

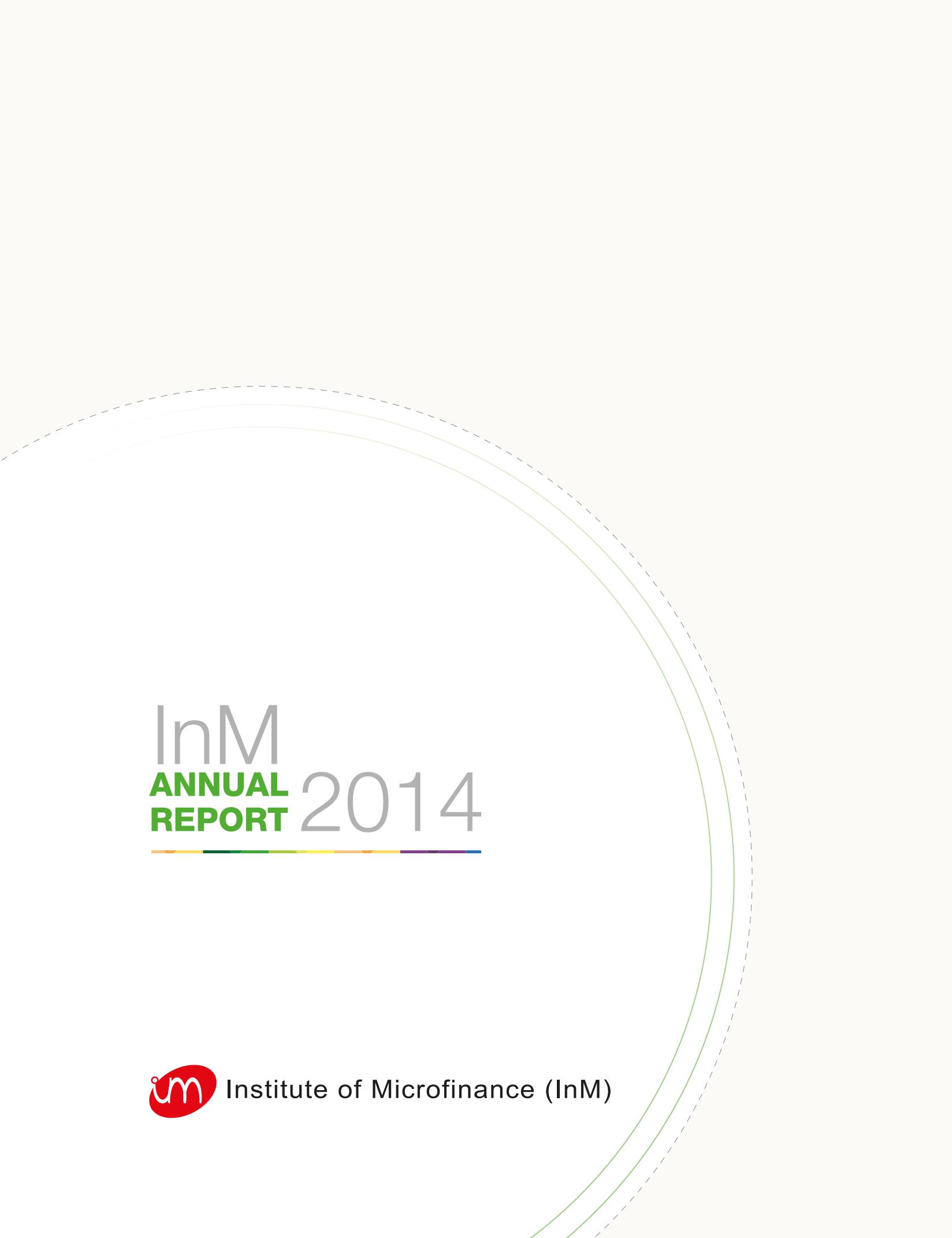


# InM **ANNUAL REPORT** 2014

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Institute of Microfinance (InM)



# InM ANNUAL REPORT 2014

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Institute of Microfinance (InM)

PUBLISHED IN OCTOBER 2015

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**inM**  
**ANNUAL**  
**REPORT**  
**2014**

# INSTITUTION CONVENTION

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# MESSAGE FROM THE CHAIRMAN

QAZI KHOQUIZZAMAN AHMAD



I am happy that the InM Annual Report 2014 is coming out. It is pleasing that noticeable progress has been made, over the past year or so, towards expansion and strengthening of the institution. I hope readers will find this report an important source of information regarding the issues covered.

I believe that access to finance is absolutely necessary for the poor people to shake off poverty, but microcredit alone is not of much avail in this context. For sustainable poverty reduction and improved livelihoods, an integrated approach involving finance, education, training, health services, water and sanitation, addressing impacts of natural disasters, infrastructure, social capital, access to technologies, proper arrangement for marketing of produced goods and services etc. is crucial. This is so because human living is multidimensional, and so is poverty.

In recent years, the economy of Bangladesh has made significant and solid strides, and it is predicted nationally and internationally that by end of this decade, the country will emerge as one of the quickest growing developing country. Indeed, Bangladesh's significant achievements encompass poverty reduction, education, gender equality in primary and secondary education, infant and child mortality

rates, maternal mortality rate, ICT, RMG, electricity generation, agriculture, and rural nonagricultural sectors. Poverty is down to about 24% as of 2014 from 40% in 2005 and extreme poverty to 11-12% from about 19% during the same period. Given proper and efficient implementation of integrated socio-economic-environmental action programmes, it is possible to further reduce extreme poverty towards its elimination over the next decade or so. In this context, various dimensions of poverty need to be assessed and addressed, as appropriate.

The InM can provide assistance in formulating such poverty reduction and development action programmes. The institute, in fact, now focuses, in its research activities, on multiple causes of poverty and on issues such as governance and regulation of microfinance, agriculture and livestock, food security and nutrition, women's empowerment, education and health services, vulnerability and risk minimization in the context of climate change, health insurance, and other aspects of sustainable development in Bangladesh.

It is also developing integrated training programmes. The Governing Body of the InM has already approved "Strategic Priorities for InM Training" formulated in consultation with Palli Karma-Sahayak Foundation

(PKSF) and Microcredit Regulatory Authority (MRA). In the meantime, the InM has started a diploma course, in addition to the usual fresher kind of training for few days for the functionaries of the MFIs. This diploma course is for both in-service people in the sector and those interested in finding jobs in the sector. The InM is also working to develop degree courses and will, in due course, seek affiliation with the University of Dhaka.

The InM values the suggestions and comments of the sector stakeholders in the context of designing/redesigning/modifying its research and training activities. In fact, over the past year, the InM has organized regional dialogues in six divisions of Bangladesh (Rangpur, Rajshahi, Sylhet, Chittagong, Jessor and Mymensingh). Members/programme participants of MFI experts and field level officers of NGOs and MFIs participated in these dialogues. Valuable ideas and proposals have emerged from the discussions and exchange of views that took place.

On the basis of the outcomes of the six regional dialogues, the InM organized a two-day National Convention on "Towards Poverty Alleviation and Social Development: The Role of MFIs" jointly with the PKSF and the MRA. Participants included top-level MFI functionaries, researchers, and experts in the relevant fields and senior officials of the PKSF and the InM.

The coming together in organizing such an event, the InM, the PKSF, and the MRA, which are respectively research, implementing, and regulatory organizations has surely been the beginning of cooperation of a unique nature. Obviously, data and analyses as to how things are and how may a trajectory be shaped up for sustainable poverty reduction and development are necessary for both designing/redesigning/modifying policies and programmes and implementing them on one hand and regulatory activities on the other. Clearly, these three organizations can together play an important role in properly managing the sector for the best possible results all round.

In this context, gender equality is also a key factor. Therefore, the InM now also focuses on gender and women empowerment issues. In fact, the InM organized a two-day (13-14 November 2014) International Conference on 'Gender and Women Empowerment'. The participants included reputed scholars from within Bangladesh and abroad, activists, policymakers, and implementers. The conference has been very successful and generated important ideas and proposals, some of which the InM can purposefully incorporate in its research and training activities in the course of time.

Along with social and economic processes, the third pillar of sustainable development is environmental

protection. A major issue here is the more frequent and devastating natural disasters occurring as a result of intensifying climate change. The InM has also begun to include the issue of climate change in both its research and training programmes. In fact, a one-day Seminar entitled 'Climate Change Adaptation at Community Level: the Role of MFIs', was organized by the InM jointly with Bangladesh Water Partnership (BWP) on 15 November 2014. The seminar focused on some of the relatively more vulnerable parts of Bangladesh, viz., the coastal areas in southern Bangladesh. Participants included policy-makers, implementers, and experts. The outcome document of this seminar contains analyses of the realities being faced by the people of the areas concerned as well as some pertinent ideas and proposals aimed at addressing those issues. The InM will use the findings as far as practicable in its research and training activities in the course of time.

Steps are afoot to strengthen the capacity of the InM and ensure its sustainability. Significant progress has been made, but much remains to be done. I am sure we shall succeed, although it may take a while.

In concluding, let me first of all gratefully acknowledge the support of the Government of Bangladesh to InM. Hon'ble Finance Minister Mr. Abul Maal A Muhith, (Ministry of Finance), Hon'ble Minister Begum Matia Chowdhury, (Ministry of Agriculture), Hon'ble Minister Mr. Amir Hossain Amu, MP, (Ministry of Industries), Hon'ble Minister Mr. Rashed Khan Menon, MP, (Ministry of Civil Aviation and Tourism), Hon'ble Minister Mr. Hasanul Haq Inu, MP, (Ministry of Information), Barrister Anisul Islam Mahmud, MP, (Ministry of Water Resources) and Hon'ble State Minister Mr. M. A. Mannan, (Ministry of Finance and Planning) attended various sessions in different sessions of National Convention as Chief Guests. I wish to record my thanks to them for their encouragement and support.

I also wish to thank the Members of the InM General and Governing Bodies. The PKSF has been supporting the InM in major way in relation to policy-making as well as support to research and training activities. We are thankful to PKSF. I also wish to acknowledge with thanks the support of DFID through the Prosper Project.

Finally, I recognize the effort that all staff members of the InM have been putting in to ensure that the institution gives the best possible account of itself in its research, training, dissemination, and other related actions.



Qazi Kholiuzzaman Ahmad



MESSAGE  
FROM THE  
**EXECUTIVE  
DIRECTOR**

PROFESSOR M. A. BAQUI KHALILY



I am glad to know that the Annual Report, 2014 going to be published. The year 2014 was full of activities. I believe the report has captured that well.

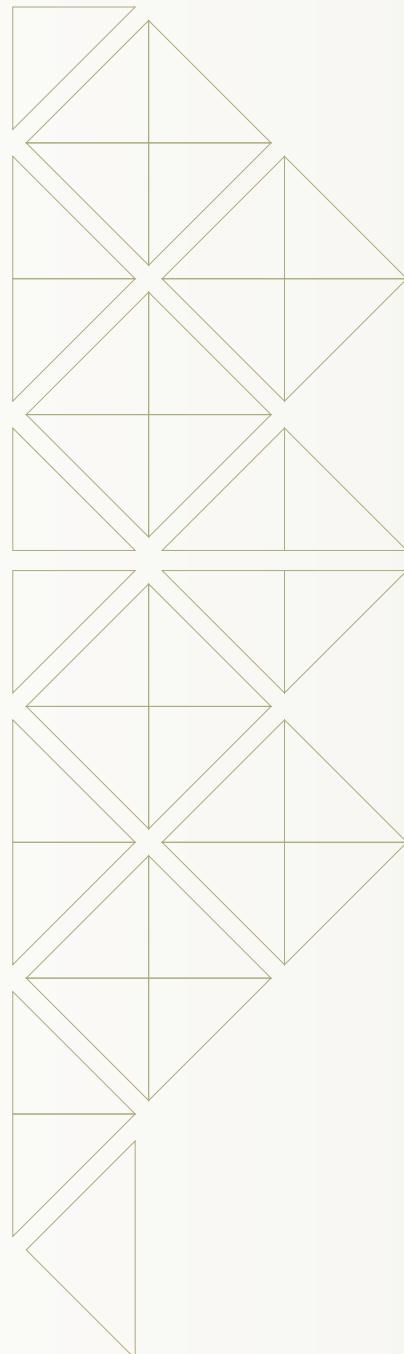
InM has been going through an evolution process and last year was critical from that perspective. The changes achieved in 2014, in terms of its enhanced institutional capacity and broadened area of work, have made the organisation ready for "take off". Surely we have done some important researches that have unfolded different perspectives of microfinance issues. But we have also realised that we need to cover more ground and issues that have significant impact on poverty to give InM's work an additional edge. We are now ready to change the discourse in microcredit financing for attaining sustainable development.

InM has carried out important researches in 2014 on long-term dynamics of microfinance, status of beneficiaries, state of microfinance development, micro-insurance, experience of service providers in the Sidr-Aila affected areas and so on. Besides' we hosted some national and international conferences and seminars last year. There the focus was on issues such as Women Empowerment and Climate Change Adaptation at Community Level with the objective to understand how they affect microfinance efforts as well as sustainable development. The year 2014 has been a milestone for education in Microfinance. InM, for the first time in Bangladesh, has introduces Diploma in Microfinance program. This has been widely welcomed by the professionals, MFIs and policy-makers. Training has been diversified; customized training programs have been organized. We are also trying to modify and expand our training and education programs in the light of these work so that they are all-encompassing and help InM's effort yield better results.

I would like to thank UKaid, DFID, PKSF, MRA and microfinance institutions for their support and guidance. My heartiest thank to the members of the Governing Body and General Body for their guidance and policy support to take InM forward.

I am grateful to Dr. Qazi Kholiuzzaman Ahmad, the Chairman of InM, whose leadership has been like the guiding light for the InM in its forward march. Lastly my appreciation goes to all of my colleagues at InM for their hard work, sincerity and ownership.

Wish everyone a successful year.



Professor M. A. Baqui Khalily

# GLIMPSES OF InM 2014



- 13 Working Papers
- 06 Regional Dialogue's Report
- 02 Conference Brochures
- 01 Keynote Paper of the Seminar
- 01 Brochure of Education Program
- 02 Articles in International Journals
- 01 Annual Report

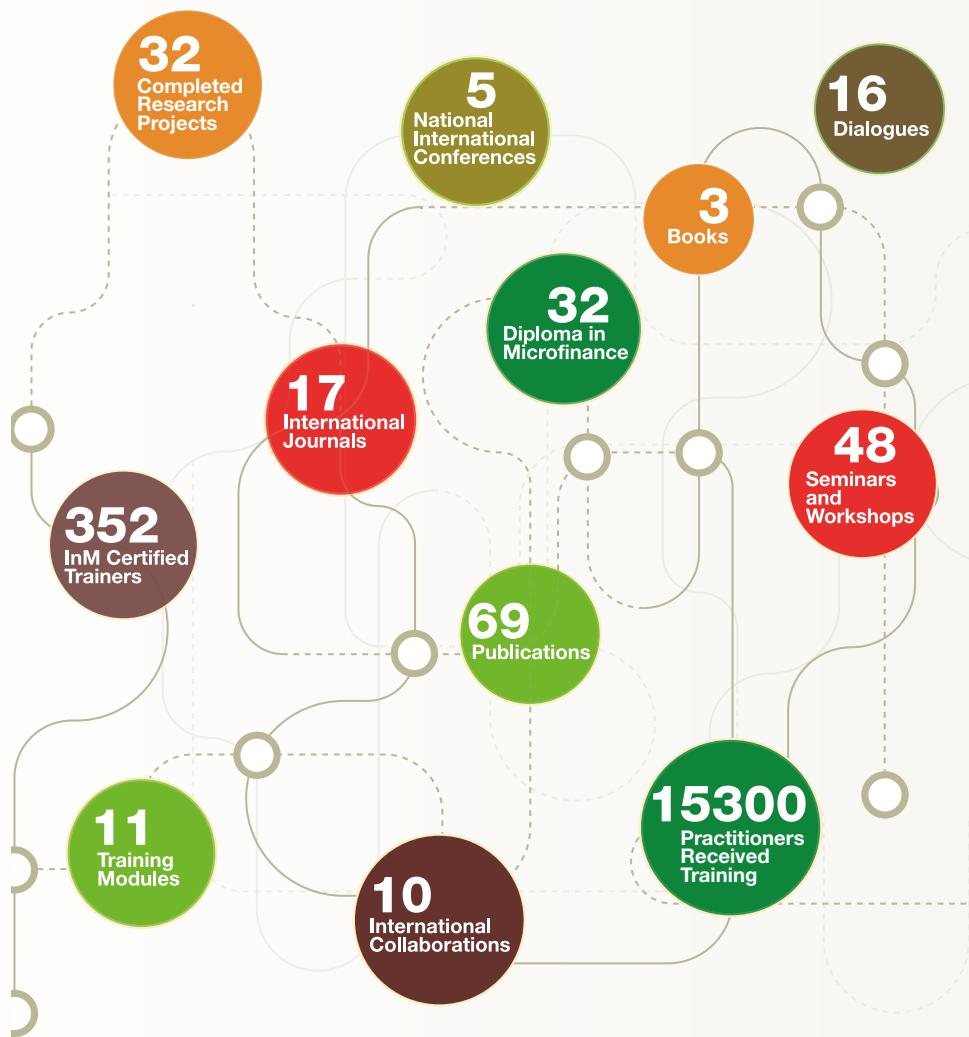
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- 05 Completed Research Studies
- 11 On Going Research Studies
- 01 National Convention
- 01 International Conference
- 06 Regional Dialogues with the MFIs
- 01 Central Dialogue with the MFIs
- 01 National Dialogue on Education Budget
- 01 Strategic Review
- 04 Seminar
- 08 Training of Trainers
- 153 Master Trainers Developed
- 02 International Training
- 721 Participants from PKSF POs Trained
- 137 Executive Heads of MRA Pre-Licensed MFIs Trained

## EDUCATION PROGRAM LAUNCHED

To contribute to the capacity building of the microfinance sector, the institute introduced education program initially with Certificate Courses and Diploma Program in Microfinance for the first time in the country's history

# InM INFOGRAPH 2007-2015



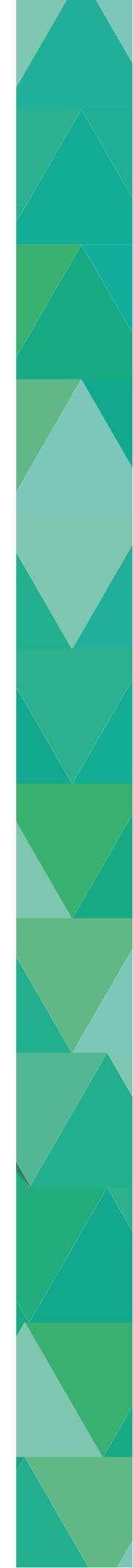
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# THE INSTITUTION, GOVERNANCE AND INTERNAL MANAGEMENT



Institute of Microfinance (InM)



# THE INSTITUTION

## ABOUT THE INSTITUTE OF MICROFINANCE

The Institute of Microfinance (InM) is a non-profit organization established primarily to meet research and training needs of national as well as of global microcredit programs. Initiated and promoted by Palli Karma-Sahayak Foundation (PKSF) on November 1, 2006, InM is registered as an independent non-profit institution under the Societies Registration Act 1860. It is principally funded by UKaid, Department for International Development (DFID) through its Promoting Financial Services for Poverty Reduction (PROSPER) Programme. The Institute is working for developing the overall capacity of the microfinance sector and achieving the output related to knowledge creation, management, and dissemination in the area of microfinance and poverty. The Institute is working for developing the overall capacity of the microfinance sector through research training management.

## VISION

Towards establishing a poverty free world, InM sees itself as a frontline center of excellence in knowledge creation and management.

## MISSION

Firstly, InM will contribute to the capacity building of the microfinance sector in Bangladesh through training and academic programs for human resource development, conducting research studies and dissemination of findings, regular dissemination of new knowledge and technology for the benefits of the sector. Secondly, the institute should emerge as a center of excellence in microfinance, poverty, enterprise development, and other allied areas at the national and international levels through building network with microfinance institutions, sector stakeholders, reputed researchers, thinkers and professionals, and exchange of ideas and experiences.

## GOALS AND OBJECTIVES

InM is committed to poverty reduction and rural development through research, training and knowledge management on microfinance at the national and international levels.

## THE INSTITUTE HAS THE FOLLOWING KEY OBJECTIVES

- To conduct research on microfinance and its effects on the economy, poverty alleviation, inequality and vulnerability.
- To initiate, undertake and promote research and action research activities directed towards the expansion, growth and consolidation of national and global microfinance and related programs for poverty alleviation.
- To collaborate with national and international agencies and universities for research, action research and other professional activities such as training, livelihood promotion, environmental issues, experimentation and academic degree programs in Bangladesh and other countries.
- To use research results and lessons of inter-country experiences and prepare policy notes and reports to help policymakers and practitioners of microfinance.
- To initiate, undertake and arrange training programs for microfinance professionals and practitioners from home and abroad.
- To develop and maintain database on national and global microfinance.
- To set standards, prepare best-practice examples, formulate policy documents and prepare guidelines to help the sector stakeholders.

## MAJOR SERVICES

The major services that InM provides are research on poverty, microfinance, enterprise development, impact assessment and evaluation of microfinance programs. InM also provides microfinance related training, capacity building support and knowledge management services to microfinance institutions and other development organizations. Recently InM also provide education support Diploma in Microfinance.

## RESEARCH

InM conducts different research studies on both demand side and supply side issues. It covered issues like "Access to Financial Services", Dynamics of Poverty in Rural Bangladesh", Micro insurance, Poverty and Vulnerability", Long-term Dynamics of Microcredit Programs in Bangladesh", Environment and Climate Change' "Effectiveness of MRA Regulations". and so on.

## TRAINING

Training needs assessment and capacity building planning, training of trainers, scheduled and tailor-made

courses, curriculum and module development, training evaluation, and so on.

## CONSULTANCY

Microfinance programme management, developing policy advice, strengthening local governance, strategic planning, project design and development, monitoring and evaluation, change management and institutional development, and so on.

## LEGAL ENTITY

InM is registered as an independent non-profit research and training institute under the Societies Registration Act 1860





The institute is governed by a two-tier Governing Body and general Body governance system. The basic governance lies with the Governing Body of the Institute. It comprises of seven members, including the Executive Director of the Institute as an ex-officio member. Professor M. A. Baqui Khalily is currently the Executive Director of the Institute.

#### **GENERAL BODY**

The general body is the institute's highest authority. It is responsible for the overall policy guidance and direction

for efficient functioning of the institute. Total number of members of the General Body is 14 (fourteen), including 7 (seven) members of the Governing body.

#### **CHAIRMAN**

##### **Dr. Qazi Kholiuzzaman Ahmad**

Chairman, Palli Karma-Sahayak Foundation (PKSF), Chairman of Governing Council and Director of Dhaka School of Economics (DScE), and Member of the 2007 Nobel Peace Prize winning UN Intergovernmental Panel on Climate Change (IPCC) Team

## MEMBERS

### **Ms. Rasheda K. Chowdhury**

Former Advisor to the Caretaker Government of Bangladesh, and Executive Director, Campaign for Popular Education (CAMPE)

### **Mr. Md. Abdul Karim**

Managing Director  
Palli Karma-Sahayak Foundation (PKSF)

### **Professor Dr. A.K.M Nurun Nabi**

Vice-Chancellor  
Begum Rokeya University, Rangpur

### **Dr. Pratima Paul-Majumder**

Former Senior Research Fellow  
Bangladesh Institute of Development Studies (BIDS)

### **Dr. Toufic Ahmad Choudhury**

Director General  
Bangladesh Institute of Bank Management (BIBM)

### **Professor M. A. Baqui Khalily**

Executive Director  
Institute of Microfinance (InM)

### **Mr. Khondkar Ibrahim Khaled**

Former Chairman, Bangladesh Krishi Bank (BKB) and  
Former Deputy Governor, Bangladesh Bank

### **Dr. M. A Hakim**

Professor and Chairman  
Department of Economics  
Southeast University, Bangladesh

### **Dr. Bondana Saha**

Supernumerary Professor  
Bangladesh Institute of Bank Management (BIBM)

### **Professor Rezai Karim Khondker**

Professor  
Department of Economics, Dhaka  
School of Economics, Dhaka

### **Begum Parveen Mahmud**

Managing Director  
Grameen Telecom Trust  
Former Deputy Managing Director  
Palli Karma-Sahayak Foundation (PKSF) and  
Former Chairman, Institute of Chartered Accountants  
of Bangladesh (ICAB)

### **Dr. Mohammad Jashim Uddin**

Deputy Managing Director  
Palli Karma-Sahayak Foundation (PKSF)

### **Dr. Md. Mosleh Uddin Sadeque**

Director (Training and Operations), Institute of  
Microfinance (InM)

as on December 31, 2014



# THE GOVERNING BODY

The Governing Body, subject to general control and supervision of the general body, holds the responsibility to pursue and carry out the goals of the organization. In order to tin organization's intended goal, it determines the direction and scope of the activities. The basic governance lies with the governing body. It comprises of seven members, including the Executive Director of the Institute as an ex- officio member. There are seven members in the Governing Body.

**Dr. Quazi Khaliquzzaman Ahmad**

Chairman

Chairman of PKSF

Chairman of Governing Council and Director of Dhaka School of Economics (DScE), and Member of the 2007 Nobel Peace Prize Winning UN Intergovernmental Panel on Climate Change (IPCC) Team



**Ms. Rasheda K. Chowdhury**

Former Advisor to the Caretaker Government of Bangladesh and Executive Director Campaign for Popular Education (CAMPE)



**Mr. Md. Abdul Karim**

Managing Director

Palli Karma-Sahayak Foundation (PKSF)



**Prof. Dr. A.K.M Nurun Nabi**

Vice-Chancellor

Begum Rokeya University, Rangpur

**Dr. Pratima Paul-Majumder**

Former Senior Research Fellow

Bangladesh Institute of Development Studies (BIDS)



**Dr. Toufic Ahmad Choudhury**

Director General

Bangladesh Institute of Bank Management (BIBM)



**Prof. M. A. Baqui Khalily**

Executive Director

Institute of Microfinance (InM)

# THE INTERNAL MANAGEMENT

## REVIEW, COORDINATION AND PLANNING

To review, coordinate and monitor the planning of the institute, all regular employees of InM meet at the "Staff Coordination Meeting". The review agenda relates to the inter-departmental coordination and collaboration to ensure more integrated and complementary actions in terms of both organizational and administrative activities. It provides the opportunity for the staff to interact and discuss issues relating to various departmental operations. The employees also discuss the organizational strategies and plans.

## InM TEAM

For operating the Institutional activities smoothly, the research, training and knowledge management divisions of InM have an excellent team of professionals with great proficiency. The regular core research group comprises well-coordinated and dedicated researchers with extraordinary expertise. Besides, InM draws research scholars from reputed national and international universities and institutions across the world. In addition, InM always welcomes interested researchers and academicians to join the dynamic team for working with the best practice examples of the sector.



**PROFESSOR M. A. BAQUI KHALILY**  
Executive Director, InM



**DR. MD. MOSLEH UDDIN  
SADEQUE**  
Director (Training and Operations)  
and Finance



**SHABBIR AHMED CHOWDHURY**  
Director (Education)



**K. M. TAREK**  
Head of Admin



**MD. ABDUL HYE MRIDHA**  
Sr. Deputy Director (T and A)



**AZAHAR ALI**  
Deputy Director (F and A)



**SIFAT E AZAM**  
Deputy Director (MIS and KnM)



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# RESEARCH



Institute of Microfinance (InM)

Research is the most important part of the InM's mandate. It is mainly focused on the issues, challenges, and experiences of microfinance programs, and their role in development and poverty reduction. Research topics are based on issues that have a bearing on microcredit policies, relevant strategic issues of microfinance and development in the short and long term.

## KEY CONSIDERATION OF RESEARCH

The key consideration of research is to derive lessons from and gain insights into the ongoing microcredit programs. The expectation is the research findings will inform future policies and contribute to making this sector more productive and sustainable.

## RESEARCH COMMITTEE (RC)

A five-member Research Committee (RC) is entrusted with the overall responsibility of research work initiated by the InM. Their role involves evaluating and approving research proposals, monitoring the progress and deliberating on various decisions regarding research. The present committee consists of the following members:

### CHAIRMAN

Executive Director, InM,

### MEMBERS

Director, Research and Knowledge Management, InM

Professor S. R. Osmani, Department of Economics, University of Ulster, UK, and Visiting Fellow, InM

Dr. Mahabub Hossain, Former Executive Director, BRAC

Professor Mohammad Osman Imam, Department of Finance, University of Dhaka

## RESEARCH FOCUS

InM's research focus has evolved around themes such as Access to Financial Services, Poverty Dynamics in Rural Bangladesh, Impact of PRIME Interventions,

Microinsurance, Poverty and Vulnerability in Bangladesh, and so on. In recent years the institute has broadened its research scope by incorporating subjects like Inclusive Finance, Enterprise Development, Health and Education, Rural Credit Market Portfolio and Performance of MFIs, Indebtedness of Microcredit borrowers, and so on.

## RESEARCH STAFF OF InM

The institute has two categories of research staff – in-house and visiting researchers. Fresh graduates with outstanding academic results work for InM under the leadership of senior researchers with international reputation. The visiting researchers are appointed from various reputed local and foreign universities and research institutions.

## COMPLETED RESEARCH PROGRAM

- Long-term Dynamics of Microcredit Programs in Bangladesh Team Leader: Dr. Shahidur Rahman Khandaker
- Assessment of Existing Status of Beneficiaries and Experience of Service Providers in the Sidr, Aila affected areas of Bangladesh with a Particular focus on Microcredit Team Leader: Dr. Santi Ranjan Howlader
- State of Microfinance Development in Bangladesh – Financial Inclusion and Overlapping (InM-MRA) Team Leader: Prof. M. A. Baqui Khalily, Team Leader, InM MRA project.

## LONG-TERM DYNAMICS OF MICROCREDIT PROGRAMS IN BANGLADESH

- Dr. Shahidur Rahman Khandaker, Co- Researcher Team Leader

Over the last two decades, Bangladesh has witnessed significant income growth and poverty reduction. During the period, microlending has risen sharply and competition among microfinance institutions (MFIs) has intensified. This study attempts to assess- (1). how much of the observed growth in income and poverty

reduction can be attributed to microfinance growth and (2). how competition among the MFIs play out in rural credit markets. A follow up household survey of some 3,000 households was conducted in 2010/11 to create a long panel along with two earlier surveys carried out in 1991/92 and 1998/99. The program level panel data from 2005 to 2010 was made available by InM on 117 MFIs, including BRAC, ASA and Proshika.

An analysis of the long panel household data (1991/92-2010/11) yields interesting findings. First and foremost, microcredit participation indeed improves household income and lowers extreme poverty. Second, the households that participated in microcredit programs continuously over a certain period of time benefited more from such participation than their counterparts who participated only irregularly.

The analysis of 117 MFIs demonstrates the changing roles of MFIs in product markets and pricing, targeting and MFIs ability to recover loans. Findings do not support the assumption that newer MFIs are less risk averse than their older cohorts in targeting, or that increased borrowing among households due to MFI competition has lowered loan recovery rates. Agricultural credit has increased for newer MFIs, but savings products have declined over the period, with loan activity rising among borrowing groups relative to older MFIs.

#### ASSESSMENT OF EXISTING STATUS OF BENEFICIARIES AND EXPERIENCE OF SERVICE PROVIDERS IN THE SIDR, AILA AFFECTED AREAS OF BANGLADESH WITH A PARTICULAR FOCUS ON MICROCREDIT

- Dr. Santi Ranjan Howlader, Team Leader
- Dr. Nilufar Banu
- Dr. Rezaul Karim

Cyclones, floods and tidal surges are common causes of vulnerability and risks for lives and property of the people living in the coastal areas of Bangladesh. Aila and Sidr are believed to be among the most devastating ones in the history of Bangladesh. The thousands of people affected by these disasters did receive relief from state and non state actors. But alongside, microcredit is widely believed to have played a significant role in meeting their demand. The purpose of this study was to review the impact of various support programs operating in the affected areas and particularly to assess the role of microcredit membership. The sample households were taken from 10 districts based on the severity of damage caused by Sidr and Aila. Other than the household survey, this

study collected data from government/local government offices and NGOs and conducted focus group discussion (FGD) with various stakeholders of community.

The study found that the credit users were able to cope up with the shock and return to the pre-disaster status in terms of livelihood and economic indicators. At the initial stage government and non-government agencies provided significant support to enable the people to mitigate their disaster losses. Other than national and local microfinance institutions (three fourth members) only Grameen bank (about one fourth members) had been providing credit in the study area. About 30% credit was used for some type of investment. The rest of the was used mainly for food, maintenance of house and loan repayment. One interesting finding was that microcredit had positively contributed to cut down the average interest rate of informal credit market.

#### STATE OF MICROFINANCE DEVELOPMENT IN BANGLADESH – FINANCIAL INCLUSION AND OVERLAPPING

- Professor M. A. Baqui Khalily, Team Leader
- Tahmina Rahman

The objective of the study was to focus on two issues. One is the role of MFIs in financial inclusion in Bangladesh, particularly in formal and informal financial sectors. The second issue is overlapping membership and its consequences, incorporating the analysis of over-indebtedness among microfinance borrowers.

The first issue elaborates on (i.) the definition of financial inclusion and the measurement issues; (ii.) impact of financial services on economic growth and development; (iii.) demand and supply side constraints to financial inclusion; (iv.) trends in financial performance on a global level and innovations and experiments that will shape the future of financial sector; (v.) inclusion and outreach performance of Bangladesh's financial sector; (vi.) performance of MFIs, their role in bringing finance to underserved sections of the society and their capacity to complement formal sector in deepening the financial system; (vii.) MFIs' success in reaching out to the 'poorest of the poor'; and (viii.) financial inclusion and outreach of MFIs in terms of product diversity.

The second issue, after defining the concepts and terminology of overlapping, involves discussion on (i.) overlapping status nationally and internationally; (ii.) factors behind multiple borrowing/overlapping; and (iii.) consequences of over-indebtedness caused by overlapping. The major policy suggestions coming out of this study include inception of Central Credit

Information Bureau and designing appropriate product type for the borrowers.

### ON-GOING RESEARCH PROGRAM

1. Effectiveness of PRIME Interventions in Greater Rangpur at the Household and Institutional levels: A Longitudinal Approach: (Round-6)

Team Leader: Professor M.A. Baqui Khalily, Mehadi Hasan, Nahid Akhter, Farah Muneer, Farzana Saeed and Pablo Miah

2. Effectiveness for PRIME Interventions in South Western Regions at the Household and Institutional Levels: A Longitudinal Approach (Round-2)

Team Leader: Professor M.A. Baqui Khalily, Mehadi Hasan, Farhana Nargis, Nahid Akter, Farzana Saeed, Farah Muneer, Pablo Miah, Nabila Maruf and Tareq Ferdaus Khan

3. Dynamics of Poverty in Rural Bangladesh: Phase-II Professor S. R. Osmani

4. Assessing Risks, Resilience, and Adaptation Strategies in Chittagong Hill Tracts

Team Leader: Professor M.A. Baqui Khalily and Md. Abdul Khaleque

5. Access to Financial Services: Phase-II

Team Leader: Professor M.A. Baqui Khalily, Pablo Miah, Mehadi Hasan, Nahid Akhter and Farah Muneer

6. Mid-term Evaluation of the Effectiveness of ENRICH Programme at the Household level of 21 Unions of Bangladesh

Team Leader: Professor S. R. Osmani, M. A. Baqui Khalily, Akhter Hossain, M. Sadiqul Islam, Syed Abdul Hamid, Mahmudul Alam, Zulfiqar Ali, Abul Hossain and A.K.M. Nazrul Islam

7. An Exploratory Study on female Agriculture Wages Laborers in Rural Bangladesh

M.A. Baqui Khalily, Dr. Tapash Kumar Biswas, Ms. Rahela Rabbani and Dr. Qazi Kholiquzzaman Ahmad

### EFFECTIVENESS OF PRIME INTERVENTIONS IN GREATER RANGPUR AT THE HOUSEHOLD AND INSTITUTIONAL LEVELS: A LONGITUDINAL APPROACH: (ROUND-6)

The 6th round impact assessment of the PRIME interventions in Greater Rangpur region will capture the impact of the project activities implemented during 2007-14, based on the annual impact evaluation of the earlier rounds. Along with the traditional way of impact

assessment of the program, InM would like to incorporate a comprehensive study on various types of ongoing interventions targeting the ultra-poor households. Previous impact assessment studies show that PRIME was successful to bring positive changes in the life and livelihood of the participants.

The main objective of the sixth round impact study will be to assess the overall impact of the project on the life and livelihood of the monga-affected households since 2007. The study will also assess the impacts of technical services, identify the deficiencies in the design of the intervention packages and recommend changes in the design of the proposed PRIME-II project. Other objectives include comparing the impact of PRIME program with that of the main-stream Ultra Poor Program (UPP) of PKSF, assessing the impact on institutional capacity strengthening initiatives for the partner organizations, the operational sustainability of PRIME branches and offering a possible road map towards attaining operational sustainability.

A total of 5,749 households was surveyed in the 5th round. With 3,973 households there is five years' information. With the remaining 1,776 households, there is four years' information. In the sixth round, the same households will be surveyed. PRIME has extended to all the 35 upazilas of the five districts of Greater Rangpur and because of this there are only a few non-program villages. As a result, the research team had to select new sample area from various districts of Rajshahi division for control villages.

### EFFECTIVENESS FOR PRIME INTERVENTIONS IN SOUTH WESTERN REGIONS AT THE HOUSEHOLD AND INSTITUTIONAL LEVELS: A LONGITUDINAL APPROACH (ROUND-2)

Palli Karma Sahayak Foundation (PKSF) has been implementing its 'Programmed Initiatives for monga Eradication (PRIME)' since 2006 in greater Rangpur. With the changing poverty dynamics of the country, during 2010-2011 and 2011-2012, PRIME has been expanded to the southwestern region in 156 unions of 15 upazilas of Shatkhira, Khulna, Patuakhali, Barisal, Barguna and Jamalpur districts through 108 branches operated by 15 project offices. InM has conducted a baseline survey in July 2011 to evaluate the effectiveness of PRIME interventions in the southwestern region. Now PKSF is interested to conduct a longitudinal study to identify the impact of the PRIME interventions in the southwestern region incorporating the findings of the baseline survey.

The objectives of the impact study include assessing the social and economic impact of the project

interventions on the life and livelihood of the monga-affected households. The study aims to provide insights into the factors with regards to ensuring food security and maintaining livelihoods for the households in the southwestern coastal regions, particularly for those who are exposed to saline water intrusion and severe climate events including tropical cyclones like 'Aila' and 'Sidr'. The study also seeks to assess the benefits of the IGA Mapping conducted by PKSF and examine the cross learning benefits extended to the south from the experience of Monga areas. Other specific objectives include assessing the impact on institutional capacity strengthening initiatives for the partner organizations, the operational sustainability of PRIME branches and suggesting possible ways to attain operational sustainability.

In the first round survey, 3,977 household heads were interviewed. Among them, 1,742 of those households were sampled as 'Control' group from the unions where the PRIME program did not take place. The rest (2,235 households) were selected as the 'Treatment' household in the unions where the program had already taken place. In the 2nd round, the same households belonging to 'Treatment' and 'Control' groups from the baseline survey (administered in June and July of 2011) were surveyed and initial analysis was done using the data.

#### DYNAMICS OF POVERTY IN RURAL BANGLADESH: PHASE-II

The objective of this project is to study the development of living standards in rural Bangladesh over time and try to explain the major forces shaping this evolution. More precisely, the project intends to outline the overall pattern of poverty and identify the factors, which determine the dynamism of poverty. Since the study wants to capture the dynamism in the state of poverty, so the analysis would be based on panel data constructed by repeated surveys on the same sample of households. A benchmark survey was conducted in 2010 covering 6,300 households from all over rural Bangladesh and the first resurvey of the households started since June 2013 and data analysis is going on. The analysis will cover the overall change in the living condition of the rural households over a certain time interval. Major focus of the analysis would be the overall pattern of poverty transition. Most importantly, it will cover the causal analysis of the factors that mainly account for the nature of poverty transaction.

#### ASSESSING RISKS, RESILIENCE, AND ADAPTATION STRATEGIES IN CHITTAGONG HILL TRACTS

In recent years, the discussion on risks and its

adaptation, resilience, mitigation, and coping has come to the frontline of policy analysis. This is because of the emerging catastrophic hazards and their gargantuan damages due to climate change. The hilly parts of Bangladesh are very much susceptible to earthquake as well as landslide. The effects of climate change induced risks require strong internal and external actions to strengthen resilience to the expected negative impacts of those risks. Although there is no scope of resilience for certain types of natural disaster, adaptation strategies can be a good option to minimize the loss of lives and properties. This study aims to assess the intensity of various risks/shocks, and the coping strategies of the inhabitants of the hilly areas as well as the impact of microfinance in terms of adapting to and mitigating the risks. The study covers some sample villages of the three hilly districts - Bandarban, Khagrachhari, and Rangamati - of Bangladesh and 900 households were surveyed from these three districts.

#### ACCESS TO FINANCIAL SERVICES: PHASE-II

Access to financial services (ATFS) is crucial to the household welfare as it enables households and firms to create employment opportunities and diversify economic activities. The objective of this study is to find the policies and interventions needed to make financial services more effective at household and firm level. For this purpose a dynamic analysis of the intensity of access to financial services of households and firms is needed. The survey done is a national survey and the sampling design of the present study was done following the design of Household Income and Expenditure Survey. To make the survey more cost effective, the study was multi-dimensional focusing also on the impact of intensity of access to financial services, most importantly on poverty and micro and small enterprise (MSE) development, in addition to understanding the behavior of the households and firms having access or no access to financial services. The second round survey, also, emphasizes on inclusive finance.

#### MID-TERM EVALUATION OF THE EFFECTIVENESS OF ENRICH PROGRAM AT THE HOUSEHOLD LEVEL OF 21 UNIONS OF BANGLADESH

The ENRICH program is a significant departure in that the traditional role of the PKSF as a wholesale lender of funds to the MFIs has changed significantly. In this new role, PKSF will continue to lend but the purpose for which the fund is to be lent and the manner in which the fund is to be utilized by the MFIs - called "Partner Organizations" (PO) - has seen a major shift in focus. The overall objective, thus, is to ensure total development by not only providing credit but also

through initiatives related to human dignity and enhanced human capabilities and freedom by means of ensuring access to asset, freedom of choice, access to enhanced and sustainable income and improved community, social and physical environment. The ENRICH program was launched in 2010 in 21 unions in all seven divisions of the country in the first phase, and is being extended to another 14 unions in the second phase and 8 more in the third.

Prior to further extensions, PKSF intends to evaluate performance of the programme and the implementing POs to date. To this end, the InM has been invited by PKSF to conduct a mid-term evaluation of the program. The main objective of the study will be to evaluate the mid-term impact of the program in the intervention areas. A total of 1,400 households were surveyed from 20 districts, among which 980 households were from the program area and 420 households were selected from the area where the program has not started yet.

#### AN EXPLORATORY STUDY ON FEMALE AGRICULTURE WAGES LABORERS IN RURAL BANGLADESH

In Bangladesh, majority of the population and more than 49% of the labour force (15years+) are engaged in

agriculture. Among the labour force engaged in agriculture 68% are women. In spite of these striking features, agricultural workforces here in Bangladesh are in great hardship. The existing labour law protects only the formal sector workers, which is around 20% of the entire labour force of the country. If the country has to ensure its food security, employment generation and consistent economic growth, it is important that the interest of these vast majority of the agricultural labours and small marginal producers be protected. The broad objective of the study is to assess the socio economic condition of the female agriculture wage labours, the nature of their employment and the level of empowerment; and to develop appropriate strategies for improving the socio economic situation of female agriculture wage labours of rural Bangladesh. The study will be conducted using both qualitative and quantitative methods. The study will cover 28 villages of 14 Upazilas of seven districts - one from each of the seven divisions- from across the country. The sample size of the study is 616 and each village will cover 22 households.



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ANNUAL  
REPORT  
2014



# KNOWLEDGE **MANAGEMENT**



Institute of Microfinance (InM)



# KNOWLEDGE MANAGEMENT

Knowledge Management is the hub of knowledge generation, dissemination and preservation activities. InM publishes its intellectual properties as research findings, academic papers, reports, working papers, policy papers, books and other publications through this division. To circulate the research findings, InM has also been organizing dialogues, workshops, seminars and so on.

## PUBLICATIONS

Working Paper Series (22-34)

Articles in International Journals/Books

## SEMINAR AND CONFERENCE

Towards Poverty Alleviation and Social Development : The Role of MFIs International Conference on Gender and Women Empowerment

Climate Change Adaptation at Community Level: The Role of MFIs Presentation on Findings of Two Research Studies

National Dialogue on Education Budget 2014

Seminar on Evaluation of ENRICH Programme

Plenary session on "Sustainability, Equity and Financial Inclusion" on the occasion of the Bangladesh Summit of Sustainable Development 2014

## DIALOGUES

Regional Dialogues with NGO/MFIs and Beneficiaries-

- Sylhet Region
- Chittagong Region
- Mymensingh Region
- Jessore Region
- Rangpur Region
- Rajshahi Region

Central Dialogue with the Microfinance Institutions (MFIs)

## WORKING PAPER SERIES-2014

**Working Paper No. 22:** Impact of Regulation on the Cost Efficiency of Microfinance Institutions in Bangladesh

**Working Paper No. 23:** Has Microcredit Helped the Rural Poor of Bangladesh? An Analytical Review of the Evidence So Far

**Working Paper No. 24:** Are Microcredit Participants in Bangladesh Trapped in Poverty and Debt?

**Working Paper No. 25:** Microfinance and Moneylenders: Long-run Effects of MFIs on Informal Credit Market in Bangladesh

**Working Paper No. 26:** Are Microcredit Borrowers in Bangladesh Over-indebted?

**Working Paper No. 27:** Disease-specific Impoverishment Impact of Out-of-Pocket Payments for Health Care: Evidence from Rural Bangladesh

**Working Paper No. 28:** Inequity in Formal Health Care Use: Evidence from Rural Bangladesh

**Working Paper No. 29:** Gender Role and Individual Modernity: An Exploratory Study in Microfinance and Gender Role Transformation

**Working Paper No. 30:** Risk, Deprivation and Vulnerability Facing the Rural Poor of Bangladesh

**Working Paper No. 31:** Designing Social Protection for the Rural Poor: Learning from Lessons on the Ground

**Working Paper No. 32:** Technical Efficiency Analysis of PRIME Branches in Monga Areas of Bangladesh: An Application of Data Envelopment Analysis

**Working Paper No. 33:** Programmed Initiative, Reaching the Extreme Poor and MFI Sustainability: Mission Drift or Diseconomy?

**Working Paper No. 34:** Does Microcredit Empower Women or Is It a New Form of Discipline? The Case of Microcredit Self-Help Groups in India.

## WORKING PAPER NO. 22

### ABSTRACT

Bangladesh lagged in microfinance regulation until 2006 when it established Microcredit Regulatory Authority (MRA). So far, MRA has granted license to around 650 Microfinance Institutions (MFIs) and has been supervising them with prudential and non-prudential regulations. We assessed the impact of regulation on cost efficiency using pre-regulation and post-regulation data of 182 MFIs. Panel data analyses show that regulation improves cost efficiency- directly through changing behavior of the MFIs, and indirectly through increasing staff productivity and portfolio size. We found partners of PKSF—the wholesale lending agency in Bangladesh—and unsubsidized MFIs are more efficient than others.

### Working Paper No. 22

#### Impact of Regulation on the Cost Efficiency of Microfinance Institutions in Bangladesh

By M. A. Baqui Khallyi,  
M. Abdul Khaleque,  
S. Badruddoza

March 2014



## WORKING PAPER NO. 23

### ABSTRACT

This paper reviews the evidence that has accumulated so far on the impact of microcredit on poverty in rural Bangladesh. The early studies on the impact of microcredit almost invariably found that microcredit had made a positive contribution not only in reducing poverty but also in a host of other economic and social indicators. These studies soon came to be questioned, however, on the grounds of econometric methodology. It was argued, in particular, that various kinds of 'selection bias' vitiate their findings and lend an 'upward bias' to their estimates of the impact of microcredit. Later studies used sophisticated techniques to get rid of this bias; but while the earliest of this second generation studies continued to find positive contribution of microcredit, others soon began to question their findings, triggering a prolonged and sometimes obscure debate on econometric methodology. Some of the critics even claimed that they found no evidence as the impact of microcredit, even by using the same datasets as used by those who had claimed to find a positive impact. The review presented in this paper comes to the conclusion that the original finding about the positive contribution of microcredit survives this debate even though there might be some doubt about the precise magnitude of the impact. The discourse on microcredit should move on. Instead of taking rigid positions on the efficacy of microcredit in general, the protagonists should focus attention on the details of how microcredit can be made more useful for the poor.

### Working Paper No. 23

#### Has Microcredit Helped the Rural Poor of Bangladesh? An Analytical Review of the Evidence So Far

By S. R. Osmani

March 2014



## WORKING PAPER NO. 24

### ABSTRACT

**Working Paper No. 24**

**Are Microcredit Participants in Bangladesh Trapped in Poverty and Debt?**

By Shahidur R. Khandker  
Hussain A. Samad

March 2014

  
Institute of Microfinance (InM)

This paper addresses whether microcredit participants in Bangladesh are trapped in poverty and debt, as many critics have argued in recent years. Analysis of data from a long panel survey over a 20-year period confirms this is not the case, although numerous participants have been with microcredit programs for many years. The results of the analysis suggest that participants derive a variety of benefits from microcredit: It helps them to raise income and consume more, accumulate assets, invest in children's schooling, and be lifted out of poverty. This is not to say that non-participants have failed to progress over the same period. Both participants and non-participants have gained as the economy has grown; however, the rate of poverty reduction has been higher for participants. Testing the net effect of microcredit programs requires applying an econometric method that controls for why some households participated and others did not, conditional on their initial characteristics. In addition, the method must control for time-varying, unobserved heterogeneity that affects everyone over time, albeit in possibly different ways. The paper's econometric estimates show significant welfare gains resulting from microcredit participation, specially for women. They also show that the accrued benefits of borrowing outweigh accumulated debt. As a result, households' net worth has increased, and both poverty and the debt-asset ratio have declined.

## WORKING PAPER NO. 25

### ABSTRACT

**Working Paper No. 25**

**Microfinance and Moneylenders: Long-run Effects of MFIs on Informal Credit Market in Bangladesh**

By Claudia Berg,  
M. Shahe Emran,  
Forhad Shilpi

March 2014

  
Institute of Microfinance (InM)

Using two surveys from Bangladesh, this paper provides evidence on the effects of microfinance competition on village moneylender interest rates and households' dependence on informal credit. The views among practitioners diverge sharply: proponents claim that MFI competition reduces both the moneylender interest rate and households' reliance on informal credit, while the critics argue the opposite. Taking advantage of recent econometric approaches that address selection on unobservable without imposing standard exclusion restrictions, we find that the MFI competition does not reduce moneylender interest rates, thus partially repudiating the proponents. The effects are heterogeneous; there is no perceptible effect at low levels of MFI coverage, but when MFI coverage is high enough, the moneylender interest rate increases significantly. In contrast, households' dependence on informal credit tends to go down after becoming MFI member, which contradicts part of the critic's argument. The evidence is consistent with a model where MFIs draw away better borrowers from the moneylender, and fixed costs are important in informal lending.

## WORKING PAPER NO. 26

### ABSTRACT

Microcredit programs in Bangladesh have experienced spectacular growth in recent years, with a growing number of borrowers availing credit from multiple microcredit agencies. There is a growing concern that if there are not sufficient returns to borrowing from microfinance institutions (MFIs), some borrowers might be taking loans that they will not be able to repay. A household may be considered over-indebted, for example, if its debt liability exceeds 40 percent of its income or assets. Using a long panel household survey data from Bangladesh, the paper finds that some 26 percent microcredit borrowers are over-indebted on this measure compared to 22 percent non-microcredit borrowers. An econometric analysis that controls for both observed and unobserved variations at the household and community level suggests that MFI competition raises indebtedness. But when household participation is taken into account the community-level program density, a measure for MFI competition, it does not seem to have an independent adverse effect. However, although repeated micro-borrowing affects short-term liability adversely, it affects the long-term debt-asset ratio favorably. That is, repeated borrowing helps increase assets more than debt over time. As borrowing is often used to protect members against exposure to shock such as flood even at the cost of being over-indebted, the MFIs may offer cost-effective micro-insurance schemes to help them mitigate the adverse effects.

## WORKING PAPER NO. 27

### ABSTRACT

This paper examines disease-specific impoverishment impact of out-of-pocket (OOP) payments using a dataset of 3,941 households obtained from a survey conducted in 120 villages of seven districts in Bangladesh. We have estimated the poverty impact of copayments by comparing the difference between the average level of headcount poverty and poverty gap with and without health care payments. We find that OOP payments annually push 3.4 percent households into poverty in rural Bangladesh. The corresponding figures for those who had NCDs (non-communicable diseases), chronic illness, hospitalization and catastrophic illness respectively were 4.61, 4.65, 14.53 and 17.33 percent. Note that NCDs are the major part of the latter two situations (about 88% and 85% respectively). Looking into individual categories of NCDs we find that headcount impoverishment impact was immense for cholecystectomy, mental disorder, kidney disease, cancer and appendectomy. The impact on the intensity of impoverishment is the most acute among the hospitalized patients and more specifically among cancer patients. Hence, NCDs particularly chronic NCDs and those requiring immediate surgical procedures should be given priority for policy framing. In addition to adopting some ex-ante measures (e.g. raising awareness regarding the risk factors causing NCDs), the paper argues for reforms to enhance efficiency in the public health care facilities and increasing quality of public health care.

### Working Paper No. 26

#### Are Microcredit Borrowers in Bangladesh Over-indebted?

Shahidur R. Khandker  
Rashid Faruque  
Hussain A. Samad

July 2014



Institute of Microfinance (InM)

### Working Paper No. 27

#### Disease-specific Impoverishment Impact of Out-of-Pocket Payments for Health Care: Evidence from Rural Bangladesh

Syed Abdul Hamid  
Syed M. Ahsan

July 2014



Institute of Microfinance (InM)

## WORKING PAPER NO. 28

### ABSTRACT

**Working Paper No. 28**

**Inequity in Formal Health Care Use:  
Evidence from Rural Bangladesh**

Syed Abdul Hamid  
Syed M. Ahsan  
Afroza Begum  
Chowdhury Abdulrahman Asif

July 2014

  
Institute of Microfinance (InM)

This paper analyzes inequity in health care use in rural Bangladesh using data from a survey of 4,010 households drawn from 120 villages conducted by Micro insurance Research Unit (MRU) of the Institute of Microfinance (InM). The study focuses on formal health care use over the 12 months preceding the survey. We use both the 'need standardized' approach and 'decomposition analysis' for measuring inequity. The paper finds that the use of formal health care is incredibly low (40%); about two-thirds (65%) of which is private health care and only one-fourth utilizes public sector facilities. Inequity in formal health care use favors the better-off although the level of inequity is modest. Prevailing inequity resides mainly in the utilization of private health care while NCDs contribute significantly to this inequity. Thus, the main public health concern in rural areas of Bangladesh is the low utilization of formal health care (specially public health care), not inequity. From a policy perspective therefore, voluntary health insurance is not an answer so far as chronic NCDs are concerned; social insurance is not quite feasible either due to the large informal economy. Hope therefore lies in the public provision of health care although the latter is plagued by various supply side constraints including meager budgetary resources, daunting governance issues and hence the need for reforms to enhance efficiency.

## WORKING PAPER NO. 29

### ABSTRACT

**Working Paper No. 29**

**Gender Role and Individual Modernity:  
An Exploratory Study in Microfinance and  
Gender Role Transformation**

By Habibul Haque Khondker

July 2014

  
Institute of Microfinance (InM)

Using the sociological construct of individual modernity, this study explores the impact of microcredit on the attitudes, behaviors, values and aspirations of women in rural and peri-urban Bangladesh. Viewing future-orientation, individualism, equity, tolerance of diversity, rationality, as characteristics of modernity, this study examines trends towards individual modernity. This study combines both qualitative and quantitative methods and shows that the borrowers of microcredit have a slightly higher educational aspiration. In terms of belief in superstitions- another indicator of modernity -they are distinguishable from the non-borrowers. The respondents were future-oriented, had high aspirations for their children's education-boys and girls alike- and were aware of the key developmental issues. They had strong opinion about the intrusion of new technology into their communities and were able to articulate their opinions on both the positive and negative impacts of technologies, notably satellite television channels and mobile phones. A large number of respondents were not fatalists and believed that it was their actions and not fate that played the most important role in determining their future. The responses showed underlying tendency towards rationalization of their world. Modern ideas seem to have affected the entire community. This study concludes that microcredit is one of the contributing factors towards creating a culture of modernity in both rural and peri-urban areas in Bangladesh.

## WORKING PAPER NO. 30

### ABSTRACT

This paper analyzes the nexus between risk, deprivation and vulnerability that confronts the rural poor in their daily life. It examines the nature of shocks, the consequent economic burden, and the coping mechanisms. It explains how shocks affect deprivation and vulnerability of households to poverty. The prominent shocks are health, death, crop, property and livestock, typically idiosyncratic in nature, except possibly that of crop. However, the effects of such shocks are likely to be more adverse for households that have difficulty maintaining their consumption level above the poverty threshold. Capability deprivation is measured here by the food adequacy level of the household during the preceding 12 months. We use an ordered-probit model to estimate the effect of various shocks on food deprivation. The results show that the poor significantly depend on investable surplus and liquidation of asset and property (i.e., self-insurance) in order to overcome the burden of shocks; the burden of shocks significantly affects the food adequacy level. In the light of the evidence on the possible impact of Grameen Kalyan health intervention, it is argued that well-designed microinsurance products may be more effective and less costly than the usual mix of self-insurance, ad-hoc relief and rehabilitation measures to cope with shocks so that risks of future poverty, namely vulnerability, can be minimized.

### Working Paper No. 30

#### Risk, Deprivation and Vulnerability Facing the Rural Poor of Bangladesh

Syed M. Ahsan  
Syed Abdul Hamid  
M. A. Baqui Khalil  
Shubhashish Barua  
and  
Chowdhury Abdullah Al Asif

November 2014



Institute of Microfinance (InM)

## WORKING PAPER NO. 31

### ABSTRACT

This paper seeks guidance for future directions of a social protection system in rural Bangladesh on the basis of lessons learnt on the ground. For this purpose, an attempt was made to glean insights about the strengths and weaknesses of the existing social protection system by utilizing a large-scale poverty survey that is representative of rural Bangladesh. Careful empirical investigation shows that despite the fact that the existing system is reasonably progressive in the incidence of benefits, the system has failed to achieve the major objectives of serving the interest of disadvantaged groups by shoring up their living standard, by enabling them to cope better with periodic crises and by preventing them from falling down the asset ladder. The proximate reasons for this failure are two-fold. First, the aggregate amount of benefits is pitifully small in relation to the need. Second, even the small amount that is available is distributed heavily in favor of better-off households. The paper argues that special emphasis ought to be given to employment-based interventions. They are relatively more favorable for the poor. The paper also draws attention to a serious lacuna that health-related shock is the most pervasive type in rural Bangladesh and is the single most important reason why many non-poor households slide into poverty over time and poor households fall deeper into poverty. A social protection system worthy of its name cannot ignore the need for setting up an effective mechanism for protecting vulnerable households from the ruinous effect of this most pervasive of shocks.

### Working Paper No. 31

#### Designing Social Protection for the Rural Poor: Learning from Lessons on the Ground

S. R. Osmani

November 2014



Institute of Microfinance (InM)

## WORKING PAPER NO. 32

### ABSTRACT

#### Working Paper No. 32

Technical Efficiency Analysis of PRIME Branches in Monga Areas of Bangladesh: An Application of Data Envelopment Analysis

Farhana Nargis

November 2014



Institute of Microfinance (InM)

This paper evaluates the efficiency of Programmed Initiatives for Monga Eradication (PRIME) branches by using non-parametric Data Envelopment Analysis (DEA) in five districts of North-West region of Bangladesh. The production function approach is used for the assessment of efficiency scores of 149 branches under both constant and variable returns to scale. The results of the study revealed that there were considerable inefficiencies among PRIME branches for the year of 2010 to 2012. In addition, a second stage Tobit regression shows that the variation is also related to branch-specific attributes such as branch age, PRIME to total member ratio, borrower per staff, and location. Since PRIME is an ultra-poor program, it is suggested that achieving higher efficiency might take longer time as old branches were more efficient than new ones. It is, therefore, also suggested that by employing more skilled staff, borrower per staff as well as branches' efficiency will be increased in the study areas. However, Kurigram was less scale efficient and Nilphamari was more technically efficient in contrast to Rangpur district. This result implies that for expanding PRIME branches in future, selection of appropriate location will help to achieve higher efficiency.

## WORKING PAPER NO. 33

### ABSTRACT

#### Working Paper No. 33

Programmed Initiative, Reaching the Extreme Poor and MFI Sustainability: Mission Drift or Diseconomy?

M. Sadiqul Islam

December 2014



Institute of Microfinance (InM)

This study was conducted to examine the impact of programmed initiative on MFI sustainability and to analyze the tradeoff between the depth of outreach and sustainability. Based on panel data of 223 MFI branches in Bangladesh over a period of five years, this study documents that extreme poverty is not a deterrent to MFI sustainability. That means, MFIs reaching the extreme poor can remain sustainable and in essence, they do not have to make a tradeoff with the depth of outreach. This has crucial implications for MFI operations and financing. This study also documents that MFIs undertaking programmed initiative to alleviate poverty can become sustainable if they attain the critical factors. Further to this, this study provides evidence that direct subsidy creates disincentive for MFIs to become sustainable.

## WORKING PAPER NO. 34

### ABSTRACT

Does microcredit empower women, or does it just discipline and control them in a new way? This paper draws on the case of self-help groups (SHG) in rural India to shed light on microcredit's various contradictory effects. By adopting the rules of patronage, SHGs renew the domination of women while giving them the opportunity to participate actively in local networks of power and influence. This raises the question of what 'empowerment' could mean in an environment where social relationships – and the dependency they imply – are instrumental to accessing resources. It also highlights the ambiguity of 'empowering' development projects, which have to adopt the established order in order to establish legitimacy, and at the same time contest it.



### Working Paper No. 34

Does Microcredit Empower Women  
or Is It a New Form of Discipline?  
The Case of Microcredit  
Self-Help Groups in India.

Isabelle Guérin  
Santosh Kumar

December 2014



Institute of Microfinance (InM)

## PUBLICATIONS AND BOOKS

### IMPACT OF REGULATION ON THE COST EFFICIENCY OF MICROFINANCE IN BANGLADESH

M. A. Baqui Khalily, Abdul Khaleque and  
S. Badruddoza

Until recently most microfinance research focused on whether access to finance is beneficial for economically poor entrepreneurs and families. The industry has now grown big and Microfinance Institutions (MFIs) serves hundreds of millions of customers. The business of microfinance is therefore becoming an important research area. While performance and efficiency studies are common in banking research such research on MFI performance is still in its infancy. MFI performance studies are challenging because they are hybrid organizations with dual objectives of serving low-income customers while being financially sustainable. This book contains a collection of new MFI performance research by top scholars from across the globe. A wide range of topics are covered including cash-flow analyses, cultural influence, mission-drift, the influence of public regulation and international actors, group lending, competition, ownership issues, earnings management as well as traditional efficiency studies.

*Book: Microfinance Institutions: Financial and Social Performance*

*Chapter: Impact of Regulation on the Cost Efficiency of Microfinance in Bangladesh (chapter 8)*

*Edited by: Roy Mersland and R. Øystein Strøm*

*Date of Publication: December 2014*

*Publisher: Palgrave Macmillan*

### INEQUITY IN FORMAL HEALTH CARE USE: EVIDENCE FROM RURAL BANGLADESH

Syed Abdul Hamid, Syed M. Ahsan, Afroza Begum, and Chowdhury Abdullah Al Asif

This paper analyses inequity in formal health care use in rural Bangladesh using data from a survey conducted of 4010 households drawn from 120 villages. We find that the use of formal health care is incredibly low (40 per cent); about two-thirds of which is private health care, and only one-fourth utilises public sector facilities. Inequity favours the better off, although the level of

inequity is modest. Prevailing inequity resides mainly in the utilisation of private health care while non-communicable diseases contribute significantly. Thus, the main public health concern in rural areas of Bangladesh is the low utilisation of formal health care (especially public health care), not inequity.

*Journal: International Development*

*August 2015, pp 36-54*

### DISEASE-SPECIFIC IMPOVERISHMENT IMPACT OF OUT-OF-POCKET PAYMENTS FOR HEALTH CARE: EVIDENCE FROM RURAL BANGLADESH

Syed Abdul Hamid, Syed M. Ahsan, Afroza Begum

#### ABSTRACT

Analyzing disease-specific impoverishment impact of out-of-pocket (OOP) payments for health care is crucial for priority setting in any informed policy discussion. Lack of evidence, particularly in the Bangladesh context, motivates our paper.

*Journal: Applied Health Economics and Health Policy*

*August 2014, Volume 12, Issue 4, pp 421-433 Date of  
Publication: 23 May 2014*

### EFFICIENCY OF MICROFINANCE INSTITUTIONS IN BANGLADESH

Shakil Quayes and M. A. Baqui Khalily

#### ABSTRACT

This study presents an empirical analysis of the cost efficiency of a sample of microfinance institutions (MFIs) operating in Bangladesh. These MFIs substantially vary in size and can also be characterized by their affiliation with donor and funding agencies. Therefore, the measurement of their performance poses an important challenge for the donor agencies and policymakers. Using stochastic frontier models in the measurement of the level of efficiency for the MFIs, the study suggests that larger MFIs are more efficient with some evidence of a trade-off between efficiency and outreach.

*Journal: Economics Bulletin*

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2014



# NATIONAL CONVENTION



Institute of Microfinance (InM)

# NATIONAL CONVENTION

## TOWARDS POVERTY ALLEVIATION AND SOCIAL DEVELOPMENT: THE ROLE OF MFIs

Date : 18-19 October 2014

Venue : Bangabandhu International Convention Center, Dhaka

Co-organizers : Microcredit Regulatory Authority (MRA) and Palli Karma-Sahayak Foundation (PKSF)

The establishment of Palli Karma-Sahayak Foundation (PKSF) in the 90s set off a dramatic expansion of the microcredit program in Bangladesh. The number of Microfinance Institutions (MFIs) and the number of clients both grew substantially since then. The national convention followed by six regional dialogues was an attempt to pause for a moment, look back, and see

how things have shaped up. It was a great opportunity for the borrowers, the practitioners, as well as experts to reflect on how far microcredit has achieved to alleviate poverty in Bangladesh.

Over the last three decades or so microfinance as an idea and practice has broadened significantly. It is no more only about reducing poverty, but is thought to be an instrument of social development. Now the objective of microfinance is to achieve sustainable development. Microfinance programs have now accommodated in them access to education, health service, pure drinking water and attaining capacity to adapt to the negative impacts of climate change.

The discussion and recommendations, lessons and insights coming out of the six regional dialogues served as reference points in the two-days long national convention.



## INAUGURAL SESSION

**Chair** : **Dr. Qazi Kholiuzzaman Ahmad**, Chairman, InM and PKSF

**Chief Guest** : **Mr. M A Mannan**, MP, Honorable State Minister, Ministry of Finance and Ministry of Planning, Government of the People's Republic of Bangladesh

**Special Guest** : **Mr. Shitangshu Kumar Sur Chowdhury**, Deputy Governor, Bangladesh Bank

**Welcome speech** : **Professor M. A. Baqui Khalily**, Executive Director, InM

**Mr. Md. Abdul Karim**, Managing Director, PKSF

**Mr. Khandakar Muzharul Haque**, Executive Vice Chairman, MRA



Dr. Qazi Kholiuzzaman Ahmad, referring to recent studies, noted that only about ten percent people have been able to break the cycle of poverty with the help of microcredit. He emphasized on ensuring basic needs like education, health, nutrition. He said we need to aim for development in its broadest sense and defined it as economic, social and environmental sustainability.

Professor M. A. Baqui Khalily informed that six regional dialogues were organized by InM in six divisions of Bangladesh in the run up to the National Convention. He mentioned that PKSF, InM and MRA are the key institutions of development of microfinance sector.

Mr. Khandakar Muzharul Haque informed that MRA was undertaking different projects to train the field officers and microfinance borrowers.

Mr. Abdul Karim, talked about human oriented development instead of credit oriented development.

Mr. Shitangshu Kumar Sur Chowdhury, mentioned Bangladesh Bank's readiness to assist on the basis of recommendations emerging from this convention.

Honorable state minister of finance and planning, Mr. M A Mannan, expressed his hope that microfinance sector would contribute towards the national goal of becoming a middle income country by 2021.

### VOICES FROM THE FIELDS: SESSION WITH MICROCREDIT BORROWERS

After inauguration of the convention, two back-to-back sessions were held, one with the microfinance members or borrowers and the other with the Field Organizers of NGOs or MFIs.

#### SESSION WITH MICROCREDIT BORROWERS

**Participants** : 250 microcredit borrowers

**Chair** : **Dr. Pratima Paul Majumder**, Honorable Member, Governing Body, InM

**Chief Guest** : **Ms. Meher Afroze**, MP, Honorable State Minister, Ministry of Women and Children Affairs, Government of the People's Republic of Bangladesh

**Modaretor** : **Dr. Mohammad Jashim Uddin**, Deputy Managing Director, PKSF

**Special Mention** : **Mr. Golam Touhid**, Deputy Managing Director, PKSF  
**Mr. Shazzad Hossoin**, Director, MRA



The multifarious problems faced by microcredit borrowers were discussed in this session. Issues like credit for higher education, health services in remote areas, training and insurance were highlighted.

The chair of the session Dr. Pratima Paul Majumder encouraged the microcredit borrowers to share their experiences openly. She was particularly interested to learn about the region-specific problems faced by the

borrowers.

After the discussion with borrowers, Mr. Shazzad Hossoin pointed out the availability of credit facilities of different varieties and duration provided by PKSF.

The Chief Guest Ms. Meher Afroze emphasized on developing coordination among microcredit organizations and the government.

## SESSION WITH FIELD ORGANIZERS

**Participants** : 250 field level officers of the microfinance institutions.

**Chair** : Professor **M. A. Baqui Khalily**, Executive Director, InM

**Chief Guest** : **Mr. Dr. Muhammad Abdur Razzaque**, Chairman, standing committee on Ministry of Finance, Bangladesh Parliament and Honorable Former Minister, Ministry of Food and Disaster Management

**Special Guest** : **Mr. Dr. Ibrahim Khaled**, Former Deputy Governor, Bangladesh Bank

**Special Mention** : **Mr. Md. Abdul Karim**, Executive Vice Chairman, MRA  
**Mr. Khandakar Muzharul Haque**, Executive Vice Chairman, MRA



Issues like overlapping of credit, creating awareness among people, creative disaster management program were emphasized by field workers and field coordinators of NGOs and MFIs.

Professor M. A. Baqui Khalily informed that at present there are three crores of microcredit borrowers in Bangladesh. He praised the field officers, because they are the ones who have organized these borrowers and are one of the most significant parts of the microfinance sector.

Mr. Khandakar Muzharul Haque informed that the Credit Information Bureau (CIB) would be involved in overseeing the regulation of credit disbursement among the MRA organizations.

Special Guest Dr. Ibrahim Khaled hoped that CIB could be engaged within two years. He emphasized on building mutual understanding among local NGOs.

Chief Guest Dr. Muhammad Abdur Razzak emphasized on providing training and technology to marginal people for bringing social change and ensuring quality life for them.

## TOWARDS POVERTY ALLEVIATION AND SOCIAL DEVELOPMENT: THE ROLE OF MFIs

Session with Policy Makers, Academics and Senior Executives

Nine separate sessions on issues related to sustainable development and its link to microfinance and social development were held with relevant practitioners and policy makers.



### INAUGURAL SESSION

- Theme 1 : Governance and Regulation in Microfinance Market in Bangladesh
- Theme 2 : Role of Micro-Enterprise in Economic Growth
- Theme 3 : Agriculture and Livestock Development: Unfolding the Role of MFIs
- Theme 4 : Are MFIs Drifting Away from Social Mission of Poverty Alleviation?
- Theme 5 : Sustainable Development and Poverty: Unfolding the Constraints/Gaps
- Theme 6 : Capacity Development of MFIs
- Theme 7 : Structure of Microfinance Market and financing of MFIs
- Theme 8 : Poverty Reduction, Climate Change and Microfinance
- Theme 9 : Competition in Microfinance Market

### CLOSING SESSION

## INAUGURAL SESSION

**Chair** : **Dr. Qazi Kholiuzzaman Ahmad**, Chairman, InM and PKSF

**Chief Guest** : **Mr. Abul Maal A Muhith**, Honorable Finance Minister, Ministry of Finance, Government of the People's Republic of Bangladesh

**Special Guest** : **Ms. Sarah Cooke**, Country Representative, DFID Bangladesh

**Welcome speech** : **Professor M. A. Baqui Khalily**, Executive Director, InM

**Mr. Md. Abdul Karim**, Managing Director, PKSF

**Mr. Khandakar Muzharul Haque**, Executive Vice Chairman, MRA

Dr. Qazi Kholiuzzaman Ahmad put particular emphasis on education, health, technical training, access to safe drinking water and sanitation, capacity to adapt with climate change for achieving sustainable development. He also said that it was not possible to go a long way depending only on microcredit and microfinance organizations were working on different capacity building programs while providing credit.

Professor M. A. Baqui Khalily said that the convention aimed to focus on the achievement of MFIs for reducing poverty over the last 30 years. Mr. Khandakar Muzharul Haque wished that the outcome of this convention would contribute to the microfinance sector's improving their work and bringing economic development. Mr. Abdul Karim said that the convention would help them

to set policy and working strategy for future improvement of this sector.

After appreciating InM, PKSF and MRA for organizing such an event, Ms. Sarah Cooke said that regulation and financing of MFIs and concept of sustainable development were very similar to the priority activities of DFID.

The honorable Chief Guest Mr. Abul Maal A Muhith said that microfinance programs played a great role in reducing poverty over the last 30 years. He also mentioned that 3 crores 30 lakh out of 4 crores poor people were directly receiving microcredit. He was very hopeful that Bangladesh would be a poverty free country by 2021.



## GOVERNANCE AND REGULATION IN MICROFINANCE MARKET IN BANGLADESH

### THEME 1

Chair : **Mr. Khandakar Muzharul Haque**, Executive Vice Chairman, MRA

Chief Guest : **Dr. Quazi Mesbahuddin Ahmed**, Former Managing Director, PKSF

Lead speaker : **Mr. Md. Fazlul Kader**, Deputy Managing Director, PKSF

Panelists : **Professor M. M. Akash**, Department of Economics, University of Dhaka  
**Mr. Emranul Hoque Chowdhury**, Executive Director, UDDIPAN  
**Mr. Md. Nurunnabi Talukder**, Director General, NGO Bureau



The simple economics that access to financial resources creates opportunities for income enhancement, and for the poor leads to reducing poverty, dominated the design of today's micro finance. Therefore, the experiment of Grameen concept in the late seventies and early 80s and subsequent impact assessment by Hossain et. al. on the outcome of micro credit for the participating borrowers led to the emergence of many self-regulated non-government organizations registered under either Societies Act or Companies Act. Some organizations were home grown with different objectives. While most organizations succeeded in mobilizing poor households, providing financial services to them and improving their basic awareness, there were some unscrupulous organizations that took advantage of the simplicity of the poor and left the areas with the member savings. Savings were unprotected. External resources were mobilized but were left to the simple monitoring of the suppliers of fund. Actual use of resources was left to the decision of the Governing Body of these institutions. In many cases, the body was full of own and extended

family members, friends, relatives and close allies. But the authority remained with the Chiefs of the organizations. But finance has multi-facet implications. Therefore, to protect member savings, develop sustainable organizations with appropriate governance structure, maximize appropriate use of financial resources in order to ensure financial stability and contribute to sound micro finance market development, Micro Credit Regulatory Authority (MRA) has been established. Now around 700 MFIs are licensed. But there are other institutions like cooperatives that operate under the Cooperative Act.

There are two aspects of the behavior of MRA – influence internal governance structure and regulate external activities (savings, lending, borrowing) of the licensed MFIs. MRA regulates the behavior of the licensed MFIs under the MRA Act and Rules formulated by the Board. The very well known policy steps that MRA has taken during the past five years are capping interest rate, restricting deductions from loans, fixing minimum interest rate on member savings and

deposits, and introducing fixed term for the Chairman and members of the Board. Although these steps introduced new rules of the game for the MFIs, the steps have also built confidence among the stakeholders including members. MRA has also been contributing to capacity building of the institutions through providing training of the employees and governing body members of the licensed MFIs.

In addition, PKSF being the major supplier of funds has been playing the role of a quasi-regulator in the sense that it, through its policies, contributes to bring in changes in internal governance, improvement in accounting and financial management system, improve quality of the staff of the organizations. Not only do they improve efficiency of the organizations, PKSF also contributes to the process of ensuring transparency.

Impact of regulation has both positive and negative factors. The capping of lending interest rate to be charged under declining balance method makes it relatively cheaper; setting minimum interest of six percent on deposits will encourage members to save.

But it will certainly make it costly for the MFIs. Nonetheless, regulation creates confidence among the MFIs and its members. Khalily et. al. 2013 showed that regulation improves cost efficiency and thereby its sustainability. However, they indicated that there was a tendency for the MFIs to move from micro loans to relatively higher loans in order to reduce cost.

Although there has been good beginning towards development of microfinance sector through regulation, more needs to be done in the context of the future role of MFIs. More questions need to be answered in order to strengthen and magnify the role of MFIs. Should MFIs be treated as financial institutions? Should MFIs be recognized as social institutions? What should be the role of the government and MRA in the context of effectiveness of governance? If there is any issue of poor performance of any institution, what role can MRA play? Is cancelling license the best option in case of non-compliance or poor performance? How should social equity of the MFIs be different from individual held equity? Answer to these questions, among others, will put microfinance on a desired path.



## ROLE OF MICRO-ENTERPRISE IN ECONOMIC GROWTH

### THEME 2

**Chair** : **Professor M. A. Baqui Khalily**, Executive Director, InM

**Lead speaker** : **Dr. Mohammad Jashim Uddin**, Deputy Managing Director, PKSF

**Panelists** : **Dr. Reaz Islam**, International Team Leader, PROSPER-PCU, DFID  
**Md. Wahiduzzaman**, Director (Microfinance)  
Jagoroni Chakra Foundation (JCF)  
**Dr. Humaira Islam**, Executive Director  
Shakti Foundation for Disadvantaged Women (SFDW)



In the last investment in micro and small enterprises (MSEs) has drawn much attention of the policy-makers and development thinkers because of its prospects in creating low cost employments and potential backward and forward linkages to industrial development (Green et al. 2006; Mazumdar 2002; Hallberg 2000; SEAF 2006; SEDF; WBCSD). These enterprises adopt labor intensive technology, and contribute to poverty reduction through their effects on income generation, and thus accelerate economic growth. In Japan, the MSEs constitute almost 90 percent of total industrial enterprises and are major drivers of employment creation and output.

Development of small and medium enterprises occupies major position in industrial development policy as well as financing strategies of Bangladesh Bank. Although it is well documented that small enterprises have little share

in total SME loans extended by different banks, micro enterprises are left out of formal banking system because of high transaction cost and lack of inappropriate monitoring mechanism of the lenders. Microenterprises are generally household level activities with or without physical structure.

In a recent survey, Bangladesh Bureau of Statistics identified some 8.07 million economic units in 2013. Around 37 percent of these units are household level economic units. Based on the average employment per unit, they estimated the total number of employment at 28 million in these economic units. The estimate may have been a little underestimated when we find that average employment per unit is less than one. One would expect a minimum employment of at least one per unit.

It can perhaps be argued that micro finance institutions (MFIs) have contributed to the expansion of economic units particularly at the household level through financing income generating activities (IGAs) and micro enterprises (MEs) in Bangladesh. Initially, MFIs started its activities with financing IGAs for consumption smoothing and poverty reduction of the targeted households. Over time, the loan portfolio has diversified. MFIs now finance MEs and also provide large amounts of loan. Loan amount is as high as Taka one million for financing MEs. Based on the latest statistics, in 2013, a total amount of Tk. 592 billion was disbursed; of which Tk.157 billion was disbursed only to 2.3 million micro enterprise borrowers. Average loan amount was around Tk. 67,000. What is the impact of this investment in micro-enterprise?

The crucial question is, does this investment generate positive returns. Do micro enterprises generate positive return? How much employment is created due to micro enterprise financing?

Many studies have shown microenterprises make significantly positive returns. McKenzie et al. (2008) found large returns to small entrepreneurs (almost 65 percent per year). Khalily and Khaleque (2013) showed that return on investment is high for microenterprises compared to small and large enterprises. Their result showed that the return on investment for micro, small and large enterprises are 83 percent, 45 percent and 27 percent respectively. Khandker et al. (2013) calculated sector wise return on asset and profit margin for microenterprises using pooled data for the years 2000, 2005 and 2010. They found that on an average the return on asset is 52 percent and return on sales (profit margin) is 46 percent in 2010.

The study [Khandker et al. (2013)] shows that return to microenterprise is considerably high irrespective of activity for all the years. But the profit margin and return on assets are higher for transport and trading, followed by manufacturing. Khalily et. al. (2014), in a recent study, derived the similar results. Although profit margin or return on assets varied across microenterprises, none of the enterprises generated negative return.

As mentioned earlier, microenterprise has an important contribution in creating new employment opportunity. Non-farm activities together employ more than 31 million people, equivalent to about 40 per cent of the population of Bangladesh, aged 15 years and above. More than three quarters of the household income in both urban and rural areas are provided by the micro and small enterprises (Rahman, 2009). In a recent study, Khalily et. al. (2014) estimated that, based on average full time employment of 1.64 persons per micro enterprise, some 3.7 million persons are employed full time in 2.3 million micro enterprises. It definitely will have a huge impact on economic growth. Contribution of microenterprise is also measured by its share in GDP. According to World Development Report 2011, in 2000, SMEs contributed 15.23 per cent to the total GDP of Bangladesh and tended to increase its share. In 2009, it contributed 17.92 per cent to the total GDP of the country.

However, the above figures do not show any kind of relationship between enterprise growth and poverty reduction. Khandker et al. (2013) also show in their paper that microenterprise growth matters because it is expected to reduce poverty when it is combined with farm income growth. Using HIES data, they showed a relationship between households having microenterprise and their income-expenditure trend. They showed that households with micro enterprises have higher income during the period 2000-2010.

Given such substantial scope of this sector in terms of employment, income and expenditure, growth of microenterprises can play a significant role in accelerating the overall welfare of Bangladesh. Although microenterprise has a noticeable impact on total welfare of the economy, surprisingly there is not much study on microenterprise growth or return on investment of microenterprise activities. Notably, there are very few studies on microenterprise development and its relation to economic growth focusing on Bangladesh. Therefore it is important to analyze the factors affecting microenterprise profit and its growth and the channels through which it can contribute to economic growth.



## AGRICULTURE AND LIVESTOCK DEVELOPMENT: UNFOLDING THE ROLE OF MFIs

### THEME 3

**Chair** : **Dr. Qazi Kholiuzzaman Ahmad**, Chairman, InM and PKSF

**Chief Guest** : **Matia Chowdhury**, MP, Honorable Minister, Ministry of Agriculture, Government of Peoples Republic of Bangladesh

**Lead speaker** : **Mr. Md. Golam Touhid**, Deputy Managing Director, PKSF

**Panelists** : **Mohammad Yakub Hossain**, Deputy Director, MRA  
**Mr. S. M. Moniruzzaman**, Executive Director, Bangladesh Bank  
**Professor Lokman Hakim**, Executive Director, PAGE Development Center



Developing the agriculture sector has always been a prime concern of Bangladesh government. Despite decreasing share of agriculture in GDP and declining farm land, agricultural production has increased many folds during the past decades, and been contributing to food security of the growing population of Bangladesh. Several factors may have contributed to it: (i) use of high yield varieties; (ii) use of modern technology including irrigation; (iii) access of the farmers to credit and (iv) technical assistance. The government agricultural development policies and the Bangladesh Bank agricultural finance policy have contributed to modernization of agriculture and increase in production. In this session, we tend to unfold the role of MFIs in agricultural sector.

To ensure food security of the country and strengthening the rural economy, agricultural credit program is being implemented by the specialized and commercial banks. New policies like 3-year revolving crop loan, and credit for sharecroppers have been

formulated. From 2008, Bangladesh Bank requires all scheduled banks (national and foreign) to provide agricultural credit. Along with these efforts taken by the government and Bangladesh Bank, microfinance institutions (MFIs) have been providing financial supports to the small and marginal farmers. The Agricultural and Rural Finance Policy recognizes potential role of MFIs in agricultural and rural credit without specific allocation of targeted credit for disbursement through these institutions. It recognizes partnership between banks and MFIs in financing agriculture. MFIs are more likely to be effective in financing agricultural sector, providing technical assistance to the borrowers because of its village level services and closeness to rural households. Banks have limited ability to provide financial services to the farmers in remote villages because of its 'branch-based' lending activities; potential borrowers will always find it costly.

MFIs occupy a special position in agriculture finance. It provides more finance to agriculture than do the banks.

In 2013-14, Bangladesh Bank set a target of around Tk.146 billion for agriculture finance, to be disbursed by all national and foreign banks, which is roughly 2.41 percent of total bank credit. MFIs provided credit amounting to Tk. 265 billion in 2013, which is 47 percent of the total microcredit disbursement. The contribution of MFIs in financing agriculture has been increasing over time. A little of over one-third of the total micro credit is targeted to be used for crops. Loans for crop cultivation have an increasing trend, while the share of livestock has declined, although actual amount has an increasing trend. But loans for fisheries have increased over the past decade. The common perception that microfinance institutions provide micro credit only for poor borrowers for their survival-based income generating activities does not hold anymore. It has diversified its loan portfolio; it responses to the needs of their borrowers. There are several channels through which MFIs are contributing in the agricultural sector of Bangladesh.

First, MFIs have implemented various agricultural financing and development programs. For example, Palli Karma-Sahayak Foundation (PKSF) started the Micro Finance for Marginal and Small Farmer Project (MFMS-FP) in 2005 and Agriculture Sector Microcredit (ASM) Program in 2008. Those credits are flexible in nature (single installment instead of traditional weekly installment) with low interest rate. In the field of livestock development, PKSF implemented Participatory Livestock projects during the period 1998-2010. In addition to PKSF, there are other leading microfinance organizations that do have agricultural and livestock credit programs. For example, BRAC has been implementing North-West Crop Diversification Project since 2002 and Borga Chashi Unnayan Project (BCUP) since 2009. Similarly, ASA has agri-business financing loan scheme, which it has been implementing since 2007.

Second, many microcredit borrowers are either landless or own very marginal amount of land. Access to credit enables these peasants to finance cultivation in of leasing-in or share in land.

Third, agricultural activities entail higher risk than other traditional economic activities. Because of the lack of effective monitoring mechanism, Banks find it difficult to finance risky venture like agricultural activities. However, MFIs find it convenient to finance any kind of economic activities, even the risky crops, because of its convenience of working with borrowers at the field level.

Fourth, livestock is gradually becoming popular. It is one of the important microenterprises financed by MFIs.

Since many rural poor are landless, so MFIs are rather focusing more on rearing livestock, poultry and fisheries.

Currently the role of MFIs in agricultural development is not limited to financing only. They are focusing more on providing technical assistances, skill development training and awareness building.

Agriculture-related training dominated the training activities of the MFIs. Largest number of MFIs provided training on livestock and poultry rearing, followed by crops and fisheries. For agricultural technology to be affective in agricultural development, its diffusion needs to be lucid to the ordinary rural people. Employees of MFIs are more able to disseminate the knowledge to the common people in a more communicable way because of their intimate relation and prior experience in dealing with them.

Financing agriculture by MFIs has been successful because of their informal credit risk insurance. But in the event of covariate shocks, farmers will find it difficult to cope with the consequences. Crop insurance will make it beneficial for the farmers. The need for such insurance is increasingly recognized in the context of climate change. PKSF has been in phases implementing a livestock insurance scheme covering risks of the borrowers. Although preliminary results are encouraging, a more institutionalization with the

provision for reinsurance will make livestock insurance very effective. Government of Bangladesh needs to extend their hands of cooperation to the MFIs to bolster their role in agriculture sector.



## ARE MFIs DRIFTING AWAY FROM SOCIAL MISSION OF POVERTY ALLEVIATION?

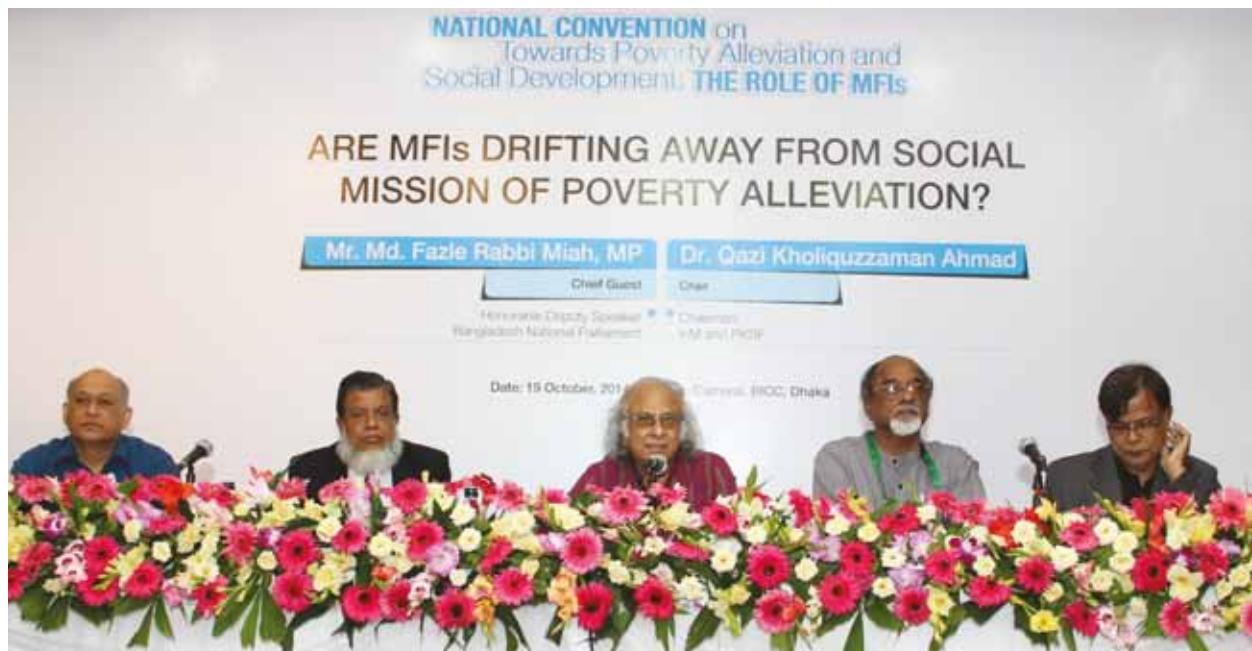
### THEME 4

**Chair** : **Dr. Qazi Kholiuzzaman Ahmad**, Chairman, InM and PKSF

**Chief Guest** : **Mr. Md. Fazle Rabbi Miah**, MP, Honorable Deputy Speaker, Bangladesh Parliament, Government of Peoples Republic of Bangladesh

**Lead Speaker** : **Professor M. A. Baqui Khalily**, Executive Director, InM

**Panelists** : **Dr. Sajjad Zohir**, Research Director, ERG  
**Mr. Mohsin Ali**, Executive Director, WAVE Foundation



After thirty years of microfinance experience in Bangladesh, the question of 'Are the MFIs drifting away from social mission of poverty alleviation?' is being raised. The question is raised not with the conclusion that the nongovernment microfinance institutions (MFIs) are drifting away from their social mission of poverty alleviation. The question is relevant when we presuppose that MFIs in Bangladesh are directed towards poverty alleviation.

#### ACCESS TO CREDIT IS A NECESSARY CONDITION BUT NOT A SUFFICIENT CONDITION

Microfinance started in Bangladesh with the basic notion that simple access to credit will reduce poverty. By the end of 1990s, hundreds of non-government microfinance institutions sprung as social institutions to alleviate poverty through making provision for access to credit and savings. The MFIs were constrained by high

transaction cost and financial resources. The drivers of expansion in the 90s were donor funds and cheap funds from PKSF. Sustainability was never a forgotten issue to the promoters of these institutions, and it is still not. In removing poverty through providing financial services, it was assumed that households remain poor for lack of financial resources. Therefore, the micro finance design focused on creating financial wealth through both forced and voluntary savings in addition to the process of enhancing income through financing economic activities. But access to credit and savings can take poor households forward but not on sustainable basis.

#### SUSTAINABLE POVERTY ALLEVIATION REQUIRES MULTI-DIMENSIONAL INTERVENTIONS

Sustainable poverty alleviation will refer to the ability of the households to access different economic, financial

and social services under any known and unknown circumstances. In other words, poor households will not be deprived of these services. A recent study of InM shows that some 53 percent of the participants with credit, training and technical assistances were above the threshold point compared to 68 percent for the participants with credit only, and 78 percent for the non-participants. Tackling multidimensional poverty requires access to social institutions, quality of life, social protection measures, income and education that can be done only through a well-netted and institutionalized coordination between government and non-government institutions as well as comprehensive set of social and economic interventions.

#### WHAT ROLE ARE THE MFIs PLAYING?

The role of MFIs in Bangladesh is enormous – from social mobilization and awareness building to provision for financial and economic services for the poor households on the demand side, and developing from non-government voluntary and self-regulated organizations to MFIs as a special type of financial institutions as a part of financial system on the supply side.

On the supply side, MFIs have expanded its services to almost all villages (excluding inaccessible char and hilly areas) of Bangladesh through its network of around 20,000 branches and around 200,000 employees. Moreover, they have responded to the needs of the poor households – from financing survival-based income generating activities to growth-based micro enterprises; from financing trading activities to farm and off-farm activities; from pure financial services to finance, health, education and training; from credit to insurance; from micro individual households to macro area-development; from single product to multiple products; from self-regulation to formal regulation. Expected end outcomes are poverty reduction and improvement in living conditions. Empirical evidences in Bangladesh do lend support to these end outcomes.

MFIs are now licensed and regulated to ensure solvency, liquidity and sustainability on the one hand, and to protect members' deposits on the other hand. MFIs are now a special kind of financial institutions to provide financial services to a group of clients who were screened out of the bank credit market.

MFIs have provided financial services, with subsidized funding, to both moderate and extreme poor households. More than fifty percent of these households are under the financial network of the MFIs (Khalily et. al. 2012).

#### HOW DO WE EVALUATE ROLE OF MFIs?

There are two approaches to evaluate MFIs – Impact approach and System approach. Although sustainability is implicit, MFIs have been evaluated in terms of 'impact' of its activities on poverty alleviation. But sustainable impact-driven activities require sustainable funding and organization. The 'system' approach recognizes MFIs as a part of financial system. Under this approach, MFIs are evaluated in terms of financial services extended to the poor households originally screened out by banks. In Bangladesh, MFIs are now licensed. That MFIs have provided its services to some 31 million clients and provided over Tk.550 billion as loans are indicators of success under the financial system approach. Inability to provide services to bottom half of the extreme poor households is an indicator of failure of the MFIs in Bangladesh under the system approach.

In order to evaluate the role of MFIs, we need to identify critical outputs (e.g., financial services), which these institutions can produce. For example, banks are identified as financial institutions that mobilize deposits from public and lend (out of these deposits) to those who need funds. Therefore, expansion of bank lending activities depends on their ability to mobilize public deposits. Similarly, we need to brand MFIs either as a special kind of financial institutions that can lend out of mobilized members' savings or deposits, or as social institutions that will continue to carry out activities as long as finances are available and operating costs are covered. In such case, management will provide services at least cost. There is little or no scope for profit margin or creating perpetual large number of organizations. The behavior should be to generate 'satisficing profit'.

#### ARE THE MFIs MOVING TOWARDS COMMERCIALIZATION?

The word 'commercialization' should not be used from the perspective 'equity'. From the finance perspective, commercialization will be linked to private equity and maximization of value of firms. In our case, commercialization refers to gradually moving away from 'poverty' focused lending to 'commercially driven' lending for reducing risk and maximizing profit or surplus.

Over the past decade substantial changes have taken place in the behavior of licensed MFIs in Bangladesh. The behavior is more pronounced for medium, large and very large MFIs. These institutions have higher tendency to provide micro enterprise loans and provide

loans to the lateral-entrant borrowers. Average loan size is quite high. Until requires to lend to extreme poor, these institutions have a tendency to provide financial services to moderate poor or the households marginally above the poor. The rule of the MRA that fifty percent of the fund can be utilized for micro enterprise lending has also encouraged the medium to large MFIs to lend to the microentrepreneurs. During the past six months, our field visit clearly showed that branch managers have a tendency, as directed, to lend large loans, what they call for higher cost of fund and declining-method based capped lending interest rate in regulatory regime.

In recent years, the demand for making MFIs as rural banks or microfinance banks is probably an evidence of their desire to operate under the 'Financial system' approach, like any other banks. Can the social banks that can operate with commercial objective and cross

subsidize social activities for poor households? The experience of MFIs to operate with commercial objective has failed in Bolivia, India and even as lately in Nepal. The 'commercialization' approach has been too costly for the poor households, and driven the lenders away from the ultimate goal of poverty alleviation.

In brief, social mission of 'poverty alleviation' should remain the driving force for the MFIs in Bangladesh. Poverty alleviation requires multi-dimensional interventions including finance and non-finance. A 'commercially' motivated MFI will always stay away from providing non-financial services until required. MFIs in Bangladesh should have identity – that identity should be social institutions through creating social capital can operate with 'satisficing level' of profit on the one hand and reduce poverty on the other hand. An identity than can make the MFIs more focused on social mission of 'poverty alleviation'.



## SUSTAINABLE DEVELOPMENT AND POVERTY: THE CONSTRAINTS/GAPS

### THEME 5

Chair : **Professor Dr. M A Sattar Mandal**, Former Member, Planning Commission, GoB

Chief Guest : **Ms. Rasheda K. Chowdhury**, Former Advisor, Caretaker Government of People's Republic of Bangladesh and Member, InM Governing body

Lead Speaker : **Mr. Golam Mowla**, General Manager, PKSF

Panelists : **Ms. Zahida Fizza Kabir**, Executive Director, Sajida Foundation  
**Dr. Syed Abdul Hamid**, Associate Professor, Institute of Health Economics, DU



Economic development generally refers to the sustained, concerted actions of policy makers and communities that promote the standard of living and economic health of a specific area. Economic development differs from economic growth. Whereas economic development is a policy intervention endeavor with aims of economic and social well-being of the people, economic growth is a phenomenon of market productivity and rise in GDP. Amartya Sen points out: "Economic growth is one aspect of the process of economic development." For a long time development referred primarily to industrialization, reduction of poverty, access to basic needs and economic growth. These days, however, the notion of development is no longer confined to these few factors. Today development does not only refer to economic growth but also involves factors such as improved quality of life, socio economic equality, access to scientific knowledge and technology, access to

infrastructures, accountable and transparent government and so on.

These are also contained in the notion of "Sustainable Development". According to the World Commission on Environment and Development, Sustainable Development refers to the development that meets the needs of the present without compromising the ability of future generations to meet their own needs, (United Nations Commission of Sustainable Development 2007). Therefore, sustainable development emphasizes on ensuring environmental sustainability as well as meeting people's basic needs, such as food, health, education and so on. while improving their life style. Millennium Development Goals (MDGs) have set the milestones in the efforts of global and national development in the fields of poverty eradication, health and education. By 2014, which is almost the end of the era of Millennium Development Goals (MDGs),

Bangladesh has made remarkable progress in attaining these goals (BBS, 2014). Household Income and Expenditure Survey (HIES) 2010 shows that, since 1991-92, the incidence of poverty is declining at the annual rate of 2.47 percent (The World Bank, 2010). Several targets like reducing poverty gap ratio, attaining gender parity at primary and secondary education, under-five mortality rate reduction and so on. have already been met and significant development has been made in the areas of child and maternal health, primary schools enrolment, immunization coverage and so on. However to achieve the goal 7: "Ensure Environmental Sustainability" is not encouraging. Our forestry, biodiversity, wetland and waste management are not up to the mark. Access to arsenic free sweet water supply is still a big challenge for us due to environmental pollution and climate change impacts. Water pollution in and around big cities particularly in Dhaka and Chittagong cities are the big concern, to ensure pollution free surface water availability. The world is now moving towards the Post MDGs agenda that will emphasize on the integration of social, economic and environmental dimensions of development. Therefore, the focus will more likely be moved away from the basic needs of the developing world to the integrated policy of governance and accountability mechanism at all levels to promote social equity, environmental sustainability and economic growth both for developed and developing worlds. Innovative form of financing and partnership between financing and technology, health, empowerment, education, environment and so on. and other cross cutting issues are expected to receive greater attention than ever before.

Bangladesh has become a role model in the sector of Microcredit and Microfinancing to the rest of the world for the sector's role in helping with the eradication of poverty and empowerment of the poor people. Social mobilization and economic security are the two major factors of empowerment. Micro credit program is helping in gaining economic prosperity, meeting up short time needs, and asset creation for the rural poor in Bangla-desh. However, the indicators for measuring the performance of the micro credit schemes should not be based on economic variables, such as loan repayment rates, only. In case of lessening the gap of gender relations that prevails in the decision making processes in the rural households of Bangladesh, it is noted that

microcredit program could have emphasized more on the factors of women empowerment when it comes to the use of microcredit. But since financial viability is important for sustainability, households often have to prioritize needs which may focus more on households' subsistence, reducing vulnerability to risks and enhancing social capital than merely on empowering women, which may have left the gap.

Knowledge and empowerment come through market access. Evidence shows that, even if the farmers and small entrepreneurs receive loans from the financial or microcredit institutions, due to their lack of access to markets, they fail to make much progress with their investments. In such cases, providing facilities to enhance rural poor's access to the market will be an effective way of enhancing their control over loans as well as self-confidence. Quite a large amount of loan is directed towards fixed assets creation, health and medical treatment purposes, education of the borrowers' children, emergency necessity and so on. (Credit Development Forum (CDF) and Institute of Microfinance 2011). As a result, due to not using the loan in various capacity building and income generating products and activities, the borrowers remain trapped in the cycle of poverty. The negative impacts of environmental degradation such as natural calamities and its impacts on agriculture and livelihoods further perpetuate these conditions.

Hence, rather than emphasizing on the short term survival, constraints and opportunities faced by the poor, the relationship between the socio economic and the environmental factors such as bio diversity and ecosystem conservation, pollution free surface water as well as waste management with poverty is needed to be understood with greater urgency. Rather than meeting immediate needs alone, maintaining and gradually enhancing poor people's optimum access to various socio economic services should be emphasized by the Microfinance programs. Inclusive financing for environmental sustainability is needed as much as those for education and health services. Policies should be designed in such way so that development programs can help the poor not only to combat short term constraints but also to cope with various socio economic contexts, unfolding environmental conditions and their future trends as well.

## CAPACITY DEVELOPMENT OF MFIs

### THEME 6

**Chair** : **Dr. Toufique Ahmed Chowdhury**, Director General, Bangladesh Institute of Bank Management (BIBM) and Member, InM Governing Body

**Lead Speaker** : **Dr. Md. Mosleh Uddin Sadeque**, Director (Training and Operations), InM

**Panelists** : **Mr. M. Hassan Khaled**, General Manager, PKSF  
**Mr. Shazzad Hossoin**, Director, MRA  
**Mr. Md. Arifur Rahman**, Executive Director, Young Power in Social Action (YAPSA)



### STRIVE FOR BUILDING CAPACITY

The greatest asset of any organization is human capital. The staffs of the Microfinance Institutions (MFIs) are the most important resource of these institutions. MFIs often lack the capacity to evaluate their own effectiveness or outcomes. An organizational capacity assessment tool is vital to provide snapshot of the organizational strengths and areas for improvement; where to start by targeting, where specific capacity building efforts could be most beneficial for MFIs to learn and improve. So, building the capacity of microfinance institutions are directly correlated with how well the standard is maintained and implemented but also typically with greater productivity, borrowers' satisfaction and retention, happy and contented staff, lesser staff turnover, complaints and greater returns. So, it is essential for an MFI to identify its capacity, strength and challenge and thereby establish capacity building goals.

### STATE OF CAPACITY BUILDING STRATEGY IN BANGLADESH

Capacity building refers to activities that improve and enhance an MFI's ability to achieve its mission and sustain itself over time. In Bangladesh, the state of capacity building mainly encompasses four areas : i) In-house Capacity building ii) Activity based capacity building iii) Learning by doing and iv) Separate Training Division for staff development. Except for a few MFIs (less than 2%), these are somehow meant to fulfill the immediate need, as instant surefire solution. As a result, holistic approaches of staff development are largely missing.

### CAPACITY BUILDING MOTTO: GOLD STANDARD PROFESSIONALS FOR MFIs

It is vital to take a holistic approach to build the capacity

of MFIs based on the context in which they are or will be operating. Too many selection decisions are made on the basis of ‘looking narrowly through the rear view mirror’ rather than taking a broad view of the capabilities needed to manage in the present and the future. In doing so, MFIs need to-

- Build a unified competency model with core professional competencies (e.g. internal discussion, facilitation, training and so on.)
- Build “gold standard professional qualification route” – without compromise
- Cut the fads – focus on educating organizations about the proven link between good people management practice and business success and then model it – “Be the change you want to see in the world” (Mahatma Gandhi).

In this line of action, InM is striving towards building capacity of MFIs to cope with the challenges of the microfinance industry as a whole rather than pursuing prototype training practiced for decades in the sector. PKSF, MRA and DFID are also generously supporting to develop cutting edge microfinance professionals for the sector. In recent years, InM has provided training to more than 14,000 microfinance practitioners at the Head Quarters and field level created a pool of around 200 InM Certified Trainers and developed 10 quality training modules to cater to the needs of the sector. Recently, for the first time in Bangladesh InM has launched Certificate Courses/ Diploma Program in Microfinance. The participants will dive into an in-depth understanding of

- Theory and practice of poverty, microfinance and development
- Efficient microfinance operations and management
- ICT based financial services
- Human resource development of MFIs

- Management information system (MIS) of microfinance program
- Governance and regulation of MFIs

This diploma program will no doubt help to build “gold standard” professionals for the industry. It will also give opportunity for the fresh graduates to build their career in this sector. Existing human resources of the organization should also be developed in phases so that they can contribute at their best.

Beside long courses InM is also continuing with its regular program of short courses to improve the performance of the organizations through improving the performance of their staff specially involved in microfinance activities. InM has diversified its regular courses to cater to the present need of the sector like Product Development, Interpersonal Communication and Risk Management; Talent Management-Recruiting, Developing and Retaining Your Best People; Early Warning System in Financial Management; SMART Business Plan for MFIs and so on. All these initiatives of training, knowledge-sharing and institutional capacity building programs are especially designed to encompass microfinance professionals, regulatory bodies, NGO/ MFIs, government, development partners and concerned stakeholders to acquaint with the latest innovations and best practices in microfinance and development.

## CONCLUSION

Capacity building for competencies is a dire need of the time. MFIs should come forward to cope with the second generation challenges of the microfinance industry which is heading towards rural banking. To cope with these, skilled manpower is of prime importance. InM is facilitating to build gold standard core professionals to cope with the upcoming challenges of appropriate financing and growing demand of the microfinance sector for the years to come.

## STRUCTURE OF MICROFINANCE MARKET AND FINANCING OF MFIs

### THEME 7

**Chair** : **Professor A. K. M. Nurun Nabi**, Vice Chancellor, Begum Rokeya University and Member, InM Governing Body

**Chief Guest** : **Mr. Mahbub Ahmed**, Senior Secretary, Finance Division, Ministry of Finance, Government of People's Republic of Bangladesh

**Lead Speaker** : **Mr. Dewan H. Alamgir**, Microfinance Specialist

**Panelists** : **Mr. Abdul Awal**, Executive Director, Credit Development Forum (CDF)  
**Dr. Md. Akhtaruzzaman**, Economic Advisor, Bangladesh Bank



Financial structure provides information on sources and extent of financing of assets including loans outstanding by micro finance institutions (MFIs). Sources may be equity and reserves, savings or deposits, short term and long-term borrowing and so on. There are twin objectives of understanding financial structure – understanding risks and constraints in financing assets. It is risky when short-term borrowing and deposits is used to finance long-term assets (e.g., fixed assets or long term loans). But for any MFI, the desirable goal is scaling up of lending and/or social activities over time with the ultimate goal of contributing to the process of poverty reduction. In general, risks associated with financing lending and social activities are low in Bangladesh because short term (one year at best) borrowing fund is used for short term (one year at best) loans, and social activities are financed by grants. The major issue of this session is to understand sources of financing and identify constraints to financing micro finance activities.

Bangladesh microfinance sector has come a long way. Some 700 plus MFIs (including Grameen Bank) with a network of over 20,000 branches have been providing financial and social services to some 31 million members (with multiple memberships). The market is skewedly distributed with Grameen Bank, BRAC and ASA together have a share a little over 60 percent of loans disbursement, loans outstanding and active borrowers in 2013. The share of all MFIs (including small and medium) was over 38 percent.

Financial structure has changed during the past twenty five years. In the initial years of development, the major driver was donor funds. With the establishment of PKSF in 1990s, borrowing from PKSF became another major driver of expansion particularly for the institutions having no access to donor funds. Borrowing from banks was very minimal. But now with the advancement and maturity of the market, donor funds have a limited contribution; major sources of financing are member savings, borrowing from PKSF and commercial banks.

Equity and reserve funds are becoming more important sources of fund. Entry of commercial banks into micro credit market is more driven by almost zero default cost.

Relevant data analysis shows that financial structures of the market and of major institutions are different to some extent. Dependency on net savings and deposits account for over 44 percent at the market level but it is more than 82 percent for Grameen Bank, as expected. In addition to net savings, both BRAC and ASA have more dependency on commercial bank borrowing with no borrowing from PKSF (they used to be major borrowers of PKSF fund earlier). Largely small and medium MFIs have little access to commercial bank borrowing but quite important presence in PKSF loans. The findings are no different when distribution is observed among the licensed MFIs (MRA-MFI Database 2013).

Important financing issue emerges when we find that the share of accumulated funds and reserves for the

small and medium MFIs is almost fifty percent of their funds. The share is highest because of the relatively lower access to commercial and PKSF loans. Their size perhaps restricts them to borrow from commercial banks at higher interest rate. PKSF fund is quite attractive as it is subsidized but they have their set of rules.

In such a situation, several important issues emerge. How do small MFIs scale up their activities? What policy changes can be brought on the supply side to ensure appropriate level of financing for the small and medium MFIs? Can PKSF meet demand for fund of the sector? Does it operate at optimum level? Can commercial banks provide funds to small MFIs? Should small MFIs in particular remain small? Should MRA have any policy for sound microcredit market development? All these questions become more relevant when we find that majority of the MRA licensed MFIs are small and very small, defined by MRA in terms of number of members.



## POVERTY REDUCTION, CLIMATE CHANGE AND MICROFINANCE

### THEME 8

**Chair** : **Dr. M. A. Quassem**, Member, PKSF Governing Body

**Special Guest** : **Dr. Hassan Mahmud**, MP, Chairman, Standing Committee on and Ministry of Environment Forests, and Former Minister for Environment and Forests, Government of People's Republic of Bangladesh

**Lead Speaker** : **Dr. Fazle Rabbi Sadeque Ahmed**, Project Coordinator, Community Climate Change Project, PKSF

**Panelists** : **Dr. Khurshid Alam**, Executive Director, Community Development Centre (CODEC)  
**Mr. Murshed Alam Sarker**, Executive Director, Peoples Oriented Program Implementation (POPI)



### POVERTY, ENVIRONMENT AND DEVELOPMENT

For a long time, speaking of development, we have been referring to mainly industrialization, reduction of poverty, access to basic needs and economic growth. Nature has always been seen predominantly as a resource over which we have a right of domination. There was a belief that economic growth is a valid measure of progress and there is an inverse co-relationship between environmental quality and socio economic disparities. It is widely recognized that, environmental changes has both positive and negative impact on development and poverty. However, now a days environmental degradation and its link with sustainable development is becoming a major issue in both developed and developing countries.

### CLIMATE CHANGE IN BANGLADESH

Climate change is becoming an important global issue particularly for a vulnerable country like Bangladesh. Bangladesh is one of the most vulnerable countries due to climate change (Maple Croft, 2013, German Watch, 2014). Climate change in various forms such as natural calamities like flood, flash flood, drought, salinity intrusion, cyclone and storm surge, erratic behavior of rainfall, temperature rise affect directly and indirectly agriculture, fisheries and livestock, water resources and hydrology and has immense effect on coastal areas including migration. These factors ultimately influence income generating activities, shelter availability, water and food supply and ultimately upset the livelihoods of the poor people.

## RISKS AND SHOCKS: THE CONSEQUENCES OF CLIMATE CHANGE IN BANGLADESH

Risks and shocks are two important factors determining poverty and vulnerability (Institute of Microfinance 2013). Climate change and agriculture are deeply related with each other, especially in the vulnerable developing countries like Bangladesh. While rural poor people are mostly dependent on farming, agriculture, fisheries and livestock activities, crop failure, inadequate rainfall, loss of livestock are the most pervasive and inflict longer term consequence on their household consumption fluctuations (Ahsan, 2010). These consequences include reduction of income, loss of employment, reduction of crop yield, increase of food price and increase of family expenses and so on. (Parvin, 2012). Seasonal microcredit loan has been made available by a lot of microfinance institution; however, the risk of inability to repay the loan by the borrowers is involved with it due to erratic behavior of weather (rainfall, flood/-flash flood, drought, salinity, pest and disease infestation and so on).

Moreover, climate change consequences are both directly and indirectly linked with poor people's migration from one area to another within or outside the country which is resulted from various factors such as loan indebtedness, asset loss and so on. The women being in the reproductive role of the households, children, older and disabled people are more vulnerable to these risks and shocks in Bangladesh.

## STRATEGIES TO COPE WITH CLIMATE CHANGE IMPACTS

There are two kinds of responses to cope with climate change impacts on different sectors. They are adaptation or adjustment with the changing scenario and the reduction of greenhouse gas emission (mitigation). However, as very low green house gas emitting country Bangladesh doesn't have enough opportunity to reduce the green house gas emission. It is not our priority either. However, as a vulnerable and natural resource based economy and for livelihood support we should be prepared enough to make adjustment with the changing climatic scenario to continue our development as well as to ensure the food security and livelihood support to the marginalized people of the country.

## THE ROLE OF MICROFINANCE FOR THE CONSEQUENCES OF CLIMATE CHANGE

Microfinance lending in Bangladesh contributes to adaptation both by providing the poor with means of accumulating and managing assets and thereby

reducing their overall vulnerability, and as well by financing activities that are more specifically targeted at lessening vulnerability to weather and climate risks, especially in the areas of water management, agriculture and fishery, forestry, health, and housing.

There are now a small set of examples where microfinance is taking the longer term perspective and helping to reduce vulnerability to evolving risks posed by climate change. Microfinance institutions are also contributing to enhancing longer term resilience to the impacts of climate change through loans to support the building of housing that is more resistant to storm surges and floods. Following the devastating floods in 1987, the Grameen Bank developed its own design which its borrowers could use to build houses that are resilient to floods and strong monsoon winds. Another initiative that may go towards facilitating longer term adaptation is the promotion of hybrid crop varieties that are tolerant to salt and water related stresses. BRAC has been a pioneer in this area as it views varieties such as hybrid rice and saline resilient crops as critical to boosting crop production and incomes. Such varieties can also enhance resilience to the impacts of climate change such as saline intrusion, as well as enhanced drought and flooding risks.

Microfinance is also supporting a number of crop and income diversification projects that protect yields and incomes under variable weather and climatic conditions. MFIs such RDRS and TMSS have crop and income diversification initiatives that offer training and credit in new cropping patterns, innovative practices such as joint rice and fish cultivation, and satellite activities such as poultry farming and garment making.

Climate change may also require changes in microfinance lending practices. Due to the additional stresses caused by climate change on the livelihoods of the poor, especially natural disasters such as floods and droughts, the clients may not be able to always repay the loans on time. Also, in areas where income activities mostly rely on highly seasonal occupations such as agriculture, regular repayments are more difficult to impose. Taking into account the difficulties that borrowers may encounter, and the long-term effect of climate change, products could be structured in a more flexible manner. For instance, microfinance institutions could program more flexible repayment installments for the loans in the most vulnerable seasons, instead of asking weekly repayments, and set lower interest rates like they do for some housing programs that do not provide any revenue. Most disaster relief projects are already providing loans for shelters or water tanks at zero interests. Although microfinance practitioners argue that the fiscal discipline imposed by frequent

repayment is critical to preventing loan default, several studies suggest that among microfinance clients who are willing to borrow at either weekly or monthly repayment schedules, a more flexible schedule can significantly lower transaction costs without increasing client default (Field and Pande, 2008).

Finally, there is potential to undertake programs or to scale up existing activities that can help promote

adaptation to climate change. For example, education loans and training could be offered to target groups on community level adaptation strategies. Loans for promotion and use of flood, drought, and salt resistant crops may also be scaled-up. There is potential for promoting a number of projects such as cage aquaculture, rice-fish farming, and floating gardens that are more resilient to flooding risks.

## COMPETITION IN MICROFINANCE MARKET

### THEME 9

**Chair** : **Mr. Md. Abdul Karim**, Managing Director, PKSF

**Chief Guest** : **Dr. Mohammad Forashuddin**, Former Governor, Bangladesh bank

#### Key-note Presenter and Lead Speaker

: **Professor M. A. Hakim**, Department of Economics, Southeast University

**Panelists** : **Mr. Zakir Hossain**, Executive Director, BURO Bangladesh

**Razia Hossain**, Chief Executive, Mohila Bohumukhi Shikkha Kendra (MBSK)

**A. K. M. Nuruzzaman**, AGM, PKSF



Microfinance in Bangladesh has developed in phases. General acceptability of the concept of micro credit during the 80s constituted first phase of development of micro finance. During this period, policymakers considered micro finance as an instrument for poverty alleviation. Quite a number of NGO-MFIs emerged, and non-government approach to poverty alleviation was globally accepted. In the 90s, we witnessed the large-scale movement for micro finance, more institutional development, establishment of PKSF, and experienced stable growth in memberships and supply of credit. This is the second phase of development. The third phase of development of the sector since the beginning of the present century and partly following the 1998 flood demonstrated maturity of the sector, and higher ability of the MFIs to meet different needs of the poor households. Diversification in loan product basket, emergence of micro enterprise, focus on non-financial services, emphasis on micro insurance, regulation of MFIs, overlapping in microfinance sector, expansion of microfinance services into urban areas, and sustainability of MFIs are the critical elements of the third phase of development of microfinance sector in Bangladesh.

While during the past two decades, we have witnessed depth of the microcredit market in terms of scale and scope, we have also witnessed evidence of competition at the field level. The issue of competition surfaced when overlapping emerged in the discussion among the stake-holders and some case studies. PKSF through mapping of MFI branches identified depth and overlapping of services. Khalily et. al. in a national survey estimated intensity of overlapping. Individual overlapping refers to membership with more than one institution.

They estimated individual member-based overlapping rate at the aggregate level to 31 percent in 2009. However, model overlapping of individual memberships was two. But there has been an upward movement for higher intensity of individual overlapping. Although the above data is five-year old, it is more likely that during the past five years, overlapping has increased.

Micro finance institutions call overlapping as a signal of competition. The reason they call overlapping as an outcome of competition is, overlapping arises when more than one institution operate in an area and provide services to some of the clients of the incumbent MFIs. They do it for low cost of mobilization, availability of more information about the existing members, and quick attainment of target set for the branch. The new entrant MFIs offer large loans to take away clients from the incumbent MFIs. This behavior does create the environment of competition but the behavior is driven by

some inherent weaknesses like loan ceiling and higher lending interest rate and lower deposit interest rate.

The evidence of competition is also found in the diversification of loan products. In the event of competition, every MFI will try to increase its share in the market. As noted above, in addition to offering higher loan size, MFIs will diversify loans and saving products as well as nonfinancial products. Over the past thirty years, we have witnessed transformation of the MFIs. MFIs have moved from financing 'survival based' income generating activities to 'growth based' micro enterprises; widened services of MFIs from 'single' approach finance only to 'multiple' approach of both financial and nonfinancial services. But not all MFIs are capable of diversifying financial and non-financial product basket. MFIs with more resources and institutional development have higher ability.

This brings the issue of competition between small MFIs and large MFIs that is commonly cited or argued. The behavior may be somewhat oligopolistic in nature. Large MFIs, because of higher ability to mobilize more resources or access more financial resources, have a tendency to overtake market of very small or small MFIs. Very small or small MFIs are generally localized institutions. They have little access to external financial resources like subsidized PKSF-fund, and are mostly dependent on mobilized small savings from its members. Consequently, small MFIs are constrained to scale up its activities. When relatively large MFIs overtake the clients of small MFIs in a market, it is costly for the later groups of institutions.

Competition is observed more in accessible and economically better off regions where more MFIs are concentrated. In a study, InM showed that concentration of the institutions is observed in the areas within 3-4 kilometers from the nearby pucca road. They do it for convenience.

Competition can be price and non-price competition. Capping on lending interest rate has created little room for price competition. Although most MFIs offer loans at lending interest rate of 27 percent, some forty percent of the institutions offer loans at lower interest rate. For example, PKSF partner organizations offer loans at an interest rate of 25 percent under declining balance method. There are some organizations, which offer loans at further lower interest rate. Who will have higher ability to offer loans at lower interest rate? Indeed the large MFIs will be able to influence market behavior by offering loans at lower interest and thereby can increase its market share.

In the world of interest rate capping, it is more expected that competition will be non-price competition. In non-price competition, MFIs will be able to compete in several ways. They can offer higher loans, vary terms and conditions like moving from single or weekly installment system to monthly installment system. They even can link non-financial services like training, health services to financial services. In Bangladesh, non-price competition is observed. Medium and large MFIs have higher ability to vary terms and conditions of loan contract and offer diversified services, as noted above. Expectedly, small

MFIs are the worst victim of the so called 'oligopolistic behavior' of the medium and large MFIs.

Now this phenomenon of competition has some crucial implications. The small or localized MFIs carry the burden of unhealthy competition. It is because the medium and large MFIs are largely financially independent, and have access to loans from PKSF and commercial banks. These institutions also get priority in providing non-financial services because of its institutional strength. It is important to note that 75 percent of licensed MFIs in Bangladesh are small. As they cannot offer large loans or cannot offer diversified products to the borrowers, the medium and large MFIs may invade into the territory of small ones and small MFIs may find it very difficult to operate sustainably in their areas. Small MFIs sometimes may lose their long-term reliable clients due to competition. Because of limited resources, small MFIs are not in a position to change terms and conditions of loan contract.

It is quite apparent that competition does exist in Bangladesh micro credit market. As competition leads to cost and price efficiency, healthy competition is always desirable. In the event of oligopolistic credit market, such healthy competition may not be expected.

As unhealthy competition may lead to high default rate and collapse of small MFIs, it is important that the issue of competition needs to be examined seriously.

The agency that can closely look into the issue or can change the rule of the games at the field level is MRA. The other agency that can also partly influence the rules is PKSF. There are several ways both MRA and PKSF can contribute to developing healthy competition in the market. First, financial opportunities for the small MFIs need to be created. Second, MRA needs to seriously think about formulating branching policy at the union level. PKSF in expanding its activities may have to take the factor of 'competition' in their decision making process. Third, MRA and policymakers need to seriously debate about the future structure of the micro credit market, and then formulate a set of policies for sound development of the market. Fourth, innovation should be strongly encouraged. Fifth, MRA should fasten the process of establishing an efficient and effective Credit Information Bureau. Whatever policy set is ought to be taken, it must be backed by research findings. Institute of Microfinance through its research on the nature of competition and the behavior of MFIs can contribute to the process of policy formulation and sound development of microcredit market.



## CLOSING SESSION

**Chair** : **Dr. Qazi Khaliquzzaman Ahmad**, Chairman, InM and PKSF

**Chief Guest** : **Mr. Amir Hossain Amu**, MP, Honorable Minister, Ministry of Industries, Government of People's Republic of Bangladesh

**Special Guests** : **Mr. Hassanul Haq Inu**, MP, Honorable Minister, Ministry of Information, Government of People's Republic of Bangladesh

**Mr. Rashed Khan Menon**, MP, Honorable Minister, Ministry of Civil Aviation and Tourism, Government of People's Republic of Bangladesh

**Mr. Anisul Islam Mahmud**, MP, Honorable Minister, Ministry of Water resources, Government of People's Republic of Bangladesh

**Closing Presentation** : **Professor M. A. Baqui Khalily**, Executive Director, InM

**Closing Speech** : **Md. Abdul Karim**, Managing Director, PKSF

**Mr. Khandakar Muzharul Haque**, Executive Vice Chairman, MRA



Employment creation through microcredit, multidimensional instruments of poverty reduction, overlapping, regulation of MFIs, strategies to reduce the negative impact of climate change were some of the major talking points in the closing session.

Professor M. A. Baqui Khalily said that microcredit had played an important role in creating employment opportunity for more than 18 million people. He expected that government would extend helping hand for the expansion of microfinance programs.

Honorable Minister Mr. Hassanul Haq Inu said that the

outcome of this seminar would help to make Bangladesh poverty free by 2030.

Mr. Rashed Khan Menon, Honorable emphasized on education, health, and sustainable environment. He also said that microcredit was no more confined to giving loan and receiving interests only.

Honorable Minister Mr. Anisul Islam Mahmud mentioned that microcredit has a distinctive role to reduce the poverty level of 26 percent. Along with credit MFIs should think more strategically about crop insurance, climate change adaptation and mitigation



and other relevant areas. He said InM, PKSF and MRA along with the Government will work together for the better development of the country.

Honorable minister Mr. Amir Hossain Amu, as a chief guest said that microfinance played a prominent role not only by providing credit but also by providing health and education services, capacity building, resource creation and so on. He also mentioned that microcredit is working as a tool of development for the betterment of poor people. Along with Government intervention this

will lead Bangladesh towards sustainable development.

In the concluding session, Dr. Qazi Khaliuzzaman said MRA makes rules and regulations for MFIs, PKSF implements them through its Partner Organization and InM provides training and does research and policy output for the sector. These three institutes together along with the support of the Government will play a significant role for the farther development of the country.





InM  
ANNUAL  
REPORT  
2014



# INTERNATIONAL CONFERENCE



Institute of Microfinance (InM)



# INTERNATIONAL CONFERENCE

## GENDER AND WOMEN EMPOWERMENT

Date: November 13-14, 2014

Venue: Hotel Lakeshore, Gulshan

The purpose of the conference was to examine the impact of microfinance on gender and women empowerment and see how microfinance can contribute to achieving sustainable development.

Speakers opined that women are taking leadership role in many sectors and are making significant contribution to the country's development. However, there is still a long way to go before women enjoy equal status as that of men in terms of rights and opportunities. So consistent efforts in that direction is needed. Microfinance programs have traditionally targeted women and empowered them not just economically but also socially and politically.



## INAUGURAL SESSION

Presided by : **Dr. Qazi Kholiuzzaman Ahmad**, Chairman, InM and PKSF

Chief Guest : **Mr. Hassanul Haq Inu**, MP, Honorable Minister, Ministry of Information, Government of People's Republic of Bangladesh

Special Guest : **Professor Dr. A A M S Arefin Siddique**, Vice Chancellor, University of Dhaka

Welcome Speech : **Professor M. A. Baqui Khalily**, Executive Director, InM



In his introductory speech Professor M. A. Baqui Khalily defined women empowerment in broad terms. Empowerment is not simply access to finance, but access to social resources and access to social, legal and political institutions. It also implies equal opportunity, including in the labor market. Chief Guest Hassanul Haq Inu observed that Bangladeshi women have displayed their skills and creativity everywhere, be it agriculture or garment industry. Their achievements are examples for the rest of the world. They have

proved that they can change the fortune of their family as much as they can change the lot of the country. What we need to do is give them the rights and opportunities they deserve. Dr. Qazi Kholiuzzaman Ahmad called for social reconstruction where men and women enjoy equal opportunities with regards to legal, social, economic and political rights. Providing opportunity to women through microcredit program can be a step towards that goal.



## WOMEN EMPOWERMENT

### PLENARY SESSION 1

#### Presided by

Dr. Qazi Khaliquzzaman Ahmad Chairman, InM and PKSF

#### Keynote speech

Professor Naila Kabeer London School of Economics and Political Science, UK

Professor Naila Kabeer agreed that microfinance programs have had significant impacts on women empowerment. But women's empowerment continues to be hindered by many factors, social and political in nature. She underlined the need for further research to gain greater understanding of the issue. She defined 'women empowerment' as a process of gradual change through which women, who have been denied the right of voice, influence, choice in their lives, acquire and exercise those abilities. After an energetic question answering session, Dr. Qazi Khaliquzzaman Ahmad said that we have to consider the issue of climate change while talking about women empowerment, because women are more vulnerable to the impact of climate change'. He mentioned that microcredit has empowered women by bringing out them from the four walls of society. He also stated that 'we have to change the mind set against the issue of women empowerment.



## WOMEN EMPOWERMENT AND MICROCREDIT: INTERNATIONAL PERSPECTIVES

### SESSION 1

**Presided by** : Dr. Fahima Aziz, Vice Chancellor, Asian University for Women, Bangladesh

**Paper** : Financial Inclusion to Empowerment- The Women Who Make It

**Presented by:** Dr. Supria Garikipati, University of Liverpool, United Kingdom

**Paper** : Financial Inclusion, Gender and Empowerment- Emerging Issues in Policy and Praxis

**Presented by:** Dr. Tara S. Nair, Gujarat Institute of Development Research (GIDR), India

**Panelist** : Dr. Rushidan I. Rahman, Bangladesh Institute of Development Studies (BIDS)

**Professor M. M. Akash**, University of Dhaka

Dr. Supria Garikipati said that microfinance programs in developing countries have largely targeted women clients. But credit alone cannot empower women; positive changes in social and economic structure are equally critical.

Dr. Tara S. Nair said that technology has enabled poor women gaining access to finance. In fact technology has brought about radical structural change in the concept of financial inclusion and has widened financial markets. Now-a-days women have proved themselves successful in using loans.

## SOCIAL IMPACT OF MICROFINANCE ON GENDER

### SESSION 2

#### Session

Directed by : **Professor Naila Kabeer**, London School of Economics and Political Science, UK

Paper : Women's Participation in Microfinance Programs and Gender Related Outcomes in Bangladesh  
Presented by: **Dr. Sajeda Amin**, Population Council, New York  
**Mr. Tarek Ferdous Khan**, Jahangirnagar University

Paper : Does Microcredit Empower Women or Is it a New Form of Discipline? The Case of Microcredit Self-Help Groups in India  
Presented by: **Dr. Isabelle Guerin**, CESSMA, Universite Paris Diderot, Paris

Panelist : **Professor Mahbuba Nasreen**, University of Dhaka  
**Dr. Ayesha Banu**, University of Dhaka  
**Ms. Ayesha Khanam**, Bangladesh Mahila Parishad (BMP)

Dr. Sajeda Amin and Mr. Tarek Ferdous Khan said that labor migration has risen dramatically in recent years as a result of easy access to microcredit.

Dr. Isabelle Guerin said that women are implicitly forced to submit themselves into a large number of constraints when they want microcredit services. A study in Tamil Nadu found the self-help groups as a new form of domination over women in the name of microcredit.

Professor Mahbuba Nasreen said that microfinance has been seen as an instrument of poverty reduction in Bangladesh and even in South Asia. She stressed on the need for providing credit to poor women who are often denied to health, education and especially reproductive health services.

Dr. Ayesha Banu mentioned that the issue of house-hold type should be considered while providing loan to very poor or poor group.

Ms. Ayesha Khanam said it is very unfortunate that women in our society have faced inequalities in terms of resource, in terms of job allocation and in terms of power. So the issue of gender violence has to be considered in this regard.

Professor Naila Kabeer said that microfinance helps women and households to make progress on social outcomes. But, the problem is often with the microfinance organizations who are more interested in getting their loan back than achieving social progress.



## WOMEN EMPOWERMENT AND MICROCREDIT: BANGLADESH PERSPECTIVE

### SESSION 3

**Chaired by** : **Professor Dr. Nasreen Ahmed**, Pro-Vice-Chancellor (Academic), University of Dhaka

**Paper** : A Breakthrough in Women's Bargaining Power- The Impact of Microcredit

**Panelist** : **Dr. Lutfun N. K. Osmani**, Queen's University of Belfast, United Kingdom

**Paper** : Impact of Microfinance on Women Empowerment in Bangladesh-A Case of North-Western Region

Presented by: **Dr. Anwara Begum**, Bangladesh Institute of Development Studies (BIDS)

**Panelists** : **Ms. Nahid Akhter**, Institute of Microfinance (InM)

**Dr. Mustafa K. Mujeri**, Bangladesh Institute of Development Studies (BIDS)

**Dr. Sayema Haque Bidisha**, University of Dhaka

**Dr. Supria Garikipati**, University of Liverpool, United Kingdom.



Dr. Lutfun N. K. Osmani said that women's lack of empowerment is often associated with their lack of bargaining power, which is a consequence of gender discrimination. Microcredit serves as an effective tool for women to achieve bargaining power. In poverty stricken groups women suffer from denial of their human rights. Credit facilities and group based activities help create a strong sense of empowerment in rural women.

Dr. Anwara Begum stated that women in developing countries have to deal with so many constraints such as discrimination, child marriage, dowry, violence in the family and society. These are reasons why they are lagging behind. She thought group based credit facilities are a good means to empower women, both economically and socially.

According to panel data study, Ms. Nahid Akhter claimed that access to credit program helps significantly to improve the overall empowerment and especially women empowerment.

Dr. Mustafa K. Mujeri emphasized on two issues, namely ownership pattern of land and non-land assets and self-employment. Dr. Sayema Haque Bidisha highlighted the inheritance issue of women.

Dr. Supria Garikipati has put valuable comments regarding the variables used in these two papers. Dr. Nasreen Ahmed said that the phrases 'women empowerment' and 'microcredit' are often used as synonymous, but only credit or finance is not enough for women's empowerment. Though there are some achievements in women education, women continue to be discriminated against, often in the name of religion.

## POVERTY AND EMPLOYMENT IN BANGLADESH: GENDER PERSPECTIVES

### PLENARY SESSION 2

**Chair** : **Professor Nazrul Islam**, Director (Research and KnM) Institute of Microfinance (InM)

**Keynote Speaker** : **Professor S. Aminul Islam**, University of Dhaka

**Keynote Speaker** : **Professor A. K. M. Nurun Nabi**, Vice Chancellor, Begum Rokeya University, Rangpur



Professor Nazrul Islam said that economic development is directly linked to empowerment but women in every country are paid less even with similar qualifications. In recent years Bangladesh has been pursuing the ambition target of gender equality by promoting girls education, working towards reducing maternal mortality rate by 40 percent in 9 years and so on.

Professor S. Aminul Islam noted that unequal distribution of resources hinders women empowerment. A. K. M. Nurun Nabi said that contribution of women to household and family welfare should be considered in monetary term. Involvement of community people and change in their mindset are also vital for women empowerment.

## ACCESS TO SOCIAL RESOURCES AND GENDER INEQUALITY

### SESSION 4

**Presided by** : **Dr. Sajeda Amin**, Senior Associate, Population Council, New York

**Keynote Speaker** : **Ms. Joke Muylwijk**, Gender and Water Alliance (GWA), The Netherlands

**Keynote Speaker** : **Dr. Sayed Abdul Hamid**, University of Dhaka

**Panelist** : **Dr. Rumana Huque**, University of Dhaka

**Dr. Isabelle Guerin**, CESSMA, Universite Paris Diderot, Paris

Ms. Joke Muylwijk suggested that the credit beneficiary group will be more conscious in sorting out their area of investment. Dr. Sayed Abdul Hamid and Dr. Rumana Huque said that inequality in the context of health care should also be addressed.

Dr. Sajeda Amin emphasized on the issue of age stratification while working with microfinance, because economic and social demands are different for different age groups.

## GENDER AND WOMEN EMPOWERMENT

### POLICY DIALOGUE

**Chair** : **Dr. Qazi Khaliquzzaman Ahmad**, Chairman, InM and PKSF.

**Panelists** : 18 panelists attended the session to discuss, some of whom were-Dr. Pratima Paul Mazumder, Former Research Fellow, BIDS, Advocate Salma Ali, Executive Director, Bangladesh National Women Lawyers' Association, Mr. Fazlul Kader, Deputy Managing Director, PKFS, Dr. Humaira Islam, Executive Director, Shakti Foundation for Disadvantaged Women, Ms. Mithila Farzana, Senior Presenter, Journalist, Ekattor Media Ltd, Dr. Sajeda Amin, Senior Associate, Population Council, New York, Dr. Tara S. Nair, Gujarat Institute of Development Research (GIDR), India, Professor Naila Kabeer, London School of Economics and Political Science, UK, Ms. Selima Ahmed, President, Bangladesh Women Chamber of Commerce and Industry, Dr. Isabelle Guerin, CESSMA, Universite Paris Diderot, Paris, Dr. Iffath A. Sharif, Senior Economist, Ms. Zakia K Hassan, President, Women for Women, Mr. Emranul Huq Chowdhury, Executive Director and CEO, UDDIPAN, Ms. Rubana Huq, Managing Director, Mohammadi Group, Mr. Towhid Samad, Chairman, Chittagong Independent University and BGIC, Professor Niaz Zaman, Independent University, Bangladesh, The World Bank and so on.

**Discussion Points:** Women empowerment in Bangladesh, Role of microcredit on women empowerment, Hinders of social and economic empowerment of women and so on.



The guests said that women empowerment and gender equality would be achieved when all men and all women treat each other as equal from social and economic perspective. Many governments, NGOs, women activists, academicians, multinational organizations have been working with empowerment and equity issues in and outside Bangladesh.

Dr. Humaira Islam emphasized on empowering of women through employment and income generation which would help them to raise their voices for their rights.

Professor Naila Kabeer mentioned 'school enrolment'

and 'building of collective capabilities' as important tools for women empowerment. She also underlined the need for fighting gender violence. Ms. Selima Ahmed highlighted the achievement of on-going financing scheme for women and she advocated for more financing schemes for poor women. Dr. Isabelle Guerin emphasized on multidimensional process of women empowerment.

Dr. Qazi Khaliquzzaman Ahmad highlighted the issue of developing cluster approach for people who live in the hills, in haors, baors, on the river banks, on the streets and for those with disability.

## OTHER SEMINARS

### CLOSING SPEECH

At the time of delivering the closing speech, **Professor M. A. Baqui Khally** in his closing speech observed that appropriate policy for empowering women is a demand of the time. So experts from different sectors from home

and abroad were invited here for their expertise as well as re-affirm our commitment to the cause of women empowerment in Bangladesh.

### CLIMATE CHANGE ADAPTATION AT COMMUNITY LEVEL: THE ROLE OF MFIs

#### SEMINAR

Date : 15 November 2014  
Venue : PKSF Auditorium, Agargaon, Dhaka  
Co-organizer : Bangladesh Water Partnership (BWP)



#### INAUGURAL

Chair : **Engr. Md. Shahidul Hassan**, President, Bangladesh Water Partnership and Former Chief Engineer, LGED  
Guest of Honor : **Mr. Tauhidul Anwar Khan**, Secretary General, BWP  
Welcome Speech : **Professor M. A. Baqui Khally**, Executive Director, InM  
Presentation : **Dr. Fazle Rabbi Sadeque Ahmed**, Project Coordinator, Community Climate Change Project (CCCP), PKSF

In his presentation Dr. Fazle Rabbi Sadeque Ahmed discussed the causes of climate change and the global efforts to mitigate the adverse effects of it. He pointed out the significance of climate change to MFIs and explained how MFIs are playing an enormous role in

climate change adaptation. He briefly explained how human activities trigger climate change and recommended steps that should be undertaken to mitigate the effects of climate change.

## PAPERS REGARDING- RIVER EROSION AREA | FLOOD-PRONE AREA

### TECHNICAL SESSION-1

**Chair** : **Dr. Engr. Khondakar Azharul Haq**, Vice President, Bangladesh Water Partnership

**Papers** : Four separate papers were presented on two topics in the session

#### Papers regarding River Erosion Area:

**Mr. Abdul Hamid Bhuiyan**, Executive Director, Society for Social Services (SSS)

**Mr. Alauddin Khan**, Executive Director, National Development Program (NDP)

#### Papers regarding Flood-prone Area:

**Mr. A T M Badrul Islam**, Executive Director, Jainta Shinnomul Sangstha (JASHIS), Sylhet

**Mr. Md. Shafi Uddin**, Coordinator, Gono Kallyan Trust, (GKT), Manikganj

In his brief speech, Dr. Engr. Khondakar Azharul Haq mentioned the incredible success and contributions of MFIs.

Mr. Abdul Hamid Bhuiyan discussed the causes and impacts of erosion of rivers and MFIs' role to deal with it. Mr. Alauddin Khan, in his paper, discussed the causes and effects of flood. He also mentioned the activities of NDP to mitigate the impacts of flood and recommended some steps concerning it. He focused on river erosion and proposed steps that should be

undertaken by the govt. as well as the private sector.

Mr. A T M Badrul Islam indicates the sectorial impacts of flash flood on agriculture, fisheries and water resources, where Mr. Md. Shafi Uddin discussed vulnerability of different areas to disasters. In his discussion, he mentioned climate impacts on water resources and hydrology, impacts on agriculture, fisheries, haor areas and seasonal migration and so on in the Sylhet division.

## PAPERS REGARDING- ■ CHAR AREA

### ■ COASTAL AREA

### TECHNICAL SESSION-2

**Chair** : **Mr. Shabbir Ahmed Chowdhury**, Advisor (Training), InM

**Papers** : Papers on Char Area:

**Md. Rafiqul Alam**, Executive Director, DWIP Unnayan Sangstha (DUS), Noakhali

**Mr. Rasel Ahmed Liton**, Chief Executive, Samaj Kallyan Sangstha Foundation, Gaibandha

#### Papers regarding Coastal Area:

**Mr. Md. Arifur Rahman**, Executive Director, Young Power in Social Action (YPSA), Chittagong

**Mr. M Golam Mostofa**, Chief Executive Director, Resources Development Foundation, Barguna

Md. Rafiqul Alam described how the people of Hatia are being victims of natural calamities. He explained the climate change adaptation process and the rights of the people living in the coastal area. Mr. Rasel Ahmed Liton described how communities become vulnerable to climate change along with those in the communities who are more vulnerable. It also discussed the role of MFIs in mitigating the impacts.

In the presentation on the Coastal Area, Mr. Md. Arifur Rahman described YPSA's experiences in climate change and disaster risk management and how it played its role in protecting environment and biodiversity. He also suggested some potential areas for future work for climate change adaptation. On the other hand, Mr. M Golam Mostofa described the impacts of climate change and RDF's activities related to climate change adaptation.

## PAPERS REGARDING- HAOR AREA | HILLY AREA

### TECHNICAL SESSION-3

**Chair** : **Dr. Md. Moslehuddin Sadeque**, Director (Training and Operations), InM

**Papers** : Four very important papers on Haor and Hilly Area were presented in this session

#### Papers on Haor Area:

**Mr. Murshed Alam Sarker**, Executive Director  
People's Oriented Program Implementation (POPI)

**Mr. Mohammad Hasan Ali**, Executive Director  
Palli Bikash Kendra (PBK), Kishoreganj

#### Papers on Hilly Area:

**Mr. Biplob Chakma**, Executive Director, Ashika Manabik Unnayan Kendra, Rangamati

**Mr. Nikhil Chakma**, Research Advocacy Officer, Green Hill, Rangamati.

Mr. Murshed Alam Sarker discussed the impacts of climate changes in Haor region, MFIs' role in climate change adaptation and POPI's experiences concerning the issue. Beside, Mr. Mohammad Hasan Ali described what can be done in future to mitigate the impacts of climate change

Mr. Biplob Chakma pointed out the effects of climate change in Chittagong Hill Tracts. His paper included

some observations on adaptation agenda and recommended strengthening of local and national institutions and long-term funding arrangements. On the other hand, Mr. Nikhil Chakma described the results of Village Savings and Loan Association (VSLA) intervention on household resilience. He included some strategies for community level climate change adaptation.



## CLOSING

Chief Guest : **Dr. Qazi Kholiuzzaman Ahmad**, Chairman, InM

Chair : **Prof. M. A. Baqui Khalily**, Executive Director, InM

Summary Presentation : **Dr. Engr. Khondakar Azharul Haq**, Vice President, Bangladesh Water Partnership



Dr. Engr. Khondakar Azharul Haq presented the summary of the seminar and appreciated the effort of InM and Bangladesh Water Partnership for providing such scope for sharing views among MFIs. He also recommended developing ideas to utilize the natural calamities in positive ways if possible.

Dr. Ahmad talked about the necessity of developing awareness about climate change, its impacts and adaptation issues. He also discussed different aspects of microfinance and MFIs and emphasized on developing mutual cooperation among the MFIs.



## FINDINGS OF TWO RESEARCH STUDIES

### PRESENTATION

|               |   |  |
|---------------|---|--|
| Date          | : | June 29, 2014  |
| Venue         | : | PKSF Conference Room, Agargaon, Dhaka  |
| Study         | : | Study on Assessment of Existing Status of Beneficiaries and Experience of Service Providers in the Sidr and Aila Affected Areas of Bangladesh with Particular Focus on Micro-Credit Financial Inclusion in Char and Haor areas in Bangladesh |
| Chair         | : | <b>Prof. M. A. Baqui Khalily</b> , Executive Director, InM   |
| Chief Guest   | : | <b>Dr. Qazi Khaliquzzaman Ahmad</b> , Chairman, InM  |
| Special Guest | : | <b>Mr. Md. Abdul Karim</b> , Managing Director, PKSF   |
| Panelist      | : | <b>Professor S. R. Osmani</b> , School of Economics, University of Ulster, and Visiting Fellow, InM  |



Academia, practitioners of microfinance, high officials of PKSF and InM including research staff and top-level officials and other concerned professionals were

present at the seminar. The presentations were followed by open discussion.

## SEMINAR ON

ASSESSMENT OF EXISTING STATUS OF BENEFICIARIES AND EXPERIENCE OF SERVICE PROVIDERS IN THE SIDR AND AILA AFFECTED

AREAS OF BANGLADESH WITH PARTICULAR FOCUS ON MICRO-CREDIT

Presented by : **Dr. Santi Ranjan Howlader**, Team Leader

**Dr. Nilufar Banu**, Executive Director of Bangladesh Unnayan Parishad (BUP)

**Dr. Mahfuz Kabir**, Senior Research Fellow, Bangladesh Institute of International and Strategic Studies (BISS)

*Cyclone Sidr hit the coastal districts on 15th November 2007 and cyclone Aila on 25th May 2009. Bagerhat, Pirojpur, Barguna and Pathuakhali districts were particularly affected by Sidr. Cyclone Aila affected mainly parts of Satkhira and Khulna districts. Aila was relatively less damaging but it set off flooding over a longer period time span in parts of Satkhira and Khulna districts. Both the cyclones caused high tidal surges, damaged embankments, and submerged many villages in the affected districts. The NGOs working in the affected districts undertook extensive microcredit programs to support the victims. With the support from government and donor agencies the NGOs also participated in rehabilitation programs. The study was initiated to know how far these programs contributed to the recovery of the affected people and if they improved the livelihood status of them.*

In his presentation Dr. Santi Ranjan Howlader, key note speaker, delivered a brief presentation on the background, objectives, methodology, findings and recommendations of the study. Dr. Nilufar Banu also added some points at the end of her presentation.

Dr. Howlader discussed about the key objectives of the study, which was to assess the role of credit programs on the clients and their households; to identify scope, potentials and constraints of credit programs based on experiences of the NGOs that provide microcredit ; to review support provided by different agencies for post cyclone rehabilitation programs and their contribution to the livelihood of the recipient households.

### FINDINGS OF THE STUDY:

Dr. Howlader discussed some important issues in his presentation and following are the findings -

- Both in the study area and control area, crisis due to death of poultry birds was reported by majority of the respondents.
- Second most common crisis as reported by the borrowers has been illness of a family member that compelled them to take loans and rendered them unable to make timely installments.
- Bank/NGO also contributed in crises management besides getting credit from microcredit organizations, and personal sources to mitigate the crisis.
- In response to loss of households due to Sidr/Aila, some respondents in the study area reported about accident or death of important earning member of their families.
- Since 2007, a significant number of people were found to have moved into another village within the same union due to saline water and river erosion.
- Migration of at least one member of a family occurred to the urban cities and abroad mainly due to employment crisis.
- Majority of the respondents said that they spent remittance fully or in part for food. Other important areas where remittance was spent include education, repair of house, managing social functions like marriage, loan repayment, purchase of land, livestock and other assets.
- Education, work outside of home and participation in credit programme helped women become empowered and gain status in the family and the society.
- About 93% of women reported to have made their own decision about seeking health care, spending of their own money, mobility, ownership of asset. A few of them however took decision jointly with their husband.
- Women in the control area said they move alone when they visit market, health centers, cinema, bank and relatives' houses.
- The areas studied were hard-to-reach, which is a major cause of why women cannot move around freely.
- It was found out in almost all cases that female members of the household take care of ornaments and poultry birds owned by other family members both in study and control areas.

- Taking care of land is mostly done by male members.
- About 42% of women in the study and control area said that their husbands have no problem with their working outside home.
- Over 67% percent women in the study and control area opined that they gained more respect from the family after joining microcredit organization. The causes of increased respect are sharing earning, increased mobility and awareness.

#### RECOMMENDATIOS OF THE STUDY

Dr. Santi Ranjan Howlader recommended the followings:

- Awareness of the community as a regular activity to be included in government, NGO and community programs like in meeting and workshop and so on.
- Early warning system needs to be strengthened. Any danger signal on cyclone and other disaster should be well circulated to the relevant areas considering their level of education, social and cultural levels.
- Cyclone centers should be ready with essential

things such as food, drinking water, first aid box and so on. as soon as any signal of disaster is emerged.

- The role of government, NGOs and local level development agencies has been well appreciated in distributing relief (such as food, water, cleaning roads and so on.)
- Having a pool of young volunteers at the local government institutions like Union Parishad and Upazila Parishad under the coordination or respective disaster management/ preparedness committee would be useful.
- More cyclone/flood shelter/centers at places which are easily accessible for the people need to be constructed.
- An insurance product for crop, life, injury from accident, education and so on. would be helpful to increase the level of confidence of the potential victims.
- An emergency disaster fund and arrangement of emergency relief items at nearest possible places would be helpful.

#### STUDY ON FINANCIAL INCLUSION IN CHAR AND HAOR AREAS IN BANGLADESH

**Presented by :** Dr. Mahfuz Kabir, Senior Research Fellow, Bangladesh Institute of International and Strategic Studies (BISS) and Team Leader of the project

In his presentation Dr. Mahfuz Kabir mentioned that improved access to financial services is considered not only to be pro-growth, but also pro-poor, reducing income inequalities and poverty. Enhancing financial inclusion is a common objective of many central banks of developing countries like Bangladesh. And in Bangladesh, the reach of financial sector to char and haor area is hardly known through formal investigation. He said that the main objective of the study was to examine the state of financial inclusion in Char and Haor areas in order to explore avenues for inclusive finance. The study was conducted in eight districts in five administrative divisions in Bangladesh. Data were collected using qualitative tools in 2011 and 2012. Perception of service providers was collected using KIIs. Perception of clients collected through FGDs and Case Studies.

#### RECOMMENDATION

Based on the findings of the study Dr. Mahfuz Kabir suggested the followings:

- Increasing the number of MFIs
- Yearly, semi-annually or seasonal installments for microcredit
- Flexible services by formal institutions
- Addressing sudden household consumption needs
- Crop insurance
- Awareness and training for developing financial literacy
- Government initiatives

In his concluding remarks he said increasing allocation for government run service providers operating in char/haor areas does not seem viable; commercial providers are less likely to expand services in those areas on their own (due to their profit motives). Dr. Kabir also recommended some important suggestions for MFIs, such as MFIs serving char/haor people should be given incentives (low interest rate on loan taken); Customized products (crop insurance, anytime loans and so on.) need to be introduced and so is hybrid model.

## SEMINAR ON

## NATIONAL DIALOGUE

## EDUCATION BUDGET 2014

|                        |   |   |
|------------------------|---|---|
| Date                   | : | 17 June 2014  |
| Venue                  | : | PKSF Auditorium, PKSF Bhaban, Agargaon  |
| <b>Co-organizer</b>    | : | Bangladesh Unnayan Parishad (BUP)   |
| Chair                  | : | <b>Dr. Qazi Kholiuzzaman Ahmad</b> , Chairman, InM and PKSF   |
| <b>Keynote Paper</b>   | : | <b>Professor Quazi Faruque Ahmed</b> , Member, National Education Policy 2010 Formulation Committee   |
| <b>Panelists</b>       | : | <b>Professor Sheikh Ekramul Kabir</b> , Head of Liaison and Programmes, Dhaka School of Economics, and Member Secretary, National Education Policy 2010 Formulation Committee<br><br><b>Mr. M. A. Jalil</b> , Chairman, Bangladesh Unnayan Parishad (BUP) |
| <b>Special Mention</b> | : | <b>Professor M. A. Baqui Khalily</b> , Executive Director, InM  |
| <b>Welcome Speech</b>  | : | <b>Dr. Nilufar Banu</b> , Executive Director, Bangladesh Unnayan Parishad (BUP)   |



Dr. Nilufar Banu expected that the program would be very effective with the active participation of the presenter, distinguished guests, academicians, practitioners, and government and non-government employees. She mentioned in her speech that the educated and the skilled workforce could build a prosperous country.

Professor Quazi Faruque Ahmed presented a very informative paper in the program. He suggested that budget for the integrated education should be increased for autistic children and children with disability. He said it was necessary to increase the

education budget every year in proportion of the size of the overall budget. He felt that the present budget allocated little money for training and research, which should be increased. He also stressed on efficient implementation, otherwise raising budget would not have any impact. He also made some specific recommendations-

- Setting up a trust fund for higher studies in abroad
- Seeking foreign help for education
- Decentralization of budget procedure

- Decentralization of educational administration
- Proper use of the budget, reducing wastage.

Professor Kabir also emphasized on increasing the education budget. He said, each family of the country was involved with the budget in one way or another. Therefore, increasing educational budget would benefit everyone.

Mr. Jalil said that proper implementation was as important as the size of the budget. He mentioned that the education budget had increased but it stayed between 9-12 percent of the budget, which should be increased.

Professor Khalily, in his speech mentioned that one of the main tools of poverty alleviation was education. He added that higher education played a vital role in developing the country and therefore the country

needed to establish some premiere educational institutions immediately. He also demanded clear cut commitment from the government that they would put the development of the educational sector high on the agenda.

In the concluding remarks, Dr. Qazi Khaliquzzaman Ahmad said that budget had three dimensions— policy structure, allocation and its use. He appreciated that in this budget finance minister emphasized on the education policy which was very important. He mentioned that the quality of the education remained a worry and called for improving the quality of training for enhancing quality of education. He also emphasized on the proper and effective use of the budget. He also advocated for decentralization as far as administration of education was concerned. Dr. Ahmad also felt the need for increasing education budget if we had to fulfill our dream of a developed country.

## SEMINAR ON

MID-TERM EVALUATION OF THE EFFECTIVENESS OF ENRICH PROGRAMME AT THE HOUSEHOLD LEVEL OF 21 UNIONS OF BANGLADESH



|                 |   |   |
|-----------------|---|---|
| Date            | : | September 07, 2014  |
| Venue           | : | PKSF Conference Room, PKSF Bhaban   |
| Co-organizer    | : | Palli Karma-Sahayak Foundation (PKSF)   |
| Keynote Speaker | : | <b>Professor S. R. Osmani</b> , School of Economics, University of Ulster, and Visiting Fellow, InM |
| Chair           | : | <b>Dr. Qazi Khaliquzzaman Ahmad</b> , Chairman, InM and PKSF  |

**Participants** : Representatives of several Partner Organizations (POs) involved with ENRICH; and most members of the research team of the evaluation, research staff and top-level officials of InM and PKSF

**Special Mention** : **Professor M. A. Baqui Khalily**, Executive Director, InM

**Professor Nazrul Islam**, Director (Research and Knowledge Management), InM

**Dr. Mohammad Jashim Uddin**, Deputy Managing Director, PKSF

The objective of the seminar was to evaluate the progress of the “Enhancing Resources and Increasing Capacities of Poor Households towards Elimination of their Poverty (ENRICH)” program of PKSF.

The objective of the ENRICH program was overall

household development of the poor based on a ‘One Union One PO’ principle. The aim was to alleviate poverty not only through income generation but also through an integrated approach targeting other crucial aspects of human life including health, education, youth development, community development, and so on.

## SEMINAR ON

SUSTAINABILITY, EQUITY AND FINANCIAL INCLUSION

On the occasion of the Bangladesh Summit of Sustainable Development 2014

PLENARY SESSION

Date : 18 August 2014

**Keynote Speaker** : **Professor S. R. Osmani**, Department of Economics, University of Ulster, UK

**Chair** : **Dr. Qazi Khaliquzzaman Ahmad**, Chairman, InM and PKSF

**Panelists** : **Dr. Quazi Mesbahuddin Ahmed**, Former Managing Director, PKSF

**Dr. Atiq Rahman**, Executive Director, BCAS

**Dr. Binayak Sen**, Research Director, BIDS



In the paper Professor Osmani argued that sustainable development is not just about inter-generational equity as is often thought; it is also fundamentally about intra-generational equity which interacts with the environment in multiple ways, and therefore policies aimed at promoting sustainable development must be informed by an understanding of the interactions between equity and environment. There exists a two-way causation between equity and environmental sustainability. On the one hand, environmental degradation has an asymmetric impact – with more adverse impact on households, communities and regions that are already more disadvantaged than others. Indeed, the disadvantaged people carry a double burden of environment related deprivation – they are more vulnerable to the consequences of global environmental degradation such as those related to climate change, and at the same time they also have to contend with a poor-quality immediate environment characterized by indoor pollution, unclean water and poor sanitation. These environmental deprivations interact with other deprivations to impede the expansion of their capabilities. Thus a development path that ignores environmental quality is likely to exacerbate existing inequities and hinder the achievement of human development.

On the other hand, existing inequities – in income, in gender relations and in power relations in general – are likely to result in actions that are detrimental to the cause of environmental sustainability. The existence of such two-way causation can lead to a vicious circle in which

inequity and environmental degradation reinforce each other – to the detriment of sustainable human development. It follows, therefore, that human development oriented policies for sustainability must try to address the problem of equity at the same time as it addresses the problem of environmental degradation.

Among the approaches towards promoting equity that are currently in the forefront of academic and policy discourse, financial inclusion is gaining increasing recognition as one of the potentially powerful instruments. Empirical evidence from Bangladesh shows that financial inclusion, in the form of success of microcredit, can contribute towards enhanced sustainability of the livelihoods of the poor by helping them to build up assets in good times as well as by preventing depletion of assets in bad times.





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# REGIONAL DIALOGUES



Institute of Microfinance (InM)

**CENTRAL DIALOGUE WITH THE MICROFINANCE INSTITUTIONS (MFIs)**

A dialogue was organized with MFIs as plenary discussion on the intended Microcredit Summit. The dialogue expressed the need of the summit, which was expected to highlight the critical issues confronting by MFIs of Bangladesh with a view to come up with a mutually agreed way forward. Participants from the regulatory authority and Government agencies, different

ministries, corporate sectors, donors, practitioners, employees of MFIs, academia, researchers, media are looking forward to a productive summit. The brain storming session put forward suggestions and recommendations to make the summit participatory and effective.

Date : 23 January 2014



**Participants** : Sector leaders from ASA International, TMSS, VERC, ARBAN, Coast Trust, RDF, MSS, SSS, RIC, PMUK, RDRS, BEES, DSK, CDIP, BASA, DISA, BRAC- RED, BURO Bangladesh

**Chair** : **Professor M. A. Baqui Khalily**, Executive Director, InM

InM hosted six regional dialogues in the run up to the national convention. The dialogues were aimed at learning from the borrowers and the lenders about microcredit program, its strengths and weaknesses as they see it from their experiences. Bangladesh is a topographically diversified country and different regions face different environmental calamities; the MFI practitioners also have to deal with differing challenges in different regions. InM believes that the knowledge acquired from the borrowers and the MFIs from different demographic areas of the country will help innovate new pathways to solve the emerging microfinance issues.

It has conducted the regional dialogue in the following areas:

- Sylhet
- Chittagong
- Mymensingh
- Jessore
- Rangpur
- Rajshahi

In the regional dialogues more than a thousand borrowers, field level and senior officials of MFIs were present.



## SYLHET REGION

### REGIONAL DIALOGUE WITH NGO/MFIs AND BORROWERS

#### Date

19 April 2014

#### Participants

52 members/borrowers and 165 Senior Officials from NGO and MFIs of Sylhet, Moulavibazar, Sunamganj, Habiganj and Brahmanbaria.

#### Chief Guest

Dr. Qazi Kholiquzzaman Ahmad, Chairman, InM and PKSF

#### Presided by

Professor M. A. Baqui Khalily, Executive Director, InM.

#### Speaker

Dr. Md. Mosleh Uddin Sadeque, Director (Training and Operations) and

Mr. Shabbir Ahmed Chowdhury, Advisor (Training)

#### Moderator

Mr. Md. Abdul Hye Mridha, Senior Deputy Director (Training and Admin.)



#### DISCUSSIONS

Though women are expected to be the principal beneficiary of microcredit, often it is the men in the family who use the money. Borrowers narrated incidents where a woman handed over the entire loan money to her husband who kept on making loss in his

business. Finally, the woman had to sell her land to pay off her loan.

Illness over a lengthy period of time was found to be one major reason of undoing for many borrowers. Some



borrowers talked about spending the loan money for treatment of their husband instead of investing it into the planned income generating activity.

There was discussion about the choice of business or enterprise made by borrowers. One need to ask herself if she knows the business she is undertaking or possesses the skills required for a certain enterprise.

There were talks about the responsibilities of the lending NGOs. A MFI must have clear ideas about the kind of business suitable for a certain area. They need to be well aware about the marketing facility, demand for a certain product and so on and should provide loan on basis of those analysis. It would not only help the borrowers, the lender would also be benefited. It is in

the lender's interest that the borrower succeeds.

#### RECOMMENDATIONS

To provide women training and assist her with business plan so that she can use the loan money herself. Training programs have to be relevant to the local situation.

To organise training for men as they often use the loan money that was actually given to women. To ensure education and health facilities along with providing access to credit to bring about lasting development. To establish diversified insurance policies such as crops insurance, health insurance and insurance for emergency.



## CHITTAGONG REGION

### REGIONAL DIALOGUE WITH NGO/MFIs AND BORROWERS

#### Date

May 8, 2014

#### Participants

50 members/borrowers and 155 Senior Executives and Senior Officials of NGO/MFIs of Chittagong, Noakhali, Lakhsmpur, Cox's Bazar and Chittagong Hill Tracts.

#### Chief Guest

Mr. Khandakar Muzharul Haque, Executive Vice Chairman, MRA

#### Presided by

Professor M. A. Baqui Khalily, Executive Director, InM

#### Speaker

Dr. Md. Mosleh Uddin Sadeque, Director (Training and Operations) and

Mr. Shabbir Ahmed Chowdhury, Advisor, (Training)

#### Moderator

Mr. Md. Abdul Hye Mridha, Senior Deputy Director (Training and Admin)



#### DISCUSSIONS

Questions were raised about the amount of money granted as loan by the MFIs. Many thought that investment of a tiny capital is not effective. Some businesses are seasonal like the boutique. Its business gathers pace around festivals like Eid, puja and so on. So if substantial amount of capital cannot be secured at the right time it is not possible to do well in this

business. The MFIs do not usually take into consideration of the seasonal aspects of certain businesses. Some borrowers thus take loans from several NGOs creating problems for themselves as well as for the lenders.

Certain communities, as it came out in the discussion,



face discrimination in obtaining credit. The MFIs have little interest to serve them because fishing is often a dangerous occupation. It is not just storms, incidents of dacoity are routine. Consequently fishermen are deemed very risky clients in the eyes of the MFIs.

#### RECOMMENDATIONS

To establish insurance for disaster or emergency situation, specially for disaster-prone areas.

The MFIs should maintain transparency about the interest rate they charge. Borrowers have the right to know how much one is paying as service charge.

MRA should start deliberating about branching policy. When a MFI grows it naturally wants to move in new areas. The big ones want to cover as much area as possible. If there is no policy about branching, the small MFIs would not be able to survive when they would face competition from the big ones.



## MYMENSINGH REGION

### REGIONAL DIALOGUE WITH NGO/MFIs AND BORROWERS

#### Date

June 4, 2014

#### Participants

50 members/borrowers and 200 Senior Executives and Senior Officials of NGO and MFIs of Mymensingh, Tangail, Jamalpur, Sherpur, Netrokona, and Kishorganj

#### Presided by

Professor M. A. Baqui Khalily, Executive Director, InM.

#### Speaker

Dr. Md. Mosleh Uddin Sadeque, Director (Training and Operations) and

Mr. Shabbir Ahmed Chowdhury, Advisor, (Training)

#### Moderator

Mr. Md. Abdul Hye Mridha, Senior Deputy Director (Training and Admin)



#### DISCUSSIONS

A significant number of borrowers from Mymensingh is involved in transport sector, for instance in driving. Drivers often have to work throughout the night and work for hours at a stretch. These people are particularly vulnerable to a whole range of illness including heart disease and diabetes. But these concerns are not factored in the MFIs' policies.

Long running illness or accident of the lone bread winner of the family has in many cases ruined many borrowers.

Problems of small MFIs, specially who run microfinance program taking bank loan, came up for discussion. Reference was made to the government thinking of bringing the small MFIs under taxation. It was pointed out that operation cost would rise if this idea is implemented.

Some research ideas were floated in the dialogue. Proposed topics included "What is the minimum interest rate that can sustain a small MFI?" "How to manage the risks associated with the clients' property?"



#### RECOMMENDATIONS

There should be insurance service or credit on reduced interest for clients of certain categories who are engaged in 'risky' occupations. Medical service provided free or at a reduced cost could be arranged for borrowers like bus or truck drivers.

Special credit scheme can be instituted for certain communities and people engaged in certain professions.

Borrowers should try to save for the rainy day. While

one needs to take loan for starting a business and expand one's business, one should at the same time try to save some which would work like cushion when one is in trouble.

PKSF should consider expansion of its remit and provide capital to the small MFIs. Suggestions were also made to consider repayment on monthly basis or seasonal repayment instead of the existing weekly repayment format.



## JESSORE REGION

### REGIONAL DIALOGUE WITH NGO/MFIs AND BORROWERS

#### Date

June 19, 2014

#### Participants

50 members/borrowers and 158 Senior Executives and Senior Officials of NGOs and MFIs of Jessore, Khulna, Sathkhira, Bagerhat, Kushtia, Jhineidah, Cuadanga, Meherpur, Magura and Narail

#### Chief Guest

Ms. Rasheda K. Choudhury, Former Advisor to the Caretaker Government of Bangladesh and Member, InM Governing Body

#### Special Guest

Mr. Md. Abdul Karim, Managing Director, PKSF and Member, InM Governing Body and Mr. Khandakar Muzharul Haque, Executive Vice Chairman, MRA

#### Presided by

Professor M. A. Baqui Khalily, Executive Director, InM.

#### Speakers

Dr. Md. Mosleh Uddin Sadeque, Director (Training and Operations) and

Mr. Shabbir Ahmed Chowdhury, Advisor, (Training)

#### Moderator

Mr. Md. Abdul Hye Mridha, Senior Deputy Director (Training and Admin)



#### DISCUSSIONS

The effects of accidents, illness and similar unforeseen incidents on borrowers have featured prominently in the dialogue.

Of particular concern was the lack of any insurance facilities, something that often place huge burden on the borrowers making paying installments very difficult. Sometimes crops fail because of insects' attack or



unfavourable weather. Then there is instability related to political unrest and programs like strike and blockade, which have serious consequences for small farmers. Vegetables or other perishable items have to be marketed within a short time, otherwise the growers suffer badly.

Once one fails to pay back in time, getting another loan becomes extremely difficult. Credit support on 'urgent basis' is often complicated. MFIs are scared to issue new loans once one defaults.

Small businesses often have to make quick decisions about making investment in a certain area. But they sometimes cannot as the time to pay back installments overlap with the time to invest. Rigid timeframe of paying installment raises many hurdles. Again, the amount one can access to as microcredit is not enough to make any meaningful investment, forcing borrowers to take loan from various agencies. But managing several loans can become complicated and stressful.

Political turbulence have disastrous consequences for many of the small MFIs. Many of them collect their capital through bank loan. So it is not just the borrowers, but the lenders are also negatively affected by disruptive political activities. The need for technical training was highlighted by many.

#### RECOMMENDATION

To establish an insurance service that can address unforeseen problems of borrowers such as accidents, illness, crops failure due to disasters and so on. Some

talked about the diversified insurance policies.

To organise training for MFI officials.

To establish a guideline so that overlapping in lending by several agencies to the same borrower can be avoided.

Action would be taken against the agencies who secure repayment without allowing at least 15 days' time.

The members of PKSF can accept highest 25% interest and non-members highest 27%.

To ensure births are registered within two months into the birth. Vaccination has to be done in time. Don't allow child marriage. Stop the ill practices of dowry. Women should take part in the elections. Providing credit is not enough. The MFIs have responsibility to work towards overall welfare of their beneficiaries.



## RANGPUR REGION

### REGIONAL DIALOGUE WITH NGO/MFIs AND BORROWERS

#### Date

August 14, 2014

#### Participants

50 members/borrowers and 150 Senior Executives and Senior Officials of NGOs and MFIs of Gaibandha, Kurigram, Lalmonirhat, Ponchagarh, Thakurgaon, Joypurhat, Dinajpur and Rangpur Sadar

#### Chief Guest

Professor Dr. A. K. M. Nur-Un-Nabi, Vice Chancellor, Begum Rokeya University, Rangpur

#### Presided by

Professor M. A. Baqui Khalily, Executive Director, InM.

#### Special Guest

Mr. Khandakar Muzharul Haque, Executive Vice Chairman, MRA and Dr. Riaz Islam, Team Leader, Prosper, Program Coordination Unit, DFID.

#### Speakers

Dr. Md. Mosleh Uddin Sadeque, Director (Training and Operations) and Mr. Shabbir Ahmed Chowdhury, Advisor, (Training)

#### Moderator

Mr. Md. Abdul Hye Mridha, Senior Deputy Director (Training and Admin), InM.



#### DISCUSSIONS

Borrowers from Rangpur region have done well in poultry and vegetables cultivation. Many households now have sanitary latrines and safe drinking water. This happened because they got training on raising cattle. However, there was worry about their cattle or poultry catching disease and hence a demand for veterinary care in their locality. One narrated her loss of 700 chickens which literally destroyed her business.

There were discussions on flexibility in the credit terms, specially when the borrower is in hardship due to

accident or disease of one's livestock. There was also demand for higher amount of loan for those with a good track record of repayment.

There was some general information passed out to the borrowers. For instance, the highest interest rate could be 27%; one should not pay more than Tk 500 while taking a 'association pass book'; one should not take more than one loan at a time.

Many of the MFIs suffer from a lack of skilled human



resources and inadequate or unfavorable policies governing microcredit programs. The difficulty in securing license from the MRA got mentioned.

The issue of landless farmers came up, particularly how they could be offered with income generating work.

Joint effort of PKSF and InM can take the branding of Bangladesh's microcredit programs all over the world.

The introduction of Diploma course was discussed. It was pointed out that the course was designed taking into account the requirements on the ground. One with a Diploma would be well equipped to start working in the field with confidence.

There were talks about borrowers fleeing without paying off putting the MFIs in a spot of bother.

#### RECOMMENDATIONS

Training of both the field workers and borrowers got highlighted.

Small NGOs need special protection, legal support and access to subsidiary credit.

Research is important and research findings need to be shared with the clients.

The attitude of the lender is important. If a lender starts using force all the time to secure repayment, some borrowers would flee. But if the approach is more cordial and conciliatory borrowers would feel obligated to pay off.



## RAJSHAHI REGION

### REGIONAL DIALOGUE WITH NGO/MFIs AND BORROWERS

#### Date

August 16, 2014

#### Participants

50 members/borrowers and 150 Senior Executives and Senior Officials of NGOs and MFIs of Rajshahi Sadar, Bogra, Sirajgonj, Natore, Pabna, Naogaon and Chapainobabgonj

#### Chief Guest

Dr. Riaz Islam, Team Leader, Prosper, Program Coordination Unit, DFID

#### Presided by

Professor M. A. Baqui Khalily, Executive Director, InM

#### Speaker

Dr. Md. Mosleh Uddin Sadeque, Director (Training and Operations)

#### Moderator

Mr. Md. Abdul Hye Mridha, Senior Deputy Director (Training and Admin), InM



#### DISCUSSIONS

Discussion of the borrowers centred around the challenges they face. It was told that those who are engaged in more than one income generating activities are relatively better-off and can pay off the installments in time. But those with one income source often struggle to pay back in time. Some of the borrowers complained about the "unpleasant ways" the lenders sometimes make the borrowers cough up repayment.

There were talks of disasters and accidents that cause

vulnerability not only to their borrowed money but to their life. They suggested such incidents be taken into consideration. There was this incident where one had two of his cows stolen and the rest fell sick, but had no support to fall back on. Others had to spend money for medical care when a family member fell ill. One needed a substantial amount to marry off her daughter. Some of the adivasi (indigenous) community members pointed out that they borrowed to bear the educational expenses of their children. Sometimes schools are far



off, so parents are forced to arrange hostel for their children incurring significant amount in the process.

Officials of MFIs also mentioned accidents, epidemics such as bird flu or sudden government decisions like the one that ordered nosimon or bhotboti (local transport with primitive engine) off the street put many borrowers in extremely difficult situations. The issue of marketing products also came up; Very often the borrowers do not get the right price for their products as they are not adept at marketing or are unable to break free from the artificial arrangement installed by the middlemen.

#### RECOMMENDATIONS

To set up insurance service or credit support in times of danger or for education purpose, so the borrowers don't have use their loan money for these purposes.

To provide training as well as advice and guidance to

borrowers so they know where to invest and how to market their products. Those could help the borrowers earn better returns from their investment.

To give incentives in the form of loan in reduced interest to those who are maintaining 50% or more savings. To advise borrowers on making the best use of large savings.

Borrowers should be allocated with additional time if and when they miss the payment date for justified reasons.

There have been calls for an effective marketing system so the borrowers get right prices for their produce.

The importance of education was emphasised as a means of getting out of many problems as well as poverty.





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# TRAINING

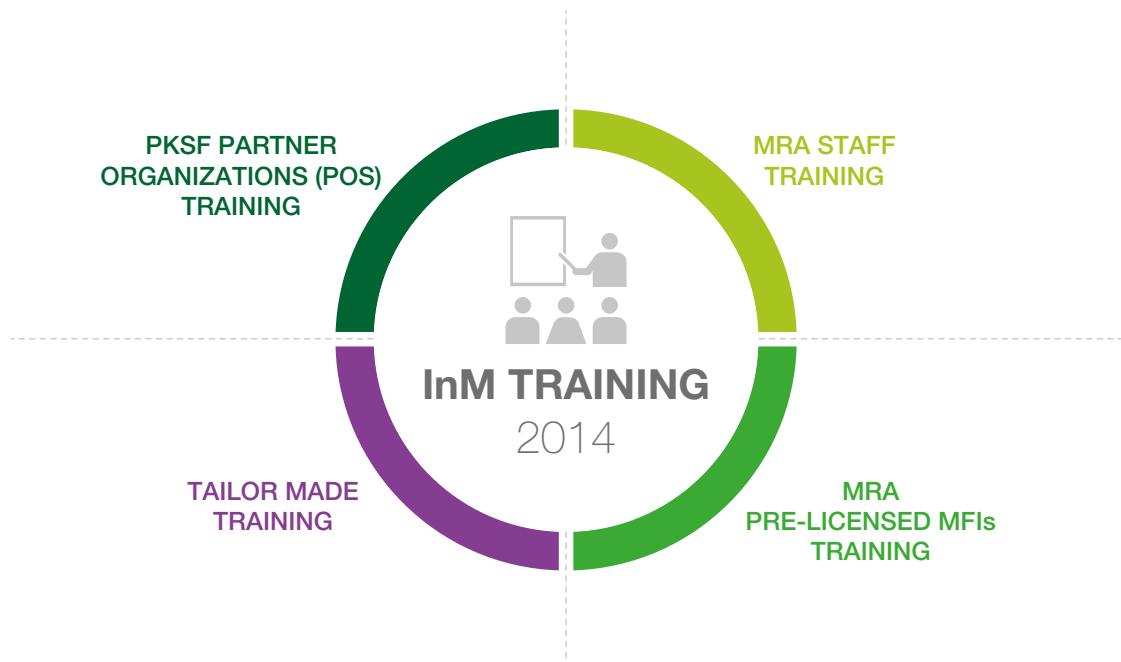


Institute of Microfinance (InM)

# TRAINING

Training is a significant part of InM's mandate. Through training the InM not just build capacity of microfinance practitioners but also contributes to the ongoing dialogue relating to the contemporary issues of microfinance. The Institute puts special emphasis on need-based, customized training; the focus here is on

integrated training modules rather than prototype training. In training participants' competence is taken into account and efforts are made to provide the participants new ideas and insights into the field of microfinance.



## PKSF PARTNER ORGANIZATIONS (POS) TRAINING

PKSF, the leading apex microcredit and capacity development organization in Bangladesh, is continuously helping its POs to strengthen their capacity in different areas. Last year saw the following training programs for POs taking place

### MICROENTERPRISE MANAGEMENT AND LENDING

In recent years, microenterprise (ME) loans have become major lending instrument of the microfinance institutions in the country. To foster microentrepreneurs and manage microenterprise loans efficiently, InM and PKSF jointly organized three-day training on Microenterprise Management and Lending for PKSF POs. The training aimed at providing a framework of microenterprise management to help the practitioners select the appropriate ME clients for the MFIs, and

on training process, critical factors that contribute to a successful management of a training program, adult learning principles and their implications in training design and delivery, importance of linking training needs to organizational needs, designing a training course based on a given module, using appropriate training methods and media to conduct and facilitate a learning session and so on. So far 153 participants in 8 batches received this training program where 153.

### SAVINGS AND MICROCREDIT MANAGEMENT

This five-day training aims at providing a framework of advance level microfinance and savings management to the practitioners so that they can understand, monitor and supervise the progress of a microfinance program.

### MFIs TRAINING ON MICROINSURANCE

60 participants of different POs of PKSF attended the



operate the ME loan program effectively. InM organized 16 batches of training on this particular topic at InM Training Center with 308 participants from different POs.

### TRAINING OF TRAINERS (TOT)

This training has been designed to enhance the trainer's capacity. This five-day training deals with the concept

course in two batches. Participants for this two-day long training course were the Branch/ Area and Zonal Managers under the program titled Developing Inclusive Insurance Sector Project (DIISP).

## ACCOUNTS AND FINANCIAL MANAGEMENT

This training aims at providing essence of accounts and financial management to the microfinance practitioners so that they can efficiently monitor the accounting and financial management part of microcredit programs and make better decision. A total of 47 participants from different MFIs participated in this training program.



## BLENDED ACTIVITIES AND BEYOND





## MRA STAFF TRAINING

MRA is the central regulatory body established by the government to monitor and supervise microfinance operations of the country. License from the Authority is mandatory to operate microfinance operations in Bangladesh for NGO-MFIs.

### MICROFINANCE OPERATIONS AND MANAGEMENT

InM organized one batch of training on "Microfinance Operations and Management" for 14 officials of MRA. The aim of this training was to provide an in-depth understanding of Microfinance Operations and Management.

## INTERNATIONAL COLLABORATIONS

- UTT Microfinance, Tanzania
- Frankfurt School of Finance and Management, Germany
- International Federation of Training and Development Organizations (IFTDO)
- Beijing HuXin Cheng Investment Management Center, China
- Banking with the Poor Network (BWTP)
- China Association of Microfinance (CAM), China

- China International Centre for Economic and Technical Exchanges (CICETE), China
- Asian Institute of Technology (AIT), Thailand

## MRA PRE-LICENSED MFIs TRAINING

### MICROFINANCE FOR BEGINNER MFIs

This two days' training program is designed specially for the CEOs of Pre-licensed MFIs of MRA to provide them an overall understanding on legal and regulatory structure of Bangladesh's microfinance sector with special focus on MRA rules applicable for a beginner MFIs. It also dwelt on various aspects of governance related to the operations of MFIs. A total of 137 CEOs of Pre-licensed NGO-MFIs got this training in 6 batches.

### MODULE DEVELOPMENT

Since inception, InM has developed 10 training modules of international standard to cater the need of microfinance practitioners at home and abroad.

### TAILOR MADE TRAINING

InM has developed training programs tailored to serve the needs and demands of microcredit practitioners. Such tailor made training courses often challenge our trainers and force them to go that extra mile to get into the heart of the matter, something that may not be

| Course   | Duration | Language            |
|--|----------|---------------------|
| Microfinance Operations and Management                         | 10 days  |                     |
| Microfinance Operations and Management                         | 05 days  |                     |
| Book Keeping and Accounting Management for MFIs                | 05 days  |                     |
| Monitoring and Evaluation of Microfinance Program              | 05 days  | Bangla and English  |
| Improving Participatory Managerial Skills and Management Style | 05 days  |                     |
| Legal and Regulatory System and Governance                     | 05 days  |                     |
| Microfinance Credit Delivery Process and Operations            | 05 days  |                     |
| Microfinance Product Design and Business Planning              | 03 days  | Chinese and English |
| Effective Management of Microenterprise Loans                  | 05 days  |                     |
| Advanced Generic ToT   | 10 days  | English             |

found in any standard book or training manuals. Such training courses were organised both at national and international level.

#### TAILOR MADE TRAINING AT NATIONAL LEVEL

Two tailor-made trainings on microfinance were arranged at national level, which areas follows:

#### RISK MANAGEMENT IN MICROENTERPRISE OPERATIONS

A tailor made training on Risk Management in Microenterprise Operations and Interpersonal Communication was arranged for the branch managers of Bangladesh Extension Education Services (BEES). The training focused on key areas of microenterprise program related risks; means to detect, prevent and develop controlling mechanism to address those risks. The training also aimed at explaining the learning techniques of interpersonal

communication towards effective risk management approaches. It was a three-day training course where 25 mid-level officials of BEES took part.

#### INTERPERSONAL COMMUNICATION AND RISK MANAGEMENT

Another tailor made training was organized for Shakti Foundation on Interpersonal Communication and Risk Management at IM Training Center. The 5-day training aimed to get the participants acquainted with the concept of effective interpersonal communication skills at work place, different interpersonal communication levels and frequency, major risks faced at branch operations, effective risk management methods, existing microfinance policies of Shakti Foundation and the ideal role of a branch manager towards risk mitigation and so on. A total of 22 mid-level officials from Shakti Foundation joined the training.

## **TAILOR MADE TRAINING AT INTERNATIONAL LEVEL**

### **PRINCIPLES AND PRACTICES OF MICROFINANCE PROGRAM**

A 5-day training was organized on “Principles and Practices of Microfinance Program” for UTT Microfinance, Tanzania at InM Training Center, Dhaka. The training was aimed at capacity building and experience sharing to facilitate policy making of the UTT Microfinance. High level officials from UTT Microfinance, attended the program. The training mainly focused on historical context of microfinance in Bangladesh, evolution of microfinance products, savings and lending methodologies, microfinance from practitioners and

regulators perspective and best practices of microfinance in Bangladesh and so on. As part of the training, participants had the opportunity to visit Grameen Bank, PKSF and UDDIPAN (a national NGO-MFI).

InM organized training on Induction Course for UTT Microfinance in Dar es Salaam, Tanzania. The course has been designed to provide an overall understanding of the evolution of microfinance. The course also aimed to provide an insight on microfinance best practices, lending methodologies, product design approach, regulatory aspects and performance standards of MFIs. A total of 39 microfinance practitioners of Tanzania attended the course.



## InM TRAINING CENTRE



### CONFERENCE ROOM AND CLASSROOMS

**One (1) Conference room (Capacity: 50 participants), Two (2) Training Classrooms (Capacity: 25 participants)**

- Equipped with Modern Furniture and Fixtures
- Flexibility to Arrange Classroom in Required Learning Styles
- Technologically Advanced Equipments
- Wifi Zone
- Lobby for Participants Interface
- Coffee Corner
- Workstation for Facilitators



### SUPPORT SERVICES

- A dedicated Reception Desk and Information Corner
- Prayer Room
- Emergency Doctor's Service on call
- Room for Indoor Games
- Learning Resources Display Center



## FACILITIES AND SERVICES



### DORMITORY FACILITIES

**Eight (8) Living Apartments (24 double and 02 single bedrooms)**

- Furnished with Modern Amenities
- Air Conditioned Rooms
- Strong Security System
- Reading Corner with Internet Zone
- Drawing Room Space in Each Apartment for Group Work
- Enjoying TV
- Reading Newspapers
- Dedicated Team for House keeping



### FOOD AND BEVERAGE FACILITIES

- Coffee lounge
- Buffet service
- Full-service dining



INSTITUTE OF MICROFINANCE (InM)  
**TRAINING**



**DR. MD. MOSLEH UDDIN SADEQUE**  
Director (Training and Operations)



**MD. ABDUL HYE MRIDHA**  
Senior Deputy Director



**MD. ABU BAKAR**  
Assistant Director



**SK. MAHMUDUL ALAM**  
Assistant Director



**ASHRAFUL ISLAM**  
Officer



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# EDUCATION



Institute of Microfinance (InM)

In line with InM's stated mission to contribute to the capacity building of the microfinance sector, the institute introduced Education Program initially with Certificate Courses and Diploma Program in Microfinance for the first time in the country's history.

## BACKGROUND

The growth in access to credit by the poor took place in several distinct phases over the last three decades or so. The origin of the current microcredit model can be traced back to action-research in the late 1970s, carried out by academics as well as practitioners in organizations that were created to deal with the relief and rehabilitation needs of post-independence Bangladesh. The 1980s witnessed a growing number of NGOs experimenting with different models of delivering credit to the poor. Since the establishment of Microcredit Regulatory Authority (MRA) in 2006, the sector finally assumed a formal shape and has been since moving towards inclusive finance. As a result different clientele groups are entering into the market. Now-a-days microentrepreneurs, ultra-poor and agricultural farmers are taking part in microfinance programs alongside the moderate poor who have been the conventional microfinance clients. Now, as the market grew in experience and competition heightened, the need for skilled human resources began to be felt. The InM set up its education programs to meet this ever growing need for skilled manpower. In line with InM's stated mission to contribute to the capacity building of the microfinance sector of the country, the organisation introduced a Certificate Course and Diploma Program in Microfinance for the first time in the country's history. InM commissioned a study to Bangladesh Institute of Bank Management (BIBM) in July 2013 to assess the feasibility of introducing Diploma on Microfinance. The study found huge interests about such academic

programs among microfinance practitioners, policy-makers. They were of the opinion that such programs could be linked to the career path of the microcredit practitioners and significantly add to the professionalism and efficacy of the sector. The study indicated that for the successful initiation of the program, InM would need all out support from stakeholders like MRA, PKSF and MFIs. MRA and PKSF have important roles to play to make the program popular by linking attainment of Diploma with the recruitment and promotion policies of the MFIs. The study report also suggested that one need to complete six courses to obtain Diploma, and individual courses must include both basic and specialized courses. As for participants of the program the study suggested that MFIs nominate candidates. The Institute will need to have its own academic establishment for the long-run sustainability of the Program.

## TRAINING ADVISORY COMMITTEE

The Governing Board of the InM constituted a Training Advisory Committee with the following members to formulate the structure of education programs:

1. **Mr. Md. Fazlul Kader**, Member  
Deputy Managing Director, PKSF
2. **Mr. Golam Touhid**, Member  
Deputy Managing Director, PKSF
3. **Dr. Md. Mosleh Uddin Sadeque**, Member  
Director (Training and Operations)
4. **Mr. Shabbir Ahmed Chowdhury**, Member  
Advisor (Training)

The committee worked on the structure of the courses and developed the course curriculum of the Diploma Program.

## COURSE STRUCTURE: DIPLOMA PROGRAM

**C1** Poverty, Development and Microfinance

**C2** Microfinance Operations and Management

**C3** Financial Planning and Analysis for MFIs

**C4** MIS of Microfinance Program

**C5** Governance and Regulation of MFIs

**C6** Human Resource Development of MFIs

## NUMBER OF CLASS

Each course will be completed in 12 classes.

## CREDIT ACCOMPLISHMENT

To qualify for the Diploma, a participant will be required to complete all 6 courses. Course work: 18 credits  
Internship: 3 credits

## ACADEMIC CALENDAR

There will be four quarters per year and each quarter will be of three-month duration. Time to complete the Program: Minimum- 6 months Maximum 2 years.

The academic year of the Program is divided into four quarters as:

| Sl. | Quarter | Duration           |
|-----|---------|--------------------|
| 1   | Winter  | January - March    |
| 2   | Spring  | April - June       |
| 3   | Summer  | July - September   |
| 4   | Fall    | October - December |

## LAUNCHING CEREMONY

On 28 August, 2014 the Diploma Program was launched and inaugurated by Dr. Qazi Khaliquzzaman Ahmad at the PKSF Auditorium, in the presence of

representatives from various Microfinance Institutions (MFIs) and Development Partners.



In the top photo (from left to right) Mr. Khandakar Muzharul Haque, Executive Vice Chairman, MRA, Prof. M. A. Baqui Khaliq, Executive Director, InM, Dr. Qazi Khaliquzzaman Ahmad, Chairman, PKSF and InM, Mr. Md. Abdul Karim, Managing Director, PKSF, Ms. Shahnila Tazreen Azher, Senior Economic Adviser, DFID and Mr. Md. Fazlul Kader, Deputy Managing Director, PKSF



December 28, 2014: InM officials, mentors and course instructors are among the participants of the first batch (Winter: January - March 2015) of the Diploma Program in Microfinance at the Orientation Program.

#### ACADEMIC COMMITTEE

InM Governing Board in June, 2014 formed a 15-member Academic Committee for Diploma Courses and entrusted it with the implementation of the

Program. The committee would have representation from the following agencies with specified number from each of them :

| SL. | Representation          | Number of members |
|-----|-------------------------|-------------------|
| 1   | InM                     | 4                 |
| 2   | PKSF                    | 3                 |
| 3   | MRA                     | 1                 |
| 4   | BIBM                    | 1                 |
| 5   | Distinguished Personnel | 1                 |
| 6   | Sector Stakeholder      | 5                 |

*The Academic Committee is Chaired by the Executive Director of InM.*

#### DEVELOPMENT OF MODULE

The first meeting of the Academic Committee was held on 4 September, 2014 at PKSF Bhaban. The meeting selected a group of distinguished and experienced professionals, researchers, policy makers and

academicians as resource persons to develop the modules of the certificate courses. The modules are now being used as the course materials.



*Prof. M. A. Baqui Khalily is delivering speech at the Orientation Program.*

#### PRESENT SCENARIO

The first batch (Winter: January – March 2015) with 36 participants started classes in December, 2014 at the InM Training Center, Monsurabad. Participants came from government agencies, banks, media and microfinance institutions operating in Bangladesh. Microcredit Regulatory Authority (MRA) and renowned

NGOs such as BRAC, BURO Bangladesh, ASA have nominated their employees to enroll in this education program. First three courses were offered for this batch. After completing the courses, these students will take the remaining three courses in the following quarter.

#### INSTITUTE OF MICROFINANCE (InM) EDUCATION



**SHABBIR AHMED CHOWDHURY**  
Director



**MOHAMMAD ABIDUL ISLAM**  
Assistant Director



InM  
ANNUAL  
REPORT  
2014



# ADMINISTRATION AND FINANCE



Institute of Microfinance (InM)

## ADMINISTRATION AND FINANCE

InM has a strong team at each of Administration and Finance Divisions to cater the administrative and financial support to the management and the activities associated with the functional divisions – research, training and knowledge management. The Administration Division provides Human Resource (HR) and support services to the functional divisions of the Institute. It ensures coordination among the divisions, top management and Finance and Accounts Division regarding compliance issues.

InM has an efficient Finance and Accounts Division that maintains the overall financial affairs and manages related budgetary activities as well as ensures financial transparency of the regular activities of InM. The financial activities of the Institute are performed and monitored by two auditing cells – internal and external auditing bodies.

Internal audit of InM ensures the regular auditing activities of all the expenditures of the Institute. The

adequate internal check and control are in place through appropriate employment of finance and internal audit team to check and validate the expenses and the systems in operation. It performs the regular auditing of the financial documents of all programs and branches, and reports to the Executive Director.

The Finance and Accounts Division prepares financial statements in conformity with general accepted accounting practices, Bangladesh Accounting Standard (BAS) and Bangladesh Financial Reporting Standards (BFRS).

External audit is performed each year by reputed external audit firm appointed by the InM Governing Body after getting the approval at the Annual General Meeting. ACNABIN, a renowned audit firm, has been appointed as the external auditor of InM for this year which provides considerable time to audit the expenditures of the Institute's operational activities and overall financial management.



INSTITUTE OF MICROFINANCE (InM)  
**ADMINISTRATION AND FINANCE**



**K. M. TAREK**

Head of Admin and Finance

**ADMINISTRATION**



**MOSMT. IFRAT JAHAN**  
Senior Assistant Director



**SHAHADAT HOSSAIN**  
Assistant Director



**FORKANA BEGUM**  
Assistant Director



**SHAMIMA SULTANA**  
Assistant Director



**IRSHAT ARA BIN-TE EUNUS**  
Coordinator (Procurement)



**FARZANA YEASMINE**  
Assistant Director



**MD. MUKTADIR REZA**  
Officer

**FINANCE**



**AZAHAR ALI**  
Deputy Director



**KAZI SHAILA SHARMIN**  
Senior Assistant Director



**FARISH MUHAMMAD  
ABDULLAH**  
Assistant Director



**MD. MOHOSIN SIKDER**  
Assistant Director

## ANNEX-1

### InM RESEARCH- INVOLVED RESEARCHERS

| Sl. | Project Title  | Team Members  |
|-----|--|---|
| 1   | Monga in Greater Rangpur: Intensity, Coping, Vulnerability and the Impact of Mitigating Strategies   | Professor M. A. Baqui Khalily, Team Leader and Muhammad Abdul Latif<br><br>In Association with- Tariq Mohammad Shahriar, Rizwana Islam, Zabid Iqbal, Sifat-E-Azam, Suborna Barua, Tareq Ferdous Khan, M. Abdul Khaleque, Rubayyat Hashmi, Sabin Ahmed |
| 2   | Internal Female Migration in Rural Bangladesh: An Effective Household Coping Strategies  | Professor Quamrul Ahsan Chowdhury, Team Leader  |
| 3   | Regional Differences in Poverty Levels and Trends in Bangladesh:-Are we asking the right questions?  | Dr. Sajjad Zohir, Team Leader   |
| 4   | Urban Microfinance in Bangladesh   | Professor Salim Rashid, Team Leader and Md. Toriqul Bashar, Research Associate  |
| 5   | Impact of Prime Interventions on Monga Mitigation in Greater Rangpur Region in Bangladesh (Round - 1)  | Professor M. A. Baqui Khalily, Team Leader and Muhammad Abdul Latif<br><br>In Association with Mohammad Monirul Hasan, Md. Abdul Khaleque, Badrun Nessa Ahmed, Rubayyat Hashmi, Mohammad Nasir Uddin Sarwar, Md. Tareq Ferdous Khan                   |
| 6   | Baseline Data Analysis of Microfinance Support Intervention for Food Security for Vulnerable Group Development (FSVGD) and Ultra Poor (UP) Beneficiaries | Professor M. A. Baqui Khalily, Team Leader and Dr. Muhammad. Abdul Latif<br><br>In Association with S. M. Ikhtiar Jahan Kabir, M. A. Khaleque, Badrun Nessa Ahmed, M. Nasir Uddin Sarwar, Tareq Ferdous Khan  |
| 7   | Impact of Prime Program for Monga Mitigation - An Analysis of Panel and Cross Section Data (Round - 2)   | Professor M. A. Baqui Khalily, Team Leader<br>Muhammad Abdul Latif, Atonu Rabbani, Kazi Iqbal, Meherun Ahmed, Mohammad Monirul Hasan, Md. Abdul Khaleque, Md. Mehadi Hasan, Paritosh Kumar Roy, Jamil Sayeed  |
| 8   | Microinsurance, Poverty and Vulnerability: Phase - I   | Professor Syed M. Ahsan, Team Leader<br>Dr. Syed Abdul Hamid and Shubhasish Barua   |
| 9   | Developing Appropriate Microinsurance Products for the Low Income Households (UNDP)  | Professor Syed M. Ahsan, Team Leader  |

| Sl. | Project Title   | Team Members  |
|-----|---|---|
| 10  | Multiple Memberships (Overlapping) in Microcredit   | Professor M. A. Baqui Khalily, Team Leader<br>Dr. Rushad Faridi, Farzana Saeed  |
| 11  | Access to Financial Services in Bangladesh: Phase - I (Longitudinal study)  | Professor M. A. Baqui Khalily, Team Leader<br>Md. Abdul Khaleque  |
| 12  | Dynamics of Poverty in Rural Bangladesh: Phase - I (Longitudinal study)<br><br>Dynamics of Poverty in Rural Bangladesh: Anthropological Part                | Professor S. R. Osmani, Team Leader<br>Dr. Md. Abdul Latif, Dr. Binayak Sen, Dr. Rushidan Islam Rahman, Dr. Meherun Ahmed Tareq Ferdous Khan, Rizwana Islam<br><br>Professor S. R. Osmani, Team Leader<br>Dr. S. M. Nurul Alam, Mr. Mujibul Anam (Labib), Mr. Mohammad Altaf Hossain, Ms. Halima Akhter, Mr. Mohammad Masud Rana, Ms. Sadaf Noor e Islam, Ms. Mst. Shahina Parvin |
| 13  | Impact of Microcredit on Agricultural Farm Performance and Food Security in Bangladesh  | Dr. Md Abdul Wadud, Team Leader<br>Tariq Saiful Islam, Qamarullah Bin Tariq Islam   |
| 14  | The Impact of Governance Mechanism on Performance and Outreach of Microfinance Institutions in Bangladesh   | Dr. Tanweer Hasan, Principle Investigator<br>Dr. Shakil Quayes  |
| 15  | Strategic Behavior of NGOs/MFIs in Bangladesh   | Dr. Kazi Iqbal  |
| 16  | An Evaluation of Microfinance Program of Plan Bangladesh: Effectiveness and Efficiency to Reach the Extreme Poor  | Professor M. A. Baqui Khalily, Team Leader<br>Dr. Meherun Ahmed; Mr. M. A. Khaleque<br>Mr. Suborna Barua  |
| 17  | Impact Study of the Microfinance Support Interventions for Food Security for Vulnerable Group Development (FSVGD) and Ultra Poor (UP) Beneficiaries Project | Professor M. A. Baqui Khalily, Team Leader<br>Dr. M. A. Latif, Md. Abdul Khaleque   |
| 18  | Effectiveness of PRIME Interventions in Greater Rangpur at the Household level and Institutional level: A Longitudinal Approach (Round - 3)                 | Dr. Atonu Rabbani, Team Leader<br>Mohammad Monirul Hasan, Md. Mehadi Hasan, Tunazzina Choudhury Mithun, Aparna Howlader   |
| 19  | Status of Individual Modernity of Women in Rural Bangladesh: An Exploratory Study on Microfinance and Gender Role Transformation                            | Dr. Habibul Haque Khondker  |
| 20  | Long Term Dynamics of Microcredit Programs in Bangladesh  | Dr. Shahidur Rahman Khandaker   |
| 21  | Microinsurance, Poverty and Vulnerability: Phase II   | Professor Syed M. Ahsan, Team Leader<br>Dr. Syed Abdul Hamid, Shubhasish Barua Chowdhury Abdullah Al Asif, Afroza Begum   |

| Sl. | Project Title   | Team Members   |
|-----|---|--|
| 22  | Evaluation of PRIME Interventions in the South-Western Regions of Bangladesh: Baseline Survey   | Dr. Atonu Rabbani, Team Leader<br>Md. Mehadi Hasan, Bakhtiar Shohag, Marup Hossaine, Tarek Azize   |
| 23  | Effectiveness for PRIME Interventions in Greater Rangpur at the Household level and Institutional level: A Longitudinal Approach (Round -4)                                       | Dr. Atonu Rabbani, Team Leader<br>Md. Mehadi Hasan, Bakhtiar Shohag, Marup Hossaine, Moniruzzaman Muzib  |
| 24  | The Outreach-Profitability Trade-off: Evidence from an Ultra-Poor Program in Bangladesh   | Dr. Wahid Abdallah, Team Leader<br>Md. Monirul Hasan, Dr. Atonu Rabbani  |
| 25  | Assessing Financial Inclusion in Char and Haor Areas in Bangladesh  | Dr. Mahfuz Kabir   |
| 26  | Effectiveness of MRA Regulations in the Microfinance Sector: The User Perspective   | Dr. Md. Abdul Latif, Team Leader<br>Mehadi Hassan, Md. Abdul Khaleque, S. Badruddoza   |
| 27  | Impact of Regulation on the Cost Efficiency of Microfinance Institutions in Bangladesh  | Professor M. A. Baqui Khalily, Team Leader<br>Md. Abdul Khaleque, S. Badruddoza  |
| 28  | Effectiveness of PRIME Interventions in Greater Rangpur at the Household and Institutional levels: A Longitudinal Approach (Round -5)   | Professor M. A. Baqui Khalily, Team Leader<br>Dr. M. A. Latif, Mehadi Hasan, Dr. Farhana, Nargis, Nahid Akhter, Farah Muneer, M. A. Khaleque, Dr. Anawara Begum, Dr. Sadiqu Islam, Dr. Atonu Rabbani, Souran Roy |
| 29  | Study on Assessment of Existing Status of Beneficiaries and Experience of Service Providers in the Sidr, Aila affected areas of Bangladesh with a Particular focus on Microcredit | Dr. Santi Ranjan Howlader, Team Leader<br>Dr. Nilufar Banu, Dr. Rezaul Karim   |
| 30  | State of Microfinance Development in Bangladesh – Financial Inclusion and Overlapping (InM-MRA)   | Prof. M. A. Baqui Khalily, Team Leader<br>Ms. Tahmina Rahman   |
| 31  | Aspects of Poverty and Vulnerability in Rural Bangladesh  | Professor S. R. Osmani, Team Leader<br>Dr. Meherun Ahmed, Dr. Muhammad A. Latif Dr. Rushidan I. Rahman, Dr. Binayak Sen  |

## ANNEX-2

### EXPATRIATE RESEARCHERS:

- Dr. Rashid Faruqee, Virginia International University, USA, and Former Lead Economist, World Bank
- Professor Siddiqur Rahman Osmani, Department of Economics, University of Ulster, UK
- Professor Syed M. Ahsan, Department of Economics, Concordia University, Canada
- Professor Habibul Haque Khondker, Department of Humanities and Social Sciences, Zayed University, Abu Dhabi
- Dr. Shahidur R. Khandker, Former Lead Economist, World Bank
- Dr. M. Shahe Emran, George Washington University and IPD, Columbia University, USA
- Mr. Hossain Samad, Consultant, World Bank, Washington D. C
- Forhad Shilpi, Senior Economist, World Bank Research Group
- Claudia Berg, Ph.D. Candidate at the George Washington University, USA
- Mr. Shubhasish Barua, Department of Development Studies, University of Dhaka, Dhaka, Bangladesh and doctoral candidate at the Department of Economics, University of Warwick, Coventry, England
- Dr. Sajeda Amin, Senior Associate, Poverty, Gender, and Youth Program, Population Council, New York
- Ms. Simeen Mahmud, Lead Economist, BRAC Development Institute (BDI), Dhaka
- Mr. Toriqul Bashar, Doctoral Candidate, Urban Studies, Heriot Watt University, Edinburgh, United Kingdom
- Environmental Economics, Dhaka School of Economics (DScE), University of Dhaka, Dhaka
- Dr. S. M. Zulfiqar Ali, Senior Research Fellow, Bangladesh Institute of Development Studies (BIDS), Dhaka
- Professor S. Aminul Islam, Department of Sociology, University of Dhaka
- Dr. Anwara Begum, Senior Research Fellow, Bangladesh Institute of Development Studies (BIDS), Dhaka
- Dr. Tapash Kumar Biswas, Research Director, PKSF
- Ms. Rahela Rabbani, Research Associate, Dhaka School of Economics (DScE), Dhaka
- Dr. Binayak Sen, Research Director, Bangladesh Institute of Development Studies (BIDS), Dhaka
- Dr. Mahfuz Kabir, Senior Research Fellow, Bangladesh Institute of International and Strategic Studies (BISS), Bangladesh
- Dr. Santi Ranjan Howlader, Micro-credit Expert, Bangladesh Unnayan Parishad (BUP)
- Dr. Nilufar Banu, Gender Specialist, Bangladesh Unnayan Parishad (BUP)
- Ms. Sayla Sowat Siddiqui, Lecturer, BRAC University
- Dr. Farhana Nargis, Senior Research Associate, Institute of Microfinance (InM)
- Mr. Md. Tareq Ferdous Khan, Lecturer, Department of Statistics, Jahangirnagar University, Dhaka
- Mr. Md. Abdul Khaleque, Lecturer, Department of Development Studies, University of Dhaka
- S. Badruddoza, Research Associate, InM, and Graduate Student, Department of Economics, Illinois State University, USA
- Ms. Tahmina Rahman, Lecturer, Department of International Relations, University of Dhaka
- Mr. Chowdhury Abdullah Al Asif, Researcher, Helen Keller International, Dhaka
- Ms. Afroza Begum, Lecturer, Department of Statistics, Chittagong University
- Mr. Md Foridul Hoque, Assistant Director, MRA
- Ms. Jinat Aman Banna, Assistant Director, MRA
- Mr. Pankoj Kumar Paul, Assistant Director, MRA

### IN COUNTRY RESEARCHER:

- Dr. M. Sadiqul Islam, Professor, Department of Finance, University of Dhaka
- Dr. Syed Abdul Hamid, Department of Health Economics, University of Dhaka
- Dr. Abul Hossain, General Secretary, Compact Township (CT) Foundation, Dhaka
- Dr. Mahmudul Alam, Lead Economist, Human Development, Dhaka
- Dr. Akhter Hussain, Professor, Department of Public Administration, University of Dhaka
- Dr. A. K. M Nazrul Islam, Associate Professor,

## ANNEX-3

### InM PUBLICATIONS

InM has published a sizable number of working papers, research reports, research briefs, policy briefs, occasional papers, and books based on the results of the research studies it has conducted. Besides, it regularly publishes annual microfinance statistics. The

Institute has a plan to publish a journal of international standard in near future. Again, in order to reach a wider spectrum of people, the InM also takes advantage of ICT tools.. The Institute has so far the following publications to its credit:

| Category and Number of InM Publications (2007-14) |    |
|---|----|
| Working Paper Series                              | 34 |
| Occasional Papers                                 | 02 |
| Bangladesh Microfinance Statistics                | 05 |
| Books   | 02 |
| Conference Proceedings                            | 01 |
| Overview Report                                   | 01 |
| Regional Dialogue Report                          | 06 |
| Policy Paper                                      | 03 |
| Policy Brief                                      | 04 |
| Research Brief                                    | 05 |
| Study Report                                      | 01 |
| Annual Report                                     | 03 |
| Conference Brochure                               | 04 |





## **Institute of Microfinance (InM)**

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