

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.

rather sporadic in nature. The approach and *modus operandi* that the MFIs follow is merely informal indeed. It is not similar with conventional financing systems. MFIs don't require any collateral for lending.

Micro finance programme has two-fold effects. On the one hand, the targeted poor have been getting fund for income generating activities (IGAs) and first generation micro enterprise development activities and eventually they are trying to come up in position of being self-employed and on the other, the implementing organisations, 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. Following are the main issues where the MFIs really need to look into seriously:

Good governance, strategic planning, unplanned expansion of micro finance programme, financial and economic viability, strategic human resource management, budgetary practice, financial management, accounting information system (AIS), management information system (MIS), monitoring and evaluation, internal audit, social acceptance and institutional sustainability.

Good governance is an area where the MFIs should give more attention. The highest level of authority in an MFI is its General Body. The next level is the executive committee, which is basically responsible for policy direction. The membership composition of both general and executive committee in terms of wisdom, enlightenment, commitment and integrity is extremely important for the goodwill, sustenance and growth of the MFIs. Visionary direction from the committee members would also be 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 to formulate a strategic planning:

a) To clarify the visions, missions, objectives, strategies and action plans throughout the organisation so that the staff know clearly the direction in which to operate.

b) To plan for long term sustainability and growth.

c) To analyse strengths, weaknesses, opportunities and threat factors.

d) To find out early warning system — appropriate proactive strategies to encounter the risks and face challenges.

e) To improve problem solving skills.

f) To mobilise resources etc.

Financial and economic viability is very important for the MFIs for their future sustainability and growth. Financial viability is achievable if the MFIs can meet up their operational expenditure from their earnings. Moreover, if sufficient surplus can be created even after necessary inflationary adjustments, without eroding capital, and if high opportunity costs of the programme are seen, then it could be said that the MFIs could be economically viable. Therefore, the MFIs need to calculate all these costs.

Strategic human resource management is another area

where the MFIs should give emphasis on. They should formulate an appropriate human resource development policy in this regard. They should recruit dynamic and sincere field workers, accountants, mid and top level managers. Moreover, the 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 supervised 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 micro-credit 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 micro-credit 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 require funds sustaining. Rather the MFIs need a comprehensive 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.

Apartment 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

Jessore Diary

by Morshed Ali Khan, back from Benapole and Jessore

Highway Robbers: The Night coaches to Jessore and Khulna come to a halt at Dhulundi rail gate under Rajbari thana within fifteen kilometers of Daulatdia ferry ghat. A small roadside tea-stall serves its customers under the faint light of a kerosene lamp.

A police officer and two armed constables, in winter clothes stand on the road as one by one all the buses queue up on the highway.

"We have to escort these buses upto Magura," says the police officer, "there have been several cases of bus robberies on this route in the recent past."

The robbers board the buses from Dhaka and then force the driver stop at a convenient place somewhere on this 60-kilometre stretch and make away with the booties.

Within fifteen minutes a blue police van with red emergency light on top arrives from the opposite side and places itself in front of the convoy. The buses rev their engines and off they go.

But fear still remains with the driver of the bus. "I have been robbed several times within the last few months. Now the robbers are active from Magura to Khajura road," said the driver.

Indian Beer and Phensedyle: Near the rail gate in Jessore town young men sip Phensedyle from small glasses. A man from behind a wall serves his customers first assuring that he has been paid Tk 20 for the peg.

Others arrive and hastily change money for the small bottles of cough syrup that serves as a 'kick' to get high. Local people said there were several selling points in the town and these days another brand of this cough syrup was flooding the market. It is known as 'Corex' and is as efficient as phens.

"You see a 750 ml bottle of Indian beer can be found here for around sixty taka. But it is forbidden by law to drink alcohol," said a government official. Perhaps he was thinking whether the phens' abuse could be curbed to an extent by legalising the 'available' beer!

Surveyor was Lazy: Ayub Ali, a class IX student from Geatipara, in Benapole, pointed his finger at the Ichhamoti river and said, "Do you know how this river went to the Indian hand?"

"When the surveyor came to measure the border area the river was full of water hyacinth," Ayub Ali continued, "the surveyor was too lazy to pull his measuring chain over the hyacinth and chose to do it by the bank of the river."

Ayub Ali tried to reason that half of the river belonged to Bangladesh. "The surveyor lives nearby and every time he comes to take a bath in this river, he looks sad," Ayub said.

He again pointed his finger

at a distant tree by the bank of the river and said, "There is a small village called Teroghar (literally meaning thirteen dwellings), all the people in the village are Bangladeshi but it is controlled by the Indian Border Security Force."

Passport is too difficult to Obtain: Snehalata, an elderly woman in her fifties had paid Tk 400 to an agent to visit her grandchildren in Bongaon, West Bengal. She had traveled all the way from Boalerchar in Khulna and crossed into India with eight other travelers. Snehalata was not so lucky. On her return she was caught by the recently set up BDR strike force.

Clutching to a small bundle of clothes at the BDR headquarters in Benapole, Snehalata said she had been traveling to India in the same manner for many, many years.

"Passport is too difficult and expensive for a person like me to obtain," she said repeatedly asking for pardon from the BDR soldiers.

The Strike Force: "I am lucky to have these bunch of soldiers who are damn honest and beyond any temptation," said the BDR Lt Col Zahurul Islam, the commander of Jessore area.

The members of the strike force are all men in their late service age. They cook separately from other soldiers and say their prayers together. They

live together and plan for the day meticulously. They have managed to put a brake on the human trafficking that has been so widespread and unchecked.

The strike force, consisting about ten heads, was set up in September in the face of reports of massive trafficking of children and women from the Benapole area.

Delwar Hossain, a owner of a house hardly twenty yards away from the border, said, the trafficking was down to one fourth of what it was three months ago in the Benapole area.

"These people (BDR) in disguise of farmers and local peasants move in the villages and catch anyone moving suspiciously," said Delwar.

Fruits for Chinese Throat and Old Brass and Bronze: Oranges, apples and grapes are some of the most common items smuggled from India. "It is like an ants' highway. Everyone comes with a box or two and sells, them to the local buyers," said a Benapole businessman.

Nowadays, the hottest item from Bangladesh into India is Chinese thread and old brass and bronze items.

"The Chinese thread is imported by a Dhaka businessman and then sold for higher prices to the agents in Jessore who in turn make further profit by smuggling it cross-border," the businessman said.

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by Jim Davis



DRAWN BY JOHN MCLUSK

James Bond



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Metropolitan

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 Batomul 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.

JS body on youth ministry meet held

The Parliamentary Standing Committee on the Ministry of Youth and Sports held its first meeting at the Sangsad Bhaban yesterday with its Chairman Joyal 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 UNB.

Late Chowdhury, who was elected from Patia 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 a family graveyard.

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

Meanwhile, BNP Chairperson and Leader of the Opposition in Parliament Begum Khaleda Zia has expressed deep shock at the death of former party MP Shahnewaj Chowdhury Montu.

In a message of condolence yesterday, she termed Shahnewaj a real patriot and said the nation has lost a true friend at his death.

She prayed for the salvation of the departed soul and conveyed her sympathy to the bereaved family members.

BNP secretary general Abdul Mannan Bhuiyan, in a separate message, also condoled the death of Shahnewaj Chowdhury.

Death anniversary

The third death anniversary of Mainuddin 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*.

Discharge duties with sincerity, minister urges BDR members

CHITTAGONG, Dec 28: Home Minister Rafiqul Islam has called upon the members of the Bangladesh Rifles to discharge their duties with sincerity and devotion despite all odds, reports UNB.

Addressing BDR personnel at a gathering at the Rifles Training Centre and School (RTCS) here today to mark the concluding parade of the 53rd recruits batch, he said the soldiers should be the simble of discipline for others.

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 Shaikh Munsir Abdur Rouf and Bir Shrestha Lance Naik Shaikh 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.



Tremendous vehicular movement in the city yesterday following a lull on account of a three-day consecutive government holiday.

— Star photo

Obituary

Awlad Hossain Khadem, a retired railway officer, died in the city yesterday evening at his Banani residence of old age complications, family sources said, reports BSS.

Senior most member of Khadem family of Hazrat Shah Syed Ahmed's Mazar of Kharampur, Akhaura, Brahmanbaria, Khadem was suffering from diabetes and heart ailment.

He would have completed 84 next week.

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

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

Minister ensures media role to explore talents of mentally retarded

Prof Abu Sayeed, the State Minister for Information, yesterday said electronic mass communication media like Bangladesh Betar and Television will take special initiatives for exploring the ingenuity and genius of the mentally retarded people in the society, reports BSS.

He said the mass media will involve itself in the campaign for creating awareness about the retarded youths and children.

Dramatists urged to depict War of Liberation

State Minister for Information Prof Abu Sayeed yesterday urged the dramatists in the country to dedicate their endeavours to depicting the great Liberation War and ideals of father of nation Bangabandhu Sheikh Mujibur Rahman, reports BSS.

Prof Sayeed was addressing the inaugural festival of staging a drama organised by the Taxes Inspectors' Welfare Association at the auditorium of Kochi Kanchar Mela in the city.

The inauguration was addressed, among others, by leaders of the Association.

Bangabandhu Shishu Kishore Mela EC formed

Mian Mansaf and Shirin Akhter Manju have been elected President and General Secretary respectively of the Bangabandhu Shishu Kishore Mela, a national children-juvenile organisation, reports BSS.

A two-day national conference of the mela, which was inaugurated by Prime Minister Sheikh Hasina on Thursday and concluded Friday, elected a 23-member executive committee for the year 1998-99.



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.