

Annual Report

2014-2015



BURO
Bangladesh

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2014-2015





contents

Message from the Executive Director	04
Glimpses of BURO	06
Highlights	10
Our Success	11
Principles of Savings Mobilization	12
What We Stand For	15
Our Values	17
BURO in Forward Motion	18
Recognition	19



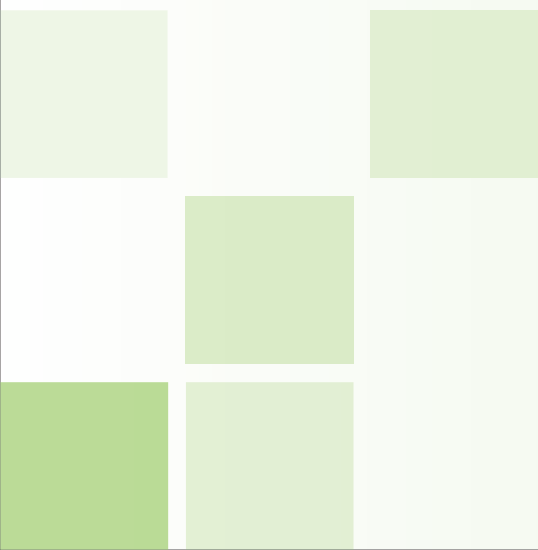
Microfinance Market	20	Disaster Management	66
Corporate Governance	24	Human Resource Development	68
Financial Inclusion	32	Safe and Secure Water	72
Microfinance for Hardcore Poor	38	Business and Financial Literacy	76
Microfinance for Moderate Poor	40	Future Direction	78
Microfinance in Agriculture	48	Independent Auditors' Report	83
Microfinance in SME	54	Five Years at a Glance	100
Micro Insurance Services	58		
Performance Analysis	60		



Executive Director's Statement

The much increasing motion of microfinance in Bangladesh is a challenge that brings forth further necessity to increase the institutional capacity of NGO-MFIs. This imbibes that the dignity, honor and self-esteem of the NGO-MFIs in its internal and external environment experience vertical movement as constant. BURO is very much careful in this regard and make all-out endeavors to improving the institutional capacity of the organization reducing the gap within interpersonal relation in the internal environment of the organization. This leads to creation of homogenous culture within the total realm as the supreme asset of the organization. The basic principles of continuity being followed continuously has the biggest contribution to bringing new homogenous culture within the organization. The differences in opinion among the staffs of the organization at different levels are gradually being eroded through continuous interactive interactions among them. The seeds of responsiveness and responsible behavior of the staffs at all levels are sown and seedlings are germinated as a constant phenomenon which protects the sustainability of the organization indicating the outcome of organizational restructuring.

The organizational restructuring is simultaneously followed by programmatic restructuring. The financial inclusiveness is gaining momentum with much vigor particularly in agriculture and small and medium



enterprise (SME) development. The value addition to financial inclusiveness emanates from creating entrepreneurs by BURO even at rural remote areas instead of limiting itself at city and urban areas. Financial Inclusiveness is based on two dimensional approaches: horizontal and vertical movement of the financial services embracing the old and new clients of the organization. The reinforcement to the flexible financial services stem from three dimensions. **First:** strengthening the existing social programs. **Second:** stressing on the institutional capacity through new dimensional training. **Third:** introducing new concept on the financial services. This is the demonstration of taste, flavor and spirit of the organization combined together.

I would like to draw attention to the space created in the lives and living conditions of the customers of BURO. The demand is, that the spaces shall be filled in by the undeniable supplies in collaboration with the customers of the organization imbibed in the continuity of principle. The value addition to BURO emanates from three factors. **First:** business and financial literacy. **Second:** WaterCredit – a new social program. **Third:** financial inclusion and deepening of financial inclusion. In addition to these three factors BURO has embarked towards **Fourth:** Agent Banking and **Fifth:** Mobile Banking which are in operation facilitating the deepening of the financial inclusiveness laterally.

I express my deepest gratitude to the internal and external environments of BURO largely credited for the consistent development of relations of fraternity between the organization and its direct & indirect stakeholders. I am happy with those organizations, development partners, central bank, banks and non-banks, Micro Credit Regulatory Authority-MRA, NGO Affairs Bureau, different ministries of the Government and others who have remained with us throughout our journey so far.

With my best, warmest and kindest regards.

Zakir Hossain

Executive Director

Dated: September, 2015

The financial inclusiveness is gaining momentum with much vigor particularly in agriculture and small and medium enterprise (SME) development. The value addition to financial inclusiveness emanates from creating entrepreneurs by BURO even at rural remote areas instead of limiting itself at city and urban areas



Glimpses of BURO

the mixed wisdom, perception and knowledge of the internal environment is the technology of the organization...

Institution

The taste, flavor and spirit of microfinance are truly manifested in the horizontal and vertical phenomenal growth of BURO Bangladesh set-up in 1990. As an irreversible institution BURO attains its overriding undeniable characteristics solidly identified itself as specialized micro-finance institution within the overall realm of Bangladesh financial market. The sustainability of the organization has been carried forward along with the achievements stressing on the retention of its well experienced human resources as the cross-cutting theme. The brilliant matching between the phenomenal growths as the demand is grafted uniquely with the programmatic restructuring as the supplies of the organization. The mixed different perception, knowledge and wisdom brings the birth of uniform technology as the central lever of the organization. The high quality flexible financial and social services to low-income people, particularly the women are regarded as the most urgent demand of the day.

Equal weight is given by BURO on the two fundamentals irresistibly required to introduce new technologies. The dire needs of the economical markets bring remittance services to the people as new technology with unique identity through a high profile network of its

branches. The given significant emphasis on agriculture by the organization brings as the part of both organizational & 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 horizontally and vertically since its inception. The organization continues with new financial technology maintaining 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 economical policies. The services delivery provision of the organization maintains certain degree of non-financial services.

The ongoing social technologies are 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 imbibed in its services delivery power since the beginning unequivocally surfaces the organization as

an undeniable Social Capital. The space is created to diversify the participation of the clients in the activities of the organization. The original taste, flavor and 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 technology of the organization which produces financial and social products in addition to one insurance scheme with its own identity to deliver to the customers of the organization.

Our Identity

The charisma, uniqueness and magnetism are its three well embedded identities that rolls BURO. Instead of maintaining dogmatic understanding about microfinance and its clients BURO moves steadily banking on its own previous experiences. The organization capitalizes its previous experiences with new developments in the markets of the financial and economical relations changing the dimensions in the base of the organization.

Customers

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

Very Poor/Extreme Poor

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

Moderate Poor

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

Micro Entrepreneurs and Small & Marginal Farmers

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

Professionals of Insufficient Income

- The teachers and staffs 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 & 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 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 the most fundamental to reduce information asymmetry in development. BURO exposure to external environment carries the most powerful weapon designated as the creative wisdom of the organization. This is the combination of expanded wisdom of the individuals within the organization and the constituents of its base. This generates constantly from sharing of their experiences about the social, political and economical relations in their own surroundings. The value addition to the creative wisdom of the organization stems from the mixture of information symmetry. BURO develops information symmetry through filtering the experiences of the constituents of the base in the internal and external environment.

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



highlights

Professional Attainment

- Awarded third position in the NGO-MFI sector by the Institute of Chartered Accountants of Bangladesh (ICAB) for Best Published Reports and Accounts 2013.
- Awarded certificate of merit in NGO/MFI by the South Asian Federation of Accountants-SAFA for Best Published Reports and Accounts 2013.
- 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 organisation 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 AA₃ (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 2014-2015.
- Paid off BDT 32.85 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

- Development of networking among women entrepreneurs through linking SMEs and Financial Inclusiveness promoting natural fiber-based products from agricultural wastages.
- Mobile Banking piloted and is still continuing with its strengthened institutional capacity.
- Agent Banking of Bank Asia Limited is in piloting.
- Business and Financial Literacy introduced for the clients.

- Safe and Secure Water becomes remarkable success of the organization.
- In consonance with the initiative of Bangladesh Bank (Central Bank) for enhancing Financial Inclusion BURO is accommodating account holders of BDT 10 with the formal banking institutions.
- Five branches in Kurigram district for Hard-Core poor with flexible approach in microfinance are transformed into profitable operation.
- Agriculture loan for small and marginal farmers in operation at large scale since 10 years ago.
- Microfinance in SME in operational.
- With the approval of MRA the contractual savings for the customers in operation.
- Business and Financial Literacy introduced for the clients.
- Safe and Secure Water becomes remarkable success of the organization.

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.
- Customers' controlling authority for withdrawal all of their savings from the general account leaving BDT 20.
- Agent Banking is expected to cover other banks also.

Operational Performance

- Hard Core poor branches enter into making surplus/profit from this year.
- 101,252 entrepreneurial clients are trained on business and financial literacy.
- 130% and 126% operational self-sufficiency and financial self-sufficiency respectively.
- Net Surplus (Operational Profit) BDT 915.81 million.
- Capital Adequacy Ratio stands 21.05%.
- Borrowing from Bank BDT 10.53 billion.
- 30% of total revolving loan fund constituting customers' savings.
- 96.81% on-time recovery rate (OTR).
- 3.31% for portfolio at risk (>30 days) and 96.22% without any payments in arrears.
- 9.56% operational expenses ratio.
- 7.25% capital/financial expenses ratio.
- BDT 0.05 as cost per unit of money lent.
- Per Loan Officer dealing in BDT 6.68 million.

OUR SUCCESS

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

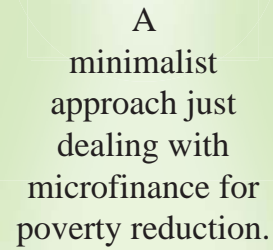
Product and Services

We have made our clients more conscious and brought in our financial discipline. Their capacity was developed through numerous training at the grass root levels. They are enabled in the money management properly which ensures a sustained income flow from their respective businesses.

Business Discipline

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

Harvest Knowledge & Experience



A minimalist approach just dealing with microfinance for poverty reduction.

Methodology

We are always meticulous to the clients' need, what they want and what they dislike. This means BURO is careful about customers' free choice. This practice is not generally followed by any MFIs.

Clients' Choice

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

Professionalism

BURO is on the road towards achieving highly professional institution manifested in following the internationally recognized Principles of Savings Mobilization...

Principles of Savings Mobilization

BURO underscores savings are 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 the competitive market, the propensity of savings at individual or family or country level has become more depressed, particularly at poor individual and household level. Thus, simple motivation alone does not work, exploration of 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 the recognition of the merit or the ability to do something and this recognition to the poor and disadvantaged who suffer from dire frustration and are always neglected is an asset for them. And recognizing freedom of the poor and disadvantaged will obviously increase their self-esteem in the society, as such, will also increase their moral obligation towards their family, their community and their society. The blend 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 the maximum utility of



customers is the linear relationship among these three basic standards which the customers consider BURO Bangladesh as the niche of the linear relationship. 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.

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

Recognition to Poor Save

The recognition to that the poor save which is an established fact in many of the developed and developing countries including Bangladesh 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 people 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 be and established 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 customize for each saver’s needs.

Accountability and Qualifications

The boards, donors, managers and staffs 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. But well-trained and articulated staffs are essential to attract potential savers and keep existing savers. Above all, customers’ relations of the institutions where savers want to deposit savings become 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 but 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



staffs 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. As such, 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

An MFI when 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 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.

VISION

A happy, prosperous and pluralistic 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.

What We Stand For

Strategic Priorities

BURO maintains continuously strategic thinking with the participation of the organizational leadership to ensure the smooth functioning of the organization. Nonetheless 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 economical 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.
- Organize organizational restructuring in relation to programmatic restructuring of the organization.
- Exercise increasing presence with the concerned authorities of the government agencies and microfinance sector.
- Adapt strategies with the emerging demands in the demand side for vibrant supply chain of BURO.

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 & service delivery.
- Continuously assess BURO Bangladesh and its competitors' offer for positioning in the market.
- Improve the vivacity in BURO comparative advantage as constant phenomenon within the nation-state.
- 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 dogmatic 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 to facilitate both supplementing each other.

The continuous refreshing of certain basic parameters is essential because no paradigm is dogma in this universe. The changes are the new taste, new flavor and new spirit induced in the internal and external environment of the organization.



OUR VALUES

Listening to Customers

- BURO spinning on its clients' base.
- Respect the service recipients as valued clients.
- The program pivots on clients' choice.
- Demand creation by the clients themselves.
- Clients' voice about the quality and adaptations of BURO financial services.
- Change rules and regulations based on customers' likes and dislikes.

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 are mandated to withdraw savings whenever is necessary.
- Organization is 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 Services

- 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 takes 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 are 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 encompasses 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 WaterAid Financial Inclusion linking commercial banks

The healthy 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 awards 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 is awarded joint winner along with BRAC, and in 2009 is awarded first runner-up and in 2010, 2012 and 2013 is awarded Certificate of Merit.

Credit Rating

BURO is awarded with credit rating grade AA₃ (double A) in the long term and ST-2 in the short term.

ICAB National Award for Best Published Reports and Accounts

The Institute of Chartered Accountants of Bangladesh (ICAB) awards BURO for last eight years consecutively to publish the best published Reports & Accounts for 2005 (second), 2006 (first), 2007 (third), 2008 (second), 2009 (second), 2010 (third), 2011 (third), 2012 (third) and 2013 (Certificate of Merit). This is a notable national recognition for financial transparency.

Social Performance

The social performance of BURO based on CERISE SPI tool underlines a unique score for BURO as 70 out of 100. The social audit tool SPI is based on 4 dimensions. **First:** targeting the poor & excluded. **Second:** adaptation of services. **Third:** benefits to clients. **Fourth:** social responsibility.

The Social Performance of BURO was conducted by MicroSave with the financial assistance from Michael & Susan Dell Foundation.

Training Providing 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."

RECOGNITION





Microfinance Market

the integration between financial and economical market contributed largely by Microfinance Market...

Economical and Financial Market

The increasing complexities in the political and economical relations within the realm of whole world also make the functioning of the microfinance institutions more complicated. The political & economical markets are so intertwined 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 the same market bring the changes in the economical market. The microfinance institutions imbibed 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 vivacity 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 freedom for free movement is of paramount importance. The intertwined behavior between savings deposit by the clients & lending 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 & economical market has the probability to demonstrate new economical recession in the lives of the people.

The new paradox in the growing crises of economy all over the world underscores the new dimensional approach in the relation between the economical and financial market. The fear is that the continuation of the political and economical crises all throughout the globe will affect Bangladesh. The market segmentation among the formal financial institutions (Banks) and semi formal financial institutions (MFIs) is very much likely to occur within the political and economical doldrums going on in 2015. The market segmentation may become grimmer increasingly. Some of the formal and semi formal financial institutions may be liquidated due to worldwide economical and political crises to become more dominant. The other option is that the corruption and politicization may infiltrate among these institutions threatening the existence of those institutions. 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 the deepening of financial inclusion. The

existence of the people, Central Bank, Banks and MFIs in commune is the integration between the economical and financial market. The synergy and reciprocity between economical and financial market is of supreme importance to bring positive changes in the lives and living conditions of the two markets. This is urgently needed to enhance increased national economical growth of a given nation-state. The two markets work independently as both backward and forward linkages to each other by virtue of their role relations with different characteristics.

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 nexus between the economical market & national economic growth of any nation-state. The social capital & social business are and shall be inbuilt in the economic policies.

Bangladesh is unique 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 economical 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 economical 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 makes certain aggressive behavior with the development of infrastructures facilitating the growth of the financial market. The new entrant 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: 18,431; (2) number of active members: 35 million; (3) disbursement of micro-credit: BDT 679 billion; (4) outstanding loan: BDT 433 billion and (5) net savings: BDT 237 billion [Source: Bangladesh Microfinance Statistics 2014, 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. The integration necessitates taking 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. PKSF as the largest wholesaling of microfinance has meanwhile funded around 200 MFIs. Anukul Foundation and Stromme Foundation are also providing loans to the MFIs. The banks are following a number of conduits to supply capital that includes syndication, securitization, guarantee and direct lending. The contribution from banking sector to the capital base of MFIs during last five years is growing at a constant pace.

Bangladesh Bank through adopting Agriculture and SME policies & programs opens the space for more intense and diverse participation of MFIs within the realm 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 capital.

The government vis-a-vis Central Bank are needed to give due 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.

More NGO-MFIs Being Used 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 & 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 indicate its aggressive behavior to rejuvenate the participation of the people in the markets. The remittance supply as the new technological innovation in microfinance has been in operation for a long time. To make the money transfer faster to the recipients, the branches of a few 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 & 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 lender and MFIs will contribute to the integration between the financial & economical market.

BURO understands positive corporate culture as the professional behavior that brightens the internal environment and its linkage with the external environment



Update on Microfinance Regulation

The Microcredit Regulatory Authority Act, 2006 was passed in July 2006 with an effect 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 purview 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 at regular intervals in order to learn both advantages and disadvantages arising out of MRA interventions within the realm 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 help both MRA and NGO-MFIs to enrich respective treasure of interventions at the same time develop reciprocity and synergy between these two undeniable institutions in microfinance industry.

**professionalism with
reciprocity and
synergy among the
entities of
microfinance industries
progressing steadily...**

Corporate Governance

BURO begins its journey since considerable period ago to establish 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. The corporate governance of BURO has the taste, flavor and spirit in its relation with the external environment also. BURO maintains 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 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 staffs 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

within the realm of corporate governance of the organization. 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 come from different professional domains. These are: 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 organizations. 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 07 members with different professional background. The Governing Body is the gem of diverse professional experiences irresistibly required for the growth of the organization. The Governing Body works 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
Executive Director, Akij Food & Beverage Limited, Akij Group

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.

In 2014-2015 four Governing Body meetings were held each on 23 July 2014, 02 January 2015, 12 March 2015 and 24 June 2015. The 21st AGM was held on 16 January 2015. At the AGM the annual report, audit report, budget, appointment of auditors etc. were discussed and approved by the members.

It is intended to graft both governance and management issues of the organizations within the realm of corporate governance of the organization. The benefit of the organization lies in unlocking instead of locking the management system of the organization



Operational Board of Directors (OBD)

The decision making authority concerning the management of the organization is the Operational Board of Directors (OBD) together with the Executive Director. The Executive Director is authorized to take decisions under special circumstances. The OBD is directly facilitating the Executive Director to exercise all executive and financial matters of BURO. The OBD consists of 04 Directors of the organization.

- M. Mosharrof Hossain
Finance Director
- Md. Sirajul Islam
Special Program Director
- Khandaker Mahfuzur Rahman
Risk Management Director
- Pranesh Chandra Banik
Special Program Additional Director

The members of the OBD remain directly responsible and accountable to the Executive Director of the organization. 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.

Senior and Mid-Level Professionals

Program

Divisional Managers

Kh. Mokhlesur Rahman
Senior Divisional Manager, Dhaka

Md. Arshad Alam
Divisional Manager, Bogra

Zafar Ahmed Jewel
Divisional Manager, Khulna

Saidur Rahman
Divisional Manager, Comilla

Mohsin Hossain Khan
Divisional Manager, Mymensingh

Istak Ahammed
Divisional Manager, Pabna

Zonal Managers

Abdus Salam, Comilla

Rafiqul Islam, Narayangonj

Shamim Kabir, Tangail

Haroun Or Rashid, Modhupur

Mir Mukul Hossain, Gazipur

Reaz Uddin, Faridpur

ABM Alauddin Ahmed, Mymensingh

Samar Ali Fakir, Chittagong

Awlad Hossain, Sylhet

Altaf Hossain, Bogra

Mohammad Zahirul Islam, Dhaka Metropolitan

Tutul Chandra Paul, Rajshahi

Al Amin Khan, Jessore

Sirajul Islam, Pabna

Abu Sayeed Shikdar, Borishal

Shahadat Hossen, Noakhali

Motaharul Islam, Rangpur

Abul Bashir Sarder, Khulna

Administration

Md. Shahinoor Islam Khan

Assistant Coordinator (Head) - 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

Assistant Coordinator - Internal Audit

Monitoring & Reporting

Sayed Ahamed Khan

Assistant Coordinator - Monitoring and Reporting

Training and Capacity Building

Md. Nazrul Islam, Assistant Coordinator - Training

Special Program

S M A Rakib, Officer- Special Program

Information Technology (IT)

Shahinur Islam, Senior Manager- IT

Disaster Management

S. Z. M. Shahriar, Manager, Disaster Management

Audit Committee

The following three members constitute the Audit Committee belonging to Governing Body of BURO:

1. Altaf Hossain
Vice Chairperson of Governing Body - Chairperson
2. Dr. Md. Nurul Amin Khan
Finance Secretary of Governing Body - Member
3. 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.

Roles and Purposes: 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 is being held deeply discussing the transparency, accountability, and financial control management of the organization. It emphasizes on increasing institutional capacity of the finance and program unit, increasing integration between the finance and program section and increasing 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. 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 640 branches supervised by 108 Area Managers spread over 18 zones equally distributed among 6 Working Divisions. The Zones are supervised by Divisional Managers.

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 Institution. All permanent employees of the Institution are contributing monthly to the fund which is equal to 10% to 20% of the basic salary. The Institution 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' 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. The income tax assessment of the organization has been duly completed for the assessment year 2014-15.

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 formu-



late 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 tests 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 organizers (PO) or the loan officers. 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

The organization develops and pursues a very rigorous and transparent internal control system. Most international standard norms and practices are also meticulously incorporated

at three levels: the Governing Body, the Head Office and the 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 staffed with a Director. A total of 71 audit staffs 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 pass book 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 higher level and asked for clarifications, 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.

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 equipments 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. The organization undertakes short-term and long-term financial projections and uses these to ensure fiscal and budgetary control.

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

the Financial Inclusion increasing its own Horizontal and Vertical Demand...

Financial Inclusion as its both horizontal and vertical outreach to the customers explores different conduits encompassing the NGOs as the most important structural social capital. As such, 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 application of remittances together with the effect of other microfinance services has the demand creation of fertilizing the institutional capacities of the microfinance clients all throughout the Bangladesh. The uncovering diversification in banking sector is yet to contribute significantly to the total gambit of the lives and living conditions of majority of the people. But it needs to bring innovation from the commercial banks also.

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.

Financial Inclusion is reckoned in Bangladesh as access to financial services from:

- a. Officially regulated and supervised entities (banks and financial institutions licensed by Bangladesh Bank, MFIs licensed by the Micro-credit Regulatory Authority and
- b. Official entities themselves (post offices offering savings, money transfer and insurance services, national savings bureaus).

The policies formulation, planning and implementation is the sole responsibility of Central Bank of Bangladesh popularly known as Bangladesh Bank (BB). The financial sector includes banking and non-banking but semi-formal-institutions popularly known as NGO-MFIs. BB performs all the core functions of a typical monetary and financial sector regulator, and a number of other non core functions. The adopted measures to bring synergy and reciprocity are intended to bridge the gaps in financial inclusion of the larger segment of the people that will cross fertilize increasing the spaces due to microfinance services. The cross

fertilization between the space and financial inclusion is intended to bring financial stability in the market.

The financial inclusion demonstrates the following features.

First: refinance schemes for banks against their loans to Small and Medium Enterprises (SMEs). **Second:** the agriculture credit program announced by BB for all banks. **Third:** affordable access to the banking sector by the farmers. **Fourth:** Introducing Green Bank is the development of infrastructures in the economic growth. **Fifth:** Corporate Social Responsibility (CSR) by the financial institutions.

Four institutional arrangements cross fertilize the increased space facilitating the entry of financial inclusion and its deepening in the market.

1. Government's respective line Ministry
2. Banks
3. NGO-MFIs
4. Credit and Development Forum (CDF)

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 cohe-

sion 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.

Remittances Services shall specially mentioned about its undeniable importance to enhance financial inclusiveness. Bangladesh Bank (Central Bank) within a very short span has taken two very pertinent initiatives to rejuvenate the rural and urban economy. **First:** remittance services. **Second:** financial inclusion. The creation of space by the remittance services for further investment through financial inclusion transformed both the technologies in the financial market as intertwined. One sustains the other through expanding the spaces to stay together.

Remittance Services

Bangladesh Bank (Central Bank) within a very short span adopts two very pertinent initiatives to rejuvenate rural and urban economy. **First:** remittance services.



Second: financial inclusion. Unlike remittance services financial inclusion has recently been introduced by the Central Bank as new technology in the financial market particularly for the rural areas. Financial inclusion assumes that the remittances can be directly reached to the hands of the recipients through NGO-MFIs. This has opened the space for further deepening the investment by the entrepreneurs in the rural and urban areas.

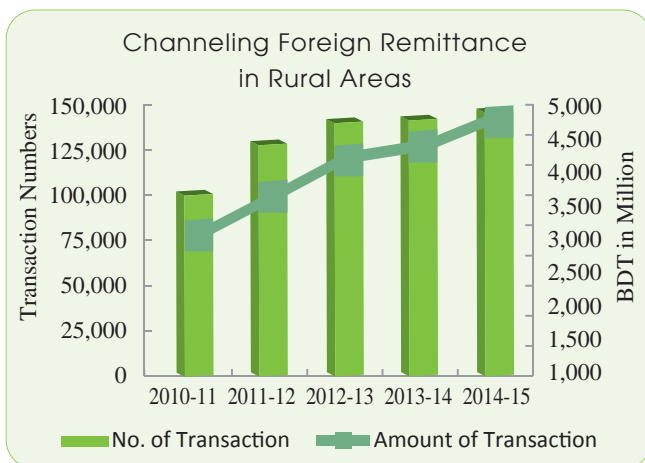
The remittance program is unequivocally an undeniable technology in the financial market that opens the virginity of the use of remittances in the market of economic relations. The remittances either from the foreign or domestic sources had so long been mostly sleeping in unproductive usage. Due to the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





BURO is implementing “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 across the country through 225 terminals

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 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 avail-



able 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 all 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 vis-a-vis 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. Furthermore 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.

**without
Hardcore Poor
Microfinance is
Dysfunctional
in reality ...**



Microfinance for Hardcore Poor

The primary microfinance operation through NGO-MFIs remains usually limited to the poor and marginal households in the rural and peri-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 with the technical and financial assistance of Stromme Foundation.

Table-1: Summarized balance sheet and Income Statement of 5 hardcore poor branch, as on 30 June 2015

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	5,827,861	Interest on Loan	26,343,543
Loan Portfolio net of LLR	117,874,487	Other Income	383,476
Advance	455,315	Total Income	26,727,019
Current Assets	0	Expenditures	
Cash at Bank Balance	3,299,191	Interest on Savings	1,409,753
Total Assets	127,456,854	Interest on Borrowing	10,145,018
Fund and Liabilities		Loan Loss Provision	
Customers' Saving	32,482,329	Other Expenses	8,685,311
BURO Bangladesh Fund	97,467,371	Total Expenditure	21,669,528
Stromme Foundation	4,079,010	Net Profit/(Loss)	5,057,491
Accumulated Profit/(Loss)	(6,571,856)		
Total Fund and Liabilities	127,456,854		



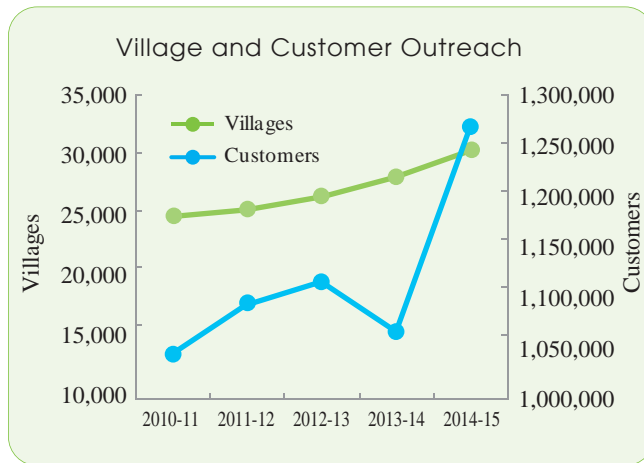
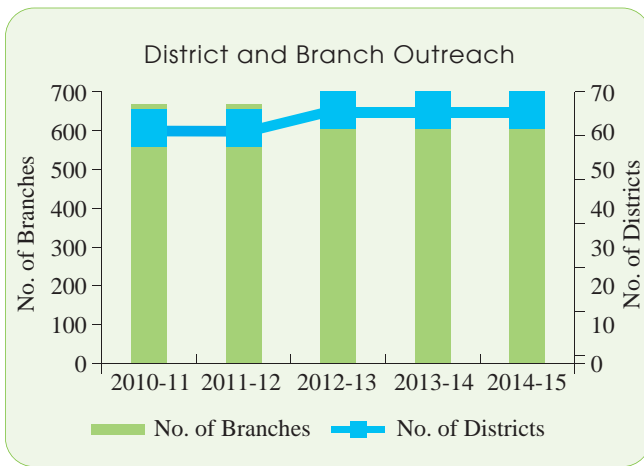
**customers’
increasing
trend to
preserve the
savings
indicates ...**



Microfinance for Moderate Poor

Geographical Coverage

As of June 30, 2015 BURO expands its geographical coverage to a considerably large extent. Through 640 branches BURO provides its flexible financial services to 30,201 villages in 3,489 unions of 61 districts in all seven divisions.



Customer Outreach

The number of active customers stands at 1.3 million as of June 30, 2015 as against 1.1 million in last financial year. The women constitute around 99% of the total customers. Customer dropout is common in the micro-finance 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 4% from 9% in 2014-15.

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:

First: Strengthen the governance and management functions to optimize the security of the savings products offered by the institution.

Second: Assess, understand and respond to the demand for a variety of differentiated savings products and offer a range of liquid and illiquid products; and

Third: 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 general savings account requires a nominal minimum balance of BDT 20. 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.

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. BURO 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.

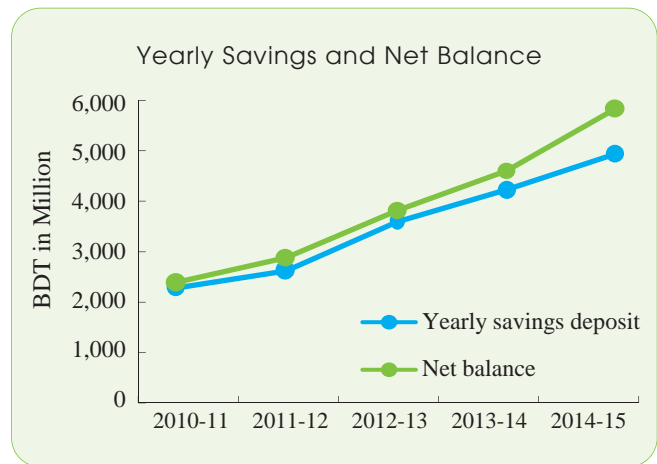


Table-3: Savings deposits, withdrawals and net balance as on June 30

FY	Yearly		Net Balance	In-creased	Average Savings per Clients BDT
	Deposit	Withdrawals			
Million BDT					
2010-11	2,206.64	1,611.92	2,321.50	34%	2,255
2011-12	2,526.28	2,043.77	2,804.01	21%	2,590
2012-13	5,066.19	4,154.52	3,715.68	33%	3,363
2013-14	4,112.82	3,341.48	4,487.02	21%	4,261
2014-15	4,818.06	3,609.48	5,695.60	27%	4,487



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.

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

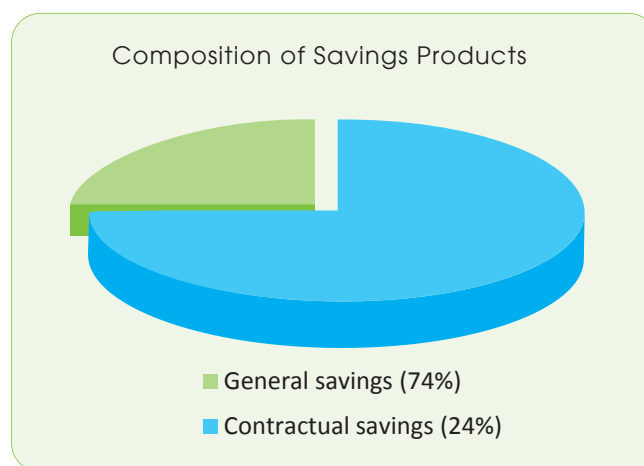
Fourth: Customers can (and often choose to) open more than one account in the same name simultaneously.

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

As of June 30, 2015, the net savings balance is BDT 5,696 million as against BDT 4,487 million in the preceding year. During the year, the customers' deposit is total of BDT 4,818 million and withdrawal is BDT 3,610 million. The savings registers an increase of 27% during the year as opposed to 21% in the preceding year. Yearly savings deposit and withdrawal for the last five years is shown in table-3.



Savings by Products

In 2014-15, the net savings stands at BDT 5,696 million. The net savings include general savings amounting BDT 4,200 or 74% and contractual savings BDT 1,496 million or 26%. The total savings breakdown is mapped in table-4.

The loan products are produced in response to the demands of its customers to assist their economic activities

Table-4: Savings balance by product as on June 30

“Amount in Million BDT”

Products	2010-11	2011-12	2012-13	2013-14	2014-15
General Savings	1,772.14	2,319.73	3,436.56	4,003.37	4,199.90
Contractual Savings	549.35	484.27	279.11	483.65	1,495.60
Total	2,321.49	2,804.00	3,715.67	4,487.02	5,695.50



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.

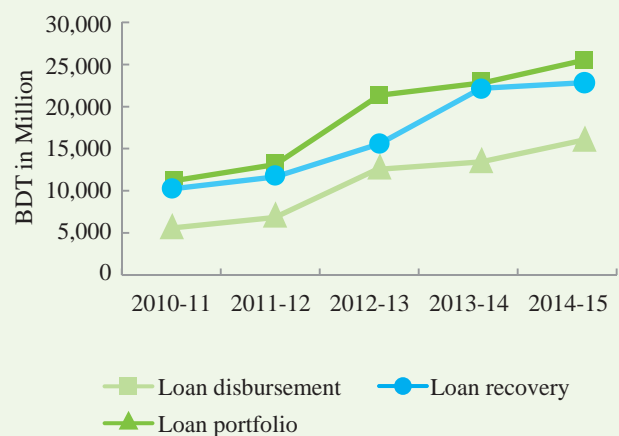
- The clients do not have to take loans from BURO like many NGO-MFIs. BURO only gives loans as and when the clients want them to support their economic activities.
- BURO loans are not linked to savings balances like the practices of most of the NGO-MFIs clients. The institutional behavior of loans and 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

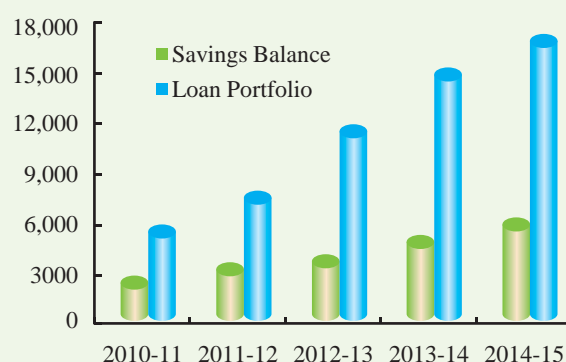
Disbursement, Portfolio and Recovery



The average loan size based on disbursement is BDT 29,347 as against BDT 24,422 in 2013-14. The loan portfolio increases by 20% during the year. The rising trend effectively demonstrates the demand for increased loans. The on-time loan recovery rate is 96.81% compared to 98.05% in 2013-14



Comparative View of Savings vs Loan Portfolio (BDT in Million)



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.

Table-5: Yearly loan disbursement and balance as on June 30

FY	Disbursement		Loan Port-folio	Average Loan Size	
	Yearly	Cumulative		Disbursement	Balance
2010-11	11,491.22	44,871.81	5,600.07	11,051	6,325
2011-12	13,264.53	58,136.34	6,884.43	12,757	7,537
2012-13	22,110.89	80,247.23	12,999.58	21,018	13,680
2013-14	23,628.52	103,875.75	13,724.51	24,422	15,309
2014-15	26,300.29	130,176.04	16,465.94	29,347	19,621



agricultural loan enhances food security of the households. The creation of self-employment through developing agriculture sector is given significant emphasis

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 500,000. 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 peri-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 27 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

In 2014-15, the average loan size based on disbursement is BDT 29,347 as against BDT 24,422 in 2013-14. The loan portfolio increases by 20% during the year. The flexible loan and customer friendly services had the push effect on the customers’ increasing demand for loan from BURO particularly which has become a constant phenomenon. The rising trend effectively demonstrates the demand for increased loans. The on-time loan recovery rate is 96.81% compared to 98.05% in 2013-14.

During the financial year, all branches disburse a total amount of BDT 26,300 million as against BDT 23,629 million in the preceding year resulting 11% increase in disbursement. This year, BDT 23,559 million is recovered leaving the net outstanding loan balance at BDT 16,466 million. The yearly and cumulative loan disbursement and loan outstanding positions are shown in table-5.



Microfinance in Agriculture

agriculture is the nucleus of food security for the cross-sections thus necessitating the greatest attention for outward and inward economy...

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 a long distance is needed to go 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





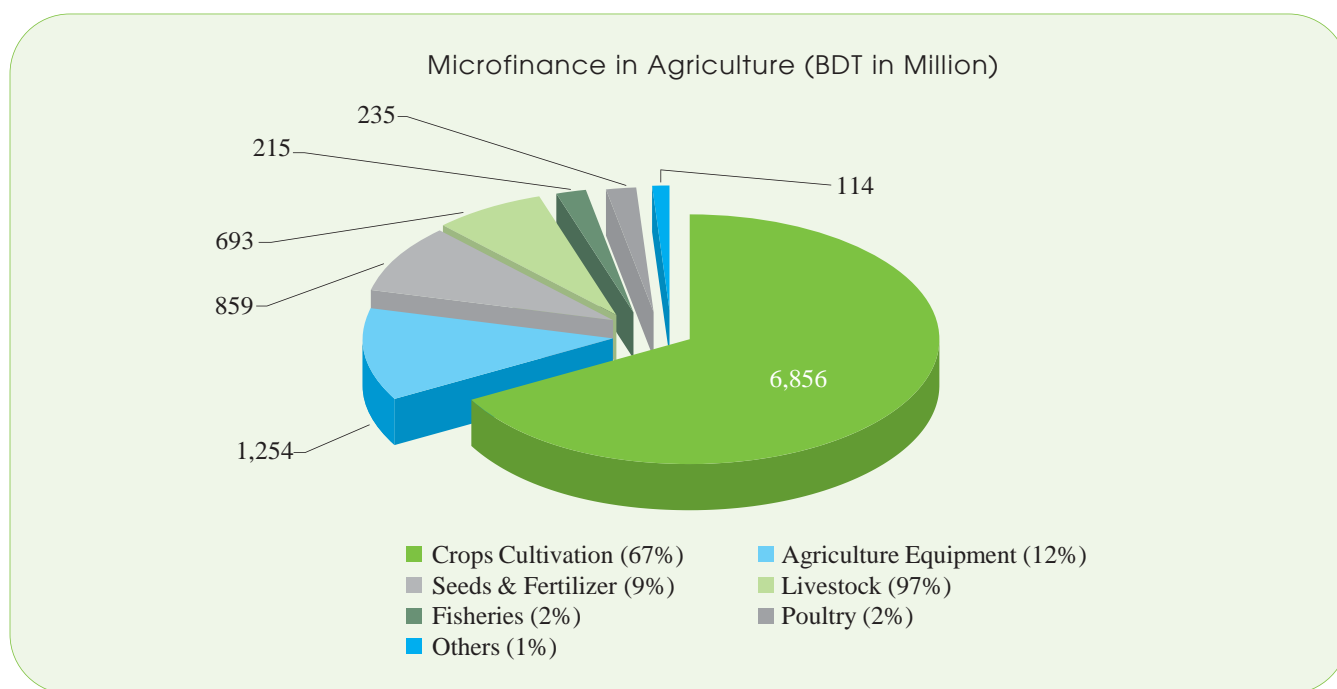
The matching among the space, technology and time in agriculture depends on how better business and financial literacy skills are acquired by the farmers. This is unequivocally required for the development of SME in agriculture

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. **First:** bureaucratic hurdles to cross by the poor and youth at-risk. **Second:** 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.





Third: 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 matching 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 the only NGO-MFI that provides maximum emphasis on agriculture in respect of quantity and quality.

During the last five years the number of borrowers and amount of loan disbursed for different sub-sectors in agriculture increases significantly at a very high rate. The rate of loan recovery was 100%. The details of loan disbursement are shown in table-6.



Table-6: Sub-sectors in agriculture financing as on June 30

Micro Enterprise	2010-11		2011-12		2012-13		2013-14		2014-15	
	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT
Crops Cultivation	303,326	3,238	301,693	3,608	348,654	4,083	368,145	5,362	374,120	6,856
Agriculture Equipment	38,518	411	39,566	473	34,215	387	40,225	586	46,062	1,254
Seeds & Fertilizer	43,332	463	44,512	532	54,265	641	44,215	644	46,321	859
Livestock	33,703	360	34,620	414	47,214	564	48,203	702	52,142	693
Fisheries	24,074	257	29,675	355	32,452	389	12,658	184	25,658	215
Poultry	28,888	308	24,729	296	18,214	218	12,125	176	14,587	235
Others	9,629	103	19,783	237	12,547	150	8,215	119	5,468	114
Total	481,470	5,139	494,578	5,915	547,561	6,432	533,786	7,773	564,358	10,226



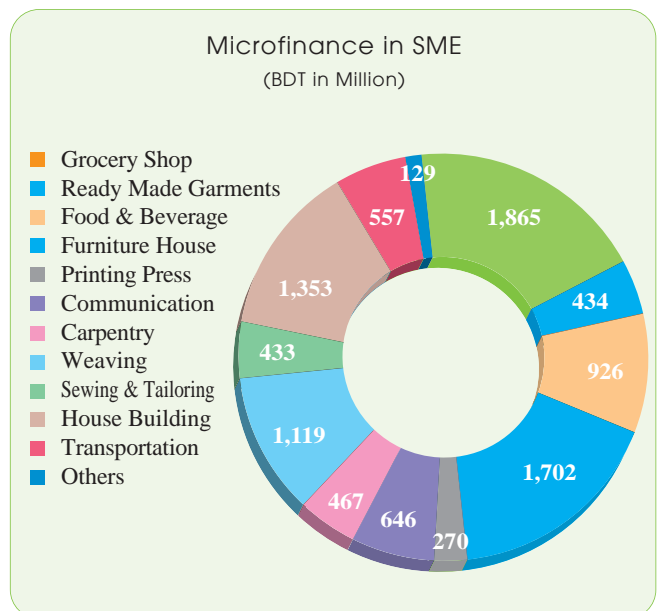
Microfinance in SME

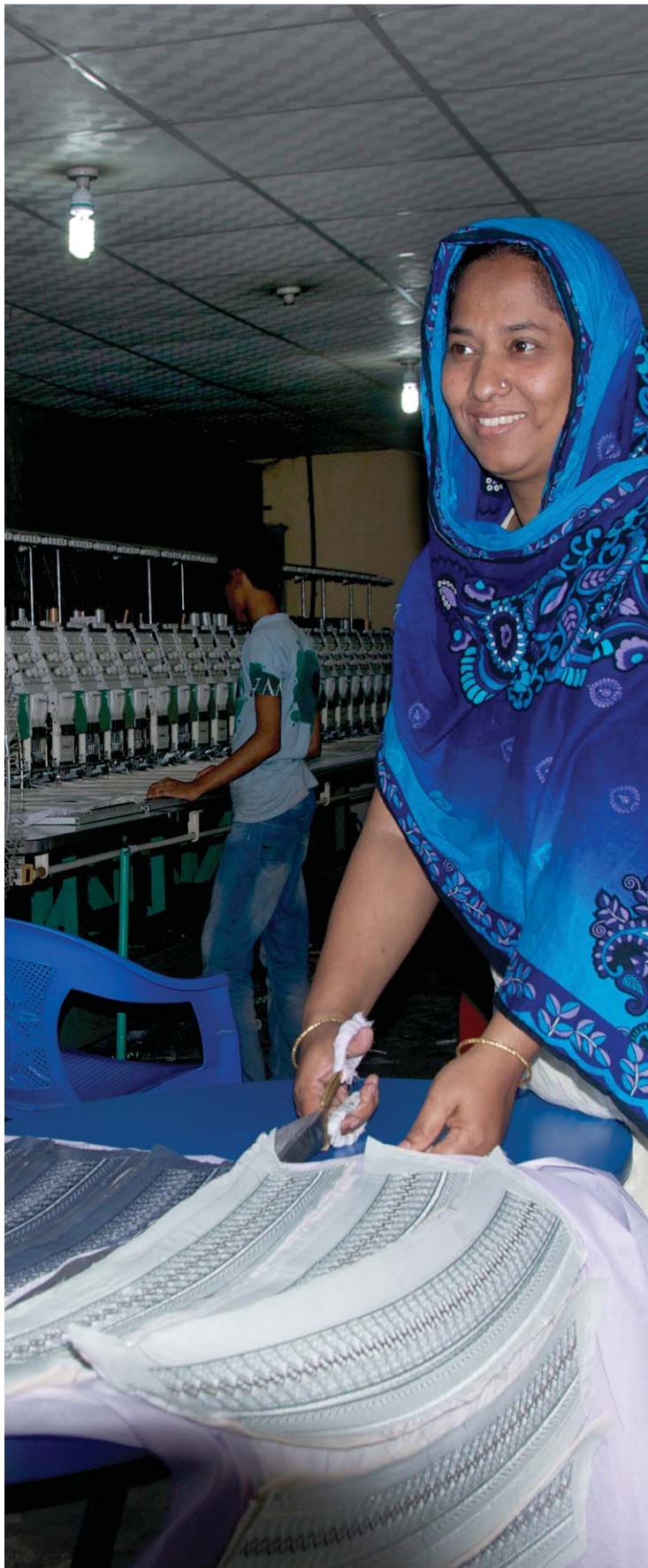
the increasing participation of the entrepreneurs in SMEs creating an environment transforming the SMEs as the perfect niches of its entities...

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.

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





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

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 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 more easy learning that will promote expansion of their livelihood activities.



Table-7: Sub-sectors in micro-enterprise financing as of June 30

Micro Enterprise	2010-11		2011-12		2012-13		2013-14		2014-15	
	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT
Grocery Shop	5,386	429	5,369	303	14,784	1,721	12,384	1,501	13,206	1,865
Ready Made Garments	305	176	400	404	1,408	1,623	2,501	303	3,580	434
Food & Beverage	462	81	541	352	4,080	571	6,121	742	7,638	926
Furniture House	270	98	320	287	14,098	162	12,125	1,470	11,256	1,702
Printing Press	30	81	35	104	1,408	281	2,214	268	2,210	270
Communication	318	205	354	325	2,812	283	4,521	548	5,326	646
Carpentry	789	205	745	42	3,520	414	4,123	499	3,852	467
Weaving	1,509	106	455	29	2,302	822	6,524	791	8,524	1,119
Sewing & Tailoring	1,075	168	1,514	87	2,816	332	3,258	395	3,569	433
House Building	443	155	2,077	144	16,192	1,251	12,152	1,473	11,254	1,353
Transportation	3,189	192	1,096	62	2,816	332	3,259	395	4,589	557
Others	2	2	6,327	346	4,225	481	3,214	389	1,254	129
Total	13,778	1,898	19,233	2,484	70,461	8,273	72,396	8,774	76,258	9,901

**micro
Insurance as
the value
addition to the
security of the
poor and
poorest...**



**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 i.e. 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.

A total of 892,172 insurance holders are registered in the year against 946,466 in 2013-14. The premiums are collected to the tune of BDT 176 million compared to BDT 151 million in 2013-14. The claims numbering 3,335 are settled amounting BDT 73 million during the period 2013-14 compared to 3,762 claims in the preceding year involving BDT 74 million. The portion of this insurance fund is used in the development of Kendra/Centre. The details are exhibited in table-8.

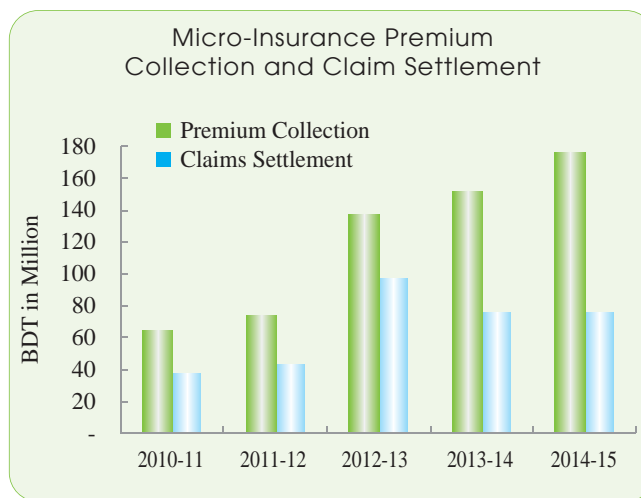


Table-8: Yearly premium collection and claims settlement

“Amount in Million BDT”

Year	Premium Collection		Claims Settlement		Kendra Expenditure BDT
	Nos.	BDT	Nos.	BDT	
2010-11	936,911	63.35	3,707	37.70	6.51
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

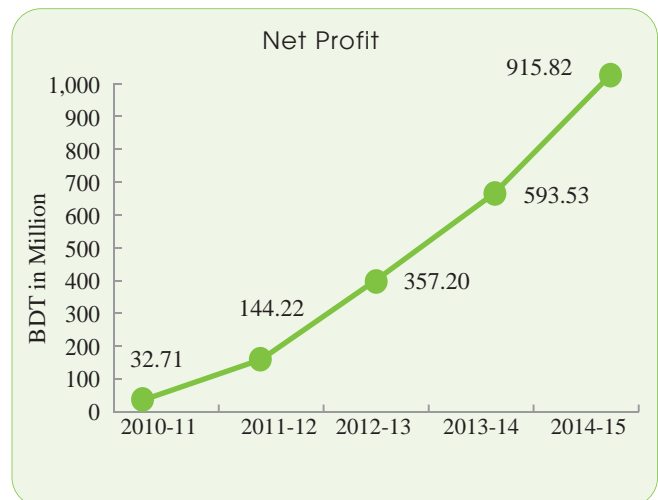
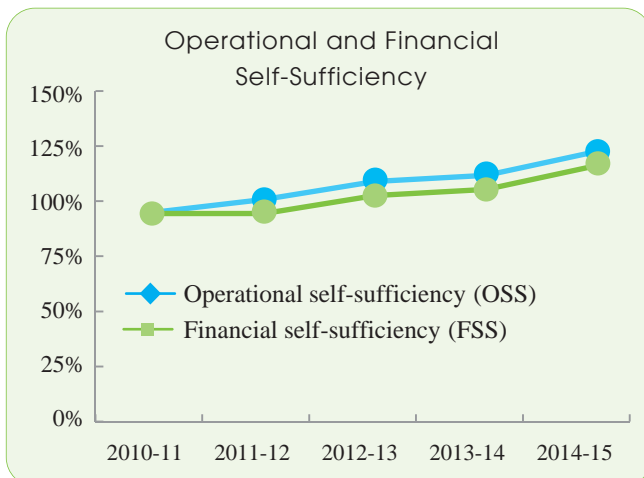


Performance Analysis

sustainability of BURO is due to the retention of the products produced and delivered presently to be capitalized by the future generation...

Sustainability and Profitability

BURO operates as a profitable and sustainable organization since 1998. During the year 2014-2015, the organization achieves 130% operational self-sufficiency (OSS) as opposed to 120% in the last year. The financial self-sufficiency (FSS) in the year is 126% compared to 114% in 2013-14.

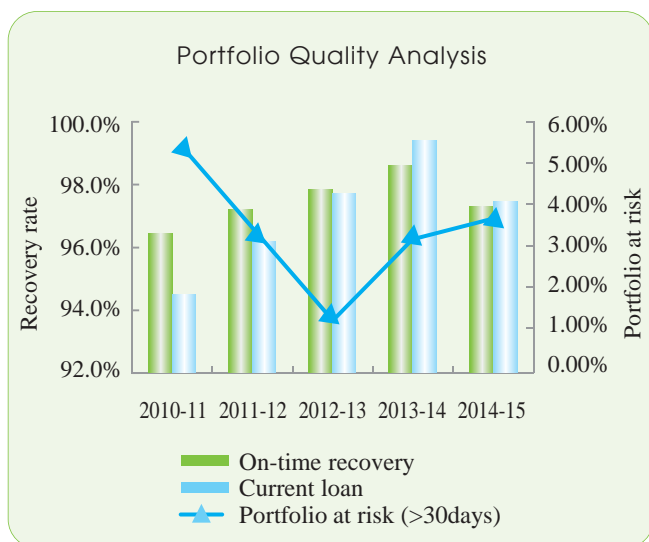


Net profit of BDT 916 million is posted in 2014-15 compared to BDT 594 million in 2013-14. The net profit increases by 54% over the preceding year. The return on equity (ROE) stands at 30% compared to 29% in 2013-14. The net financial spread rises to 8.19% compared to 5.75% in 2013-14.

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 2014-15 is registered at 96.81% versus 98.05% in 2013-14.

As of June 30, 2015, 96.22% of the portfolio is without any payments in arrears at all. Portfolio at risk greater than 30 days is at 3.31% at the end of 2014-15 compared to 2.76% in 2013-14. Loan loss reserve ratio is figured out at 3.61% compared to 3.03% in the preceding year. The reserve contains adequate fund to absorb potential risks or capital losses. Loan write-off is made by 0.68% compared to 0.43% in 2013-14. Efforts to collect bad loans continue during the year. As per policy, the loan loss reserve requirement works out at BDT 594 million. The ageing of portfolio is shown in table-9.



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 2014-15, the debt to equity ratio figures at 2.80. Besides, the equity to total assets ratio (capital adequacy) is 21.05% and Debt Service Coverage Ratio is 1.15 times. The given ratios are favorable enough to encourage the lenders and the savers to have ample confidence in the institutional capacity of BURO.

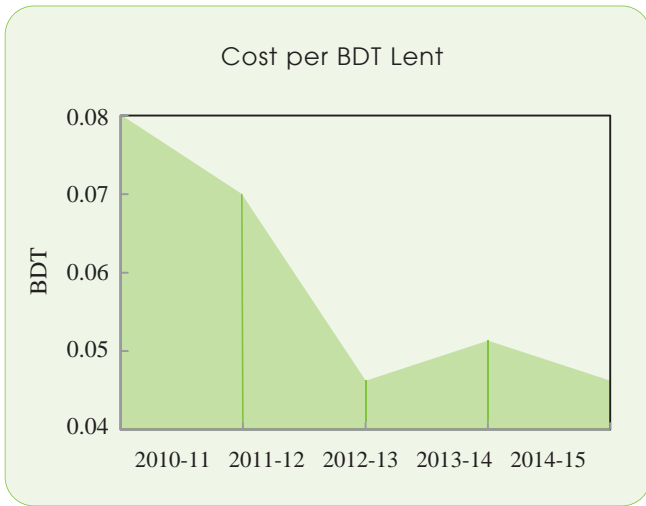
Efficiency and Productivity

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.



Table-9: Portfolio Ageing as of June 30, 2015

Portfolio Status	Numbers	BDT in Million	%
Current Loan	791,872	15,843.96	96.22%
Loans Overdue by:			
1 - 30 days	3,829	77.71	0.47%
31 - 180 days	6,569	141.66	0.86%
181 - 365 days	1,671	26.81	0.16%
Over 365 days	35,242	375.81	2.28%
Total	839,183	16,465.95	100%

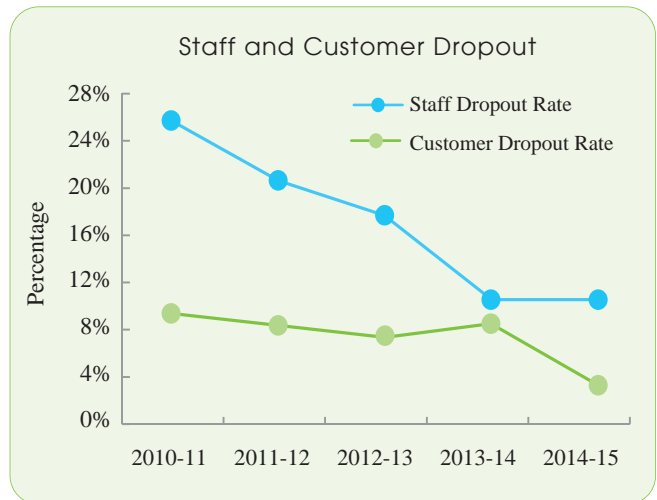
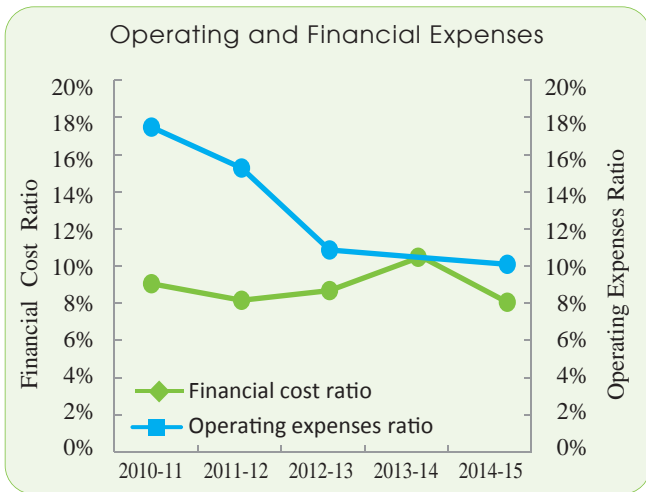


The operating cost ratio is a measure of efficiency. This decreases to 9.56% in 2014-15 compared to 9.88% in 2013-14. The cost per unit of money lent decreases to BDT 0.05% during the year compared to BDT 0.06% in the preceding year. The financial cost ratio also decreases to 7.25% in 2014-15 compared to 9.98% in the preceding year. In 2014-15 the portfolio growth is 20%. To reach this growth BURO had to borrow capital from the banks at a higher interest rate.

The customer/loan officer ratio remarkably goes up to 385 in 2014-15. 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 5 million in 2014-15 from BDT 4 million in 2013-14. The savings balance per LO increases to BDT 1.72 million from BDT 1.34 million in 2013-14.

Financing Mix

The overall capital grew steadily in the last couple of years with the infusion of borrowed funds, client savings and retained earnings. The financial resources deployed stand at BDT 19,494 million as opposed to BDT 16,583 million in 2013-14 with an increase of 18%. Of the total resources employed 19% is contributed by equity/own fund, 51% by commercial borrowing and 30% by customers' savings. The average revolving loan fund (RLF) is used 1.46 times in 2014-15 as compared to 1.51 times in 2013-14. The details of financing mix are shown in table-10.





Asset Composition

The asset structure shows that during the year 84% of the total assets are held in terms of loan portfolio compared to 82% in the preceding year. The net fixed assets are 4% which is the same as that of 2013-14. The international benchmark of the fixed assets stands around 10-15%. The nature of fixed assets mostly includes purchased plots of lands for office premises some of which are under construction. The long-term investment stands at 8% compared to 7% in the preceding year 2013-14. The investment constitutes major two items: (1) 10% of customers' total savings and (2) 10% of accumulated surplus reserve fund in accordance with the rules of MRA. The cash and bank balance is 2% as against 5% in 2013-14. The other current assets remain at 2%. The details are shown in table-11.

Table-10: Yearly RLF as on June 30

“Amount in Million BDT”

Financial Resources	2010-11		2011-12		2012-13		2013-14		2014-15	
	Taka	%	Taka	%	Taka	%	Taka	%	Taka	%
Equity/Net Worth	1,116.34	17%	1,283.15	15%	1,669.91	11%	2,439.33	15%	3,579.43	19%
Client Savings and others fund	2,360.77	34%	2,835.72	33%	3,782.28	26%	4,571.27	28%	5,879.85	30%
Commercial Borrowing	3,389.43	49%	4,512.67	52%	9,348.69	63%	9,572.69	57%	10,034.91	51%
Total	6,866.54	100%	8,631.54	100%	14,800.88	100%	16,583.30	100%	19,494.19	100%
Growth	13%		26%		71%		12%		18%	



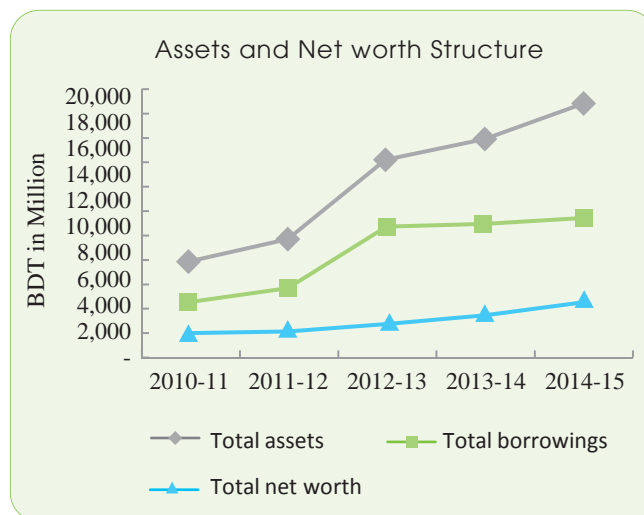
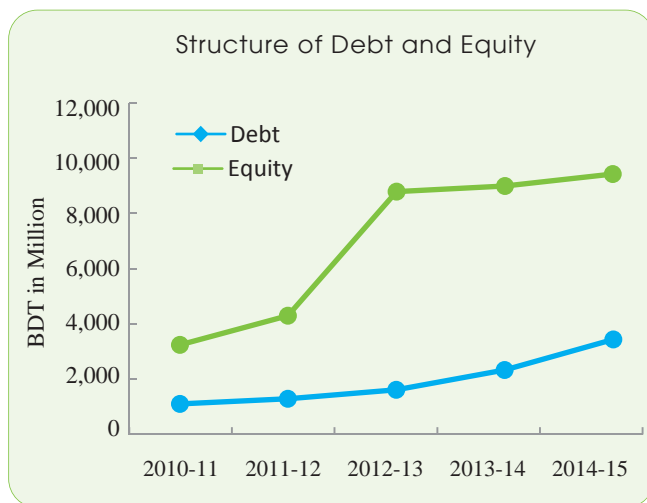
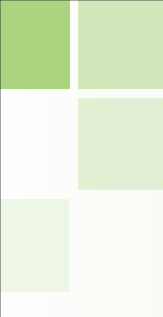


Table-11: Asset composition as of June 30

“Amount in Million BDT”

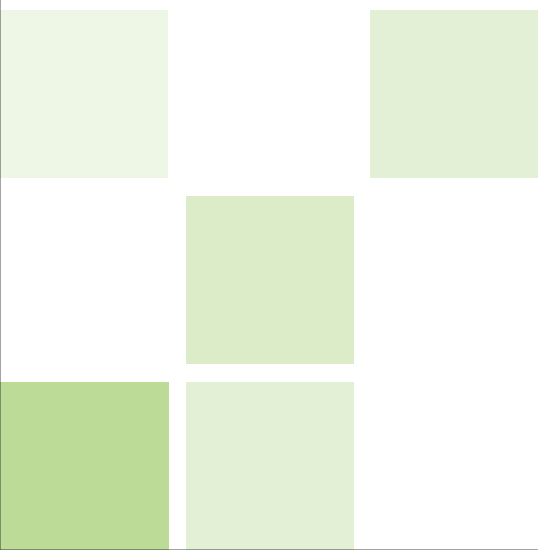
Assets Composition	2010-11		2011-12		2012-13		2013-14		2014-15	
	Taka	%	Taka	%	Taka	%	Taka	%	Taka	%
Net fixed assets	490.46	7	611.59	7	644.39	4	659.88	4	670.99	4
Net loan portfolio	5,309.55	81	6,583.54	80	12,679.16	87	13,308.31	82	15,872.28	84
Investment	223.32	3	575.01	6	802.56	6	1,086.93	7	1,432.96	8
Other current assets	144.01	2	141.40	2	172.96	1	282.45	2	458.94	2
Cash and bank balance	470.43	7	473.12	5	244.59	2	905.58	5	552.11	2
Total	6,637.77	100	8,384.67	100	14,543.66	100	16,243.15	100	18,987.28	100
Growth	12%		26%		73%		12%		17%	



**disaster response and
disaster mitigation are
the intertwined
mechanisms and one
without the other is
dysfunctional...**



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

The total organization 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. All in all BURO has emerged as an entity in disaster management with the abilities to work with disaster management at the time of national crises.





BURO Bangladesh

Foundation Training Course

Participants: Branch Manager / Assistant Branch Manager

Duration: 7 Days

**Human
Resource
Development**

functional human capital is the undeniable tool to maintain increasing vivacity of the organization...

BURO adopts major initiatives since 1995 in respect to Human Resource Development (HRD). 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. Last year the organization built 128,197 customers on different need-based courses.

- Basic life management skill development
- Entrepreneurship development and business planning
- Business and Financial Literacy

- Leadership development
- Easy accounts keeping
- Disaster management

Basic Life Management

The BLM training is imparted when the customers meet regularly to carry on financial transactions and discuss the basic issues of their lives. The training addresses a variety of social and human issues that encompasses group mobilisation, literacy, afforestation, family planning, health and sanitation, income generation, saving, and human rights.

Enterprise Development Training

The enterprise development training provides financial and technical assistance services with its entrepreneurial clients that include a series of training courses e.g. new business creation, quality product development, simple book-keeping and accounting, business planning and management, trade based skill development etc.

Business and Financial Literacy Program

Business and financial literacy program is the life line of the customers in their successful elevation of investment capacities together with the expansion of the businesses. BURO provides significant emphasis on synchronization training at different levels of the customers to improve their institutional capacity in business and financial management.

Staff Development Training

The staff development training produces discernible impact in improving the professional capacity of the operational staff. A total of 5,736 staff is working with almost 100% trained staffs. A twelve days long Foundation course and a Refresher Course followed by need-based training courses are mandatory for each staff to attend from time to time. Last year BURO training division delivered different need-based training courses to 2,694 staff. The following categories of training courses for the managers and staffs at different level are offered by the organization.

- Microfinance and microenterprise programming
- Organizational core competency development
- TOT on business and financial literacy
- Management development
- Delinquency management
- Finance and accounts management
- Software orientation
- Disaster management

The staff training has four components, which includes the following:

Foundation

Once recruitment of new staff is finalized for the head office and branch offices, the staffs are provided with a 12-day foundation training that gives an overview of BURO and its overall operations.

On-the-Job

The training is intended to enhance the skill and set the attitude of staff by filling in the gaps in their professional understanding, and updating them with appropriate knowledge.



Development Management Training Program

The program is a priority for the organization to support the objective to create and develop awareness, capacity and skills. This program is intended to enable the managers to think, analyze and act positively. All senior and mid-level supervisors and managers are participating in this program. Meanwhile BURO develops its own trainers' pool to conduct this package for the branch managers.

Quality Management Training

The Citigroup in collaboration with the Asian Institute of Management-AIM, the Philippines takes an initiative for the trainers of MFIs. The participation in the three initiatives of the Philippines Citigroup was worthy enough to boost the institutional capacity of NGO-MFIs and of their customers. BURO meanwhile participated in the three training courses in 2006-2007: (1) Microfinance management development program, (2) Quality training for the MFIs, and (3) Credit and Risk Management for MFIs.

The institutional capacity of BURO in providing micro-finance services as well as to transform itself into a more specialized institution is further strengthened. The comparative advantaged of BURO helps the organization to develop corporate culture at home and abroad.

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.

Training Performance

A total of 2,694 staffs receive different training based on their needs during 2014-15. Customers numbering 141,851 are trained mainly on social awareness and leadership development issues. These trainings are also organized as per needs of the customers. The detailed statistics of training during the year appears in table-12.

Table-12: Training recipients: 2014-15

Particulars	Participants
Staff Training	
Foundation course	968
Development management course	136
Gender development workshop	226
MIS software and computer	220
TOT on WaterCredit management	939
TOT on financial literacy	205
Total	2,694
Customer Training	
Awareness raising	28,274
WaterCredit awareness training	12,325
Financial literacy and business development	101,252
Total	141,851

Staff Position and Recruitment

The organization has a total of 5,736 staff that includes 4,532 males (79%) and 1,204 females (21%) as of June 2015. The head office maintains a staff fleet of 131. During the year, 874 staff is recruited mostly at the entry level. The staff dropout rate goes down to 11% in 2014-15 same as 2013-14. This is due to the development of highly professionalized skill of staff with due rewarding.

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 & Infrastructural 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 infrastructures and physical facilities composing five training centers located at Tangail, Comilla, Modhupur, Chittagong and Khulna respectively. The number of trainers is 38. The trainers are long time experienced, skilled and subject matter specialist.

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.

The training centers and the training unit are not just limited to developing its professional trainers instead also develop program, accounts, finance and audit staff. This helps reduce the pressure on the external environment for trainers or resource persons facilitating to depute any program, accounts and finance staff (trainers) to provide services to the organization.



Safe and Secure Water

the longevity of the lives of the people can never be increased without the safe water...

WaterCredit

WaterCredit is the uniqueness of the flexible financial services of BURO Bangladesh based on the customers' needs providing adequate opportunities with its clients not to suffer from water borne diseases in consonance with their needs. 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. BURO prefers direct response with the poor and disadvantaged to become partners in development. 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. The absence of strong public based agency in health services widens the passage for the market finding out many means of creating economic pressures on the respective households seeking health services. Much grimmer situation exists in the rural, rural remote and peri-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.

The consciousness level of the poor and disadvantaged on the necessity of maintaining hygiene, water and sanitation to effect most of the population in the urban areas used open defecation and/or unhygienic sanitation practices. The microcredit services instead of taking holistic approach is the negation of environmental

concerns mostly due to lack of using safe water and safe sanitation facilities. This is the common nature of the people that the practices they once maintain in their lives and living conditions get those embedded in their blood and breathes which they always try to cling to without any fail.

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 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. The qualitative assessment through observation of the available facilities all throughout is very bleak to infrastructure development. The resultant effect is the spread of water and air borne disease to a wider section at a given locality.

The new realization is that the clients are oriented more towards the use of water for drinking, cooking and even after open defecation which is the transition process in customers' comfort to accept interventions in their daily lives and living conditions. The use of safe water by the clients will begin crystallizing a process of changes in their level of understanding to match with their exposure to knowledge management at the weekly Kendra meeting. The potential clients who are the targeted audiences of WaterCredit Program from Water.org have two vital characteristics. **First:** they are the users of multiple loan products with the good record of repayment schedule enjoying the trust and confidence of the organization. **Second:** the wisdom of these potential borrowers of multiple loan products are at



Around 1,795 people of a village of Munshigonj district have had access to piped water supply with all-out assistances from BURO

much higher level who understand the social implication of the loan products that BURO supplies.

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. The Behavioral Change Communication (BCC) is a very time consuming process and needs greater devotion, dedication and commitment from all levels of the organization as well as those from the clients.

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 loanee for WaterCredit program, **Sixth:** Enhance existing Management Information System (MIS) of the organization, **Seventh:** Enhance planning, monitoring, evaluation and internal audit of the organization,

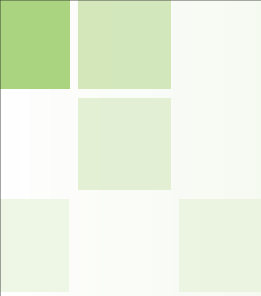


Eighth: Site selection for setting both water and sanitation components, **Ninth:** Provide loan on water and sanitation, **Tenth:** Organize monitoring at the clients and community level, **Eleventh:** Organize technical assistance and follow-up services from the organization.

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.



**sustainable entrepreneur
and entrepreneurship
solely depends on proper
practicing of business
and financial literacy
to follow...**



**Business and
Financial
Literacy**

MasterCard Worldwide as Funding Partner for Business and Financial Literacy Micro Borrowers 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.

But a process with two 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 customers level. The financial and business development services are reciprocal, synergistic at the same time the irreversible bonding between the two services.

The different binary 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.

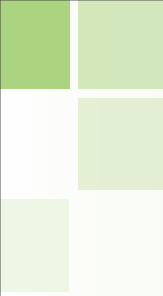
The process includes a number of steps for pragmatic financial and business literacy through MasterCard technology. **Step 1:** Prepare, print and distribute brief basic vocabulary of financial and business literacy to clients during orientation and training course. **Step 2:** Provide orientation at BURO Training Center to loan officers on business and financial literacy at Branch for easy communication with clients **Step 3:** Conduct training at Kendra (Center) on Financial and Business Literacy **Step 4:** Organize vocational training through loan officers

to clients on easy business and financial management for clients. **Step 5:** Organize technical assistance and follow-up services to clients from Head and Branch Office.

The uniqueness, charisma and magnetism of business development services depends on the proper exposure to business and financial literacy to clients as observed from the project. The customers of the organization as well as the loan officers demonstrate their encouraging interest to this methodology during the total process of applying MasterCard Worldwide. Within the shortest possible time the Branches are under unexpected pressure from the clients for more loans as well as creates pull effect on more women youth customers at-risk.

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 inconsonance 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 MSE 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 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 MSE. 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.

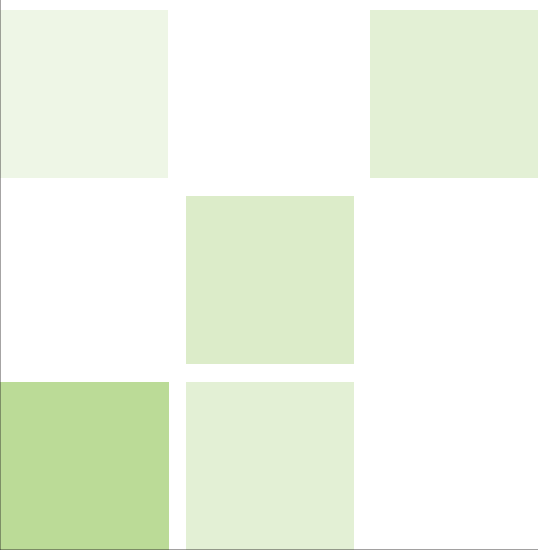


**the forward
journey of BURO is
filled with
charisma,
uniqueness and
magnetism...**



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 1.3 million to 1.6 million in 2015-16 within the realm of existing 640 to 645 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 bring encouraging 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. The given understanding



leads BURO will explore 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

The organization is contemplating full automation of its 640 branches by June 2016 and accordingly steps are taken. Presently, 383 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 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 regularly 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 inception 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 accounts holders of Taka 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 clients' 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.



Microfinance in Hill Tracts

The highly notable obligations of BURO to contributing to the national economic growth will also be manifested in its endeavours within the realm of Chittagong Hill Tracts. BURO will face the challenge to work in the remote rural areas of three districts. These are: Rangamati, Khagrachari and Bandarban.

Scholarship for the Student

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. BURO has identified the most crucial areas in the lives of the poor clients that the organization can address in the future. The poor students with latent qualities will be selected to prevent their drop out of schooling. A fund will be mobilized for these students which will be distributed as scholarship among the selected poor students by the organization.



A hand is shown holding a roll of fabric with a vibrant floral pattern in red and green on a dark background. The fabric is partially unrolled, revealing the pattern. In the background, several bamboo poles are visible, suggesting a traditional or natural setting. The text "INDEPENDENT AUDITORS' REPORT" is overlaid in white, bold, uppercase letters on the right side of the image.

INDEPENDENT AUDITORS' REPORT

BURO Bangladesh

Independent Auditors' Report to the Members of the Governing Body
For the year ended 30 June 2015

We have audited the accompanying financial statements of BURO Bangladesh (BURO), which comprise the statement of financial position (balance sheet) as at 30 June 2015, statement of profit or loss and other comprehensive income, receipts and payments statement, statement of changes in equity and statement of cash flows 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, 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 2015 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.

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 have been kept by BURO so far as it appeared from our examination of those books; and
- (c) the statement of financial position (balance sheet) and statement of profit or loss and other comprehensive income dealt with by this report are in agreement with the books of account and returns.

Dhaka, Bangladesh
Dated, 11 October 2015



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


BURO Bangladesh**Statement of Financial Position (Balance Sheet)****As at 30 June 2015**

	Notes	2015 BDT	2014 BDT
Assets			
Non-current assets			
Property, plant and equipment	6	670,992,756	659,880,667
Current assets			
Short-term investment	7	1,153,982,467	916,928,522
Investment - accumulated surplus reserve fund	8	278,975,000	170,000,000
Loan to customers	9	15,872,284,325	13,308,310,066
Other current assets	10	458,935,202	281,552,996
Cash and bank balances	11	552,114,250	906,482,093
Total current assets		18,316,291,244	15,583,273,677
Total assets		18,987,284,000	16,243,154,344
Fund and liabilities			
Fund			
Revolving loan fund (donors' fund)	12	138,815,884	138,815,884
Emergency disaster funds (donors' fund)	13	116,206,607	106,536,596
Accumulated surplus	14	2,344,995,122	1,538,156,492
Accumulated surplus reserve fund	15	278,975,000	170,000,000
Other funds	16	106,782,336	69,625,095
Total fund		2,985,774,950	2,023,134,067
Non-current liabilities			
Customers' contractual savings	17	1,495,699,416	483,646,703
Customers' emergency fund	18	838,162	838,162
Customers' micro-insurance fund	19	183,417,390	83,421,890
Borrowing from different sources	20	10,034,907,776	9,572,690,931
Total non-current liabilities		11,714,862,744	10,140,597,686
Current liabilities			
Employees' security deposit	21	62,877,675	58,940,334
Customers' general savings	22	4,199,899,896	4,003,367,873
Other liabilities	23	23,868,735	17,114,384
Total current liabilities		4,286,646,306	4,079,422,591
Total fund and liabilities		18,987,284,000	16,243,154,344

These financial statements should be read in conjunction with annexed notes

for BURO Bangladesh


(S. K. Sarkar)
Chairperson


(Zakir Hossain)
Executive Director


(M. Mosharrof Hossain)
Finance Director

See annexed report of the date

Dhaka, Bangladesh
Dated, 11 October 2015

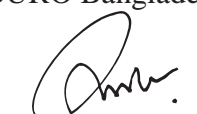

S. F. AHMED & CO
Chartered Accountants

BURO Bangladesh**Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 June 2015**

	Notes	2015 BDT	2014 BDT
Income			
Service charge on loan to borrowers	24	3,797,140,011	3,525,893,777
Service charge on remittance fund transfer		6,539,677	5,306,203
Sale of loan application forms		26,144,720	26,423,847
Micro credit borrower admission fees		3,726,141	8,587,050
Interest on bank deposits		115,880,855	66,561,739
Interest on staff loan		1,452,654	1,151,526
Others		4,079,982	8,078,387
Total income		3,954,964,040	3,642,002,529
Expenditure			
Financial cost			
Interest on borrowing from banks	25	969,889,182	1,388,641,324
Interest on customers' savings	26	338,759,294	178,077,465
		1,308,648,476	1,566,718,789
Gross financial margin		2,646,315,564	2,075,283,740
Provision for loan losses	9.1	279,547,025	153,644,294
Net financial margin		2,366,768,539	1,921,639,447
Operating expenses			
Salary and allowances	27	1,095,220,132	1,025,510,538
Office rent		74,116,393	73,780,113
Payment to national exchequer	28	33,742,525	20,629,620
Transportation	29	83,412,468	76,155,705
Training and research	30	7,905,802	8,362,525
Office supplies		32,370,387	27,558,731
Depreciation		35,816,805	26,415,538
Audit fee		387,500	275,000
Other professional fee		4,202,088	1,824,818
Other direct cost	31	81,883,615	67,395,094
Contribution to development project	32	1,897,195	200,000
		1,450,954,909	1,328,107,682
Net income from operations		915,813,630	593,531,765

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


(S. K. Sarkar)
Chairperson


(Zakir Hossain)
Executive Director


(M. Mosharrof Hossain)
Finance Director

See annexed report of the date

Dhaka, Bangladesh
Dated, 11 October 2015


S. F. AHMED & CO
Chartered Accountants

BURO Bangladesh

Notes to Financial Statements For the year ended 30 June 2015

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 specialized 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 with the Registrar of Joint Stock Companies and Firms under the Societies Registration Act 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 31 July 2007 (Duplicate); with NGO Affairs Bureau under Foreign Donations (Voluntary Activities) Regulation Ordinance 1978 vide registration No. 610 dated 19 March 1992 and last renewal on 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 640 branches through which it operates microcredit program under the supervision of 18 zonal offices.

3. 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 provision for loan losses which is accounted for following accrual basis in compliance with Microcredit Regulatory Authority Rules 2010.

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 2014 to 30 June 2015.

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:

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 deposits

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

5 Significant organizational policies

5.1 Loan loss provision

5.1.1 Loan classification

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

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

5.1.2 Loan loss provisioning

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

5.1.3 Write off policy

Loan loss is written off in the financial statements having approval of 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 loan is 27% per annum except disaster loan which is 18% per annum as per policy of BURO Bangladesh. The interest rate for all types of loan for hard core poor is 25%.

BURO Bangladesh**Notes to financial statements****For the year ended 30 June 2015**

	2015	2014
	BDT	BDT
6. Property, plant and equipment		
Cost:		
Opening balance	802,804,561	765,842,684
<u>Add: Addition during the year</u>	47,083,330	41,907,987
<u>Less: Disposal during the year</u>	2,284,121	4,946,110
Closing balance (A)	<u>847,603,770</u>	<u>802,804,561</u>
Depreciation:		
Opening balance	142,923,894	121,454,505
<u>Add: Charge for the year</u>	35,816,805	26,415,538
<u>Less: Adjustment during the year</u>	2,129,685	4,946,149
Closing balance (B)	<u>176,611,014</u>	<u>142,923,894</u>
Written down value (A-B)	<u>670,992,756</u>	<u>659,880,667</u>
7. Short-term investment		
Shops in Tangail town	650,200	650,200
Staff security deposit	28,988,414	26,599,444
Emergency disaster fund (note 7.1)	122,907,098	113,237,086
Fixed deposits with banks (note 7.2)	285,237,264	233,822,627
Other funds (note 7.3)	106,209,191	69,069,165
Customers' savings deposit fund (note 7.4)	609,990,300	473,550,000
	<u>1,153,982,467</u>	<u>916,928,522</u>
7.1 Emergency disaster fund		
Jamuna Bank Limited	-	3,317,997
Bank Asia Limited	29,462,852	26,703,989
BRAC Bank Limited	89,697,254	83,215,100
NRB Global Bank Limited	3,746,992	-
	<u>122,907,098</u>	<u>113,237,086</u>
7.2 Fixed deposits with banks		
Bangladesh Krishi Bank	92,942,171	84,681,176
HSBC	12,148,134	11,625,141
BRAC Bank Limited	81,399,159	75,356,452
Rupali Bank Limited	26,750,226	26,030,695
Bank Asia Limited	39,700,950	36,129,163
The Farmers Bank Limited	500,000	-
Mutual Trust Bank Limited	25,000,000	-
NRB Global Bank Limited	6,796,624	-
	<u>285,237,264</u>	<u>233,822,627</u>
7.3 Other funds		
Gratuity fund	66,171,949	41,887,254
Housing fund	16,078,612	12,331,527
Health fund	15,896,130	9,850,384
Vehicle insurance fund	8,062,500	5,000,000
	<u>106,209,191</u>	<u>69,069,165</u>

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2015

	2015 BDT	2014 BDT
7.4 Customers' savings deposit fund		
Mercantile Bank Limited	-	22,000,000
NRB Global Bank Limited	164,122,650	-
The Farmers Bank Limited	365,867,650	160,000,000
Lanka Bangla Finance Limited	80,000,000	291,550,000
	<u>609,990,300</u>	<u>473,550,000</u>

The above balance represents investment of customers' deposit reserve fund made in accordance with the provisions of Microcredit Regulatory Authority Rules 2010 under clause 34 (1) and 34 (2). As per said clause (1) every microcredit organization must maintain 15% liquidity fund of its entire compulsory, voluntary and term deposit, or whatever name assigned to the deposit funds, in the savings account of a scheduled bank of the branch offices; (2) liquidity fund may be maintained in the form of minimum 5% in cash and the remaining portions fixed deposit.

8. Investment - accumulated surplus reserve fund

NRB Global Bank Limited	67,615,000	170,000,000
Lanka Bangla Finance Limited	211,360,000	-
	<u>278,975,000</u>	<u>170,000,000</u>

The above balance represents investment of reserve fund made in accordance with the provisions of Microcredit Regulatory Authority Rules 2010 under clause 20 (1) and 20 (3). As per said clause (1) every microcredit organization will create a reserve fund using 10% (ten percent) of its total income surplus; (3) the reserve fund will be maintained in a bank account of a specified scheduled bank under the supervision of the head office of the relevant microcredit organization.

9. Loan to customers

This include various loans outstanding with the clients in the following categories:

General loan:

This loan is allowed for rural and urban poor households to finance their economic activities. General loan is working capital loan given to poor and disadvantaged households. General loan ranges from BDT 1,000 to BDT 100,000. The loan is repayable within one year.

Micro-enterprise loan:

Micro-enterprise loan is given to the borrower on the basis of household cash flow, business projections and reputation of the borrower. The micro-enterprise loan borrowers are expected to generate equity and self-employment. Micro-enterprise loan ranges from BDT 50,000 to BDT 2,000,000 repayable within one to three years.

Agriculture loan:

This loan is given exclusively for the purpose of agricultural activities for increase of farm's activities. The agriculture loan also enhances food security of households. Agriculture loan ranges from BDT 1,000 to BDT 500,000 is given for one year.

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2015

Hand/Emergency loan:

This loan is intended to serve as a social security net. Hand loan is given to meet festivals, health care and child education expenses. This loan is a small loan of BDT 10,000 repayable within 3 months.

Disaster loan:

The purpose of this loan is to reduce the effect of shocks to households' financial and physical assets immediately after natural disasters. Disaster loan ranges from BDT 1,000 to BDT 20,000 and is repayable within one year.

Water and sanitation loan:

Environmental health concerns continue to be an ominous factor contributing to diseases and poverty. Access to safe drinking water and sanitation will reduce sickness and thus increase the labour productivity. The loan ranges from BDT 1,000 to BDT 20,000 and is repayable within one year.

	2015 BDT	2014 BDT
Breakup of loan (product-wise) is given below:		
General loan	3,245,541,915	3,363,824,743
Micro-enterprise loan	7,540,260,971	6,129,753,524
Agriculture loan	5,561,498,075	4,183,703,955
Hand/Emergency loan	31,155,265	43,762,295
Water and sanitation loan	87,483,297	3,465,603
	<u>16,465,939,523</u>	<u>13,724,510,120</u>
Less: Provision for loan loss (note 9.1)	593,655,198	416,200,054
	<u>15,872,284,325</u>	<u>13,308,310,066</u>

BURO Bangladesh had 839,183 loan accounts outstanding on 30 June 2015 as compared to 896,475 on 30 June 2014.

The Loan Loss Provision (LLP) has been worked out at BDT 59,653,793 on 30 June 2015 as per existing policy of BURO Bangladesh. But the actual Loan Loss Reserve has been made to BDT 593,655,198. During the year under reporting, provision for loan loss has been made for an amount of BDT (1405). The method of calculation of LLP is shown below:

No. of days outstanding	Number of loan accounts	Aging of portfolio		Loan loss provision (%)
		%	BDT	
Current loan outstanding	791,872	96.23%	15,843,955,376	1%
Loan overdue status (days):				
1-30 days	3,829	0.47%	77,709,181	5%
31-180 days	6,569	0.86%	141,660,075	25%
181-365 days	1,671	0.16%	26,804,518	75%
Over 365 days	35,242	2.28%	375,810,373	100%
Total:	<u>622,031,458</u>	100%	<u>16,465,939,523</u>	

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

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2015

	2015 BDT	2014 BDT
9.1 Provision for loan loss		
Opening balance	416,200,054	320,423,727
<u>Add: Provision made during the year</u>	<u>279,547,025</u>	<u>153,644,294</u>
	695,747,080	474,068,021
<u>Less: Amount written off during the year</u>	<u>102,091,882</u>	<u>57,867,967</u>
Closing balance	<u>593,655,198</u>	<u>416,200,054</u>
10. Other current assets		
Security deposits (note 10.1)	1,023,714	1,038,689
Staff loans and advances (note 10.2)	457,911,488	280,514,307
	<u>458,935,202</u>	<u>281,552,996</u>
10.1 Security deposits		
Bangladesh Telecommunication Company Limited	298,796	310,271
GSP Finance Company (Bangladesh) Limited	124,918	124,919
Rajdhani Unnayan Katripakkha (RAJUK)	600,000	600,000
Others	-	3,500
	<u>1,023,714</u>	<u>1,038,689</u>
10.2 Staff loans and advances		
Head office (note 10.2.1)	300,276,727	147,771,139
Branch offices (note 10.2.2)	153,682,286	130,561,842
Zonal office (note 10.2.3)	2,173,626	2,181,326
Training centre	1,778,849	-
	<u>457,911,488</u>	<u>280,514,307</u>
<p>Loans and advances except for car and housing given to staff are interest-free. The period of loan for bicycle and mobile phone is one year each, and that for motorcycle is three years. The period for car loan is eight years bearing interest rate @ 5%. The period of housing loan is twenty years bearing interest rate @ 5% including 3 months grace period.</p>		
10.2.1 Head office		
Advance against salary	2,110,357	1,596,082
Mobile loan	-	9,000
Car loan	-	146,043
Motorcycle loan	235,000	237,500
Advance for training	299,611	312,111
Advance against house rent	1,500,000	1,650,000
Advance against construction of head office building	235,075,593	108,733,340
Advance for transportation	355,805	217,859
Advance for exposure visit	5,880	5,880
Staff housing loan	27,012,369	26,059,839
Advance to consultant	120,000	-
Others	33,562,112	8,803,485
	<u>300,276,727</u>	<u>147,771,139</u>

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2015

	2015 BDT	2014 BDT
10.2.2 Branch offices		
Advance against salary	1,749,487	383,003
Mobile loan	80,681	165,595
Motorcycle loan	37,830,808	43,993,217
Bicycle loan	9,922,233	9,217,474
Advance against house rent	8,678,038	8,376,914
Advance for purchase of fans	344,557	117,136
Others	95,076,482	68,308,503
	<u>153,682,286</u>	<u>130,561,842</u>
10.2.3 Zonal office		
Advance against salary	703,126	397,126
Motorcycle loan	1,404,500	1,700
Advance against fuel and conveyance	60,000	33,000
Bicycle loan	6,000	1,749,500
	<u>2,173,626</u>	<u>2,181,326</u>
11. Cash and bank balances		
Cash in hand	37,415,318	38,952,131
Bank balances (note 11.1)	514,698,932	867,529,962
	<u>552,114,250</u>	<u>906,482,093</u>
11.1 Bank balances		
Current accounts	458,856,112	703,604,934
Savings accounts	735,573	374,188
Short-term-deposit accounts	55,107,247	163,550,840
	<u>514,698,932</u>	<u>867,529,962</u>
12. 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>
13. 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: Interest on investment of the above funds</u>	85,933,607	76,263,596
	<u>116,206,607</u>	<u>106,536,596</u>

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2015

	2015 BDT	2014 BDT
<p>BURO Bangladesh focuses its efforts on the promotion of self-help and self-reliance of disadvantaged rural communities, with particular attention to women. Normally, it is not involved in any relief or charitable activities for its customers but it does not remain non-chalant when the customers become extremely vulnerable and their existence is threatened. In such situations, disaster assistance is provided.</p> <p>In order to respond to emergency relief and rehabilitation needs of BURO Bangladesh's customers, emergency disaster funds have been created with financial grants from the following donors:</p>		
14. Accumulated surplus		
Opening balance	1,538,156,492	1,114,624,751
<u>Less: Transferred to accumulated surplus reserve fund</u>	<u>108,975,000</u>	<u>170,000,000</u>
	1,429,181,492	944,624,751
<u>Add: Surplus /(deficit) during this year</u>	<u>915,813,630</u>	<u>593,531,765</u>
<u>Less: Adjustment (2013-2014)</u>	<u>-</u>	<u>24</u>
Closing balance	<u>2,344,995,122</u>	<u>1,538,156,492</u>
15. Accumulated surplus reserve fund		
NRB Global Bank Limited	67,615,000	170,000,000
Lanka Bangla Finance	211,360,000	-
	<u>278,975,000</u>	<u>170,000,000</u>
<p>The above balance represents reserve fund made in accordance with the provisions of Microcredit Regulatory Authority Rules 2010 under clause 20 (1). As per said clause, every microcredit organization will create a reserve fund using 10% (ten percent) of its total income surplus.</p>		
16. Other funds		
Gratuity fund	66,498,749	42,204,014
Housing fund	16,092,683	12,345,330
Health fund	16,128,404	10,075,751
Vehicle insurance fund	8,062,500	5,000,000
	<u>106,782,336</u>	<u>69,625,095</u>
17. Customers' contractual savings		
Opening balance	483,646,703	279,118,857
<u>Add: Deposits during the year</u>	<u>1,339,254,473</u>	<u>348,847,820</u>
	1,822,901,176	627,966,677
<u>Less: Withdrawals during the year</u>	<u>327,201,760</u>	<u>144,319,974</u>
Closing balance	<u>1,495,699,416</u>	<u>483,646,703</u>
<p>In contractual savings account, clients agree to deposit regularly an amount as fixed by them. Customers can withdraw the entire amount including interest thereon and can choose to deposit on a weekly or monthly basis. Interest is paid on a compound basis in the range of 8% to 12%.</p> <p>The number of contractual savings accounts was 817,872 on 30 June 2015 as compared to 382,318 on 30 June 2014.</p>		

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2015

	2015 BDT	2014 BDT
18. Customers' emergency fund		
Customer's emergency fund	838,162	838,162
	838,162	838,162

This represents fund generated by the borrowers up to 31 December 2002. BURO Bangladesh, however, ceased maintaining the system of collecting emergency fund after 2002. The customers' group (as opposed to any individual customer) is the owner of customers' emergency fund. 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).

19. Customers' micro insurance fund

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

Opening balance	83,421,890	65,764,703
<u>Add: Deposits during the year</u>	175,945,794	150,580,461
	259,367,684	216,345,164
<u>Less: Withdrawals and adjustments during the year</u>	75,950,294	132,923,274
Closing balance	183,417,390	83,421,890

20. Borrowing from different sources

Borrowing from specialized institutions (note 20.1)	38,820,592	59,505,925
Borrowing from banks (note 20.2)	9,296,087,184	9,513,185,006
Borrowing from non-banking financial institution (note 20.3)	700,000,000	-
	10,034,907,776	9,572,690,931

20.1 Borrowing from specialized institutions

Stromme Foundation (note 20.1.1)	5,000,000	35,000,000
Anukul Foundation (note 20.1.2)	33,820,592	24,505,925
	38,820,592	59,505,925

20.1.1 Stromme Foundation

Opening balance	35,000,000	65,625,000
<u>Add: Received during the year</u>	-	20,000,000
	35,000,000	85,625,000
<u>Less: Refund during the year</u>	30,000,000	50,625,000
Closing balance	5,000,000	35,000,000

A number of loans were borrowed from Stromme Foundation for providing loan to BURO Bangladesh's customers. Interest rates ranges from 7%-10% per annum. These loans have three months' moratorium. Institutional guarantee from BURO Bangladesh is the security for the loans.

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2015

	2015 BDT	2014 BDT
20.1.2 Anukul Foundation		
Opening Balance	24,505,925	21,588,656
<u>Add: Received during the year</u>	<u>18,000,000</u>	<u>10,000,000</u>
	42,505,925	31,588,656
<u>Less: Refund during the year</u>	<u>8,685,333</u>	<u>7,082,731</u>
Closing balance	<u>33,820,592</u>	<u>24,505,925</u>

A number of loans were borrowed from Anukul Foundation for on-lending to BURO Bangladesh's customers. Interest rate is 10% per annum. These loans have three months' moratorium.

There is no overdue or default in respect of repayment (loan and interest) of above borrowings by BURO Bangladesh from their respective due dates.

20.2 Borrowing from banks

Bangladesh Krishi Bank	130,081	252,373,522
Bank Al-Falah Limited	31,786,696	50,000,000
Bank Asia Limited	299,964,639	402,152,336
BRAC Bank Limited	405,755,654	575,194,140
Commercial Bank of Ceylon PLC	41,666,662	74,999,998
Dutch Bangla Bank Limited	500,000,000	411,308,893
Eastern Bank Limited	687,500,000	425,000,000
EXIM Bank Limited	100,000,000	645,793,506
Habib Bank Limited	150,000,000	100,000,000
HSBC	-	300,000,000
IFIC Bank Limited	300,000,000	-
Jamuna Bank Limited	668,988,491	761,621,383
Mercantile Bank Limited	162,538,115	287,734,854
Mutual Trust Bank Limited	500,000,000	-
National Bank Limited	184,545,803	237,773,141
NCC Bank Limited	295,500,000	199,986,877
NRB Bank Limited	150,000,000	100,000,000
NRB Commercial Bank Limited	-	200,000,000
ONE Bank Limited	200,000,000	200,000,000
Prime Bank Limited	499,845,222	450,780,454
Pubali Bank Limited	198,096,853	300,000,000
Rupali Bank Limited	226,831,857	364,496,262
Shahjalal Islami Bank Limited	400,000,000	400,000,000
Southeast Bank Limited	82,770,218	206,501,887
Standard Bank Limited	99,565,871	100,000,000
Standard Chartered Bank	550,000,000	400,000,000
State Bank of India	-	100,000,000
The City Bank Limited	906,214,972	675,768,131
The Farmers Bank Limited	-	100,000,000
The Premier Bank Limited	400,817,242	-
Trust Bank Limited	484,326,831	499,923,687
United Commercial Bank Limited	769,241,977	691,775,935
	<u>9,296,087,184</u>	<u>9,513,185,006</u>

BURO Bangladesh

Notes to financial statements

For the year ended 30 June 2015

	2015 BDT	2014 BDT
There is no overdue or default in respect of repayment (loan and interest) of above borrowings by BURO Bangladesh from their respective due dates.		
20.3 Borrowing from non-banking financial institution		
Lanka Bangla Finance	700,000,000	-
	<u>700,000,000</u>	<u>-</u>
21. Employees' security deposit		
Opening balance	58,940,334	56,415,290
<u>Add: Received during the year</u>	<u>8,882,962</u>	<u>7,958,640</u>
	67,823,296	64,373,930
<u>Less: Refund during the year</u>	<u>4,945,621</u>	<u>5,433,596</u>
Closing balance	<u>62,877,675</u>	<u>58,940,334</u>
This represents amount received as security deposit from Branch Managers, Accountants, Assistant Accountants, Program Organizers and Assistant Program Organizers as per policy of BURO Bangladesh.		
22. Customers' general savings		
Opening balance	4,003,367,873	3,436,561,031
<u>Add: Deposits during the year</u>	<u>3,478,802,667</u>	<u>3,763,978,633</u>
	7,482,170,540	7,200,539,664
<u>Less: Withdrawals during the year</u>	<u>3,282,270,644</u>	<u>3,197,171,791</u>
	<u>4,199,899,896</u>	<u>4,003,367,873</u>
The general savings account is like a current account, where customers can save or withdraw the amount on demand. The rate of interest is 6% compounded per annum of their general savings account balance.		
The number of General Savings Accounts was 1,269,411 at the end of year 30 June 2015 compared to 1,323,113 at the end of year 30 June 2014.		
23. Other liabilities		
BURO Bangladesh provident fund	513,089	2,700,978
Security deposit from shops	1,200,000	700,000
Others (including staff security fund)	5,279,842	6,916,782
Dormant accounts	16,875,804	6,796,624
	<u>23,868,735</u>	<u>17,114,384</u>
24. Service charges on loan to borrowers		
Service charge	3,797,140,011	3,522,107,633
Written off recovered	-	3,786,144
	<u>3,797,140,011</u>	<u>3,525,893,777</u>
25. Interest on borrowing from banks		
Commercial banks	954,848,551	1,118,071,400
Non- banking financial institution	8,311,111	261,060,516
Specialized institutions	4,173,255	7,431,468
Others	2,556,265	2,077,940
	<u>969,889,182</u>	<u>1,388,641,324</u>

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2015

	2015 BDT	2014 BDT
26. Interest on customers savings		
Interest on general savings	237,786,308	139,797,355
Interest on contractual savings	100,972,986	38,280,110
	338,759,294	178,077,465
27. Salary and allowance		
Field Offices	911,672,535	878,227,520
Head Office	183,547,597	147,283,018
	1,095,220,132	1,025,510,538
28. Payment to national exchequer		
Direct tax (note 28.1)	32,850,404	9,671,855
Government fees	892,121	10,957,765
	33,742,525	20,629,620
28.1 Direct tax		
Income tax on staff salary and allowances	5,269,611	2,205,955
Corporate tax	22,010,338	6,538,675
Tax deduction from interest on bank deposit	5,570,455	927,225
	32,850,404	9,671,855

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

	2015 BDT	2014 BDT
29. Transportation		
Fuel and lubricants	34,381,492	35,388,163
Travelling allowance	38,012,164	32,063,312
Car maintenance	2,334,631	2,424,572
Daily allowance	8,684,181	6,279,658
	83,412,468	76,155,705

BURO Bangladesh

Notes to financial statements For the year ended 30 June 2015

	2015 BDT	2014 BDT		
30. Training and research				
Staff training	4,408,143	5,616,395		
Operation research	-	604,198		
Meeting and workshop	3,497,659	2,141,932		
	7,905,802	8,362,525		
31. Other direct cost				
Office maintenance	13,690	3,415,297		
Email, telephone and fax	10,248,112	9,504,362		
Electricity, gas and water	14,122,401	13,220,709		
Entertainment	11,170,104	7,599,000		
Bank charges	3,197,815	3,397,999		
Postage and telegram	456,802	801,691		
Printing materials	-	1,493,481		
Repair and maintenance	780,429	339,176		
Advertisement	564,125	90,000		
Newspaper and periodicals	112,053	37,824		
Computer accessories	247,770	169,094		
Registration (membership fee)	1,344,017	1,113,597		
Miscellaneous expenses	39,626,297	26,212,864		
	81,883,615	67,395,094		
32. Contribution to development project				
Water supply project	-	200,000		
Enhanced institutional capacity	1,897,195	-		
	1,897,195	200,000		
33. Key microfinance Ratios				
SI No	Eligibility criteria	MRA compliance	2015	2014
1	Cumulative Recovery Rate (CRR)	95%	99.17%	99.24%
2	On Time Recovery Rate (OTR)	92-100%	96.81%	98.05%
3	Liquidity to Savings Ratio	10%	20.40%	30.76%
4	Current Ratio	2 : 1	4.07 : 1	3.65 : 1
5	Capital Adequacy Ratio	15%	21.05%	17.12%
6	Debt Service Coverage Ratio	1.25 : 1	1.15 : 1	1.25 : 1
7	Debt to Capital Ratio	9 : 1	2.80 : 1	3.92 : 1
8	Rate of Return of Capital	1%	30.40%	28.89%
34. Others				
34.1	Figures in these notes and in the annexed financial statements have been rounded to the nearest BDT.			
34.2	These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.			
34.3	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.			

Five Years at a Glance (as on June 30)

	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
A	Institutional Profile					
	Number of Districts	57	57	61	61	61
	Number of Upazilla	394	394	399	403	403
	Number of Union	2,011	2,508	2,860	3,229	3,489
	Number of Villages	24,451	25,012	26,173	27,878	30,201
	Number of Branches	628	629	634	634	640
	Total Personnel	5,379	5,447	5,417	5,569	5,736
	Staff Dropout Rate	26%	21%	18%	11%	11%
	Number of Customers	1,029,343	1,082,789	1,104,717	1,053,035	1,269,411
	Customer Dropout Rate	10%	9%	8%	9%	4%
B	Savings Portfolio (million BD Taka)					
	Yearly Savings Deposit	2,207	2,526	5,066	4,113	4,818
	Cumulative Savings Deposit	8,396	10,922	15,988	20,101	24,919
	Yearly Savings Withdrawals	1,612	2,044	4,155	3,341	3,609
	Cumulative Savings Withdrawals	6,074	8,118	12,273	15,614	19,223
	Savings Portfolio	2,322	2,804	3,715	4,487	5,696
	Savings Portfolio Growth	34%	21%	33%	21%	27%
	Per Client Average Savings (BDT)	2,255	2,590	3,363	4,261	4,487
	Savings to Loan Portfolio	41%	41%	29%	33%	35%
C	Loan Portfolio (million BD Taka)					
	Yearly Loan Disbursed	11,491	13,265	22,110	23,629	26,301
	Cumulative Loan Disbursed	44,872	58,136	80,246	103,875	130,176
	Yearly Loan Recovered	10,485	11,980	15,995	22,904	23,559
	Cumulative Loan Recovered	39,272	51,252	67,247	90,151	113,710
	Loan Portfolio	5,600	6,884	12,999	13,724	16,466
	Loan Portfolio Growth	22%	23%	89%	6%	20%
	Number of Borrowers	885,435	913,362	950,234	896,475	839,183
	Borrower/Customers Ratio	86%	84%	86%	85%	66%
D	Sustainability/Profitability					
	Return on Equity (ROE)	3%	12%	24%	29%	30%
	Return on Performing Assets	32%	28%	23%	26%	25%
	Operating Self-Sufficiency	103%	109%	118%	120%	130%
	Financial Self-Sufficiency	102%	104%	110%	114%	126%
	Financial Spread (Net Financial Margin)	4.25%	4.29%	4.57%	5.75%	8.19%
E	Portfolio Quality					
	On Time Recovery Rate (OTR)	96.38%	97.27%	98.22%	98.05%	96.81%
	Cumulative Recovery Rate (CRR)	98.89%	99.01%	99.18%	99.24%	99.17%
	Portfolio at Risk-PAR (>30days)	5.08%	3.44%	1.77%	2.76%	3.31%
	Risk Coverage Ratio	100%	111%	101%	101%	100%
	Loan Loss Reserve Ratio	5.19%	4.37%	2.46%	3.03%	3.61%
	Write-Off Ratio	1.31%	1.61%	0.64%	0.43%	0.68%
F	Assets/Liability Management					
	Yield on Gross Portfolio	30%	27%	23%	26%	25%
	Current Ratio	577%	574%	381%	365%	407%
	Financial Cost Ratio	8.28%	7.39%	7.89%	9.98%	7.25%
	Annual Growth to Total Assets	12%	26%	73%	12%	17%
G	Leverage					
	Debt to Equity	3.04	3.52	5.60	3.92	2.80
	Debt Service Coverage Ratio	1.13	1.12	1.13	1.15	1.15
	Capital Adequacy Ratio	18.78%	17.49%	12.37%	17.12%	21.05%
H	Efficiency/Productivity					
	Loan Officer (LO) Productivity	285	306	295	315	385
	LO Productivity (Loan-BDT)	1,549,548	1,942,558	3,476,753	4,110,365	4,995,734
	LO Productivity (Savings-BDT)	642,364	791,200	993,763	1,343,820	1,728,034
	Average Disbursed Loan Size (BDT)	11,051	12,757	21,018	24,422	29,347
	Average Outstanding Loan Size (BDT)	6,325	7,537	13,680	15,309	19,621
	Cost of per Unit Money Lent (BDT)	0.08	0.07	0.05	0.06	0.05
	Operating Expenses Ratio	17.47%	15.12%	10.34%	9.88%	9.56%

Five Years Balance Sheet (as on 30 June)

Figure in Million Taka

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
PROPERTY AND ASSETS					
Current Assets					
Cash and bank balance	470.43	473.12	244.59	906.48	552.11
Investment	223.32	575.01	802.56	1,086.93	1,432.96
Other current assets	144.01	141.40	172.96	281.55	458.94
Loan portfolio	5,600.07	6,884.43	12,999.58	13,724.51	16,465.94
Loan loss reserve (LLR)	290.52	300.89	320.42	416.20	593.66
Loan portfolio-net of LLR	5,309.55	6,583.54	12,679.16	13,308.31	15,872.28
Total Current Assets	6,147.31	7,773.07	13,899.27	15,583.27	18,316.29
Long - Term Assets					
Fixed assets at cost	565.87	710.37	765.84	802.80	847.60
Accumulated depreciation	75.41	98.77	121.45	142.92	176.61
Fixed assets -net of accumulated depreciation	490.46	611.59	644.39	659.88	670.99
Total Long -Term Assets	490.46	611.59	644.39	659.88	670.99
Total Assets	6,637.77	8,384.67	14,543.66	16,243.15	18,987.28
LIABILITIES AND FUNDS					
Current Liabilities					
Employees' security deposits	53.74	53.76	56.42	58.94	62.88
Clients' general savings	1,004.55	1,222.86	3,436.56	4,003.37	4,199.90
Bank overdraft	0.70	0	1.64	0	0
Other liabilities	7.32	0.25	5.15	17.11	23.87
Total Current Liabilities	1,066.31	1,276.87	3,499.76	4,079.42	4,286.65
Long-Term Liabilities					
Clients' regular voluntary savings	1,316.95	1,581.15	0	0	0
Clients' contractual savings	0	0	279.12	483.65	1,495.70
Emergency funds	0.90	0.87	0.84	0.84	0.84
Micro insurance	38.37	30.84	65.76	83.42	183.42
Borrowing from Specialized Institution	115.01	93.28	87.21	59.51	38.82
Borrowing from Commercial Banks	3,274.42	4,419.39	8,541.82	9,513.19	9,296.09
Borrowing from Non-Bank Financial Institution	0	0	719.66	0	700.00
Total Long-Term Liabilities	4,745.65	6,125.53	9,694.41	10,140.60	11,714.86
Funds and Surplus					
Revolving loan fund (donors' grant)	138.82	138.82	138.82	138.82	138.82
Emergency disaster fund (donors' grant)	73.80	86.02	96.04	106.54	116.21
Other Funds	0	0	0	69.63	106.78
Accumulated surplus reserve fund	0	0	0	170.00	278.98
Accumulated surplus	613.20	757.42	1,114.62	1,538.16	2,345.00
Total Net Worth	825.82	982.26	1,349.49	2,023.13	2,985.77
Total Liabilities and Net Worth	6,637.77	8,384.67	14,543.66	16,243.15	18,987.28

Five Years Income and Expenditure Account (as on 30 June)

Figure in Million Taka

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
A Financial & Micro Credit Income					
Service charges/Interest on loans	1,545.31	1,706.75	2,287.94	3,525.89	3,797.14
Service charges from remittance services	11.89	7.38	4.01	5.31	6.54
Sales of loan application forms	35.78	29.17	29.17	26.42	26.14
Borrowers admission fees	12.02	10.68	10.60	8.59	3.73
Interest on bank deposits	28.73	20.97	60.16	66.56	115.88
Interest on staff loan	0.15	1.52	1.51	1.15	1.45
Others	9.76	4.81	3.93	8.08	4.07
Total Financial & Micro Credit Income (A)	1,643.64	1,781.28	2,397.33	3,642.00	3,954.95
B Financial Cost					
Interest on borrowings	451.81	462.63	778.67	1,388.64	969.89
Interest on customers' savings	83.34	110.28	145.76	178.08	338.76
Total Financial Cost (B)	535.15	572.92	924.44	1,566.72	1,308.65
C Gross Financial Margin (A-B)	1,108.49	1,208.36	1,472.89	2,075.28	2,646.31
D Provision for loan losses	173.64	110.66	82.95	153.64	279.55
E Net Financial Margin (C-D)	934.86	1,097.70	1,389.94	1,921.64	2,366.76
F Operating Expenses					
Salary and allowances	671.77	698.24	758.37	1,025.51	1,095.22
Rental office	54.92	63.33	67.71	73.78	74.12
Payment to national exchequer	8.80	10.19	18.30	20.63	33.73
Transportation	47.64	54.17	62.56	76.16	83.41
Training & research expenses	11.73	9.49	5.22	8.36	7.91
Office supplies	22.02	25.05	24.47	27.56	32.37
Depreciation	22.50	27.21	23.56	26.42	35.82
Audit & professional fees	2.04	1.60	4.11	2.10	4.59
Project contribution	6.19	4.03	0	0.20	1.90
Other expenses	54.53	60.16	68.42	67.40	81.88
Total Operating Expenses (F)	902.14	953.48	1,032.74	1,328.11	1,450.94
G Net Surplus/(Deficit) (E-F)	(61.66)	32.71	144.22	593.53	915.81

Source: Audit Report





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