

## What we do - Microfinance

BRAC is a development success story. Founded in Bangladesh, we are one of the largest non-governmental organisations in the world: an innovator in poverty eradication and an outstanding social enterprise. Best known for our community-based approach and the scale of our programmes, we have created opportunities for 138 million people - mostly women - to set in motion lasting change.

Since launching microfinance activities in 1974, we have grown to become one of the world's largest providers of financial services for the poor. Inclusive and client-focused, we utilise 40 years of expertise to design loan and savings products to meet the unique needs of the poor, currently serving more than five million clients in seven countries.



Credit: Jake Lyell

Caption: Ruth Namuganza, a BRAC client in her storefront in Jinja District, Uganda

*“We will not achieve the level of financial inclusion we aspire to with purely commercial providers. To serve the poor we will need socially motivated microfinance providers”*

**Shameran Abed,**  
Director BRAC Microfinance

### Our model

Our microfinance programme is socially driven and works to alleviate poverty, discrimination and injustice through financial inclusion. Financial inclusion fosters financial empowerment through the availability of affordable and accessible quality products which focus on excluded groups. Skills-based trainings and financial investment trainings ensure proper use of products and loans.

BRAC's microfinance activities work through a unique 'credit-plus' approach, addressing the specific needs of various target populations such as rural women, youth and adolescents, landless poor, marginal farmers, migrant workers, urban poor, and small entrepreneurs. We recognise the heterogeneity among the poor and carefully target and develop customised financial services that best meet their varying needs. Our microfinance members also have access to and benefit from our other development interventions.

Our services include micro-loans, small enterprise loans and savings. Microfinance clients use financial services for a range of reasons, funding various income-generating activities, investing in small assets, ensuring stable cash flows for consumption, building up resilience against financial shocks and simply saving for the future. BRAC is a leading provider of financial services for the poor, operating in seven countries including **Bangladesh, Pakistan, Tanzania, Uganda, Sierra Leone, Liberia, and Myanmar.**

### In the media

#### **Don't disrupt Bangladesh's digital finance success stories**

“BRAC is soon to digitise repayments of its microfinance loans and hundreds of large employers in the garment sector are working to digitise wage payments.”

*(Dhaka Tribune, Nov 2015)*

#### **Microfinance programmes: West Africa's next task force?**

“By providing much needed loans to small enterprise and microbusiness owners, microfinance programmes offer families and communities in the worst-hit places with an economic crutch to lean on”

*(Devex, Feb 2015)*



More than 70 per cent of Bangladesh lives in rural areas where access to formal financial services is limited. Remote families are in most need of financial services, either for receiving funds from loved ones in distant locations, or to access financial tools to improve their economic condition. Less than 15 per cent of Bangladeshis are connected to the formal banking system whereas over 68 per cent have mobile phones. In partnership with BRAC, bKash are harnessing widespread mobile phone coverage to extend financial services in a secure manner to the under-served remote population of Bangladesh.

Caption: Sahera Khatun Khansama sub-district in Dinajpur, Bangladesh

## Village organisations, the foundation of BRAC's microfinance

BRAC's core microfinance product is a group loan. The foundation of the group loan is the village organisation (VO) which comprise 20-40 members. VOs are set up to develop a well-disciplined group of the rural poor with an emphasis on women's participation in building capacity. Steps in the formation of a VO include:

- Survey: The first step in the VO formation is conducting a survey. Borrowers who qualify need to meet certain criteria (eg lived in the area a certain time, age 18-53, owns no or little land).
- Once the survey is completed, the credit officer visits each eligible individual. Individuals who still qualify and are interested then form small groups (about five group members) which are then organised into VOs.
- The management committee: A key part of the VO governance is the management committee, which includes a chairman, a secretary, a cashier and 5 or so small group leaders. The small groups are considered as functioning cells of a VO.
- Social awareness-building: At each VO meeting all members recite a list of rights and responsibilities that help to build an understanding of good financial behaviour, as well as their social rights and entitlements.

## Accessing finance after Ebola

BRAC has faced challenges in our international microfinance operations but none as dramatic as the Ebola outbreak in Sierra Leone and Liberia last year. As a result of the state of emergency and the inability to gather in groups, BRAC paused disbursements and collections for six months. All expat staff were repatriated to Bangladesh, leaving both countries' companies without senior management. The Ebola crisis landed just as BRAC microfinance was beginning to drive both countries towards sustainability after some difficult years.

Despite the challenges, BRAC was determined to resume operations. Given the Ebola-related economic impact and our pause in operations, we expected to write off most of the portfolio and face the grim possibility of nearly 100 per cent portfolio losses. However, upon resumption of operations we were pleasantly surprised when almost all borrowers repaid in Liberia and about 80 per cent in Sierra Leone.

The dramatic recovery is a testament to both borrowers' resilience and BRAC's brand. We also think this is because we continued operating other programmes during the Ebola outbreak and maintained contact with microfinance clients.

We chose to pay all staff during the pause in operations, which allowed us to maintain our employee loyalty and customer contact. The BRAC operating model and brand underwent our most challenging test to date and we passed with flying colours.



Caption: Maria Jafon, microfinance client selling shoes in Sierra Leone

## BRAC's microfinance partnerships

Country	Partner	Amount (USD)	Description
Sierra Leone	Bill and Melinda Gates Foundation	500,000	General Support Grant
Sierra Leone	Omidyar Network	2,039,000	Part grant for BRAC to purchase shares in local microfinance company and part equity partner
Sierra Leone	SEDF	2,039,000	Part grant for BRAC to purchase shares in local microfinance company and part equity partner
Sierra Leone	Whole Planet Foundation	500,000	Grant to support new loan disbursement after Ebola crisis
Sierra Leone	Rockefeller Foundation	500,000	Capacity building, resilience, product development
Sierra Leone	DFID	3,000,000	Grant to support subsidised loans and grants to petty traders
Liberia	Bill and Melinda Gates Foundation	250,000	General Support Grant
Liberia	Omidyar Network	2,039,000	Part grant for BRAC to purchase shares in local microfinance company and part equity partner
Liberia	SEDF	2,039,000	Part grant for BRAC to purchase shares in local microfinance company and part equity partner
Uganda	Whole Planet Foundation	1,500,000	Grant to support youth loan fund
Uganda	Mastercard Foundation	5,505,717	
Uganda	Bill and Melinda Gates	1,625,000	General Support Grant used to support a loan fund
Tanzania	Whole Planet Foundation	972,219	Grant to support youth loan fund and general onlending
Tanzania	Bill and Melinda Gates Foundation	1,625,000	General Support Grant used to support a loan fund
Pakistan	OSI	1,000,000	
Pakistan	Whole Planet Foundation	300,000	New loans to flood victims
Myanmar	Whole Planet Foundation	514,000	Support expansion to 120 branches

## At a glance

Country	Borrowers	Average loan size	Total outstanding portfolio (USD)
Bangladesh	4,900,000	N/A	1.4 billion
Uganda	181,000	\$ 279	31 million
Tanzania	133,000	\$ 275	24 million
Pakistan	53,000	\$ 345	12 million
Sierra Leone	22,000	\$ 166	3 million
Liberia	13,000	\$ 190	2 million
Myanmar	11,000	\$ 187	1 million

Although every effort has been made to verify the accuracy of this information, readers are urged to check independently on matters of specific interest and report any discrepancies to [info@bracuk.net](mailto:info@bracuk.net). This document was updated on the 30th November 2015 and will be revised annually.

## Key investors for BRAC Microfinance



## What's next?

We are scaling mobile money across microfinance operations. In Bangladesh, over 500 branch offices collect savings deposits and loan instalments from rural women and small entrepreneurs, via Bangladeshi mobile money operator, bKash. By 2016 we will take this to all 2,000 branches. In Tanzania our small enterprise programme (SEP) are using mobile money provider, M-PESA, to collect monthly instalments. We are piloting mobile money in Uganda and Pakistan and will be introducing it to our operations in Liberia and Sierra Leone.

By using mobile money clients can transfer money safely, and save costs associated with travelling into the branch office to make savings deposits. In Bangladesh, we have seen significant empowering effects of using bKash on women who, in learning how to use the technology have improved their numerical and digital literacy.



Caption: Community children now adopted hygienic practices in Kapasia, Bangladesh

Credit: BRAC

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