

InM Highlights 2016 ▶

journey towards excellence



Institute for Inclusive Finance
and Development (InM)

InM Highlights 2016

journey towards excellence

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MESSAGE

Qazi Kholiquzzaman Ahmad
Chairman

It gives me immense pleasure to write this message for the 2016 summary activity report of the Institute for Inclusive Finance and Development (InM). This is particularly heartening for me since the year 2016 marks the completion of the tenth year of its establishment and the first year of its journey under its new mandate. InM started functioning as the Institute for Inclusive Finance and Development in 2016 changing its earlier name of Institute of Microfinance to reflect its broader mandate to address financial sector issues in a holistic manner instead of microfinance issues alone to meet the challenges of finance and development within a comprehensive and sustainable development perspective. The activities of the Institute now cover development challenges within the three pillars of sustainable development encompassing economic, social and environmental dimensions. I am glad to note that InM has moved fast during the year to fulfill its new mandates and responsibilities building on its past reputation.

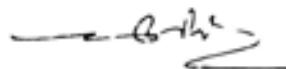
Within a short span of one year, InM has significantly changed its activity profile through bringing in new and priority areas in research, knowledge management, training and education activities to meet the requirements of inclusive and sustainable development. I strongly feel that these are changes in the right direction for fulfilling its mandate. A quick review of the activities of InM during 2016 in this activity report shows that InM has significantly expanded its research and other programmes covering different areas in addition to the microfinance sector.

“The activities of the Institute now cover development challenges within the three pillars of sustainable development encompassing economic, social and environmental dimensions.”

In particular, InM's new programme launched in 2016 on Research on Operational Challenges of MFIs in Bangladesh which intends to analyse priority issues of MFI operations in Bangladesh, being undertaken in close participation and collaboration with MFIs themselves, is a unique example of participatory research in the microfinance sector. Another interesting example is the InM's Deepening Knowledge on Inclusive Finance in Bangladesh Programme, under which a series of activities including research and database development are being taken up.

For ensuring wider dissemination of InM activities, Knowledge Management is publishing 'InM Insights' as a regular quarterly activity. This newsletter is emerging as the voice of InM. InM training activities have also gathered speed and a total of 1,200 MFI staff have been trained in 2016. The diploma in microfinance programme is gradually emerging as a milestone of InM activities under which the sixth batch is currently undergoing the diploma programme. Application has been submitted to the University of Dhaka (DU) for acceptance of InM as a Constituent Institution and permission to launch a Master Degree Programme under the title 'Masters in Inclusive Finance and Entrepreneurship'. The degree will be awarded by DU. There is a strong felt need in the sector for such a programme of studies.

I strongly feel that the achievements of InM, under the leadership of its Executive Director Dr. Mustafa K Mujeri, during 2016 are indeed commendable. I congratulate the hard working staff of InM for their all out efforts in effectively managing the transformation of InM as a dynamic Institute and a centre of excellence in Bangladesh and the region. I also thank my colleagues in the Governing and General Bodies of InM for their whole hearted support and guidance and PKSF and MRA for their strong support and assistance in one way or another for enabling InM to move forward. I hope that these encouragements and supports to InM will further intensify in the coming years.



Qazi Kholiquzzaman Ahmad



MESSAGE

Mustafa K. Mujeri
Executive Director

As per the decision of the Governing Body, InM started functioning with its new name 'Institute for Inclusive Finance and Development' along with a new focus and mandate from 1 January 2016. From the very beginning, InM management took this transition as a challenge requiring continuous efforts of refining its activities and course of action to maximise the relevance of the Institute to the policymakers and other stakeholders.

InM believes that the niche of the Institute comes from the large scale existence and wide diversity in the inclusive finance and development agenda and the key to InM's success is to offer high-quality, policy-relevant and action-oriented research, training, capacity building and knowledge management products.

Considering the above, InM adopted a two-pronged strategy at the beginning of 2016: (i) refocus, strengthen and reinforce organisational strategy and capability to fulfil its mandate, extend its operation, and adopt a programme of routine review of its strategies and business models; and (ii) adopt short-term and initiate medium-term measures so that InM can undertake the best possible ways to plan and manage changes to remain relevant, effective, and credible. I am glad that we have achieved significant success in moving along these directions in 2016.

In research, our priority has been to undertake specialised research focusing on issues, challenges and experiences of inclusive finance and its relations with poverty and development. During 2016, we completed four major researches which brought out insights into the problems of poverty and development including impact assessment of financial sector interventions. Two new research programmes have been launched in 2016 under which seven new studies are in progress. The unique feature of one of the programmes is its participatory nature since operational issues of MFIs under the programme are prioritised and the analyses are done in close participation and collaboration of interested MFIs. The InM Knowledge Management Team, along with its regular activities of organising seminars, meetings and consultations and producing reports and other routine publications, has undertaken a number of new and innovative activities during the year including documenting MFI success stories, publishing policy briefs and InM features, and conducting other knowledge management related activities.

During 2016, training activities of InM have mostly been targeted to NGO-MFIs in areas like scheduled and tailor-made courses, training of trainers, and training evaluation. Along with strengthening current training areas, new initiatives during the year include efforts to diversify the training programme and initiate demand-driven regional training programmes.

The graduation ceremony for the second and third batches of participants of the Diploma in Microfinance Programme was organised during the year. The academic programme for the fifth and sixth batches of participants also started in 2016. During the year, InM also re-designed the Diploma Programme on the basis of findings from an opinion survey among the participating MFIs.

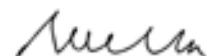
During 2016, InM established the School of Inclusive Finance under which activities are being finalised to start the Master in Inclusive Finance and Entrepreneurship (MIFE) Programme. We have taken measures to affiliate InM School of Inclusive Finance with the University of Dhaka so that the degree will be awarded by Dhaka University. As a part of expanding international collaboration, InM organised along with China Association of Microfinance (CAM) an exposure visit to Bangladesh for a 13-member Chinese Delegation comprising senior professionals during September 2016.

The major focus of Administration during 2016 has been on intensifying its efforts to update and ensure compliance with set rules and regulations to enhance organisational transparency and accountability. It started a time-bound process of introducing automation in Office Management System during the year. In Finance and Accounts, a major re-organising of activities is currently underway under which further automation of all relevant activities has been given priority.

Overall, the efforts during 2016 have been focused on giving InM a relatively strong base through ensuring a good start, deploying committed staff, and expanding institutional linkages and networks. The efforts will continue to culture and expand these along new directions and develop capacity for sustaining and expanding future activities which will guarantee its institutional sustainability.

For InM, probably the most critical area of concern is financial sustainability. In this regard, although one may argue that there is no strong argument to expect that a social institution like InM should fully fund all its activities from its own revenue sources either at present or in future, the reality is that InM shall have to develop adequate funding mechanism based on realistic expectations. For the purpose, InM plans to adopt a strategy of exploiting multiple sources of finance e.g. core funding, grant funding, and project funding in a coherent manner.

Needless to say, the successes achieved by InM during the year have been made possible by the strategic vision, leadership, and guidance of the Chairman of the Institute, Dr. Qazi Kholiquzzaman Ahmadi, and the members of the Governing Body and the General Body. We express our deep gratitude to all of them. Finally, I would like to express my deep appreciation for the untiring efforts put by all InM staff in realising our dream of turning InM into a centre of excellence.



Mustafa K. Mujeri

InM **UPDATES** (2016)





THE INSTITUTION

About InM

The **Institute for Inclusive Finance and Development (InM)** is working since 1 January 2016 (previously known as Institute of Microfinance) as a non-profit organisation established primarily to meet the research and training needs of national as well as global financial sector including microfinance institutions (MFIs). Its predecessor, Institute of Microfinance, was established on 1 November 2006. The InM is registered as an independent non-profit institution under the Societies Registration Act 1860. The Institute works for developing the overall capacity of the financial sector and strengthening the links between the financial and real sectors through undertaking research, training, education, knowledge management and other programmes in priority areas including microfinance, inclusive finance, poverty and development.



VISION

Towards establishing a poverty free world, InM sees itself as a frontline centre of excellence in research, training, education and knowledge management.

InM undertakes capacity building and knowledge generating activities for the financial (including microfinance) sector, organises training and academic programmes for human development, conducts research and undertakes dissemination of new knowledge and technology, and implements activities for the benefit of the sector. The aim is to emerge as a knowledge centre in inclusive finance, poverty, enterprise development, and other key areas. InM works at both national and international levels through building networks with financial institutions, development practitioners, academicians and researchers for collaboration and exchange of ideas and experiences.

MISSION

Objectives

The activities of the Institute are directed towards achieving several key objectives:

- ▶ To conduct research on inclusive finance and development along with their interactions with the real economy, poverty, inequality, vulnerability and other key socioeconomic dimensions.
- ▶ To initiate, undertake and promote research and action research activities directed towards the expansion, integration and consolidation of different components of the financial sector to deepen the linkages between the real and financial sectors.
- ▶ To undertake joint collaborative activities with national and international agencies, research and professional institutions and universities including livelihood promotion, environment and climate change, inclusive finance and priority development issues.

- ▶ To use research results and lessons of national and cross-country experiences and prepare research/policy notes and reports to help policymakers and practitioners of the financial sector and assist in setting standards, preparing best-practice examples, formulating policy documents and preparing guidelines.
- ▶ To develop and undertake training and capacity development programmes for appropriate finance and microfinance professionals and practitioners from home and abroad.
- ▶ To maintain information warehouse and develop database using primary surveys and secondary sources on national and global microfinance and financial sector issues including financial inclusion.
- ▶ To provide certificate, diploma and post-graduate education to meet the needs of qualified and professionally trained people in the financial sector especially through blending the theoretical knowledge with practical training who would be equipped to face the challenges of dominant transformations of the financial sector.
- ▶ To work towards building InM as a dynamic, forward looking and a self-sustaining institution in the arena of knowledge management and capacity building of the financial sector.

Major Services

The major services that InM provides are research on poverty, microfinance, enterprise development, impact assessment and evaluation of microfinance programmes. InM also provides microfinance related training, education, capacity building support and knowledge management services to microfinance institutions and other development organisations. Further InM provides education support through designing and providing demand-driven programmes.



Legal Entity

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

Governance

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 Kholiquzzaman Ahmad

Chairman, Palli Karma-Sahayak Foundation (PKSF)

Chairman of Governing Council and Director of Dhaka School of Economics (DScE)

Member of the 2007 Nobel Peace Prize winning UN Intergovernmental Panel on Climate Change (IPCC) Team

Members

Ms. Rasheda K. Choudhury

Former Advisor to the Caretaker Government of Bangladesh, and
Executive Director, CAMPE

Professor Dr. A. K. M. Nurun Nabi

Vice Chancellor

Begum Rokeya University, Rangpur

Dr. Toufic Ahmad Choudhury

Director General

Bangladesh Institute of Bank Management (BIBM)

Mr. Khondker Ibrahim Khaled

Former Chairman, Bangladesh Krishi Bank (BKB), and

Former Deputy Governor, Bangladesh Bank

Professor Reza Karim Khondker

Professor, Department of Development Economics

Dhaka School of Economics (DScE), Dhaka

Dr. Niaz Ahmed Khan

Professor, Department of Development Studies

University of Dhaka

Dr. Md. Mosleh Uddin Sadeque

Director, Training Division

Institute for Inclusive Finance and Development (InM)

Mr. Md. Abdul Karim

Managing Director

Palli Karma-Sahayak Foundation (PKSF)

Dr. Pratima Paul-Majumder

Former Senior Research Fellow

Bangladesh Institute of Development Studies (BIDS)

Dr. Mustafa K. Mujeri

Executive Director

Institute for Inclusive Finance and Development (InM) (ex-officio)

Professor Dr. M. A. Hakim

Professor, Department of Economics

Southeast University, Dhaka

Dr. Bondana Saha

Supernumerary Professor

Bangladesh Institute of Bank Management (BIBM)

Dr. Md. Jashim Uddin

Deputy Managing Director

Palli Karma-Sahayak Foundation (PKSF)

Governing Body

The Governing Body, subject to the general control and supervision of the General Body, holds the responsibility to pursue and carry out the goals of the Institute. In order to obtain the Institute's intended goals, it determines the direction and scope of the activities. The basic governance lies with the Governing Body. It comprises of 7 (seven) members, including the Executive Director of the Institute as an ex-officio member.



CHAIRMAN

**Dr. Qazi Kholiquzzaman
Ahmad**

Chairman, PKSF
Chairman and Director, DScE
Member, IPCC Team



Ms. Rasheda K. Choudhury
Executive Director
CAMPE



Mr. Md. Abdul Karim
Managing Director
PKSF



Prof. Dr. A. K. M Nurun Nabi
Vice Chancellor
Begum Rokeya University



Dr. Pratima Paul-Majumder
Former Sr. Research Fellow
BIDS



Dr. Toufic Ahmad Choudhury
Director General
BIM



Dr. Mustafa K Mujeri
Executive Director
InM

Condolences



Dr. Mahabub Hossain, a renowned development economist and one of the former InM Board Members passed away at the Cleveland Heart Clinic in USA on 3 January 2016. He was 71. InM expresses deep condolences and heartfelt sympathies to his family and prays for eternal peace of his departed soul.

Dr. Hossain was a member of InM Governing Body and General Body during 2008 to 2010. Throughout his long professional career, Dr. Hossain contributed to advancement of knowledge in many fields including agrarian structure and land reforms; rural non-farm activities; technology, credit and infrastructure policies; income distribution and poverty; and the Asian rice economy. His research based on detailed analysis of primary data collected from household surveys has been instrumental in developing a deeper understanding of the operation of the rural economy in general and the rice sector in particular. His pioneering work on the evaluation of the Grameen Bank microcredit programme in Bangladesh published by the International Food Policy Research Institute (IFPRI) is still widely cited in the literature on microcredit. The in-depth knowledge on the operation of agriculture and rural economy in Bangladesh that he has advanced with analysis of primary data has made substantial impact in the formulation of agricultural development policy in Bangladesh. He was awarded the Gold Medal by the Bangladesh Agricultural Economists' Association in 1984. His studies on the development of Asian rice economy, and constraints to technology adoption and impact of agricultural technology on income distribution and poverty have deeply influenced the formulation and priority setting of research programmes in both research institutes and national agricultural research systems at home and abroad.



Research

Research

In 2016, research has been one of the most prominent InM activities. The major focus has been on microfinance, poverty, and development issues. During the year, research studies have been conducted both independently and jointly with researchers and other institutions from home and abroad. The underlying objective of the research agenda for 2016 has been to get insights into the problems of poverty and development and assess the impact of different interventions especially within the purview of the financial sector.

Completed Research

PRIME—Restoring Human Dignity through *Monga* Eradication

Monga--a situation characterised by seasonal food deprivation--was a phenomenon of North-Western Rangpur region occurring during the months of September-November and March-April every year. These are the periods when the region suffered from floods and scarcity of wage employment due to lean agricultural operations. In 2006, InM and PKSF jointly conducted a large-scale survey of over 540,000 households; the survey showed that some 90 percent of the households did not have three full meals a day during the *monga* period. Against this backdrop, PKSF has been implementing the 'Programmed Initiatives for *monga* Eradication (PRIME)' programme in the region since 2006 with the aim of generating income through self and wage employment opportunities for the vulnerable households. To combat *monga* effectively, PRIME combines both seasonal (short-term) interventions and regular (long-term) interventions under a multi-faceted package. InM's evaluation of the impacts of PRIME in 2015 brings out several lessons for successfully combating multi-dimensional deprivations as reflected in the concept of human dignity of the extreme poor households.

InM evaluation shows that the impact of PRIME on food security has not been much; there has been little change in the percentage of households having three meals during the normal and *monga* periods (Figures 1 and 2). This is expected in view of the limited scale of economic interventions. In terms of broader economic outcomes, the results show that average income, expenditure (food and non-food), assets (physical and financial) have increased for both programme participants and non-participants; but the PRIME credit plus households are much better off especially in terms of significant increase of average income of the participant households. The results clearly demonstrate that PRIME interventions under the multi-faceted package covering finance, training, health and other priority areas have made significant contribution towards improving the conditions of the *monga*-affected people.

Furthermore, a comparison of the outcomes of the flexible PRIME with conventional microcredit programme shows that the average income of the PRIME households is significantly higher than that of microcredit households. This is also true for expenditure, saving and food security. In the case of impact of PRIME on poverty, the poverty rate is lowest for PRIME households showing their higher ability to cope with and recover quickly from unexpected shocks.

InM further evaluates the impact of PRIME on human dignity using four dimensions--social status, decision-making authority, women's status, and overall awareness including sense of respect and dignity. The results confirm that PRIME households have higher self-esteem and dignity. While access to electricity and sanitation adds to such dignity, training, technical assistance, and provision of health and education services significantly multiply the positive impacts of PRIME interventions.

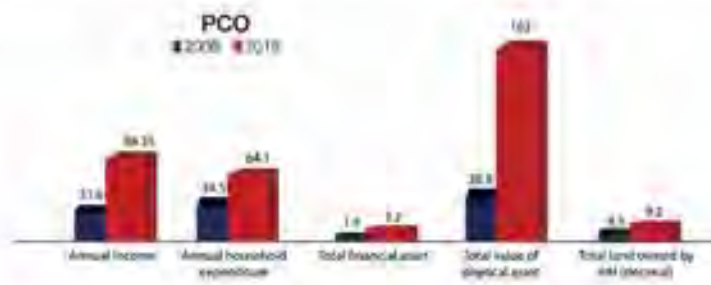
Figure 1: Percentage of households having three meals in normal times



Figure 2: Percentage of households having three meals during monsoons



Overall, the evaluation highlights that using income dimension alone gives only a partial picture of the impact of PRIME-type interventions on poverty. Major impacts of integrated models flow through improving the social status of the participants which has more sustainable impact on poverty; however, it requires a broader framework for capturing such impacts and time to measure these effects. A one-shot uni-dimensional intervention has significant limitations in creating the desired impacts on extreme poor and vulnerable households such as the monsoons-affected households. Moreover, not all such households could equally gain from such interventions – the ability varies significantly with the degree of vulnerability.



Note: PCP: PRIME Credit Plus; PCO: PRIME Credit Only; NP: Non Participant

For raising ability to cope with vulnerabilities, flexible saving products are necessary for encouraging savings of the households to strengthen their coping abilities. The PRIME type programmes should be multi-faceted such that the programme design allows the households to engage in multiple economic activities; thereby reducing the risk of covariate shocks. Obviously, higher incomes and access to financial and non-financial services contribute to increasing crisis and shock coping abilities. In this context, access to micro-insurance services as a component of a well-designed integrated financial package can provide useful support to the poor households. The important issue, however, is to design appropriate product packages for different groups of households catering to their diverse characteristics and differing needs rather than using a 'uniform product set'. In this context, priority needs to be given to the female-headed households and households headed by day labourers since these households are most vulnerable, both economically and socially, in the rural society.

For details, see *A Longitudinal Study to Assess the Impact of PRIME in Greater Rangpur*, InM Project Report Series 9, April 2016.

Disaster Rehabilitation in Bangladesh's Coastal Region: IDB's Islamic Finance Model

Disaster is a recurrent problem in Bangladesh's South-Western region; three major cyclones affected the region during the past eight years. The most devastating one was SIDR in which millions of people were severely affected in 12 districts. Both physical and non-physical assets were destroyed including their livelihoods. The Islamic Development Bank (IDB), with a grant of US\$130 million from an unknown philanthropist, designed a special programme for the SIDR affected households known as Fael Khair Waqf (FKW) programme for implementation in the worst affected areas. Three NGO-MFIs undertook the implementation having two major components – livelihood component and construction of shelter-cum-school houses.

One important distinguishing feature of the FKW programme is its Islamic finance model based on microfinance. The loans are interest free; only the principal amount is recovered. There are savings or micro-insurance components tied to interest free microcredit. Overhead costs of the implementing NGO-MFIs are borne by the FKW programme. At the request of IDB, InM undertook an evaluation study to assess the impact of the livelihood component of the FKW programme at the household level.

InM's impact assessment on disaster-affected households shows that almost 83 percent of the sample households were affected by SIDR. Of the sample households, houses of almost 88 percent and trees of 70 percent of the affected households were either damaged or destroyed. Economic assets were also equally affected. The recovery process involved actions in several areas – reconstructing damaged houses, meeting survival needs, and creating income opportunities. The assessment further shows that around 70 percent households could adopt at least one coping strategy while 13 percent could not adopt any coping mechanism and turned into destitute households. In addition to above damages, SIDR further intensified the problem of salinity resulting from tidal waves. Substantial farmlands went out of cultivation and farm employment opportunities severely reduced.

The underlying premise of FKW programme has been that (i) it is possible to save human lives during cyclones through making available adequate shelter houses, (ii) sustainable livelihoods can be ensured through providing short-term interest-free credit, and (iii) higher productivity can be achieved through providing skill training to the borrowers.

InM evaluated the economic impact using a number of indicators such as income, food and total expenditure, financial asset, and value of non-land physical assets. The results strongly indicate that the FKW participants are better off than the control households. They have higher incomes and spend more on food and non-food items. The FKW households have higher net savings and non-land assets. Further, FKW households are more engaged in non-agricultural activities which make them better-off having higher returns and lower risks, along with lower incidence of both income poverty and multi-dimensional poverty.

Although the evaluation comes out with strong positive outcomes for FKW, the evaluation also identifies scope for further improving the effectiveness of the programme. One priority area is to put emphasis on supply-side dynamics and institutional development for providing sustainable services using the FKW model. Moreover, an appropriate blending of longer-term perspectives is necessary for developing required capacity to withstand shocks and cope with future disasters and move out of poverty in a sustainable manner, so that they do not remain the victims of transient poverty in future. Moreover, the applicability and adequacy of the basic FKW model may be significantly enhanced through introducing flexibility in the programme design especially for accommodating minor changes and new elements keeping local dimensions of adaptation and resilience building of the climate change vulnerable households in view.

For details, see Impact Assessment Study of the FKW Rehabilitation and Livelihood Programme and Implementing NGOs, InM Project Report Series 56, August 2016.

Microenterprise Lending through MFIs

In Bangladesh, 7.82 million economic establishments operate employing 24.5 million persons of which 89 percent are cottage and microenterprises (CMEs). These enterprises employ 56 percent of total employed persons in all enterprises. The average employment per CME is 1.98 persons. Available information on microenterprises (MEs) shows that MEs are faced with multi-dimensional finance and non-finance constraints. But inadequate access to finance remains the major constraint. In 2015, banks disbursed only 11 percent of their total small and medium enterprise (SME) credit to the cottage and microenterprises. In 2014, the share of CME credit was 28 percent of both total loans disbursement and outstanding, corresponding to 8 percent of the total borrowers.

InM's diagnostic study on microenterprise (ME) lending by MFIs shows that the total unmet demand for ME credit has been Tk. 438 billion in 2015; the estimated total demand for ME credit being Tk.737 billion whereas total supply of ME credit from both banking and microfinance sectors comes to only Tk. 299 billion. The study shows that the share of own fund in total capital investment is around 85 percent for MEs. On the other hand, the share of bank credit is only 4 percent while MFIs contribute about 12 percent of capital structure for the surveyed MEs. Considering the characteristics of MEs, the study maintains that MFIs are probably the right vehicles for financing MEs. Banks have larger portfolio for maximising profit through reducing transaction and default costs.

The study further shows that banks have limited scope for financing MEs mainly due to their inflexible approaches to disbursing loan products. They are more inclined towards financing large and medium enterprises and, when they do, it is largely for working capital financing. Even when banks are financing MEs they are basically servicing the upper strata of MEs that are more close to graduation to small enterprises. Moreover, their operations are limited mostly to urban areas. In such a situation, it becomes quite difficult for the banks to finance rural MEs. Specialised agricultural development banks with their specific portfolio are more engaged in financing the agriculture sector.

However, financing MEs requires 'up-scaling' of lending activities for NGO-MFIs and 'down-scaling' of lending activities of banks. In the context of Bangladesh, MEs may be considered as the missing entities in the formal bank credit market indicating the existence of a 'market failure' in the country's formal credit market. The microcredit market needs to up-scale its lending activities, which needs a careful consideration since this may affect their on-going financing of income generating activities and implementing development activities for poverty alleviation and rural economic growth. The MFIs, however, face three sets of constraints in financing MEs-(i) operational constraint, (ii) financial constraint, and (iii) regulatory constraint. The study suggests combining of two sets of strategies for MFIs-one for improving access to ME credit market and other for creating an enabling environment for promoting and developing MEs.

Figure: Weighted Score of Constraints Identified by MEs



Note: Sample enterprises are assigned a score of 5 to 1 for each constraint. Higher value denotes higher level of constraint. Numbers reported in the figure are the average value of the score assigned to each constraint.

Source: InM Micro-enterprise Survey 2016

The study suggests that Bangladesh Bank and the Microcredit Regulatory Authority (MRA), as the guardian of the financial sector and the Regulator of MFIs respectively, should examine different options suggested in the InM study and prioritise the policy suggestions and decide on phases for implementation of the agreed policies. Moreover, MRA should look at promoting and financing MEs as one of its goals as the regulatory authority of NGO-MFIs in Bangladesh. It may also be useful to explore the feasibility of a credit guarantee mechanism to promote linkages between ME-lending MFIs and private/other financial intermediaries. The overall approach should combine the instruments in a strategic fashion so that they become mutually reinforcing.

The study highlights that an important issue for ME development in Bangladesh is to set a vision and adopt a pro-active ME promotion policy that would facilitate a rapid transition from traditional to relatively modern product categories along with higher capitalisation and use of better production technologies. This will help upscale the existing low productivity informal MEs and deepen their links with mainstream growth-seeking activities. As such, the development of MEs calls for a re-thinking of the present nature of MFI interventions to address the second-generation issues of finance up-scaling and technology diffusion necessary to create a sustained impact on poverty reduction in the country.

Obviously, an important concern relating to ME sector is to ensure speedy growth in all aspects, including output and employment. For this, the country's industrial strategy, in addition to focusing on growth on MEs, needs also to be anchored in multi-layered subcontracting arrangements between the larger enterprises and MEs and among MEs themselves. In recent years, ME-centred activities in trade, services, agriculture and food processing sectors have expanded rapidly in response to higher demand, and there exists more potential for their future expansion. Innovation and searching for new markets are also important for sustaining the growth of existing MEs and flourishing of new MEs.

For accelerating future growth and viability of MEs, technological innovation and knowledge transfer, product diversification, and marketing services are the key areas where special attention are needed. The adoption of a comprehensive road map, jointly worked out for implementation through public-private collaboration, for technological and marketing services for the MEs, can go a long way in creating a competitive ME sector with required market linkages in the country.

The analysis shows that a vision is needed along with a pro-active MEs promotion policy that would facilitate a rapid transition from traditional to relatively modern product categories along with higher capitalisation and use of better production technologies. This would help upscale the existing low productivity informal MEs and deepen their links with mainstream growth-seeking activities. The study also suggests a re-thinking of the present nature of MFI interventions to address the second-generation issues of finance up-scaling and technology diffusion necessary to create a sustained impact on ME growth.

The study recommends that the country's industrial strategy, in addition to focusing on growth of MEs, needs also to be anchored in multi-layered subcontracting arrangements between the larger enterprises and MEs and among MEs themselves. In recent years, ME-centred activities in trade, services, agriculture and food processing sectors have expanded rapidly in response to higher demand, and there exists more potential for their future expansion. Innovation and searching for new markets are also important for sustaining the growth of existing MEs and flourishing of new MEs. For accelerating future growth and viability of MEs, the study identifies several areas including adequate financing arrangements, technological innovation and knowledge transfer, product diversification, and marketing services.

For details, see Diagnostics of Micro-enterprise (ME) Lending by MFIs in Bangladesh: Opportunities and Challenges, InM Project Report Series 57, October 2016.

Beyond Growth: Enhancing Resources and Increasing Capabilities of Poor Households

Since 2010, PKSF is implementing the programme named, 'Enhancing Resources and Increasing Capabilities of Poor Households towards Elimination of their Poverty (ENRICH)' in selected areas of Bangladesh. The aim of ENRICH is to enhance human freedom and dignity of the participating households. The programme covers a total of 23 crucial interventions like education, skill training, technical assistance, access to information, health services, food security and nutrition, awareness raising, facilitating access to assets, social capital formation, infrastructure, climate change adaptation, insurance services, market linkages and others. The programme also provides financial support for implementing the participants' own plans related to socioeconomic and environmental development. A recent impact evaluation of ENRICH by InM shows that the programme has been quite effective in terms of empowerment, social-esteem and dignity among the participants. Almost all ENRICH households have access to primary health services especially through satellite clinics raising health awareness and service quality, and lowering cost. Access to electricity and sanitary latrine has increased both self-respect and dignity. The introduction of informal education at the community level has reduced the dropout rate to almost zero along with greater self-confidence and ability to interact in public.

On the other hand, although the progress in terms of some interventions like 'Bandhu Chula', Enrich Home, Enrich Centre, Basak Plant, and rehabilitation of beggars is relatively slow, ENRICH seems to have created enormous impact and awareness in the programme areas especially relating to improved livelihood and environment. Moreover, as the programme focuses more on community and social development, its effects are prominently visible on women empowerment, women's status in the community, their awareness about ENRICH programme components as well as self-respect and dignity.

The evaluation highlights that the key to success of ENRICH is the integration of social, community and household level resources for harnessing synergies and creating wider impacts. More specifically, ENRICH focuses on Family Development Plan (FDP) so that the resources and capabilities are utilised in the best possible manner.

For details, see Impact of ENRICH Programme at the Household Level, InM Project Report Series 58, September 2016.



New Programme Launched in 2016

InM has launched a new programme in 2016, Research on Operational Challenges of MFIs in Bangladesh (ROCM-B) to analyse priority issues surrounding MFI operations in Bangladesh especially relating to microfinance disbursement and management, institutional and operational modalities, and data gathering and dissemination systems.

The unique feature of this Programme is its participatory nature since the issues to be analysed are prioritised and the analysis is carried out in close participation and collaboration with interested MFIs. The Programme aims to assist MFIs to gain excellence and professionalism through exploiting possible avenues for improving their operations and adopting cutting edge technologies. Under the Programme, five researches and related activities have been initiated in 2016 in collaboration with partner MFIs.

Ongoing Research



Empirical Analysis on Pricing Issues of MFI Loans: Are MFI Lending Rates Too High?

Despite the spectacular success of MFIs in operating with the poor households with whom the formal banks are mostly reluctant to deal with, MFIs are often criticised for charging higher interest rates to the poor borrowers relative to the non-poor borrowers of the commercial banks. For many, it may appear somewhat contradictory that the financial institutions (banks) of the non-poor people offer lower lending rates while the microfinance institutions (MFIs) for the poor people charge higher lending rates from the microfinance borrowers. The MFIs should therefore have strong and compelling reasons to justify the higher lending rates charged from the poor borrowers. Regarding lending rates by MFIs in Bangladesh, the Microfinance Regulatory Authority (MRA) has set some rules in 2011. As per the rules, the interest rate should be calculated using a 'declining balance' method and the maximum annual rate of lending should not exceed 27 percent. While these are welcome moves in bringing more transparency and accountability in the microfinance sector, the debate on high interest rate of micro-lending still persists.

This research does not intend to look into the issue of whether the lending rates of MFIs are high or low in isolation. The main purpose would be to identify the major determinants of interest rates charged by MFIs which would be important to analyse the cost structure underlying microfinance lending operations since cost structure and profitability of MFIs are important determinants of lending rates. There are other non-financial determinants as well such as the size of the MFIs (number of borrower or disbursement amount), location of branches (urban or rural), and types of programme (regular microcredit or ultra-poor programme).

The research will identify the average lending rates, cost of fund procurement, interest rate spread and their trends over time differentiated by different characteristics of MFIs and their lending operations. The study will identify major determinants of lending rates of MFIs covering size and other characteristics. Considering the importance of source of fund in determining the lending rate, the study will examine the implications of alternative sources of procuring funds by MFIs and their impact on cost structure of funds and suggest options of procuring funds at cheaper prices. The study will also identify major sources of expenses of MFIs and explore the scope of reducing costs (including administrative costs) by remedial measures including increasing efficiency and using better technology. Finally, a review of existing regulations on lending rates of MFIs will be made along with best practices from other countries to suggest options of improving the functioning of the microfinance market.

Branch Expansion: Implications on Institutional Efficiency of MFIs in Bangladesh

With rapid growth of the microfinance sector and increase in the number of MFI borrowers, microfinance institutions (MFIs) adopt branch expansion as an important vehicle of delivering loans to the poor households. The location of MFI branches that offer financial services is one of the fundamental determinants of access to financial services by the poor. From the economic point of view, it would be rewarding for MFIs to invest in opening a new branch if the expected revenue from the branch exceeds its expected costs. However, such a strict economic logic may not be tenable in all cases. Thus, it is important for MFIs to understand the factors that should be taken into account while opening a new branch so that such decisions are rational and create positive impact on the organisation's efficiency and productivity. Thus, although there could be a differing set of determinants, a relevant question is: What are the important factors that MFIs take into account while taking decision on opening a new branch? How do they decide on its location? Does the decision to open a new branch and its location have any implications on MFI efficiency and productivity? How an optimal decision can be made by the MFIs in these respects? These are some of the issues that will be examined in this research.

This research seeks to examine cost effectiveness of MFIs in relation to branch expansion and related decisions and identify the indicators that MFIs consider while deciding on branch expansion. It will also examine the effect of considerations such as location on outreach and service delivery and suggest cost-effective ways of enhancing outreach in remote areas including the possibility of establishing partnerships of MFIs with mobile phone operators to reach the unbanked low income people. The study will collect both institutional and branch level information including case studies from selected MFIs.

Why High Drop-Out Rates Persist Amongst MFI Staff in Bangladesh? An Empirical Study

A central issue which is important in microfinance sector in Bangladesh is the sustainability of microfinance institutions (MFIs) which is critical to the development of financial intermediation at the micro level. For ensuring both operational and institutional sustainability of MFIs, an important factor is the availability of a core team of dedicated staffs who are qualified and experienced enough to effectively manage the activities of the MFIs in an efficient manner. In this context, a major challenge that the MFI management confronts is the high drop-out rates amongst the MFI staff who are the key drivers of success of MFI operations. Although several studies are available on the drop-out rate of MFI borrowers and its impact on sustainability and subsidy dependence of MFIs in Bangladesh, no such study is available on MFI staff drop-out rate and its implications on MFIs and the MFI sector in general.

The major focus of the study is to examine the level, nature and other characteristics of drop-outs of different categories (including field, supervisory and desk levels as well as urban/rural locations and gender dimension if any) of MFI staff and trends over time. The study also intends to identify causal factors (both within and outside MFIs) that contribute to staff drop-outs from specific institutions.

Developing Case Study Bank: Innovative and Good Practices of MFIs

This component of the programme intends to analyse, document and disseminate successful case studies of MFIs/specific MFI interventions that have adopted innovative and replicable approaches. InM documents the cases jointly with the MFIs that involve in-depth exploration of unique, special, and interesting features of MFI innovators and underlying working processes, programmes, and relevant events. The results will bring out the story behind the outcomes by capturing what are the facilitating factors, why it is useful to highlight the success and replication potential and how the intervention shows ways of overcoming specific challenges and difficulties. The work has started in 2016 in partnership with interested MFIs.

InM Launches New JICA Study on

Financial Inclusion of Vulnerable Segment in Bangladesh



Institute for Inclusive Finance
and Development (InM)



InM has initiated a new project on 'Financial Inclusion of Vulnerable Segment in Bangladesh' in October 2016 with financial support from the Japan International Cooperation Agency (JICA). Financial services are recognised as an important target and means of implementation for the Sustainable Development Goals (SDGs) in Bangladesh. For example, equal rights to economic resources is a target of the first SDG to eradicate extreme poverty, while secure access to financial services is a means of implementation of the second SDG to end hunger, achieve food security, improve nutrition and promote sustainable agriculture. The Seventh Five Years Plan of Government of Bangladesh also emphasise the importance of financial inclusion to alleviate poverty. Despite substantial expansion of bank branches and increase in the membership of MFIs and other financial institutions, a significant share of the country's adult population still remains financially excluded.

In Bangladesh, the financially excluded sections of the population comprise different poor and marginal groups including small and marginal farmers, landless labourers, women, self-employed and informal sector enterprises, urban slum dwellers, street children/working youth, migrants, ethnic minorities and socially excluded groups and people who live in areas that are vulnerable to coastal storms, drought, and sea level rise. One of their greatest needs is improved access to financial services—not just loans, but savings, insurance, payments, pensions, and other products. While there are pockets of large excluded population in the urban areas, the rural areas contain most of the financially excluded population. Significant efforts are therefore needed to build inclusive financial systems in the country.

Beginning with the premise that financial inclusion is both pro-growth and pro-poor, the study will examine the landscape of financial services in Bangladesh and examine the financial inclusion issues under three separate but interrelated areas employing a comprehensive framework : (i) financial inclusion for disaster and climate resilient households and communities; (ii) financial empowerment for vulnerable street and working children/youth; and (iii) developing and implementing Inclusive Insurance in Bangladesh. In addition to specific coverage, the analysis would address issues such as access and use of financial services, types of financial services and use levels, disparities in access and use of financial services (rural-urban, women-men, rich-poor etc), financial services in lagging sectors and regions (agriculture, MSMEs, lagging districts/regions), barriers to accessing financial services (macro, meso and micro levels), understanding financial exclusion of specific groups and sectors, lessons from international experience, and challenges and opportunities for Bangladesh.

Financial Inclusion for Disaster and Climate Resilient Households and Communities

Bangladesh, being one of the most vulnerable countries to natural disasters and global climate change, faces different individual and catastrophic shocks creating severe impact on the lives and livelihoods of the marginal segment of the population. To cushion the shocks, these households borrow from formal/informal sources, withdraw their savings, or sell productive and other assets. Moreover, availability of even these unfavourable coping mechanisms is inadequate and unreliable especially during times of natural disasters. Thus, a major constraining factor of the current efforts for sustainable poverty reduction and development at the grassroots level is the absence of adequate formal institutional mechanisms of risk mitigation for the poor and low-income households. Various studies conducted by InM show that full use is needed of NGO-MFI 'social assets' – trust and community relationships, extensive network of delivery services, culture of experimentation and learning, and expertise in rural development for disaster risk reduction and climate change adaptation. The study comprises of two major components:

Component 1: Comprehensive stocktaking analysis of MFI and NGO engagements in disaster risk reduction and climate change adaptation.

Component 2: Designing action research

The design of the first component has three inter-related activities: (i) intervention stocktaking; (ii) balance sheet and contingency stocktaking; and (iii) spatial analysis. Intervention stocktaking will be based on a compilation of NGO-MFI interventions that are relevant to climate change adaptation and disaster risk reduction. It will review community institutions and households, and analyse how they contribute to climate change adaptation in the study areas along with a review of adaptation planning and support initiatives in the study areas. The balance sheet and contingency stocktaking will assess impact of past extreme weather events on financial health of MFIs, and will assess and present options for MFI preparedness for future climate risks. The spatial analysis will examine how vulnerability to climate change affects the financial performance of MFI branches and how vulnerability to climate change and natural hazards influences the spatial distribution of NGO-MFI services and how this spatial distribution has changed over time.

The experimental design of the action research will provide effective institutional and operational arrangements and intervention packages to build adaptive capacities at household and community levels. The action research will be elaborated to reflect the impacts of climate change on different parts of Bangladesh, e.g. draught-prone areas in the North-West and sea level rise and greater weather extremes in the South-West. The experimental testing of different sets of interventions for different locations will generate scientific knowledge with generalisable conclusions for applications in Bangladesh and other countries with similar environmental conditions. The interventions selected for the action research will be based on the results of the stock-taking and other background studies and the exposure visit of the researchers to selected countries to identify progressive practices.

Financial Empowerment for Vulnerable Street and Working Children/Youth

An important component of Bangladesh's development agenda is to empower, include and educate all children and youth for a life free from poverty and financial instability. The aim is to ensure that youngsters of today grow up to become confident and responsible adults of tomorrow who believe in themselves and their ability to guide the country's development towards making the middle income country status a reality for Bangladesh in the near future. In this context, an important challenge is to ensure financial empowerment and inclusion (FEI) for the

vulnerable street and working children/youth who are one of the most deprived and disadvantaged segments in Bangladesh society. The vulnerable street and working youth/children mostly come from families with financial hardship, often plagued by poverty and indebtedness. Overall, the vulnerable street children/youth face many barriers to accessing financial services, including restrictions in the legal and regulatory environment, inappropriate and inaccessible products and services, and low financial capabilities. Overcoming these barriers and achieving successful FEI requires a multi-stakeholder approach that engages government (including policymakers, regulators and line ministries), financial service providers, NGOs and other youth stakeholders. The street children/youth need, of course, to be at the centre of the entire process.

The study will explore the current status of FEI of vulnerable street children/youth in Bangladesh along with providing an in-depth assessment of the present Bangladesh Bank initiatives of providing these children with access to bank accounts through participating banks and NGOs. In this context, the study will examine the hypothesis that providing street children with access to banking services can be most effective when the service is provided within a package of complementary services such as financial literacy, communication skills and mentoring. Along with others, the study will address three major research questions: (i) What is the current status in terms of situations, impacts, and issues of existing financial services for street/working children/youth? (ii) What potential services could be explored and improvements incorporated, and issues addressed in future action researches to develop financial packages that meet the demands and needs of different groups of street children/youth? and (iii) What changes are necessary to improve existing services and regulatory frameworks and operational procedures for successful FEI of street children/youth? The study will use primary and secondary data from both supply and demand sides.

Developing and Implementing Inclusive Insurance in Bangladesh

Micro-insurance (MI) is seen as a central way of providing social protection to the poor and vulnerable people especially in disaster prone areas. It is agreed that MI has the potential to emerge as one of the sustainable ways of helping the vulnerable groups in enhancing their capacity to withstand vulnerabilities and shocks which is central to reducing poverty and increasing welfare. MI is a low-cost insurance mechanism that covers life, health, crops, livestock and property of the poor and vulnerable groups. As a matter of fact, MI is now emerging as a central component of climate change adaptation measures in disaster-prone countries like Bangladesh.

In Bangladesh, households recurrently face various types of adverse shocks that can be broadly categorised into two types: idiosyncratic (e.g. death or illness of household head) and covariate (e.g. damage of properties due to flood). In principle, households can cope with these shocks well if they have access to formal insurance mechanisms. As formal insurance industry is still less developed in Bangladesh, poor households often resort to informal mechanisms to cope with these shocks including borrowing from friends and moneylenders, selling productive assets such as livestock, cultivable land and selling other properties. In such circumstances, the poor households are forced to reduce their consumption which threatens their food and nutrition security and constrains their ability to improve their social and economic welfare.

In order to ensure inclusive development of a poor-friendly MI sector in Bangladesh and promote sustainable expansion of on-going and new MI programmes, PKSF plans to establish the 'Inclusive Insurance Unit' under its core programme for implementing MI activities. The present research will identify and estimate important parameters for developing inclusive MI products, and design their implementation modalities by the proposed PKSF Inclusive Insurance Unit (PKSF-IIU). This study will specifically focus on two MI products: micro health insurance and property micro-insurance, which have been selected in consultation with PKSF.



Knowledge Management

International Conference on MSMEs



InM joined hands with Southeast University (SEU) along with Bangladesh Bank, BiBM, CIRDAP and Micro, Small and Medium Enterprises (MSME) related banks and financial institutions in organising a two-day international conference on 'Development of Micro, Small and Medium Enterprises (MSMEs) in Bangladesh: Sharing Asian Experiences' during 5-6 March 2016 in Dhaka. The conference was attended by delegates and experts from India, Indonesia, Malaysia, Thailand and several other countries. It was participated by academics, MSME experts and representatives from different banks and financial institutions from both public and private sector in Bangladesh. On the occasion, an MSME Fair was also organised at SEU premises which was participated by 35 banks and other institutions.

Consultation Meeting with MFIs

InM organised a consultation meeting with MFIs on 20 January 2016 to discuss the challenges and opportunities of microenterprise (ME) lending by MFIs. Representatives from 26 MFIs representing various size classes participated in the meeting.



MoU signed between InM and CIRDAP



InM has signed a Memorandum of Understanding (MoU) with CIRDAP on 15 March 2016 for working together in different programmes of mutual interest. Dr. Mustafa K Mujen, Executive Director, InM and Dr. Cecop Effendi, Director General, CIRDAP signed the MoU on behalf of their respective organisations.

InM Library

InM Library has been fully automated in 2016. The library has a rich collection of more than 2,000 books on finance and development issues. The text and reference books for the master's and diploma programmes have been procured for use by the participants. The Institute subscribes to more than 200 domestic and foreign journals, magazines and other periodicals including those from finance and business. The Institute also subscribes online journal portal where from the users can get access to a wide collection of professional journals.



InM Computer Lab

InM has renovated its modern computer laboratory with LAN system and individual internet facilities in 2016. The lab provides InM trainees and would-be InM School of Inclusive Finance (ISIF) students with computer related services. WiFi connectivity is also available in the ISIF premises.



InM Publications 2016

InM Working Paper Series (WP 46-51)

- WP 46: Agricultural Efficiency among the Ultra-Poor of the Northern Region of Bangladesh: Does Credit and Training Matter?
- WP 47: Does Overlapping Borrowing in Micro Credit Market Contribute to Over-Indebtedness in Bangladesh?
- WP 48: Demand for Micro Health Insurance in Rural Bangladesh.
- WP 49: Approaches of MFIs to Disasters and Climate Change Adaptation in Bangladesh.
- WP 50: Models of Microcredit Delivery and Social Norm.
- WP 51: Dynamics of Overlapping in the Microcredit Sector of Bangladesh.

Electronic versions of InM working papers are available at:
<http://inm.org.bd/working-papers/>



Policy Paper

Diagnostics of Micro-enterprise Lending by MFIs in Bangladesh: Opportunities and Challenges



Newsletters

InM Insights:

- Vol 1
- Vol 2 and
- Vol 3



Annual Report

InM Annual Report 2015



Others Publications

- InM Brochure 2016
- InM Training Brochure
- Diploma in Microfinance Graduation Ceremony Brochure
- Prospectus of InM Education Programme
- Six Modules of InM Diploma in Microfinance



InM Project Report Series

Project Report 1- 58



2016



Training

Training

For InM, training and capacity building is a priority activity to fill-in the gaps between performance requirements and the knowledge, skills, and abilities needed by MFIs to achieve these requirements. For the purpose, InM training programmes are designed in such a manner that helps in fulfilling MFIs' organisational mission, improve productivity, and provide quality products and services in an effective and efficient manner. During 2016, the training activities of InM have mostly been targeted to NGO-MFIs in areas like scheduled and tailor-made courses, training of trainers, and training evaluation. The focus of the Institute's training programme during the year covered three major areas: PKSF partner organisations training; MRA-licensed MFIs training; and tailor-made training. Along with strengthening these training areas, new initiatives during the year include efforts to diversify the training programme and undertake demand-driven training programmes. In all these efforts, InM's special thrust has been on designing need-based customised training which requires standard and integrated modules for training programmes, rather than organising prototype training.

Regular Training Programme

PKSF Partner Organisations Training

PKSF, the leading apex lending and capacity development organisation in Bangladesh, provides continuous assistance to its partner organisations (POs) in strengthening their capacities in different areas. In this context, InM jointly with PKSF organised training programmes for POs where a total of 1,089 participants from 160 MFIs successfully completed their courses in 2016. The training areas are:



MRA Licensed MFIs Training

MRA is the central regulatory body established by the government to monitor and supervise microfinance operations in the country. During 2016, a special course was offered for MRA licensed MFIs titled "Financial Statement Preparation and Risk Management". InM also organised training courses in 10 batches for 261 executive heads from different MFIs. The course design offered a framework on financial statement preparation, analysis and interpretation of financial statements, asset-liability management, governance issues, regulatory framework, risk in microfinance operations, and operational aspects of Bangladesh Anti-Money Laundering Act. The course enhanced the capacity of Executive Directors, CEOs, Chairmen and other senior personnel of MFIs on addressing various dimensions of microfinance issues.



Customised Training

Customised training programmes are designed, prepared and offered as per the requirements of MFIs. Customised training courses motivate the InM trainers to go the extra miles needed to get into the heart of the matters and pursue the road that may not be found in standard books or training manuals. InM organised two customised training courses in 2016.

Enterprise Management and Promotion of Private Business

InM conducted four batches of training course on Enterprise Management and Promotion of Private Business for senior officials of PKSF-POs where a total of 94 participants mostly Senior Operational Managers of 50 PACE (Promoting Agricultural Commercialisation and Enterprises) POs joined. InM was selected to organise these four batches of training under the PACE project of International Fund for Agricultural Development (IFAD) through competitive bidding. This five-day training provided a framework for microenterprise management to the practitioners so that they could understand the business of targeted micro-entrepreneurs (covering both farm and off-farm activities) and design financial products accordingly.



Interpersonal Communication and Risk Management

A total of 42 mid-level Managers of Kushtia-based MFI SETU and 25 mid-level officials of the INGO Muslim Aid Bangladesh joined the training course on Interpersonal Communication and Risk Management. The course blended various exercises and case studies to sharpen the microfinance management knowledge with new ideas and concepts. The trainers/facilitators familiarised the participants with different methods of interpersonal communication and risk management practices keeping microfinance in the forefront.



InM Training Centre

InM has a six storied training centre located at the heart of Dhaka with boarding and lodging facilities of international repute for 60 participants. During 2016, 1547 national and 13 international participants enjoyed the residential facilities of InM Training Centre.



Highlights on Training Since Inception



Module Development

Till to date, InM has developed 14 training modules of international standards to cater to the needs of microfinance practitioners at national and international level. These modules are as follows:

Modules	Duration	Language
Microfinance Operations and Management	10 days	Bangla & English
Microfinance Operations and Management	05 days	
Book Keeping and Accounting Management for MFIs	05 days	
Monitoring and Evaluation of Microfinance Programme	05 days	
Improving Participatory Managerial Skills and Management Style	05 days	
Legal & Regulatory System and Governance	05 days	Chinese & English
Microfinance Credit Delivery Process and Operations	05 days	
Microfinance Product Design and Business Planning	03 days	
Effective Management of Microenterprise Loans	05 days	
Advanced Generic ToT	10 days	English
Interpersonal Communication & Risk Management	05 days	
Financial Analysis	05 days	
Accounting & Finance for Non-finance Executives of MFIs	05 days	
Financial Management for MFIs	05 days	

InM regularly updates its curricula and modules based on current research and field operation findings to keep pace with new innovations and practices.

International Collaborations

InM has been extending its capacity building activities internationally. The organisation aims to build networks through joint arrangement of training courses with various national and international organisations and undertake exposure visits on issues of common interest. Presently, InM has collaboration with the following international organisations:

- Asian Institute of Technology (AIT), Thailand
- Beijing HuXinCheng Investment Management Centre, China
- China Association of Microfinance (CAM), China
- China Academy of Financial Research (CAFR), China
- China International Centre for Economic and Technical Exchanges (CICETE), China
- Frankfurt School of Finance & Management, Germany
- International Federation of Training & Development Organisations (IFTDO), UK
- Institute for Global Environmental Strategies (IGES), Japan
- International Poverty Reduction Centre (IPRC), China
- Shanghai Changning Oriental Hongqiao Microloan Co. Ltd.
- UTT Microfinance, Tanzania

Exposure Visit of CAM, China

At the invitation of InM, CAM organised an exposure visit for a 13-member Chinese Delegation comprising senior professionals during 24-29 September 2016 to InM and Bangladesh. During the period, the delegates also visited PKSF, Grameen Bank, BRAC, ASA, and bKash and observed field level operations of selected institutions. Among others, Mrs. Zhang Rui, Chief of Division of People's Bank of China; Mrs. ZHANG Chenghui, Director General of Financial Research Institute (FRI); and Mr. Zhang Bin, Vice Chairman of Harbin Bank Co. Ltd, accompanied the Delegation.



AARDO Delegation Visits InM



An exposure visit to InM was organised for a team of 33 African-Asian Rural Development Organisation (AARDO) country members on 29 February 2016. The team visited InM as part of an international workshop cum training programme on 'Governance in Microcredit Delivery System for Rural Development' organised by the Bangladesh Academy for Rural Development (BARD), Comilla. The participants comprised of delegates from Egypt, Ghana, India, Iraq, Jordan, Korea, Nigeria, Oman, Pakistan, Palestine, Sri Lanka, Sudan and Taiwan.

Training Plan (2016 - 2017 Financial Year)

ACTIVITIES	2016 - 2017 FY												Number of Batches	Number of Participants
	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17		
1.0 MODULE REVIEW AND DEVELOPMENT														
1.1 Module/Curriculum Review and Development			1		1			1			1			
2.0 TRAINING FOR MFIs AND SECTOR STAKEHOLDERS														
2.1 Training of MFIs through MRA (3-Day Training)				2	2	3	2	3	2	2	2	2	22	550
2.2 Training of MFIs through PKSF (5-Day Training)		5	5	6	6	6	6	7	8	8	8	8	76	1900
3.0 INTERNATIONAL TRAINING, NETWORKING & COLLABORATION														
3.1 Training with UTT Microfinance, Tanzania; CICETE, DABANG, Lang Fang, China									1			1	2	50
3.2 International Networking and Collaborations														
4.0 CUSTOMISED TRAINING PROGRAMMES FOR MFIs														
4.1 Customised Training for MFIs			1		1	1		1			1	1	6	150
Grand Total													106	2650

Notes:

- o Figures denote number of courses.
- o Training programmes may be adjusted depending on the need of the sector.



Education

Graduation Ceremony of Diploma in Microfinance Participants

The second graduation ceremony of 33 participants from the second batch and 21 participants from the third batch who successfully completed the Diploma in Microfinance Programme was held on 3 March 2016 at PKSF Auditorium. Mr. A. H. M. Mustafa Kamal FCA, Honourable Minister for Planning was present as the Chief Guest on the occasion while Dr. Qazi Kholiquzzaman Ahmad, Chairman, InM chaired the ceremony and distributed the certificates.



Diploma Programme for Fifth and Sixth Batch Starts

The academic programme for the fifth batch of participants in the Microfinance Diploma Programme started on 16 January 2016; while the programme for the sixth batch commenced from 30 April 2016.

Re-designing of Diploma in Microfinance Programme

InM conducted an opinion survey on the Diploma in Microfinance Programme in 2016 among the participating MFIs for re-designing the programme to serve the needs of the microfinance sector in a more effective manner. The survey results have been published and InM is currently working on implementing selected recommendations. As a part of improving the programme, the abridged version of the course materials has been translated into Bengla. The printed version of the abridged materials along with soft copies of the full version will be given to future participants for facilitating better comprehension of the materials by the participants.

Master Programme in Inclusive Finance and Entrepreneurship

InM has established the School of Inclusive Finance in 2016 under which preparations are being completed to start the Master in Inclusive Finance and Entrepreneurship (MIFE) Programme which is expected to be affiliated with the University of Dhaka. The MIFE programme is likely to begin in 2017 after getting formal affiliation from University of Dhaka.



Administration and Finance

Administration and HRM

The Administrative Division is responsible for managing human resources, logistics, assets and property, vehicles, InM Training Centre as well as procurement, routine maintenance of infrastructure and providing security and safety services to the Institute and support services to the functional divisions. It also ensures coordination among all functional and supportive divisions and senior management.

During 2016, the Administration intensified its efforts to comply with set rules and regulations to ensure organisational transparency and accountability. During the year, the Administration has undertaken initiatives to review and finalise all rules and policies such as HR policy, finance policy, vehicle management and other policies along with getting approval of relevant policies from the Governing Body. In 2016, special efforts have been taken to improve InM administrative functions and systems through a number of initiatives including (i) introducing automation in Office Management System; (ii) reviewing and improving policies and procedures; (iii) intensifying collaboration with national and international organisations; (iv) initiating joint programmes with IDF to develop InM's Training Centre at Cox's Bazar into an International Convention Centre; (v) holding Governing Body and General Body meetings regularly; and (vi) implementing other administrative actions as required by the management.

Automation in Office Management

In 2016, InM has started automation involving software based office system to maintain complete database without piles of papers and multiple filing cabinets. The introduction and maintenance of the software system will help processing of data kept in one place at ease along with driving decisions based on it. It will also help to save money and time so that employees can concentrate more on strategic issues.

The InM Administration started to adopt the software based Office Management System in January 2016. The following major actions are already implemented through the automation system: (i) Human resources information system (HRIS), which includes Employee's Attendance System with a attendance record machine, Employee's Database Management System as a part of personnel record, and Employee's Leave Application and Management System; (ii) Vehicle Management System, which includes Database of all vehicles and drivers, Vehicle maintenance record and analysis system and Vehicle's fuel consumption record and analysis system; (iii) Store Management System, which includes Store inventory record management, Store procurement requisition system, Material requisition system and record management and Store item procurement, consumption and cost recording and analysis system; (iv) Contract Management System, which includes Institutional and individual contract record management system and Deliverable submission tracking management system.

InM is continuing with further expansion of the automation system. The areas to be covered in the second phase of automated software management system include administrative filing management system, procurement management system, fixed asset management system and dispatch management system.

Formalising the Change in Institute's Name

InM started its journey with the new name, Institute for Inclusive Finance and Development, on 1 January 2016. As per the Rules, InM received approval from the Registrar of Joint Stock Companies and Firms (RJSC) in 2016. This has enabled InM not only to change its name but also transform itself into a new organisation with broadened vision and mission along with new areas of work in research, knowledge management, training, education and other activities to fulfil its organisational goals.

Review of Organisational and Policy Frameworks

As a part of its institutional transformation process, InM started reviewing all InM policies and procedures in 2016. During the year, InM has already completed the review of the following:

01. Rules and regulations governing InM's organisational structure
02. Vision, mission and objectives
03. Data management rules
04. Research policy
05. Office management procedure
06. Refreshment and food management procedure
07. Vehicle and driver management procedure
08. General administrative procedure
09. Employee attendance management procedure
10. File approval procedure
11. Project/ programme budget approval procedure
12. Yearly staff performance appraisal procedure along with performance appraisal form
13. Security system, drinking water supply system, in-house decorating procedure, library renovation, supplier and vendor enlistment, group insurance facility
14. Rent policy of InM Training Centre
15. Facilitator and Tutor assignment policy of Diploma in Microfinance programme

In addition, InM has finalised the Human Resources and Procedure Manual and InM's updated Memorandum of Association for approval by the Board. Currently, InM is in the process of framing and introducing the following guiding documents for more effective performance of administrative activities:

01. Financial and accounting manual
02. TA/DA policy, procurement policy, overtime policy
03. Employee hand book based on the approved HR policy
04. Archiving old movement and personal files
05. Entitlement of official assets
06. Strategic plan of InM for the next 5 years

Institutional Collaboration

To emerge as a leading institute in creating and disseminating knowledge on inclusive finance, microfinance, poverty alleviation and sustainable development, InM has initiated new efforts of establishing partnership and developing collaboration with reputed national and international organisations and academic institutions.

In 2016, InM collaborated with the following organisations:

- Nathan Associates London Ltd.
- Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP)
- Japan International Cooperation Agency (JICA)
- Bangladesh Bank
- Integrated Development Foundation (IDF)

InM is also working for further strengthening of the professional relationship with PKSF in mutually agreed areas. In addition, InM has been collaborating with various organisations on administrative issues. InM is working towards developing collaboration with a few other organisations including the United Nations Capital Development Fund (UNCDF).

Developing International Conference Centre in Cox's Bazar

InM owns fifty decimal of land along with a two-storied building in Kolatal, Cox's Bazar which was donated by World Vision Bangladesh in 2011. In 2016, InM has taken up a plan for renovating the property with the aim of constructing an International Convention and Training Centre along with well-equipped dormitory and other facilities. The Centre will be developed jointly by InM and IDP. It has been agreed that a company will be formed named 'Innovations for Inclusive Development Pte (IID)' which will manage the facility. The physical work is expected to begin in 2017.

Board Meeting and EGM in 2016

InM organisational governance system requires that four regular meetings of the Governing Body be held in a year. Accordingly, InM organised four meetings of the Governing Body and two meetings of the General Body in 2016:

1. 41st Governing Body meeting on 31 March 2016
2. 42nd Governing Body meeting on 27 April 2016
3. 43rd Governing Body meeting on 21 June 2016
4. 6th Extra Ordinary General Body meeting on 21 June 2016
5. 44th Governing Body meeting on 28 December 2016
6. 11th Annual General Body meeting on 28 December 2016



Other Activities

The InM Administration, in collaboration with other divisions, has taken up a number of other activities to bring new dynamism in the organisation.

Creating the Consultancy Unit: InM has established an in-house Consultancy Unit with members from each division. The major function of the Unit is to prepare a consultant's pool for engaging in InM's future activities and recommend potential consultancy activities for InM.

Financial Inclusion Network--Bangladesh (FIN-B): InM has taken initiatives to form the Financial Inclusion Network--Bangladesh (FIN-B) as a proposed forum for bringing together stakeholders including public, private, MFIs and civil society organisations interested in the pursuit of the common objective of promoting financial inclusion for all. The aim of the Network will be to develop knowledge and expertise in financial inclusion through stimulating exchange and collaboration amongst its members and promote the Network members as centres of excellence in the field of inclusive finance. The Network will promote both institutional and financial collaboration amongst its members working in development sectors like finance (including microfinance) and development in areas of research, training, education and public policy. The FIN-B will provide a unique platform to bring together all financial sector stakeholders including banks/MFIs/NGOs/financial institutions/local governments and grassroots organisations for sharing ideas and best practices from home and abroad.

Finance and Accounts

A major re-organising of the activities of Finance and Accounts Division is currently underway under which further automation of all relevant activities has been given the priority. Divisional activities are being progressively automated and all staffs are being trained to adopt the digital format in finance-related activities.

Internal and Budgetary Control

In line with the newly adopted strategic framework in 2016, activities are being implemented to improve overall internal control by instituting relevant measures across the entire organisation. Overall budgetary control has also been greatly improved through implementation of a more organised and effective activity-based, and result-oriented budgeting system. Budget monitoring and variance reporting has also been ramped up to improve the budgetary control.

Software Based Accounting System

The Finance and Accounts Division has initiated the work on transition to a more robust and updated accounting software to improve reporting and fulfil internal and external reporting needs in a more efficient and timely manner.

InM Budget 2016-17

The InM budget for FY2016-17 was presented to and approved by the Governing Body and the General Body on 21 June 2016.

Notes

www.inm.org.bd



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