

FOCUS

Rural Employment

Some Imperatives for the MFIs

by Md Shaikhul Islam

It has been perceived by the PKSF that the MFIs do not only require funds sustaining. Rather the MFIs need a comprehensive package of institutional development (ID) components.

INSPIRED by the breakthrough in microcredit and its integral part micro savings programme, the NGOs of Bangladesh have been, in general, successfully operating it with a view to alleviating poverty by creating employment generation opportunities. These NGOs have been drawing special attention to the development practitioners as well as the policy makers and interest groups at home and abroad, and eventually they are being treated as micro finance institutions (MFIs). There is a definitional contrast between an NGO and an MFI.

The term 'MFI' was not that much familiar few years back. The evolution and growth of MFIs are deeply related with that of the NGOs. Efforts made by different NGOs in operating different donors-driven programmes and projects since after the independence of Bangladesh, the individual programme-based approaches of the NGOs have given a scenario of a remarkable transition in programme objectives that the NGOs already had experienced during the period. A comparison can be made from relief and rehabilitation approach to the present sustainable poverty alleviation approach. Moreover, NGOs with their different development and poverty alleviation programmes and projects have been cautious and continuously striving to sustain due to the beckoning of the donors' dwindling aid policy. Until now, it is quite evident that no other development programmes can run viably by borrowing money as funds. Now the NGOs are busy focusing on sustainability. Any other programmes in this regard perhaps not found suitable to solve the NGOs' own fund constraints except micro financing.

As a result, some not-for-profit organisations, MFIs, as their names imply, basically are involved with financial activities. They provide different financial services to their clients, the targeted landless and assetless people. The financial products generally are in the forms of micro loans and savings. There are some MFIs who are operating micro insurance programme, but it is helpful for the MFIs to reach the ob-

jectives.

Strategic planning is the plinth of an MFI. An MFI is to be set up for providing financial services to its clients. MFIs are in need to have strategic planning generally within the range of three to five years for their future directions, courses of actions, growth and sustainability.

The existing conditions of the MFIs are not unique. It varies in terms of shape, size, location, culture, management and managerial style, ownership pattern etc. So, no unique system can be fit in here. Following are the main objectives that they are still not well aware about the philosophy and objectives of micro financing programme.

MFIs, by earning sufficient revenues after meeting up the operating expenses have been making surplus and reserve funds to be of financially viable for their future sustainability. Moreover, MFIs are contributing to create employment opportunities for the educated young people. But it is quite evident from the absence of some over-riding issues and indicators of the MFIs that they are still not well aware about the philosophy and objectives of micro financing programme.

MFIs need to appraise the staff performance on a regular basis and will have to maintain incentive-based rewarding system for the deserving staff. To accomplish the responsibilities of such an important area properly, it would be prudent to establish a human resource department.

Budgetary practice is essential for the MFIs. The MFIs can prepare a budget, which can have two main heads. One is the programmatic and the other is the expenditure. In the beginning of the financial year, programmatic and expenditure budget should be completed.

Major heads of programmatic budget are the expected availability of funds, expected loans disbursements, loan recovery, savings mobilisation, savings refund, service charge earnings and expenditures etc. Expenditure budget comprises expected monthly expenditures in accordance with the expected service charge earnings.

By the end of a financial year, the MFIs need to calculate budget variance in comparison with the actual one. The thumb rule in this regard is that the MFIs have to be careful in budget variance relating to expenditures.

Financial management is very important. The efficiency with which an MFI manages its capital, liabilities and assets determine overall financial performance of that MFI. In this regard, the MFIs can use different financial ratios for taking appropriate decisions.

A sound, transparent and standard accounting information system (AIS) has two-fold implications. Primarily, financial transactions must be

conducted, registered and submitted through a chain of systems that will ensure a reasonable degree of control; and secondly, financial statements should be presented in such a way to the management so that it can take necessary steps for operational purposes.

Existence of an efficient management information system (MIS) is imperative for the MFIs. They must be able to manage information without any distortion. Distorted and inefficient use of information is responsible for management problems for the improvements of financial and operational efficiency.

Monitoring and evaluation of micro-financing programme is another area where the MFIs would have to give priority.

Monitoring system of an MFI should consist of monitoring of group activities, financial transactions, staff activities, income and cost-effectiveness, utilisation of funds, institutional goals and strategic objectives etc. In this regard the MFIs can create a monitoring map to indicate who is responsible for specific outputs. On the other hand for evaluation, an MFI can study the impact of its programme on beneficiaries. It can also evaluate the operational efficiency of the organisation to run the programme smoothly.

Internal audit is important. It is the responsibility of the internal auditor to find out further loopholes if there is any. It is simply a check and balance

system. It would be wise for the MFIs to create an internal audit cell that will be directly reportable to the Chief Executive Officer (CEO).

Importance of other factors like social acceptance etc., is also important. An MFI would not be institutionally sustainable unless it is not accepted socially. Therefore, the MFIs should make their objectives and services familiar with different walks of societies. It includes civil societies, public representatives, different government agencies, local administrations, other MFIs, donors and other stakeholders. An accountable, transparent and easily accessible MFI would be more socially acceptable than that of the MFI who do not really maintain these qualities.

The issues, mentioned above are, to some extent, interrelated. Strategic planning of an MFI can give a clear-cut long term structured policy and operational guidelines in order to achieve institutional sustainability. Again institutional sustainability of an MFI depends on the financial, programmatic and economic viability, strategic human resource management policy and its social acceptability of the MFIs that would have to be monitored, supervised and evaluated time to time. But all these organisational ramifications would be workable when the MFI can ensure good governance; otherwise all efforts would be in vain.

There is a bridge of partnership between the PKSF (Palli

Karma-Sahayak Foundation) and the MFIs which are the partner organisations (POs) of it. All MFIs in Bangladesh are not the POs of PKSF. Rather MFIs, which are deemed, fits in the context of strictly maintained selection criteria, are to be enlisted as the POs of PKSF.

PKSF, an apex development financing institution (DFI), has been set up by the government in 1990 as a 'not-for-profit' organisation. The overall objective of PKSF is to alleviate poverty. To reach its objectives, it has taken up, strategically, to operate microcredit programme or in more advance micro-financing among its targeted rural poor.

The modus operandi of PKSF is exceptional. It does not implement microcredit programme directly at the field level. Rather it gets the programme implemented by its POs which are basically MFIs.

PKSF provides fund to its POs as loan for capital formation and implementation of microcredit programme.

Subsequently, after getting fund from PKSF, the POs disburse the money to their clients — the target people. It is important to mention here that, in this two-way delivery system, the recipients of both sides do not need to provide any collateral to its creditor. However, the purpose of such type of financing is not only to operate microcredit programme, rather PKSF encourages its POs to follow and adopt the best delivery system and other support services in order to serve the rural poor efficiently.

In order to maintain the total quality of micro-financing programme, PKSF assesses the needs of its POs in all respects, and it has been perceived by the PKSF that the MFIs do not only requires funds sustaining. Rather the MFIs need a com-

prehensive package of institutional development (ID) components both in software and hardware forms to enhance their capacity building processes for their future sustainability. In this regard, PKSF has been continuously providing technical assistance to its POs in formulating their strategic planning, short-term plans, action plans, MIS and AIS.

Moreover, as a part of human resource development programme, PKSF also imparts training for the different level of staff of its POs. It also provides computers to its POs in the form of interest-free loans and necessary software supports for the computerisation of micro finance programme with a view to developing them institutionally.

Apart from providing technical assistance to the POs, PKSF also monitors and supervises its POs on a regular basis to find out whether they are on the right track or not. In this context, PKSF supervises, monitors and evaluates the checklist indicators of micro finance programme and gives necessary feedbacks and suggestions to its POs for their ultimate betterment. Moreover, PKSF also gives emphasis on the good governance of its POs.

However, in order to keep one's position and performance at optimum level in such a highly competitive free economic environment, the context 'survival of the fittest' has emerged as a dominating factor.

If the MFIs want to remain sustained in this situation, there is no single alternative for them but to increase the performance as well as the acceptability both to their stakeholders and partners, otherwise it would be difficult for the MFIs to be sustainable in the real sense.

The writer is Manager (Operations) of the PKSF

Garfield ®



by Jim Davis



Strategic human resource management is an another area

IAN FLEMING'S

James Bond



Newsmen urged to present true history of War of Liberation

Water Resources Minister Abdur Razzaq has urged the journalists to depict the true history of the country's Liberation War side by side presenting objective news, reports UNB.

He was inaugurating a conference of Bangladesh Sangbadik Sangstha at Ramna Batom in the city yesterday. Convener of the organisation M Mostafa Ali presided.

Razzaq said the constructive opinions of the journalists could help resolve various problems faced by the nation.

He recalled the important role played by the journalists during the democratic movements against autocratic rulers.



The OEHD School International arranged a painting competition titled 'Victory Day on Child's Eyes' on December 23 at 3.00 pm on the school campus. The competition was inaugurated by the famous cartoon artist Shisir Bhattacharya, while renowned painter Goutam Chakrabarty distributed prizes and certificates among the participants as a judge.

JS body on youth ministry meet held

The Parliamentary Standing Committee on the Ministry of Youths and Sports held its first meeting at the Sangsab Bhaban yesterday with its Chairman Joynal Abedin Hazari in the chair, reports BSS.

At the outset of the meeting, Youth and Sports Secretary presented a report on the ministry.

The meeting reviewed the overall activities of the ministry and progress of implementation of different development projects.

The meeting put emphasis on taking steps for self-employment of unemployed youths by providing them with proper training.

The discussion in the meeting included subjects like development of sports in the country.

Former MP Montu dead

CHITTAGONG, Dec 28: Former member of parliament Shahnewaj Chowdhury Montu died at his residence here in the early morning today. He was 39, reports BSS.

Late Chowdhury, who was elected from Patti in 1991 with BNP ticket, was suffering from blood cancer, family sources said.

His first *namaj-e-janaza* was held after Asr prayers at the city's Parade Ground and second one at his village home in Kulain.

Late Shahnewaj Chowdhury was buried at the family graveyard.

His *qulkuwani* will be held after Asr prayers on Tuesday at his residence in Chittagong city.

The Home Minister hoped that the newly-recruited BDR personnel would work hard to accomplish their targets.

He said members of the BDR had earned laurels during the great war of independence in 1971. He paid his tributes to the memories of Bir Shrestha Lance Naik Shaid Munshi Abdur Rouf and Bir Shrestha Lance Naik Shaid Nur Mohammad Sheikh.

Rafiq said the BDR men also devoted themselves to protect the country's frontiers and to check smuggling across it.

They played important role side by side the army and the police during the natural calamities and national emergencies, he added.

Earlier, the minister inspected the parade and took salute. He distributed prizes among the best recruits. Mohammad Shamim Reza was adjudged as the best recruit.

Director General of BDR Major General Mohammad Azizur Rahman, Commandant of RTCS Colonel Mohammad Motaher Hossain and other high officials were present on the occasion.

The third death anniversary of Maimuddin Chowdhury, former Chief Reporter of The Daily Lal Sabuj, will be held in the city tomorrow, reports BSS.

On the occasion, a *milad mahfil* will be held at his Ganderia residence.

All friends and relatives have been requested to attend the *milad*.

The deceased left behind his wife, two sons and four daughters.

He will be buried today at Banani Cemetery after *namaj-e-janaza* to be held at Banani Jame Masjid after Zohr prayers, sources added.

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