

Chars Livelihoods Programme (CLP)

Microfinance on the Chars:

A Review of the Microfinance Situation and the Need for Innovative Products and Extended Services

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Australian Government
Aid Program



Acronyms and Abbreviations

BRAC	Bangladesh Rural Advancement Committee
CFPR/ TUP	Challenging the Frontier for Poverty Reduction – Targeting the Ultra-Poor
CLP	Chars Livelihoods Programme
DIO	District Infrastructure Officer
DMA	Data Management Aid
IGA	Income Generating Activity
IMO	Implementing Organisation
InM	Institute of Microfinance
GB	Grameen Bank
GPS	Global Positioning System
HH	Household
IGA	Income Generating Activities
M4P	Making Markets Work for the Poor
MF	Microfinance
MFI	Microfinance Institution
MIS	Management Information Systems
MMS	Manab Mukti Shangstha
NGO	Non-Government Organization
PKSF	Palli Karma-Sahayak Foundation
PRIME	Program Initiatives for Monga Eradication
RDRS	Rangpur Dinajpur Rural Service
RLF	Revolving Loan Fund
RMC	Rural Micro-Credit
SKS	Samaj Kallyan Sangstha
SSS	Society for Social Service
TMSS	Thengamara Mohila Sabuj Sangha
ToT	Training of Trainers
UPL	Ultra-Poor Loans
UPP	Ultra-Poor Programme
VSLA	Village Savings and Loans Association

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1. Executive Summary

The Chars Livelihoods Programme (CLP) conducted a survey during October – December 2011 to assess the microfinance situation and needs on the *chars* of North West Bangladesh. The purpose of this study is to propose options for improving access to microfinance on the *chars* and recommend suitable credit and other microfinance options for the extreme poor and poor households, with specific reference to households recently involved in the CLP. The report also offers suggestions on how microcredit can be integrated into the CLP's efforts in 'Making Markets Work for the Poor (M4P)'. The key findings from the study are.

Presence of Microfinance Institutions (MFIs) and Microfinance Branches

1. The microfinance situation on the *chars* is dominated by the three main national MFIs ASA, BRAC and Grameen Bank. A total of 30 MFIs operate to some extent on the island *chars*, but predominately on the adjacent mainland areas in the eight working districts surveyed.
2. A total of 275 branch offices were identified as working on the *chars*. These branches have microfinance activities in at least one island village where CLP works, as well as in the attached *chars* and adjacent mainland.
3. Among these 275 branches, 37 branches from 14 different MFIs are located on island *chars* as opposed to the mainland. RDRS and Grameen Bank have the most island *char* branches at 8 and 7 branches respectively.

CLP Villages' and Households' Access to MFIs

4. Overall MFIs are working in 70% of *char* villages. The districts where MFIs operate in less than 70% of the *char* villages are Jamalpur, Lalmonirhat, Rangpur and Tangail.
5. On average there are no MFI branches operating 34% of the *char* villages, 32% of the *char* villages have at least one MFI branch present and 34% of *char* villages have more than one MFI branch.
6. Comparing 2011 data with a CLP study conducted in 2007 shows an overall increase in the number of MFI branches operating microfinance on the *chars*; the total number of branches has increased from 143 to 183. The number of branches located on island *chars* increased from 21 in 2007, to 30 in 2011, as did the total number of savers and borrowers.

Target Clients on the *Chars*

7. MFIs working on the island *chars* mainly target the poor, including day labourers, marginal farmers, sharecroppers, small traders, weavers, carpenters and fishermen.
8. The majority (79%) of the MFIs identified also claimed to serve the ultra-poor, however field observations and interviews found that in most cases the truly ultra-poor do not have access to, or utilise the microfinance services. MFIs seemed to intentionally exclude the ultra-poor from mainstream microfinance and due to irregular and limited incomes; the ultra-poor are deterred from borrowing by the weekly loan repayments and fear of harassment from staff if they fail to pay weekly installments.

Microfinance Services Offered to *Char* Dwellers

9. All the MFIs operating on the *chars* mobilise savings from their clients, which constitutes the largest source of their revolving loan fund (RLF). Mandatory savings are the most common form of savings and follow strict terms and conditions, which appear inconvenient for members due to their irregular and limited incomes. Some (19) MFIs offer flexible savings at small interest rates and approximately one third of the MFIs also offer long-term or fixed-term savings but these are not yet popular among the clients.
10. The loans offered on the *chars* have different names but fall into the 5 broad categories: 'general loans', 'enterprise loans', 'ultra-poor loans', 'special loans' and 'seasonal loans'. All the loan products, excluding 'special loans' are similar in features such as loan duration, repayment system and interest rates. These standardised loan products were designed and have evolved based on clients living on the mainland and are not suitable for the *char* dwellers.

11. Other services offered by MFIs include insurance, institution building and market development. Insurance is predominately credit insurance introduced by MFIs to protect possible loan loss from the death of any borrowers. Some MFIs have also introduced health insurance offering health check-ups, which appeared more useful for the poor people but their coverage is limited, as are the benefits. The institution building services take the form of social development training within the groups; however this element is not prioritised by MFIs. Market development services lacked clarity and mainly consisted of skill development training.

Scope for Expansion of Microfinance on the *Chars*

12. The presence of MFIs on the *chars* remains inadequate, scattered and uneven. Poor people in the remote villages who are unable to access microfinance usually meet their credit needs by borrowing money at high interest rates from informal moneylenders. Given this situation, expansion of microfinance on the *chars* increases the options for poor *char* dwellers' economic development.
13. Local MFIs are a preferable medium through which to expand MFIs, as opposed to the large, mainstream MFIs which operate in a standardised fashion and are unlikely to be willing to implement *char* specific loan programmes designed to meet the needs of the *char* dwellers.
14. Local MFIs lack sufficient financial resources to expand specially designed microfinance services on the *chars*. One strategy may be to advocate PKSF to create a special fund for local MFIs working on the *chars*. Alternatively, NGOs could enhance and expand the village savings and loans association (VSLA) approach which is already underway in the CLP villages. However, the funds accumulated through VSLA build up relatively slowly and would be insufficient to meet the incremental credit needs of the target population, which would allow *char* dwellers to begin and run IGAs.
15. The expansion of microfinance on the *chars* through existing MFIs requires the development of *char* specific financial products which match the livelihood and cash flow patterns of the *char* dwellers. Replicating the existing products may not have a positive or significant impact. Conventional features of MFI loans such as fixed-ceiling, one year loans with weekly installments are not suitable in the *char* context, where the potential clients have limited savings, depend on seasonal cash flows and do not have diversified income sources.
16. Savings should be emphasised on the *chars*, and this demands more innovative savings mechanisms such as daily savings or savings in kind. Higher interest rate savings could be offered to encourage the poor to save more and savers should have access to their savings at any time.
17. On the *chars*, financial services alone will not make a significant impact. Unlike the mainland, agricultural and veterinary extension, agricultural product marketing and market development services are very limited or non-existent on the *chars*. To ensure success and optimise financial return from economic activities undertaken using loans from MFIs, a strong drive is needed to make these services available and accessible to *char* dwellers. The CLP has already made good progress in this respect and will continue to do so until the end of the Programme.
18. Strong intervention in market development is required to ensure economic return from investments made using loans. *Char* dwellers face enormous difficulties in market access and in most instances are forced to sell their products at low prices, which often do not cover their production costs. To address this, multiple actions could be taken, such as introducing potential buyers, arranging special markets, improving dissemination of information among the *char* dwellers on market prices and potential accessible markets, as well as training on appropriate marketing techniques such as collective marketing. The CLP is strengthening its Market Development interventions as part of the M4P approach.

The Way Forward

19. Bring stakeholders together to develop a strategy for microfinance on the *chars*. A workshop engaging key stakeholders would provide the opportunity to share CLP's experiences maps, database and findings on microfinance in the context of *chars*. From this a forum could be developed made up of all of the MFIs operating in the locality or peripheral *char* areas, as well as other stakeholders (financial, market development, government) and initiate dialogue with these MFIs to expand their services on the *chars*.
20. Customise loan products based on the specific economic activities undertaken. A cost structure breakdown of key economic activities specific to the *chars* should be calculated. These can be used

to tailor loan products and provide guidance on suitable loan sizes and borrowing conditions for *char* dwellers.

21. Through CLP's IMO's, pilot the customised loan products designed through and support MFIs to develop long-term business plans for products which are scaled up.
22. Emphasise savings accumulation by offering innovative and flexible savings products such as daily savings, or savings in kind. This could be driven by the Forum.
23. Intensify capacity building, market development and information flow among the *char* dwellers through various types of training.
24. Bring changes to the delivery mechanisms of microfinance operations on the *chars* by setting up small unit offices under the main branch and possibly introducing a hardship allowance for field staff.
25. Seek alternative sources of financing for MFIs operating on the *chars*, such as through an endowment fund.

2. Introduction

2.1 Background

The Chars Livelihoods Programme (CLP) works with extreme poor households living on island *chars* in North West Bangladesh, and aims to improve the livelihoods, incomes and food security of over one million people. The first phase of the CLP (CLP-1), which ran between 2004 and 2010 targeted 55,000 of the poorest households and is estimated to have benefited more than 900,000 people. CLP-2 began in April 2010 and follows on from CLP-1 but with a redefined working area. CLP-2 operates in the riverine sand islands (*chars*) of the Jamuna and Brahmaputra rivers across 8 districts: Kurigram, Gaibandha, Jamalpur, Lalmonirhat, Nilphamari, Rangpur, Pabna and Tangail. CLP-2 will run until 2016 with the aim of lifting 67,000 households out of extreme poverty.

In Bangladesh, microfinance has failed to penetrate the extreme poor, especially those in the most remote rural locations such as the *chars*. Unlike many areas of mainland Bangladesh, where microfinance institutions (MFIs) offering savings, credit and insurance services to the poor are ubiquitous, credit options for *char* dwellers are limited and dominated by the perception that *char* dwellers are too poor to be good microfinance clients. The high incidence of extreme poverty and pronounced seasonality of agriculture, combined with vulnerability to natural disasters have deterred MFIs from establishing branches on island *chars*. A microfinance coverage study conducted during CLP-1 found that the supply of microfinance branches located on *char* islands in the CLP-1 working districts is minimal – about 22% of all island *char* households were being served by MFI branches physically located on island *chars*¹.

To recommend a future pathway for microfinance on the *chars*, the CLP-2 assessed the supply and demand of microfinance services on the *chars* in CLP working districts, as of December 2011. Although the CLP-1 reported on microfinance coverage on the *chars* in 2007, no previous studies exist on the adequacy and effectiveness of microfinance products and services on the *chars* in North West Bangladesh. This report summarises the changes and trends in the microfinance coverage in CLP-1 districts and presents more detailed findings and analyses on the supply of microfinance services on the *chars* in CLP-2 working districts. Key questions addressed in this report include:

- Which MFIs operate on the *chars* and what is the extent of their coverage?
- Who has access to these products?
- What microfinance products are offered to *char* dwellers?
- What are the features of the credit products on offer?
- Are these products suitable for the target clients?
- To what extent are these products reaching the target clients?

Based on these findings, the report recommends suitable interventions to improve credit facilities for poor and extreme poor households living on island *chars*. The accompanying directory of microfinance services on the *chars* provides key baseline data which will help the CLP, microfinance agencies operating on the *chars* and other key organisations such as Palli Karma-Sahayak Foundation (PKSF) to develop a suitable strategy to extend appropriate microfinance services to *char* dwellers.

2.2 Objectives

The objectives of the analysis of the microfinance situation and needs are to:

1. Update the microfinance coverage study conducted in 2007 and assess the trends and changes in microfinance coverage on the *chars* in CLP-1 districts;
2. Describe the current trends in microfinance products offered to *char* dwellers;
3. Analyse the prevalence of MFIs, their coverage and penetration in the *chars*, and the extent to which they reach poor and ultra-poor *char* households;
4. Identify the existing range of microfinance products and services offered by the MFIs operating in the *chars*;

¹ Panetta and Shahedur Rashid (2008). 'Microfinance Coverage Study'. Available at: www.clp-bangladesh.org

5. Assess the appropriateness and suitability of the existing products and services for the poor and extreme poor *char* dwellers, and the extent to which these products are reaching the target clients;
6. Identify the features and innovative design required to tailor microfinance services on the *chars* to make them most suitable for poor and extreme poor households in the *char* context;
7. Propose options for improving access to microcredit appropriate for poor *char* households.

2.3 Methodology

The data collection comprised two components:

- An assessment of the coverage of MFI branches on the *chars* in CLP-1 and CLP-2 districts;
- An in-depth analysis of five credit products.

To help the design of the data collection background research and visits to the headquarters, zonal, district and branch levels of major microfinance service providers were conducted to collect key information on MFI provision on the *chars*, and the type of data available. The research team concluded that to assess the microfinance situation and needs on the *chars*, data collection at branch level was necessary.

To assess the coverage, a primary list of all the existing branches operating in the CLP-1 villages was compiled based on the database of branches identified in a study conducted in 2007. Additionally, CLP-1 and CLP-2 implementing organisations (IMOs) provided the CLP with data on which MFIs and branches operate in their working areas. These data sets were combined to form a comprehensive primary list of branches currently operating in CLP-1 and CLP-2 villages (annex 1).

A team of nineteen data collectors were trained and deployed to visit each branch identified in the final list and interview the branch manager to collect the required data. The thirteen data collectors from CLP's IMOs covered Sirajgonj, Bogra, Jamalpur, Pabna and Tangail, whilst five data collectors and one supervisor covered the Kurigram, Gaibandha, Nilphamari, Lalmonirhat and Rangpur. In an effort to pick up any branches that had not been identified in the list provided, at each branch data collectors enquired about any other branches operating in the area and visited these as well. To generate maps of the locations of MFI branches, Global Positioning System (GPS) coordinates of branches were recorded by CLP's District Infrastructure Officers (DIOs) in CLP-2 districts. Village reference points were used for those branches which DIOs could not cover.

Data were organised systematically to produce a directory of MFIs operating in CLP-2 working areas and the microfinance services provided by these MFIs. Data from CLP-1 districts were analysed and compared with the 2007 database. From these data, the five most prevalent MFIs and loan products were identified for further examination on the suitability of the products (annex 2).

For each of the five selected credit products, a small team (microfinance consultant, CLP Young Professional and two data collectors) conducted in-depth interviews with ten borrowers of the selected credit product and the branch manager and relevant staff from the respective MFI. The borrowers were selected randomly, however given the time and financial resource constraints, the clients interviewed were often those whose residence was located close to the branch. The interviews provided an assessment of the typical use of loans, borrowers' expectations and needs, and how the loan could have better impacts.

The consultant reviewed relevant CLP documents and reports written by other key stakeholders working in the *chars*. In addition, various secondary documents specific to microfinance for the rural poor in Bangladesh, with particular reference to the *chars* were also reviewed to prepare this report.

2.4 Limitations

The database of MFI branches that was prepared in 2007 was used as a starting point for 2011 data collection; however the two studies employed different methodologies which must be taken into consideration when interpreting the findings.

- **2007 database:** Branches were classified as island, embankment or mainland. Island branches are defined as branches located on island *chars* which are surrounded by water in the dry season (January – March 2005), as captured by a 2005 Google Earth satellite image.

- **2011 database:** Branches were classified as island or mainland. Island branches are defined as branches located in CLP villages.
- It was not possible to disaggregate branch data into *char* and non-*char* clients, however where only *char* client data was required the questionnaires specifically asked the respondent to provide information on the loans that were offered to *char* dwellers.
- Although several methods were used to identify branches operating in CLP villages, it cannot be stated with 100% accuracy that all branches and all MFIs operating in the *chars* have been captured in this study.
- Some Grameen Bank branches were unwilling to provide data.
- Some data required from branches were unavailable and the accuracy of the data is dependent upon the branch managers and their monitoring and record systems, which are often weak in isolated locations.
- The number of borrowers interviewed for each selected loan product was relatively small, therefore may not be representative of the opinions of other borrowers in different *chars*.

2.5 The Review Team

The review team consisted of 21 members. The team was led by a national consultant namely Md. Harun-Or-Rashid and guided by Nicola McIvor – a Young Professional from the CLP. The remaining team members consisted of field investigators or data collectors, thirteen of whom were data collectors selected from the CLP's implementing organisations (IMOs) and six from a consulting firm Data Management Aid (DMA).

3. Microfinance on the *Chars*: a Review

3.1 Microfinance and the Extreme Poor

Microfinance, the provision of financial services including credit, savings and loans, to low-income groups of people has become a key component of 'bottom-up' development and poverty reduction in Bangladesh². Led by the Grameen Bank model, which has been replicated all over the world, MFIs lend small amounts of credit to the poor through small groups, at low interest rates for the purpose of investment in income generating activities and sometimes consumption.

The impact of microfinance has been the subject of debate and has generated much controversy based on recent studies which have highlighted the harmful impacts that microfinance can have³. Microfinance indebtedness is commonplace in Bangladesh where many areas are saturated by MFIs and borrowers have multiple memberships - often borrowing to pay back existing debt to other MFIs. At the time that this research was conducted, Grameen Bank and the microfinance industry faced severe criticism⁴. This report does not attempt to measure the impact of microfinance. The authors recognise the potential negative impact of microfinance, however hold the view that appropriate microfinance tailored to needs of the context can have a positive role to play in poverty reduction. The report examines the extent and characteristics of the coverage of microfinance on the *chars* and assesses the suitability of existing products.

Despite the claim that microfinance can help reduce poverty, microfinance has not yet reached the ultra-poor, nor has it extended services to marginal and small farmers, as evident by the small proportion of lending for agricultural activities⁵. It is therefore unsurprising that there is limited access to microfinance on the *chars*, where there is pronounced seasonality of agriculture and high dependence on agro-based economic activities. The three national MFIs, BRAC, Grameen Bank and ASA dominate the microfinance situation on the *chars*. These MFIs usually establish their branches on the mainland and the majority of their clientele are located on the mainland; however some branches do offer microfinance services to *char* dwellers in island villages in their catchment area. Other major microfinance service providers

² Hulme, D and Moore, K (2006) 'Why Has Microfinance Been a Policy Success in Bangladesh (and Beyond?)'.

³ Duvendack et al. (2011), 'What is the evidence of the Impact of Microfinance on the Well-being of Poor People.'

⁴ Bateman, M (2011), 'Microfinance as a Development and Policy Reduction Policy: is it everything it's cracked up to be?'

⁵ Khandker, Khalily and Samad (2010). 'Seasonality and Hard-Core Poor with Microfinance: Results of the PKSF Ultra-Poor Project in Bangladesh. Institute of Microfinance (InM).

working on the *chars* such as Rangpur Dinajpur Rural Service (RDRS), Thengamara Mohila Sabuj Sangha (TMSS) and Society for Social Service (SSS) are NGOs which are partner organisations of Palli Karma-Sahayak Foundation (PKSF) – an apex organization of the Government of Bangladesh which lends funds to MFIs. Smaller microfinance service providers working on the *chars* in the CLP districts include other PKSF partner NGOs, as well as other non-PKSF partners such as Proshika.

Program Initiatives for Monga Eradication (PRIME)

Responding to the failure of MFIs to adequately address seasonal and extreme poverty, in 2006 PKSF introduced the Program Initiatives for Monga Eradication (PRIME). This project aims to address seasonal deprivation and smooth consumption by offering flexible microfinance and other services exclusively to the extreme poor, especially those in North West Bangladesh, including the *chars*.

PRIME is implemented through PKSF partner organisations and unlike traditional microfinance, the flexible repayment schedule, provision of training, low interest rates and voluntary savings make the loan more appropriate for the extreme poor. However, participation of the extreme poor in PRIME is dependent on the presence and location of PKSF partner organisation branches and subsequently the participation is very low on the *chars* in relation to the ultra poor population. Other microfinance programmes aimed at the extreme poor include BRAC's 'Challenging the Frontier for Poverty Reduction – Targeting the Ultra-Poor' (CFPR/TUP), which includes skill training and asset transfer, and Grameen Bank's interest-free 'Beggar Loan' (see Annex 3).

3.2 The Challenges of Microfinance on the *Chars*

Geographic and Communication Challenges

The remote nature of the island *chars* leads to high transaction costs in operating microfinance on the *chars*. Unlike the mainland, where households live in relatively densely populated communities, *char* dwellers usually live in clusters in a more scattered form, for example clusters of 2–6 households live at a distance from each other. Microfinance in Bangladesh mainly operates through groups of 25-30 people, which is suitable on the mainland. In the *chars* the large geographical area necessary to form such a group creates operational challenges.

First, group members struggle to attend the group meetings on a weekly basis due to the long distances that they must walk. Second, due to the large area covered, more branch officers are required to maintain the groups, thereby increasing the running costs. On the mainland a loan officer usually supervises 20-25 groups (400 to 450 members) to keep the optimum outstanding loan and ensure operational sustainability of the branch. However, the large distances and challenges in crossing rivers increase the number of staff required to sustain the branch's operations. Moreover, the weak communication and difficulty in using bicycles and motorbikes on the *chars*, especially during the monsoon results in loan officers walking long distances every day to visit their groups. Consequently MFIs experience a high staff turnover. Finally the physical facilities on the *chars* are limited and finding a suitable building for the branch office and accommodation for the staff is difficult. The limited access to electricity also poses constraints in running computers, therefore account management and management information systems (MIS) are often maintained manually.

Socio-Economic Challenges

Low levels of education and a lack of exposure to television and other media that penetrate the mainland means that attitudes and perceptions of the *char* dwellers are in contrast very conservative. Local religious leaders have a strong influence on the *char* communities and often perceive Non-governmental Organisations (NGOs), particularly MFIs in a negative light and denounce MFIs and the practice of borrowing. Others, especially the extreme poor have heard or witnessed the harsh methods that MFIs use to collect the weekly installments and are often scared to take loans from MFIs.

One major difference in lending to *char* dwellers is that relocation due to river erosion and frequent seasonal migration of the *char* dwellers makes it difficult to form loan groups and ensure that the borrowers will remain there for the duration of the loan period. Furthermore, the heavy dependence on agricultural labour, seasonal migration for labour work, and a lack diversified income result in irregular and seasonal cash flows, which make on-time-repayment of the loan installments challenging and can lead to high default rates. Vulnerability to flooding also increases the risk of loss of crops, assets and businesses in which the loan was invested in; without diversified sources of income, *char* dwellers may be left unable to repay the loans. These factors lead MFIs to perceive lending to *char* dwellers as risky.

4. The State of Microfinance on the Chars

The following section first outlines the changes and trends in microfinance coverage on the *chars* between 2007 and 2011, and then presents the findings from the survey conducted in October - December 2011 to assess the microfinance situation on the *chars* in eight districts of North West Bangladesh.

4.1 The Extent of Microfinance Coverage in CLP-1 Districts

The data presented below compare the data collected in November 2011, with a similar microfinance survey conducted in December 2007 in the *char* areas of Bogra, Jamalpur, Sirajgonj, Kurigram and Gaibandha. Overall, there has been an increase in the total number of branches, however the changes are uneven across the districts.

Chart 1: The Total Number of MFI Branches in CLP-1 Districts in 2007 and 2011

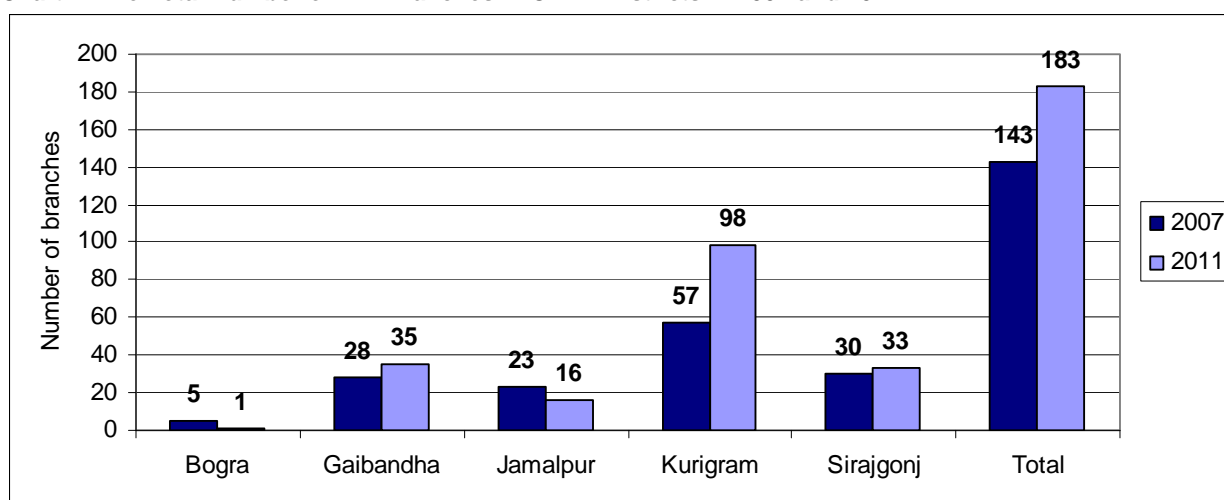


Table 1 shows that the total number of branches on island *chars* has increased from 21 to 30, with a three-fold increase in Kurigram. In some areas smaller local MFIs such as ARCHES - as in Sirajgonj⁶, closed or merged branches and in other cases the change is explained by different methodology of data collection – for example in Bogra some of the branches listed in 2007 do not and did not work on the *chars*, therefore are excluded from 2011 data⁷.

Table 1: A Comparative Picture of the Total Number of MFIs and Branches in CLP-1 Districts

	2007			2011		
	# of MFIs	Total branches	Island branches	# of MFIs	Total branches	Island branches
Bogra	4	5	1	1	1	0
Gaibandha	6	28	7	10	35	11
Jamalpur	10	23	0	6	16	0
Kurigram	8	57	4	11	98	12
Sirajgonj	13	30	9	10	33	7
Total	26	143	21	25	183	30

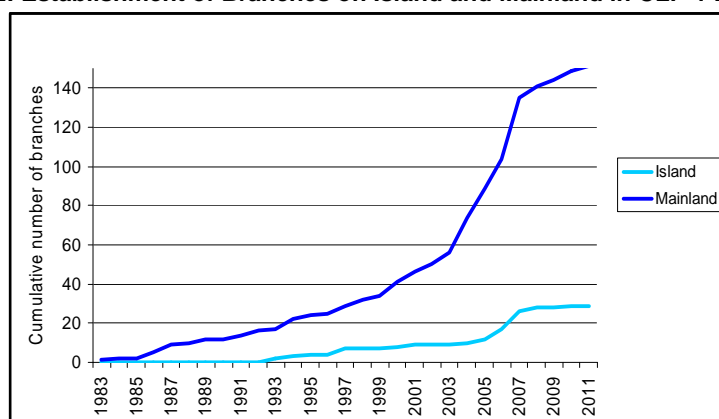
⁶ In Sirajgonj, the number of island branches has decreased due to the closure of one ARCHES branch and the merging of one MMS island branch with the mainland.

⁷ In Bogra, the 2011 survey found that the ASA, BRAC and Grameen Bank branches listed in 2007 stated that they do not work in the CLP areas, therefore have not been included in the 2011 data. The GUK island branch recorded in 2007 is part of a mainland GUK branch, which is identified in the 2011 survey.

The Establishment of New Branches

To help understand the increase in island *char* branches, chart 2 shows the establishment of new branches on island *chars* and the mainland. A comparison of the establishment of branches on island *chars* and on the mainland demonstrates that expansion on the mainland has outpaced growth of new branches on the islands. Both the mainland and island *chars* experienced rapid expansion of microfinance between 2003 and 2007. Since then expansion has slowed in both areas. The three major nations MFIs ASA, BRAC and Grameen Bank did not enter the island *chars* until 1999, yet they expanded quickly until 2007 and since then their growth has stagnated and local NGOs have continued to open branches on the *chars* at a much slower rate.

Chart 2: Establishment of Branches on Island and Mainland in CLP-1 Districts*



*This only marks the opening of new branches and does not include closure or merging of branches.

Changes in the Number of Savers and Borrowers Since 2007

The number of savers and borrowers in these MFI branches has increased, and in total the current amount of savings in island branches has more than doubled for island branches and almost tripled overall (Annex 4 and 5). Similarly for island *char* branches and the mainland the amount of outstanding loans has more than doubled. District-wise, an increase in the number of branches is not necessarily reflected in the number of borrowers and savers (annex 6 and 7).

Changes in Access to MFI Branches in char villages

There has been an overall increase in the proportion of *char* villages that have access to island MFI branches, however the increase has only taken place in Kurigram, Gaibandha and Sirajgonj (Chart 3).

Chart 3: The Percentage of Char Villages with Access to one MFI Branch Located on an island char (2007 and 2011)

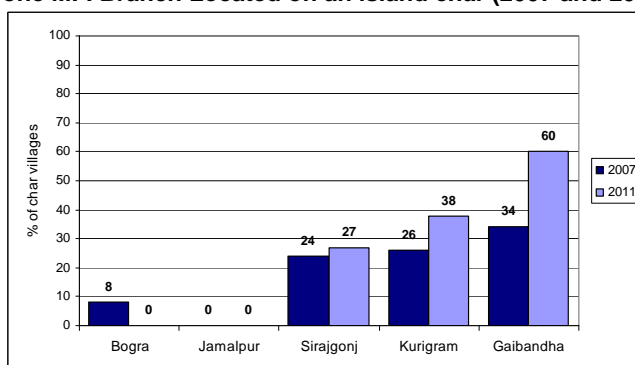
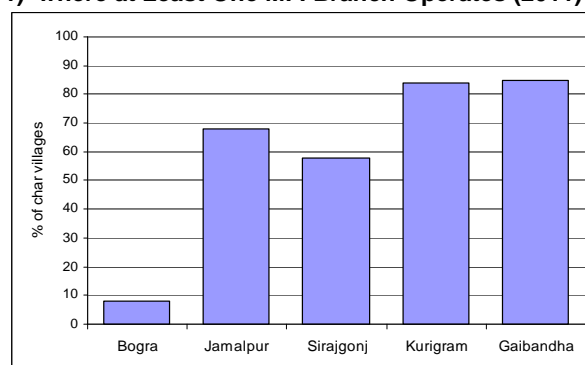


Chart 4: The Percentage of Char Villages where at Least One MFI Branch Operates (2011)



Whilst the number of villages where island MFI branches operate is very limited, chart 4 presents data from 2011, which reveals that MFI branches (based on the mainland or the island) operate in a much higher percentage of *char* villages. However, it was not possible to determine the proportion of households in each village which have actually taken a loan. MFI coverage on the *chars* is still very limited in Bogra and Sirajgonj.

4.2 The Extent of Microfinance Coverage in CLP-2 Districts

This section presents the findings of the survey conducted in CLP-2⁸ districts in November 2011, which set out to assess the present situation of microfinance on the *chars*. The key questions addressed are:

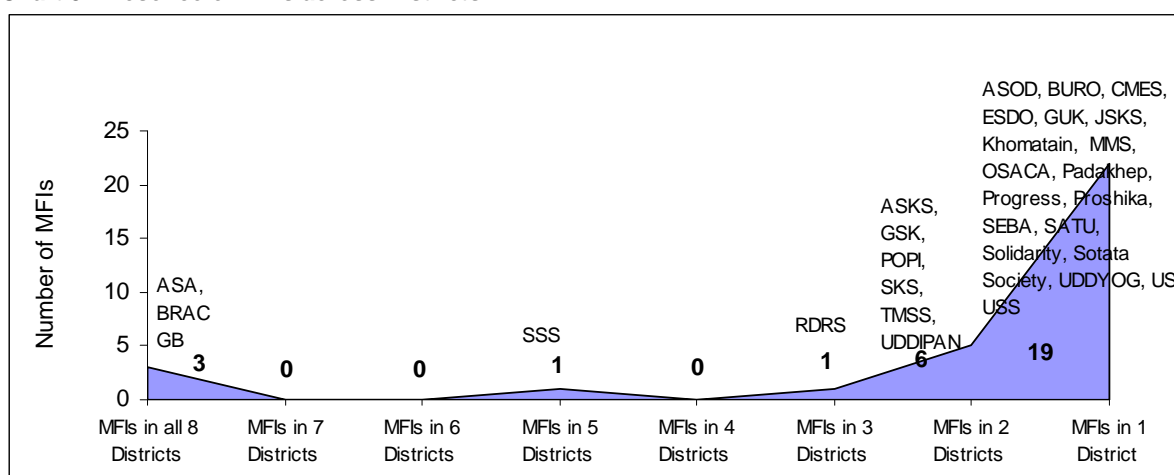
- Which MFIs operate on the *chars* and what is the extent of their coverage?
- Who has access to these products?
- What microfinance products are offered to *char* dwellers?
- What are the features of the credit products on offer?

4.2.1 Which MFIs Operate on the Chars?⁹

Thirty different MFIs work in the eight working districts surveyed. These MFIs offer microfinance predominately in the mainland adjacent to *chars*, as well as in the attached *chars* and provide limited coverage on island *chars*. The MFIs include large national MFIs such as BRAC, ASA, Grameen Bank and Buro Bangladesh, as well as regional and local level MFIs, which differ by the scale of their portfolio and the extent of the programme and the organisational resources and strength.

Chart 5 shows the number of districts each MFI works in: only three MFIs: ASA, BRAC and GB offer microfinance on the *chars* in all the eight districts (annex 8). SSS runs microfinance activities in five districts, whilst RDRS is present in three districts and nineteen MFIs work on the *chars* in only one district.

Chart 5: Presence of MFIs across Districts



The data confirm that the major national MFIs dominate the microfinance sector on the *chars*. Other smaller MFIs operating only in one district have limited presence, however, based on discussion with the MFIs and in light of their strategic plans, growth and source of funds, it appears that SSS, RDRS, POPI, TMSS, GKS, SKS, UDDIPAN, ESDO, ASOD, MMS and Padakhlep have potential to expand their microfinance activities in the island *chars*. As the microfinance on the mainland becomes increasingly saturated, expansion on the *chars* is becoming a more attractive option; however MFIs must overcome the challenges of operating on the *chars* (discussed in section 6).

4.2.2 What is the Extent of the MFIs' Coverage?

The survey identified a total of 275 branch offices from 30 different MFIs (annex 9). These branch offices do not provide microfinance services solely on the island *chars* but are predominately located on and serve the mainland. Some of these branches have very limited operations in the attached *chars* and island *chars*. In total 37 branches from 14 different MFIs are located on island *chars*¹⁰ and implement microfinance activities in these villages (annex 10). The district-wise presence of MFIs on island *chars* (chart 6), reveals that Kurigram has the most island branches (12), where RDRS alone has six island *char* branches, however it should be noted that this district also has one of the highest numbers of *char* villages. The other MFI with a large number of island *char* branches is Grameen Bank. BRAC, ESDO,

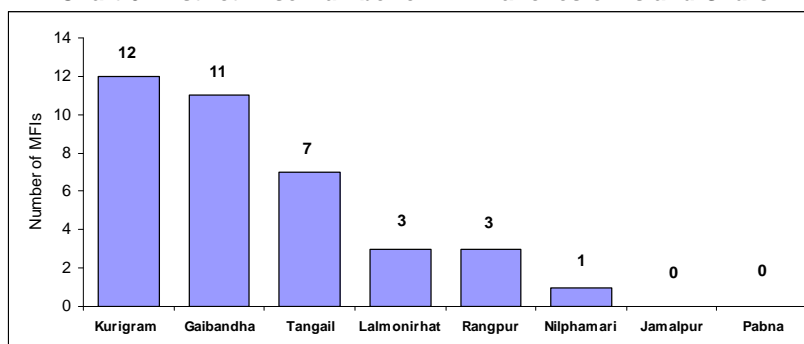
⁸ CLP-2 districts include Kurigram, Gaibandha, Lalmonirhat, Nilphamari, Rangpur, Jamalpur, Tangail and Pabna.

⁹ MFIs operating in the 'CLP-2 working districts' refers to branches which serve at least one island *char*, and usually serve attached *chars* and the adjacent mainland in the 8 CLP-2 working districts. For consistency and simplicity in data collection 'island *chars*' are synonymous with CLP villages, therefore island *char* branches are those located in CLP villages.

¹⁰ Island *chars* are defined as *char* villages where the CLP is working.

Khamatain, SEBA, SATU, Sotata Society, TMSS, and UDDYOG Foundation each have only one branch office located on an island *char*.

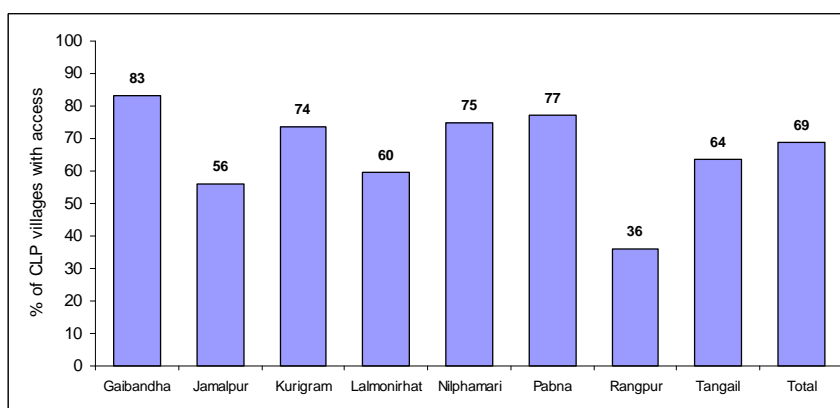
Chart 6: District-wise Number of MF Branches on Island Chars



District-wise CLP Village Coverage by MFIs

To understand the extent to which *char* dwellers have access to microfinance services, annex 11 shows the number and percentage of *char* villages where CLP works, in which there is also at least one MFI branch (island or mainland) operating. As shown in chart 7, the survey found that 414 out of 601 villages (69%) in the *char* villages have at least one MFI branch offering microfinance services.

Chart 7: The Percentage of Char Villages with Access to Microfinance



Taking the average per district, 34% of *char* villages have no access to microfinance services and in 32% of villages there is one MFI branch operating. The remaining 34% of *char* villages have multiple MFI branches operating in the village, as shown in chart 8. In Gaibandha, Kurigram, Tangail and Pabna more than 40% of *char* villages have multiple MFI branches operating (annex 12).

Chart 8: Village Access to MFIs

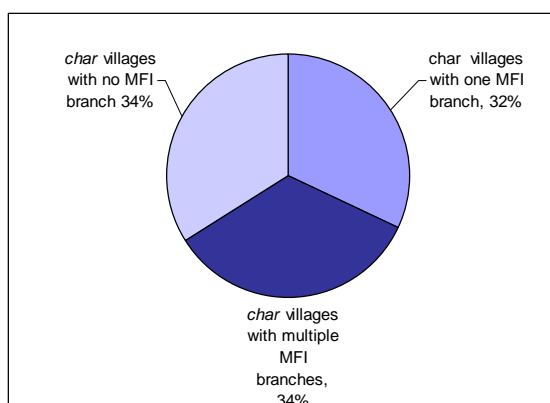
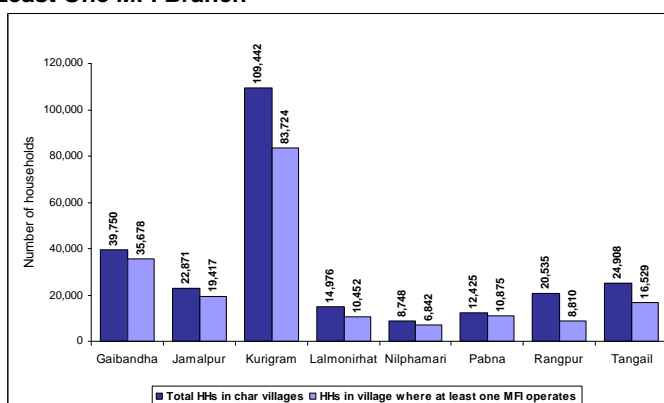


Chart 9: Number of Households in Char Villages with at Least One MFI Branch



Household Coverage

By matching the survey findings to the CLP's data on village population sizes, it is estimated that 192,327 households (approximately 76% of households in the surveyed *char* villages) potentially have access to at least one MFI branch, i.e. there is one branch operating in their village (annex 13).

4.2.3 Who has Access to These Products?

As on the mainland, the main target population of most of the MFIs on the *chars* and the adjacent mainland are the 'poor'. On the *chars*, the 'poor' includes marginal farmers, sharecroppers, day labourers, and the people involved with other activities such as fishing, animal husbandry, small trading, rural transport and weaving. MFIs mainly target women, however, some also work with men, usually organised through groups¹¹. All 30 MFIs reportedly target marginal farmers, 79% claimed to target the ultra-poor and 75% targeted micro-entrepreneurs.

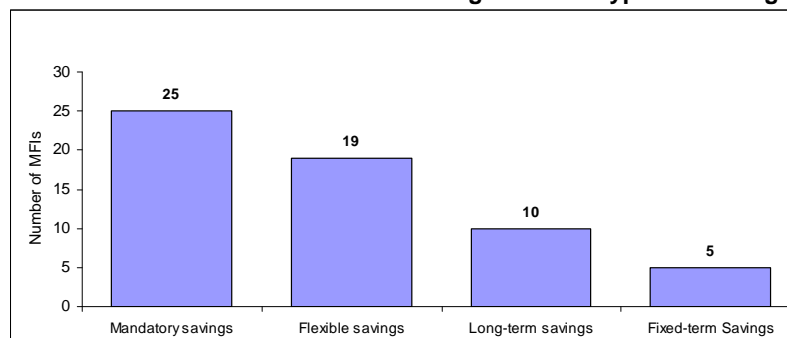
Although most of the MFIs claimed to serve the 'ultra-poor', in practice the truly ultra-poor are not taking loans from MFIs - as observed by the review team in their assessment of MFI clients in the CLP working areas. On the supply side, interviews with MFI staff confirmed that most MFIs consciously avoid enrolling the ultra-poor under mainstream microfinance as their first priority is loan recovery and the ultra-poor are considered risky borrowers due to their inability to make weekly repayments from their irregular and insufficient income sources. On the demand side, interviews with borrowers and potential clients found that ultra-poor fear their inability to repay weekly installments and thus avoid mainstream microfinance.

4.2.4 What Microfinance Products are offered to Char Dwellers?

The survey found that 'savings' and 'credit/ loans' are the two most common microfinance services offered by the 30 MFIs operating on the *chars*. The other microfinance services that are commonly found are 'institution development' and 'training' services; some MFIs also offer 'insurance' and 'market development', which are growing microfinance services.

Savings: Almost all of the 30 MFIs working on the *chars* have savings activities with their clients. Most MFIs offer 'mandatory savings' which stipulate a certain amount that the clients must save on a weekly or monthly basis in their group meetings in order to maintain membership with the MFI and apply conditions regarding the withdrawal of savings. Members receive 3-4% interest on the mandatory savings, usually on an annual basis.

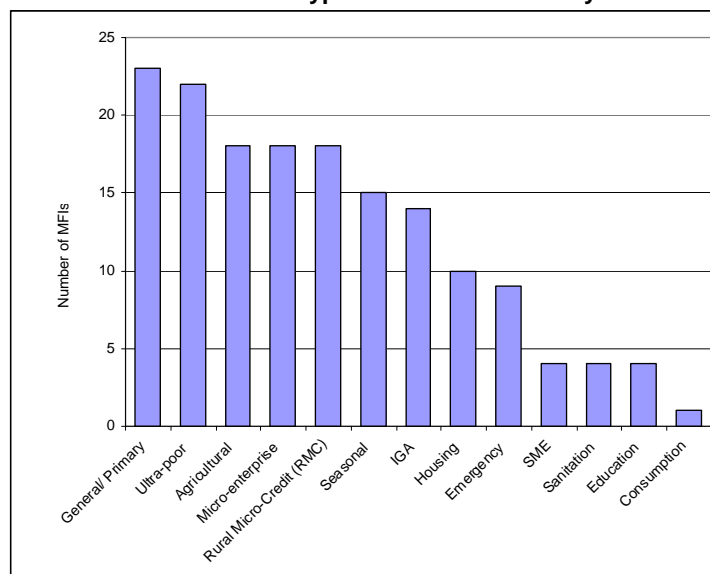
Chart 10: The Number of MFIs Offering Different Types of Savings



19 MFIs out of 30 also reported to offer 'flexible savings' alongside mandatory savings. Flexible savings are defined as the additional amount of savings further to the mandatory savings and these are accessible to the savers at any time. 10 MFIs (ASA, BRAC, GB, Padakkhep, POPI, Proshika, SSS, TMSS, Uddipan, and Unnayan Shagstha) also reported to offer specialised long-term savings to their clients. 5 MFIs (BRAC, GB, Padakkhep, POPI, and SSS) offer fixed-term savings product to their clients.

¹¹ One of the loan products (chilli cultivation) piloted by the CLP through its IMO ARCHES in 2008 targeted only clients and successfully achieved a 100% recovery rate. See Or-Rashid, H and McIvor, N (2011) An Evaluation of the Microfinance Loan Products Piloted Under CLP-1.

Chart 11: Different Types of Loans Offered by MFIs



Loans: Provision of credit is the most common microfinance service offered by the MFIs in the CLP surveyed districts. Chart 11 presents the various types of loans offered to *char* dwellers. The types of loans that are offered by the MFIs can be categorised into the following broad categories outlined in table 2.

Table 2: Loan Categories and Common Features

Loan category	Loan types	Purpose	Duration	Loan size	Interest rate	Repayment schedule	Other
General loans	primary loans, IGA loans, agricultural loans and RMC loans	income generation: used to invest in an IGA	1 year	Tk.3,000 to Tk.30,000	20-27%	Weekly or monthly	terms and conditions are similar
Enterprise loans	micro-enterprise and SME loans	relatively large-scale economic activities	1 year or more	Tk.30,000 to Tk.300,000	27%	Monthly	target more advanced members relatively wealthy clients personal granter is required to take out a loan
Seasonal loans	seasonal	income generation; but can be used for emergencies	3-6 months	Tk.3,000 to Tk.30,000	10-20%	Monthly or end of loan period	
Ultra-poor loans	Only for ultra-poor clients	income generation but sometimes used for consumption	1 year	Usually Tk 10,00 or under	10-20%	Weekly or Monthly	Similar to general loans
Special Loans	emergency loans, consumption	varies	More than 1 year	varies	Less than 20%	monthly	Less common

	loans, housing loans, sanitation loans and education loans						
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The question is: how suitable are these existing loan products for the *char* dwellers? To answer this, the review team assessed five of the most prominent loan products in the *chars*. The findings are outlined in section 5.

Insurance: 25 MFIs out of 30 reported to introduce 'Credit Insurance' and 5 MFIs introduced 'Health Insurance' to their clients. Credit insurance protects the MFIs against loan losses in the case of a borrower's death. The credit insurance policies and benefit packages vary depending on the MFIs, in most cases if a borrower dies the family receives a waiver from repaying outstanding loans. Insurance rates vary depending on the MFI but are usually about 0.5% of the total loan. Health insurance provides medical check-ups and primary treatment to the family members of the MFI clients. For this, MFIs charge a premium on an annual or monthly basis and issue health cards to the clients. The survey showed that the health insurance has not yet been adopted widely, and the MFIs who have introduced health insurance are the larger MFIs ASA, BRAC, GB, SSS and Ananna.

Institution Development Services: Most of the MFIs reported to offer their clients various social development awareness raising trainings, which they claim provide important services to the poor. The necessity of these additional services on the *chars* is discussed in more detail in section 6.

Market Development Services: Although some of the MFIs claimed to offer market development services to their clients, no visible actions or activities were evident other than reports of skills development training.

5. The Supply and Demand of Microfinance Products and Services on the *Chars*

The survey findings show that there are 30 different MFIs offering credit and other microfinance services on the island *chars* and the adjacent mainland within the surveyed districts. Almost half of these MFIs (14) have at least one branch located on an island *char*, yet the focus of their operations, and client base are on the mainland. In contrast to the mainland, which is saturated by MFIs and where multiple MFI membership is becoming increasingly common, access to microfinance services on the *chars* is limited and uneven. Although the data comparing the situation in 2007 and 2011 suggest that microfinance coverage is increasing, the coverage varies greatly within and between the districts, and the presence of MFIs in Nilphamari, Lalmonirhat, Rangpur, Jamalpur and Pabna is relatively low compared with other districts. Overall 30% of the villages where CLP works - approximately 61,328 households, do not have access to any microfinance services. All branches offer loans to the poor (marginal farmers, sharecroppers and micro-entrepreneurs), which mainly target females and 79% of MFIs reportedly offer loans to the ultra-poor, however anecdotal evidence from field findings suggest that uptake of loans by the truly ultra poor is limited.

This section first provides a brief analysis of the *char* economy, then examines the features of the credit products in more depth to assess their suitability on the *chars* and the extent to which these products are reaching the target clients.

5.1 The *Char* Economy

The large majority of *char* dwellers engage in agricultural activities as a source of income, and are usually classified as poor or extreme/ultra-poor. MFIs use a range of terminology, criteria and practically identifiable indicators such as nutrition, land, housing and occupation to categorise households. Based on these classifications, MFIs apply targeting criteria to ensure that the loans reach the appropriate households. Whilst this may be logical theoretically, it is often difficult to apply in practice. In this study socio-economic groups are characterised by the following features:

Table 3: Characteristics of Socio-economic Categories

Socio-economic category	Characteristics
Extreme poor	Do not have year-round food security, no cultivable land ownership (up to 33 decimals of share-cropping land), cheap materials used for housing such as jute and tin, and irregular income, usually from day labour, and few assets (less than Tk 5000) ¹² .
Poor	May not have year-round food security, do own a small piece of homestead land, or cultivable land, own a small house, more than one source of income such as crops and poultry. Many marginal farmers and share-cropping households fall under this group.
Moderate poor	Likely to have year-round food security, own homestead and agricultural land, have access to sanitation and safe water, more than one source of income for example crops from land, livestock, fisheries, small businesses, and remittances.
Wealthy non-poor groups	This category own large amounts of land and often lease land out, have several sources of income: land, commercial fisheries and livestock, and large businesses. This category represents medium and large farmers, rural elites and business people on the mainland.

As sharecroppers, day labourers and marginal farmers, *char* dwellers grow crops such as rice, maize, jute, vegetables, pulses and spices. Some are engaged in agro-based small economic activities including poultry, cow and goat rearing, fishing, homestead gardening, paddy husking, small businesses, weaving and rural transportation. Off-farm activities found on the mainland, such as handicrafts, embroidery, dyeing, painting and food processing are not visible on the *chars*.

Due to the high dependence on agricultural labour and agro-based economic activities, the cash flow of *char* dwellers is dependent on crop cycles; therefore income is seasonal, uneven and irregular. Those engaged in agriculture divide their year into three main seasons: Aus, Aman and winter. At the beginning of each season, farmers need capital to invest in agriculture, purchase inputs and pay day labourers' wages, yet farmers experience cash inflows at the end of the season when they harvest and sell their crops. The extreme poor are mainly day labourers with irregular incomes; with no access to capital and an unreliable income stream the extreme poor lack the opportunity to diversify their livelihoods to increase their income. Agricultural day labourers often migrate to urban areas in search of work (pull rickshaws, for example) during the seasons when local labour is scarce.

Other agro-based economic activities such as livestock rearing are also seasonal and incur large start-up costs and input throughout the cycle, with return from investment at the end of the production cycle. This group of people also requires external financial support to start-up and run the economic activities throughout the production cycle. Similarly, those engaged in other economic activities such as small business, or rural transport require a substantial amount of money to start and run these activities, yet most lack the financial capital to expand their activities to operate at the optimum level.

Access to credit through MFIs could meet the financial needs of *char* dwellers to support their economic activities, raise their income, diversify their livelihoods and reduce seasonal migration. This study shows that the coverage of microfinance services on the *chars* is limited. The extent to which the existing microfinance products and services meet the financial needs of the *char* dwellers is not well understood. The following sections examine the appropriateness of the existing microfinance products and services in the *char* context.

5.2 A Review of the Existing Loan Products

MFIs offer a range of savings and loans products targeted at specific groups of poor and non-poor clients. PKSF has a variety of microfinance products which are disbursed by PKSF partner organisations at their chosen interest rate. This means that RDRS may offer a Rural Microcredit (RMC) loan to borrowers in Kurigram and MMS could also offer this RMC loan, with the same features¹³, to borrowers in Tangail. This study reviews five of the most prevalent loan products offered on the island *chars* and examines the features, appropriateness and suitability of these loan products for poor and extreme poor *char* dwellers.

¹² Households in this category would meet the criteria to qualify as a CLP core participant household (CPHH).

¹³ Interest rate may vary, as this is decided by the MFI.

The below products were selected as they have the largest disbursement on the *chars* and the MFIs are the most prevalent on the *chars* and adjacent mainland areas.

Table 4: The MFIs and Loan Products Selected for Review

Loan Product	MFI Name	District
Primary Loan	ASA	Rangpur
DABI	BRAC	Rangpur
General Loan	Grameen Bank	Kurigram
Ultra poor program (UPP)	RDRS (with financial support from PKSF)	Kurigram
Rural Microcredit (RMC)	MMS (with financial support from PKSF)	Sirajgonj

The review identifies the key features of the loan product and assesses the appropriateness of the products based on interviews with clients and staff from the relevant branch. The key questions include:

- How appropriate are these credit products in the *char* context?
- Among the *char* dwellers, who has access to these loans?
- Are the loan products reaching the target clients?
- How do the borrowers use the loans?
- How do the borrowers repay the loans?
- Are the clients really benefiting from taking the loan (economically and socially)?

The findings will help inform the recommendations to expand and improve access to appropriate microfinance for *char* dwellers and to design demand driven *char* specific loan products.

5.2.1 Ultra-Poor Programme (UPP) Loan (RDRS)

RDRS has the largest number of branches located on island *chars* and the ultra-poor loan, the Ultra-Poor Programme (UPP) is one of the main loan products offered, and is funded by PKSF.

Product Features and the Target Clients

The UPP was introduced to offer credit to the extreme poor and most vulnerable who do not own their own land, have an irregular and insufficient household income, usually from day labour. The revolving loan fund (RLF) for this loan product is provided by PKSF, which lends at a rate of no more than 6%¹⁴. As of December 2011 a total of Tk. 19863.35 *lakh*¹⁵ of UPPs have been disbursed by RDRS since the introduction of this loan product in 2004. In December 2011, RDRS had 148,698 UPP borrowers living on both *char* islands and the mainland. The share of this loan portfolio is about 15% of the total loan portfolio of RDRS. The main features of the UPP are outlined in annex 14.

RDRS UPP Portfolio Status (December 2011)

Total clients served	:	148,698
Total amount disbursed	:	Tk.19863.35 <i>Lakh</i>
Current outstanding	:	Tk.2725.31 <i>Lakh</i>
Current borrowers	:	62,469
UPP share of the total portfolio	:	Tk.2992.25 <i>Lakh</i> (15%)
Repayment rate	:	98.96%

How RDRS Staff View the UPP

Overall the staff reported that they were satisfied with the design features of the UPP. According to the staff, borrowers do not have any major complaints about the loan size, loan period, monthly repayment system, loan interest, or any other features. In the Narayanpur branch, the staff claimed that the repayment rate for this loan is above 99%, with no default borrowers or bad debts, and all the loans disbursed were recovered within the loan period.

The staff reported that if borrowers miss one or two installments, they make up the missed installments later during the loan period without being penalised. According to the staff members interviewed, this loan has a positive impact on the socio-economic situation of the clients who are very poor and would face an

¹⁴ Rate varies on the type of loan.

¹⁵ 1 *lakh* is a unit of measurement, which equals 100,000.

economic crisis without access to this loan. The staff claimed that with the help of the UPP loan, some of the borrowers have moved out of extreme poverty. Many clients have begun small economic activities like homestead gardening, goat rearing, poultry rearing and small trading, enabling them to earn a small income to live on; others used the loans to repair their house, buy productive assets or lease-in land for cultivation. RDRS staff reported that this loan has helped the extreme poor to build their self-confidence and reduce uncertainty and dependency on others.

Borrowers' Opinions

The review team interviewed 10 borrowers from Uttar Dagdaha *char* who received the UPP from RDRS's Narayanpur branch office in Nageswari, Kurigram. Out of 10 borrowers interviewed all had taken the UPP several times, the loan size ranged from Tk.3000 to Tk.15,000, 5 of them used their most recent loans in agriculture, 3 to lease-in land, and 2 to purchase a cow.

The borrowers interviewed did not demonstrate an awareness of the specific loan features (except loan size) but were happy to be receiving a loan from RDRS. Overall the borrowers expressed satisfaction and argued that the loan was useful and they benefited from having the credit. Those who used the loans to invest in agricultural activities reported that they would face difficulties in financing the agricultural costs if the loan was not available. Without access to credit, the interviewees said that they would have to borrow from local moneylenders at a high cost or fail to provide the necessary inputs in their agriculture and incur loss. The borrowers who used the loans to lease-in land, claimed to get a good return from the land by producing crops. Those who used the loans to purchase cattle were happy that they had gained an asset even if the financial profit was marginal.

Some expected to have access to larger loans and suggested that the loan ceiling for the first loan is too small to buy any productive assets or start any economic activity and support the running costs. RDRS clients recognised the efficient and satisfactory way in which RDRS administered the loans, with easy terms and conditions, quick processing of the loans quickly and provision of training on social and economic issues. The borrowers noted that RDRS seemed less harsh than other MFIs in collecting the repayment installments and reported that RDRS treated the clients with dignity.

The Review Team's Opinion

In the limited time available, the review team was unable to find very poor UPP clients. Those interviewed are not truly ultra-poor as they had more than one income source and more accurately represent the 'poor' rather than 'ultra-poor'. Therefore the extent to which the ultra-poor loan product is suitable and useful for the truly ultra-poor is difficult to judge. However, considering the livelihoods of the ultra-poor, the loan period and repayment system could have been customised to meet the needs of those who use their loans for seasonal agro-based economic activities.

- **Loan period:** as most of the ultra-poor in the *chars* use the loans for seasonal agro-based economic activities, loan duration of 3-6 months would be more suitable for this seasonal cash flow.
- **Repayment:** standardised monthly repayment appeared difficult for the ultra-poor to maintain due to their seasonal cash inflow from agro-based economic activities and lack of diversified income sources to pay the monthly installments. This monthly repayment often deters the ultra-poor from taking loans and may explain why the review team did not find any 'truly' ultra-poor clients.
- **Interest rate:** 20% (declining balance¹⁶) is still quite high in relation to the amount of profit that the clients are likely to make from the scale of the economic activities that they engage in using the loan. Therefore the ultra-poor may be unable to bear this financial cost of the loan and a more feasible rate should be no more than 5-6% (flat).

¹⁶ 'Declining balance' method means that the loan interest is calculated based on the remaining amount of loan outstanding at a given period. This is in contrast to a 'flat rate' method of calculating interest, in which the interest rate is based on the nominal amount of money that the borrower receives at the beginning of the loan period regardless of the loan duration.

5.2.2 Rural Microcredit (RMC) Loan (MMS)

The Rural Microcredit (RMC) loan was PKSF's first loan programme and is the largest core programme in terms of the number of borrowers and disbursement.

Product Features and the Target Clients

As a member of PKSF, MMS offers RMC loans, which has the largest number of clients. MMS offers RMC loans to poor day labourers, sharecroppers, marginal farmers, small traders, and other occupational groups living in the *chars* and adjacent mainland areas. The purpose of this loan is to support the economic activities of the target people to raise their household income. MMS disburses all the loans through groups of 10-30 women, who meet on a weekly basis. Further details of the loan features are presented in annex 15.

Borrowers' Opinions

Although borrowers did not express strong opinions regarding the loan features, some of the borrowers interviewed reported that the loan size was relatively small and the repayment of loans through weekly installments was too frequent for the borrowers who do not have diversified or regular sources of income. Others, perhaps those with multiple access to MFI loans, raised a small concern over the interest rate and wanted MMS to lower the interest rate. Otherwise, the borrowers of RMC loans were satisfied with the features of the RMC loan.

The Review Team's Opinion

Given the overall satisfaction of the RMC loan in the *char* the review team recommends the replication of this the RMC loan in the *chars*. At the same time, changes should be made to the loan size, duration, interest rate and the repayment system to make the RMC more appropriate and suitable for the *char* dwellers. As outlined in table 5, the review team found that the features of the UPP and RMC loans do not differ significantly.

Table 5: Difference between RDRS's UPP and RMC Loan

Criteria	Ultra-Poor Programme	Rural Micro-Credit Loans
<i>Target group</i>	Ultra-poor	Poor: marginal farmers, sharecroppers, and all other professional groups who do not belong to ultra-poor or advanced entrepreneur groups.
<i>Group formation</i>	Mandatory	Mandatory
<i>Admission fee</i>	No admission fee	Tk.5 admission fee for group membership
<i>Passbook cost</i>	free	Tk.10
<i>Savings</i>	Voluntary	Mandatory
<i>Rate of savings</i>	Weekly Tk.10 (minimum)	Weekly Tk.20 (minimum)
<i>Purpose of loan</i>	Income generation	Income and employment generation
<i>Loan duration</i>	1 year	1 year
<i>Loan size</i>	First loan Tk. 3000-4000	First loan Tk. 5000-6000
<i>Loan interest</i>	20% (declining)	25% (declining)
<i>Loan application cost</i>	Free	Tk.15 per application
<i>Loan repayment system</i>	Weekly	Weekly
<i>No. of installments</i>	44 installments	45 installments
<i>Insurance</i>	Risk fund: Tk.1 / Tk.1000 loan taken	Risk fund: Tk.7/ Tk.1000 loan taken
<i>Waiver on loan repayment</i>	If a borrower dies, the outstanding loan must be paid by the family. However, the family will get Tk.3,000 as a grant. If the husband of the female borrower dies, the family will receive Tk.5,000.	If a borrower dies, the family will get a waiver on the repayment of the entire outstanding loan amount and the savings will be returned to the borrower's family.

5.2.3 DABI Loans (BRAC)

Product Features and the Target People of DABI Loans

DABI is not a specific loan product but is the name given to a broad category of loans that BRAC offers to 'the poor'; this excludes 'ultra-poor' and more advanced 'enterprise' groups. BRAC offers DABI loans to the poor for their investment in any economic activity. The DABI loan duration is one year at an interest rate of 27% (declining) and the first loan is Tk.10,000 to Tk.50,000 depending on the type and scale of economic activities. In order to take a loan, the borrowers must have 5% of the requested loan amount in savings with BRAC before they receive the loan. The borrowers repay the loan and interest through 46 installments. At the time of data collection, the repayment system was weekly, however as of January 2012, all BRAC loans switched to a monthly repayment system – a significant change. Other features are summarised in annex 16.

Borrowers' Opinions

The review team interviewed 10 borrowers of BRAC's DABI loan in a mainland area adjacent to the *chars* in Pirgacha, Rangpur. Of the 10 borrowers, 4 used the loans to purchase a cow, 2 used the loan to repair their homes, 2 for agriculture, 1 to invest in a small business, and 1 for leasing-in land. The opinions given were very general and whilst the general consensus was that the opportunity to take a loan is good for the poor, they did not recognise any major distinction between BRAC's DABI loans compared with loans from offered by other MFIs.

The aspect of the DABI loan that was found to be most attractive to the borrowers was the loan size, which compared to other MFIs is a more realistic amount to enable the client to begin and run an IGA. The opportunity to receive economic and skill development training from BRAC, was also noted as valuable to the DABI clients. The most negative aspect of DABI loans reported by the borrowers was the weekly repayment. According to the clients weekly repayments are difficult to manage due to their lack of a regular cash in-flow and lack of diversified income sources.

The Review Team's Opinion

BRAC's DABI loan is a standardised general loan mainly targeted at poor people living on the mainland. As the geographic conditions of the *chars* and the livelihoods of the *char* dwellers are very different to the mainland areas, the current features of the DABI loans are not suitable for the *char* dwellers. Customised and specific loan products are preferable to this standardised loan. Loan products should be designed to match the economic activities and opportunities of the target population, their cash flow pattern and seasonality of income and employment, with attention to the loan duration and repayment system. Otherwise, loan repayment will become difficult for the borrowers and they will be forced to adopt alternative mechanisms such as short term, high interest borrowing from informal money lenders or multiple memberships with MFIs to repay other MFI loans. These issues may have contributed to BRAC's decision to change all repayment systems to monthly instead of weekly and may set a trend for other MFIs to follow.

5.2.4 Primary Loans (ASA)

Product Description and Target People of the Primary Loans

ASA offers two types of loans: 'Primary Loans' (up to Tk.50,000) and 'Special Loans' (loans exceeding Tk.50,000). ASA lends to both male and female clients and the target group for Primary Loans includes a wide range of people from small traders and shopkeepers, to marginal farmers, sharecroppers, rickshaw pullers, weavers, and poor households engaged in other activities. Primary Loans are usually offered to clients for income generating purposes through either 'group' or 'individual' lending, however, the majority of Primary Loan clients borrow through the 'group' approach. Other features are summarised in annex 17.

Borrowers' Opinions

The review team interviewed 10 female borrowers of ASA Primary loans from Tambulpur branch in Pirgacha, Rangpur. Most of the clients interviewed had received loans from ASA more than three times and gave the loan money to their husbands or other male family members - the main household income earners. The loans were used to invest in agriculture (cereal and vegetable cultivation), small businesses, house repair and to purchase livestock. Although exposed to other MFIs, the borrowers did not identify significant differences between ASA's loan and the loans from other MFIs, reporting that loan recovery is the main focus of all MFIs. On the other hand, some did express their satisfaction with the size of ASA's

loans, which are larger than some other MFIs and reported that one can receive a loan in the first week of membership with ASA. During hard times weekly loan installments can be adjusted with the savings balance, one can repay the total outstanding loans at any time before loan maturity and one can withdraw part, or all of the savings during a group meeting with no need to go to the branch office. Importantly ASA's terms and conditions of loan transactions with borrowers appear simpler than those of other MFIs.

Most of the women interviewed regarded the creation of small income sources alongside their household activities as a major benefit of the loans and some felt that their agro-based economic activities could have been hampered if they did not have timely access to credit. Others claimed that without credit they would have been unable to increase their assets or repair their house and the small installments were not too difficult for them to manage.

The Review Team's Opinion

ASA Primary loans are designed with the mainland, mainstream target population in mind. ASA seems to have acquired efficiency and a comparative advantage in microfinance lending mechanism due to its simplified terms and conditions of loans. However, most of the loan features are similar to the loans of other mainstream MFIs (1 year loan, 13% flat interest rate etc). Therefore, ASA Primary loans should not be replicated in the *chars* given the livelihoods and the seasonal cash flows of the *char* dwellers.

5.2.5 General Loans (Grameen Bank)

Product Description and Target Clients

General loans constitute Grameen Bank's (GB's) main loan portfolio and are offered to GB group members for productive purposes. The 'General Loan' targets the poor, predominantly women from various household categories including day labourers, share-croppers, fishermen and other agro-based economic activities. GB provides loans through groups of 20-30 members, and orients them on the policy procedures of the Bank and its lending purpose and processes. GB emphasises the importance of preparing the group members for credit by explaining the context of poverty and how and when micro-credit works – this sets GB apart from the other major MFIs. Usually a member becomes eligible to receive a General Loan after one month after enrollment in a group, if she upholds and maintains the procedures of the bank and the group's regulations.

GB's General Loan does not differ greatly from other loan products of the national MFIs in Bangladesh. Given that GB set the model for lending to the poor in Bangladesh it is unsurprising that the features will be similar to other loans. However, the General Loan does differ in duration and interest rate as the 1-2 year loan has a flat interest rate of 10% - relatively low compared with BRAC and ASA. Other small differences include refundable loan insurance, multiple loans (the member may have an outstanding loan at a time) and no pre-requisite savings are required. Other features are summarised in annex 18.

Borrowers' Opinions

10 GB borrowers were interviewed in different villages in Jatrapur Union, Kurigram. The borrowers had mixed opinions and reported that GB charges lower interest on loans and pays higher interest on members' savings compared to other MFIs. GB members also value the group meetings and the training on social and skill development. They like the flexibility of savings withdrawal and no costs for loan processing. However, borrowers were concerned about the loan size, which is small compared to the needs. The small loan, which doesn't enable the borrowers to make a sufficient income, renders the weekly repayments difficult and borrowers recalled the harsh methods that GB have used to collect installments. In addition, clients like GB because of the image it portrays of its good intentions towards members. Borrowers also acknowledged the potential positive impacts of the loans which have the potential to gradually improve poor households' situation regarding income, employment, shelter, food intake and their ability to meet unforeseen emergencies.

The Review Team's Opinion

The survey showed that GB has a greater presence on the island *chars* (7 island branches) than the other large national MFIs. However, the Bank needs to develop more appropriate *char* specific loan products which acknowledge and account for the livelihoods of *char* dwellers and their irregular cash flows. GB products were designed and have evolved on the mainland, however if GB want to expand activities in the *chars*, it needs to break from operations dictated by what is suitable for the mainland.

Summary

Several key elements in these general loan products make them inappropriate for the *chars*:

Table 6: Suitability of mainstream loan products in the *char* context

Feature of mainstream loan product	Reason for its inappropriateness on the <i>chars</i>
Loan size	A loan from one MFI alone is insufficient for profitable economic activities and loan repayment.
Loan duration	Standard 1 year loan duration is not aligned with the seasonal cash flows of the <i>char</i> dwellers and their specific IGAs. Unnecessarily long loan periods provoke improper use of credit.
Loan repayment	Weekly repayments are impractical on the isolated <i>chars</i> and it is often not possible for poor and ultra-poor clients to make weekly installments as they do not have diversified income sources, and their income is irregular and seasonal.
Interest rate	Too high for poor <i>char</i> dwellers given the scale of their economic activities.
Savings	The strict conditions of mainstream microfinance which restrict savings withdrawals require weekly deposits and a minimum amount in order to receive a loan are too restrictive for the ultra-poor and poor <i>char</i> dwellers who have seasonal and irregular incomes. Mandatory weekly savings often deter the very poor from taking loans and force clients to borrow from other sources such as moneylenders, or sell their assets in order to meet savings requirements.

6. Responding to the Challenges of Operating Microfinance in the *Chars*

It is clear from the survey findings that there is a demand for credit and that there is a need for innovative microfinance on the *chars*. Firstly the standardised microfinance products offered by most MFIs to their mainland clients are not suitable for the *char* dwellers, and secondly microfinance must be accompanied by complementary services. This section outlines and explains the ways in which microfinance could be adapted for the *chars* and the ultra-poor, before making specific recommendations in section 7.

6.1 Microfinance Product Design and Delivery

Microfinance for poor *char* dwellers should be customised according to the economic activities and income of the target population, with consideration of the *char* dwellers' household cash flow patterns, seasonality of income and employment, and their vulnerability to flooding and natural disasters.

- **Loan size:** Should not be pre-determined or ceiling based, instead it should be based on the type and scale of the economic activities undertaken by the borrower. Unlike the mainland, *char* dwellers do not have access to multiple MFIs to manage the required amount of money to start and operate an IGA. Therefore sufficient loans should be provided by one MFI to enable borrowers to start and operate an economic activity.
- **Loan duration:** The standard one year loan, regardless of the loan purpose, is not feasible on the *chars*. The loan length should be determined by the economic activities undertaken. Unnecessarily retaining the loans beyond the life cycle of the economic activities is unproductive and provokes improper use of the loans by the borrowers. Loans which complement the seasonal economic activities and crop cycles would be ideal on the *chars*.
- **Loan repayment:** The standard weekly loan repayment system implemented by most of the MFIs on the mainland is not feasible for the *char* dwellers because the cash flow of *char* dwelling households is irregular and seasonal. *Char* dwellers usually experience a cash in-flow from the economic activities at the end of the season when they get outputs from their economic activities and the repayment of loans should mirror this. Furthermore, the lack of diversified income sources should be met with a one time repayment, enabling them to repay the loan installment using the return from the economic activities in which they invested the loan in. The loan repayment system should therefore also be determined by the economic activities. A grace period should also be offered for the loan repayment until the borrower obtains return from their economic activities.

- **Savings:** More flexible savings products are required, which enable *char* dwellers to save what they can, when they can, based on their cash flow. Flexible savings would prevent potential borrowers being deterred from taking loans by the minimum and forceful savings collections. Clients should have easy access and the opportunity to withdraw savings when they need to, rather than at the end of the loan period. MFIs could consider offering higher interest rates to members to encourage them to save more.
- **Delivery:** Group formation and weekly group meetings that occur on the mainland are not suitable for the *chars*, a more effective approach would be for small groups of 5-10 members could meet monthly. Emphasis should be placed on developing strong leadership in the groups and the group leaders should be empowered to be responsible for group management, selection of borrowers and collection of loan installments.
- **Operations:** To maintain the sufficient amount of clients and reduce the operational costs of microfinance on the *chars*, small unit offices under a branch office may be more effective. To avoid a high staff turnover, hardship allowances for the staff working on the *chars* should be provided.
- **Purpose of loans:** Based on the interviews and observations during the field work, the economic activities which have potential to help the poor *char* households to gain economically are:
 1. Poultry rearing
 2. Goat rearing
 3. Crop cultivation (especially maize, chilli and onion)
 4. Land lease
 5. Handicrafts
 6. Cow rearing
 7. Beef fattening
 8. Fisheries
 9. Nursery
 10. Irrigation
 11. Weaving
 12. Tailoring
 13. Small business
 14. Homestead gardening
 15. Paddy husking
 16. Pottery
 17. Rural Transport

Examples of appropriate loan products are outlined in a CLP report¹⁷ which evaluates three *char* specific loans (beef fattening, land lease and chilli cultivation) piloted by IMO in 2008.

6.2 The Need for Extended Microfinance Services on the Chars

Given the combination of challenges faced in operating microfinance on the *chars*, offering financial services alone are insufficient to achieve successful and sustainable microfinance to a poor and extreme poor population. In order for loans to be used effectively, the disbursement of loans must be accompanied by the services outlined below.

Social Development Services

The low levels of education and limited access to microfinance on the *chars*, mean that the *char* dwellers' understanding of microfinance and its potential benefits and impacts remains weak. Social development services to raise awareness of microfinance and build *char* dwellers' knowledge of the causes of poverty and vulnerability, as well as strategies to overcome poverty should be implemented alongside microfinance. The target clients should be informed of the potential benefits of microfinance and how and when it can be used most effectively in the *chars* to help them to improve their wellbeing. Forming social groups, maintaining group cohesion and solidarity, and building strong leadership among the group members to lead and manage the groups are important dimensions of social development activities required for the microfinance industry on the *chars*. Moreover, empowering women to have more influence in the household decision-making is crucial to the success of microfinance on the *chars*.

¹⁷ Or-Rashid, H and Mclvor, N (2011) 'An Evaluation of the Microfinance Loan Products Piloted Under CLP-1'. Available on the CLP website: www.clp-bangladesh.org

Skill Development Services

Char dwellers mainly engage in agriculture, yet they are not adequately informed about the latest knowledge and technology in agricultural practices. Limited knowledge and awareness about salinity levels, drought tolerant high yielding seed varieties and modern cultivation techniques are very limited, consequently the yield per unit is often less than the optimum level and farmers receive a lower economic return. Similarly, training to improve *char* dwellers' knowledge and techniques in livestock and poultry rearing, including the safety and protection during floods and natural disasters is likely to increase their economic return from these economic activities and reduce risk of financial loss due to disease or damage incurred during floods. Moreover the training must be specific to the client's needs and appropriate for their utilisation of the loan.

Extension Support Services

In the mainland, agricultural and livestock extension services are available from a range of the government and private sector providers. However, government extension services on the *chars* are weak or non-existent, and the private sector has not yet begun to operate on the *chars*. To ensure success of the economic activities in agriculture, horticulture, fisheries, livestock, and other economic sectors, the extension services must be strengthened in *chars*. Discussions with existing and potential MFI clients and highlighted the necessity for vaccination of poultry. *Char* dwellers also need to be informed that these services exist for them to utilise.

Market Development Services

The lack of timely and quality inputs, combined with limited access to markets, reduce the economic potential of economic activities in the *chars*. Innovative support at several levels of market development is needed to improve the returns from economic activities. To improve the supply of inputs the private sector and government agencies should be invited to serve the *char* dwellers and the growers should be informed about the availability of quality inputs. Wholesale buyers like Agora and Meena Bazaar and private processors such as Pran could be invited to establish linkages between the growers and sellers. At the same time growers should receive practical training on the importance of the quality of the products and guaranteeing production dates if they want to attract this particular group of sellers.

Contract grower systems are one potential option in establishing linkages between growers and sellers. The growers should also be informed about market prices and the benefits of selling in large markets nearby, which are located within realistic distances from the growers. Innovative marketing techniques such as collective marketing by small growers could be explored further.

Financing Extended Services

Several options exist to finance the development and expansion of these extra services:

The first and foremost suggested approach is for NGOs and *char* dwellers to lobby the government to provide extension services on the *chars* as they are mandated to ensure these services everywhere in Bangladesh. In addition to this, a forum of microfinance stakeholders could develop partnerships with organisations such as Katalyst and private businesses and banks to encourage them to demonstrate their greater social responsiveness towards the socio-economic enhancement of the by creating a fund to provide extension services to the *char* dwellers. Already there is a growing practice among banks and business firms in Bangladesh to donate some of their annual profits toward benefits the poor living in vulnerable areas. Alternatively large MFIs could provide these services to the *char* dwellers using the earnings retained from microfinance to bear the costs. Another option is to receive international donor support to subsidise microfinance on the *chars*.

6.3 Microfinance for the Ultra-poor

The ultra-poor do not have the capacity or psychological preparedness to take on mainstream microfinance and therefore require a softer and more flexible microfinance product with a lower interest rate that is tailored to their economic activities. Alternatively, the ultra-poor could be supported to build up basic livelihood assets, and economic and productive skills before they are eligible for mainstream microfinance, as in BRAC's CFPR scheme.

Microfinance for the ultra-poor should:

- Encourage clients to save, but not make savings compulsory;
- Ensure access to savings at any time;

- Offer a smaller loan size compared with regular microcredit loans but sufficient for their investment;
- Provide training to complement the borrowers' selected IGAs;
- Provide training to build clients' confidence and capacity to prepare them to manage their loan;
- Offer a flexible loan repayment schedule.

7. Recommendations

Based on the findings of this research several recommendations can be made to increase the presence of microfinance in the *chars* and provide appropriate loans to a larger number of poor *char* dwellers.

1. Bring stakeholders together to develop a strategy for microfinance on the *chars*:

- Coordinate a workshop with key stakeholders interested in economic development on the *chars*. This event will provide the opportunity to present the current microfinance situation on the *chars*, and discuss the scope for expanding microfinance activities and other essential extension services on the *chars*, to develop a strategy.
- Share CLP's experiences and findings on microfinance in the context of the *chars* with all stakeholders. In the light of these findings, MFIs currently operating microfinance on the *chars* should revise their existing financial products and develop *char* specific products that will be more suitable for the *char* dwellers.
- Develop a Forum with all of the MFIs operating in the locality or peripheral *char* areas, as well as other stakeholders (financial, market development, government) and initiate dialogue with these MFIs to expand their services on the *chars* and support the formulation of strategies for the future direction.

2. Customise loan products based on the specific economic activities undertaken:

- Undertake a cost structure breakdown of key economic activities specific to the *chars*. These can be used to tailor loan products and provide guidance on suitable loan sizes and borrowing conditions for *char* dwellers.
- Loans offered to *char* dwellers should be determined based on the unit cost and volume of the economic activities. The average loan size should not be less than Tk.30,000 to ensure that the loan amount is sufficient to cover the start-up and operating costs of the IGA. The loan size will also be determined by the client's financial situation.
- Loan repayment should *not* be on a weekly basis; rather it will be designed according to the seasonal cash flows of the IGAs and the *char* context. When the loan product is designed the repayment system will be determined by the nature of the activities. Usually a seasonal loan would be suited to a one-time repayment at the end of the loan period, where as a one year loan may suit monthly or quarterly repayments.
- Interest rates should be lower than rates offered on the mainland. For MFIs to offer sufficiently low interest rates, initially the MFI will need financial support from external sources such as PKSF or international donors to cover operational costs.

3. Pilot customised loan products and develop model business plans:

- CLP IMOs such as RDRS which have experience in successful microfinance programmes should be supported to deliver the customised loan products on a pilot basis, as designed by the consultant.
- Some pilot operations could run from *char* based offices and others on the mainland with the officers travelling to the island *chars* to visit clients.
- Some of the economic activities on which loan products can be designed and piloted on are beef fattening, poultry rearing, crop cultivation (maize, chilli, onion, lentils and spices) and food processing.
- CLP could subsidise the training for the IMO staff, which would be a crucial component and would lead the evaluation of the pilots.
- If successful the loan products should be scaled up in appropriate areas.
- The MFIs offering microfinance on the *chars* with customised loan products at relatively lower interest rates should have a long term business plan to achieve financial self sufficiency. The CLP could also play an advisory and support role in the development of long term business plans.

4. **Emphasise savings accumulation through offering innovative and flexible savings products:**
 - MFIs should place greater emphasis on accumulation of savings by *char* dwellers but saving should not be compulsory. Savers should have access to their savings at any time.
 - To accelerate savings accumulation, more flexible and innovative savings products and options should be put in place, such as daily savings, savings in kind for example through grain storage maintained by the MFIs.
 - MFIs could consider offering higher interest rates on savings to encourage savers.
 - The push for greater savings accumulation and innovative practices could be driven by the Forum developed with the MFIs operating in the *chars*.

5. **Intensify capacity building, market development and information flow among the *char* dwellers:**
 - **Human resources capacity building:** MFIs and their participants should receive training on group development and management, IGA selection, planning and management, basic accounting of IGAs, and risk management (IGAs and microfinance operations). MFI staff should first receive training of trainers (ToT) on each subject, then conduct training for the borrowers.
 - **Skill development:** participants of the MFIs should also receive skill development training specific to their economic activities, such as modern agro-farming systems, cow fattening, poultry rearing, food processing and jute works, etc.
 - **Market development:** Rigorous initiatives are required for *char* dwellers' market development. Training should be provided to the borrowers to educate them about markets and price information, and appropriate techniques for marketing their products such as collective marketing. The Forum could coordinate with the CLP's and other organisations' market development activities working on the *chars*. They will take collective initiative to organise markets in selected locations on the *chars*, invite and attract agricultural products traders, wholesale buyers and consumers from outside as well as local neighbourhoods.
 - **Information flow on extension services:** MFI clients should be provided with information on how to access extension services provided by the government and other organisations such as the CLP. Simultaneously the MFIs and the forum should advocate and lobby the government service providers to expand their activities in the *char* areas.

6. **Bring changes in the delivery mechanisms of microfinance operations in the *char* context:**
 - MFIs may consider setting up small unit offices on the island *chars* under the main branch office. This would reduce travel time and transaction costs involved in delivering microfinance services in the *chars*.
 - To reduce high staff turnover in the *chars*, MFIs may introduce hardship allowances for the loan officers or offices in remote villages using local staff for savings and loan collection.

7. **Seek alternative sources of financing MFIs operating on the *chars*:**
 - To meet the financial needs of the MFIs to expand their operations in the *chars*, an endowment fund needs to be established for the *char* dwellers to provide them revolving loans. Organisations such as PKSF, public and private banks, or international donors may come forward to contribute to the proposed fund.

8. Conclusion

Access to microfinance on the *chars* is increasing, yet services remain uneven, and a very small proportion of the branches is located on the mainland rather than on island *chars*. Where MFI branches are present, the uptake of loans among the poorest is very limited. The microfinance products available to the *char* dwellers are largely similar to the mainstream microfinance loans and savings that are available on the mainland. These existing products are not suitable for the *char* dwellers due to their limited and seasonal incomes.

Ultra-poor loans and seasonal loan products are more suitable than the general loans but are present on a small scale and require modification to make them more appropriate for *char* dwellers. Expanding microfinance access on the *chars* to provide access to credit and support to utilise the credit effectively is likely to improve the productivity and financial return from the economic activities of the *char* dwellers. However, the loan products and the delivery mechanisms must diverge from mainstream microfinance to meet the specific needs, particularly the seasonal cash-flows and migration of the *char* population.

Annex

Annex 1: The CLP-1 and CLP-2 Districts

CLP-1 Districts	CLP-2 Districts
Bogra Gaibandha Jamalpur Kurigram Sirajgonj	Gaibandha Jamalpur Kurigram Lalmonirhat Nilphamari Pabna Rangpur Tangail

Annex 2: The Loan Products Reviewed

MFI Name	Loan Product	District
ASA	Primary Loan	Rangpur
BRAC	DABI	Rangpur
Grameen Bank	General Loan	Kurigram
RDRS (with financial support from PKSF)	Ultra poor program (UPP)	Kurigram
MMS (with financial support from PKSF)	Rural Microcredit (RMC)	Sirajgonj

Annex 3: Loans Targeting the Extreme Poor

MFI	Loan/ Programme name	Target clients	Loan/Programme details
BRAC	CFPR-TUP	Women: <ul style="list-style-type: none"> owning less than 10 decimals of land; with no adult male income earner in the household; with school age children who are working; working outside the household; taking less than 2 meals per day; owning no productive asset. 	<ul style="list-style-type: none"> Participants receive assets, subsistence allowance and essential health care; Provision of land and shelter; Participants receive enterprise, basic household economics, social awareness training; After 2 years participants graduate and gain access to regular microfinance.
Grameen Bank	Beggar Loan/ Struggling members	Women: <ul style="list-style-type: none"> owning no land; owning no assets; may be widows or elderly women with no source of income except begging. 	<ul style="list-style-type: none"> Participants receive interest free loans; Participating shop owners give the participant up to Tk 2000 of goods to sell door-to-door and repay after her sales.

PKSF PRIME partners	PRIME	<p>Women</p> <ul style="list-style-type: none"> owning less than 50 decimals of land; with irregular income such as from begging or day labour work; living North West Bangladesh in the monga affected regions. 	<ul style="list-style-type: none"> 20% interest rate (declining)' 1 year loan; No membership fee; Flexible repayment; No savings required; Can use loan for IGA and consumption; Skill training; Primary health facilities.
PKSF Partners	Ultra-Poor Programme (UPP)	<p>Women</p> <ul style="list-style-type: none"> owning no land, or less than 50 decimals; with irregular income such as from begging or day labour work; in the bottom 15% of rural Bangladesh, particularly monga affected regions. 	<ul style="list-style-type: none"> 20% interest rate (declining)' 1 year loan; No membership fee; Flexible repayment.

Annex 4: Summary of Borrowers, Savers, Deposits and Outstanding Loans of MFI Branches in 2007

	Branches	Savers	Deposits (Tk.)	Borrowers	Loans Outstanding (Tk.)
Island					
CLP IMOs	13	21,174	20,041,653	14,296	54,905,756
Other	8	11,819	14,020,593	8,430	44,528,650
Sub-total	21	32,993	34,062,246	22,726	99,434,406
Mainland					
CLP IMOs	30	50,177	62,574,615	35,364	131,184,886
Other	92	227,377	323,523,515	205,327	874,402,563
Sub-total	122	277,554	386,098,130	240,691	1,005,587,449
TOTAL	143	310,547	420,160,376	263,417	1,105,021,855

Annex 5: Summary of Borrowers, Savers, Deposits and Outstanding Loans of MFI Branches in 2011

	Branches	Savers	Deposits (Tk.)	Borrowers	Loans Outstanding (Tk.)
Island					
CLP IMOs	16	26,008	41,823,405	24,183	120,739,020
Other	14	19,769	34,427,580	16,318	105,110,982
Sub-total	30	45,777	76,250,985	40,501	225,850,002
Mainland					
CLP IMOs	35	63,439	197,974,643	62,113	390,771,517
Other	118	318,437	961,084,103	265,009	1,690,781,626
Sub-total	153	381,876	1,159,058,746	327,122	2,081,553,143
TOTAL	183	427,653	1,235,309,731	367,623	2,307,403,145

Annex 6: Number of MFIs, Branches, Savers and Borrowers by district (2007 data)

Districts	# of MFIs	# of branches	Total # savers	Total # borrowers
Bogra	4	5	10,967	10,216
Gaibandha	6	28	53,458	42,431
Jamalpur	10	23	52,773	49,196
Kurigram	8	57	124,385	105,165
Sirajgonj	13	30	68,964	56,904
Total	26	143	310,537	263,912

Annex 7: Number of MFIs, Branches, Savers and clients by district (2011 data)

Districts	# of MFIs	# of branches	Total # savers	Total # borrowers
Bogra	1	1	2204	1766
Gaibandha	10	35	91,418	67,401
Jamalpur	6	16	41,350	37,168
Kurigram	11	98	230,646	205,253
Sirajgonj	10	33	62,035	45,465
Total	25	183	427,653	357,053

Annex 8: District wise Presence of MFIs in CLP-2 Working Districts

District	No. of MFIs	Name of MFIs
Lalmonirhat	6	ASA, BRAC, GB, POPI, RDRS, TMSS
Kurigram	11	ASA, BRAC, CMES, GB, GKS, RDRS, Solidarity, Satota Samity, SSS, TMSS, Uddipan
Rangpur	7	ASA, BRAC, BURO, GB, PADAKKEP, SKS Foundation, SSS
Nilphamari	6	ASA, BRAC, ESDO, GB, POPI, RDRS
Gaibandha	9	ASA, BRAC, GB, GSK, GUK, SKS Foundation, SSS, Uddyog Foundation, USS
Jamalpur	6	ASA, BRAC, GB, PROGRESS, SSS, Unnayan Shangstha
Pabna	8	ASA, ASKS, ASOD, BRAC, GB, JSKS, OSACA, Uddipan
Tangail	10	ASA, BRAC, BURO, GB, Khamatain, MMS, Proshikha, SEBA, SATU, SSS

Annex 9: Number of MFI Branches in CLP-2 Working Districts¹⁸

MFI Name	Gaibandha	Jamalpur	Kurigram	Lalmonirhat	Nilphamari	Pabna	Rangpur	Tangail	Total
ASA	5	3	17	8	3	9	3	6	54
ASKS	0	0	0	0	0	5	0	0	5
ASOD	0	0	0	0	0	0	1	0	1
BRAC	5	6	16	3	5	8	3	8	54
BURO	0	0	0	0	0	0	0	4	4
CMES	0	0	1	0	0	0	0	0	1
ESDO	0	0	0	0	1	0	0	0	1
Grameen Bank	3	2	22	8	6	2	3	3	49
GSK	3	0	1	0	0	0	0	0	4
GUK	7	0	0	0	0	0	0	0	7
JSKS	0	0	0	0	0	1	0	0	1
Khamatain	0	0	0	0	0	0	0	1	1
MMS	0	0	0	0	0	0	0	1	1
OSACA	0	0	0	0	0	2	0	0	2
Padakhep	0	0	0	0	0	0	1	0	1
POPI	0	0	0	3	2	0	0	0	5
PROGRESS	0	1	0	0	0	0	0	0	1
Proshika	0	0	0	0	0	0	0	1	1
RDRS	0	0	25	9	3	0	0	0	37
SEBA	0	0	0	0	0	0	0	1	1
SATU	0	0	0	0	0	0	0	5	5
SKS Foundation	8	0	0	0	0	0	1	0	9
Solidarity	0	0	2	0	0	0	0	0	2
Sotata Society	0	0	5	0	0	0	0	0	5
SSS	1	1	3	0	0	0	1	2	8

¹⁸ This includes CLP-1 villages in CLP-2 districts.

MFI Name	Gaibandha	Jamalpur	Kurigram	Lalmonirhat	Nilphamari	Pabna	Rangpur	Tangail	Total
TMSS	0	0	6	1	0	0	0	0	7
UDDIPAN	0	0	2	0	0	1	0	0	3
UDDYOG	1	0	0	0	0	0	0	0	1
Unnayan Sangstha	0	3	0	0	0	0	0	0	3
USS	1	0	0	0	0	0	0	0	1
Total	34	16	100	32	20	28	13	32	275

Annex 10: The Number of MFI Branches Located on Island Chars in CLP-2 Villages¹⁹

MFI Name	Gaibandha	Jamalpur	Kurigram	Lalmonirhat	Nilphamari	Pabna	Rangpur	Tangail	Total
ASA	1	0	1	0	0	0	1	0	3
BRAC	0	0	0	0	0	0	0	1	1
ESDO	0	0	0	0	1	0	0	0	1
Grameen Bank	1	0	1	1	0	0	2	2	7
GSK	1	0	1	0	0	0	0	0	2
GUK	4	0	0	0	0	0	0	0	4
Khamatain	0	0	0	0	0	0	0	1	1
MMS	0	0	0	0	0	0	0	1	1
RDRS	0	0	6	2	0	0	0	0	8
SEBA	0	0	0	0	0	0	0	1	1
SATU	0	0	0	0	0	0	0	1	1
SKS	4	0	0	0	0	0	0	0	4
Sotata Society	0	0	1	0	0	0	0	0	1
SSS	0	0	2	0	0	0	0	0	2
Total	11	0	12	3	1	0	3	7	37

Annex 11: Summary showing CLP-2 Upazila, Union, and Village Coverage by MFIs

Districts	Upazilas			Unions			Villages		
	# covered by MFI	Total # of CLP	% of CLP covered	# covered by MFI	Total # of CLP	% of CLP covered	# covered by MFI	Total # of CLP	% of CLP covered
Gaibandha	4	4	100	14	14	100	65	78	83
Jamalpur	2	2	100	8	8	100	19	34	56
Kurigram	8	9	89	41	49	84	167	227	73
Lalmonirhat	5	5	100	9	13	69	25	42	60
Nilphamari	2	2	100	8	8	100	12	16	75
Pabna	3	3	100	11	12	92	51	66	77
Rangpur	2	3	67	6	12	50	17	47	36
Tangail	4	4	100	12	13	92	58	91	68
Total	30	32	94	109	129	84	414	601	69

Annex 12: District wise Percentage of CLP-2 Villages Access to MFIs

District	% of villages with access to 0 MFIs	% of villages with access to 1 MFIs	% of villages with access to 2 MFIs	% of villages with access to 3 MFIs	% of villages with access to 4 MFIs	% of villages with access to 5 MFIs or more
Gaibandha	17	29	28	17	9	0
Jamalpur	44	50	6	0	0	0
Kurigram	26	27	13	11	10	13
Lalmonirhat	40	33	17	10	0	0
Nilphamari	25	38	6	0	19	13
Pabna	23	36	23	9	6	3
Rangpur	64	15	4	2	6	9
Tangail	32	26	21	12	3	5

¹⁹ This includes CLP-1 villages in CLP-2 districts.

Annex 13: District-wise Household Coverage of MFIs in the CLP Villages*

District	# of HHs with MFI access in CLP villages	Total HHs in CLP villages	% of HHs with MFI access in CLP villages
Gaibandha	35,678	39,750	90
Pabna	10,875	12,425	88
Jamalpur	19,417	22,871	85
Nilphamari	6,842	8,748	78
Kurigram	83,724	109,442	77
Lalmonirhat	10,452	14,976	70
Tangail	16,529	24,908	66
Rangpur	8,810	20,535	43
Total	192,327	253,655	76

*Also includes CLP-1 villages in Kurigram, Gaibandha and Jamalpur

Annex 14: Key Feature of the UPP (RDRS)

Key Features of the UPP (RDRS)	
• Target clients	: Ultra-poor women only
• Group formation	: Mandatory
• Group meeting	: Weekly
• Savings	: Mandatory: weekly Tk.10
• Loan size	: Tk.3000-5000 first time; Maximum Tk.15,000
• Loan period	: 1 year
• Loan repayment system	: Weekly/flexible
• Flexibility	: Borrowers can repay the entire outstanding loan at anytime
• Loan interest	: 20% (declining)
• Associated costs of loan	: Loan application Tk.5, photocopy of ID card require 1 taka, photograph of husband and wife required Tk.30-50
• Insurance coverage	: 0.5% or Tk.5/1000 taka loan
• Loan processing time	: 1 week
• Loan disbursement	: From the branch office on the day of the group meeting
• Borrower selection criteria	: Must be a member of an RDRS group Age 18 – 50 years Landless or less than 50 decimals of land owned Resides permanently in the village No previous outstanding loan

Annex 15: Key Feature of the RMC (MMS)

Key Features of the RMC Loan (MMS)	
• Target clients	: Poor including day labourers, sharecroppers, marginal farmers and other occupations groups
• Group formation	: Mandatory
• Group meeting	: Weekly
• Savings	: Mandatory; weekly Tk.20
• Loan size	: Tk.5000-6000 first time; Maximum Tk.29,000
• Loan period	: 1 year
• Loan repayment system	: Weekly installment
• Grace period	: 1 week
• Loan interest	: 25% (declining)
• Associated costs of loan	: Loan application Tk.15, photocopy of ID card require 1 taka, photograph of husband and wife required Tk.30-50
• Insurance coverage	: Mandatory Tk.7/1000 taka loan

• Loan processing time	: 1 week
• Loan disbursement	: From the branch office on the day of group meeting
• Borrower selection criteria	: Must be a group member 18 – 50 years Landless or less than 100 decimals of land owned Resides permanently in the village No previous outstanding loan

Annex 16: Key Feature of the DABI (BRAC)

Key Features of the DABI Loan (BRAC)	
• Target clients	: Poor including day labourers, sharecroppers, marginal farmers and other occupational groups
• Group formation	: Mandatory
• Group meeting	: Weekly
• Savings	: Mandatory; weekly Tk.20
• Loan size	: Tk.10,000-50,000 first time; Maximum Tk.100,000
• Prerequisite savings	: 5% of the loan amount requested
• Loan period	: 1 year
• Loan interest	: 27% (declining)
• Loan processing time	: 1 – 2 weeks
• Loan disbursement	: From the branch office on the day of group meeting
• Loan repayment system	: Weekly installment
• Grace period in repayment	: 1 week
• Associated costs of loan	: Photocopy of ID card require 1 taka, photograph of husband and wife required Tk.30-50
• Insurance coverage	: Mandatory; Tk.10 for any amount of loan
• Borrower selection criteria	: Must be a group member 18 – 50 years Less than 100 decimals of land Resides permanently in the village No previous outstanding loan

Annex 17: Key Feature of the Primary Loans (ASA)

Key Features of Primary Loans (ASA)	
• Target clients	: Poor male and female that include day laborers, sharecroppers, marginal farmers, small traders, and other occupational groups
• Lending methods	: Group and individual
• Group meeting	: Weekly
• Savings	: Mandatory; weekly Tk.20
• Loan size	: Tk.5,000 first time; Maximum Tk.50,000
• Pre-requisite savings for loan	: Not required
• Loan period	: 1 year
• Loan interest	: 13% (flat) for weekly and 15% (flat) for monthly repayable loans
• Loan processing time	: 1 week
• Loan disbursement	: From the branch office on the day of group meeting
• Loan repayment system	: Weekly installment (46 installments)
• Grace period in repayment	: 2 weeks
• Associated costs of loan	: Loan application Tk.15
• Insurance coverage	: Mandatory; Tk.10 per thousand taka loan
• Borrower selection criteria	: Must be a group member; for individual loan it is free 18 – 55 years Minimum 50 decimals of land Resides permanently in the village No previous outstanding loan

Annex 18: Key Feature of the General Loans (GB)

Key Features of the General Loans of Grameen Bank	
• Target clients	: Poor male and female including wide range of occupational groups
• Lending method	: Group
• Group meeting	: Weekly
• Savings	: Mandatory; weekly minimum Tk.10
• Loan size	: Tk.1,000 – Tk.10,000
• Pre-requisite savings for loan	: Not required
• Loan period	: 1- 2 years
• Loan interest	: 10% (flat)
• Loan processing time	: 1 – 2 weeks
• Loan disbursement	: From the branch office on the day of group meeting
• Loan repayment system	: Weekly installment (44 installments for 1 year loans)
• Grace period in repayment	: 1 week
• Associated costs of loan	: Nothing
• Insurance coverage	: Mandatory; Tk.30 per thousand taka loan refundable
• Borrower selection criteria	: Must be group member 18 – 60 years Landless or less than 50 decimals land Resides permanently in the village