



# Annual Report

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# 2011-12



**BURO** *Bangladesh*



Annual Report  
2011-12





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# Executive Director's Statement

The elevation of BURO Bangladesh is unabated and unstoppable in respect of quality, quantity and price of its services to its direct clients in the rural, peri-urban and urban areas. The cause of its continuous elevation is the synergies between the clients and BURO where both work as the consumer and producer of goods and/or services to each other wherever and whenever is required within the realm of BURO. Because of undeniable necessity in the doldrums of economical crises BURO and its clients feel shared sense of ownership in each other to effect alterations in their lives and living conditions of the clients.

The synergies between and shared sense of ownership feeling among each other also bring the development of new infrastructure in the level of thoughts of both BURO and its clients which is manifested: for BURO to demonstrating commitment, motivation and dedication from its human resources towards its clients, and for its clients demonstrating moral obligation, loyalty and bindings towards BURO. Thus the reciprocal relation between BURO and its clients has developed over the period unbreakable relations in the free market society where BURO clients enjoy every freedom in utilizing microfinance services given from the organization.

The given statistics inside the report under different performances of microfinance are the glowing examples of the organization needless to mention that the credit goes to the management at both central and branch offices being supplemented by the supreme professionalism which is demonstrated by the clients in loan utilization and loan recovery without virtually any countable number going beyond the aging schedule. The clients' supreme professionalism is the impetus in the lives and living conditions of BURO itself the value addition to which emanate from increasing diverse demands of the clients that the organization supplies without any delay or maintaining minimum bureaucracy from the organization. The smooth flow of liquid and technology from the organization without any hindrances in consonance with the required and requisite demands of the clients enhances the capability functioning of BURO human resources as well as those of the clients once their skill are applied congruently in utilizing microfinance services.

The enhancement of capability functioning of BURO human resources is subjected to their exposures to knowledge management organized from the organization at different times capitalizing its own experiences and those of others in the microfinance industry which develops and strengthens BURO as a specialized organization in the market for future generation to enjoy, produce and supply new financial services in consonance with the needs in the market of economical relations. The capability functioning of its clients is enhanced with the continuous utilization of their skill in microfinance which brings them in the market of economical relations with their own goods and/or services thus both BURO Bangladesh and its clients are significantly contributing to integrating financial market and economical market at a given locality.

We are indebted to the direct and indirect stakeholders in the internal and external environment of BURO for their consistent relations of fraternity with our endeavors. I would be extremely happy to express my deepest gratitude to those organizations/agencies: developmental partners, central bank, banks and non-banks, MRA, NGO Affairs Bureau, different ministries of the government and others who are with us for all the time. My heartfelt happiest thanks and warmest regards!



**Zakir Hossain**  
Executive Director

Dated: September, 2012

# Microfinance Scenario



## **Economical and Financial Market**

The synergy and reciprocity between economical and financial market is of supreme importance to bring positive changes in the lives and living conditions of the two markets which is urgently needed to enhance increased national economical growth of a given nation-state. Though both the markets work as independent institutions by virtue of their role relations with different characteristics economical and financial markets are needed to work as both consumer of and producers to each other goods and/or services which will irresistibly lead to integration between these two undeniable institutions in development. It is arguable that financial market is the sub-economy market within the overall realm of economical market but given the importance of financial market as the niche of controlled money circulation as well as in the growth of markets of entrepreneurs with diverse dimensions as such can be considered as the nexus between the economical market and national economic growth of any nation-state. Needless to mention that social capital and social business are and shall be inbuilt in the economical policies to enhance both social and economical investment simultaneously working hand in hand in development.

The nation-state Bangladesh is unique in resurrecting its economical market from the unprecedented devastation during liberation war, gradually begins its fast movement from crawling to opening new spaces for new market itinerants in the market of economical relations through financial market. In a nation-state with unprecedented condensed population the market of economical relations had had to depend on formal financial institutions that could not spread up to certain period all throughout the nation-state because

of the very low profile of basic utilities available in the urban and rural market. This creates space in both economical market and financial market to fill in by the usurious capital primarily in the rural and urban areas followed by the city areas with the increasing inhabitants. The absolute responsibility to rejuvenate the lives and living conditions of the economical market with its organized behavior which will attract the consumers and producers increasingly at a constant pace the nation-state in the beginning of 1980s makes certain aggressive behavior with the development of infrastructural facilities that facilitates the growth of financial market. As a measure of resurrecting businesses in the economical market vis-à-vis people that enhances their capability functioning as social capitals new market itinerant also enters into financial market as a prelude to financial interventions that goes far beyond the urban markets. The new entrant within the overall realm of financial market popularly known as Microfinance Institution (MFI) is the nexus between the financial market and poor as well as between the economical market and poor that improves the capability functioning of financial markets because of increasing outreach at the same time those of economical market because of the participation of the new entrepreneurs with diverse quality in the economical market.

### **Trend in the Microfinance Industry**

With a population of about 150 million and its growth rate of 1.37% Bangladesh presently has 77% rural population with those of urban at 23%. The nation-state is predominantly dominated by agriculture as the backbone of economy with about 30% of the total population lives below poverty line but with a declining trend.

The CDF statistics 2011 shows that 695 NGO-MFIs have about 17,851 branches employing 231,098 credit staff. All the 64 districts of the country are covered with microfinance. The reporting NGO-MFIs account for 29 million active clients. The net savings stood at BDT 197 billion. The loan portfolio was BDT 280 billion. Total revolving fund was BDT 339 billion. The major sources of financing include customers' savings: 58.16%, own/equity: 24.56%, PKSF: 8.73% and banks: 8.55%. Microcredit contributed 30.78% to agriculture of GDP in 2011.

Grameen Bank is the specialized microcredit bank as well as biggest actor in microfinance industry in Bangladesh. The clients of Grameen Bank presently stand at 8 million, portfolio is BDT 79 billion and savings is BDT 118 billion.

### **MFIs Increased Access to Formal Financial Sector**

Commercial banks are now increasingly wholesaling funds to the NGO-MFIs. In addition to both private and public sector commercial banks, some foreign banks and non-banks are financing microfinance programs. PKSF as the largest wholesaling of microfinance has meanwhile funded 237 NGO-MFIs. Anukul Foundation and Stromme Foundation are also providing loans to the NGO-MFIs. The banks are following a number of conduits to supply capital that includes syndication, securitization, guarantee and direct lending. The contribution from banking sector to the capital base of NGO-MFIs during last five years is growing at a constant pace which brings back the vivacity in the lives and living conditions of the NGO-MFIs to embed the use of commercial capital.

Bangladesh Bank through adopting Agriculture and SME policies and programs opens the space for more intense and diverse participation of NGO-MFIs within the realm of financial market further paving the increased access of NGO-MFIs to economical market through

bringing participation of both skilled and non-skilled human capital.

### **More NGO-MFIs Being Used as Remittance Channels**

In order to increase the capital flow within the nation-state that will contribute to business development at different regions of the nation-state remittance supply as the new technological innovation in microfinance has been in operation for a long time. To make the money transfer faster to the recipients, the branches of a few NGO-MFIs provide services to both the recipients of remittances and the banks with approval of the central bank.

### **Islamic Microfinance on Horizon**

The Islamic Development Bank (IDB), Jeddah, Saudi Arabia carries out feasibility study in Bangladesh to promote Islamic microfinance based on Sharia. There are some small NGO-MFIs in the country that are implementing programs based on Sharia. Rural Development Scheme (RDS) of Islami Bank Bangladesh Limited is implementing Islamic microfinance which underscores the high potential market of Islamic microfinance in Bangladesh.

### **Update on Microfinance Regulation**

The Microcredit Regulatory Authority Act, 2006 was passed in July 2006 with an effect from 27 August 2006. In accordance with the mandatory conditions for micro-credit operations around 650 licenses are meanwhile issued by MRA. The rules for the compliance of the NGO-MFIs are finalized by MRA and are put into operation since July 2011. The banks and government departments carrying on microfinance programs are outside the purview of the Microcredit Act. License is granted with a fee that varies according to the size of the NGO-MFI.

# Glimpses of BURO





## Institution

BURO Bangladesh is a national 'not-for-profit' organization set up in 1990 is irreversibly established as specialized micro-finance institution within the overall realm of the financial market facilitating the poverty reduction of the poor on sustainable basis. BURO provides high quality flexible financial services to low-income people, particularly the women, who are regarded as its prime customers. To meet their ever-growing financial needs, BURO introduces new technologies in its microfinance operation which are six loan products, two savings products and one insurance scheme. In order to address the dire needs of the economical markets BURO brings another technology: remittance services to the people through a high profile network of its branches. Considering the agriculture as the backbone of the nation-state the organization provides agriculture loans to small and marginal farmers and stepped up its loans to the graduated clients called SME loan. In accordance with the basic principle that social policies to be built in economical policies BURO further implements disaster mitigation program for microfinance clients affected due to man-made and natural causes. BURO Bangladesh also provides a modicum of non-financial services that includes business development services (BDS), food security, human resource development, disaster management, operation research, providing technical assistance to NGO-MFIs, and rural water supply, among others.

In its journey towards its growth and development BURO itself emerges as Social Capital for the nation-state Bangladesh, its economical and financial markets, own very wide spectrum of clients, and its unprecedented human capital base providing the financial and non-financial services of BURO. In consonance with its mission BURO attains its financial sustainability that creates space to diversify its participation in the activities of the economical and financial markets and nation-state retaining its original identity. Notwithstanding the limitations that it has in the internal environment

and faces in the external environment BURO is in forward motion constantly centering on its mission as the nucleus in its interventions which develops high cohesion and high integration among its own human resources and client base.

### Customers

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

#### Very Poor/Extreme Poor

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

#### Moderate Poor

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

#### Micro Entrepreneurs and Small & Marginal Farmers

- owning more than 0.50 acres of land
- annual income equal to or less than BDT 100,000 and having assets less than BDT 500,000
- age limit between 18-55 years

### Legal Status

BURO Bangladesh is registered with:

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

## Linkages

BURO Bangladesh has established linkages with:

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

## Access to Information

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

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

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

## Advisory Support

Mr. Graham A.N. Wright has been BURO Bangladesh's international honorary advisor for a long time. He is providing valuable inputs in the continued development of the organization and assisting the management in

quality decision-making, future development and program planning. Mr. Wright is now working as Program Director of MicroSave.

## Future Direction

### More Expansion of Micro Finance

BURO was originally conceived as a demonstration model, with the intention of achieving sustainability through providing a range of high quality financial services. Based on the very strong demand base BURO has initiated an expansion program and plans to raise the customers from current level of 1,082,789 to 1,500,000 in 2012-13. Because of BURO's comparative advantage in the provision of diverse micro-finance services plus the demand creation in business in the demand side BURO will strengthen its microfinance program designed in its future road map through horizontal scaling of its client and portfolio base within the realm of existing 629 Branches.

### Agriculture Financing

Agriculture as the spinal column of national economic growth is also the spine in the economical and financial market where in the reciprocity between these two markets agriculture works as the catalyst. It is the demand side that has the pull effect on BURO since its inception to launch intensive application of microfinance in agriculture program. BURO initiatives of microfinance in agriculture enrich its treasure of experiences that brings new technology remittance in microfinance to strengthen its application in agriculture. More important is the consideration of BURO that microfinance in agriculture will strengthen Food Security of its clients through increased production to work as both consumers of, and suppliers to rural or urban markets.

### SME Financing

BURO Bangladesh is currently financing ME clients in a limited way but perceives that more investment should be forthcoming because the sector has wide vista with very

abundant potentials for employment and income generation which shall be capitalized to push forward the integration between the financial and economical markets. The organization also prefers to priorities the sectors creating employment opportunities in the rural and urban areas in non-conventional businesses but emphasis is also given on the development of comparative advantage among the client base. The organization has decided to launch a massive micro-enterprise program in 2012-13 through bank financing that facilitates BURO working as the front ranking conduit for professional capital growth matching increased rural and urban employment and income generation.

#### **Graduation and expansion of Hardcore Poor Microfinance**

The hardcore poor microfinance has significant importance on the economical and financial market of the nation-state. BURO Bangladesh has rewarding success in all three working areas of hardcore poor microfinance program. The Economical and Social Empowerment of the Hardcore Poor (ESEHP) at Kurigram district will be under expansion in respect of client, portfolio base and opening new branches. On the other hand, the Economical and Social Empowerment of the Hardcore Poor

(ESEHP) at Uttara and Improved Living Standard of the Poorest of the poor at Tangail will be graduated to mainstream microfinance program of BURO.

#### **Going Extensive Automation**

The organization is contemplating full automation of its branches by 2014-15 and accordingly steps are taken. Currently, 320 branches have full automation. In 2012-13, a total of 250 branches will be under full automation.

#### **Vocational Training Institution**

BURO envisages that the proper application of technology in the lives and living conditions of the people will significantly prevent the rural and urban youth to be involved in social degeneration process. The abundant space that exists in the social and economical markets will be filled in congruently with the combined application of human resources and technology. This will develop reciprocal relations between human resources and technology contributing significantly to both financial and economical market. In order to enhance this phenomenon BURO in its future road map lays significant importance on the development of vocational training institute in respect of wide space and dimension to produce quality entrepreneurs for the social and economical market.



