

# MICROFINANCE ACTIVITY AND SUSTAINABLE DEVELOPMENT

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**CHURCH OF BANGLADESH SOCIAL DEVELOPMENT PROGRAMME**

## **1 Introduction**

Church of Bangladesh Social Development Programme (CBSDP) is the development wing of the Church of Bangladesh. As a non-political, non-profit making church based development organisation, CBSDP seeks to show Christ's love to the poor and marginalised by working for the betterment of the rural and urban poor people, irrespective of religion, caste or creed. It has been operational in its current form since 1984, arising from the social work done by the Church of Bangladesh since its inception in 1971 and in 2007 CBSDP celebrated its Silver Jubilee after 25 years of achievement.

CBSDP is a multi-faceted development organisation, having a number of complimentary streams of activity including: Social mobilization, livelihood generation, Women's Empowerment, Anti Human Trafficking and Legal Aid, Community Health, Education, Environment and Climate Change, Disaster Management & Response and Economic Development -Microfinance Activity.

The community development work is focused in the areas where the Church of Bangladesh has a presence and a base to operate from. It currently active through 17 field based Programme Offices covering 501 villages, in 103 Unions under 30 Sub-Districts and 16 Districts.

Most of the work is in rural areas, although there are urban slum projects in Dhaka and Barisal. The main regional programme offices managing the rural work are located in Meherpur, Jobarpar, Haluaghat, Madhupur and Rajshahi with smaller offices at Faridpur and Wazirpur.

All the work of CBSDP is locally based and community focused, relying on the strong support and participation of community members. It strives for an integrated and holistic approach, seeing people as victims and potential solutions to the many aspects of poverty.

CBSDP is affiliated with many development partners and networks worldwide. Without their support, CBSDP would be unable to implement its development activities and carry out the work described in this report.

## **SUCCESS STORY OF CHURCH OF BANGLADESH SOCIAL DEVELOPMENT PROGRAMME:**

### **A Success Story of Nargis:**

Nargis is a member of Begumgonj EKOTA Women group since 1995. The group consists of 28 members. They discuss on various issues with the help of the community organiser in the monthly group meeting. They save money in their group account. At present Nargis has Taka 13,000 personal savings.

She is physically disabled from her birth. But she did not want to be a burden of her family. She took loan from the office and bought a sewing machine and she started business with the help of her neighbours. After that she took another loan and ran a small business of local traditional cheap chop making with her younger brother. She made profit and recovered the received loan. She took the other loan from the group and continued the small trades and made profit from that. As a result, her daily income is 200 to 250. In a word, she is active and earning member of the family and she leads a happy life and overcome her misery. The other group members are impressed observing her success.

Source:

Project Name- CBSDP, EKOTA Dhaka.

Programmes Name- Livelihood Development, Group-Dhaka Begumganj EKOTA women Group,

### **1.2 Kazoli is happy**

Kajoli is now self-reliant

They dream to serve the poor community someday

Kajoli Halder wife of Nityananda Halder lives in Kandi Village under Kotalipara sub district of Gopalganj district. She was married at the age of 12 because she is from a poor family. Her husband used to work in others crop land as a day labourer. She gave birth a daughter after one year of her matrimony. Her health was not good enough to reproduce a healthy baby. So her daughter began a bad life and suffers from mal nutrition. They were starving. The baby becomes seriously ill. Her husband had not money to pay a doctor and medicine so he went to borrow Taka 3000.00 from his relatives but his relatives was cunning and took her thumb print on a blank paper. There was a verbal agreement that they would have to pay the entire amount immediately after the coming harvest. However, he went to recover the loan and returned Taka 3000.00. But the man was not happy and told that he had received Taka 13000.00. He has no word of his own because he is illiterate. The man was ordered to pay the remaining taka 10,000 within two days or hand over their house. Consequently, the other villagers and members of our groups saved the family from the cunning person from exploitation.

Kajoli heard everything from her husband and motivated to be a group members of CBSDP. Kajoli became Development group members and began to attend all the meeting, seminar and trainings of the group and aware about many social problems and solution. She now does not believe luck but knowledge and handwork. Kajoli took micro-credit from their group and involved her in economic activities to rear cattle and made a good profit of it. She got milk and a calf. This live stock economic activity made her self reliant. Her commitment has become strong enough to survive. She has taken the benefit of functional literacy programme and now knows how to read and write sums and letters. Last year her daughter got government scholarship for academic education in class (grade) five. She got the salvation in a sense. She leads a happy family with a son and in talent pool. Her husband is aware about some critical issues of the local society. Kajoli dreams her son will be teacher and her daughter will be a doctor in future who will serve the poor community some day.

Source:

Project Name- CBSDP, Barisal-Gopalganj

Programmes Name- Livelihood Development, Group- Kandi Mohila Somiti, Kandi, CDC

### **1.3 Case Study of Joyonti**

Joyonti

Joyonti Biswas and her husband Daniel Biswas live at Bollovepur village in Meherpur district. The lives of the family members were a beggar's description. Talk fight, chaos are the common phenomenon in this family. Neighbouring people did not like the family. They had financial crisis and they are not aware about the problems. They have a small grocery shop in their house. They took loan from a village money lender in high interest. Nevertheless, the miseries were increasing day by day.

When Church of Bangladesh Social Development Programme (CBSDP) started its activities in the area, they took loan from the group of CBSDP. From then they don't take loan from money lender. Currently they have taken loan of 15,000(Fifteen Thousand) Taka from their own group and invested in the grocery shop. They have been affording their children's education expenses from the profit of their grocery shop because the terms and condition of recovering the credit is very favourable to them. They bought a calf and looked after it. When the calf grown up they sold it and earned a good profit from it. They also have a milking cow and they sell milk and get daily income. They drink milk every day. All the family members have become healthy.

In previous time, they had not any cultivatable land without the homestead. However, at present they have bought a piece of cultivable land. Their living house has been enlarged. They have also saved money in Grameen Bank. Husband and wife are doing family work and grocery work together. When they want to do anything new, they discuss each other in the family and take decision to proceed. That means they are aware about the community and households issues too. They are going to extend their live stock business. They have a planned that they would take 20,000 taka loan from their group and buy

some calves for fattening and looking after so that they can sell it in the prime time of the year for much profit from it.

Joyonti has taken training through the group on Anti Human Trafficking, HIV, AIDS, women rights, early marriage, nutrition and cleanliness and the climate change. Joyonti say, 'Financial crisis creates misunderstanding in the family'. When husband and wife work together and take decision in a body, then family income must be increased somehow and it won't have any crisis but peace prevails. The other people of the community have been encouraged observing their change in lives. Now they are happy.

Source: CBSDP Meherpur



Mina Akhtar. She lives in the slum of Dhaka city. She got five sisters. They don't have brothers. Their parents are living under the poverty line and they could not afford the children well.

As a teen Mina fell in love with the neighboring rich young man. The young man family did not permit them to marry. But they married and rented a house to live together after registry marriage.

The young man was the only son of his parents so he began to visit the parents for their property. The parents encouraged the son to leave his wife as she is from a poor family. So the young man got chance to marry second time, leaving the first wife Mina Akhtar. Mina had to come back her parent's house. She tried to contact her husband but failed.

However, Mina communicated with EKOTA. So EKOTA tried to contact the young man and his family about the affairs and about her rights. He only drew his attention when he got the 4th and final notice from the arbitrator/solicitor. Then the arbitration started. Even though, Mina wanted to live with her husband with the 2nd wife of the man but the man didn't allow.

Then Mina filed a case on a court for her rights and Justice. The case lasted for 3 years. The contract of marriage was weak and she got some settlement and a little compensation order. The man refused to pay because he was under age and had no earning of his own when he married the girl. Alternatively the man was prepared to go to jail for 6 months.

Mina was on EKOTA Shelter for almost 2 and 1/2 Years. During her stay at the shelter Mina received several types of training, embroidery and tailoring. She returned to her parent's house when the court case ended. Eventually, this was another nightmare that her father and mother died one after other as she returned home from the asylum.

She needed to care for the other 2 younger teenager sisters. The shelter gave her a sewing machine. Meanwhile, she joined the EKOTA groups. She traveled from far away to the EKOTA meetings. She accompanied 3 more members to the group from her area of living. She trains other group members on embroidery and tailoring as well as her sisters. She takes her regular work order from the shopping centers since she produces quality commodity. She got a loan of BDT 10,000 (ten thousands) from the EKOTA women's groups.

Mina became a trainer on tailoring and embroidery. She trained 25 women and girls. Now 25 girls are being benefited from Mina's Skills. She is self employed and lives with dignity. She has gained her voice and can stand firmly.

### **Success Story of Mosammat Sohagi Khatun**

Mosammat Sohagi Khatun, Name of Husband : Aynal Ali, Vill. : Anandabas, P.S: Mujibnagar District : Meherpur is a member of Salina Mohila Samity under Ballovpur Branch of Church of Bangladesh Social Development Programme. Before Joining this Samity, She was too poor and she was living under the poverty line. Her family did not manage food three times a day. Minimum Treatment and food security was not available their family. To get new cloth and good food was a dream for their family. Living house was made strawhouse with earth fencing. In rainy season, rain water is dropping in the house. To live was very difficult due to this. In 1998 Mosammat Sohagi admitted into our Samity. By taking first loan Tk. 6,000 was invested into rice business. As a result, income is increasing and her mentality is being strengthen for better living. By making full payment tk. 6,000, she takes 10,000 taka as second loan. By taking this loan, she bought a VAN Cycle for her husband. As a result, her income was increasing day by day and To lead a better life comes very soon. By making full payment of Tk. 10,000, she takes 20,000 as third loan and her deposited excess of income/savings invested for purchasing a Rich Meal. Income from Rice Business and Rich Meal brings her family's sustainability. By making full payment of Tk.20,000, She takes 25,000 taka as forth loan. By taking this loan, She made a tinshed house with cement wall. In this way, they are getting back their lost honour, establishment, peach and happiness. Now their family is a good and happy family. Besides this, consusness of health, nutrition and cleaningness knowledge developed through issue based group discussion.

### **Success Story of Mosammat Sabia Khatun**

Mosammat Sabia and her husband Mr. Mohammad Shahidul Islam live in Mujibnagar Thana under the district of Meherpur. They have three sons. Mr. Shahidul, Husband of Mosammat Sabia works as a day labour. Sometimes day labour work would stop. Due to this, To maintain the five members' family was very difficult. So, once they get food and once they do not get food. As a result they are suffering for hungry, good cloth.

## **1. PRINCIPLES OF MFA:**

To uplift the living standard

- reducing poverty;
- enhancing household food security;
- increasing savings mentality;
- creating job opportunities;
- empowering woman
- improving efficiency and skill of beneficiaries;
- removing illiteracy;
- Increasing income.

## **2. BASIC DIFFICULTIES/CHALLENGES OF MFA:**

- ❖ High turnover of beneficiaries;
- ❖ Migration of beneficiaries;
- ❖ Staff development system;
- ❖ Scattered working area;
- ❖ Inadequate of loan revolving fund;
- ❖ Insufficient marketing facilities;
- ❖ Insincerity of staff;
- ❖ Overlapping of Micro-enterprise borrowers with Commercial Bank;
- ❖ High rate of savings refund;
- ❖ Natural disasters;
- ❖ Political instability;
- ❖ Conservativeness of the community people;
- ❖ Overdue loan;
- ❖ Surviving with big competitors in the locality;
- ❖ Propaganda by local Money lender.

### **3. UNDERSTANDING THE REASONS OF SUCCESS:**

- ❖ Motivated and skilled Manpower;
- ❖ Monthly/Weekly loan installment system;
- ❖ Regular group meeting;
- ❖ Strong orientation towards discipline;
- ❖ Good relationship with members;
- ❖ Members who have monthly/Weekly fixed income;
- ❖ Developing culture for MFA;
- ❖ Overcoming the political agenda;
- ❖ Organization's image;
- ❖ Strong monitoring system;
- ❖ Organized Management Information System.

### **4. HOW MFA CAN HELP TO EARN A SUSTAINABLE DEVELOPMENT:**

MFA can help to earn a sustainable development by;

- ❖ creating job opportunities;
- ❖ increasing income;
- ❖ diversify of income generation activity towards trading;
- ❖ increasing capital fund of beneficiaries through savings;
- ❖ motivation for Small Enterprise Development eg. FMED;
- ❖ motivates for trading especially short duration holding/supply business;
- ❖ opportunities for extra income in lean period;
- ❖ creates opportunity for promoting Handicrafts Products and its Market.

### **5. BASIC STEPS TO START A MFA:**

- ❖ Area selection;
- ❖ Survey for homogeneous group, location of poorest of the poor ;
- ❖ Relationship building;
- ❖ Personal contact;
- ❖ Small group discussion;
- ❖ Large group discussion;
- ❖ Group formation by Development Orientation Meeting;
- ❖ Organize regular group meeting;
- ❖ Savings collection;
- ❖ Skill based training on Income Generating Activity;
- ❖ Doing feasibility study on the success of IGA;
- ❖ Providing loan;
- ❖ Regular loan installment collection.



**6. HOW TO ENSURE,” PURPOSE OF LOAN PROPERLY USED/UTILISED AFTER LOAN DISBURSEMENT” IN MFA:**

- Before loan disbursement, the purpose of loan to be confirmed by discussion with the members individually.
- After loan disbursement, to be confirmed the purpose of loan fulfilled by the beneficiary or not and should be recorded in the Group Resolution Book.
- If any beneficiary fail to fulfill the the purpose of loan which already committed before loan disbursement, the next loan will not disburse and as per recommendation of the leader with group members of the samity, membership will be cancelled.
- Field Officer and Group both ensure the purpose of loan fulfilled by members individually or not.

**7. PRESENT SITUATION/CONDITION OF MICROCREDIT PROGRAMME OF CHURCH OF BANGLADESH SOCIAL DEVELOPMENT PROGRAMME:**

Sl No.	Indicators	FY-2009-10	FY-2010-11	FY-2011-12
1.	No of Group	1,215	1,342	1,342
2.	No. of Group Member	17,227	22,066	21,717
3.	%Of Female Beneficiary	99%	93%	96%
4.	No Of Client	11,591	13,921	13,991
5.	Client % of Members	67%	63%	64%
6.	No. of Branches	25	25	25
7.	No. of Staff	96	134	135
8.	Savings Fund (BDT/USD)	BDT 2,96,62,488/ \$3,70,781	BDT5,38,22,251/ \$6,72,778	BDT6,07,21,302/ \$759,016
9.	Loan Disbursement	BDT 6,57,93,318/ \$8,22,416	BDT 7,92,23,600/ \$9,90,295	BDT15,97,79,900/ \$19,97,248
10.	Average Loan Size	\$56.19	\$86.27	\$98
11.	Loan Outstanding (BDT/USD)	BDT 5,21,00,405 /\$6,51,255	BDT 9,60,76,504/ \$12,00,956	BDT10,91,95,216/ \$1,364,940
12.	Loan Recovery Rate (YTD)	99.52%	97.74%	98%
13.	Service Charge Earning	BDT 78,71,604/ \$98,395	BDT 84,02,437/ \$1,05,030	BDT 1,96,89,703/ \$246,121
14.	Portfolio at Risk	3%	28%	20%
15.	Loan Revolving Factor	1.26	0.82	1.557
16.	Rate of Return on Portfolio	102%	76%	134%
17.	Rate of Return on Capital Fund	0.55%	-10.57%	13%
18.	Loan Revolving Fund	BDT 3,01,08,419/ \$3,76,355	BDT5,52,96,885/ \$6,91,211	BDT 6,29,89,223/ \$7,87,,365

19	Equity	BDT 4,81,28,405/ \$6,01,605	BDT 4,32,94,946/ \$5,41,187	BDT 4,92,33,975/ \$615,425
20	Savings per Group (BDT/USD)	BDT 24,414 /\$305	BDT 53,821/ \$673	BDT 45,247/ \$566
21	Outstanding Loan per borrower (BDT/USD)	BDT 4,495/ \$56	BDT 6,902/ \$86	BDT 7,805/ \$98
22	Savings to Outstanding Loan Ratio (%)	57%	56%	56%
23	Active Borrower	11,011	13,225	13,291
24	Savings per Branch (BDT/USD)	BDT11,86,500/ \$14,831	BDT21,52,890/ \$26,911	BDT24,28,852/ \$30,361
25	Operation/Management Sustainability	103%	85%	136%

**As a support programme, CBSDP is ensuring the following for the Group Members who are poor, very poor and Hardcore as follows :**

- 01) 25 no. of Primary School have already established for the children of the group members who are unable to study their children. All kinds of educational support are being given by CBSDP from the surplus money of Micro Finance Programme. The children are doing good results from our school. CBSDP is happy to provide this facility for children of the Poorest of the poor family.
- 02) As a health support for the poor group members, CBSDP has been providing health support such as Primary Treatment with free of cost and Cizarian Operation has also been arranged for the Poor Pregnancy women by CBSDP from the surplus money of Micro Finance Programme.
- 03) A loan loss provision fund have been created for the group members who are unable to refund the loan fund so that the loan can be adjusted with the loan loss provision fund.
- 04) Disaster management fund has been created by CBSDP to help/ to face the natural disaster, the group members who will be are affected by natural disaster, will be entitle to get the support from this fund.
- 05) CBSDP has already started Group Members Life Insurance Policy for the group members who may be died during the period of loan recovery. If any group members die as usual, the total loan of that group member will be adjusted with the Group Insurance Fund.

**Note :** 01. Loan Revolving Fund included Savings Fund, Insurance Fund, Group Welfare Fund etc.

02. Rate of Return on Portfolio= (Loan Recovery/Loan Outstanding) \* 100

03. 01 USD= BDT 80 assumed.

## **8. MIS:**

- ❖ Daily collection monitoring resister;
- ❖ Weekly report by field level staff;
- ❖ Monthly report by unit/branch level staff;
- ❖ Monthly Monitoring analysis report.

## **9. CONCLUSION:**

In the context of developing country, the effort of Microfinance Activity plays a vital role for sustaining the development of its beneficiaries and the MFI. Though a lot of challenges exist in the operation of Microfinance, but only successful implementation of the program can ensure the development process in the right track to earn sustainability in due time.

**The End**