

Microfinance in Bangladesh:

General Background

- Population: 144.2 mn (2009)
- Main towns: Dhaka, Chittagong, Khulna, Sylhet, Rajshahi, Bogra
- Currency: Bangladesh Taka (Tk)
- Exchange rate: 1 USD = 69.06 (average for 2009-10)
- Fiscal Year: 1st July – 30th June
- **Development Indicators:**
 - Population below poverty line (National): 40.5% (2005)
 - GNI per capita (Atlas method, USD): 520 (2008)
 - Adult Literacy Rate: 53.5% (2007)
 - Mortality Rate (child<5 years): 257 per 1000 births (2008)
 - Life Expectancy at birth: 66.6 years (2007)
 - HDI: 0.543, 146 rank among 182 countries (2009)

Historical Evolution

Given its low developing status, economic and labour landscape which is concentrated in the informal economy, the country is a natural market for microfinance services and there is no wonder that microfinance originated in Bangladesh in the 1970s.

A BWTP research, conducted in 2009, identifies that the Bangladesh microfinance sector evolved through four distinctive stages. These are:

- › Action research phase in the 1970s
- › Microcredit development phase in the 1980s
- › Consolidation phase in the 1990s
- › Expansion phase from 2000 onwards

Indicator	2009-10
Nominal GDP (USD bn)	99.5
Real GDP Growth (%)	6.1
Consumer Price Inflation (avg, %)	6.78
Exchange rate (avg vs USD)	69.5
External Debt (year-end, USD bn)	22.2
External Debt (as a % of GDP)	22.3
FDI (USD mn)	636
FDI (as a % of GDP)	1.07

Post liberation, Bangladesh's development sector started implementing programmes broadly in the areas of health, education, agricultural diversification and development, relief and rehabilitation and small scale income generating activities to help the poor have alternative sources of income. With the huge success of Dr. Yunus's Jobra experiment, other NGOs started getting interested to offer microfinance services to their target clients. The government, through Bangladesh Bank and a few other ministries, also took up microfinance as a poverty alleviation tool.

A decade later, Non Government Organizations (NGOs) started developing new products, slightly deviating from the traditional Grameen approach of microfinance to meet the diverse financial needs of the clients. Slowly, with success and growing competition, for many NGOs microfinance became the most prominent program, fading out other social development programs.

During 1990s, with funds from the World Bank, the government established Palli Karma Shahayak Foundation (PKSF) as an apex funding agency for facilitating wholesale funds to the MFIs. PKSF started providing low interest refinancing along with technical supports to strengthen the systems and policies of the MFIs. PKSFs also focused on improving efficiency of the MFIs towards attaining self-sufficiency and to reduce dependence on donor funding. ASA achieved self-sufficiency in the late 1990s and started operating microfinance using its own funds, mobilized from retained earnings, client deposits and grants converted to equity. BRAC, Proshika, Grameen Bank along with ASA demonstrated that microfinance can be operated without dependence on donor fund and can be run in sustainable manner. These four organizations are commonly known as the 'big four' of Bangladesh microfinance industry.

In recent years, the sector is experimenting with product design and delivery mechanisms to reach untapped markets like urban markets, small business and enterprises and insurance and remittances products.

Types of MFIs

At present, the main direct providers are microfinance institutions (MFIs), which are basically non-governmental organizations (NGOs) labeled here as 'MFI-NGOs', Grameen Bank (GB), Palli Daridra Bimochon Foundation (PDBF), Rural Development Scheme (RDS) of Islami Bank Bangladesh Ltd (IBBL), among others.

PDBF is a transformed public sector MFI in Bangladesh. This is the only public sector MFI in Bangladesh. IBBL replicates Grameen model and directly implements RDS at the field level. The IBBL is the only commercial bank that implements group-based microfinance program directly.

According to Credit and Development Forum (CDF) unpublished Statistic Report for 2009, by end of Dec 2009, 744 NGO MFIs serve 72.44%% of members, while GB's share is 20.82%.

The NGO MFIs are mostly registered as NGOs; Societies; Not-for-profit Companies; Cooperative Societies; Trusts. They are supervised by NGO Affairs Bureau, Prime Minister's Officer (PMO); Ministry of Social Welfare; Ministry of Finance; Department of Cooperatives and Registrar of the Joint Stock Companies depending on their registration type. GB is an exception case who is registered as a Specialized Bank. However, with the passage of Microfinance Regulatory Bill, the Microfinance Regulatory Authority (MRA) now has the supervision and regulatory power and all NGO MFIs are required to be registered with MRA to provide microfinance services. As of now over 500 MFIs are registered with MRA.

Major highlights of the sector

Outreach

According to Microfinance Information Exchange (MIX) Market data for 2007, Bangladesh has 274 MFIs, with 24.8 mn borrowers. The total population count was 142 mn, 50% (71 mn) of whom were poor. The MFIs penetration of borrowers reported in the Benchmarking Report was 17% of the total population and 35% of the poor population.

Outreach of Microfinance Sector as on Dec 2009						
	Branches	Cumulative Members (mn)	Cumulative Borrowers (mn)	Net Savings (USD mn)	OLB (USD mn)	
NGO MFIs* (N=744)	14,845	27.73	58.91	696	2058	
Grameen Bank	2,562	7.97	7.97	645	787	
PDBF	226	1.39	1.22	20	51	
RDS (IBBL)	144	1.19	1.19	23	54	
Total	17,777	38.29	69.29	1,384	2,950	

As per latest data available with CDF for Dec 2009, the microfinance sector has over 38 mn clients served through 17,777 branches and a staff of 361,764. However, it is difficult to estimate the unique number of microfinance borrowers as there is no detail data to know the extent of multiple borrowings among clients.

A striking 90% of MFIs clients are women and 89% rural. The average size of loan outstanding per borrower was Tk 6,521 (USD 94). In 2008, of the total portfolio, ASA (22.50%), BRAC (28.81%) and GB (27.96%) account for about 79.26%. The remaining 20.74% is under about 700 smaller MFIs. The NGO-MFIs as a whole (including ASA and BRAC) occupied 72.44% of the sector's total members in 2009 and Grameen Bank's share as a single agency was at 20.82% in 2009. According to CDF, 126 MFI NGOs out of 744 that reported for latest CDF survey account for 85% of the members.

Geographically underserved groups are scattered throughout the country, the majority of the poorest of the poor live in northern Bangladesh, in particular near the Jamuna river basin and in rural or urban slums.

Growth

The aggregate time series data between 2003 and 2009 shows that the sector has hugely expanded as reflected by memberships, borrowers and portfolio: membership has increased by 186%, borrowers by 199% and portfolio by 302.4%. The savings balance has also proportionately increased by 362%. A further insight about the growth pattern shows that growth has actually come from the three very large organizations. Grameen has expanded 2.45 times in membership, 2.46 times in borrowers and 2.77 times in portfolio size.

Annual Growth Rate of Key Microfinance Indicators*			
	2009	2008	2007
Net Savings	17.83	22.87	22.81
Cumulative Borrowers	11.83	13.98	19.64
Current Borrowers	-8.51	18.18	
Cumulative Loan disbursement	28.82	22.22	28.31
Loan Outstanding	2.65	24.36	28.4

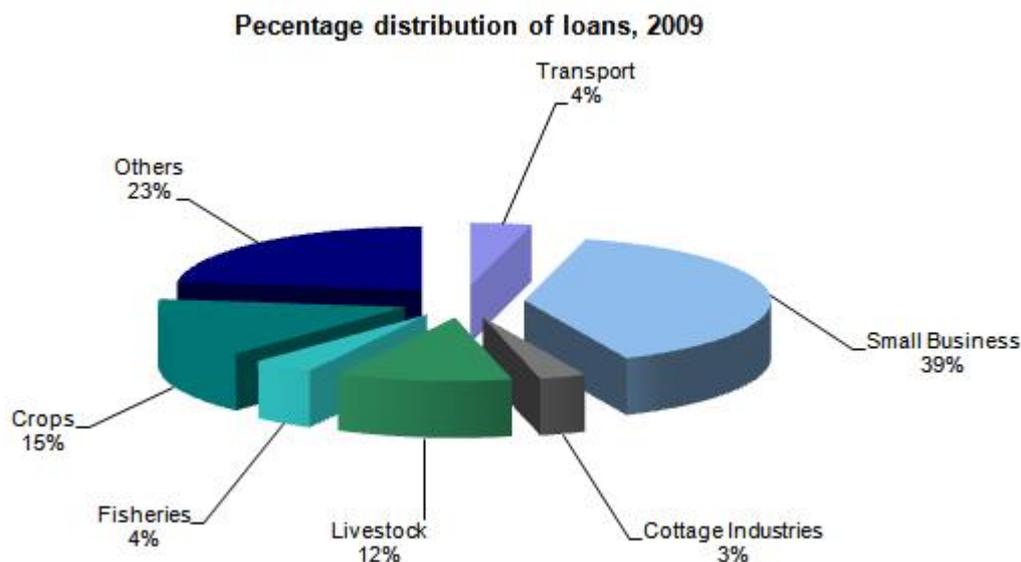
Revolving Loan Fund	10.54	46.49	36.83
* for 137 NGO MFIs based on CDF Survey 2009 (unpublished)			

ASA has expanded 3.1 times in membership, 2.75 times in borrowers and 3.09 times in portfolio size. Similarly, BRAC has expanded more 2 times in membership, 1.82 times in borrowers and 2.77 times in portfolio size. The rest of the sector could only manage to grow by 1.2 times in membership, 1.52 times in borrowers and 2.44 times in portfolio.

The table here shows growth indicators for 137 NGO MFIs for the last three years. The microfinance sector is expected to grow 25% annually over the next three years (2009-2012) as a result of growing demand for larger loan size.

Products

The products that are currently offered by the sector are mainly loan and savings products.



The average size of loan outstanding per borrower was Tk. 6,521 (USD 93) in 2009 for 126 NGO MFIs. Loans are repayable over an agreed timeframe, generally over 45 equal weekly installments. The loan size depends on the MFIs product design and savings deposited by clients. In many MFIs in Bangladesh, loan size is determined as a multiple of savings. Neither PKSF nor MRA restricts the amount of a first time loan to be given to any client. However, PKSF puts an interest cap of 12.5% (calculated on a flat basis) for all MFIs that borrow from PKSF. The Bangladesh Microfinance Statistics 2009 (un-published) shows that approximately 37.50% MFIs charge 12.5% interest per annum with another 57.76% MFIs charging 15% interest per annum. Also an overwhelming 97% of MFIs charge flat interest rate.

Group-based lending methodology is the main system of delivery of microfinance services, although commercial banks and a number of MFIs offer loans to individual clients. As shown in chart here, small business, crop production and livestock account for majority of loans

The Bangladesh Microfinance Statistics observed that typical savings products are compulsory savings, voluntary savings, deposit pension schemes, time deposits and fixed deposits with monthly income. More

than 81% of the reporting MFIs paid interest on savings in the range of 5% to 8% in 2009. The deposit mechanism in most cases is through group meetings with the frequency depending on the type of savings a client is accessing. MRA has stopped collection of time deposit, that is, deposit of small savings per week to receive a lump sum at the end of 3 to 5 years. MRA requires that MFIs have a minimum equity of USD 7 mn in order to offer certain saving products such as contractual or long term savings and deposit pension schemes, therefore these products are offered only by large MFIs and GB given its exceptional status. MFIs can collect savings only from group members. Only Grameen Bank in Bangladesh can mobilize savings from non-members and about 23% of Grameen Bank's net savings come from non-members. The amount of net savings per member in 2009 was Tk. 1,744 (USD 25) for 126 NGO-MFIs as per CDF Statistics 2009.

Micro-insurance and remittance services are recent offerings in the microfinance product portfolio and the sector is consistently increasing outreach through micro-insurance and remittance services. MFIs introduced micro insurance products basically to reduce risks related to delinquency and non-performing loans in case of clients death. Most of the NGOs/MFIs collect premium during loan disbursement and offer insurance policy for the loan period only or for a year. Proshika has the most diverse range of insurance products, offering clients insurance facility for life, property, housing, education, health and livestock. International Network of Alternative Financial Institutions (INAFI), Bangladesh's study on Micro insurance in Bangladesh, conducted in 2007, reported that a total of 20.69 mn clients are covered by micro insurance services provided by the NGO-MFIs. The total client coverage is reported to be female dominant, with 85% of the total clients being female. Average premium charged by the NGO-MFIs for micro insurance products is Tk 8 per thousand Tk loan. The study mentions that the reported 61 MFIs/NGOs are offering total 81 insurance schemes of different products i.e. loan (71%), life (16%), health (6%), livestock (5%) and property insurance (2%).

NGO MFIs are prohibited from engaging in transfer services. Among MFIs only BRAC through its sister BRAC Bank provides remittance transfer through an agreement with Western Union. Apart from this, there are lots of other MFIs working in collaboration with commercial banks and money transfer agencies. UDDIPAN has signed a contract with Al-Arafah Islami Bank Ltd., Shakti with Trust Bank Ltd., Padakhep with Dhaka Bank Ltd., Thengamara Mohila Sabuj Sangha (TMSS) with National Credit and Commerce Bank Ltd. and ASA with National Bank Ltd.

Sustainability

During the 2003 to 2007 period that the overall operating efficiency of the sector as a whole declined (members per credit officer have declined from 320 to 221), borrowers per credit officer have declined from 233 to 180 and portfolio per credit officer has remained almost the same in nominal terms, increased slightly from Tk 798,510 to Tk 889,772. This has been mainly due to rapid horizontal expansion, that is, enrollment of 'new' members/clients in new geographical areas.

The recovery rate of loans has remained high, with more than 99% recovery since 2005. Similarly, overdue loans have declined as a percentage of outstanding loan since 2004. However, the decline could be because of a sharp rise in portfolio size between 2004 and 2007. The portfolio quality in more recent times has actually declined. Based on InM Study in 2009, major MFIs (ASA, BRAC, Grameen and a few other large MFIs) shows that the portfolio quality has remained good except in Sidr and severely poverty stricken districts. From 2005 onwards recovery has remained above 99% and the overdue as percentage of outstanding loan was 1.52% in 2007.

The very large and large MFIs have been historically very profitable but recent signs are cause for concern. In all three case (ASA, BRAC and BURO) the profitability has dramatically reduced, which can be linked with massive expansion financed by high cost loans (BRAC and BURO) and increase in management cost (all three cases). Portfolio quality also seems to be in decline as reported by ASA, BURO and other sources (Bangladesh Bank 2008). With the passage of time smaller MFIs have expanded their operations and reached financial viability. The factors that made most contributions are economies of scale (expanding portfolio), staff efficiency (management cost control) and reasonable cost of capital, especially subsidized funds from PKSF and low cost savings.

Meso level infrastructure

The meso level infrastructure of the Bangladesh microfinance sector is not very strong. Though there are a number of national and international level TA providers, the sector is yet to have a strong information flow and credit bureau. There are a few MFI networks, of which Credit and Development Forum (CDF) is by far the only vibrant one.

Palli Karma Shahayak Foundation (PKSF), Institute of Microfinance (InM), CDF, INAFI, Anukul Foundation and Stromme Foundation are among the major TA providers in Bangladesh. Among other meso level players, there are training institutions, rating agencies (Credit Rating Information & Services Limited (CRISL) & Credit Rating Agency of Bangladesh (CRAB)), 97 PKSF listed audit firms, consulting firms and several nationally and internationally reputed individual consultants.

There are a number of commercial banks, who are becoming increasingly interested in financing the MFIs. These commercial banks form a strong portion of the existing meso level infrastructure as they are key borrowing source for MFIs. There is no credit bureau in a context where client overlap is estimated at 40%.

Competition

The microfinance industry in Bangladesh reached its maturity in the late 1990s. It was observed that in the case of more accessible and populated areas of Bangladesh, considerable double counting of membership (of the poor) in multiple organizations existed. It is common in Bangladesh that one client borrows from more than one creditor at the same time. The fierce competition among the MFIs resulted in such overlapping. The general consensus from a March 2002 gathering of microfinance industry leaders in Dhaka sponsored by Women's World Banking was that the national average for overlapping was about 15%, with much higher overlap in some rural areas (such as Tangail), ranging from 25% to 40%.

The level of saturation is high in case of Bangladesh microfinance industry. Saturation of the microcredit market resulted in a high number of over-indebtedness and clients tend to borrow from one MFI to repay loans of another. Given that in a densely populated area, there are on an average 7-10 MFIs operating, including the big MFIs, clients have a good number of alternative sources to access loans from. Absence of a credit bureau contributes to non-tracking of default borrowers among the MFIs working in the same locality.

Switching costs incurred by clients when changing providers appear set to decline as competition increases and MFIs vie for clients by reducing the transaction costs of participation. While it is impossible to know how accurate the estimates of double counting and overlapping are, it is clear that these two factors are causing overstatement of total microcredit outreach figures.

Competition in terms of product diversification i.e. leasing, savings, insurance, money transfer and delivery mechanism, open savings, individual lending, targeting male clients, loan not tagged with savings, etc. is not very prominent

Risks

High inflation, natural disaster and increasing cross-indebtedness are some of the major risks to the sector. For example after recent cyclones (Sidr and Aila) the bigger MFI's balance sheets noted an increase in bad loans.

Although no systematic study is available, practitioners in the sector report that loan recovery in the 2008-09 period is in decline and portfolio quality is under stress due to economic slowdown, reduced employment opportunities in rural areas, price hikes of 2008 and probably institutional weakness created due to over-expansion. Overdue loans as a percentage of loans outstanding has increased for ASA, BRAC and Grameen between 2006 and 2008.

A large number of MFIs remains unregulated though The Microfinance Regulatory Act has been approved by the Parliament in 2006, and MFIs are regulated and supervised by the Microfinance Regulatory Authority (MRA). The rules required to enforce the Act is still being drafted and the supervision function of MRA have not yet started.

Regulations

The government, with the close cooperation of the Bangladesh Bank, undertook efforts to establish a regulatory framework which culminated in the enactment of the Microcredit Regulatory Authority Act, 2006 with a view to ensuring transparency and accountability of microcredit activities of the MFIs in the country. The Microcredit Regulatory Authority (MRA) has been established under the act, which is now empowered and responsible to implement the said act and to bring the microcredit sector of the country under a full-fledged regulatory framework. The main responsibilities of the authority include issuance and cancellation of the license for microcredit, overseeing, supervising and facilitating the entire activities of MFIs.

According to the Act, no MFI can carry out microcredit activities without obtaining a licence from MRA. Accordingly 4,236 NGO-MFIs have applied to MRA for license as of 26 February 2007. It was decided by the Authority that among these organizations, only those organizations who can fulfill minimum criteria (have equal to or more than 1,000 borrowers or equal to or more than Tk 400 mn loan outstanding) will be considered for a license. The remaining organizations will be allowed time until June 2009 to reach the above mentioned minimum criteria. If they are unable to meet those criteria within the specified time they will have to close their microcredit operation after that date. Up to 31 December 2009, the Authority has issued around 500 licenses to different NGO-MFIs and the licensing procedure for other NGO-MFIs is under process.

Under the Act, MFIs are allowed to provide loans, accept deposits from members, provide insurance services and other social development oriented services and receive financing. MRA is also working to prepare detailed rules and policies to monitor and supervise licensed NGO MFIs that will cover governance issues, financial transparency, mode of operations and other related issues to ensure transparency and accountability in operation.

The Act, however, limits two potential sources of MFI funding which are equity and deposits. Equity investments in MFIs are directly prohibited as is dividend distribution. Further, it specifically prohibits MFIs from accepting deposits other than from a member of the MFI. MFIs are prohibited to transform into banks

or NBFIs. They may however establish sister banks. BRAC Bank, though being a separate entity, largely focuses on SME lending. The SME clients of BRAC Bank are mostly graduated members from BRAC MFI. Almost all branch offices of BRAC around the country have a SME service center of BRAC Bank. Through BRAC Bank, BRAC had been successful in retaining significant amount of its graduate clients, who otherwise would not have been served either by MFIs or by formal financial institutes.

Financing

Microfinance in Bangladesh has started with funding from the donor agencies in the form of grants. Gradually, with the growth of the sector, the funding sources also experienced diversification. The primary sources of refinancing for MFIs are equity, deposits and PKSF funding. Other funding sources include loans from local NGOs or international organization such as Anukul, Stromme, Plan etc. International financial institutions currently represent only a small source of funding for MFIs. The sector has successfully reduced its dependence on donor funding and is steadily accessing commercial fund sources.

Financing Sources for NGO MFIs*				
Sources	2009		2006	
	USD mn	% share	USD mn	% share
External Sources	129	11	74	11
Members Savings	510	44	250	54
Own Fund	42	4	42	7
Borrowing	468	41	180	28
Total	1,148	100	647	100
* Based on 137 NGO-MFIs smaller NGO excluding big 4 MFIs				

Bangladeshi MFIs mobilize a significant amount of compulsory member savings, however, the debt financing in Bangladesh's microfinance industry is constantly growing.

PKSF had played a key role in facilitating low-cost funds to the MFIs for the last 15 years. It now lends to almost all prominent MFIs in the country through its two lending windows: Bipool (window for large MFIs) and Pushpo & Usha (window for medium & small MFIs).

Partnership category	No. of POs	Interest charged	Loan term
Usha & Pushpo (small and mid-level MFIs)	233	4.5%	3 years with 6 months grace period. Payable over 10 equal quarterly instalments
Bipul (large MFIs)	10	7%	4 years with 1 year grace period. Payable over 12 equal quarterly instalments

At the end of 2008, PKSF has 197 active partner MFIs which have mobilized 11.35 mn (PKSF-funded part) members, that is, about one third of the whole sector. Loans outstanding from its partner MFIs is Tk 44,231 mn. PKSF puts an interest cap of 12.5% flat per annum on all loans the partner MFIs may charge from the end-users.

"The commercial banks came up vibrantly as an alternative financing source, reducing the monopoly of PKSF as the only wholesale funding agency. A recent deal signed by BURO Bangladesh with Citibank N. A. can be sought as an example. Under this deal, BURO mobilized BDT 1,500 mn through a syndicated loan. A total of 13 commercial banks formed the syndicate, with Citibank N. A. as the arranger, agent bank, security bank and account bank. This is the country's first ever syndicated agricultural term financing, to be used by BURO for agricultural lending to its clients. The loan term is for 5 years, with the first year as a grace period. The launching interest rate was 13% with floor rate at 12.5%. The repayment would be done through quarterly installments through a mechanism known by the bankers as 'quarterly rest'. The portfolio generated by using this fund would work as collateral against the loan."

Funding source	Maturity Period	Interest Rate
PKSF	For Large MFIs: 4 year with 1 year grace period For small-medium MFIs (3 years with a 6 month grace period)	For large MFIs: 7% per annum For Small and Medium MFIs: 1 - 4.5 % per annum
Banks and NBFIs	1 -3 years	10% - 14 % per year
INGOs and others	1-3 years	0 % - 10% per year

Among the locally available sources of funding, besides PKSF, the commercial banks are significantly gaining their market share by down-scaling interest rates and bringing in flexibility in the terms and conditions. As many as 15 commercial banks are currently providing funds directly to roughly 100 MFIs. Currently more than 20 commercial banks are involved in financing microcredit operations. Commercial banks have been providing loans to MFIs in mainly three different modes:

- individual bank develops its own policies and programs and lends to individual MFIs
- syndicated loan where a number of commercial banks band together led by one bank to finance microcredit operations in one MFI
- securitization

All three modes have been applied in Bangladesh market. The total amount of investment approximately is Tk 25 bn (USD 360 mn) The typical terms and conditions include no collateral. MFIs are required to submit corporate guarantee, sign promissory notes, guarantee forms and get clearance from the Credit Information Bureau (CIB) of the Central Bank. In some isolated cases, however, MFIs are required to give collateral.

Wholesale lending to microfinance under linkage program, Dec 2009			
	Loan Disbursement (USD mn)	Outstanding (USD mn)	Number of NGOs Financed

PKSF	1,119.45	402.41	257
Stately-owned Commercial Banks (SCBs)	160.69	66.52	116
Privately-owned Commercial & Overseas Banks (PCOBs)	288.30	117.13	40
Specialized Banks (SPs)	43.92	23.46	82
Total	1,612.35	609.53	238

Tier II MFIs

Currently, there are more than 1,500 MFIs operating in Bangladesh at different level and scale. Of these, only a few are large level MFIs. The big names include Grameen Bank, ASA, BRAC and Proshika, commonly known as the 'Big Four'.

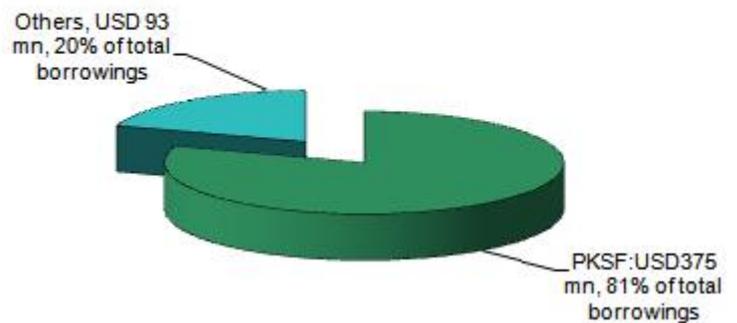
PKSF classification of MFIs into five categories based on their borrowers provides a good indicator of number of Tier II MFIs.

Category	Number of borrowers	Number of MFIs on basis of borrowers	% of MFIs on basis of members
very large	> 1000,000	3	0.46
large	100,000 - 1,000,000	10	1.56
medium	50,000 - 100,000	20	2.34
small	10,000 - 50,000	92	14.35
very small	< 10,000	521	81.28

The market is concentrated with the top 20 MFIs accounting for over 80% loan portfolio. 33 MFIs are classified as very large, large and medium and are the primary MFI players in Bangladesh. It is estimated that these 33 players account for 80% of savings. Three very large organizations: ASA, BRAC and Grameen Bank, dominate the microfinance sector, each having more than 7 mn members/clients in 2008 (ASA 7.28 mn, BRAC 8.15 in March 2009 and Grameen Bank 7.67 mn).

The large portion of the total microfinance sector consists of medium and small scale MFIs, who are considered as Tier II and Tier III MFIs. The Tier II MFIs are those with relatively limited level of penetration in terms of geographic outreach, client coverage, product diversity, portfolio outreach and financial strength. The Tier II MFIs are also exposed to relative higher risk in terms of competition and human resources and are also not financially strong enough to attract commercial sources of funding.

Borrowing Sources (2009 for 137 NGO-MFIs)



Market Gaps and Challenges

According to IFC Report in 2009, based on calculations for poor and ultra poor and factoring for need at 10%, credit worthy poor clients are estimated 20.9 mn or 37% of the population of the country. Industry data points to a generally well-served retail microfinance market. This does not however, preclude the existence of specific gaps within the market. The present coverage of MFIs, about 70% of poor households, suggests little room for further growth in market depth through Grameen-style microcredit. However, there is potential to fuel further expansion of the microfinance industry by increasing the breadth of outreach, and by expanding areas of service and types of products and services offered. These approaches may be especially important for MFIs trying to make their operations commercially viable by exploring profitable market niches.

Despite good supply, the poorest of poor and graduating microfinance clients remain under-served. Under regulatory constraints, there is a lack of appropriate savings, insurance and remittances products. The second round of Impact Assessment Study of BRAC's Rural Development Programme (RDP) carried out by BRAC's Research and Evaluation Division (RED) revealed that 41% of the eligible poor did not participate in any NGO (microfinance and other activities) activities, which alarmingly testifies that in Bangladesh extreme poor are left out of traditional microfinance activities.

MFIs even now are concentrating on horizontal expansion. Considerable scope remains on vertical expansion in areas of sophisticated product services, financing strategy, technologies, reporting and transparency, among other.

As of now, the sources of refinancing are overwhelmingly domestic and exclusively in local currency. This might constrain the future growth of the sector.

Key Contacts

- **Bangladesh Bank**
www.bangladesh-bank.org
- **Board of Investment**
www.boi.gov.bd

- **Credit and Development Forum (CDF)**
www.cdfbd.org
- **Institute of Microfinance (InM)**
www.inm.org.bd
- **Microcredit Regulatory Authority (MRA)**
www.mra.gov.bd
- **Ministry of Finance**
www.mof.gov.bd
- **NGO Affairs Bureau**
www.ngoab.gov.bd
- **Palli Karma Shahayak Foundation (PKSF)**
www.pksf-bd.org