

Loan Type vs. Social Outcomes

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Objective:

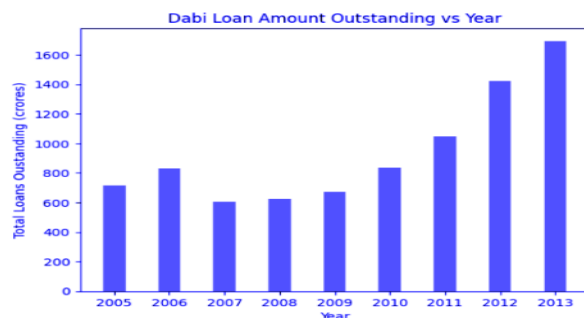
BRAC monitors key metrics to assess its performance and impact in poverty alleviation and social development. They evaluate financial sustainability, operational efficiency, savings impact, investment management, and social program effectiveness to make informed decisions for enhancing their mission.

Types of Loans:

- **Dabi loans** empower low-income women by providing financial access for business investments and consumption smoothing, increasing their decision-making power and independence within households and communities.
- **Progoti loans** drive employment and local economies, supporting small businesses for inclusive growth. BRAC's micro-credit program combines financial services with human capital development. Studies show 55.6% credit income generation to loans, reducing rural poverty by 10% and lifting 2.5 million Bangladeshis out of poverty.

Introducing repayment flexibility for Dabi and Progoti loans enhances microentrepreneurs' financial resilience during startup phases and income fluctuations.

Total Outstanding loans over the years:



- As we can see, the annual lending of both Dabi as well as Progati loans has increased by a substantial margin from the year 2005 to 2014. This increase has led to improved financial stability for individuals and businesses, driving economic growth and reducing poverty in the community.

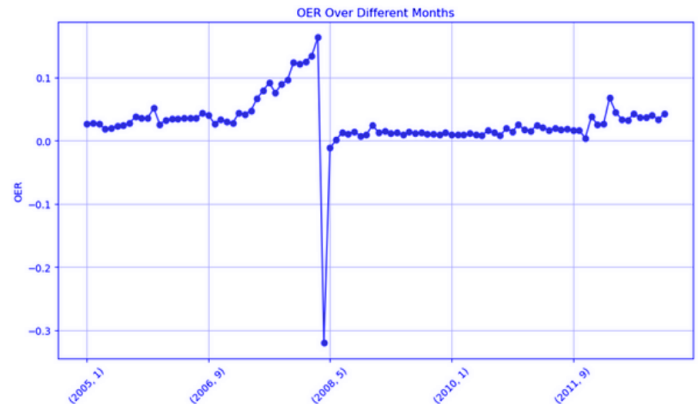
Financial Stability

Financial Stability

To assess BRAC's financial sustainability, the Operating Expense Ratio (OER) was used to evaluate financial health by comparing total operational expenses to total income. A lower OER indicates more efficient resource use and better financial stability.

OER Trends:

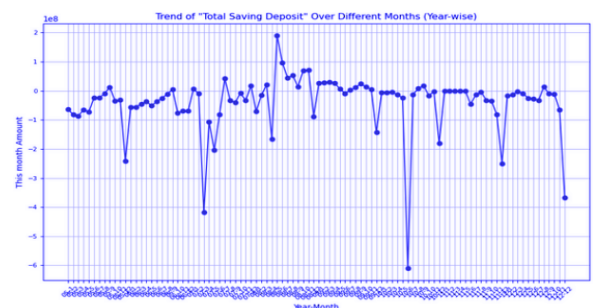
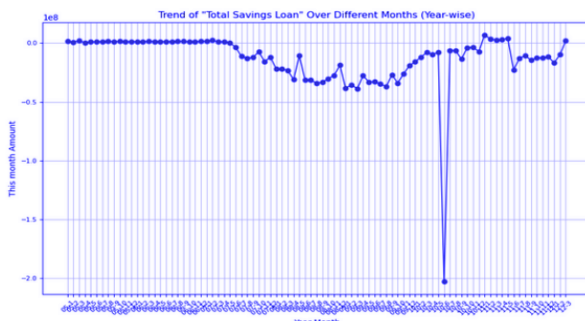
- **Initial Stability and Sudden Rise (2005-2006):** Initially stable OER values indicated consistent operational efficiency. The sudden rise in 2006 suggests increased operational expenditures or challenges affecting financial stability.
- **Drastic Reduction (June 2005):** This outlier needs further investigation to understand its causes and impacts.
- **Stagnation and Minor Fluctuations (2007-2011):** OER values stabilized with minor fluctuations, indicating relatively stable operational efficiency.
- **Slight Increase (2011 onwards):** A slight increase in OER suggests potential shifts in operational dynamics or resource allocation impacting financial sustainability.



Monitoring these trends helps BRAC make informed decisions to maximize social impact and achieve its mission of poverty alleviation and social development.

Financial Inclusion and Poverty Alleviation

- **Current Ratio (CR):**
 - Measures BRAC's liquidity by dividing current assets by current liabilities.
 - Consistently low CR values indicate potential liquidity challenges.
 - Significant fluctuations in CR highlight internal and external impacts on financial health.

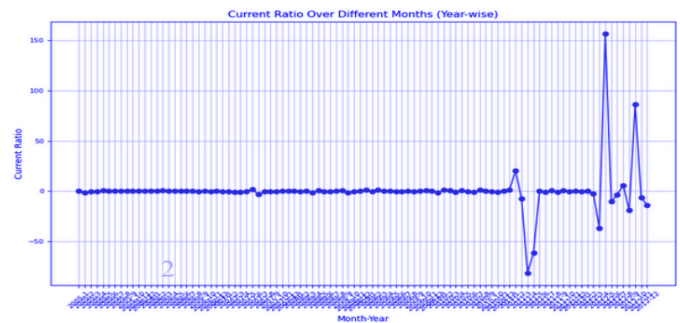


- **Savings Deposit and Loan Trends:**
 - **Total Savings Deposits:** Fluctuations reflect economic conditions, seasonal patterns, and customer behavior. Year-end dips suggest withdrawals for expenses or festive occasions.
 - **Total Savings Loans:** Stagnant until 2007, then decreased until 2009. Increased from 2009 onwards, indicating improved demand or marketing efforts.

- **Gradual Increase (2005-2012):** Consistent rise in savings deposits suggests positive customer savings behavior due to rising incomes, better financial literacy, and confidence in BRAC's products.

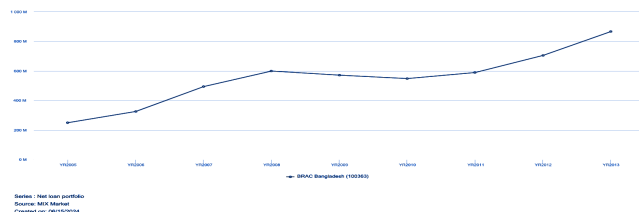
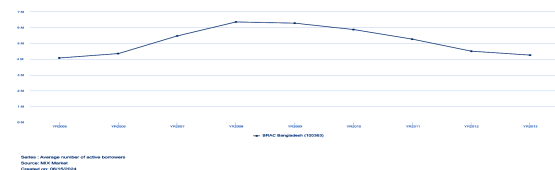
LIQUIDITY AND ASSET MANAGEMENT

- **Current Ratio (CR= Current Assets/ Current Liabilities):** Measures BRAC's liquidity by dividing current assets by current liabilities.
- **Implications of Low CR:** Indicates potential liquidity challenges for the organization.
- **Significant Fluctuations:** Highlight the impact of internal and external factors on BRAC's financial health and liquidity management.



Important Trends

Average Active Borrowers: The average number of individuals actively borrowing from BRAC's loan services over a specific period, provides insights into the consistent engagement and utilization of financial resources, contributing to sustained financial inclusion and economic empowerment within communities.



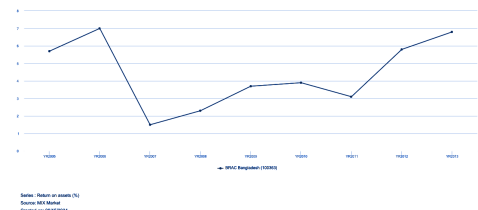
Net Loan Portfolio:

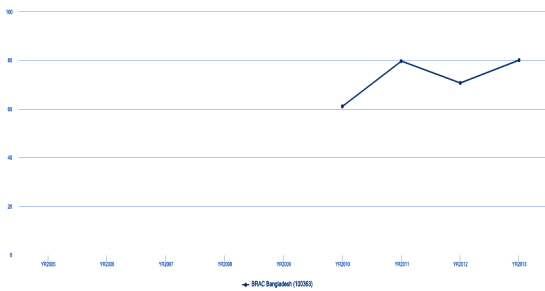
- **Formula: (Total Gross Loan Portfolio-Provisions for Loan Losses)**
- **Definition:** Represents the remaining loan balance after deducting provisions set aside for potential losses, reflecting the quality and recoverability of loans.
- **Impact:** Monitoring the net loan portfolio

helps assess BRAC's risk management effectiveness and sustainable lending practices crucial for supporting social impact initiatives.

Return on Assets (ROA):

- **Formula: (ROA= Net Income/ Total Assets)**
- **Definition:** Evaluate how effectively BRAC its assets to generate profit, reflecting its operational efficiency and financial sustainability.
- **Impact:** Evaluate how effectively BRAC utilizes its assets to generate profit, crucially reflecting its operational efficiency and financial sustainability.





Series: Borrower retention rate (%)
Source: BRAC Market
Created on: 06/10/2014

Borrower Retention Rate:

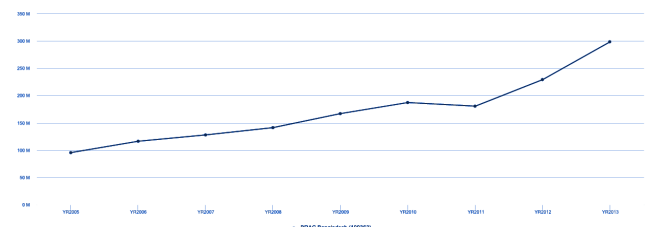
(Number of Borrowers at End of Period - Number of New Borrowers During Period) * 100%

Number of Borrowers at start of Period

- **Definition:** Measures the percentage of borrowers who continue to borrow from BRAC over time, reflecting customer satisfaction and program effectiveness.
- **Impact:** A high retention rate indicates strong customer loyalty and satisfaction, which enhances BRAC's social impact and outreach effectiveness.

Total Equity

- **Formula:** (Total Equity=Total Assets–Total Liabilities)
- **Definition:** Total Equity represents the residual interest in BRAC's assets after deducting liabilities, reflecting the organization's net worth.
- **Impact:** Higher Total Equity indicates stronger financial health and greater capacity to support and expand social programs, ensuring sustainable social impact and community development.



Series: Total Equity
Source: BRAC Market
Created on: 06/10/2014

OTHER KPI METRICS

1. **Debt Management:** Debt-to-Equity Ratio (DER): Formula: $DER = \frac{\text{Total Other Liabilities}}{\text{Total Current Assets}}$ Interpretation: A lower DER indicates a lower reliance on debt financing and a stronger financial position.
2. **Impact on Savings and Deposits:** Savings Deposit Growth Rate (SDGR): Formula: $SDGR = \frac{(\text{Total Saving Deposit at current month} - \text{Total Saving Deposit at previous month})}{\text{Total Saving Deposit at previous month}} * 100\%$ Interpretation: A higher SDGR indicates growth in savings deposits, reflecting increased financial inclusion and savings behavior among BRAC's clients.
3. **Loan Portfolio Management:** Loan-to-Deposit Ratio (LDR): Formula: $LDR = \frac{\text{Total Closing Loan Outstanding} + \text{Total Savings Loan}}{\text{Total Saving Deposit}}$ Interpretation: A moderate LDR indicates balanced management of loan portfolios relative to available deposits.
4. **Efficiency in Special Savings Programs:** Operation Expenses of Special Savings Ratio (OESR): Formula: $OESR = \frac{\text{Total Operation Expenses of Special Savings}}{\text{Total Income}}$ Interpretation: A lower OESR indicates efficient management of special savings programs, minimizing operational costs.
5. **Regional Office Performance:** Regional Office Efficiency (ROE): Formula: $ROE = \frac{\text{Total Regional Office Operating Expenses} + \text{Total Capital Investment (Regional Office)}}{\text{Total Income}}$ Interpretation: A lower ROE indicates efficient utilization of resources at regional offices to support BRAC's social objectives.
6. **Head Office Management:** Head Office Management Ratio (HOMR): Formula: $HOMR = \frac{\text{Total Capital Investment (Head Office)} + \text{Total Operation Expenses of Branch Review Team}}{\text{Total Income}}$ Interpretation: A lower HOMR indicates effective management of head office resources and support functions.
7. **Impact on Special Savings Programs:** Operation Expenses of Special Savings as a Percentage of Savings Loan Disbursed (OESPL): Formula: $OESPL = \frac{\text{Total Operation Expenses of Special Savings}}{\text{Total Savings Loan}}$ Interpretation: A lower OESPL indicates efficient management of special savings programs relative to loan disbursements.