

BANGLADESH MICROFINANCE STATISTICS 2009

TRENDS AND GROWTH OF MICROFINANCE PROGRAMS OF MFI-NGOs IN BANGLADESH USING PANEL DATA

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The previous chapter dealt basically with the overall development of the microfinance sector. This chapter presents the overall trends and growth of the sector using panel data of 126 MFI-NGOs. These MFI-NGOs, however, have mobilized around 82 percent of the members mobilized by total MFI-NGOs of the country. GB is not included among these MFI-NGOs. The use of such panel data enables to clearly understand the growth and efficiency of the MFI-NGOs in the given period.

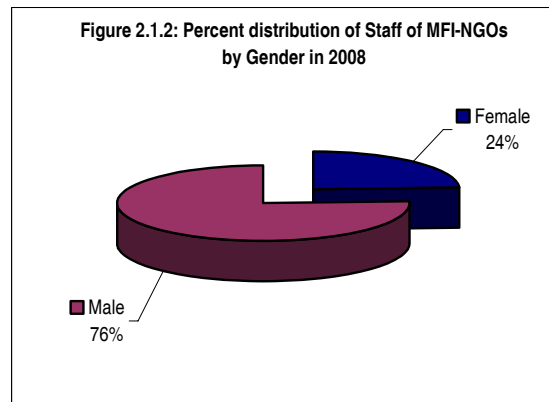
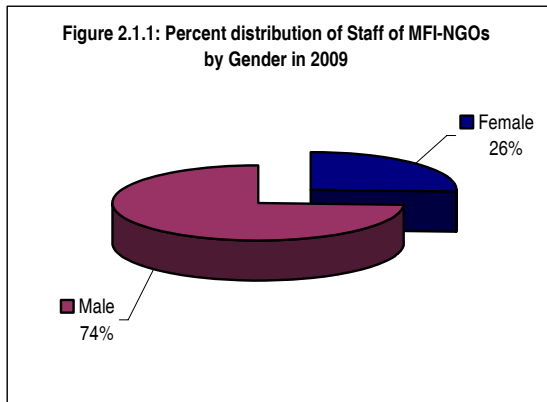
2.1. Employment and Gender

MFI-NGOs have not only contributed to providing financial services but also contributed to the generation of employment. Over the past four years, 2006 through 2009, there has been remarkable growth (Table 2.1) in employment creation by the MFI-NGOs. The panel data show, these 126 MFI-NGOs created some 31,505 new employments. The increasing trend in employment creation was observed from 2006 to 2008 while a slight decrease was taken place in 2009. A negative annual growth rate of total staff in 2009 was 0.60 percent which was drastically lower compared to positive 2.54 percent growth in 2008 and 27.15 percent in 2007. Over a period of four years, 2006 through 2009, the growth was around 30 percent. There is a positive relationship between program expansion and number of staff employment. Credit staff constitute a major share of total staff. The share of credit staff in total staff was around 62 percent in 2009 while no significant change was observed from 2008. On the other hand, the other staff contributed to around 38 percent of total staff resulting a slight increase in 2009 over 2008.

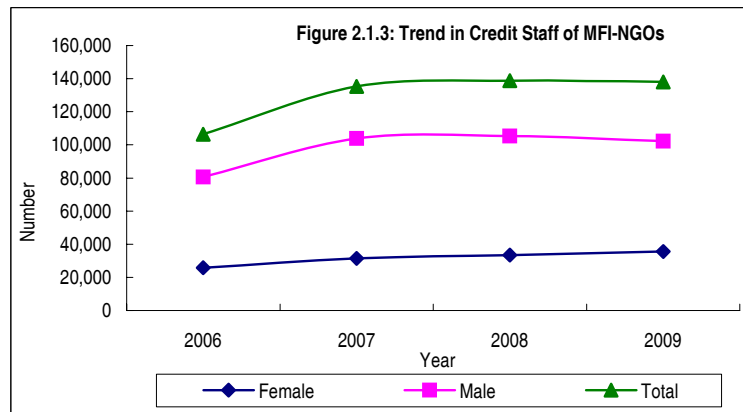
Table 2.1: Staff Strength and Growth of MFI-NGOs
(As of December)

Aspects	2009	2008	2007	2006	Change				Growth Rate			
					Annual		Periodical		Annual		Periodical	
					2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006	2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006
Credit Staff	86,080 (100) (62.41)	87,913 (100) (63.36)	92,779 (100) (68.56)	68,898 (100) (64.74)	-1,833	-4,866	23,881	17,182	-2.09	-5.24	34.66	24.94
Female	13,947 (16.20)	14,036 (15.97)	14,526 (15.66)	11,574 (16.80)	-89	-490	2,952	2,373	-0.63	-3.37	25.51	20.50
Male	72,133 (83.80)	73,877 (84.03)	78,253 (84.34)	57,415 (83.20)	-1,744	-4,376	20,838	14,718	-2.36	-5.59	36.29	25.63
Other Staff	51,855 (100) (37.59)	50,849 (100) (36.64)	42,550 (100) (31.44)	37,532 (100) (35.26)	1,006	8,299	5,018	14,323	1.98	19.50	13.37	38.16
Female	21,676 (41.80)	19,372 (38.10)	16,851 (39.60)	14,145 (37.69)	2,304	2,521	2,706	7,531	11.89	14.96	19.13	53.24
Male	30,179 (58.20)	31,477 (61.90)	25,699 (60.40)	23,296 (62.31)	-1,298	5,778	2,403	6,883	-4.12	22.48	10.32	29.55
Total Staff	137,935 (100)	138,762 (100)	135,329 (100)	106,430 (100)	-827	3,433	28,899	31,505	-0.60	2.54	27.15	29.60
Female	35,623 (25.83)	33,408 (24.08)	31,377 (23.19)	25,719 (24.17)	2,215	2,031	5,658	9,904	6.63	6.47	22.00	38.51
Male	102,312 (74.17)	105,354 (75.92)	103,952 (76.81)	80,711 (75.83)	-3,042	1,402	23,241	21,601	-2.89	1.35	28.80	26.76

Note: N refers to MFI-NGOs
Source: Survey 2006-2009

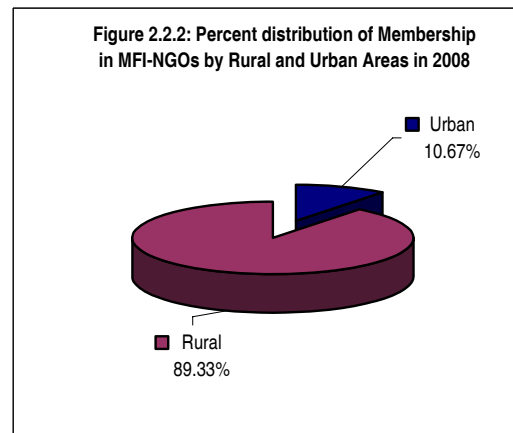
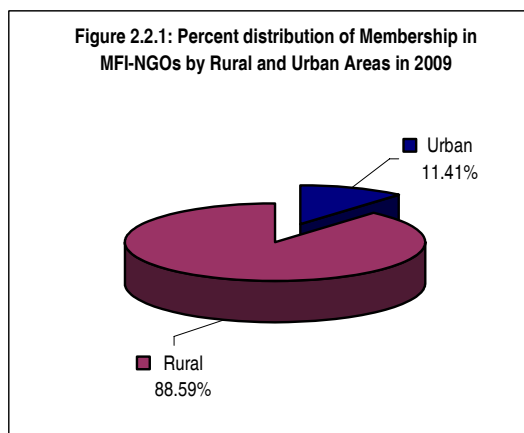


Women empowerment has been one of the major objectives of MFIs. Although this is reflected in mobilization of female members, it is not reflected in female employment. Only around 26 percent of total staff and around 16 percent of total credit staff were female in 2009. Although the total number of female staff increased but the growth rate declined. This is evident from Figure 2.1.3. This may have happened because of longer hours of work, adverse geographical condition and overall, the psychology of the employers. Still the growth of female staff was higher compared to the growth of male staff in 2009. The growth of female staff was 6.63 percent compared to a negative 2.89 percent growth of male staff in 2009. The distribution of staff of MFI-NGOs by gender has been presented in Figure 2.1.1 and in 2.1.2. However, recruitment of local level field female staff has probably contributed to higher female employment, which indirectly stimulated women empowerment.

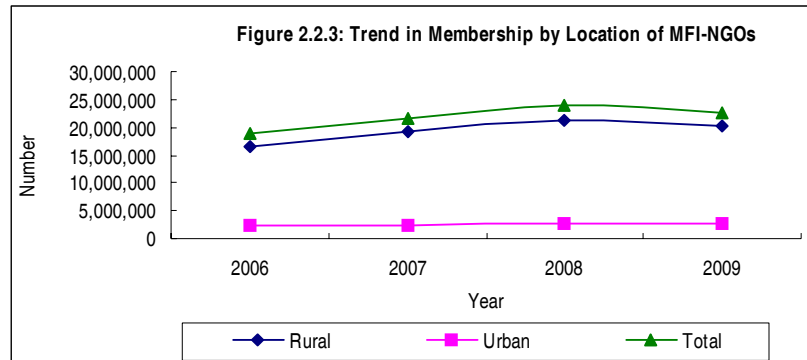


2.2. Membership in MFI-NGOs

MFIs initially started their programs in rural areas. Over time, they expanded their programs to urban areas too. Microfinance in Bangladesh is synonymous to credit for landless and assetless rural poor. As such the preeminence of rural members is quite natural in the overall microcredit members mobilized. On the other hand, the magnanimity of female members in the overall membership is very usual, as microcredit as a poverty alleviation tool has taken women empowerment as one of its agenda from the very on set.



A total of 22,734,381 members were mobilized up to 2009. Among them, the share of rural areas was 88.59 percent in 2009 (Figure 2.2.1) compared to 89.33 percent in 2008 (Figure 2.2.2). There has been an increasing trend in membership mobilization in rural areas up to 2008 since 2006 (Figure 2.2.2), but it decreased in 2009 by around 6 percentage point. In urban areas, the total number of members was increasing at a decreasing rate. As are evident from Table 2.2, the number of female members in rural areas decreased for the first time in 2009 by around 2 percentage point compared to 2008. But over the period, 2006 to 2009, female members in the rural areas achieved a growth of around 32 percent.



The annual growth of rural female member was 1.62 percent in 2009 compared to 2.99 percent in 2008 and 12.39 percent in 2007. The annual decrease in the number of male members in rural areas was 877,271 in 2009 from 2008 with a decreasing rate of around 26 percent. Over the period, 2006 through 2009, the rate declined by around 21 percent. An opposite scenario was seen in the growth of male members in urban areas. In this year the growth rate of male membership got rid of 1 percent negative growth of 2008 and recorded 1 percent positive growth. In 2007 male membership had 13 percent positive growth. Interestingly, some 1,257,210 members were declined in rural areas, while the number grew by 37,589 in urban areas resulting decrease of overall 1,219,621 members in 2009 compared to 2008. Over the period from 2006 to 2009, the overall growth of membership was around 20 percent and at the same time the growth of female and male members was around 30 percent and 20 (negative) percent respectively. The trend on the membership is also shown in Figure 2.2.4.

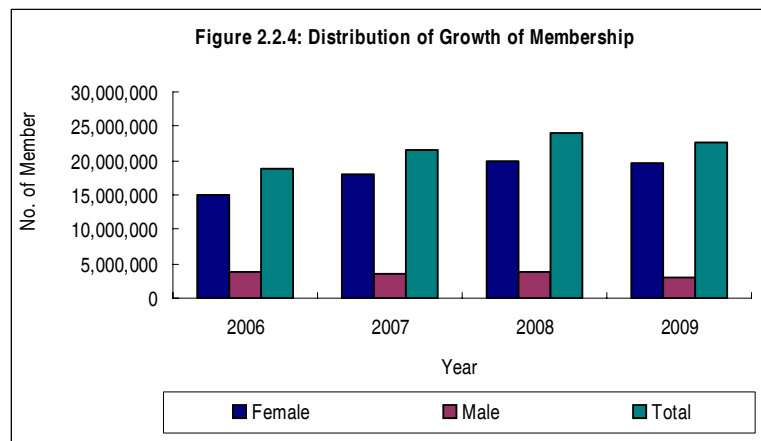


Table 2.2: Growth of Membership
(As of December)

N = 126

Aspects	2009	2008	2007	2006	Change				
					Annual			Periodical	
					2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006	
Rural Area	Female	17,605,478 (87.41)	17,985,417 (84.05)	15,981,317 (83.69)	13,350,992 (80.62)	-379,939 [-2.11]	2,004,100 [12.54]	2,630,325 [19.70]	4,254,486 [31.87]
	Male	2,535,898 (12.59)	3,413,169 (15.95)	3,115,283 (16.31)	3,208,497 (19.38)	-877,271 [-25.70]	297,886 [9.56]	-93,214 [-2.91]	-672,599 [-20.96]
	Sub-Total	20,141,376 (100) (88.59)	21,398,586 (100) (89.33)	19,096,600 (100) (88.42)	16,559,489 (100) (87.51)	-1,257,210 [-5.88]	2,301,986 [12.05]	2,537,111 [15.32]	3,581,887 [21.63]
Urban Area	Female	2,070,340 (79.84)	2,037,258 (79.72)	1,978,207 (79.11)	1,760,201 (74.46)	33,082 [1.62]	59,051 [2.99]	218,006 [12.39]	310,139 [17.62]
	Male	522,665 (20.16)	518,158 (20.28)	522,519 (20.89)	603,634 (25.54)	4,507 [0.87]	-4,361 [-0.83]	-81,115 [-13.44]	-80,969 [-13.41]
	Sub-Total	2,593,005 (100) (11.41)	2,555,416 (100) (10.67)	2,500,726 (100) (11.58)	2,363,835 (100) (12.59)	37,589 [1.47]	54,690 [2.19]	136,891 [5.79]	229,170 [9.69]
Total	Female	19,675,818 (86.55)	20,022,675 (83.59)	17,959,524 (83.16)	15,111,193 (79.85)	-346,857 [-1.73]	2,063,151 [11.49]	2,848,331 [18.85]	4,564,625 [30.21]
	Male	3,058,563	3,931,327	3,637,802	3,812,131	-872,764	293,525	-174,329	-753,568

	(13.45)	(16.41)	(16.84)	(20.15)	[-22.20]	[8.07]	[-4.57]	[-19.77]
	22,734,381	23,954,002	21,597,326	18,923,324	-1,219,621	2,356,676	2,674,002	3,811,057
Total	(100)	(100)	(100)	(100)	[-5.09]	[10.91]	[14.13]	[20.14]

Note: N refers to MFI-NGOs, () represents the column percentages and [] represents the growth rate.

Source: Survey 2006-2009

2.3. Trends in Lending Behavior

The scenario of the sector is also possible to see through important program data, such as, amount of members' savings or group savings, total (or cumulative) number of borrowers provided loans (inclusive of repeat loans) ever, current number of borrowers, amount of cumulative loans disbursed, amount of loans outstanding with the borrowers, and amount of revolving loan funds.

2.3.1. Borrower-Member Ratio: All the members at a given point of time may not be borrowers, and even everyone may not borrow. This is reflected in borrower-member ratio. As the panel data (Table 2.3.1) showed that in 2009 MFIs could provide loans to 70.42 percent of the members compared to 74.20 percent in 2008 and 78.80 percent in 2007. This declining trend throws a big question to the microfinance industry about its progression with the given mandate of reaching the poor with financial services for poverty alleviation.

As expected, borrower-member ratio is higher for the female than the male members. Around 73 percent of the female members had borrowed in 2009 while the percentage was around 77 in 2008 and about 83 percent in both 2007 and 2006. The higher ratio for female could be happened due to perceived financial discipline and less mobility of female. After showing a continuous increasing trend in the borrower-member ratio for male members from around 54 percent in 2006 to around 61 percent in 2008, and again it declined to around 56 percent in 2009. The borrower-member ratio for female members was around 17 percent higher than that of male members in 2009 and the trend continued also in all the years under consideration. It could be the mobility of the male borrowers that makes MFIs conservative in lending to them.

Table 2.3.1: Borrower and Member Ratio (%)

(As of December)

N = 126

Variables	2009	2008	2007	2006	Change			Growth Rate				
					Annual		Periodical	Annual		Periodical		
					2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006	
Borrower-Member Ratio	70.42	74.20	78.80	77.28	-3.78	-4.60	1.52	-6.86	-5.09	-5.84	1.97	-8.88
Female	72.57	76.68	83.52	83.04	-4.11	-6.84	0.48	-10.47	-5.36	-8.19	0.58	-12.61
Male	56.06	61.25	55.58	54.47	-5.19	5.67	1.11	1.59	-8.47	10.20	2.04	2.92
Rural	70.80	74.18	79.22	77.89	-3.38	-5.04	1.33	-7.09	-4.56	-6.36	1.71	-9.10
Urban	67.51	74.42	75.63	72.97	-6.91	-1.21	2.66	-5.46	-9.29	-1.60	3.65	-7.48

Note: N refers to MFI-NGOs

Source: Survey 2006-2009

There is, however, not much difference exists in borrower-member ratio in rural and urban areas. But a decreasing trend was observed in the borrower-member ratio in both the rural and urban areas. Such trend may be attributed to market saturation, mobility of members in the credit market, or the process of consolidation of the MFIs. Plausible causes need to be investigated.

2.3.2. Intensity in Number of Loans: It is reflected in the ratio of cumulative borrowers and current borrowers. Cumulative borrowers are essentially the number of loans taken. Current borrowers represent active members. As such, the ratio of cumulative borrowers and current borrowers will give us a trend in the intensity of number of loans per borrower. The cumulative number of borrowers of 126 MFI-NGOs till 2009 was 39,536,838, higher by around 12 percent than the 2008 level, and around 53 percent higher than the 2006 level (Table 2.3.2).

Table 2.3.2: Growth Rate of Key Microfinance Indicators

(As of December)

(Taka in million)

N=126

Variables	2009	2008	2007	2006	Change			
					Annual		Periodical	
					2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006
Net Savings	39,657.63	33,656.74	27,391.43	22,303.76	6,000.89 [17.83]	6,265.31 [22.87]	5,087.67 [22.81]	17,353.87 [77.81]
Cumulative Borrowers	39,536,838	35,355,279	31,017,930	25,925,021	4,181,559 [11.83]	4,337,349 [13.98]	5,092,909 [19.64]	13,611,817 [52.50]

Current Borrowers	16,863,874	18,432,752	17,510,662	14,817,531	-1,568,878 [-8.51]	922,090 [5.27]	2,693,131 [18.18]	2,046,343 [13.81]
Cumulative Loan disbursement	1,051,222.39	816,051.00	667,688.12	520,362.79	235,171.39 [28.82]	148,362.88 [22.22]	147,325.33 [28.31]	530,859.60 [102.02]
Loan Outstanding	109,971.67	107,135.76	86,150.62	67,094.24	2,835.91 [2.65]	20,985.14 [24.36]	19,056.38 [28.40]	42,877.43 [63.91]
Revolving Loan Fund	135,175.83	122,288.87	83,481.39	61,010.77	12,886.96 [10.54]	38,807.48 [46.49]	22,470.62 [36.83]	74,165.06 [121.56]

Note: N refers to MFI-NGOs, [] represents the growth rate.

Source: Survey 2006-2009

As expected, the number of current borrowers was less than the cumulative borrowers. The number of current borrower decline by around 1.57 million in 2009 from 2008. It does not indicate that there were no new borrowers in 2009. This may be due to smaller number of borrowers entered the program compared to number of borrowers who fully repaid their loans. In 2008, the number of new borrowers were about 0.92 million. The growth rate of current borrowers increased in 2008, but the rate of increase was lower than that of the previous years. The growth in the four years under review was 13.81 percent. This reveals a good indication of responsiveness of the MFIs to bridge the gap between demand and supply, which has been prevailing in the microcredit market for a long time.

2.3.3. Loans Disbursement: Increasing number of borrowers will have impact on loans disbursement. In 2009, loans amounting to Tk. 235.171 billion were disbursed compared to Tk. 148.363 billion in 2008 and Tk. 147.325 billion in 2007 (Table 2.3.2). The growth rate was more than 29 percent in 2009 over 2008. The growth rate was around 22 percent in 2008 over 2007 and around 28 percent in 2007 over 2006. By the end of 2009, 126 MFI-NGOs disbursed a total of Tk. 1,051.222 billion to some 39.54 million borrowers. Over the period, 2006-2009, the growth of cumulative loans disbursement was about 102 percent. An amount of Tk. 530.860 billion more was disbursed in 2009 from that of 2006.

2.3.4. Average Size of Loans Disbursed: A monotonically increasing trend was observed in the overall size of loan per borrower from the year 2006 to 2009. Average loan size per borrower was around Tk. 26,588 in 2009 compared to Tk. 23,081 in 2008. The growth in average loan size per borrower were same at around 7 percent in the year 2006 and 2007 while it increased to around 15 percent in 2009. Over the period, 2006 to 2009, the growth of the average loan size was around 32 percent. Some major observations may be made from the panel data of 126 MFI-NGOs as reported in Table 2.3.4. First, the average loan size per female borrower was very close to that of the male borrower from 2006 to 2008. But in 2009, the average size of loans per male borrower was around 40 percent higher than that of female borrower. Second, over the four years, the increase of average loan size was Tk. 5,266 with a growth of around 26 percent for female borrowers compared to Tk. 18,332 with a growth rate of around 105 percent for male borrowers. Third, the average loan size in urban areas was lower than that in rural areas for all the years under review. It surely has happened owing to the age of microfinance program in rural areas. It may be iterated that microfinance program was initially started in rural areas.

Table 2.3.4: Average Loan Size (Tk)
(As of December)

N = 126

Variables	2009	2008	2007	2006	Change		Growth Rate					
					Annual		Periodical		Annual		Periodical	
					2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006	2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006
Average Loan Size	26,588	23,081	21,526	20,072	3,507	1,555	1,454	6,516	15.19	7.22	7.24	32.46
Female	25,709	23,207	21,475	20,443	2,502	1,732	1,032	5,266	10.78	8.07	5.05	25.76
Male	35,866	22,073	21,853	17,534	13,793	220	4,319	18,332	62.49	1.01	24.63	104.55
Rural	27,713	23,658	22,014	20,714	4,055	1,644	1,300	6,999	17.14	7.47	6.28	33.79
Urban	20,509	19,773	18,967	16,834	736	806	2,133	3,675	3.72	4.25	12.67	21.83

Note: N refers to MFI-NGOs

Source: Survey 2006-2009

2.3.4.1. Recovery Rate: Increase in loans disbursement and loan size may not provide a healthy picture of the programs of the MFI-NGOs if loans are not recovered. Loan repayment by the borrowers or loan recovery by the MFI-NGOs in micro loans is of great importance to maintain quality portfolio of microcredit programs and its sustainability. Good repayment rate is taken by many as a sign of overall performance of the program from operational point of view. It is important for institutional sustainability and continuous supply of loan fund for disbursement to the poor households.

Table 2.3.4.1: Loan Portfolio Quality through recovery Rate
(As of December)

N = 126

Variables	2009	2008	2007	2006	Change		Growth Rate				
					Annual		Periodical		Annual		Periodical
					2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006	2009 over 2008	2008 over 2007	2007 over 2006

Recovery Rate of Loan	97.47	97.99	98.37	98.75	-0.52	-0.38	-0.38	-1.28	-0.53	-0.39	-0.38	-1.30
Female	97.24	97.91	98.47	98.23	-0.67	-0.56	0.24	-0.99	-0.68	-0.57	0.24	-1.01
Male	96.07	97.28	97.03	97.48	-1.21	0.25	-0.45	-1.41	-1.24	0.26	-0.46	-1.45
Rural	97.60	98.40	97.80	97.83	-0.80	0.60	-0.03	-0.23	-0.81	0.61	-0.03	-0.24
Urban	97.27	97.28	98.77	98.61	-0.01	-1.49	0.16	-1.34	-0.01	-1.51	0.16	-1.36

Note: N refers to MFI-NGOs

Source: Survey 2006-2009

Loan recovery rate of the 126 MFI-NGOs have been consistently ranging from around 96 to 99 percent (Table 2.3.4.1). There was not much difference observed in the trend of loan recovery rate by gender. It is marginally lower for the male borrowers. There was hardly any difference between recovery rates in the urban and rural areas.

2.3.4.2. Overdue Rate in Loans Outstanding: As a percentage of loans outstanding, loans overdue had decreased in 2007 over 2006, but it has been increasing after 2007. It was 1.51 percent of loans outstanding in 2006 and declined to 1.26 percent in 2007. In 2009 it increased to 2.65 percent from 1.96 percent in 2008. However, the rate of default was higher for male borrowers in all the years reviewed excepting 2009. In 2009, the percentage of female defaulters among the female borrowers was slightly higher than their male counterparts. The rate of change in overdue for female was significantly higher than that of the male borrowers for the previous two years. As a result, the overdue rate for female borrowers was higher in 2009. By geographic divides, overdue rate has been increasing both in urban and rural areas and it happens persistently every year (Table 2.3.4.2). The MFI-NGOs should think about the overdue rate in loans outstanding as, among others, it erodes or tends to erode their capital as well as income.

Table 2.3.4.2: Loan Portfolio Quality – Overdue in Loans Outstanding
(As of December)

N = 126

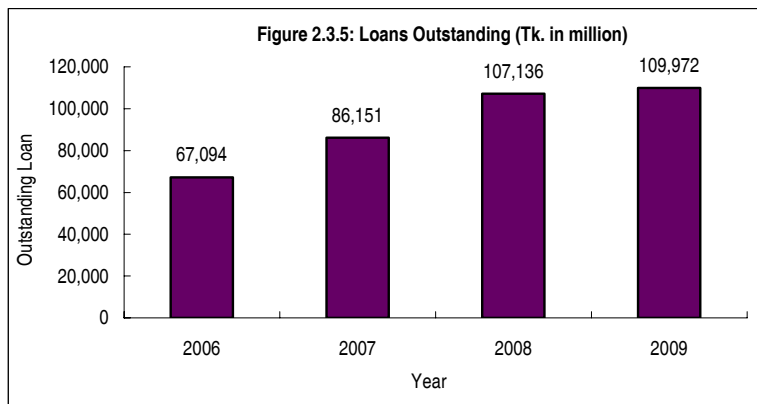
Variables	2009	2008	2007	2006	Change				Growth Rate			
					Annual		Periodical		Annual		Periodical	
					2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006	2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006
Overdue in Loans Outstanding	2.65	1.96	1.26	1.51	0.69	0.70	-0.25	1.14	35.20	55.56	-16.56	75.50
Female	2.76	1.82	1.06	1.24	0.94	0.76	-0.18	1.52	51.65	71.70	-14.52	122.58
Male	2.06	2.70	2.36	2.76	-0.64	0.34	-0.40	-0.70	-23.70	14.41	-14.49	-25.36
Rural	2.66	1.98	1.29	1.62	0.68	0.69	-0.33	1.04	34.34	53.49	-20.37	64.20
Urban	2.57	1.82	1.02	0.84	0.75	0.80	0.18	1.73	41.21	78.43	21.43	205.95

Note: N refers to MFI-NGOs

Source: Survey 2006-2009

The statistics above clearly give an impression that volume, coverage, and loan performance have improved over the years as we find improvement in quality of loan portfolio, retention of members and increase of the number of borrowers and responsiveness of the MFI-NGOs towards demand of the poor. Yet recovery rate, overdue rate, growth of urban program, and inclusion of male members are some areas deserve attention to refurbish the sector.

2.3.5.1. Loans Outstanding: The amount of loan outstanding in 2009 was around Tk. 109,972 billion. An increasing trend was observed in the loans outstanding over the period 2006 to 2009. The rate of increase was declined from around 28 percent in 2007 to around 24 percent in 2008, and finally reached to only around 3 percent in 2009. There is a consistency between the growth of current borrower and the growth of loans outstanding (Table 2.3.2). Over the period, 2006 to 2009, the growth was around 64 percent. This growth in loans outstanding of the MFI-NGOs was not so high compared to growth in the loans disbursement of around 102 percent. It should be mentioned again that the greater the amount of regular loans outstanding (without delinquency) the greater is the income or financial sustainability of the MFI-NGOs.



2.3.5.2. Loan Outstanding per Borrower: Another indicator of measuring performance of the program is how much loans the MFI-NGOs are retaining with an individual client. It reflects the efficacy of the program, particularly from the point of preparedness of retention and responsiveness of the agencies in terms of diversity of the loan products, liquidity, and loans disbursement in time.

Table 2.3.5.2: Loan Performance through Outstanding Loan Size (Tk.)
(As of December)

N = 126

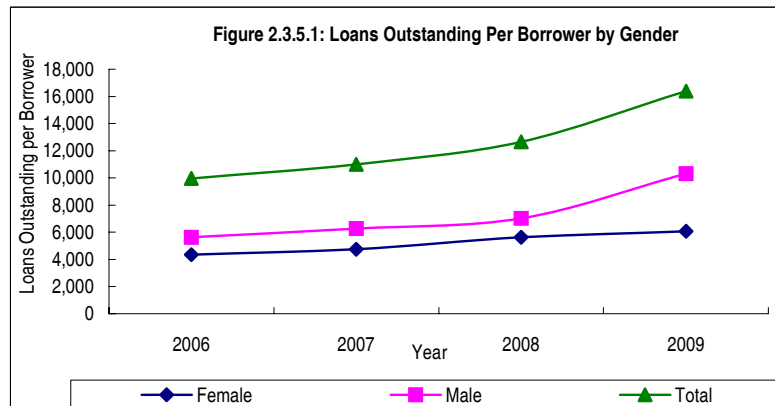
Variables	2009	2008	2007	2006	Change				Growth Rate			
					Annual		Periodical		Annual		Periodical	
					2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006	2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006
Average Size of Loan Outstanding	6,521	5,812	4,920	4,528	709	892	392	1,993	12.20	18.13	8.66	44.02
Female	6,082	5,627	4,738	4,347	455	889	391	1,735	8.09	18.76	8.99	39.91
Male	10,310	7,028	6,264	5,623	3,282	764	641	4,687	46.70	12.20	11.40	83.35
Rural	6,487	5,785	4,815	4,407	702	970	408	2,080	12.13	20.15	9.26	47.20
Urban	6,793	6,041	5,753	5,438	752	288	315	1,355	12.45	5.01	5.79	24.92

Note: N refers to MFI-NGOs

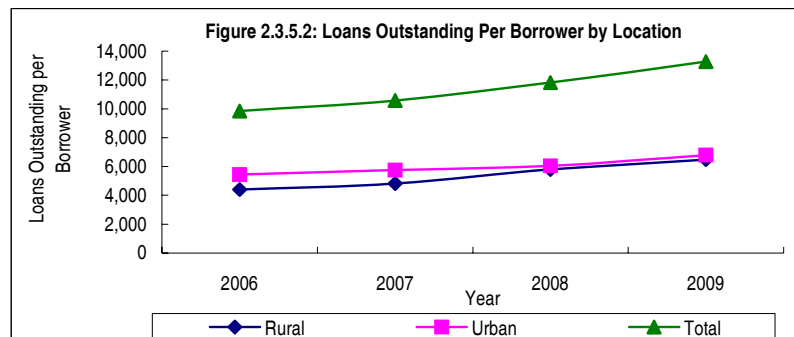
Source: Survey 2006-2009

The average size of loan outstanding per borrower was Tk. 6,521 in 2009. The overall growth rate was around 44 percent from 2006 to 2009. As derived from the earlier discussion that the average loan size per male borrower was higher than that of the female borrower (Table 2.3.4). Similarly, the loan outstanding per male borrower was also greater than that of female borrower. It was Tk. 10,310 for male borrower against Tk. 6,082 per female borrower in 2009 (Table 2.3.5.2). The trend remained similar in the previous three years. The growth rate in the size of loans outstanding for males was around 47 percent in 2009 over 2008 as against only around 8 percent for females.

This is also due to, as discussed earlier, relatively higher overdue rate and higher increase of average loan size of the male borrowers compared to that of female borrowers. Figure 2.3.5.1 shows the trend in the average size of loans outstanding by gender.



While the size of loans outstanding in rural areas was lower about Tk. 1,031 than the urban area in 2006, the amount was lower only by about Tk. 306 in 2009. But compared to average loan size in the rural and urban areas (Table 2.3.4), the average loan outstanding for urban areas was higher than that of the rural areas for every year under review. Figure 2.3.5.2 shows the trend in the average size of loans outstanding by locations.



2.4. Trends in Savings Mobilization

2.4.1. Member's Savings: MFIs mobilize savings from members in a process which include flexible as well as mandatory ways. The amount of net savings is a sign of retention of the members in the program. The annual savings mobilization by the 126 MFI-NGOs was Tk. 6.001 billion in 2009, which were 6.265 billion and 5.088 billion in 2008 and 2007 respectively (Table 2.3.4). The annual growth rate of savings was around 18 percent in 2009 compared to around 23 percent in both 2008 and 2007. In four years, 2006-2009, the growth was about 78 percent, reflecting the capacity and commitment of the poor to increase their wealth, being imbued with the motivation of the MFI-NGOs.

2.4.2. Net Savings per Member: The growth of the program and development in its different aspects may be seen through savings mobilized by the MFI-NGOs or commitment of the members towards MFI-NGOs they deposit savings with. In this context, net savings per member and the rate of savings withdrawal are important indicators, mutually exclusive though.

The amount of net savings per member in 2009 was Tk. 1,744. The net savings per member increased in 2009 over the year 2008 and the increment was higher than that were observed in other years (Table 2.4.2). The per member net savings increased by Tk. 339 at an increase rate of around 24 percent in 2009, while these increase were Tk. 137 showing increase of around 11 percent in 2008 and Tk. 89 with an increase of around only 8 percent in 2007. The growth rate on the net savings was around 48 percent over the period from 2006 to 2009.

Table 2.4.2: Net Savings Performance
(As of December)

N = 126

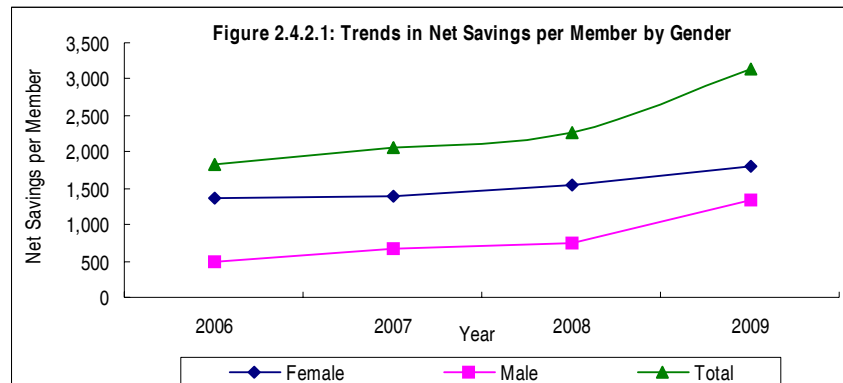
Variables	2009	2008	2007	2006	Change			Growth Rate				
					Annual		Periodical	Annual		Periodical		
					2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006	
Net Savings Per Member (Tk)	1,744	1,405	1,268	1,179	339	137	89	565	24.13	10.80	7.55	47.92
Female	1,809	1,533	1,389	1,356	276	144	33	453	18.00	10.37	2.43	33.41
Male	1,333	742	671	477	591	71	194	856	79.65	10.58	40.67	179.45
Rural	1,675	1,339	1,212	1,127	336	127	85	548	25.09	10.48	7.54	48.62
Urban	2,288	1,946	1,699	1,538	342	247	161	750	17.57	14.54	10.47	48.76

Note: N refers to MFI-NGOs

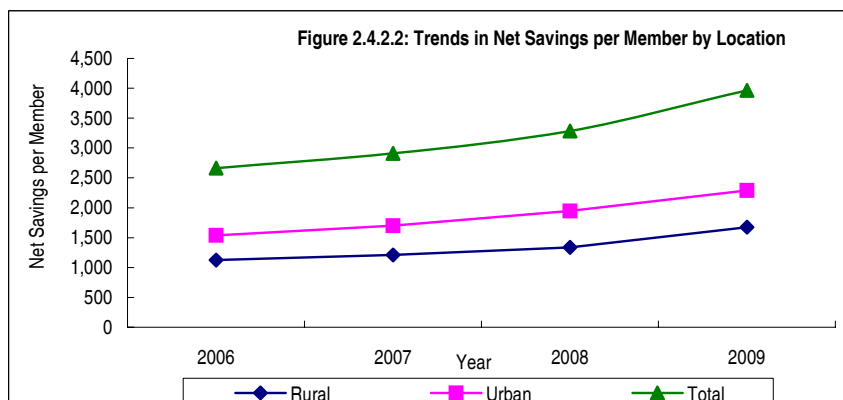
Source: Survey 2006-2009

Net savings per female member increased by Tk. 276 in 2009 compared to Tk. 144 in 2008 and Tk. 33 in 2007. The growth rate on net savings per female member was around 18 percent in 2009 and it was considered as the highest growth among the years. However, the net savings per female member grew by 33.41 percent, which was less than 14.51 percent point from the overall growth rate over the period from 2006 to 2009.

The net savings per male member was less than half of the amount of savings by female in the year 2006 to 2008, but it reached to more than two-thirds of the female savings in 2009. The vast annual increase in per male member savings was achieved in 2009 by some Tk. 591 with around 80 percent annual growth rate. This increase was the highest among all the categories in all the considered data of 126 MFI-NGOs. Around 180 percent growth was shown over the four years period. The trend in the net savings by gender has also been presented in the Figure 2.4.2.1.



Net savings per member in the rural areas was Tk. 1,675 in 2009. An increasing trend was shown in the net savings per member in rural areas. The growth rate was around 25 percent in 2009 compared to around 10 percent in 2008 and around 8 percent in 2007. The growth rate in 2009 over 2008 was around 15 percent point higher than the growth achieved in 2008 over 2007. The growth in the four years, 2006 to 2009, was 48.62 percent. This is quite a similar growth to the overall growth per member, which was 47.92 percent.



Net savings per household in the urban areas was significantly higher than the rural areas. The net savings per member in urban areas was Tk. 2,288 compared to Tk. 1,675 in rural areas in 2009. The deviations were very much similar to that of the preceding years. A continuously increasing pattern in the net savings per member in urban areas was observed through the years 2006 to 2009. The growth in urban areas

was Tk. 342 at a rate of 17.57 percent in 2009 against to some Tk. 247 at a rate of 14.54 percent in 2008. However, the growth in four years was good as around 49 percent which was similar to the overall growth on the net savings per member. The amount of net savings per member in 2009 was Tk. 2,288 which was highest among the categories considered. The same pattern was observed for all the years reviewed from 2006 to 2009.

The increase of net savings is probably a sign of increase of mandatory savings in the MFI-NGO program. Our striking finding is the greater net savings in 2009 compared to all the previous years under review. The upward trend in retaining the savings may help to avoid a precarious situation for the small and medium MFI-NGOs who have to rely upon members' savings to use the savings amount as revolving fund. The increasing rate of the net savings is a very good sign as if the poorest people are building their asset, whatever the critics may mention about the motive behind.

2.4.3 Savings withdrawal Rate: Savings withdrawal by the members is opposite to depositing savings by them with the MFIs. Although the average amount of withdrawal was small compared to savings, the overall trend was slightly increasing. In 2009, the percentage of savings withdrawn by the member was 74.48 which were very close to 74.29 percent of 2008 (Table 2.4.3). An increasing trend was observed in the percentage of savings withdrawal by the members of MFI-NGOs from the year 2006 to 2009, but the amount of increase was significantly decreasing. The growth of savings withdrawal in 2009 over 2008 was only 0.26 percent, a lower withdrawal from 3.5 percent in 2008. The growth in the percentage of savings withdrawal in the four years from 2006 to 2009 was 5.47 percent. Compared to the growth of per member net savings at 47.92 percent (Table 2.4.2), this growth of savings withdrawal was certainly at a very tolerable level.

Table 2.4.3: Savings Withdrawal Rate (%)
(As of December)

N = 126

Variables	2009	2008	2007	2006	Change			Growth Rate				
					Annual		Periodical	Annual		Periodical		
					2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006	2009 over 2008	2008 over 2007	2007 over 2006	2009 over 2006
Savings Withdrawal	74.48	74.29	71.78	70.62	0.19	2.51	1.16	3.86	0.26	3.50	1.64	5.47
Female	75.32	74.48	72.30	71.08	0.84	2.18	1.22	4.24	1.13	3.02	1.72	5.97
Male	68.67	71.40	63.52	65.44	-2.73	7.88	-1.92	3.23	-3.82	12.41	-2.93	4.94
Rural	74.44	73.62	71.94	70.69	0.82	1.68	1.25	3.75	1.11	2.34	1.77	5.30
Urban	76.50	77.32	70.23	70.60	-0.82	7.09	-0.37	5.90	-1.06	10.10	-0.52	8.36

Note: *N* refers to MFI-NGOs

Source: Survey 2006-2009

The trend was similar for female member savers. The growth of savings withdrawal of the female members increased in a decreasing rate in 2009 over 2008 from an increasing rate in 2008 over 2007. It increased to 1.13 percent in 2009 from 3.02 percent in 2008 and 1.72 percent in 2007. Over the four years, 2006-2009, the growth of the savings withdrawal of the female member was 5.97 percent which is approximately similar to the overall growth of savings withdrawal. A negative growth of 3.82 percent of the withdrawal rate was evident for the male members in 2009 compared to a vast increase of 12.41 percent in 2008. Negative growth was also observed in 2007 over 2006 for the male members. It was remarkable that the percent of savings withdrawn by male members was lower from the rate of overall savings withdrawn and that by female members from the years 2006 to 2009. It reveals the fact that the male members restrained them from withdrawing savings from the agencies to a great extent. On the other hand, being the main earner in the family the male might have asked the female to withdraw savings when it was necessary, the female housewives either complied with or did it by her own decision.

The savings withdrawal rate was higher in urban areas than that of rural areas. This is smaller to the rate of overall savings withdrawn in 2009. The percentage of savings withdrawn in urban areas was 76.50 percent in 2009 while the percentage was 74.44 in rural areas. The savings withdrawal rate was decreasing in urban areas from 2006 to 2007 and 2008 to 2009, but the growth over the period, 2006 to 2009 was 8.36 percent. A continuous increasing rate of savings withdrawal was seen in the rural areas, but the rate of increase was decreased in 2009 compared to previous years. Amidst price hike, low income, natural disaster and less capacity to sacrifice the present consumption, the trend in savings withdrawal is a sign of their commitment to their efforts for poverty alleviation through building own asset base.

2.5. Financing of Loans: Loan Revolving Fund

Table 2.5 indicates different sources of revolving loan fund of MFIs. Among them the information on excess income, personal loan, security fund are not presented for the year 2006 and 2007 as the restructured questionnaire was used for the survey year 2008 and 2009. Also we could not include bank data because of extreme inconsistency and definitional problem for the year 2006 and 2007.

The amount of revolving loan fund was Tk. 135.18 billion in 2009 and in 2008 the fund was Tk. 122.30 billion. The annual increase in the fund was Tk.12.88 billion in 2009 and the growth of the fund during the year was around 11 percent. The growth in the four years period from 2006 to 2009 was around 201 percent.

Table 2.5: Distribution of Cumulative Loan Fund by Sources
(As of December)

(Taka in million) N = 126

Sources	2009	2008	2007	2006	Change			
					Annual		Periodical	
					2009 over 2008	2008 over 2007	2009 over 2006	
Member's Savings	35,428.50	31,592.65	22,410.00	24,320.92	3,835.85 [12.14]	9,182.65 [40.98]	-1,910.92 [-7.86]	11,107.58 [45.67]
Excess Income	32,991.74	23,844.59	-	-	9,147.15 [38.36]	-	-	-
Own Fund	2,903.83	6,669.28	5,919.80	2,952.40	-3,765.45 [-56.46]	749.48 [12.66]	2,967.40 [100.51]	-48.57 [-1.65]
Personal Loan	460.99	6,022.00	-	-	-5,561.01 [-92.34]	-	-	-
PKSF	26,066.32	21,291.83	13,306.90	10,485.03	4,774.49 [22.42]	7,984.93 [60.01]	2,821.87 [26.91]	15,581.29 [148.61]
Local Bank	21,586.97	23,067.55	-	-	-1,480.58 [-6.42]	-	-	-
Intl. Donor	4,052.47	3,895.90	5,070.99	5,016.60	156.57 [4.02]	-1,175.09 [-23.17]	54.39 [1.08]	-964.13 [-19.22]
Intl. NGOS	4,901.06	298.86	268.64	148.76	4,602.20 [1,539.92]	30.22 [11.25]	119.88 [80.59]	4,752.30 [3,194.61]
Security Fund	325.11	904.59	-	-	-579.48 [-64.06]	-	-	-
CDF	23.78	10.44	28.57	26.27	13.34 [127.78]	-18.13 [-63.46]	2.30 [8.76]	-2.49 [-9.48]
Local NGOs*	132.65	105.25	1,255.47	241.44	27.40 [26.03]	-1,150.22 [-91.62]	1,014.03 [419.99]	-108.79 [-45.06]
Others	6,310.21	4,595.95	6,096.20	1,751.32	1,714.26 [37.30]	-1,500.25 [-24.61]	4,344.88 [248.09]	4,558.89 [260.31]
Total	135,183.63	122,298.89	54,356.58	44,942.74	12,984.74 [10.54]	67,942.31 [124.99]	9,413.84 [20.95]	90,240.89 [200.79]

Source: Survey 2006-2009

Note: * Local NGOs include BRAC, ASA and Proshika, - not available, N refers to MFI-NGOs.

Members' savings as the dominant source of revolving loan fund was increased by around Tk. 3.836 billion in 2009 which was lower than the amount increased by Tk. 9.183 billion in 2008. The growth rate of this savings was around 12 percent in 2009 compared to around 41 percent in 2008. The amount was increasing at a decreasing rate. The contribution of members' savings to the total revolving loan fund was around 26 percent in 2009. The amount of revolving loan fund of newly categorized excess income is presented for the year 2008 and 2009 and showed a tremendous annual growth of Tk. 9.15 billion at a positive growth rate of around 38 in 2009 over 2008. Excess income was the second highest contributor as a source of revolving loan fund by taking around 24 percent of the total amount.

The own fund as a source of revolving loan fund increased at a negative growth rate of around 56 percent in 2009 from 2008, which was positive around 13 percent in 2008 from 2007. Also a high growth of around 101 percent was observed in 2007 from 2006. It was also observed that the amount of own fund was decreased at around 2 percent in 2009 than that of the amount in 2006. The amount of personal loan as revolving loan fund was decreased to Tk. 0.46 billion in 2009 from Tk. 6.0 billion in 2008. The decreasing rate was around 92 percent.

PKSF has contributed substantially to financing microcredit programs. The share of PKSF in the revolving loan fund was around 19 percent of the total fund in 2009 which was third highest among the sources and its contribution has increased over time. Its contribution in 2009 to loan financing was around 19 percent. It has increased some 22 percent in 2009 compared to 60 percent in 2008 and 27 percent in 2007. The rate of growth was around 149 percent in 2009 against the amount in 2006.

Local banks – both public and private were contributing a percentage of around 16 percent in total revolving loan in 2009 which was around 3 percentage point lower than that of 2008. The annual decrease was Tk. 1.48 billion in 2009 over 2008 with a negative growth rate of around 6 percent.

The contribution of international NGOs in the increased amount of sources of revolving loan fund was around Tk. 4.602 billion with an inconceivable annual growth rate of around 1,540 percent in 2009 compared to only around 11 percent in 2008. On the other hand, the amount of revolving loan fund by international donors in 2009 was Tk. 4.05 billion compared to Tk. 3.90 billion in 2008 and around Tk. 5 billion in both the years 2007 and 2006. The annual growth rate was around 4 percent in 2009 over 2008 against a negative growth of around 23 percent in 2008 over 2007. But over the period, 2006 to 2009, the funding of international donors decreased by around 19 percent.

Security fund is also considered as the sources of revolving loan fund. The amount of security fund was Tk. 325 million in 2009 compared to Tk. 905 million in 2008. From the data of two years period, a significant negative trend was found and the decreasing rate from 2008 to 2009 was around 64 percent.

CDF provided Tk. 23.78 million to the MFI-NGOs as revolving loan fund which was around 191 percentage point higher than the previous year. Local big MFI-NGOs such as ASA, BRAC, PROSHIKA also provided loans to small MFI-NGOs. The contribution of local MFI-NGOs has drastically fall in 2008 at a negative rate of about 92 percent compared to positive growth of about 420 percent in 2007 over 2006. However, the growth turned positive at around 26 percent in 2009. In 2009, the amount of contribution of local MFI-NGOs was Tk. 0.133 billion against Tk. 0.105 billion in 2008.

In brief, loans are largely financed by members' savings, own fund, PKSF, and the local banks. MFI-NGOs are, therefore, less dependent on external financing from donors or international agencies. This trend is expected to contribute to the sustainability of the institutions, if they are more prudent in the use of funds.

2.6. Distribution of Loan by purpose

Microcredit members borrow for different purposes. Not necessarily loans are fully utilized for the stated purposes. In recent years, research studies show that loans are by and large used for stated purposes. However, the issue of fungibility of funds remains. Nevertheless, the stated purposes provide indication of the pattern of probable use of funds.

Table 2.6: Distribution of Loan by Stated Purposes
(As of December)

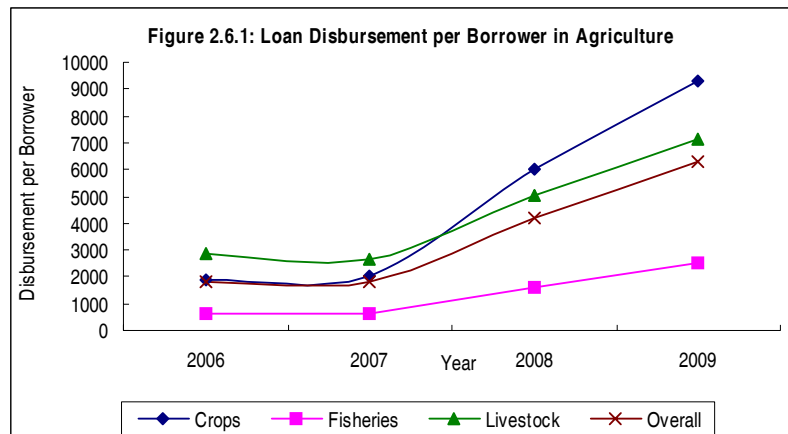
Sources	2009	2008	2007	2006	Change			
					Annual			Periodical
					2009 over 2008	2008 over 2007	2007 over 2006	
A. Productive Activities	350,776.79	255,892.58	100,470.96	84,896.96	94,884.21	155,421.62	15,574.00	265,879.83
A1. Agricultural Sector	319,184.73	232,445.71	94,092.27	80,346.09	86,739.02	138,353.44	13,746.18	238,838.64
i) Crops	156,865.43	110,653.40	35,997.00	28,236.41	46,212.03	74,656.40	7,760.59	128,629.02
ii) Fisheries	42,375.11	29,130.30	11,072.25	9,334.75	13,244.81	18,058.05	1,737.50	33,040.36
iii) Livestock	119,944.18	92,662.01	47,023.02	42,774.93	27,282.17	45,638.99	4,248.09	77,169.25
A2. Processing and Industries sector	31,592.06	23,446.87	6,378.69	4,550.87	8,145.19	17,068.18	1,827.82	27,041.19
Cottage Industries	31,592.06	23,446.87	6,378.69	4,550.87	8,145.19	17,068.18	1,827.82	27,041.19
B. Trade and Communication Sectors	447,987.56	358,385.07	192,254.57	149,848.37	89,602.49	166,130.50	42,406.20	298,139.19
i) Small business	406,445.26	328,072.20	182,980.17	142,947.57	78,373.06	145,092.03	40,032.60	263,497.69
ii) Transport	41,542.29	30,312.87	9,274.41	6,900.80	11,229.42	21,038.46	2,373.61	34,641.49
C. Social Sectors	14,717.73	11,826.96	6,538.32	5,323.42	2,890.77	5,288.64	1,214.90	9,394.31
i) Health	6,615.25	5,625.44	1,836.34	2,051.23	989.81	3,789.10	-214.89	4,564.02
ii) Education	3,856.19	2,054.33	146.70	558.35	1,801.86	1,907.63	-411.65	3,297.84
iii) Housing	4,246.29	4,147.19	4,555.27	2,713.83	99.10	-408.08	1,841.44	1,532.46
D. Others	237,740.32	189,946.39	368,377.37	280,244.16	47,793.93	-178,430.98	88,133.21	-42,503.84
Total	1,051,222.39	816,051.00	667,641.22	520,312.91	235,171.39	148,409.78	147,328.31	530,909.48

Note: N refers to MFI-NGOs

Source: Survey 2006-2009

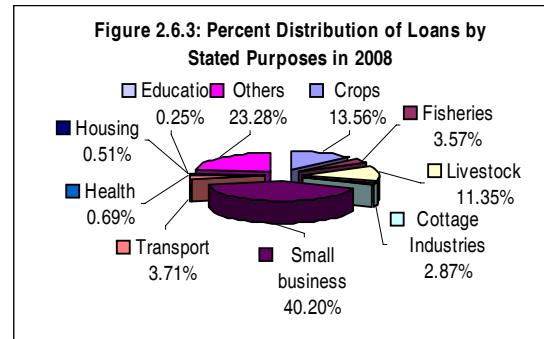
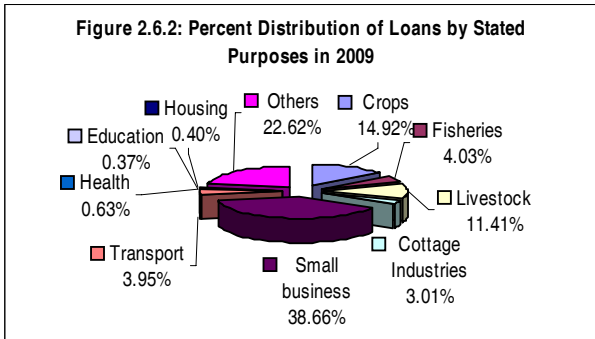
The panel data of the distribution of loans by stated purposes have been shown in Table 2.6. It is seen from the other statistics, loans were largely taken for a few main purposes. These include small business, crop production and livestock etc. Around 39 percent of the total loan

was given for small business in 2009, which were around 40 percent in 2008 and around 27 percent in both 2007 and 2006 (Figure 2.6.2-2.6.5). The share of livestock in the total loans was around 11 percent in both the years 2009 and 2008, which was around 4 percent higher than that of the share in previous years. An enormous growth of the share of loans for crops in the total loans increased in 2009 and 2008 by about 8 percent compared to 2007 and 2006. The share of crops in 2009 and 2008 were around 15 percent and 14 percent respectively and it was only around 5 percent in both 2007 and 2006. There were other sectors not considered in the defined categories



which also have significant contribution to the share of the loan disbursement as are seen from the figures. Fisheries appear to be the fourth major purpose for taking loan (4.03 percent), followed by the transports (3.95 percent) in 2009. Over the period, 2006 to 2009, no significant change has been observed in the loan disbursement to the other purposes such as cottage industries and education, health, housing etc.

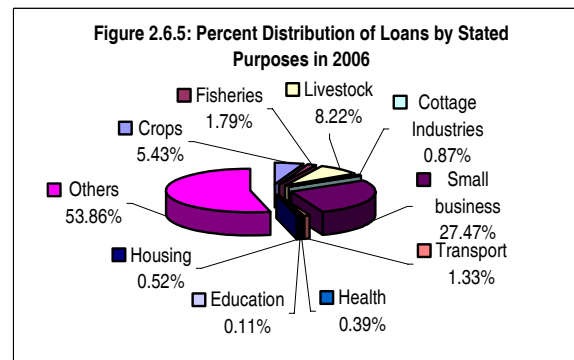
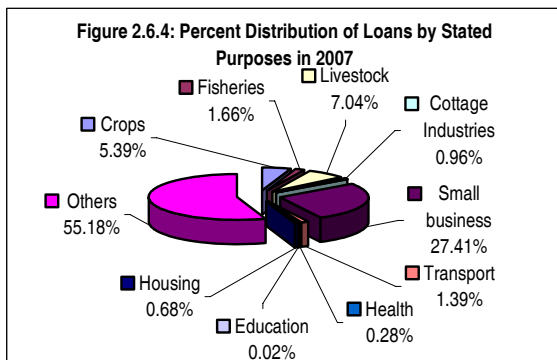
However, in absolute term, the loan disbursement amounts have increased. The growth in the total amount of loans by different purposes was 28.82 percent in 2009 followed by 22.23 percent in 2008, 28.32 percent in 2006 and 102.04 percent in 2009 over 2006. A significant change in the growth of loans disbursement was observed in agricultural sector over the period 2007 to 2008. In 2009, a positive growth of around 37 percent in the loan disbursement was obtained compared to around 147 percent in 2008 in the agricultural sector. The growth on the sub-categories such as crops, fisheries and livestock of defined agricultural sector were observed similar to that of 2009. The total amount of disbursement in these sectors was increased in 2009 at a decreasing rate compared to 2008. The loan size per borrower in all the agricultural sub-sectors has significantly been increased. It is reflected in Figure 2.6.1.



The similar trend in the growths of small business and transports has also been observed. The growths were increasing in a decreasing rate compared to previous years. The growth rate in small business in 2009 was around 24 percent compared to around 79 percent in 2008. The growth reached around 37 percent in 2009 in the sector of transports against around 227 percent in 2008. Over the period, 2006 to 2009, the growth rates in small business and transport were respectively around 184 and 502 percent. An increasing rate was found in the loans disbursement to cottage industries. The growth rate was around 35 percent in 2009, it was only around 268 percent in 2008 and around 40 percent in 2007.

The contribution of the MFI-NGOs in the social sector has increased which has been presented in the Table 2.6. The amounts of loans disbursement in the sector of health and education in 2009 were around Tk. 0.990 billion and around Tk. 1.802 billion. The growth rate in health sector was about 18 percent in 2009 over 2008 against a huge growth of about 206 percent in 2008 over 2007, although it suffered a negative growth of around 10 percent in 2007 over 2006. The growth of disbursement in education was increasing.

A positive growth of around 88 percent was achieved in 2009 after a massive growth of around 1300 percent in 2008 over 2007. This growth was negative at around 74 percent in 2007 over 2006. The loan disbursement decreased in 2008, but slightly increased in housing sector in 2009.



Although loans disbursement to the stated purposes or areas has increased in 2009, the disbursement was lower compared to that of the previous year. This trend of loans disbursement shows its inclination towards more productive and sustainable income opportunities. This could happen although the leaders of MFI-NGOs had to, adhere to their strategy of placing their programs in their convenience and give importance on repayment of loans from the borrowers over any other considerations. However, the production of crops was an important area for taking loans and the loans in this sector have significantly increased. Although the poor households have little farmland, they take land on lease for farming. In other words, attachment of poor households to farmland has been increasing. Livestock and fisheries have emerged as important areas for loans because homesteads are being used for rearing livestock. Fisheries is also a productive income activity with the poor farming households. Increase in the demand of loans for cottage industries, small business and transports reflect borrowers' willingness to engage in more viable income generating activities. The increasing amount of loans for social sectors reflects the responsiveness and commitment of the MFI-NGOs to the members' demand and need.