedial actions has to be taken to prevent the losses. Besides that the systems should be in place to report the following exceptions to relevant executives in RDO and the Deputy Directors:

- Past due principal or interest payments;
- Timely corrective action is taken to address findings of any internal, external or regulator inspection/audit.
- All loan facilities are reviewed annually. Computer systems should be able to produce the reports for central / head office as well as branch review.

5.8.1 Recovery

The collection process for micro loans will start when the borrower has failed to meet one or more contractual payment (Installment). It therefore, becomes the duty of the Collection



Department to minimize the outstanding delinquent receivable and credit losses. This procedure has been designed to enable the collection staff to systematically recover the dues and identify / prevent potential losses, while maintaining a high standard of service and retaining good relations with the customers. It is therefore essential and critical, that collection people are familiar with the computerized system (where applicable), procedures and maintain effective liaison with other departments within the organization.

5.8.2 Collection Objectives

The collector's responsibility will commence from the time an account becomes delinquent until it is regularized by means of payment or closed with full payment amount collected. The goal of the collection process is to obtain payments promptly while minimizing collection expense and write-off costs as well as maintaining the customer's goodwill by a high standard of service. For this reason it is important that the collector should endeavor to resolve the account at the first time worked. Collection also protects the assets of the bank. This can be achieved by identifying early signals of delinquency and thus minimizing losses. The customers who do not respond to collection efforts - represent a financial risk to the institution. The Collector's role is to collect so that the institution can keep the loan on its books and does not have to write-off! charge off.

5.8.3 Identification and Allocation of Accounts

When a customer fails to pay the minimum amount due or installment by the payment due date, the account is considered in arrears or delinquent. When accounts are delinquent, collection procedures are instituted to regularize the accounts without losing the customer's goodwill whilst ensuring that the interests are protected.

5.8.4 Collection/Monitoring Steps

To identify and manage arrears, the following aging classification is adopted: Days Past Due (DPD) Collection Action

- 1-14 Letter, Follow up & Persuasion over phone
- 15-29 1st Reminder letter & Sl. No. 1 follows



- 3 0-44 21li Reminder letter + Single visit
- 45593rd reminder letter
- Group visit by team member
- Follow up over phone
- Letters to Guarantor, Employer, and Reference all above effort follows
- Warning on legal action by next 15 day to 60-89 Call up loan
- Final Reminder & Serve legal notice
- Legal proceedings begin
- Repossession starts 90 and above
- Telephone calls/Legal proceedings continue
- Collection effort continues by officer & agent
- Letter to different Association

As and when a loan process become delinquent, collection system works together to achieve Successful objectives. At the beginning of the month collection unit has taken the total asset portfolio from the system. Then loan account has to identify and allocate those accounts to the individual collectors to collect the over dues on a set target basis. The respective collector has got one-month time to recover the overdue on a target-based matrix. During the month, field officer collection will generate the fresh arrival to the accounts once in a week and hand over those to the collectors of front end to minimize the delinquency as well as the flow rate. When of performing and non- performing credit portfolio shall be made for risk assessment and, where considered necessary, any account including the performing account will be classified, and the category of classification determined on the basis of time based criteria shall be further downgraded. Such evaluation shall be carried out on the basis of credit worthiness of the borrower, its cash flow, operation of the account, adequacy of the security, inclusive of its realizable value and documentation covering the advances. Apart from specific provisioning requirement as prescribed above, UCC will create adequate general



provision over the entire credit portfolio of Micro-loan. Therefore, all UCC shall maintain at all times a general provision of 5% of SE assets outstanding in its books.

5.8.5 Submission of returns

UCC shall submit the borrower-wise annual statements regarding classified loans/advances to the loan Inspection Department.

5.8.6 Timing of creating provisions

Banks shall review, at least on a quarterly basis, the collectibles of their loans / advances portfolio and shall properly document the evaluations so made. Shortfall in provisioning, if any, determined, as a result of quarterly assessment shall be provided for immediately in their books of accounts by the UCC on quarterly basis.

5.8.7 Reversal of provision

The provision held against classified assets will only be released when cash realization starts exceeding.

- In case of loss category the net book value of the assets.
- In case of doubtful category 50% of the net book value of the assets; and
- In case of sub-standard category 25% of the net book value of the assets. Further, the provision made on the advice of Bangladesh Bank will not be reversed without prior approval of Bangladesh Bank.

5.8.8 Verification by the Auditors

The external auditors as a part of their audits of BRDB shall verify that all requirements of Regulation- 12 for classification and provisioning for assets have been complied with. Bangladesh Bank shall also check adequacy of provisioning during their on-site inspections.



CHAPTER- 6

6.1 Findings:

Micro-credit sector faces a number of problems to facilitate institutional credit. These problems were looked into from the perspective of both borrower and lenders

1. Most of the borrowers do not have required collateral for getting fund from the BRDB.
2. Micro-credit operations in Bangladesh have lack of experience in the business field.
3. The interest rate extremely high for the entrepreneurs.
4. In our country, grace period is insufficient for repaying any credit.
5. Sometime BRDB's loan is misused by local authorizations.
6. Loan processing time is long. As a result authority is unable to complete the whole loan process.
7. Most of the micro-credits do not have basic infrastructure of their own.
8. Lack of information on loan application requirement among the BRDB loan seekers.
9. If loan disbursement is not in accurate time, borrowers will not be able to use the loan. As a result loan recovery will be unworkable.
10. The notice are not issued just time, for this reason some time the recovery of the loan is disturbed.



11. Lack of knowledge of borrowers is the problem to collection.
12. Difficulties in collecting the classified loan.
13. Lack of proper supervision.
13. Most of the time, BRDB offers project providing term loan & working capital loan.
14. BRDB provide processing fees to the employee who is worked with collecting loan from field that's why the loan borrower didn't have to pay any services fee.
15. Training program is arranged and managed for both parties of the BRDB employee to service taker.

6.2 Others problems are identified in the Micro-Credit sector:

1. Inadequate allocation of fund for public sector.
2. Lack of co-ordination and communication between authorized and local agencies.
3. Shortage of long-term credit.
4. Unstable share market.
5. Lack of technological information.
6. Competitive product market because of market economy.

Recommendations and Conclusion

6.3 Recommendations:

1. The collateral is needed to be flexible for getting fund from the govt.
2. Training program should be expanded for every sphere of BRDB.
3. The interest rate should be reasonable for the loan borrower.



4. The Grace period of repaying credit for any project, needs a minimum time to be in a stable position to generate profit.
5. Micro-credit needs proper guideline for conducting their business operation.
6. Processing time for loan need to be minimized.
7. The micro-credits need to be encouraged to follow basic formal infrastructure to conduct their business.
8. The loan seekers need to know the required information for getting loan.
9. If various notice declaration is assured against loan in proper period, the loan recovery will be easy.
10. For urgent certificate case solution, there should have kindly governmental order so that the certificate officers play an important role.
11. Effective supervision system in useful to avoided the misuse of loan.
12. Classified borrower need to provide required counseling.
13. To utilize the fund properly.

6.4 Conclusion:

After complete my Project Work I got much practical knowledge about micro-credit activity. There I have observed and learned many of the micro-creditactivities practiced in the BRDB. As the experiences micro finance in Bangladesh suggests, there is critical need for putting in place a credit delivery system that evaluates the credit worthiness of borrowers, on a basis other than fixed asset ownership. The evaluation may require examining transaction records of the borrowers, assessing the value of movable assets etc. There will also be the need for enhanced post disbursement monitoring. An effective Micro finance policy will have to cover such enhanced cost of credit administration. In addition to credit guarantee or refinancing facility there will have to be adequate rediscount facility for the primary lender to accommodate these costs. The financing scheme should also include special provisions for women entrepreneurs. Indeed, the Implementation of appropriate policies and strategies is a prerequisite to harness sustainable competitiveness of micro-credit operations around the



country. Suggestive remarks have been stipulated in this write up. With that paradigm, proactive policy is essential to enact them. The first step this regard is to make firm's fully aware of the competitive challenges they have to face. The next step is to help micro-credit prepare to meet the challenge by understanding their strengths and weaknesses and providing the inputs they need to help them upgrade. The main inputs are finance, market information, training, infrastructure development, R&D, management tools, technology, skills and links with institutions for support services. Micro-credit is considered to be the seedbed for the development of entrepreneurial skills and innovation. Small capital requirement makes easy entry and exit possible and private sector entrepreneurial activities have many important spill over and positive externality effects. However, liberalization of the economy along with rapid globalization has posed severe challenges to micro-credit not only in international markets but also in the domestic economy. Since micro-credits are based on relatively small investment, their survival depends on readily available markets with easy access. In today's world, market development is a much more challenging task, which requires coordinated efforts by individual business enterprises and the Government. Bangladesh has failed to maximize the benefits derived from the micro-credit sector, which promises and needs to play a pivotal role in promoting and sustaining the industrial as well as overall economic growth. The failure can be attributed to various reforms and trade liberalization measures that have squeezed the sphere of Government's activity in business. Consequently, the private sector has to lead the economy in a dynamic growth path. The role of micro-credit in providing productive employment and earning opportunities has emerged as an important concern among policy makers, donor agencies and researchers. Regardless of the correct magnitude, micro-credit is undoubtedly plays a very important role in the economy of Bangladesh in terms of output, employment, and private sector activities. They are quite predominant in the industrial structure of Bangladesh comprising over 90% of all industrial units. Together, the various categories of Micro-credit's is reported to contribute between 80-85% of industrial employment and 23% of total civilian employment (SEDF, 2010). However, serious controversies surround their relative contribution to Bangladesh's industrial output due to paucity of reliable information and different methods used to estimate the magnitude. The most commonly quoted figure by different sources (ADB, World Bank, Planning Commission and BIDS) relating to value-added contributions of the micro-credits is seen to vary between 45-50% of the total manufacturing value added.



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