

An Internship Report
on
**“Performance Analysis of Microfinance Program of BRAC:
The Case of Sherpur Branch”**

Prepared by:

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MBA (Evening) 3rd Batch

Major in Human Resource
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HSTU, Dinajpur

Submitted to:

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[This internship report is submitted to the faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur, in partial fulfillment of the requirements for the degree of M.B.A. (Evening)]



HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY

UNIVERSITY, DINAJPUR-5200

OCTOBER, 2016

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on
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October, 2016

LETTEER OF TRANSMITAL

October 24, 2016
Md. Kutub Uddin
Associate Professor
Department of Management
Faculty of Business Studies
Hajee Mohammad Danesh Science and Technology University, Dinajpur.

Subject: Submission of internship report.

Dear Sir,

Here is the report on **“Performance Analysis of Microfinance Program of BRAC: The Case of Sherpur Branch”** A Study on Dinajpur Branch. An integral part of Course curriculum of Hajee Mohammad Danesh Science and Technology University. It is my great pleasure and gratitude that I got the opportunity to prepare the report under your kind supervision and guidance.

This report highlights the foreign exchange operations by United Finance Limited, Dinajpur Branch in details. While preparing this report, it will help me to analyze available literatures on banking procedure of BRAC. To prepare this report, my best effort despite some limitations has been given by me.

Preparation of the report was a valuable experience for me and it helped me a lot to enrich my knowledge.

Thanking you,

Sincerely yours

Wasira Akhter

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Hajee Mohammad Danesh Science and Technology University, Dinajpur,
Bangladesh.

CERTIFICATE FROM SUPERVISOR

This is to certify that **Wasira Akhter** a student of MBA (Evening) program Major in Human Resource Management (HRM), Faculty of Business Studies, and bearing Roll No. E-140503045 prepare an internship report entitled on “**Performance Analysis of Microfinance Program of BRAC: The Case of Sherpur Branch**” under my supervision. I also certify that I have gone through the draft copy of the report. Thoroughly found it satisfactory for submission as a part of fulfillment of MBA (Evening) program.

I wish her every success in life.

Md. Kutub Uddin

Associate Professor

Department of Management

Faculty of Business Studies

Hajee Mohammad Danesh Science and Technology University, Dinajpur

CERTIFICATE FROM CO-SUPERVISOR

This is to certify that **Wasira Akhter** a student of MBA (Evening) program Major in Human Resource Management (HRM), Faculty of Business Studies, and bearing Roll No. E-140503045 prepare an internship report entitled on “**Performance Analysis of Microfinance Program of BRAC: The Case of Sherpur Branch**” under my supervision. I also certify that I have gone through the draft copy of the report. Thoroughly found it satisfactory for submission as a part of fulfillment of MBA (Evening) program.

I wish her every success in life.

Dr. Shaikh Mostak Ahammad
Associate Professor
Department of Accounting
Faculty of Business Studies
Hajee Mohammad Danesh Science and Technology University, Dinajpur

STUDENT FROM DECLARATION

I hereby declare that the internship report entitled “**Performance Analysis of Microfinance Program of BRAC: The Case of Sherpur Branch**” embodies the result of my own research works and efforts, prepared under the supervision of Md. Kutub Uddin, Associate Professor, Department of Management, Hajee Mohammad Danesh Science and Technology University, Dinajpur.

I further affirm that work and information reported in this internship report is original and any part or whole has not been submitted to, in any other University or Institution for any degree or any other purpose.

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Acknowledgement

In preparing the long and rigorous internship report, I acknowledge the encouragement and assistance given by a number of people and institution who have contributed directly and indirectly in preparing this report.

First of all, it is the Almighty, the Merciful and the Benevolent Allah who gives me the sense to understand what I am doing and for everything.

I am most grateful to the management of United Finance Limited for giving me the opportunity to complete my internship in their organization. I truly believe that saying, “Thank You,” to all individuals of United Finance Limited is not good enough to honor their support that I have been provided in preparing my report.

I also would like to render my sincere thanks to Md. Shakil Islam Talukder, Officer, Central Service Center. S.M. Wahid Raihan, Sales-Asset. Masudur Rahman, Sales - Asset, Md. Rafeus Selim, Group Coordinator, Deposit Management. Dinajpur Branch, for providing me guidance, inspiration and above all flexibility of work.

Finally, heartiest gratitude to my respectable teacher and Supervisor, Md. Kutub Uddin, Associate Professor, Department of Management, And Co-Supervisor, Dr. Shaikh Mostak Ahammad, Associate Professor, Department of Accounting, Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur of the internship program, whose enthusiastic guidance and critical comments during the entire phase of the study made it possible for me to prepare this report.

My debt to them is warmly acknowledged.

Wasira Akhter

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INTRODUCTION

Microfinance is being one of the most innovative and successful measure in the field of economics, has been a savior for the people living under the poverty line since unknown there might be a lot of debates against the benefits of microfinance for the poor, but no one can deny the fact that it has created a lot of opportunities for them. The poor has been deprived of all sorts of benefits from the government as well as the society. It is the idea of microcredit that gave them the choice to prove themselves that they can be a reliable people for giving loans despite having no financial back up. It has been serving the poor people of Bangladesh the microfinance for the fast years. Since then, it is continuously working to make microfinance more beneficial for its beneficiaries at the same time making it more advance regarding to change the globalization.

The microfinance education is a practice-oriented education and Financing sector in Bangladesh is facing challenges from different angles though its prospect is bright in the future. The objective of the 45 days Internship to develop the specific skills and breadth of judgment requirement of effective microfinance appraisal or evaluation. To growing up my knowledge, I was sent to BRAC, Sherpur Branch. This Report has been prepared on the basis of my practical experiences on the day-to-day microfinance activities and under the close supervision of my organizational supervisor Md. Kutub Uddin, Associate Professor, Department of Management, Hajee Mohammad Danesh Science and Technology University, Dinajpur. and close guidance of branch supervisor Farruk Ahammed, Senior Branch Manager (Dabi), BRAC, MF, Sherpur, Bogra-01.

Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: (1) relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group. In some regions, for example Southern Africa microfinance is used to describe the supply of financial services to low-income employees, which is closer to the retail finance model prevalent in mainstream banking.

Microcredit and microfinance are relatively new terms in the field of development, first coming to prominence in the 1970s, according to Robinson (2001) and Otero (1999). Prior to there from the 1950s through to the 1970s, the provision of financial services by donors or

governments was mainly in the form of subsidized rural credit programmes. These often resulted in high loan defaults, high losses and an inability to reach poor rural households (Robinson 2001).

Robinson states that the 1980s represented a turning point in the history of microfinance in that MFIs such as Grameen Bank and BRI2 began to show that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients (Robinson, 2001). It was also at this time that the term "microcredit" came to prominence in development (MIX3, 2005). The difference between microcredit and the subsidized rural credit programmes of the 1950s and 1960s was that microcredit insisted on repayment, on charging interest rates that covered the cost of credit delivery and by focusing on clients who were dependent on the informal sector for credit (ibid.). It was now clear for the first time that microcredit could provide large-scale outreach profitably.

The importance of microfinance in the field of development was reinforced with the launch of the Microcredit Summit in 1997. The Summit aims to reach 175 million of the world's poorest families, especially the women of those families, with credit for the self-employed and other financial and business services, by the end of 2015 (Microcredit Summit, 2005). More recently, the UN, as previously stated, declared 2005 as the International Year of Microcredit.

Performance Analysis of Microfinance

Microfinance is the framework for reporting, analysis and monitoring to provide microfinance practitioners with skills, knowledge and development of financial statements and reports. It is an adverse and growing industry around the world. The enterprise of the training is a spreadsheet tool that practitioners will learn how to use in the development of microfinance institutions.

Benefits of Microfinance

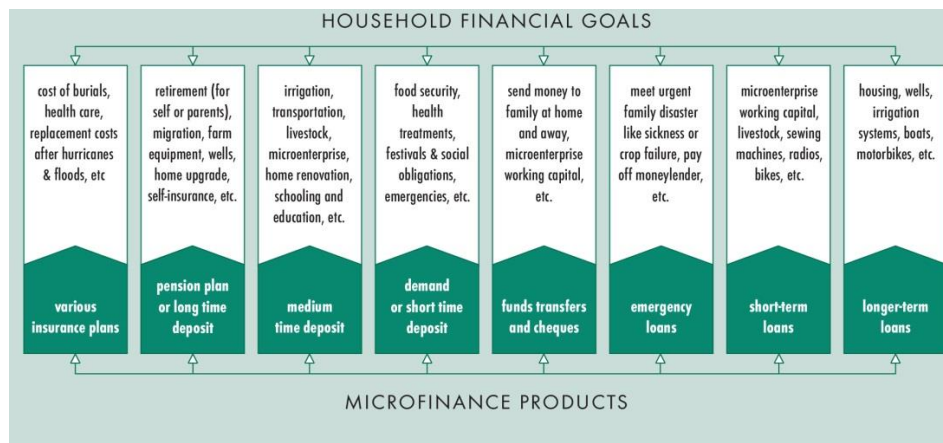
Microfinancing produces many benefits for poverty-stricken or low-income households. One of the benefits is that it is very accessible. Banks today simply won't extend loans to those with little to no assets, and generally don't engage in small size loans typically associated with microfinancing. Through microfinancing small loans are produced and accessible.

Microfinancing is based on the philosophy that even small amounts of credit can help end the cycle of poverty. Another benefit produced from the microfinancing initiative is that it presents opportunities, such as extending education and jobs. Families receiving microfinancing are less likely to pull their children out of school for economic reasons. As well, in relation to employment, people are more likely to open small businesses that will aid the creation of new jobs. Overall, the benefits outline that the microfinancing initiative is set out to improve the standard of living amongst impoverished communities (Rutherford, 2009).

International Microfinance: Savings and Insurance

Many practitioners working in the field of microfinance have identified savings programs as an important financial offering for poor families seeking to escape abject poverty. In his book, *The Poor and Their Money*,¹ Stuart Rutherford, an independent researcher and consultant in financial services for the poor, states that the basic financial problem poor people face is to gather a "usefully large" amount of money. But in many poor and rural communities, there simply is no tradition of using banks or bank-like entities to safeguard excess money. In communities where the concept of savings products is understood and culturally accepted, safe and reliable savings programs are informal or otherwise nonexistent. Commercial banks generally will not take the savings of poor farmers and self-employed business owners who may wish to make deposits in tiny increments, as low as \$5 or \$10. As a result, people living and working in rudimentary economies, where accumulated wealth is often tied to crops or cattle that can be destroyed or otherwise lost, are unable to save without incurring significant loss, or at least risk and stress.

Over the last several years, The Bill and Melinda Gates Foundation has donated more than \$300 million to microfinance organizations to fund microcredit and insurance programs. Now, the Gates Foundation is shifting its focus toward programs designed to encourage savings among the poor. Most recently, the Gates Foundation has made grants to Oxfam International to fund group-savings and training programs in Mali and Cambodia.



Source: Brett Matthews, Mathwood Consulting Company

Fig. 1: Microfinance Products

Savings are important both as a vital safety net for the poor and as a source of funding that does not rely on external sources. Many strong MFIs, notably in Africa, recycle the savings of their clients as a principal source of loan funds for their borrowers.

Source: Data Snapshots on Microfinance - The Visual Library on Microcredit

For the MFI, deposits help increase the client base and provide the necessary capital to increase the loan portfolio and make the MFI profitable. In fact, some experts would suggest that savings deposits are now as vital to microfinance institutions as a healthy loan portfolio. MFIs that offer their clients savings products as "loss leaders" are working to expand services to the rural poor and offer these products in more safe and cost-effective ways."

One recent technological innovation at Opportunity International, one of the largest international MFIs, is the use of smart card technology at its banks. Clients receive a smart card that includes biometric fingerprint technology. Using this card, they can access their savings and receive disbursed loan funds at AIMs. More importantly, the card serves as a form of identification for the client so that they, and only they, can access their funds – preventing theft and fraud. The challenge, of course, is that many potential smart card clients live in rural communities and the nearest AIMs may be many miles from their homes.

Similarly, access to adequate insurance is important to poor small business owners who, in many cases, are the sole income earners for their households. Because health crises are the primary reason microcredit clients default on their loans, increasingly, the largest MFIs are working with insurance brokers to offer insurance, specifically health insurance, to their clients.

INTERNATIONAL MICROFINANCE INSTITUTIONS COMPARISON					
	ACCIÓN INTERNATIONAL (NETWORK)	GRAMEEN BANK	OPPORTUNITY INTERNATIONAL	FREEDOM FROM HUNGER	PRO MUJER
Active Loan Portfolio	\$2.9 billion	\$582 million	\$501 million	\$70.97 million	\$26 million
Total Clients	3,120,000	7,527,700	1,121,786	754,000	193,000
Loan Repayment Rate	97%	98.11%	98%	99%***	99%
Average Loan Size	\$954; \$922; \$85*	\$309	\$227**	\$168	\$225

*Latin America and the Caribbean; Africa; Asia. Calculated as "average loan balance," the total outstanding portfolio at year-end 2007, divided by the total number of active clients. Indicates the average amount yet unpaid by each client. Does not include the U.S. ACCIÓN Network.

**Excludes Eastern Europe

***For Freedom from Hunger's Credit with Education Initiative

Fig. 2: International Microfinance Institutions Comparison

ABOUT BRAC

Bangladesh Rural Advancement Committee is the world largest non-government development organization based in Bangladesh. This world large NGO established by Sir Fazle Hasan Abed in 1972 after the independence of Bangladesh. Shallah Upazillah in the district of Sunamganj as a small-scale relief and rehabilitation project to help returning war refugees after the Bangladesh Liberation War of 1971. BRAC is currently present in all 64 districts of Bangladesh as well as other countries in Asia, Africa and the Americas. It has 7 million micro-finance group members, 37,500 non-financial primary schools and more than 70,000 health volunteer. BRAC is the largest NGO by number of staff employing over 120,000 people, the majority of whom are women.

By 1974, BRAC had started providing micro credit and had started analyzing the usefulness of credit inputs in the lives of the poor. Until the mid-1970s, BRAC concentrated on community development through village development program that included agriculture, fisheries, cooperatives, rural crafts, adult literacy, health and family planning, vocational training for women and construction of community centers.

BRAC operates various program such as those in microfinance and education in over nine countries across Asia and Africa, reading more than 110 million people. The organization is 80% self-funded through a number of commercial enterprises that include a during and food project and a chain of retail handicraft stores called 'Arong'. BRAC maintains offices in 14 countries throughout the world, including BRAC USA and BRAC UK., BRAC is a few years into their initiative to operate in ten African countries in the next 10 years. In 1979, BRAC

entered Oral Therapy Extension Programme (OTEP). In 1986, BRAC started Centre for Development Management (CDM). Its Social Development, Human Rights and Legal Services Programme was launched in 1996. BRAC published a University called BRAC University in 2001.

BRAC tackles poverty providing micro credit and analyzing the usefulness of credit inputs in the lives of the poor which started at 1974. Through this microcredit program BRAC develop village community programmes that included agriculture, fisheries cooperatives, rural crafts, adult literacy, health and family planning, vocational training women and construction of community centers.

Microfinance Programme of BRAC

BRAC become one of the world's biggest providers of financial services for the poor. BRAC meet the unique needs of people living in poverty by adapt loan and savings products. Over the last four decades. BRAC's microfinance programme has grown to become one of the world's largest providers of financial services to the poor, providing tools that enable the financial inclusion of millions of people. In Bangladesh alone, the programme has more than 5.4 million borrowers and savers, and a loan outstanding amount of BDT 103 billion (June 2015), covering all 64 districts across the country. Outside of Bangladesh, BRAC,s microfinance programme reaches 400,000 people in Pakistan, Srerra Leone, Uganda, Liberia, Tanzania and Myanmar.

BRAC's microfinance activities work through a unique 'credit-plus, approach. It delivers a tailored set of services that include credit, savings, and financial education in a way that meets the specific needs of our target groups, such as rural women, youth, landless poor, marginal fanners, the urban poor, migrant workers and small entrepreneurs.

The microfinance programme is also piloting a set of projects designed to increase financial inclusion and better meet clients' needs. This includes the use of mobile money to enable easier deposit payments; the introduction of health loans and credit shield life insurance to reduce vulnerability of poor households to external shocks; provision of savings services to youth to promote good financial behaviour and awareness from a young age; as well as a drive to ensure that persons with disabilities that qualify for microfinance have equal access to financial services.

Microfinance for women

BRAC provides women with access to collateral-free credit and savings services. In Bangladesh we call this project *dabi*, which means ‘demand’ or ‘right’.

Dabi loans are invested in a range of uses according to the need of individual borrowers and their households. Many loans are used to support income-generating activities and micro-enterprises such as cattle-rearing or craft-making. Because BRAC believes that it takes more than just finance to set up a successful enterprise, we also provide clients with access to productive assets, such as resilient farm animals, as well as access to markets to ensure fair prices. Alternatively, many loans are invested in children’s education, land or housing. Loans are repaid in weekly or monthly installments over the course of one year.

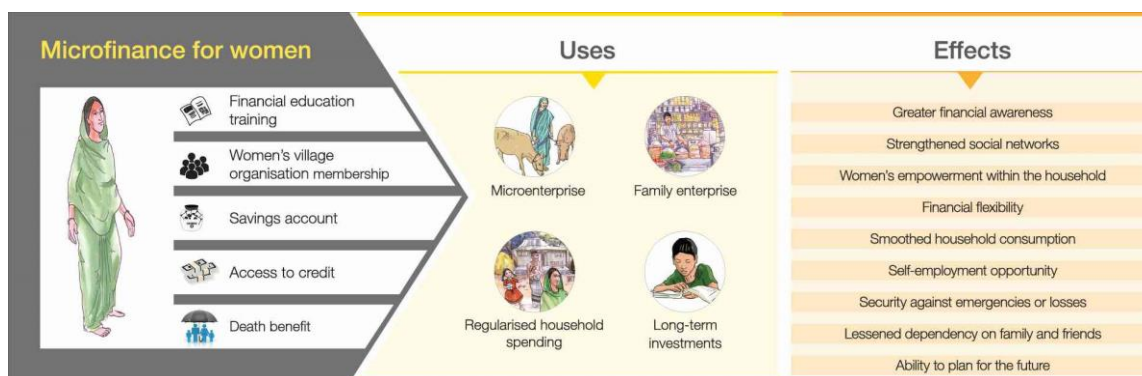


Fig. 3: Microfinance for women

BRAC's approach to financial inclusion

BRAC’s microfinance products are not suitable for everybody. BRAC operates a separate Targeting the Ultra Poor programme for the most vulnerable.

We use our wealth of expertise in other areas such as rural development, education and health to innovate financial services that meet the specific needs of different groups. These include products tailored for poor rural and urban women, landless and land-holding farmers, migrant workers, and small entrepreneurs. With BRAC, clients are able to access savings products and loans.

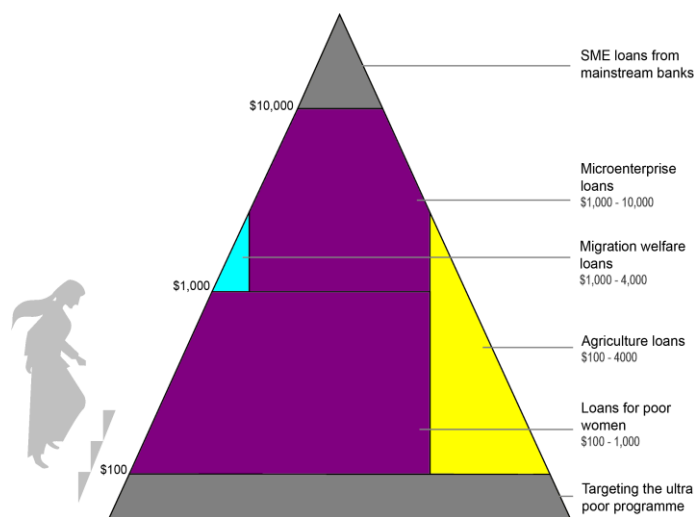


Fig. 4: BRAC's approach to financial inclusion

LITERATURE REVIEW

Microfinance has a great impact for the development of economy in our country. In this sector BRAC play a very important role. Through the Internship program I know about the activities of microfinance how it help to the poor people. It create chance for the poor people to develop their earning sector. That's why microfinance is very important.

In the literature, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha (1998, p.2) states "microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs¹ supplement the loans with other financial services (savings, insurance, etc)". Therefore microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services (Okiocredit, 2005).

Objectives of the study

Specific objective:

To prepare a report on the "performance analysis of microfinance program of BRAC: The case of Sherpur Branch" with the thought of getting in depth of measuring and evaluating of significant change after providing the microfinance to the poor people.

Main Objectives:

1. To know the loan amount of missed loan and to ensure the collect of target amount.
2. To measure the development of poor people with microfinance.

METHODOLOGY

Data collection method:

In order to make the report more meaningful and presentable of the secondary sources of data and information have been used widely.

The “Secondary Sources” of data and information are-

- i. Annual report of Sherpur Branch of BRAC.
- ii. Website of the BRAC.
- iii. Internet/www.google.com
- iv. Registry records of the Sherpur Branch.

Population and Sampling

BRAC, Sherpur Branch I selected under quata sampling process. Because selected this Branch there are some reasons and I have also got some advantages. These are:

- i. I live in Sherpur town.
- ii. It was comfortable me to go to the Branch.
- iii. Micro financing environment of this Branch was known to me.
- iv. This branch employees were well known to me.
- v. Supervisor also suggested me to internship in near able place.
- vi. It was easy to contact with my supervisor during internship period.

Financial information of BRAC

	Year 2014		Year 2013	
	USD million	%	USD million	%
Microfinance	171.35	31.89%	164.30	30.13%
Health	61.82	11.50%	57.16	10.48%
Education	64.99	12.09%	90.7	16.63%
Water, Sanitation and Hygiene	31.02	5.77%	19.69	3.61%
Agriculture and Food Security	6.68	1.24%	6.75	1.24%
Ultra Poor	30.84	5.74%	30.65	5.62%
Social Enterprises	150.41	27.99%	143.16	26.25%
Others	20.27	3.77%	32.86	6.03%
Total	537.38	100.0%	545.27	100.0%

Fig. 5: Expense Revenue 2014

Name of Donor	Year 2014		Year 2013	
	USD million	%	USD million	%
DFID	89.05	46.52%	100.85	48.77%
DFAT	46.46	24.27%	43.59	21.08%
The Global Fund	21.13	11.04%	20.45	9.89%
EKN/NOVIB	9.45	4.94%	13.23	6.40%
BRAC USA	5.89	3.08%	5.31	2.57%
EACI, QATAR	2.97	1.55%	1.85	0.90%
UNICEF	2.91	1.52%	4.04	1.95%
Family Health International 360	2.40	1.25%	3.87	1.87%
Others	11.17	5.84%	13.58	6.57%
Total	191.44	100.00%	206.77	100.00%

Fig. 6: Grant Composition 2014

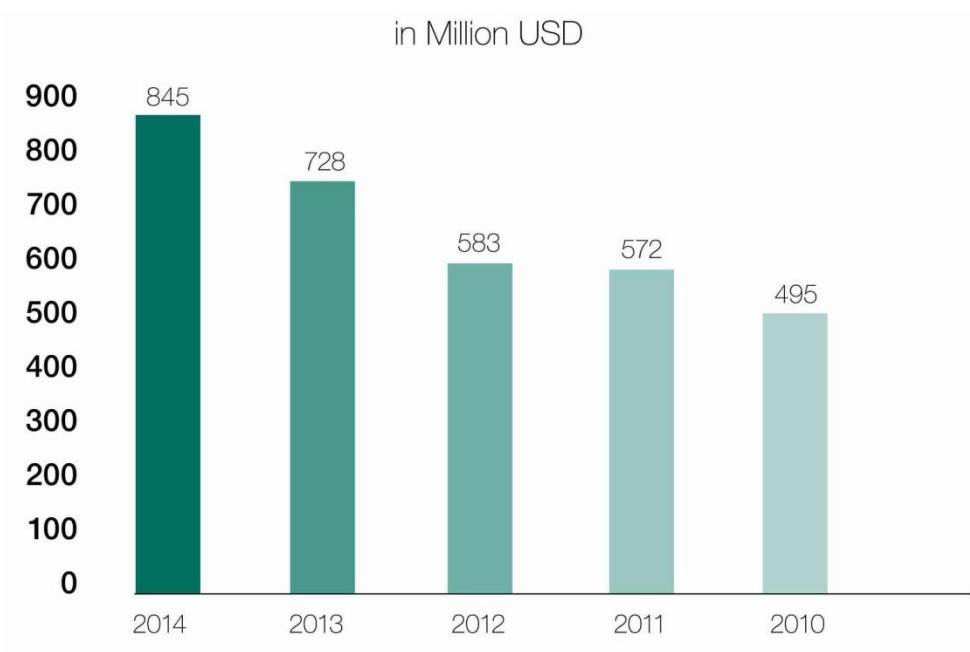


Fig. 7: Annual Expenditure 2014

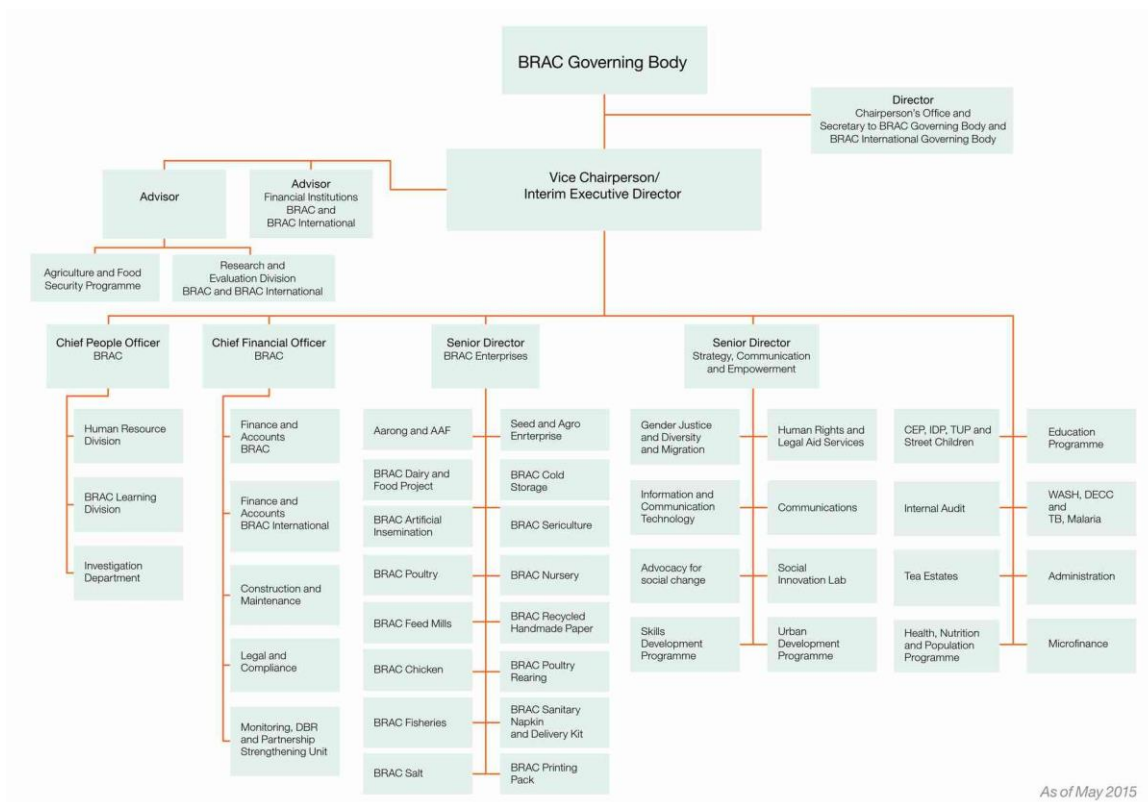


Fig. 8: BRAC Organogram

DATA ANALYSIS

Performance Analysis Tools

In this report I have used the following tools for analyzing the performance

Serial No.	Fiscal year	Target	Loan Outstanding	Loan Recovery	Loan Due	Total Profit
01.	2015-2016	550.00	596.57	644.14	64414450	1.62
02.	2014-2015	470.00	495.68	517.15	10261774	1.95
03.	2013-2014	400.00	445.49	384.12	38412041	2.87
04.	2012-2013	350.00	369.71	327.46	9776726	7.22
05.	2011-2012	280.00	330.15	224.63	10959657	15.14
06.	2010.2011	230.00	269.23	228.83	10868697	6.92
07.	2009-2010	200.00	210.18	188.15	10713215	5.20
08.	2008-2009	180.00	192.89	151.20	10711803	3.93
09.	2007-2008	165.00	170.52	130.38	10658320	2.28
10.	2006-2007	155.00	160.73	128.82	10652803	3.21

(Source: Farruk Ahammed, Senior Branch Manager, BRAC MF, Sherpur, Bogra-1).

Name of the ratio and Formula

1. On Time Realization (OTR)

$$\frac{\text{Realized amount (advanced + Arrear)}}{\text{Realizable amount}} \times 100$$

$$\frac{600000 + 200000}{500000} \times 100$$

$$= 80\%$$

2. Portfolio at Risk (PAR)

$$\frac{\text{The Principal Balance of Loans with at least one payment overdue}}{\text{Total Principal}} \times 100$$

$$\frac{913853}{13043958} \times 100$$

$$= 7\%$$

3. O past due (Current)

$$\frac{\text{The Principal Balance of no payment missed of current loan}}{\text{Total Principal}} \times 100$$

$$\frac{81360}{12190205} \times 100$$

$$= 99.33\%$$

4. Current OD/OS Ratio

$$\frac{\text{Current}}{\text{Total Current outstanding}} \times 100$$
$$\frac{150,000}{80,000,000} \times 100$$
$$= 2\%$$

5. Total OD/OS

$$\frac{\text{Total OD}}{\text{Total Outstanding}} \times 100$$
$$\frac{13,000,000}{20,000,000} \times 100$$
$$= 6.5\%$$

RESULT AND DISCUSSION

1. When we calculate the one time realization step to collect the loan amount within day wise and obviously expected trend report upward. Here this result is good.
2. When we calculate the Portfolio at Risk step to realized the loan amount of missed loan and to ensure the collect of target amount and obviously expected trend report downward. Here this result is good.
3. When we calculate the 0 past due (current) action don't missed the current loan any how and obviously expected trend report upward. Here this result is good.
4. When we calculate the Current Overdue Step to ensure the collect of current loan and obviously expected trend report upward. Here this result is good.
5. When we calculate the Total Overdue to take step for realized the missed loan and obviously expected trend report downward. Here this result is good.

Recommendation

BRAC is the largest NGO in the world. The Sherpur Branch is an Important Branch of BRAC. Therefore, It is not an easy job to find of practical orientation program. Now, I would like to

present my observations and give my opinion to improve microfinance activities and make the customer more satisfied.

There are various criticism of microfinance which are the impact of on poverty, interest rates, high profits. In those criticisms the suggestions that the help of microfinance to elevate the poverty, low interest rates and how to help the low income people. BRAC provides microfinance to the society and create self-sufficient to the people. The impact of Microfinance has on livelihood security and poverty to the aware of the current devotes and taking place in the field of Microfinance.

Conclusion

The microfinance is the role of development, specially in relation to alleviating poverty was also examined. The impact on poverty alleviation were seen to be an over-emphasis on financial sustainability over social objectives, and a failure of many MFIs to work with the poorest in society. BRAC is a development organization dedicated to developing poverty by empowering the poor.

The impact of microfinance on poverty alleviation is a keenly debated issue as we have seen and it is generally accepted that it is not a silver bullet, it has not lived up in general to its expectation. The wider impact is a livelihood security analysis based on a livelihoods framework which analyses how a project impacts on the livelihoods of beneficiaries.

BRAC is the most outstanding social enterprise in the world. Micro finance program of BRAC is very helpful to the poor people and village development. Microfinance has its positive impacts at the moment of implementing and managing carefully and when services are designed to meet the needs of clients, not just on client but on their families and on the wider community. After the launching of microfinance activities, BRAC has grown to become one of the world's largest providers of financial services for the poor. Overall BRAC is development organization dedicated to deviating poverty by empowering the poor.

BRAC seeks to understand the heterogeneous needs of the poor and design microfinance services accordingly. BRAC's microfinance programme offers diversified financial services to poor people unable to access mainstream banking services.

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