

Annual Report

2015-16



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Message from the Chairperson

I am delighted that BURO Bangladesh has published its Annual Report 2015-2016. Since the inception in 1990, BURO is devoted to reducing poverty of the poorest and the poor segments through its various initiatives all over the country. In 27 years of their journey, BURO has continued its steady and phenomenal growth and established itself as a specialized microfinance institution with social commitment. BURO's major strength embedded in its thousands of committed and skilled staff members and their supervisors.

BURO is among the very first MFIs in the country to articulate an indisputable commitment to achieve financial sustainability and mark itself as an independent institution. It is appreciable that BURO also has performed much better in all financial parameters compared to that of last fiscal year and it is believed to consistently sustain in future.

In order to establish good governance and efficient management in the organization, BURO stretches out significantly on the implementation of various rules, procedures and guidelines. In addition different committees are functioning with cross-functional departments to develop greater cohesion and integration towards accomplishing the anticipated goals of the organization.

Along its endeavors, BURO has developed improved and irreversible working relations with the Government, specifically in different line agencies and local government. An increased participation in the formal financial market, increased regional collaboration, and in the availability of technological and capital assistance from across the national boundaries

With much pride, I would like to praise BURO for their contribution towards achieving the Millennium Development Goals thus far and for keeping their future work and its expected outcome well aligned with the Sustainable Development Goals of the United Nations. To keep this process of reducing poverty and for the sustainability of its accomplishments, BURO needs to design, explore and keep nursing more innovative and demand driven products for their client segments and a little more emphasis is to be given on the social issues. In the world of digitization, BURO is well equipped already and are on their final stage to having an automated system exclusively at all branch level. This system will definitely help BURO to be a more competent and efficient organization.

It gives me immense pleasure to express my deepest appreciation to the General Body and Governing Body members for their constant support. I send my gratitude to all the clients of BURO for their consistent relations with our endeavors. My heartfelt thanks to the Executive Director, the Operational Board of Directors, the staff members and all the internal and external stakeholders who have been with us till date and will continue to do so.

Warm regards!

Sukhendra Kumar Sarkar

Chairperson, Governing Body
September 2016



Message from the Executive Director

It gives me a great delight, as the Executive Director to write a few words about BURO Bangladesh. Since the beginning, it has been a ride between immense pride and few dissatisfaction, between anguish yet hopefulness. Nevertheless, with utmost pride I can say we are growing, stronger than ever. Our speculations are having an impact, and our range is increasing. We, the BURO family are adapting to a rapidly changing world by expanding our work and strategic design to cope to the changes we perceive around us.

I am extremely proud to see that ever since the beginning, the organization has started sowing the seeds of responsiveness and responsible behavior of the staffs, at all levels. The shared sense of ownership has been an inspiration and motivation to develop the existing synergy and reciprocity between the staff and clients in order to bring a positive change in the lives and living conditions of all our clients.

The implementation of the new infrastructure in the level of thoughts as perception of BURO, has established commitment, motivation and dedication towards all clients from the staffs and officials. This has been the reflection of the moral obligation, loyalty and bindings of the staffs towards the organization. The reciprocity between the organization and clients during their long journey has developed unbreakable relation between them in the society. The clients of BURO has freedom in utilizing microfinance and social services given by the organization.

The statistics in this report will provide an insight of the incredible uniqueness of the supply chain while providing microfinance services by the organization. In this regard, I would like to emphasis on the dynamic performance in microfinance management by both the central and branch offices. The supreme professionalism demonstrated by the clients in loan utilization and loan recovery without failing to meet the provided schedule contributes to develop the efficiency of the organization. The smooth flow of liquid asset and technology, on behalf of the organization, without any hindrances to the required and requisite demands of the clients enhances the capability of the functioning management of BURO.

The increasingly reduced differences in the frame of mind, approach and attitude from the Central level to the Branch level up to the lowest tier of the staffs is the significant development that I perceive every moment. This is developing high cohesion and high integration among the staffs at different levels keeping the mission of the organization as fundamental principle. The reciprocity and harmony in both intra and inter departmental entities of the organization are highly noteworthy; which started developing shared sense of ownership among the staffs of the organization. This is strengthening the spirit of the organization incredibly and has manifested in the behavior, attitude and opinion about BURO by external partners and associates.

The enhancement of functioning capability of BURO is subjected to the exposures to knowledge management organized by the organization at different times at regular basis; and as a result illustrates the emergence of BURO as the specialized NGO-MFI in the market. It is rewarding to be an integral part of the future generation who are able to enjoy, produce and supply new financial services in consonance with the needs created in the market on economic relations.

We are indebted to the direct and indirect stakeholders in the internal and external environment of BURO for their whole hearted support to our endeavors. It's because of the countless contributions from so many before us that BURO can accomplish so much today and plan boldly for many more life-changing successes like those we celebrate in this report. I'll look forward to work with a passionate team of smart, talented and dedicated staff. I am extremely happy to be able to express my deepest gratitude to all the organizations and agencies, including developmental partners, central bank, banks and non-banks, Microcredit Regulatory Authority-MRA, NGO Affairs Bureau, different ministries of the government and each and every one who has been with us under all circumstances.

In the coming weeks, months and years, we will look into areas that will amplify knowledge along with partners and donors who can then recognize our programs to help reach even more families and communities. We want to continue investing wisely in innovation, building a movement to overcome poverty and scale up through partnerships.

Throughout the pages of this Report, I invite you to reflect on the range of BURO's activities and development programs, to help people lift themselves out of poverty and find greater equality.

Zakir Hossain

Executive Director
September 2016



Glimpse of BURO

Institution

The spirit and core value of microfinance are truly manifested in the horizontal and vertical phenomenal growth of BURO Bangladesh set-up since 1990. As an irreversible institution, BURO attains leadership characteristics and solidly identified itself as specialized micro-finance institution within the realm of financial market in Bangladesh. The sustainability of the organization that has been carried forward along with the achievements, is owed to the retention of its well experienced and dedicated officials and staff. The mixture of such diverse perception, knowledge and wisdom brought the birth of an era uniform technology as the core aspect of the organization. The high quality yet manageable financial and social services provided to low-income people, particularly the women, have been regarded as the reason of the involvement of a large portion of customers.

Providing equal opportunities is given by BURO on the two fundamentals, which is required to introduce new technologies. The dire needs of the economical markets bring remittance services to the people, due to the new technology with unique identity, a high profile network among its branches has been created. The significant emphasis provided on agriculture by the organization conveys as the part of both organizational and programmatic restructuring at the bottom level. The programmatic restructuring of agricultural loan is its vertical movement to a higher order through stepping up to the graduated clients. This loan product is popularly known as SME loan.

Much talked financial inclusiveness is gaining ground due to the BURO's promotion of financial inclusiveness both horizontally and vertically since its inception. The organization continues with the new financial technology; yet maintaining a balance of power between the growth and inclusiveness, as the strategic maneuver of the basic principle that the social policies are in-built in its economic policies. The services delivery provision of the organization maintains certain degree of non-financial services.

The ongoing social technologies includes business development services (BDS), food security, human resource development, disaster management, operation research, providing technical assistance to NGO-MFIs and rural water supply. The growth of BURO is obliged to its services delivery power since the beginning, and undoubtedly surfaces the organization as an undeniable

Social Capital. An opportunity is created to diversify the participation of the clients in the activities of the organization. This way, the original spirit of BURO are retained without making any compromise with the introduction of new financial and social technologies.

All in all, the mixed wisdom, perception and knowledge of the internal environment is the gear of the organization which produces financial and social products, in addition to insurance scheme with its own distinctiveness to deliver to the customers of the organization.

Our Identity

Charisma, uniqueness and magnetism is the well embedded identity that sets apart BURO from other organizations. Instead of maintaining a rigid understanding about microfinance and its clients, BURO moves forward steadily keeping faith on its own previous experiences. The organization capitalizes its previous experiences with new developments in the markets of the financial, while the economic relations changes the dimensions in the base of the organization.

Our Customers

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

Very Poor or Extreme Poor

- owns 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

- owns 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 and Marginal Farmers

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

Professionals of Insufficient Income

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

Legal Status

BURO Bangladesh is registered with

- The Department of Social Welfare, No. TA. 0489 dated 9 April 1991.
- NGO Affairs Bureau No. 610 dated 19 March 1992.
- The Registrar of Joint Stock Companies and 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): 424374711931.

Linkages

BURO Bangladesh has successfully established linkages with

- The Federation of NGOs in Bangladesh (FNB), Bangladesh.
- Credit and Development Forum (CDF), Bangladesh.

- Network for Information, Response and Preparedness Activities on Disaster (NIRAPAD), Bangladesh.
- International Network of Alternative Financial Institutions (INAFI), Bangladesh.
- Microfinance Network, Mexico.
- Campaign for Popular Education (CAMPE), Bangladesh.
- Banking with the Poor (BWTP).

Access to Information

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

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

Information dissemination is one of the most fundamental matter to reduce information asymmetry in development. BURO's exposure to external environment carries the most powerful weapon has been labelled as the creative wisdom of the organization. This is the combination of expanded wisdom of the individuals within the organization and with constituents as its foundation. This constantly generates the need of sharing their experiences about the social, political and economic relations in their own surroundings. The value added to the creative wisdom of the organization spreads from the mixture of information symmetry. BURO develops information symmetry through filtering the experiences of the constituents in the internal and external environment.

This is intended to enhance the information dissemination of BURO endeavors as Social Capital in microfinance. This step is taken in accordance with Right to Information Act, 2009.

Professional Attainment

- Awarded Certificate of Merit in the NGO-MFI sector by the Institute of Chartered Accountants of Bangladesh (ICAB) for Best Published Reports and Accounts 2015.
- The social performance of BURO based on CERISE SPI tool underlines a unique score compared to international benchmarks set for Asian MFIs. The SPI score of BURO is 70 out of 100. SPI is a social audit tool that gives scores based on the performance of an organization on 4 dimensions: (1) targeting the poor and excluded (2) adaptation of services (3) benefits to clients and (4) social responsibility.
- BURO is awarded with credit rating grade AA2 (double A) in the long term and ST-2 in the short term. BURO is indeed among a few MFIs in the country that achieves this excellence.
- Bangladesh Bank has selected BURO as 'The Training Providing/Entrepreneurship Development Organization' under "The Refinance Scheme for New Entrepreneurs' Refinance Scheme for Cottage, Micro and Small Enterprise Sector".

Legal and Compliance

- The Income Tax assessment of the organization has been duly completed for the assessment year 2015-2016.
- Paid off BDT 48.85 million as overall taxes in the National Exchequer.
- Microfinance in compliance with the rules of MRA operational.
- Maintain 15% of customers' total savings fund constituting fixed deposit (10%) and liquid (5%) in accordance with the rules of MRA.
- Maintain accumulated surplus reserve fund (10%) in conformity with the rules of MRA.
- BURO follows the guidelines of Bangladesh Bank on Agriculture and SME loan.

Product and Services

- Developing network among women entrepreneurs through linking SMEs and Financial Inclusiveness for promoting natural fiber-based products from agricultural wastages.
- Mobile Banking is piloted and is continuing with its strengthened institutional capacity.
- Agent Banking of Bank Asia Limited is in process.
- Business and Financial Literacy introduced for the clients.
- Safe and Secure Water becomes remarkable success of the organization.
- Agriculture loan for small and marginal farmers in operation at large scale since 12 years ago.
- Microfinance in SME in operational.
- With the approval of MRA the contractual savings for the customers in operation.

Policy Implementation

- New Comprehensive 'Rules of Business for Micro Financial Services' in operation based on the previous experiences of BURO and guidelines given by MRA.
- Service Rules for the staff are prepared afresh.
- A rigorous internal control system in place.
- Supply chain of foreign remittance to rural areas strengthened.
- Agent Banking is expected to cover other banks also.

Operational Performance

- 108,250 entrepreneurial clients are trained on business and financial literacy.
- Attained 147% and 142% operational self-sufficiency and financial self-sufficiency respectively.
- Net Surplus (Operational Profit) BDT 1,640 million.
- Capital Adequacy Ratio stands 21.36%.
- Borrowing from Bank BDT 10.53 billion.
- 29% of total revolving loan fund constituting customers' savings.
- 97.25% on-time recovery rate (OTR).
- 2.62% for portfolio at risk (>30 days) and 97.07% without any payments in arrears.
- 8.34% operational expense ratio.
- 6.48% capital/financial expenses ratio.
- BDT 0.04 as cost per unit of money lent.
- Per Loan Officer dealing in BDT 7.98 million.

OUR SUCCESS

Methodology

A minimalist approach to deal with microfinance for poverty reduction.

Product and Services

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

Clients' Choice

We are always meticulous about the clients' need, what they want and what they dislike. BURO is quite wary about the customers' free choice.

Business Discipline

Our clients' capacity building is developed through numerous and continuous training programs designed and customized based on the need of our clients. We create conscious clients and bring them in our financial discipline.

Professionalism

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

Harvest Knowledge and Experience

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



Principles of Savings Mobilization

BURO considers savings as the most vital instruments in a country to promote national economic growth. Savings cannot be a forced activity and shall not be the mandatory condition for the loan to access from any sources. In existing competitive market, the propensity of savings at individual, family or even country level has become more oppressive, particularly at poor individual and household level. In such situation simple motivation alone does not work; rather exploration and engaging capability functioning of the poor and disadvantaged is the fundamental basis for generating savings at the poor individual and household level. The other fundamental basis is the reliance on the capability functioning of the poor and disadvantaged which means giving importance to their freedom.

Freedom is an aspect of the value or the ability to do something and this is a recognition to the poor and disadvantaged who suffer from dire frustration and are always neglected is an asset for them. Recognizing freedom of the poor and disadvantaged will obviously increase their self-esteem in the society leading to increase their moral obligation towards their family, community and society. The combination of increase in self-esteem and moral obligation in an individual will create a tremendous force, which is intangible, but too powerful to increase their propensity towards more savings and more investment.

Savings services are the products of three basic criteria: customer's taste of, confidence in, and principle to. Depositing savings where befalls the maximum utility of customers is the linear relationship with BURO Bangladesh which the customers consider as the niche of the liaison. BURO Bangladesh, with this underlying understanding, gives total freedom to its customers for savings deposit and savings withdrawal instead of attaching to access loans from any other sources.

Nevertheless, the following criteria are the basic principles that BURO follows in mobilizing savings by the customers. Below is given certain glimpses of the basic criteria:

Right Choice

The genesis of savings mobilization is the transformation of microfinance institutions towards a commercialization based on certain basic principles. Commercialization of microfinance institutions is the organized behavior through regulated financial institution that can only access truly commercial financial markets. The organized behavior of the microfinance institutions to mobilize savings will create specialization, and because of comparative advantages the transformation is not intended for the vast majority of nongovernmental organizations.

Recognition to Poor Save

The recognition to the factor that poor save, is an established fact in many of the developed and developing countries including Bangladesh. It is the backward linkage to the "right choice" of microfinance institution to enter into commercialization. But the supply provision (MFIs) needs to design, produce and supply the products based on the demands of the poor because savings is "one side" of overall cash inflow and outflow. Savings is recognized in overall microfinance activities as an integral entity of enhancing economic emancipation of the poor, and contributing to economic growth of the country.

Trust and Confidence

The customers must trust the MFIs. The trust and confidence imbibed in security, location choice (convenient without much obstructions), liquidity (protection against collapse due to large scale withdrawal), diversification of products (wide choices), pleasant service (friendly), returns, and potential access to loans are believed to establish basic prerequisites to drive for gathering and intermediating savings. The right pricing of products and efficient operation will ensure increasing return to scale through enhancing massive mobilization of savings.

Location Choice and Opening Hours

Savings informally may appear to be secure, may be conveniently accessed but risky. Savers will generally not

accept substantial transaction costs, including their opportunity cost. Location choice (reduced transaction costs) and opening hours are the fundamental choices of several appropriate savings products and services to commit for each saver's needs.

Accountability and Qualifications

The board members, donors, managers and staff shall be educated about the expectations at the time of opening saving facilities for the customers, and whether collection and intermediation of savings are the right choice for the institution. Additionally, well-trained and articulated staff are essential to attract potential savers and keep existing savers. Above all, relationship between the institution and the savers is very important to gain trust and confidence of the savers. Here lies the importance of regulated MFIs:

Enabling Macroeconomic Environment

The precondition for successful operation of a financial intermediary with large number of low income clients is the enabling macroeconomic environment which constitutes political stability and encompasses policy and regulatory environment that are needed. The supervision by those from whom savings are mobilized is highly important to ensure transparency and accountability of the MFIs to the savers.

Applying High Standards

Appropriate supervision does not mean relaxing standards rather applying high standards in ways that are relevant for MFIs. A strong institutional performance and an excellent reputation with high quality governance, a demonstrated track record of high level performance and transparency, and a corporate culture that is open to new ideas, new products, and new methods are all the basis of successful transformation of an MFI into commercialization. Applying high standards will result into “moral boost” among the



staff and the customers of the MFI through increasing trust and confidence of the customers into MFI. The “Payable on Demand” that is practiced by BURO Bangladesh is the outcome of applying high standards in operating microfinance activities.

Mobilizing Savings Profitably

Financial Intermediation with large number of savers with different kinds of products becomes labor intensive and costly. Thus, commercial MFIs should not collect savings only from the poor because of staggering withdrawals. If large number of clients withdraws savings at the same time, the institution can face a liquidity crisis. Mobilizing savings from the general customers has the important advantage: withdrawals can be clustered around certain times— when school fees are due, at religious holidays, in pre harvest months, and the like.

Savings, also a Liability

When MFI offers well designed and effectively delivered voluntary savings products and services to the customers, the institution may quickly find itself with large number of new savers. Savings is also considered as a liability not just as a source of funds. New kinds of products and services, a wider range of clients, and larger scale of operations require a major effort to develop new training and incentive programs for management and staff. It shall not be argued that transforming from a micro-credit organization to a regulated financial institution is simple – or that mobilizing and intermediating savings from the customers is easy.

Open Withdrawal Savings

Savings eventually keeps the poor and disadvantaged independent of microfinance institutions but requires that microfinance institutions shall innovate savings services on the

Savings services are the products of three basic criteria: customer’s taste of, confidence in, and principle to. BURO Bangladesh gives total freedom to its customers for savings deposit and savings withdrawal instead of attaching to access loans from any other sources

basis of the needs of their customers. One such example: the successful commercialization seeks to introduce open withdrawal savings services by the NGO-MFIs which will enable the customers to challenge any surprising shocks in their lives. Thus, innovating different kinds of savings products by the NGO - MFIs and responses to the same are the recognition to the capability functioning, freedom and self-esteem of the customers of the NGO-MFIs.

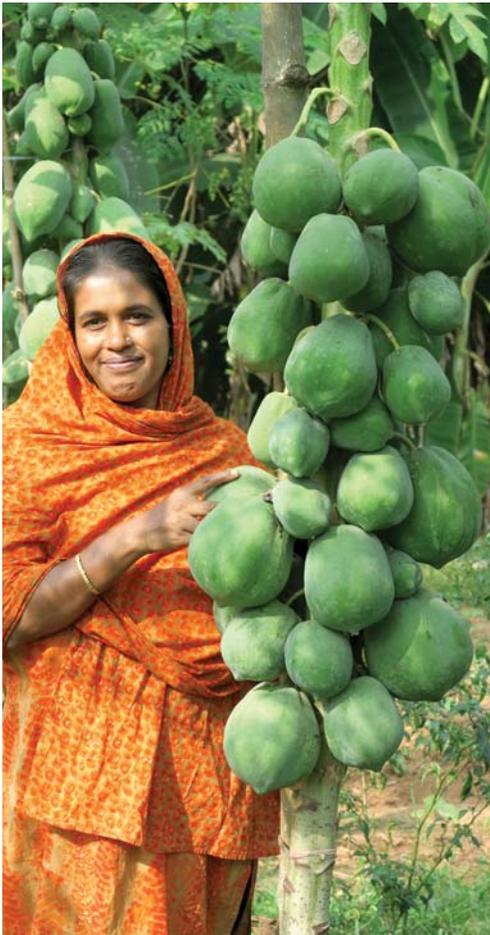
What We Stand For

Vision

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

Mission

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



Strategic Priorities

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

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

Market Positioning

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

The strategic priorities and market positioning are not strict, rather adaptations are made in consonance with the market demand depending on the time, place and condition. Furthermore, the strategic thinking of the leadership emphasizes on the reciprocity and synergy between the strategic priorities and market positioning.

Our Values

Listening to Customers

- BURO visiting its client's base rotating.
- Respect the service recipients as valued clients.
- The program pivots on clients' choice.
- Creating demands by the clients.
- Take account of clients' voice about the quality and adaptations of BURO financial services.
- Change rules and regulations based on customers' likings and dislikings.

Customers Empowerment

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

Right to Access Information

- Reduce information asymmetries for the clients on business and liquid through knowledge management.
- Ensure every right of the clients to verify the passbooks with branch level transactions.
- Regular information dissemination to the clients about the use of their savings by BURO.
- Ensure clients' voice in the use of their savings by the organization.
- Promote clients' participation in the activities of the organization.
- Strictly maintain privacy of the clients of the organization.

Financial and Social Services as Universal Right

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

Features of Quality Financial Service

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

Financial Prudence

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

Good Governance

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

Social and Development Commitment

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

BURO in Forward Motion ...

▶ 1990-1994		
Genesis	Central Bank Approach	Development Partners' Attention
Five "Model Branches of Sustainable Rural Financial Service"	Friendly financial norms for financial services	BURO sustainable model as international evaluation
▶ 1995-1999		
Continued Development Partner's Attention	Emerging Social Capital	International Relations
Evaluation with new innovations; Strategic planning exercise; Operational research for new financial products	Interventions at pre, during and post disaster; Entry into commercial capital	UN General Assembly recognizes BURO; First microfinance international rating
▶ 2000-2004		
Formal Financial Market	Strengthened Social Capital	New Innovation
Relations with banks begin; Product development review; Corporate governance continuing	MIS and FIS internal control system review; Development Partner's end term review; Second and third microfinance international rating	First comprehensive business plan; Strategic planning exercise; Review of product costing; Microfinance model for the very poor
▶ 2005-2009		
Strengthened Access to Formal Financial Market	Strengthened Social Capital	New Innovation
Intense entry into commercial banks; non-banks and international agencies; Massive expansion of microfinance program	Char Livelihood Program for disaster preparedness and mitigation; Rural water supply program	Automation of branches; Microfinance in agriculture for small and marginal farmers; partnership with 'bank syndicated financing; Foreign remittance service for the rural people; First ever commercial bank syndicated financing in agriculture
▶ 2010-2015		
Strengthened Access to Formal Financial Market	Strengthened Social Capital	New Innovation
Massive expansion of SME program; Graduation of hardcore poor to mainstream microfinance Individual lending methodology Mobile banking Agent banking	Institutional capacity and participation within the overall realm of regulation Amending the existing rules matching those of MRA First ever social performance rating of microfinance Fourth and fifth microfinance rating	Automation of branches Training and capacity building services Business and financial literacy program Enhancing institutional capacity of the clients through WaterCredit Financial Inclusion linking commercial banks
▶ 2016-ongoing		
Strengthened Access to Formal Financial Market	Strengthened Social Capital	New Innovation
Inclusion of low income professional group into mainstream microfinance Continuation of Mobile banking and Agent banking	Revision of the existing Human Resource Management Manual in more staff friendly manner Development of Training and Capacity Building service manual	Introducing scholarship for the students from poor households Promotion of Natural Fiber-based Products from Agriculture Wastages Small and marginal farmers assistance program with financial support by the Bangladesh and Japan Government

RECOGNITION

The respectable and upright internal environment eventually brings productive outcome for the organization giving due recognition to the endeavors of BURO.

CGAP/The World Bank Financial Transparency Award

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

SAFA Award for Best Published Reports and Accounts

The South Asian Federation of Accountants-SAFA have awarded BURO the first position for the Best Presented Accounts in the category of NGO-MFI for the year 2005, as well as 2007.

In 2008, BURO has been awarded as joint winner along with BRAC, and in 2009 as first runner-up and in 2010, 2012 and 2013 was awarded certificate of merit.

ICAB National Award for Best Published Reports and Accounts

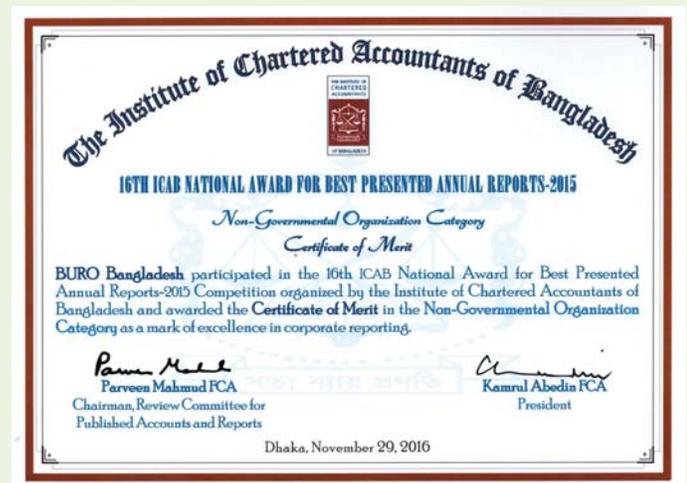
The Institute of Chartered Accountants of Bangladesh (ICAB) recognized and awarded BURO for publishing the best published Reports and Accounts for 2005 (second), 2006 (first), 2007 (third), 2008 (second), 2009 (second), 2010 (third), 2011 (third), 2012 (third) and 2013, 2014 and 2015 (Certificate of Merit) consecutively for eleven years. This is a notable national recognition for financial transparency.

Credit Rating

BURO is awarded with credit rating grade AA2 (double A) in the long term and ST-2 in the short term.

Social Performance

The social audit tool SPI is based on 4 dimensions. **First:** targeting the poor and excluded. **Second:** adaptation of services. **Third:** benefits to clients. **Fourth:** social responsibility. Based on CERISE SPI tool, the social performance of BURO underlines a unique score of 70 out of 100. The Social Performance of BURO was conducted by MicroSave with the financial assistance from Michael and Susan Dell Foundation.



Training Provision and Entrepreneurship Development

Bangladesh Bank has selected BURO as 'The Training Providing/Entrepreneurship Development Organization' under "The Refinance Scheme for New Entrepreneurs' Refinance Scheme for Cottage, Micro and Small Enterprise Sector".



Microfinance Market

Economic and Financial Market

The increasing complexities in the political and economic relations within the realm of whole world also makes functioning the microfinance institutions more complicated. The political and economic markets are so connected, that one without the other is dysfunctional. The similar behavioral pattern exists between financial and economical markets. As the financial market is the sub-economy market so changes in one brings changes in the economical market. The microfinance institutions absorbed in the organizational restructuring of the economical market within a nation-state are also adversely affected. The economical market demands innovations in the financial market to reverberate its dynamism to gain more access by the clients of MFIs.

The deepening of innovations in the financial market with the horizontal and vertical scaling in respect of freedom of the capital and clients in their choice for free movement is of paramount importance. The intertwined behavior between savings deposit by the clients and loaning by the MFIs is threatened. The silent mechanism in the economical market creating frightening environment will be furthered in the lives of the people in general. The unstable behavior in the economical market due to changing circumstances in the relationship between financial and economical market has the probability to demonstrate new economic recession in the lives of the people.

The new paradox in the growing crisis of economy all over the world underscores the new dimensional approach in relation between the economic and financial market. The fear is that the continuation of the political and economic crisis throughout the globe will affect Bangladesh. The market segmentation among the formal financial institutions (Banks) and semi-formal financial institutions (MFIs) are very likely to occur within the political and economic lack of progress going on in 2015. The market segmentation may become more hostile increasingly. Some of the formal and semi-formal financial institutions may be liquidated due to worldwide economic and political catastrophe in order to become more dominant. The other option is that the corruption and politicization may infiltrate among these institutions thereby threatening existence. The necessity to understand financial inclusion in different dimensions also shuns the path of its dogmatic understanding.

The horizontal and vertical diversification of financial market is developing financial inclusion. The existence of the people, Central Bank, Banks and MFIs in commune is the integration between the economic 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 people. This is urgently needed to enhance increased national economic growth of a given nation-state. The two markets work independent as both backward and forward linkages to each other by virtue of their role relations with different characteristics.

The social capital and social business are and shall be inbuilt in the economic policies.

The given importance of financial market is the niche of controlled money circulation as well as in the growth of the markets of entrepreneurs with diverse dimensions. The controlled money circulation by the financial market is anticipated to contribute to the organized development and growth of businesses in economy. The financial market can be considered as the interconnection between the economical market and national economic growth of any nation-state. The social capital and social business are and shall be inbuilt in the economic policies.



Bangladesh has a unique history in resurrecting its economical market from the effect of unprecedented devastation during liberation war. The fast movement of economical market gradually begins from crawling to opening new spaces for new market itinerants in the market of economic relations through financial market. The unprecedented condensed population brings the market of economic relations to depend on the formal financial institutions. The space is created in both the economic and financial markets to fill in by the usurious capital primarily in the rural and urban areas. The nation-state in the beginning of 1980s made certain aggressive behavior with the development of infrastructures facilitating the growth of the financial market. The new participant within the financial market popularly known as Microfinance Institution (MFI) is the nexus between the financial market and poor as well as between the economical market and poor.

Trend in the Microfinance Industry

There are certain basic parameters of microfinance which demonstrates an increasing trend of the industry. The estimation constitutes those achievements of MFIs, Grameen Bank, PDBF and RDS of Islami Bank Bangladesh Limited. The parameters are: (1) number of branches: 18,635 (2) number of active members: 36 million (3) disbursement of micro-credit: BDT 828 billion (4) outstanding loan: BDT 522 billion and (5) net savings: BDT 271 billion [Source: Bangladesh Microfinance Statistics 2015, CDF].

The implications of the above statistics are binary: **First:** more rigorous interventions are needed from the NGO-MFIs. **Second:** the integration between the commercial sources of capital and the microfinance service provide benefits to both the financial and economical markets. Necessary integration is taken for the intensive services of capital and technology, infrastructures and human resources existing in both the financial and economical markets.

MFIs Increased Access to Formal Financial Sector

The commercial banks are now increasingly wholesaling funds to the MFIs. In addition to both private and public sector commercial banks, some foreign banks and non-banks are financing microfinance programs. Meanwhile PKSF, the largest wholesaling of microfinance, has funded around 159 MFIs. Commercial banks are supplying capital to 204 MFIs. Anukul Foundation and Stromme Foundation are also providing loans to the MFIs. The banks are following a number of channels to supply capital that includes syndication, securitization, guarantee and direct lending. The contribution from banking sector to the capital base of MFIs during the last five years is growing at a constant pace.

Bangladesh Bank has adopted Agriculture and SME policies and programs to open the space for more intense



Photo: Lungi Factory

and diverse participation of MFIs within the territory of financial market. The policies adopted by Bangladesh Bank further paves the increased access of MFIs to economical market through bringing participation of both skilled and non-skilled human capitals.

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

Involvement of NGO-MFIs as Remittance Channels

The increased capital flow within the nation-state will contribute to business development at different regions of the nation-state. The introduction of new technology in the financial and economical markets through MFIs is bringing alterations in the lives and living conditions of the people. The pragmatic policies adopted quite a few years ago by the government indicating its aggressive behavior to rejuvenate the participation of the people in the markets. The remittance supply, as a 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 MFIs provide services to both the recipients of remittances and the banks with the approval of the central bank. The constant flow of remittances to recipients through the NGO-MFIs is anticipated to develop integration between the people and the markets.

Islamic Microfinance on Horizon

The Islamic Development Bank (IDB), Jeddah, Saudi Arabia carries out feasibility study in Bangladesh to promote Islamic microfinance based on Sharia. There are some small MFIs in the country 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. It is anticipated that the



productive collaboration between the financier and MFIs will contribute to the integration between the financial and economical market.

Update on Microfinance Regulation

The Microcredit Regulatory Authority Act 2006, passed in July 2006 has been effective from August 2006. The rules for the compliance of the NGO-MFIs are finalized by MRA. The rules are put into operation since January 2011. The banks and government departments carrying out microfinance programs are outside the range of the Microcredit Act. License is granted with a fee that varies according to the size of the NGO-MFIs.

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



Governance

BURO began its journey from its inception towards establishing a corporate governance, in the internal environment of the organization. The relations of BURO with the external environment are also reasonably important for a competent transparency and accountability of the organization; maintaining a broad based corporate governance culture within the organization. It stresses significant importance on the continuous improvement in all the essential components of corporate governance in the process of gradual introduction for changing the organizational culture. The eventual purpose of bringing corporate governance is to create homogeneous organizational culture embedded in the frame of mind, approach and attitude of the staff at every level of the organization.

Constitutional Aspects

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

General Body

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

Governing Body

The Governing Body of the organization consists of 7 members with different professional background. The Governing Body is the gem of diverse professional experiences irresistibly required for the growth of the organization. They work as the conduit between the Governance and Management of the organization. The decision making authority of the Organizational Management remains accountable to the Governing Body.



Chairperson

S K Sarkar
Treasurer, BRAC University

Vice Chairperson

Altaf Hossain
Chief Operating Officer, Rahim Afroz Distribution Limited

Finance Secretary

Dr. Md. Nurul Amin Khan
Former Principal-Government College and Eminent Poet & Educationist

Member

Anwar Ul Alam
Former Secretary and Ambassador, Government of Bangladesh

Dr. Rowshan Ara Firoz
Super-numeric Professor, Department of Philosophy, University of Dhaka

Mohammad Rafiqul Islam
Managing Director & CEO, Cure Care Plus Limited

Mirza Quamrun Naher
Development Activist

Ex-Officio Secretary

Zakir Hossain: Executive Director

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

In 2015-2016 four Governing Body meetings were held, on 01 October 2015, 03 December 2015, 11 February 2016 and 14 June 2016 respectively. The 22nd AGM was held on 26 December 2015, and at the AGM the annual report, audit report, budget, appointment of auditors etc. were presented, discussed and approved by the members.

Operational Board of Directors (OBD)

The OBD is directly facilitating the Executive Director to exercise all executive and financial matters of BURO. The OBD also attends the meeting to facilitate the Executive Director at the meeting of General and Governing Body. Each member of the Operational Board of Directors (OBD) has respective role relations in consonance with the corporate governance of the organization. The OBD consists of the following Directors of the organization.

Director, Finance

M. Mosharrof Hossain

Director, Special Program

Md. Sirajul Islam

Director, Risk Management and Internal Audit

Khandaker Mahfuzur Rahman

Additional Director, Special Program

Pranesh Chandra Banik

Assistant Director, Program

Farmina Hossain

Senior and Mid-Level Professionals

Program

Divisional Manager

Kh. Mokhlesur Rahman
Senior Divisional Manager, Dhaka

Md. Arshad Alam
Divisional Manager, Bogra

Zafar Ahmed Jewel
Divisional Manager, Khulna

Md. Saidur Rahman
Divisional Manager, Comilla

Md. Mohsin Hossain Khan
Divisional Manager, Mymensingh

Md. Istak Ahammed
Divisional Manager, Pabna

Zonal Manager

Md. Abdus Salam, Comilla

Md. Rafiqul Islam, Narayanganj

Md. Shamim Kabir, Mymensingh

Md. Haroun Or Rashid, Modhupur

Mir Mukul Hossain, Gazipur

Reaz Uddin, Faridpur

ABM Alauddin Ahmed, Chandpur

Samar Ali Fakir, Chittagong

Al Amin Khan, Jessore

Md. Awlad Hossain, Sylhet

Uttam Kumar Basak, Rangpur

Md. Abu Sayeed Shikdar, Barisal

Md. Zahirul Islam, Dhaka Metropolitan

Tutul Chandra Paul, Rajshahi

Sirajul Islam, Cox's Bazar

Altaf Hossain, Bogra

Md. Mustafijur Rahman, Tangail

Md. Shahadat Hossen, Noakhali

Abul Bashar Sarder, Khulna

Md. Mohsin Miah, Pabna

Administration

Md. Shahinoor Islam Khan, Assistant Coordinator – Administration

Abdur Razzak Chowdhury, Assistant Coordinator – Administration

Md. Enamul Kabir, Officer – Administration

Human Resource Management

Md. Ashraful Alam Khan

Assistant Coordinator – Human Resource Management

Finance and Accounts

Md. Abdul Halim, Assistant Coordinator – Finance and Accounts

Internal Audit

A.B.M Aminul Karim Majumder Coordinator – Internal Audit

Monitoring & Reporting

Sayed Ahamed Khan, Coordinator – Monitoring and Reporting

Md. Abdus Sabur, Officer – Monitoring and Reporting

Training and Capacity Building

Md. Nazrul Islam, Coordinator – Training

Special Program

S M A Rakib, Assistant Coordinator – Special Program

Information Technology (IT)

Shahinur Islam, Assistant Officer – IT

Disaster Management

S. Z. M Shahriar, Manager, Disaster Management

Audit Committee

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

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

Role and Purpose

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

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

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

Advisory Support

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

Policy and Functional Aspects

Policy and Procedures

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

Working Committees

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

Program Management Structure

BURO Bangladesh operates through its branches at different places. A branch is managed by one Branch Manager, one Accountant, and 6-8 Program Organizers (POs)/Assistant Program Organizer (APOs). There are 648 branches supervised by 110 Area Managers spread over 20 zones equally distributed among 6 working Divisions. The program management structure sphere Branch, Area, Zone and Division respectively.

Staff Benefit Funds

The services of all staff are regulated by well-defined Service Rules of the organisation. **First:** provident fund. **Second:** gratuity fund. **Third:** health fund. **Fourth:** housing fund. **Fifth:** staff family security fund. **Sixth:** advance for motorbike and bicycle purchase. **Seventh:**

income tax payment for the staff. **Eighth:** leave encashment. **Ninth:** advance salary payment on simple terms to facilitate buying life insurance policy.

Provident Fund

BURO operates a contributory provident fund for its employees from which benefits are given to its employees in accordance with its policies. National Board of Revenue (NBR) approved and recognized this fund for the purpose of taxation. The fund is operated by a separate board of trustees consisting seven members selected from the employees of the organization. All permanent employees of the organization are contributing monthly to the fund which is equal to 10% to 25% of the basic salary. The organization also contributes 10% of employees' basic salary to the fund each month. Income earned from investment of this fund is credited to the employees' accounts on a yearly basis and this fund is audited every year by a firm of chartered accountants.

Gratuity Fund

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

Health Fund

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

Housing Fund

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

Staff Family Security Fund

The Institution operates a mandatory 'Staff family security Fund' for its regular staff in order to reduce future uncertainties that may affect their families. The fund is managed by a separate board as per the Institution's policy. All employees of the institution are eligible to become members of the fund by contributing Taka 500 each per month as subscription. If a regular staff dies during his/her tenure of service, the nominee/nominees of the said staff will be entitled to receive a one-time grant of Taka 250,000. If someone leaves the Institution after two years of service, he/she is entitled to get back the money deposited so far. In case the staff leaves before completing two years of service, he/she is not entitled to get back any amount.

Income Tax Return Submission

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

Internal Control System

To ensure transparency, efficiency and overall effectiveness, the organization develops and pursues a very rigorous and transparent internal control system.



Most international standard norms and practices are also meticulously incorporated. These practices reflect the high profile and very sound institutional and managerial competencies. The components of internal control system are laid down below.

Budget Formulation and Variance Analysis

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

Fair Staff Recruitment Process

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

Procurement and Other Policies

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

Travel Policy

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

Payments/Advances

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

Clients Passbook Checking

The most critical risk in an MFI lies with collection of savings and loan repayments by the program organizer (PO) or the loan officer. Savings deposited

and loans repaid by the clients are recorded in the clients' passbook and in the collection sheet (which is the primary record of the office) to ensure that the transactions have been duly recorded, the branch manager along with the accountant and branch organizer conducts 100% checking of all clients' passbooks every quarter.

Financial Control

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

Internal Audit

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

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

Risk Management

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

Monitoring

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

External Audit

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

Standard Practices

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

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

Capital Adequacy

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

Asset Management

Loans given to the customers make up the portfolio of the total assets and forms the biggest current asset. To determine the quality of loan portfolio, monthly aging analysis is performed. The organization pursues clear policies in acquiring land and building to optimize the operation of its business. It follows clear-cut policies to acquire necessary equipment and vehicles for building an effective infrastructure for the institution to meet the needs of both the staff and customers.

Management

Human Resource Development (HRD) is well organized in a manner that provides clear guidance and support to operational staff - including recruitment and training of new personnel. All key processes have been formalized. With much effectiveness it controls risk throughout the organization.

Earnings

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

Liquidity Management

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

Loan Loss Provisioning and Write off

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





Financial Inclusion

Financial Inclusion is both horizontal and vertical outreach to the customers, which explores different conduits encompassing the NGOs as the most important structural social capital. Intrinsicly, the Financial Inclusion is also the social dimension of microfinance services of the financial institutions. The initiatives supported by the market segments involve the banking sector within the regulations of the government. The continuity of country specific regulatory measures awards different mechanisms in financial markets in different nation-states. But it has become necessary to expand our understanding about financial inclusiveness bringing multi-section of people from the largest segment of the population.

The balance between financial inclusiveness and financial stability is essentially required. The balance is imbibed in the space created by the congruent application of Financial Inclusiveness in agriculture. The dimension of technological application is logically the most appropriate so the cross fertilizing the created space by the diverse financial services needs the application of financial inclusion by the banks.

The relationship is facilitated between the Bangladesh Bank and NGO-MFIs, between the Banking sector and NGO-MFIs and between the Banking sector and members of NGO-MFIs imbibing the financial inclusion through creating congenial working environment among BB, Banks, NGO-MFIs and people. The uniqueness of Financial Inclusion is the development of cohesion among the Bangladesh Bank, Banks, NGO-MFIs and clients of the financial services. Furthermore, the uniqueness is also the programmatic and organizational restructuring which have just begun their respective journey. It is anticipated that the deepening of financial inclusion programmatically and organizationally will create supreme integration among the stated stakeholders in the financial and economical market.

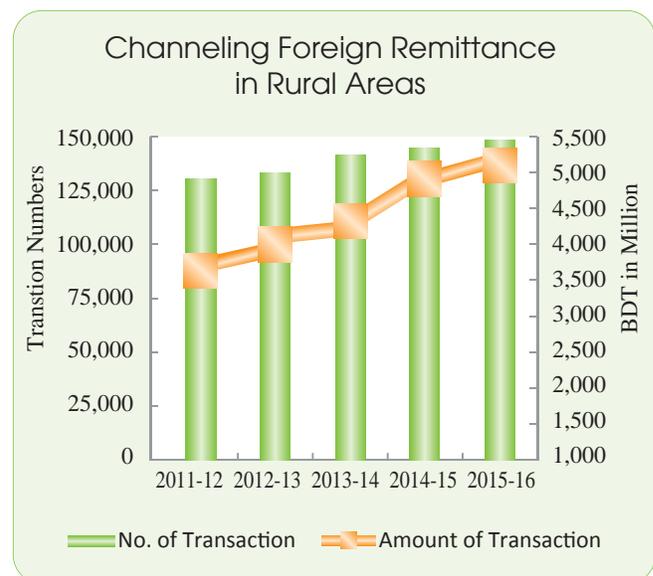
Remittance Services

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

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

The congruent application of remittance flow resolutely needed tapping the unutilized resources, unfurling the latent entrepreneurial qualities and containing the wastage of remittances by the recipients. This has opened the vista wide open for the quality microfinance institutions to working as the easy conduit for the recipients. BURO as one of the microfinance institutions includes remittance program initiative. This is not only an encouraging endeavor for the clients but has also proved to be stimulant for microfinance industry in Bangladesh. BURO provides all kinds of technical assistance in the application of remittances by the recipients. The recipients of remittances have total controlling authority over their own capital. The organization extends its services to providing technical assistance to its uses. The value addition emanates from BURO working as the safe and convenient conduit for the supply of remittances to its recipients even in the remotest areas.

BURO has adopted several steps that totally interdict the intruders as the claimants of remittances coming from foreign or domestic sources. The issuance of remittance client cards and providing remittance



services through two terminals are highly noteworthy. These are: (1) computer with GPRS internet connectivity and (2) Electronic Funds Transfer Point-of-Sale (EFTPOS). Because of issuing card to its remittance customers, KYC of the customers are completed. The organization has developed partnership relations with Bank Asia Limited, Prime Bank Limited, AB Bank Limited, Citibank, N.A., United Commercial Bank Limited, Social Islami Bank Limited and Mercantile Bank Limited. All implementing partners collect remittances through the Exchange House and BURO delivers remittances to beneficiaries at the respective locations on behalf of each of the respective banks. It has started remittance operations since December 2007. Up to June 2014, a total of 622,168 customers are served. The transacted volume of transfer amounted to US\$ 215 million. The organization has set up a remittance service department for furthering its operations.

BURO, DFID/RPCF and Bangladesh Bank have jointly contributed in setting up terminal facilities in 125 remote branches to channel remittance. BURO is implementing another project titled “Expanding Remittances in Rural Bangladesh” with the support of

UN Specialized Agency “International Fund for Agricultural Development” (IFAD). This is intended for providing technical assistance to augment remittance services through another 100 terminals across the country totaling 225 terminals. This initiative includes significant contribution from BURO. A new window will also be opened in the utilization of remittances through the youth at-risk of either gender.

Agent Banking

Agent Banking is being operated as new innovation in the microfinance industry introduced for the first time by BURO. Agent banking means providing limited scale banking and financial services to the underserved population through engaging agents under a valid agency agreement, rather than a teller/cashier. It is the owner of an outlet who conducts banking transactions on behalf of a bank. Globally these retailers are being increasingly utilized as important distribution channels for financial inclusion. Bangladesh Bank has also decided to promote this complimentary channel to reach to the poor segment of the society as well as



Within the next 3-5 years BURO is anticipated to take DFS using ICT mobile technology to all of its branches throughout Bangladesh through establishing agent network based on their branches and group leaders.

existing bank customer with a range of financial services especially to geographically dispersed locations.

With a view to ensuring the safety, security and soundness of the proposed delivery channel Agent Banking Guidelines have been framed by the Bangladesh Bank to permit banks to be engaged in agent banking. BURO has started Agent Banking Operation of Bank Asia Limited.

Digital Financial Service (Mobile Banking)

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



are organized at regular intervals with some of the interested banks to enhance and participate in the operation of DFS.

SME in relation to Financial Inclusiveness

Business development with innovation of Financial Inclusiveness for the socio-economic empowerment of the women clients has been launched in 2013 funded by European Union and GoB. The joint project between BURO and Bangladesh Women Chamber of Commerce and Industry (BWCCI) promoting natural fiber-based products from agricultural wastages under INSPIRED program is being implemented in the four locations of BURO. These are: (1) Narshingdi, (2) Gaibandha, (3) Tangail and (4) Modhupur. One of the significant outcomes of this project is the development of clusters with each of 40 women entrepreneurs leading to networking among them to bring the demands and supplies from their respective SMEs. Additionally, this has also developed well-coordinated approach creating high cohesion and high integration among the direct women entrepreneurs towards the mission of launching the SMEs and Financial Inclusiveness.



Microfinance for Hardcore Poor

The primary microfinance operation through NGO-MFIs remains usually limited to the poor and marginal households in the rural and semi-urban areas due to the absence of communication facilities beyond the rural areas. This has created increasing space over the period at the same time increasing the left out rural

poor and poorest of the poor in the rural remote areas.

The given situation circumvented by the diverse factors BURO has capitalized its experiences to bring the hardcore poor in the mainstream of microfinance intervention.

Table-1: Summarized balance sheet and Income Statement of 5 hardcore poor branches, as on 30 June 2016

Amount in Million BDT

Balance Sheet of Hard Core Poor-Kurigram District		Income Statement of Hard Core Poor-Kurigram District	
Particulars	Taka	Particulars	Taka
Property & Assets		Income	
Fixed Assets	5,963,499	Interest on Loan	33,381,765
Loan Portfolio net of LLR	155,032,531	Other Income	319,190
Advance	1,320,778	Total Income	33,700,955
Current Assets	0	Expenditures	
Cash at Bank Balance	2,777,424	Interest on Savings	2,001,992
Total Assets	165,094,232	Interest on Borrowing	14,845,268
Fund and Liabilities		Loan Loss Provision	
Customers' Saving	47,913,712	Other Expenses	10,389,357
BURO Bangladesh Fund	109,718,102	Total Expenditure	28,551,681
Bangladesh Bank	8,885,000	Net Profit/(Loss)	5,149,274
Accumulated Profit/(Loss)	(1,422,582)		
Total Fund and Liabilities	165,094,232		





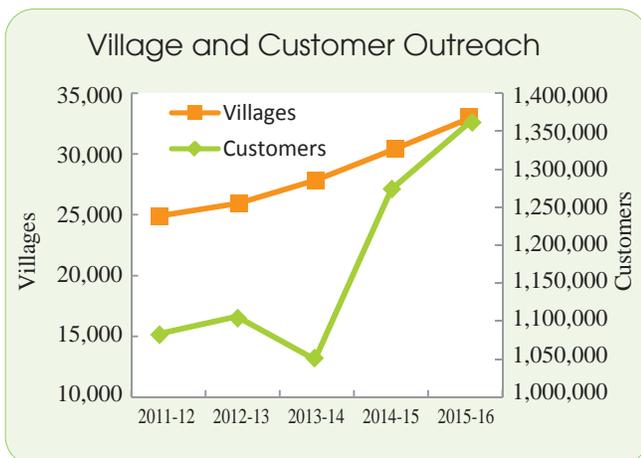
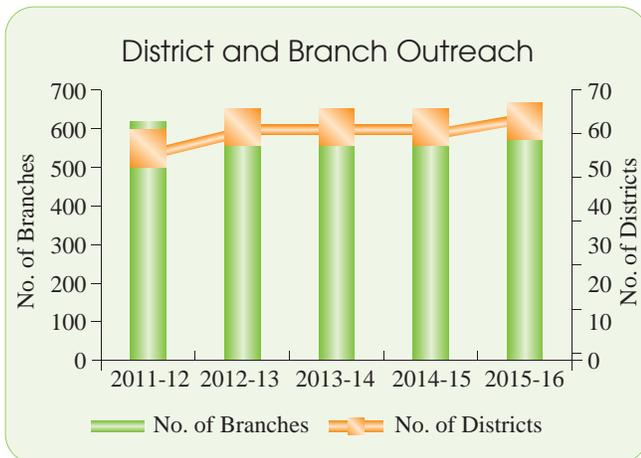
Microfinance for Moderate Poor

Geographical Coverage

As of June 30, 2016 BURO expanded its geographical coverage to a considerably large extent. Through 648 branches BURO provides its flexible financial services to 33,099 villages in 3,524 unions of all 64 districts.

Customer Outreach

The number of active customers stands at 1.4 million as of June 30, 2016 as against 1.3 million in last financial year. The women constitute around 99% of the total customers. Customer dropout is common in the microfinance industry for a variety of reasons that includes migration, business failure, and switching to other MFIs due to convenient location etc. Dropout rate decreases to 3% from 4% in 2015-16.



Savings Services

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

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

Second: The improvement in the sustainability of the institution by developing a relatively stable means to finance its loan portfolio. BURO Bangladesh discharges a fiduciary responsibility in accepting savings from the poor. It has worked hard to:

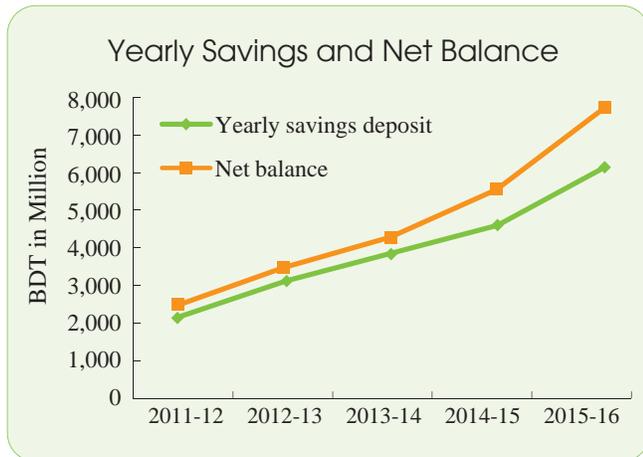
- Strengthen the governance and management functions to optimize the security of the savings products offered by the institution.
- Assess, understand and respond to the demand for a variety of differentiated savings products and offer a range of liquid and illiquid products; and
- Develop and implement policies, procedures and processes that optimize the internal control and risk management system.

General Savings

The small depositors usually value convenient, easy access and relatively secure delivery savings services. The delivery systems must respond to their restricted mobility and availability of time to be useful to women. The customers also value privacy, preferring systems that do not reveal to other customers how much they save and withdraw. The general savings account is like a current account. The customers can save or withdraw

on demand. The customers of the general savings account have the following advantages:

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



The objective of savings services is to provide a safe place for the rural and urban customers to enable them to be self-reliant through increasing savings to build their financial base.

Second: Withdraw savings at any time on demand, and

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

Contractual Savings

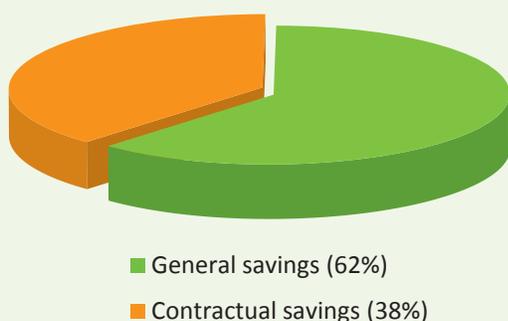
The poor often value regular and disciplined savings systems as a way of building up useful lump sums. This savings can be invested or used for social obligations such as marriages, funeral or children's education. These products respond to the poor's demand for illiquid savings systems. The liquid savings system protects their money from frivolous spending and allows the slow but steady accumulation of a lump sum. BURU pays a significantly higher rate of interest on these regular voluntary savings than on the general savings account.

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

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

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

Composition of Savings Products



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

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

Fifth: Interest is paid on a compound basis on three-year term for 7%, five-year term for 8%, and ten-year term for 10%.

The objective of savings services is to provide a safe place for the rural and urban customers to enable them to be self-reliant through increasing savings to build their financial base. BURO has two savings products for its customers that include general savings and regular voluntary savings. It maintains open access savings where there is no restriction in withdrawal. BURO's experience shows that voluntary and open access savings can mobilize more net savings than the compulsory savings.

Savings Performance

Table-2: Savings deposits, withdrawals and net balance as on June 30

FY	Yearly		Net Balance	Increased	Average Savings per Client BDT
	Deposit	Withdrawals			
	Million BDT				
2011-12	2,526	2,044	2,804	21%	2,590
2012-13	5,066	4,154	3,716	33%	3,363
2013-14	4,113	3,342	4,487	21%	4,261
2014-15	4,818	3,609	5,696	27%	4,487
2015-16	6,252	4,256	7,692	35%	5,670

Table-3: Savings balance by product as on June 30

Amount in Million BDT

Products	2011-12	2012-13	2013-14	2014-15	2015-16
General Savings	2,320	3,437	4,003	4,200	4,784
Contractual Savings	484	279	484	1,496	2,908
Total	2,804	3,716	4,487	5,696	7,692

Loan Services

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

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

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

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

SME Loan: BURO develops its SME loan for 15-20% entrepreneurs. These entrepreneurs are capable of graduating from the groups. SME loans as individual loans contribute significantly to creating self-employment at post-independence of the nation-state. The present day demand is to create diversification of SME loan. The use of microcredit presently is contributing to business expansion and employment generation. Furthermore, the inclusion of Missing Middle borrowers into financial relation has become of utmost importance. The inclusion can be

facilitated by SME loan. The modalities to consider Small and Medium Enterprise loan necessitate two fundamental conditions:

First: creation of wage labor employment of at least one person while using SME loan.

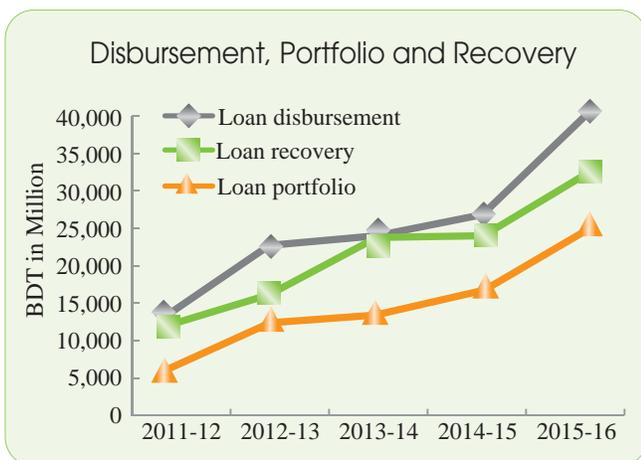
Second: the borrower of SME has his/her own equity in the use of the loan.

The SME loan is assessed on the basis of household cash flow, business projections and the reputation of the borrower amongst her/his business peers in the community. The size of the loan depends on the size of the businesses and the comparative advantages that the entrepreneurs have. The micro-enterprise loans range between BDT 50,000 - BDT 5,000,000. These loans are repayable within one to three years in 46-138 installments at an annual interest rate of 27 percent.

Agriculture Loan: The loan is exclusively for agricultural activities. The loan is designed to increase the farm activities enhancing the livelihood of the poor rural and semi-urban households. The agricultural loan also enhances food security of the households. The creation of self-employment through developing agriculture sector is given significant emphasis. The great opportunities exist for employment creation through proper investment in agriculture. It is necessary to organize availability of quality seeds, fertilizers, irrigation, pesticides and other implements of agricultural production. The loans are disbursed to landless and marginal farmers in organized groups. Agricultural loans of BDT 20,000 – BDT 250,000 are given for one year depending on the activity, land-holding etc. The loans are repayable in 46 installments with an annual interest rate of 25 percent.

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

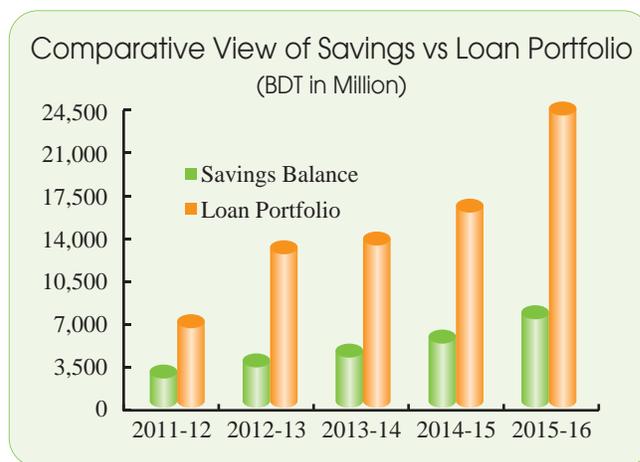
Disaster Loan: BURO provides disaster relief with support from leading commercial and non-commercial



sources of capital during extreme emergencies, such as cyclone, floods, tidal surge etc. The organization places emphasis on the promotion of self-help and self-reliance of disaster-affected rural communities, encouraging and helping households to stand on their own feet. The disaster loan is intended to reduce the effect of shocks to the financial and physical assets of the households immediately after natural disasters. The disaster loans meet the immediate needs of the affected households for cash. They respond to the deteriorated situation arising out of disaster. The disaster loan ranges from BDT 5,000 – BDT 15,000 with an interest rate of 20 percent to be repaid over one year.

Water & Sanitation Loan: Environmental health concerns continue to be an ominous factor contributing to diseases and poverty. Access to safe drinking water is also free from arsenic contamination. Access to hygienic sanitation will reduce sickness. Both these two fundamentals will increase the labor productivity. The loan facilitates accessing pipe-water and tube-well for safe water. The sanitary loan is offered to customers seeking to install sanitary latrines in their homesteads. Both the water and sanitary loans range from BDT 5,000 – BDT 55,000. This loan is repayable within a year with an interest rate of 27 percent.

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



Loan Performance

Table-4: Yearly loan disbursement and balance as on June 30

FY	Disbursement (BDT in million)		Loan Port-folio	Average Loan Size	
	Yearly	Cumulative		Disbursement	Balance
2011-12	13,265	58,136.	6,884	12,757	7,537
2012-13	22,111	80,247	13,000	21,018	13,680
2013-14	23,629	103,876	13,725	24,422	15,309
2014-15	26,300	130,176	16,466	29,347	19,621
2015-16	39,515	169,691	24,433	40,753	26,502



Microfinance in Agriculture

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

Yet it requires to cover a long range in respect of three fundamental areas: (1) introduction of new technology with the poor and middle class farmers, (2) provision of liquidity assistance, and (3) creating organized force in agriculture. The new technology, liquidity assistance and organized force are intended to rejuvenate three factors of production in rural and urban agriculture. The vacuum created as part of the natural process due to traditional practices from both the nation-state and market shall be filled in by the professional NGO-MFIs facilitating the poor and middle class youth at-risk to emerge as entrepreneurs in agriculture.

The technology in agriculture is basically the farm equipment used in agriculture practices. The poor and middle class youth at-risk are unable to access due to insufficient or lack of required capital. New innovations in the seeds and seedlings of agricultural crops are available. The biggest question is how to reach these innovations to poor and middle class youth at-risk through professional agencies remaining within the closest proximity.

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

The provision for capital assistance as both public & private formal commercial sources of capital is abundant. There are reasonably good number of financial institutions working in Bangladesh. The problems in respect of liquidity disbursement by the formal financial institutions are binary.

First: most of the financial institutions are centralized (capital oriented). This keeps their liquid base depressed in disbursement with the fear that they might lose their investment in urban and rural areas. This particular fear leads these financial institutions select the big entrepreneurs who are within their reach facilitating the recovery of big loan disbursed by these financial institutions.

Second: those financial institutions which are decentralized up to urban cities with some of them reaching rural areas. But these financial institutions pose two threats to the poor and middle class youth at-risk.

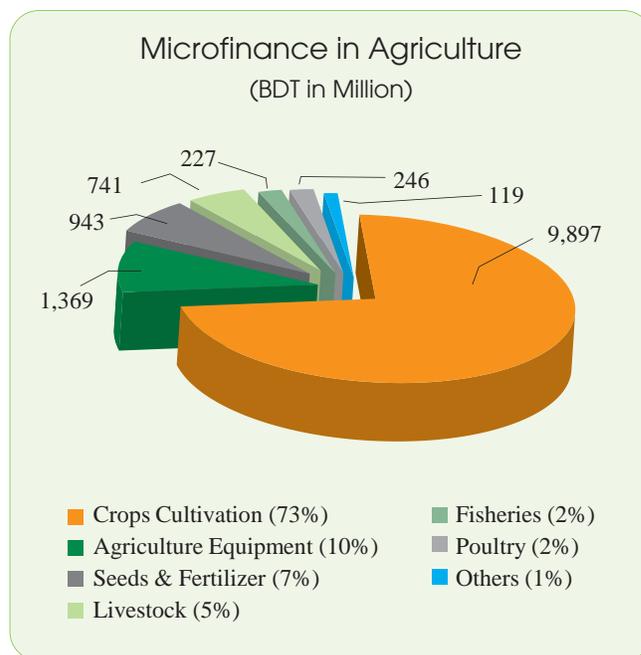
- a. bureaucratic hurdles to be crossed by the poor and youth at-risk.
- b. less reluctance of the financial institutions with micro loan provision for the poor and youth at-risk.

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

First: introduction of new technology with the poor and middle class youth at-risk.

Second: provision for capital assistance.

Three: developing them as organized force in agriculture. The success of the massive funding of



farming activities is the growth and development of rejuvenated rural economy. The overall reciprocity and synergy among the three fundamentals is the food security. This is projected as the food production, preservation and consumption embedded in the agricultural financing.

BURO Bangladesh has opened a new window for financing the poor and youth at-risk constituting more than 90% of the total farmers. The farmers find it yet

difficult to access either MFI or bank financing because the lenders consider it highly risk-prone areas. This necessitates increased financing agricultural sector to augment agriculture production and generate more seasonal employment. The reciprocity among the stated three fundamental areas enhancing value chain is the increasing agricultural production imbibed in knowledge management providing due attention on the skill development and selection of crop to transform into a profitable sector.



The organization provides the farmers with various training to build their capacity raising crop production. Trainings are given on a number of fields enhancing the livelihood activities of the clients. These include basic training for the customers on land practices, training on crop diversification, pest control, irrigation and modern technology dissemination for land cultivation. In consonance with the envy of the Government the initiative of BURO microfinance in agriculture is one of the most rewarding opportunities for the farmers to explore at any time. The clear instruction to BURO Branches is to give supreme importance on agriculture simultaneously with SME development in rural and urban areas by the poor and youth at-risk.

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



the development of SME in agriculture BURO is taking all out measures depending on time, place and condition. It shall be noted that BURO is one of the NGO-MFIs that provides maximum emphasis on agriculture in respect of quantity and quality.

Sectoral break down of Agriculture Financing

Table-5: Sub-sectors in agriculture financing as on June 30

Micro Enterprise	2011-12		2012-13		2013-14		2014-15		2015-16	
	No. of Clients	Million BDT	No. of Clients	Million BDT						
Crops Cultivation	301,693	3,608	348,654	4,083	368,145	5,362	374,120	6,856	402,179	9,897
Agriculture Equipment	39,566	473	34,215	387	40,225	586	46,062	1,254	49,747	1,369
Seeds & Fertilizer	44,512	532	54,265	641	44,215	644	46,321	859	50,489	943
Livestock	34,620	414	47,214	564	48,203	702	52,142	693	56,313	741
Fisheries	29,675	355	32,452	389	12,658	184	25,658	215	27,454	227
Poultry	24,729	296	18,214	218	12,125	176	14,587	235	15,316	246
Others	19,783	237	12,547	150	8,215	119	5,468	114	5,807	119
Total	494,578	5,915	547,561	6,432	533,786	7,773	564,358	10,226	607,305	13,542



Microfinance in SME

Photo: Plastic Door Factory

The Small and Medium Enterprise (SME) has little adaptation incorporating micro enterprise. The adaptation creates the space for the NGO clients to develop them to journey with SME development. The continuation of microenterprise development experiences gradual developments in two dimensions. **First:** business orientation through knowledge management. **Second:** capital accumulation with small drops of profit margin. The changes in behavior towards business development is more important than the capital accumulation by the clients during the initiation period. The asset quality of the clients is found to be the entrepreneurial qualities acquired during the process of microenterprise development.

The clients while remaining in the process of microenterprise development for couple of years, experiences diversification in capital needs vis-a-vis microenterprise development. The investment of diversification of loan is multiple: refinancing the growth of the previous business, maintaining two to three additional businesses etc. The trend to take risk for small and medium enterprise development begins to germinate and enhance with their gradual participation in the markets.

BURO screens out those potential clients who have acquired maximum skill of microenterprise development instead of jumping into small and medium enterprise development

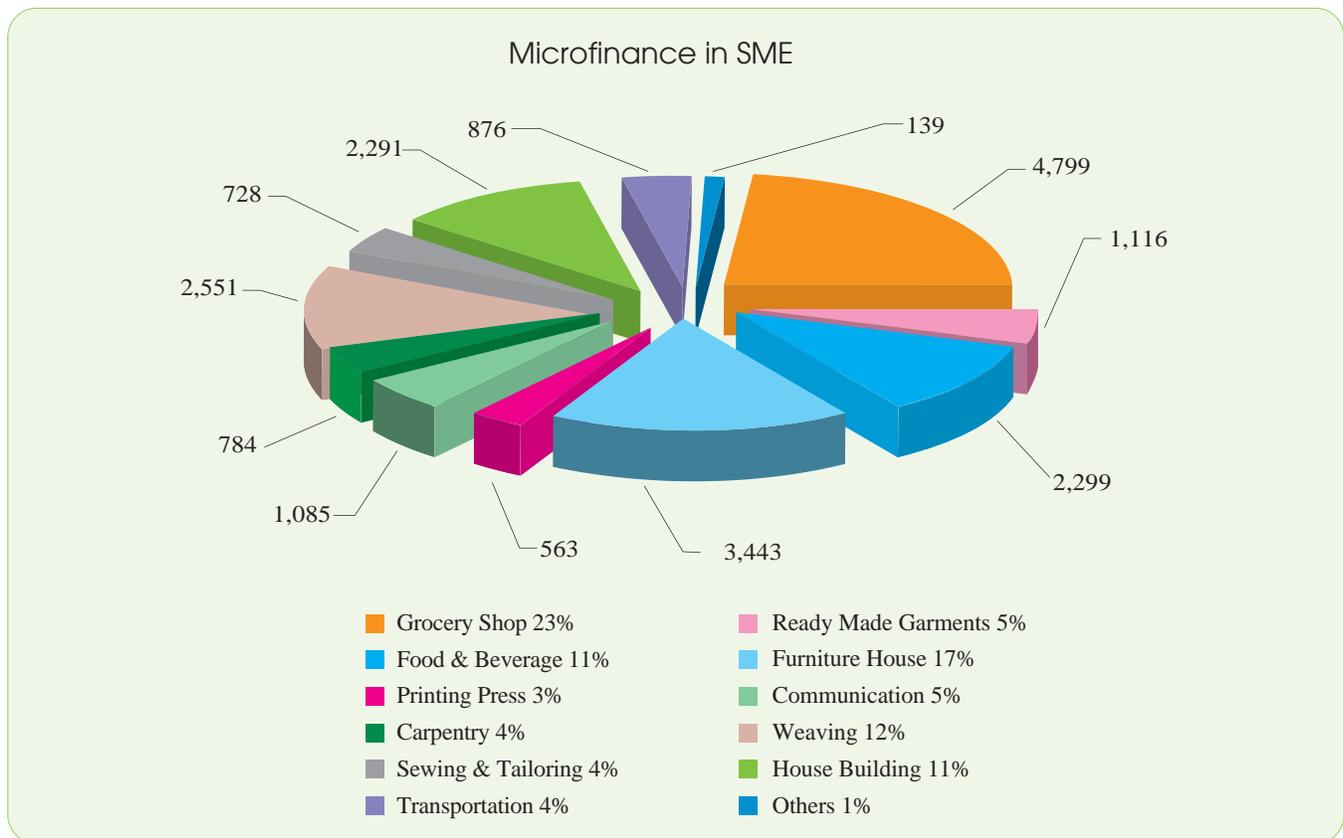




Photo: Embroidery

The growth in knowledge for business and financial management due to their exposure to the market is the improved skill in business and financial literacy of the clients. Without business, financial literacy and SME management skills, it can be suicidal for the clients to step into SME business. BURO screens out those potential clients who have acquired maximum skill of microenterprise development instead of jumping into small and medium enterprise development. They carry along with more sophisticated



Photo: Shoe Factory

knowledge in reality on business and financial literacy during the transition process to emerge from micro entrepreneurs to small and medium entrepreneurs.

The knowledge management is further anticipated to provide better understanding about market integration needed to sustain the investment by the consumers of SME loan. The knowledge management that the consumers of SME loan are exposed constitutes limited Business Development Services (BDS) including business literacy and financial literacy support to the entrepreneurs. It includes areas ranging from the basics of money-management, book-keeping and basic accounting through the development of market linkages to spur the growth of micro-enterprises.

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



and entrepreneurial qualities. The demand driven from the clients are the easily adaptable that will promote expansion of their livelihood activities.

Sectoral break down of Micro-Enterprise Financing

Table-6: Sub-sectors in micro-enterprise financing as of June 30

Micro Enterprise	2011-12		2012-13		2013-14		2014-15		2015-16	
	No. of Clients	Million BDT								
Grocery Shop	5,369	303	14,784	1,721	12,384	1,501	13,206	1,865	33,981	4,799
Ready Made Garments	400	404	1,408	1,623	2,501	303	3,580	434	9,213	1,116
Food & Beverage	541	352	4,080	571	6,121	742	7,638	926	18,969	2,299
Furniture House	320	287	14,098	162	12,125	1,470	11,256	1,702	22,773	3,443
Printing Press	35	104	1,408	281	2,214	268	2,210	270	4,611	563
Communication	354	325	2,812	283	4,521	548	5,326	646	8,947	1,085
Carpentry	745	42	3,520	414	4,123	499	3,852	467	6,471	784
Weaving	455	29	2,302	822	6,524	791	8,524	1,119	19,434	2,551
Sewing & Tailoring	1,514	87	2,816	332	3,258	395	3,569	433	6,007	728
House Building	2,077	144	16,192	1,251	12,152	1,473	11,254	1,353	19,055	2,291
Transportation	1,096	62	2,816	332	3,259	395	4,589	557	7,220	876
Others	6,327	346	4,225	481	3,214	389	1,254	129	1,357	139
Total	19,233	2,484	70,461	8,273	72,396	8,774	76,258	9,901	158,038	20,674



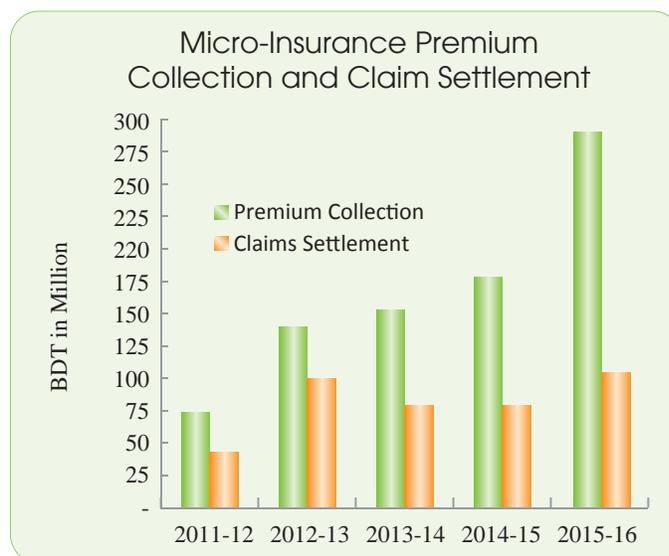
Micro Insurance Services

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

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

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

The variations in one-time insurance premium for the clients are very tiny depending on the size of the loans but permitted for any loan size that BURO offers. The benefit of opening insurance is that the entire outstanding loan amount in case of death of either the borrower or guarantor within the loan cycle will be totally waived subjected to the conditions.



Micro Insurance Performance

Table-7: Yearly premium collection and claims settlement

Amount in Million BDT

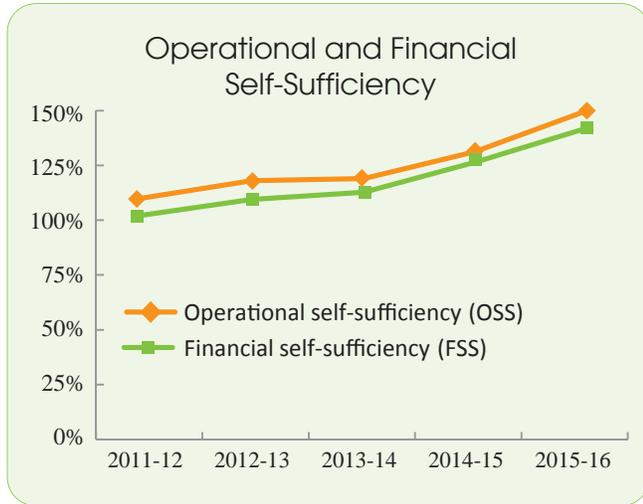
Year	Premium Collection		Claims Settlement		Kendra Expenditure BDT
	Nos.	BDT	Nos.	BDT	
2011-12	961,839	72.42	4,715	41.65	5.53
2012-13	1,050,800	137.33	3,595	97.87	3.32
2013-14	946,466	150.58	3,762	74.10	2.11
2014-15	892,172	175.84	3,335	72.65	3.04
2015-16	969,385	287.25	4,860	97.69	5.30



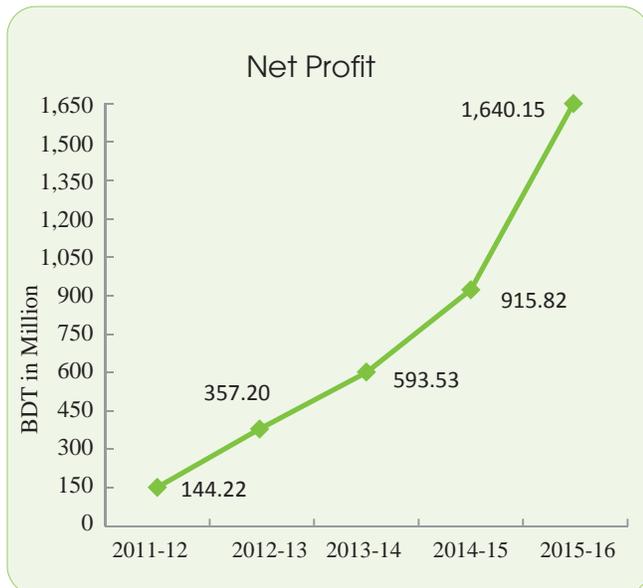
Performance Analysis

Sustainability and Profitability

BURO operates as a profitable and sustainable organization since 1998. During the year 2015-2016, the organization achieves 147% operational self-sufficiency (OSS) as opposed to 142% in the last year. The financial self-sufficiency (FSS) in the year is 130% compared to 126% in 2014-15.



Net profit of BDT 1,640 million is posted in 2015-16 compared to BDT 916 million in 2014-15. The net profit increases by 79% over the preceding year. The return on equity (ROE) stands at 36% compared to 30% in 2014-15. The net financial spread rises to 9.61% compared to 8.19% in 2014-15.



Portfolio Quality

Loan portfolio is the greatest asset of an MFI. Quality is characterized by low portfolio risk and high loan recovery rate. The organization maintains a high quality portfolio of loans. The on-time loan recovery rate in 2015-16 is registered at 97.25% versus 96.81% in 2014-15.

As of June 30, 2016, 97.07% of the portfolio is without any payments in arrears at all. Portfolio at risk greater than 30 days is at 2.62% at the end of 2015-16 compared to 3.31% in 2014-15. Loan loss reserve ratio is figured out at 3.16% compared to 3.61% in the preceding year. The reserve contains adequate fund to absorb potential risks or capital losses. Loan write-off is made by 0.39% compared to 0.68% in 2014-15. Efforts to collect bad loans continue during the year. As per policy, the loan loss reserve requirement works out at BDT 771 million. The ageing of portfolio is shown in the following table.

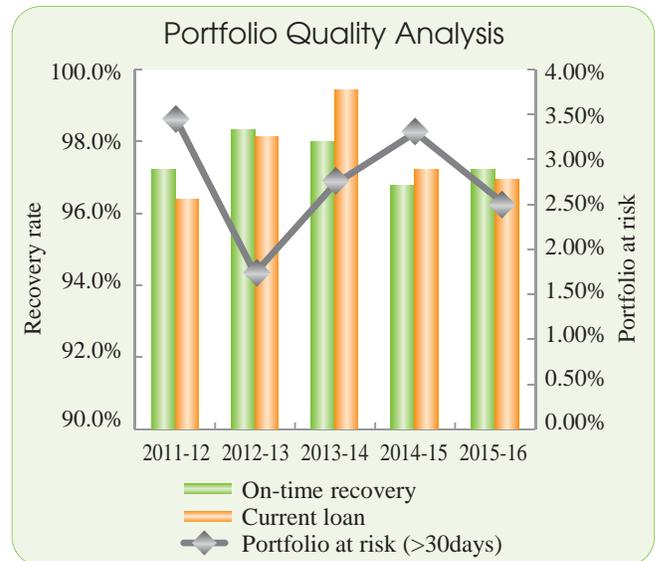


Table-8: Portfolio Ageing as of June 30, 2016

Portfolio Status	Numbers	BDT in Million	Percentage
Current Loan	872,598	23,717	97.07%
Loans Overdue by:			
1 - 30 days	2,598	77	0.32%
31 - 180 days	5,672	136	0.56%
181 - 365 days	1,404	28	0.11%
Over 365 days	39,652	475	1.95%
Total	921,924	24,433	100%

Leverage Ratio

In the financial market, equity is considered as a base for commercial borrowing. Before an MFI can borrow commercially it is imperative that the organization is financially viable and that it will continue to be viable in the long term. This is understood by debt-equity ratio, equity to asset ratio and debt service coverage ratio (DSCR). In 2015-16, the debt

to equity ratio figures at 2.66. Besides, the equity to total assets ratio (capital adequacy) is 21.36% and Debt Service Coverage Ratio is 1.37 times. The given ratios are favorable enough to encourage the lenders and the savers to have ample confidence in the institutional capacity of BURO.



Efficiency and Productivity

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

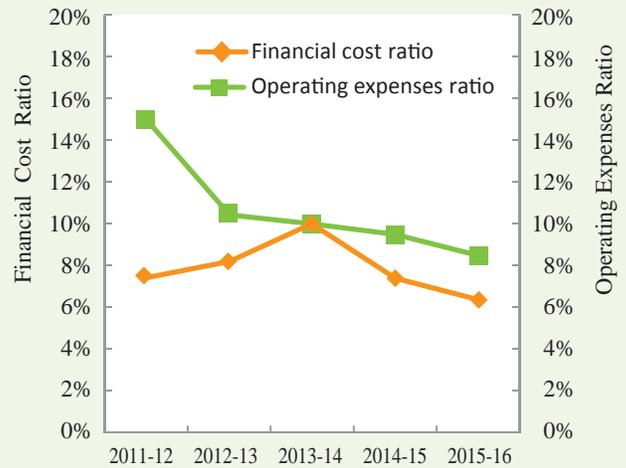


Photo: Sweater Factory

The operating cost ratio is a measure of efficiency. This decreases to 8.34% in 2015-16 compared to 9.56% in 2014-15. The cost per unit of money lent decreases to BDT 0.04 during the year compared to BDT 0.05 in the preceding year. The financial cost ratio also decreases to 6.48% in 2015-16 compared to 7.25% in the preceding year. In 2015-16 the portfolio growth is 48%. To reach this growth BURO had to borrow capital from the banks at a higher interest rate.

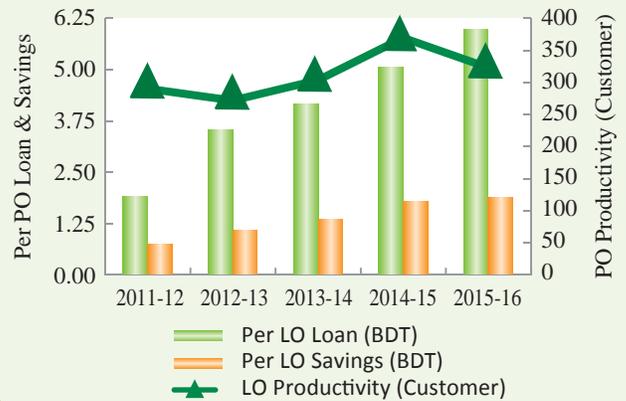
The customer/loan officer ratio stood at 337 in 2015-16. Unlike most of the NGO-MFIs' loan officer (LO) of the organization performs more than three types of financial transactions with a single customer. Thus this performance clearly outstrips the average performance of a typical loan officer in the industry. The loan outstanding per LO increases to BDT 6 million in 2015-16 from BDT 5 million in 2014-15. The savings balance per LO increases to BDT 1.91 million from BDT 1.72 million in 2014-15.

Operating and Financial Expenses



Productivity Performance

(BDT in Million)



Cost per BDT Lent



Financing Mix

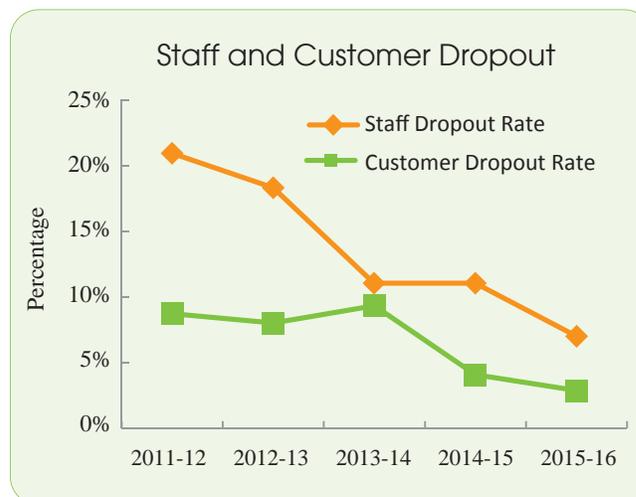
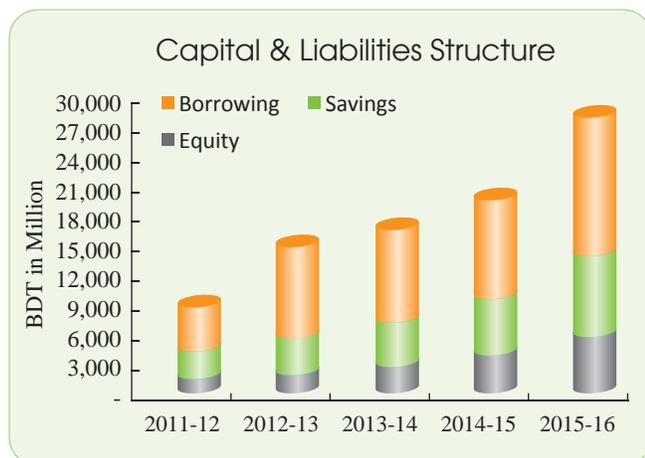


Table-9: Financing Mix as on June 30

Amount in Million Taka

Financial Resources	2011-12		2012-13		2013-14		2014-15		2015-16	
	Taka	%	Taka	%	Taka	%	Taka	%	Taka	%
Equity/Net Worth	1,283	15%	1,670	11%	2,439	15%	3,579	19%	5,414	19%
Client Savings and others fund	2,836	33%	3,782	26%	4,571	28%	5,880	30%	8,061	29%
Commercial Borrowing	4,513	52%	9,349	63%	9,573	57%	10,035	51%	14,373	52%
Total	8,632	100%	14,801	100%	16,583	100%	19,494	100%	27,848	100%
Growth	26%		71%		12%		18%		43%	

Regulatory Compliance

Eligibility Criteria	MRA Compliance	2014-2015	2015-2016
Cumulative Recovery Rate (CRR)	95%	99.17%	99.22%
On Time Recovery Rate (OTR)	92-100%	96.81%	97.25%
Liquidity to Savings Ratio	10%	20.40%	15.18%
Current Ratio	2 : 1	4.07 : 1	5.14 : 1
Capital Adequacy Ratio	15%	21.05%	21.36%
Debt Service Coverage Ratio	1.25 : 1	1.15 : 1	1.37 : 1
Debt to Capital Ratio	9 : 1	2.80 : 1	2.66 : 1
Rate of Return of Capital	1%	30.43%	36.48%

Asset Composition

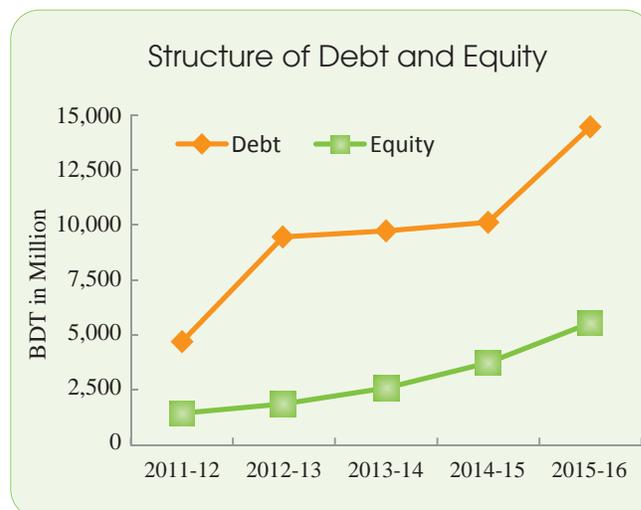
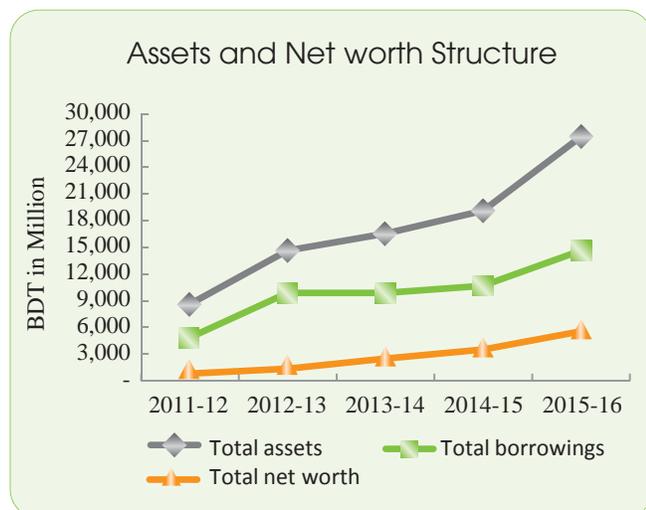
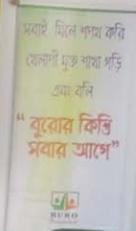


Photo: Twist Factory

Table-10: Asset composition as of June 30

Amount in Million Taka

Assets Composition	2011-12		2012-13		2013-14		2014-15		2015-16	
	Taka	%	Taka	%	Taka	%	Taka	%	Taka	%
Net fixed assets	612	7	644	4	660	4	671	4	930	3
Net loan portfolio	6,584	80	12,679	87	13,308	82	15,872	84	23,660	87
Investment	575	6	803	6	1,087	7	1,433	8	1,434	5
Other current assets	141	2	173	1	282	2	459	2	760	3
Cash and bank balance	473	5	245	2	906	5	552	2	411	2
Total	8,385	100	14,544	100	16,243	100	18,987	100	27,195	100
Growth	26%		73%		12%		17%		43%	



Disaster Management

The program is primarily intended to deliver software and hardware services stressing on preventive measures. The software delivery from BURO increases the knowledge of the community on comprehensive risk reduction culture. The hardware services from BURO is the use of continuously improvement of institutional capacity of the community people. The improved institutional capacity occurs with the knowledge management and technical assistance from the organization.

Capability Functioning: The genesis of the effective disaster management lies in exploring maximum utilization of capability functioning of disaster-affected victims. The capability functioning is the infusion of knowledge blended with the existing indigenous traditional practices.

Transformation into Human Capital: The capability functioning of the disaster

affected people is enhanced through gradually creating them as human capital. Disaster management constitute two intertwined services:

First: the disaster preparedness service from the organization and by the people.

Second: disaster response from the organization and by the disaster affected people.

Paradigm Shift: The paradigm shift of BURO is from traditional interventions through relief towards more pragmatic, realistic and developmental approach for disaster management. The reliance on people's own capability functioning is the supreme authority in disaster management by the organization.

Shared Sense of Ownership Feeling: The maximum utility can be achieved through integrating community people & local government in disaster management. This is intended to avoid wastage of resources. Union Council and community people in reciprocity function to disseminating, sensitizing and raising the public awareness at a given locality.

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

Cascade Effect: All existing services delivery environment at the nation-state, community and family level shall be symbiotic between and among each other. The sensitization of the issue is imbibed in raising public awareness significantly with education as the media. The given education will also take cascade effect of the given services to the concerned institutions and/or individuals.

Managing the Disaster Fund

During any natural calamity BURO comes forward to the aid of its affected customers. BURO has set up a disaster fund. Affected customers can take loans at a cheaper rate to recuperate their damaged business activities.

Output of Disaster Management Program

The disaster program emerges as an integral entity of the organization in its poverty reduction for the hardcore poor, poor and vulnerable non-poor responding to the following:

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

Competencies Related to Disaster Management

Teamwork, quick decision making, working experience and technical assistance is the strength of BURO in disaster management which evolves over the period based on its working experiences. The customers of the organization are well equipped with knowledge management to demonstrate their abilities. The necessary measures shall be adopted by the customers at pre-disaster situation to challenge the onslaughts of natural disaster during and post disaster situation. The well instrumental training unit is the nexus between the community people and the organization to deliver its technical assistance and follow-up services at pre, during and post disaster situation. The construction of roads, ground and homestead raising etc. are the expertise of the organization. The uniqueness is the involvement of its women leadership to negotiate with central government concerned agencies and local government. BURO has emerged as an entity in disaster management with the abilities to work with disaster management at the time of national crises.



Training Course on

Organization Development (OD)

Participants: Senior and midlevel managers of BURO Bangladesh

Organized by: Training Division

Duration: (Five) Days

Venue: Chittagong, Bangladesh.



Human Resource Development

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

Customer Development Training

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

- Basic life management skill development
- Entrepreneurship development and business planning
- Business and financial literacy
- Awareness and leadership development
- Easy accounts keeping

Staff Development Training

The staff development training produces discernible impact in improving the professional capacity of the operational staff.

- Foundation Training
- On-the-Job Training
- Development and Quality Management Training:
 - Microfinance and microenterprise programming
 - Organizational core competency development
 - Business and financial literacy
 - Credit and Risk management
 - Finance and accounts management etc.

HRD Impacted Positively

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

Competencies Related to Human Qualities

The abilities of the organization cropping up over the period are clearly manifested in growing institutional capacity of BURO vis-a-vis

transforming BURO into social capital. The Training Unit emphasizes on demand creation primarily focusing on capacity building and institutional strengthening services eventually lowering the cost of the services of the organization. The range of consumers of its services stretches to other development organization beyond the traditionally considered NGOs; for example: business development organizations.

Physical & Infra-structural Facilities

The glimpse of BURO evolution with an independent training with its own skilled human and material resources enabling the organization to emerge as a successful training service providing organization is noteworthy. BURO has its own training complexes constituting infra-structures and physical facilities composing five training centers located at Tangail, Comilla, Modhupur, Chittagong and Khulna respectively.

The training centers have the facilities like class and hall room (air-conditioned), sound system, multimedia, modern computer lab, guest room, waiting room, dining room, indoor game facilities, dormitory for the participants, uninterrupted power supply, and other basic amenities. The training complex of BURO has Rest House with full facilities at Tangail.

Table-11: Training recipients 2015-16

Particulars	Participants
Staff Training	
Foundation course	1,074
On-the-Job	2,568
Development and Quality Management Training:	
Microfinance and microenterprise programming	1,258
Organizational core competency development	358
Business and financial literacy	854
Credit and Risk management	568
Finance and accounts management etc.	2,232
Total	8,912
Customer Training	
Basic life management skill development	135,850
Entrepreneurship development and business planning	28,375
Business and financial literacy	35,292
Awareness and leadership development	56,257
Easy accounts keeping	28,575
Total	284,349



Safe and Secure Water

WaterCredit

The Water and Sanitation program of BURO is the outcome of customers' environmental needs, BURO's response to customers' demand, and increasing vacuum in the lives and living conditions of the people. The behavioral change communication (BCC) cannot work without any backward support from the organization either directly or through linkage with other organization. The phenomenal growth of BURO Bangladesh has been enhanced covering all the areas of Bangladesh systematically with very potential human technology implementing its programs including Water and Sanitation loan product. Much grimmer situation exists in the rural, rural remote and semi-urban areas where market is observed without any facilities providing water and sanitation infrastructure available with the poor or middle class villagers. Rural Water Supply of BURO is a great contribution to safe and secure water in the rural areas.

The banking infrastructure in certain instances are found. Most of these infrastructures are found without adequate provision for liquid support to those who are interested and/or encouraged to purchase the water and sanitation infrastructures. This increases vacuum as well as pulls the increasing presence of NGOs with or without the water and sanitation program in the rural and urban areas. The uniqueness of the water and sanitation program is the implementation being imbibed with the anticipated outcome as a very slow process. Notwithstanding the limitations associated with the slow process of behavioral change communication in the use of the water and sanitation services BURO provides supreme thrust on WaterCredit. Illiteracy pushes the people to maintain safe life and living conditions on the pretext of traditional practices being continued by generations after generations. Even the donors have only single conduit which is the

BURO follows
certain process to
create a system for
bringing behavioral
change
communication
among the
customers



nation-state to demonstrate their good wishes in interventions for safe water and safe sanitation. The difficulties mostly observed are with the attitude of the poor and disadvantaged even with the middle class families because no aggressive behavior from the nation-state and market are taken limiting to very sporadic demonstrations seen at different locations of the country. The attempt to generate interests among the targeted population in respect of installing and maintaining the infrastructures for safe water and safe sanitation facilities was very poor.

The irony that dissemination of water and sanitation is a very slow process to move its journey from the wealthy community to the grassroots due to three reasons:

First: exposure to knowledge management of the targeted audiences leading to;

Second: affordability of the households in respect of available resources: time, money and material leading to;

Third: depressing the frame of mind, approach and attitude of the households. The resultant effect is the effective absence of the demonstrative indicators on water and sanitation infrastructures, its intensive uses and the multidimensional benefits to be derived by the households.

Two very important and interesting behaviors from the users and non-users deserves attention. First: the perceptual understanding about the utility of safe water and safe sanitation facilities influencing behavioral change communication of the



households. Second: properly maintaining the infrastructure of safe water drinking and safe sanitation facilities as big problem to generate devotion, dedication, loyalty and commitment of the beneficiaries to hygienic environment. The value addition will emanate from the given services by BURO like proper motivation, intensive follow-up services providing technical assistance and intensive monitoring services through different outlets.

BURO follows certain process to create a system for bringing behavioral change communication among the customers. First: Conduct Market Demand Assessment, Second: Innovate existing water and sanitation loan product (Product Development), Third: Select potential clients for WaterCredit program, Fourth: Expose the selected clients to knowledge management on health and hygiene education & technology, Fifth: Select potential loaner for WaterCredit program, Sixth: Enhance existing Management Information System (MIS) of the organization, Seventh: Enhance planning, monitoring, evaluation and internal audit of the organization, Eighth: Site selection for setting both water and sanitation components, Ninth: Provide loan on water and sanitation, Tenth: Organize monitoring at the clients and community level, Eleventh: Organize technical assistance and follow-up services from the organization



Rural Water Supply

Portable fresh safe and secure water right from the supply tap is still a dream for millions of urban and rural populace in Bangladesh. The accessibility and affordability of safe and secure water by the rural, urban and city people is the central attention of the nation. Arsenic contamination of ground water meanwhile emerges as grave concern. Around 1,795 people of a village of Munshigonj district have had access to piped water supply with all-out assistances from BURO amidst the scarcity of safe and secure drinking water in urban and rural areas. The World Bank and Social Development Foundation (SDF) make this initiative into reality.

As a part of SIPP at the same time for reducing the health hazards due to arsenic contamination the World Bank provides financial grants support of 40-50% for piloting village piped water supply project. BURO implements the project in Puran Baushia village under Gazaria Upazila of Munshigonj District. The numbers of households that are connected presently stands at 464 including 5% households from hardcore poor community. The number of pipe line connections is gradually increasing. BURO is getting bills from the users regularly.

The numbers of households that are connected with piped water presently stands at 464 including 5% households from hardcore poor community. The number of pipe line connections is gradually increasing



No.	Particulars	Achievement
1	ToT training for Staff	1045 Staff
2	Clients training organized	26,420 Clients
3	No. of loan disbursed	24,119 Persons
4	Total amount disbursed	BDT 447 Million
5	Product installed	21,318
6	New Software development	1



Business and Financial Literacy

MasterCard Worldwide as Funding Partner for Business and Financial Literacy training, aimed at business development services to adapt with customers' quality, business type and marketing facilities. The financial management has binary implications: (1) financial analysis, developing self-confidence in business, conflict resolution and entrepreneurial qualities, and (2) link with other business and business expansion needed to adapt at the same time. The vast human resources of BURO stand as the nexus between these two implications. It is of paramount importance that all the clients of BURO are not involved with business, as such; women youth at-risk with or without any business are the central attention to emerge as the potential entrepreneurs in the markets.

The process has two core fundamentals: (1) flexible financial and (2) business development services functions behind the creation of potential entrepreneurs to reaching its targeted clients. The training unit of the organization has given equal importance on the two fundamentals with its human resources dedicated, devoted and committed to business development and financial management services at the customer's level. The financial and business development services are reciprocal, synergistic at the same time the irreversible bonding between the two services. The different functions of these two services working within their respective realm are the contributory elements to develop reciprocity, synergy and irreversibility in bonding financial and business literacy. The present system is that during the transaction the amount given to or taken from the organization is written by the Loan Officer in the clients' Passbook. After returning to the Branch the LOs document the transaction in the Loan Collection Sheet at the Branch. The clients are not aware of whether there is any gap between what is documented in the Passbook and that in LCS. The gap is addressed congruently by the organization through MasterCard for business education and financial literacy for youth women at-risk clients.

The women youth customers at-risk are found to start maintaining their business record in more organized way than their previous practices that has also meanwhile demonstrated cascade effect to the respective neighbors of the respective women customers. The woman clients meanwhile begin to demonstrate their multidimensional approaches in business in consonance with the demands of the market. The non-clients have meanwhile approached BURO for training on business and financial literacy. The organization has meanwhile started at different Branches bringing non clients of BURO under the aegis of MasterCard Program.

The significant gap in financial market which leads Bangladesh Banks, NGO-MFIs and Banking sectors to take concerted efforts to develop Financial Inclusion and its deepening as new initiative for the microfinance clients. The clients of the

NGO-MFIs must have reasonable institutional capacity for business and financial transaction with the banks and MFIs. The space created for MasterCard Worldwide to participate in SME is addressed through Financial Inclusiveness of BB where BURO and Banks are jointly participating. The initiative opted for by BB and BURO working as specialized MFI together with its previous achievements, its relations with the banking

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market

sector, BB and MasterCard Worldwide brings widened opportunity for BURO to fill in the gap in the financial services. The gap basically lies in tapping the hidden potential of those who have used micro financial services to emerge as the entrepreneurs in SME. BURO's intervention in collaboration with its donors increases the mobility of its clients for improved business and financial services. The advantage that is rewarding is that the MasterCard program will also enhance the reciprocity between the community and BURO not only in business but also in other areas which will be demonstrative in the long run.



Promotion of Natural Fiber-based Products from Agriculture Wastages

In Bangladesh agriculture plays the most dominant role in its economy in terms of food security, value addition, employment creation, export earnings and contributing around 20 percent to its GDP. The country produces huge quantity of agricultural wastages from its production processes; some of which are reused either as cattle feed or household uses. But vast quantities of wastages remain management burden for the farmers and greatly contribute to pollution of soil, environment and water bodies. Among them Banana and Pineapple are major sub sectors which constitutes the largest share of horticultural products of the country as well as produces huge wastes which neither can be used for cattle feed nor for cooking foods and thus become a huge management burden for the farmers instead of polluting soil and water bodies. It is evident from neighboring countries that through proper innovation & management, Banana and Pineapple fibers can offer new employment opportunity for the rural women without being a burden for management and causing environment pollution.

On the other hand, the rural Bangladesh is rich with traditionally skilled but unemployed women to produce varieties textile and handicraft items from natural fibers like Cotton, Jute, and Coir etc. mainly for household use and partially commercial purpose. Some handicraft producing SME clusters are utilizing these traditional skills for commercial promotion of products but due to their limited capacities they cannot fully exploit these potentials and thus the sector remained greatly under explored. Moreover, the handicraft clusters / organizations are mostly promoting traditional products and lacking innovation therefore, they are stuck to low priced limited market.

Bangladesh is the second largest cotton importing country of the world. For its internal needs as well meeting export demand for textile, home textile and handicraft products (which currently earning around US\$1b from export) the country imports around 98% of its cotton needs mainly from India and Pakistan which is amounting to 36,000 bails per year. Whereas, it is evident from neighboring countries that Banana and Pineapple fibers could be substitutes to cotton fibers and thus help meeting the country from cotton deficits. It is estimated that from its current production, around 67,000 MTs of Banana and 16,000 MTs of pineapple fibers can be extracted to produce varieties of home textiles and handicraft products and thus create employment for the country and earn valuable foreign currency. Major markets of natural fiber products are in Europe, America and Middle East.

This action therefore, has aimed to exploit this huge untapped potential resource of the country primarily targeting to the needs of handicraft sub-sector but in the long run to meet the needs of textile and home textile industries and thus contribute to the poverty alleviation through economic growth and employment generation. Due to environmental concerns of European countries, recently, natural fibers started playing an important role as reinforcing fillers in polymer composites. The advantages of natural fibers over synthetic fibers are their low cost, less tool wear during the process, low density, environmental friendliness and biodegradability. For that reason, banana and pineapple fibers will be another option to be investigated for its fiber source potential. Considering the similarity in production process and end use the wastes from banana and pineapple, which are eco-friendly and are found in abundance in Bangladesh, can be used for producing fabrics for making clothe and a range of handicrafts products. Therefore, innovation and value addition opportunity in this sub-sector is very high which is currently demonstrated and dominated by neighboring countries.

BURO Bangladesh has been implementing this project as a partner organization with Bangladesh Women Chamber of Commerce and Industry (BWCCI). The overall objective of this project is to strengthen capacity of the handicraft sub sectors on natural fiber based products aiming to create sustainable employment and income generation which the project aims to reach by achieving following specific objectives:

- Promotion of Banana & Pineapple fiber based products from agricultural wastes.
- Develop skilled manpower to promote interdependent social enterprises.
- Introduce low cost women friendly technology and production process.
- Production of low cost, high value eco-friendly products for export market.
- Facilitate govt. policy changes favorable to growth of handicraft products.
- Increase competitiveness among the value chain actors.
- Improve standard of livelihoods of marginalized rural women.



Education support program

BURO emphasizes significantly on supporting not only economic activities but also on human capital development through different initiatives. BURO has identified the most crucial areas in the lives of the poor clients that the organization can address time to time. For the last two decades it extends its cooperation in the area of education, health and environmental issues. The capitalization of previous experiences of BURO is multidimensional concerning the lives and living conditions of the poor in the rural, urban and city slum areas. The poor students with latent qualities are selected to prevent their drop out of schooling. A fund is mobilized for these students which has been disbursed as scholarship among the selected poor students by the organization. BURO has developed a guideline for its education support program with two major objectives behind.

First: to provide direct support to the meritorious students of poor households in a view to smoothen their higher education pathway.

Second: to make involve the poor guardians of the said students in economic activities, so that they can raise their income level. According to the guideline 20-25 meritorious students of poor households per year will be eligible for this support. Each selected student will get financial support (scholarship) for 2 years.

The financial support includes: Tuition fee, Admission fee, Books and periodicals, Dress 2 sets per year, Hostel fee (if needed), Travel expenses etc. In 2015 a total of 23 students availed BURO financial support.





Future Direction

Expanded Micro Finance

The identity is imbibed in the provision of high quality financial services as its original conduit which is yet retained by the organization. The organization rolls over not only through encompassing its organizational restructuring but also accommodating programmatic restructuring. It is the outcome of the dual role of BURO as well as those of the base in the internal and external environment. The reciprocity and synergy to develop between demand and supply of the organization shall mandatorily supplement those of its constituents forming the base. The reciprocity and synergy between demand and supply facilitate programmatic restructuring overlapping the organizational restructuring as the coating to protect the base.

The phenomenal growth of the organization replacing its original image conceived as the demonstration model with the nation-wide commendable image of specialized institution is the horizontal and vertical scaling of programmatic and organizational restructuring. Over the period the journey reaches its expansion program and plans to raise the customers from current level of 1.4 million to 1.6 million in 2016-17 within the realm of existing 640 to 665 branches. The programmatic restructuring includes and adapts new programs which are unequivocally vital in the lives of its clients. The continuation of the existing programs traveling alongside with the new programs is anticipated to strengthen the protection of the constituents of the base in the internal and external environment of BURO. The horizontal and vertical scaling of both programmatic and organizational restructuring will run parallel protecting the vivacity in the lives of each other.

Agriculture Financing

Agriculture is the spinal cord of the national economic growth of the country. The economic and financial markets are greatly influenced with the vivacity in the lives of agriculture. The constantly increasing vivacity in the lives of the economic and financial markets is also the vivacity of agriculture. Ironically the nexus between economic and financial markets is financing agriculture to bring, continue and sustain the increasing vivacity of agriculture. It necessitates the creation of increasing space depending on time that facilitates the participation of the financing institutions as well as the borrowers in agriculture. The intensive application of microfinance

will be largely facilitated by the client base of the organization. Entrepreneurs in agriculture will emerge with easy increasing scale of financing which will also facilitate bringing new technology in agriculture. Remittance in microfinance is such an example to strengthen the financing agriculture. Microfinance in agriculture will strengthen Food Security of its clients through increased production, preservation and consumption of food. Thus Food Security itself is a technology working as both consumers of, and suppliers to rural or urban markets.

SME Financing

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

The consumers of goods and/or services will create enthusiasm among the entrepreneurs due to increased consumption by the consumers. The interplay of market demand and supply cross fertilizing the market competitiveness will create specialized entrepreneurs. The development of specialized entrepreneurs will create demand in taste for both the inward and outward looking market. The step by step movement by the SME entrepreneurs will bring about constructive application of technology in agricultural and non-agricultural sector. BURO explores its professional relationship

intensively with the commercial sources of capital that helps the organization matching rural and urban market to market integration through SMEs.

Intensive and Extensive Automation

BURO contemplates full automation of its all branches by June 2017 and accordingly steps are taken. Presently, 409 branches are totally automated. The constructive application of technology will integrate BURO and its client base with reciprocity and synergy that will make both the constituencies transparent and accountable to each other.

Business and Financial Literacy for Youth At-Risk

The experiences of BURO gradually transforms from its traditionally conceived image of demonstration model into nation-wide image of specialized institution. Such type of transformation regularity innovates business and financial literacy program. It is not just limited to its youth clients-at-risk. Rather innovating business and financial literacy has meanwhile been transformed into cross-cutting issue for its application within the realm of business development and management. BURO champions the challenge of introducing business and financial literacy program as an innovation for the youth women clients-at-risk in the rural and urban settings. It is unambiguously decided to continue in the future coming days for its clients from their birth stage to prime stage. It differs in knowledge management of business & financial literacy in consonance with the life cycle of BURO clients in respect of business development and management. Those commercial sources of capital and the corporate donors will be encouraged whose mission matches with the mission of BURO. In order to bring women youth at-risk in the mainstream of business development as the measure of safety and security BURO is also accommodating the account holders of Tk. 10 with other banking institutions. This is in consonance with the initiatives of financial inclusion adopted by Bangladesh Bank.

Financial Inclusion

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

Policies for Microfinance Sector

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



Audit Report
for the
FY 2015-16

BURO Bangladesh

Independent Auditors' Report to the Members of the Governing Body
For the year ended 30 June 2016

We have audited the accompanying financial statements of BURO Bangladesh (BURO), which comprise the statement of financial position (balance sheet) as at 30 June 2016, statement of profit or loss and other comprehensive income (income and expenditure statement), receipts and payments statement, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards and other applicable laws and regulations including guidelines of Microcredit Regulatory Authority (MRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, except for the matters as stated in notes 3, 10.1 and 25 the financial statements, prepared in accordance with Bangladesh Financial Reporting Standards, give a true and fair view of the state of the BURO's affairs as at 30 June 2016 and of the results of its operations and cash flows for the year then ended and comply with the requirements of the applicable laws and regulations including MRA guidelines.

We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by laws and Microcredit Regulatory Authority Act 2006 and Rules 2010 have been kept by BURO so far as it appeared from our examination of those books;
- (c) in pursuant of MRA circular no. regu 24, dated 06 May 2014, regarding compliance requirements under the guidelines on prevention of money laundering and terrorist financing for NGO/NPO, nothing has come to our attention to report in contrast to the disclosure provided by the BURO Bangladesh in note 6; and
- (d) the statement of financial position (balance sheet) and statement of profit or loss and other comprehensive income (income and expenditure statement) dealt with by this report are in agreement with the books of account and returns.

Dhaka, Bangladesh
Dated, 30 September 2016



S. F. AHMED & CO
Chartered Accountants
Established: 1958

BURO Bangladesh**Statement of Financial Position (Balance Sheet)****As at 30 June 2016**

	Notes	2016 BDT	2015 BDT
Assets			
Non-current assets			
Property, plant and equipment	7	929,743,827	670,992,756
Current assets			
Short-term investment	8	1,041,949,852	1,153,982,467
Accumulated surplus reserve fund investment	9	391,955,100	278,975,000
Loan to customers	10	23,660,267,066	15,872,284,325
Other current assets	11	759,812,284	458,935,201
Cash and bank balances	12	410,650,577	552,114,250
Total current assets		26,264,634,879	18,316,291,243
Total assets		27,194,378,706	18,987,283,999
Fund and liabilities			
Fund			
Revolving loan fund (donors' fund)	13	138,815,884	138,815,884
Emergency disaster funds (donors' fund)	14	120,836,104	116,206,607
Accumulated surplus	15	3,872,170,904	2,344,995,122
Accumulated surplus reserve fund	16	391,955,100	278,975,000
Other funds	17	116,824,460	106,782,336
Total fund		4,640,602,453	2,985,774,949
Non-current liabilities			
Customers' contractual savings	18	2,908,036,879	1,495,699,416
Customers' emergency fund	19	838,162	838,162
Customers' micro-insurance fund	20	368,494,853	183,417,390
Borrowing from different sources	21	14,373,432,232	10,034,907,776
Total non-current liabilities		17,650,802,126	11,714,862,744
Current liabilities			
Employees' security deposit	22	71,030,331	62,877,675
Customers' general savings	23	4,783,243,451	4,199,899,896
Other liabilities	24	48,700,345	23,868,735
Total current liabilities		4,902,974,127	4,286,646,306
Total fund and liabilities		27,194,378,706	18,987,283,999

These financial statements should be read in conjunction with annexed notes
for BURO Bangladesh


(S. K. Sarkar)
Chairperson


(Zakir Hossain)
Executive Director


(M. Mosharraf Hossain)
Finance Director

See annexed report of the date

Dhaka, Bangladesh
Dated, 30 September 2016


S. F. AHMED & CO
Chartered Accountants

BURO Bangladesh**Statement of Profit or Loss and Other Comprehensive Income (Income and Expenditure Statement)
For the year ended 30 June 2016**

	Notes	2016 BDT	2015 BDT
Income			
Service charge on loan to borrowers	25	4,982,219,502	3,797,140,011
Service charge on remittance fund transfer		6,886,724	6,539,677
Sale of loan application forms		27,248,182	26,144,720
Micro credit borrower admission fees		4,712,595	3,726,141
Interest on bank deposits		111,908,212	115,880,855
Interest on staff loan		1,369,373	1,452,654
Conference room rent		108,196	-
Grants from donors		7,289,830	-
Others		8,011,585	4,079,982
Total income		5,149,754,199	3,954,964,040
Expenditure			
Financial cost			
Interest on borrowing from banks	26	1,149,579,843	969,889,182
Interest on customers' savings	27	384,181,165	338,759,294
		1,533,761,008	1,308,648,476
Gross financial margin		3,615,993,191	2,646,315,564
Provision for loan losses	10.1	259,292,331	279,547,025
Net financial margin		3,356,700,860	2,366,768,540
Operating expenses			
Salary and allowances		1,289,254,285	1,095,220,132
Office rent		77,721,900	74,116,393
Payment to national exchequer	28	48,228,666	33,742,525
Transportation	29	87,222,393	83,412,468
Training and research	30	9,963,505	7,905,802
Office supplies		29,544,103	32,370,387
Depreciation		59,653,764	35,816,805
Audit fee		448,750	387,500
Other professional fee		6,408,335	4,202,088
Other direct cost	31	105,601,680	81,883,615
Contribution to development project	32	2,497,594	1,897,195
		1,716,544,974	1,450,954,910
Net income from operations		1,640,155,885	915,813,630

These financial statements should be read in conjunction with annexed notes
for BURO Bangladesh


(S. K. Sarkar)
Chairperson


(Zakir Hossain)
Executive Director


(M. Mosharraf Hossain)
Finance Director

See annexed report of the date

Dhaka, Bangladesh
Dated, 30 September 2016


S. F. AHMED & CO
Chartered Accountants

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2016

1. Background of the organization

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

The organization is registered under the Registrar of Joint Stock Companies and Firms under the Societies Registration Act 1860 (Act No. XXI of 1860) vide registration no. S-7026(214)/07 dated 06 September 2007; with Department of Social Welfare (Registration and Control) vide registration no. TA-0489 dated 09 April 1991 and last (Duplicate) dated 31 July 2007; with NGO Affairs Bureau under Foreign Donations (Voluntary Activities) Regulation Ordinance 1978 vide registration no. 610 dated 19 March 1992 and last renewal dated 26 April 2012 effective from 19 April 2012; and with Microcredit Regulatory Authority issuing license to perform Microcredit Operations vide registration no.00004-00394-00288 dated 25 June 2008. BURO Bangladesh has 648 branches through which it operates microcredit program under the supervision of 20 zonal offices.

3. Basis of accounting

As per terms of reference issued for conducting the external audit of microfinance institutions by MRA vide its circular letter no. 18 dated 16 July 2013, financial statements are required to be prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs), which require that an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.

The financial statements are prepared following cash basis of accounting meaning that the transactions are recorded as and when received or paid except depreciation and provision for loan losses which is accounted for following accrual basis which is a departure from the above MRA requirements.

The formats of the financial statements are slightly different from the formats that were suggested in the terms of reference issued for conducting the external audit of micro finance institutions by MRA vide its circular letter no. 18 dated 16 July 2013.

However there are no material changes in terms of assets and liabilities and profitability of the organisation for the use of different formats.

4. Significant accounting policies

4.1 Reporting currency

All figures as appearing in the financial statements are denominated in Bangladesh Taka (BDT).

4.2 Reporting period

These financial statements of the organisation have been prepared for the period from 01 July 2015 to 30 June 2016.

4.3 Revenue Recognition

4.3.1 Service Charge Income on loan to Members:

In terms of the provisioning policy of BURO Bangladesh, service charge (interest) is recognised as an income on cash basis. Interest on loans is being charged at the time of loan taken by the members. On realisation the amount is transferred to income.

4.3.2 Investment Income:

Income from investment on FDR is recognised on cash basis.

4.3.3 Fees and Commission Income:

Fees and commission income arise on services provided by the BURO Bangladesh are recognised on receipt basis.

4.3 Property, plant and equipment

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- a) it is probable that future economic benefits will flow to the entity; and
- b) the cost of the item can be measured reliably.

An item of property, plant and equipment qualifying for recognition is initially measured at its cost. Cost comprises expenditure that is directly attributable to the acquisition of the assets. Property, plant and equipment are stated in attached statement of financial position at cost less accumulated depreciation.

Depreciation is commenced when the asset is in the location and condition necessary for it to be capable of operating in the manner intended. Property plant and equipment of BURO Bangladesh are depreciated using straight line method. Full year's depreciation is charged on property, plant and equipment during the year of acquisition and no depreciation is charged during the year of disposal.

The annual depreciation rates applicable to different categories of assets are:

	2016	2015
Building construction	10%	10%
Electrical equipment	30%	30%
Office equipment	20%	20%
Furniture and fixtures	10%	10%
Motor vehicle	10%	10%

4.4 Investment in fixed deposit

Investments in fixed deposit are shown in the financial statements at their costs plus interest earned to date. Interest from investments in fixed deposit is reinvested automatically at their maturity and is recognised as an income when the fixed deposit is matured.

5. Significant organisational policies

5.1 Loan loss provision

5.1.1 Loan classification

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

No. of days outstanding	Percentage of principal
Good loan	1%
1-30 days doubtful loan	5%
31-180 days doubtful loan	25%
181-365 days doubtful loan	75%
Above 365 days bad loan	100%

5.1.2 Loan loss provisioning

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

5.1.3 Write off policy

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

5.2 Policy on loan to borrowers

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

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2016

	2016 BDT	2015 BDT
7. Property, plant and equipment		
Cost:		
Opening balance	847,603,770	802,804,561
<u>Add:</u> Addition during the year	322,679,833	47,083,330
<u>Less:</u> Disposal during the year	4,275,000	2,284,121
<u>Less:</u> Adjustment	12,400,000	-
Closing balance (A)	<u>1,153,608,604</u>	<u>847,603,770</u>
Depreciation:		
Opening balance	176,611,014	142,923,894
<u>Add:</u> Charge for the year	59,653,764	35,816,805
<u>Less:</u> Adjustment during the year	12,400,001	2,129,685
Closing balance (B)	<u>223,864,777</u>	<u>176,611,014</u>
Written down value (A-B)	<u>929,743,827</u>	<u>670,992,756</u>
8. Short-term investment		
Shops in Tangail town	2,200,200	650,200
Staff security deposit	31,086,586	28,988,414
Emergency disaster fund (note 8.1)	127,536,595	122,907,098
Fixed deposit with banks (note 8.2)	7,408,320	285,237,264
Other funds (note 8.3)	116,824,460	106,209,191
Customers' savings deposit fund (note 8.4)	756,893,691	609,990,300
	<u>1,041,949,852</u>	<u>1,153,982,467</u>
8.1 Emergency disaster fund		
Peoples Leasing Finance	91,828,700	-
Bank Asia Limited	-	29,462,852
BRAC Bank Limited	-	89,697,254
NRB Global Bank Limited	4,065,013	3,746,992
Union Bank Limited	31,642,882	-
	<u>127,536,595</u>	<u>122,907,098</u>
8.2 Fixed deposit with banks		
Bangladesh Krishi Bank	-	92,942,171
HSBC	-	12,148,134
BRAC Bank Limited	-	81,399,159
Rupali Bank Limited	-	26,750,226
Bank Asia Limited	-	39,700,950
The Farmers Bank Limited	-	500,000
Mutual Trust Bank Limited	-	25,000,000
NRB Global Bank Limited	7,408,320	6,796,624
	<u>7,408,320</u>	<u>285,237,264</u>

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2016

	2016	2015
	BDT	BDT
8.3 Other funds		
Gratuity fund	72,830,178	66,171,949
Housing fund	17,446,982	16,078,612
Health fund	17,745,338	15,896,130
Vehicle insurance fund	8,801,962	8,062,500
	<u>116,824,460</u>	<u>106,209,191</u>
8.4 Customers' savings deposit fund		
Mutual Trust Bank Limited	27,025,000	-
NRB Global Bank Limited	-	164,122,650
The Farmers Bank Limited	390,373,276	365,867,650
MIDAS Financing Limited	87,638,000	-
Rupali Bank Limited	31,356,176	-
Reliance Finance Limited	42,858,951	-
Lanka Bangla Finance Limited	177,642,288	80,000,000
	<u>756,893,691</u>	<u>609,990,300</u>

The above balance represents investment made in accordance with the provisions of Microcredit Regulatory Authority Rules 2010 under clauses 34 (1) and 34 (2). As per said clauses every microcredit organization should maintain a liquidity fund which is 15% of its total deposits, in any scheduled bank; liquidity fund may be maintained in the form of minimum 5% in cash and the remaining portion in fixed deposit.

	2016	2015
	BDT	BDT
9. Accumulated surplus reserve fund investment		
NRB Global Bank Limited	1,090,000	67,615,000
Lanka Bangla Finance Limited	-	211,360,000
MIDAS Financing Limited	98,596,500	-
IPDC of Bangladesh Limited	132,798,520	-
International Leasing & Financial Services Limited	106,435,611	-
Reliance Finance Limited	53,034,469	-
	<u>391,955,100</u>	<u>278,975,000</u>

The above balance represents investment made in accordance with the clauses 20 (1) and 20 (3) of Microcredit Regulatory Authority Rules 2010. As per said clauses every microfinance institution should create a reserve fund @ 10% of its total surplus which should be kept in any scheduled bank under the supervision of the head office of the relevant microfinance institution.

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2016

	2016	2015
	BDT	BDT
Breakup of loan (product-wise) is given below:		
General loan	5,295,655,089	3,245,541,915
Micro-enterprise loan	11,816,714,730	7,540,260,971
Agriculture loan	7,118,385,951	5,561,498,075
Hand/Emergency loan	21,859,165	31,155,265
Water and sanitation loan	180,566,323	87,483,297
	<u>24,433,181,259</u>	<u>16,465,939,523</u>
<u>Less: Provision for loan loss (note 10.1)</u>	<u>772,914,193</u>	<u>593,655,198</u>
	<u>23,660,267,066</u>	<u>15,872,284,325</u>

BURO Bangladesh had 921,924 loan accounts outstanding as on 30 June 2016 as compared to 839,183 as on 30 June 2015.

The Loan Loss Provision (LLP) has been worked out at BDT 771,351,930 as on 30 June 2016, following MRA circular letter no. 14 dated 07 May 2012, but the actual Loan Loss Provision has been made to BDT 772,914,193, resulting an excess provision of BDT 1,562,263 during the year under reporting . The method of calculation of LLP is shown below:

No. of days outstanding	Number of loan accounts	Agling of portfolio		Loan loss Provision (%)
		%	BDT	
Current loan outstanding	872,598	97.04%	23,716,952,515	1%
Loan overdue status (days):				
1-30 days	2,598	0.32%	77,041,269	5%
31-180 days	5,672	0.56%	135,855,369	25%
181-365 days	1,404	0.11%	27,862,425	75%
Over 365 days	39,652	1.96%	475,469,680	100%
Total	<u>921,924</u>	100%	<u>24,433,181,259</u>	

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

10.1 Provision for loan loss

Opening balance	593,655,198	416,200,054
<u>Add: Provision made during the year</u>	<u>259,292,331</u>	<u>279,547,025</u>
	852,947,529	695,747,080
<u>Less: Amount written off during the year (Principal)</u>	<u>80,033,336</u>	<u>102,091,882</u>
Closing balance	<u>772,914,193</u>	<u>593,655,198</u>

An amount of BDT 80,033,336 has been written off during the year without prior approval of management committee, and no summary sheet related to bad loan written off is maintained by Head Office which is a non-compliance with the MRA circular letter no. Rego-21 dated. 16 January 2016.

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2016

11. Other current assets

Security deposits (note 11.1)	1,258,914	1,023,713
Staff loans and advances (note 11.2)	758,553,370	457,911,488
	<u>759,812,284</u>	<u>458,935,201</u>

BURO Bangladesh had 921,924 loan accounts outstanding as on 30 June 2016 as compared to 839,183 as on 30 June 2015.

	2016 BDT	2015 BDT
11.1 Security deposits		
Bangladesh Telecommunication Company Limited	298,796	298,796
GSP Finance Company (Bangladesh) Limited	124,918	124,918
Rajdhani Unnayan Katripakkha (RAJUK)	600,000	600,000
Others	235,200	-
	<u>1,258,914</u>	<u>1,023,713</u>
11.2 Staff loans and advances		
Head office (note 11.2.1)	417,128,129	300,276,727
Branch offices (note 11.2.2)	323,220,393	153,682,286
Divisional offices (note 11.2.3)	12,525,866	
Zonal offices (note 11.2.4)	5,389,893	2,173,626
Training centre	289,089	1,778,849
	<u>758,553,370</u>	<u>457,911,488</u>
11.2.1 Head office		
Advance against salary	9,259,361	2,110,357
Mobile loan	-	-
Car loan	818,507	-
Motorcycle loan	473,750	235,000
Advance for training	314,611	299,611
Advance against house rent	-	1,500,000
Advance against construction	240,949,181	235,075,593
Advance transportation	477,947	355,805
Advance for exposure visit	5,880	5,880
Staff housing loan	29,908,288	27,012,369
Advance to consultant	282,500	120,000
Others	134,638,104	33,562,112
	<u>417,128,129</u>	<u>300,276,727</u>

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2016

	2016 BDT	2015 BDT
11.2.2 Branch offices		
Advance against salary	127,912,872	1,749,487
Mobile loan	43,340	80,681
Motorcycle loan	35,665,923	37,830,808
Bicycle loan	11,624,823	9,922,233
Advance against house rent	71,400,587	8,678,038
Advance for purchase of fans	145,927	344,557
Others	76,426,921	95,076,482
	<u>323,220,393</u>	<u>153,682,286</u>
11.2.3 Divisional offices		
Advance against salary	10,916,382	-
Mobile loan	-	-
Motorcycle loan	1,085,150	-
Bicycle loan	15,100	-
Advance against house rent	327,008	-
Advance for purchase of fans	-	-
Others	182,226	-
	<u>12,525,866</u>	<u>-</u>
11.2.4 Zonal offices		
Advance against salary	2,498,095	703,126
Motorcycle loan	1,186,431	1,404,500
Advance against fuel and conveyance	-	60,000
Advance against house rent	994,773	-
Bicycle loan	6,300	6,000
Advance against purchase of fixed asset	573,447	-
Others	130,847	-
	<u>5,389,893</u>	<u>2,173,626</u>

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2016

	2016 BDT	2015 BDT
12. Cash and bank balances		
Cash in hand	12,383,520	37,415,318
Bank balances (note 12.1)	398,267,057	514,698,932
	<u>410,650,577</u>	<u>552,114,250</u>
12.1 Bank balances		
Current accounts	376,930,849	458,856,112
Savings accounts	17,770	735,573
Short-term-deposit accounts	21,318,438	55,107,247
	<u>398,267,057</u>	<u>514,698,932</u>
13. Revolving loan fund (donors' fund)		
Department for International Development (DFID), UK	93,022,179	93,022,179
Swiss Agency for Development and Cooperation (SDC)	23,378,560	23,378,560
Swedish International Development Agency (SIDA)	14,545,494	14,545,494
Australian Agency for International Development (AusAID)	4,274,300	4,274,300
UNESCO/ Stitching Gilles – Foundation, Belgium	2,147,712	2,147,712
Canada Fund	1,163,139	1,163,139
PACT Inc./USAID	284,500	284,500
	<u>138,815,884</u>	<u>138,815,884</u>
14. Emergency disaster funds (donors' fund)		
Swedish International Development Agency (SIDA)	11,374,757	11,374,757
Department for International Development (DFID), UK	9,247,243	9,247,243
Swiss Agency for Development and Cooperation (SDC)	9,000,000	9,000,000
Australian Agency for International Development (AusAID)	651,000	651,000
	<u>30,273,000</u>	<u>30,273,000</u>
<u>Add:</u> Interest on investment of the above funds	90,563,104	85,933,607
	<u>120,836,104</u>	<u>116,206,607</u>

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2016

	2016 BDT	2015 BDT
15. Accumulated surplus		
Opening balance	2,344,995,122	1,538,156,492
<u>Add: Surplus /(deficit) during this year</u>	<u>1,640,155,885</u>	<u>108,975,000</u>
	3,985,151,007	1,429,181,492
<u>Less: Transferred to accumulated surplus reserve fund</u>	<u>112,980,100</u>	<u>915,813,630</u>
<u>Less: Adjustment</u>	<u>3</u>	<u>-</u>
Closing balance	<u>3,872,170,904</u>	<u>2,344,995,122</u>
16. Accumulated surplus reserve fund		
Opening balance	278,975,000	170,000,000
<u>Add</u>	<u>112,980,100</u>	<u>108,975,000</u>
	391,955,100	278,975,000
<u>Less: Paid during this year</u>	<u>-</u>	<u>-</u>
Closing balance	<u>391,955,100</u>	<u>278,975,000</u>
<p>The above balance represents reserve fund created in accordance with the clauses 20 (1) and 20 (3) of Microcredit Regulatory Authority Rules 2010. As per said clauses every microfinance institution should create a reserve fund @ 10% of its total surplus which should be kept in any scheduled bank under the supervision of the head office of the relevant microfinance institution. BURO Bangladesh maintained the reserve fund as per the said clause.</p> <p>Details regarding the investment of the fund are in Note no. 9.</p>		
17. Other funds		
Gratuity fund	72,830,178	66,498,749
Housing fund	17,446,982	16,092,683
Health fund	17,745,338	16,128,404
Vehicle insurance fund	8,801,962	8,062,500
	<u>116,824,460</u>	<u>106,782,336</u>
18. Customers' contractual savings		
Opening balance	1,495,699,416	483,646,703
<u>Add: Deposits during the year</u>	<u>2,108,546,540</u>	<u>1,339,254,473</u>
	3,604,245,956	1,822,901,176
<u>Less: Withdrawals during the year</u>	<u>696,209,077</u>	<u>327,201,760</u>
Closing balance	<u>2,908,036,879</u>	<u>1,495,699,416</u>
19. Customers' emergency fund		
Customer's emergency fund	838,162	838,162
	<u>838,162</u>	<u>838,162</u>

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Notes to financial statements For the year ended 30 June 2016

This fund is to be used for the following purposes:

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

20. Customers' micro insurance fund

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

	2016 BDT	2015 BDT
Opening balance	183,417,390	83,421,890
<u>Add: Deposits during the year</u>	<u>287,249,889</u>	<u>175,945,794</u>
	470,667,279	259,367,684
<u>Less: Withdrawals during the year</u>	<u>102,172,426</u>	<u>75,950,294</u>
Closing balance	<u>368,494,853</u>	<u>183,417,390</u>
21. Borrowing from different sources		
Borrowing from specialised institutions (note 21.1)	23,241,484	38,820,592
Borrowing from banks (note 21.2)	12,050,190,748	9,296,087,184
Borrowing from non-banking financial institutions (note 21.3)	2,300,000,000	700,000,000
	<u>14,373,432,232</u>	<u>10,034,907,776</u>
21.1 Borrowing from specialised institutions		
Stromme Foundation (note 21.1.1)	-	5,000,000
Anukul Foundation (note 21.1.2)	23,241,484	33,820,592
	<u>23,241,484</u>	<u>38,820,592</u>
21.1.1 Stromme Foundation		
Opening balance	5,000,000	35,000,000
<u>Add: Received during the year</u>	<u>-</u>	<u>-</u>
	5,000,000	35,000,000
<u>Less: Refund during the year</u>	<u>5,000,000</u>	<u>30,000,000</u>
Closing balance	<u>-</u>	<u>5,000,000</u>
21.1.2 Anukul Foundation		
Opening Balance	33,820,592	24,505,925
<u>Add: Received during the year</u>	<u>-</u>	<u>18,000,000</u>
	33,820,592	42,505,925
<u>Less: Refund during the year</u>	<u>10,579,108</u>	<u>8,685,333</u>
Closing balance	<u>23,241,484</u>	<u>33,820,592</u>

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Notes to financial statements For the year ended 30 June 2016

	2016 BDT	2015 BDT
21.2 Borrowing from banks		
The City Bank Limited	1,056,157,094	906,214,972
United Commercial Bank Limited	479,325,730	769,241,977
Eastern Bank Limited	1,000,000,000	687,500,000
Jamuna Bank Limited	1,137,562,122	668,988,491
Standard Chartered Bank	1,000,000,000	550,000,000
Dutch Bangla Bank Limited	500,000,000	500,000,000
Mutual Trust Bank Limited	440,106,461	500,000,000
Prime Bank Limited	1,000,000,000	499,845,222
Trust Bank Limited	641,877,655	484,326,831
BRAC Bank Limited	-	405,755,654
The Premier Bank Limited	212,207,660	400,817,242
Shahjalal Islami Bank Limited	357,624,929	400,000,000
IFIC Bank Limited	-	300,000,000
Bank Asia Limited	999,994,087	299,964,639
NCC Bank Limited	-	295,500,000
Rupali Bank Limited	97,060,319	226,831,857
ONE Bank Limited	400,000,000	200,000,000
Pubali Bank Limited	95,631,170	198,096,853
National Bank Limited	-	184,545,803
Mercantile Bank Limited	-	162,538,115
Habib Bank Limited	300,000,000	150,000,000
NRB Bank Limited	-	150,000,000
EXIM Bank Limited	-	100,000,000
Standard Bank Limited	-	99,565,871
Southeast Bank Limited	273,269,031	82,770,218
Commercial Bank of Ceylon PLC	208,333,326	41,666,662
Bank Al-Falah Limited	50,000,000	31,786,696
Bangladesh Krishi Bank	-	130,081
HSBC	300,000,000	-
NRB Global Bank Limited	48,441,164	-
SMAP Bangladesh Bank	752,600,000	-
AB Bank Limited	200,000,000	-
Dhaka Bank limited	500,000,000	-
	<u>12,050,190,748</u>	<u>9,296,087,184</u>
21.3 Borrowing from non-banking financial institutions		
LankaBangla Finance	1,000,000,000	700,000,000
MIDAS Financing Limited	250,000,000	-
Industrial Promotion and Development Company of Bangladesh Limited	350,000,000	-
IDLC Finance Limited	600,000,000	-
	<u>2,300,000,000</u>	<u>700,000,000</u>

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Notes to financial statements For the year ended 30 June 2016

	2016 BDT	2015 BDT
22. Employees' security deposit		
Opening balance	62,877,675	58,940,334
<u>Add: Received during the year</u>	<u>11,798,298</u>	<u>8,882,962</u>
	74,675,973	67,823,296
<u>Less: Refund during the year</u>	<u>3,645,642</u>	<u>4,945,621</u>
Closing balance	<u>71,030,331</u>	<u>62,877,675</u>
23. Customers' general savings		
Opening balance	4,199,899,896	4,003,367,873
<u>Add: Deposits during the year</u>	<u>4,142,971,190</u>	<u>3,478,802,667</u>
	8,342,871,086	7,482,170,540
<u>Less: Withdrawals during the year</u>	<u>3,559,627,635</u>	<u>3,282,270,644</u>
	<u>4,783,243,451</u>	<u>4,199,899,896</u>
24. Other liabilities		
BURO Bangladesh provident fund	3,436,947	513,089
Security deposit from shops	2,750,000	1,200,000
Others (including staff security fund)	9,780,989	5,279,842
Dormant accounts	32,732,409	16,875,804
	<u>48,700,345</u>	<u>23,868,735</u>
25. Service charges on loan to borrowers		
Service charge	4,959,537,892	3,797,140,011
Recovery from amount written off	22,681,610	-
	<u>4,982,219,502</u>	<u>3,797,140,011</u>
26. Interest on borrowing from banks		
Commercial banks	1,077,421,360	957,404,816
Non- banking financial institutions	69,057,421	8,311,111
Specialised institutions	3,101,062	4,173,255
	<u>1,149,579,843</u>	<u>969,889,182</u>
27. Interest on customers savings		
Interest on general savings	206,546,169	237,786,308
Interest on contractual savings	177,634,996	100,972,986
	<u>384,181,165</u>	<u>338,759,294</u>
28. Payment to national exchequer		
Direct tax (note 28.1)	45,858,246	32,850,404
Government fees	2,370,420	892,121
	<u>48,228,666</u>	<u>33,742,525</u>

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Notes to financial statements For the year ended 30 June 2016

	2016	2015
	BDT	BDT
28.1 Direct tax		
Income tax on staff salary and allowances	3,201,673	5,269,611
Corporate tax	22,496,989	22,010,338
Tax deduction from interest on bank deposit	1,637,142	5,570,455
Other taxes	18,522,442	-
	<u>45,858,246</u>	<u>32,850,404</u>

Income tax assessment position of BURO Bangladesh is given below:

Income year ended 31 December	Assessment year	Income as per return filed BDT	Taxable income BDT	Tax paid BDT
2003	2004-2005	9,477,932	760,101	99,520
2004	2005-2006	1,816,585	1,861,585	406,679
2005	2006-2007	98,378	983,878	120,393
2006	2007-2008	860,599	860,599	98,370
2007	2008-2009	1,139,140	1,139,140	151,078
2008	2009-2010	5,626,026	5,626,026	1,272,757
2009	2010-2011	14,953,899	14,953,899	3,604,726
2010	2011-2012	30,339,290	30,339,290	7,439,823
2011	2012-2013	20,967,281	20,967,281	5,091,820
2012	2013-2014	60,163,274	60,163,274	14,885,819
2013	2014-2015	757,916,652	757,916,652	22,010,338
2014	2015-2016	121,413,491	121,413,491	22,496,989

	2016	2015
	BDT	BDT
29. Transportation		
Fuel and lubricants	38,994,348	34,381,492
Travelling allowance	34,021,399	38,012,164
Car maintenance	2,531,145	2,334,631
Daily allowance	11,675,501	8,684,181
	<u>87,222,393</u>	<u>83,412,468</u>
30. Training and research		
Staff training	4,004,298	4,408,143
Meeting and workshop	5,959,207	3,497,659
	<u>9,963,505</u>	<u>7,905,802</u>

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2016

	2016 BDT	2015 BDT
31. Other direct cost		
Office maintenance	-	13,690
Email, telephone and fax	19,507,522	10,248,112
Electricity, gas and water	14,888,428	14,122,401
Entertainment	12,731,908	11,170,104
Bank charges	2,894,540	3,197,815
Postage and telegram	509,719	456,802
Printing materials	-	-
Repair and maintenance	408,985	780,429
Advertisement	573,407	564,125
Newspaper and periodicals	236,242	112,053
Computer accessories	160,823	247,770
Registration (membership fee)	704,549	1,344,017
Miscellaneous expense	52,985,557	39,626,297
	105,601,680	81,883,615
32. Contribution to development project		
Enhanced institutional capacity	-	1,897,195
Education Program (Shikha Sohayota Prokalpa)	2,497,594	-
	2,497,594	1,897,195

33. Others

33.1 Figures in these notes and in the annexed financial statements have been rounded to the nearest BDT.

33.2 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

33.3 Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year, however, bearing any impact on the profit and value of assets and liabilities.

for BURO Bangladesh


(S. K. Sarkar)
Chairperson


(Zakir Hossain)
Executive Director


(M. Mosharof Hossain)
Finance Director

Dhaka, Bangladesh
Dated, 30 September 2016

Five Years at a Glance (as of June 30)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
A	Institutional Profile				
Number of Districts	57	61	61	61	64
Number of Upazilla	394	399	403	403	406
Number of Union	2,508	2,860	3,229	3,489	3,524
Number of Villages	25,012	26,173	27,878	30,201	33,099
Number of Branches	629	634	634	640	648
Total Personnel	5,447	5,417	5,569	5,736	6,179
Staff Dropout Rate	21%	18%	11%	11%	7
Number of Customers	1,082,789	1,104,717	1,053,035	1,269,411	1,356,572
Customer Dropout Rate	9%	8%	9%	4%	3%
B	Savings Portfolio (million BD Taka)				
Yearly Savings Deposit	2,526	5,066	4,113	4,818	6,251
Cumulative Savings Deposit	10,922	15,988	20,101	24,919	31,170
Yearly Savings Withdrawals	2,044	4,155	3,341	3,609	4,255
Cumulative Savings Withdrawals	8,118	12,273	15,614	19,223	23,478
Savings Portfolio	2,804	3,715	4,487	5,696	7,692
Savings Portfolio Growth	21%	33%	21%	27%	35%
Per Client Average Savings (BDT)	2,590	3,363	4,261	4,487	5,670
Savings to Loan Portfolio	41%	29%	33%	35%	31%
C	Loan Portfolio (million BD Taka)				
Yearly Loan Disbursed	13,265	22,110	23,629	26,301	39,515
Cumulative Loan Disbursed	58,136	80,246	103,875	130,176	169,691
Yearly Loan Recovered	11,980	15,995	22,904	23,559	31,548
Cumulative Loan Recovered	51,252	67,247	90,151	113,710	145,258
Loan Portfolio	6,884	12,999	13,724	16,466	24,433
Loan Portfolio Growth	23%	89%	6%	20%	48%
Number of Borrowers	913,362	950,234	896,475	839,183	921,924
Borrower/Customers Ratio	84%	86%	85%	66%	68%
D	Sustainability/Profitability				
Return on Equity (ROE)	12%	24%	29%	30%	36%
Return on Performing Assets	28%	23%	26%	25%	24%
Operating Self-Sufficiency	109%	118%	120%	130%	147%
Financial Self-Sufficiency	104%	110%	114%	126%	142%
Financial Spread (Net Financial Margin)	4.29%	4.57%	5.75%	8.19%	9.61%
E	Portfolio Quality				
On Time Recovery Rate (OTR)	97.27%	98.22%	98.05%	96.81%	97.25%
Cumulative Recovery Rate (CRR)	99.01%	99.18%	99.24%	99.17%	99.22%
Portfolio at Risk-PAR (>30days)	3.44%	1.77%	2.76%	3.31%	2.62%
Risk Coverage Ratio	111%	101%	101%	100%	100%
Loan Loss Reserve Ratio	4.37%	2.46%	3.03%	3.61%	3.16%
Write-Off Ratio	1.61%	0.64%	0.43%	0.68%	0.39%
F	Assets/Liability Management				
Yield on Gross Portfolio	27%	23%	26%	25%	24%
Current Ratio	574%	381%	365%	407%	514%
Financial Cost Ratio	7.39%	7.89%	9.98%	7.25%	6.48%
Annual Growth to Total Assets	26%	73%	12%	17%	43%
G	Leverage				
Debt to Equity	3.52	5.60	3.92	2.80	2.66
Debt Service Coverage Ratio	1.12	1.13	1.15	1.15	1.37
Capital Adequacy Ratio	17.49%	12.37%	17.12%	21.05%	21.36%
H	Efficiency/Productivity				
Loan Officer (LO) Productivity	306	295	315	385	337
LO Productivity (Loan-BDT)	1,942,558	3,476,753	4,110,365	4,995,734	6,065,834
LO Productivity (Savings-BDT)	791,200	993,763	1,343,820	1,728,034	1,909,454
Average Disbursed Loan Size (BDT)	12,757	21,018	24,422	29,347	40,753
Average Outstanding Loan Size (BDT)	7,537	13,680	15,309	19,621	26,502
Cost of per Unit Money Lent (BDT)	0.07	0.05	0.06	0.05	0.04
Operating Expenses Ratio	15.12%	10.34%	9.88%	9.56%	8.34%

Five Years Balance Sheet (as on 30 June)

Figure in Million Taka

PARTICULARS	2011-12	2012-13	2013-14	2014-15	2015-16
PROPERTY AND ASSETS					
Current Assets					
Cash and bank balance	473.12	244.59	906.48	552.11	410.65
Investment	575.01	802.56	1,086.93	1,432.96	1,433.90
Other current assets	141.40	172.96	281.55	458.94	759.81
<i>Loan portfolio</i>	<i>6,884.43</i>	<i>12,999.58</i>	<i>13,724.51</i>	<i>16,465.94</i>	<i>24,433.18</i>
<i>Loan loss reserve (LLR)</i>	<i>300.89</i>	<i>320.42</i>	<i>416.20</i>	<i>593.66</i>	<i>772.91</i>
Loan portfolio-net of LLR	6,583.54	12,679.16	13,308.31	15,872.28	23,660.27
Total Current Assets	7,773.07	13,899.27	15,583.27	18,316.29	26,264.63
Long - Term Assets					
<i>Fixed assets at cost</i>	<i>710.37</i>	<i>765.84</i>	<i>802.80</i>	<i>847.60</i>	<i>1,153.61</i>
<i>Accumulated depreciation</i>	<i>98.77</i>	<i>121.45</i>	<i>142.92</i>	<i>176.61</i>	<i>223.86</i>
Fixed assets -net of accumulated depreciation	611.59	644.39	659.88	670.99	929.74
Total Long - Term Assets	611.59	644.39	659.88	670.99	929.74
Total Assets	8,384.67	14,543.66	16,243.15	18,987.28	27,194.37
LIABILITIES AND FUNDS					
Current Liabilities					
Employees' security deposits	53.76	56.42	58.94	62.88	71.03
Clients' general savings	1,222.86	3,436.56	4,003.37	4,199.90	4,783.24
Bank overdraft	0	1.64	0	0	0
Other liabilities	0.25	5.15	17.11	23.87	48.70
Total Current Liabilities	1,276.87	3,499.76	4,079.42	4,286.65	4,902.97
Long-Term Liabilities					
Clients' regular voluntary savings	1,581.15	0	0	0	0
Clients' contractual savings	0	279.12	483.65	1,495.70	2,908.04
Emergency funds	0.87	0.84	0.84	0.84	0.84
Micro insurance	30.84	65.76	83.42	183.42	368.49
Borrowing from Specialized Institution	93.28	87.21	59.51	38.82	23.24
Borrowing from Commercial Banks	4,419.39	8,541.82	9,513.19	9,296.09	12,050.19
Borrowing from Non-Bank Financial Institution	0	719.66	0	700.00	2,300.00
Total Long-Term Liabilities	6,125.53	9,694.41	10,140.60	11,714.86	17,650.80
Funds and Surplus					
Revolving loan fund (donors' grant)	138.82	138.82	138.82	138.82	138.82
Emergency disaster fund (donors' grant)	86.02	96.04	106.54	116.21	120.84
Other Funds	0	0	69.63	106.78	116.82
Accumulated surplus reserve fund	0	0	170.00	278.98	391.96
Accumulated surplus	757.42	1,114.62	1,538.16	2,345.00	3,872.17
Total Net Worth	982.26	1,349.49	2,023.13	2,985.77	4,640.60
Total Liabilities and Net Worth	8,384.67	14,543.66	16,243.15	18,987.28	27,194.37

Source: Audit Report

Five Years Income and Expenditure Account

(as on 30 June)

Figure in Million Taka

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
A Financial & Micro Credit Income					
Service charges/Interest on loans	1,706.75	2,287.94	3,525.89	3,797.14	4,982.22
Service charges from remittance services	7.38	4.01	5.31	6.54	6.89
Sales of loan application forms	29.17	29.17	26.42	26.14	27.25
Borrowers admission fees	10.68	10.60	8.59	3.73	4.71
Interest on bank deposits	20.97	60.16	66.56	115.88	111.91
Interest on staff loan	1.52	1.51	1.15	1.45	1.37
Others	4.81	3.93	8.08	4.07	15.41
Total Financial & Micro Credit Income (A)	1,781.28	2,397.33	3,642.00	3,954.95	5,149.75
B Financial Cost					
Interest on borrowings	462.63	778.67	1,388.64	969.89	1,149.59
Interest on customers' savings	110.28	145.76	178.08	338.76	384.18
Total Financial Cost (B)	572.92	924.44	1,566.72	1,308.65	1,533.77
C Gross Financial Margin (A-B)	1,208.36	1,472.89	2,075.28	2,646.31	3,615.99
D Provision for loan losses	110.66	82.95	153.64	279.55	259.29
E Net Financial Margin (C-D)	1,097.70	1,389.94	1,921.64	2,366.76	3,356.70
F Operating Expenses					
Salary and allowances	698.24	758.37	1,025.51	1,095.22	1,289.25
Rental office	63.33	67.71	73.78	74.12	77.72
Payment to national exchequer	10.19	18.30	20.63	33.73	48.23
Transportation	54.17	62.56	76.16	83.41	87.22
Training & research expenses	9.49	5.22	8.36	7.91	10.06
Office supplies	25.05	24.47	27.56	32.37	23.97
Depreciation	27.21	23.56	26.42	35.82	59.65
Audit & professional fees	1.60	4.11	2.10	4.59	6.76
Project contribution	4.03	0	0.20	1.90	0
Other expenses	60.16	68.42	67.40	81.88	113.67
Total Operating Expenses (F)	953.48	1,032.74	1,328.11	1,450.94	1,716.54
G Net Surplus/(Deficit) (E-F)	144.22	357.20	593.53	915.81	1,640.15

Source: Audit Report



In the world of digitization, BURO is well equipped already and are on their final stage to having an automated system exclusively at all branch level. This system will definitely help BURO to be a more competent and efficient organization



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