

BRAC

MICROFINANCE

Ensuring access to financial services Sir Fazle Hasan Abed KCMG

1936-2019

When people  
ask me now what  
BRAC stands for,  
i like to think that  
we stand for an  
idea- an idea of  
a world where  
everyone has an  
equal opportunity  
to realise their  
potential.

PAGE 1

1.7 billion adults in the world are unbanked

Nearly half of these unbanked adults live in just seven developing economies: Bangladesh, China, India, Indonesia, Mexico, Nigeria, and Pakistan. Almost 40% of all unbanked adults in the world belong to the poorest households within their economy.

50% of adults in Bangladesh do not have access to financial services

Half of the adult population in Bangladesh do not have access to financial services, through a mobile money account, bank or another type of financial institution.

56% of all unbanked adults in this world are women

Women are over-represented among the unbanked in every economy. More than half of all unbanked adults in Bangladesh are women, mostly belonging to low-income households.

Source: Global Financial Inclusion Database, 2017

Financial inclusion means that individuals and businesses have access to useful, affordable financial products and services that meet their needs. Transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.

THE FINANCIAL INCLUSION LANDSCAPE

WHAT IS FINANCIAL INCLUSION?

Access to financial services would help to solve some of the world's most persistent problems such as poverty and inequality.

Access to finance - be that credit, or savings, is a universal need among all individuals and families seeking to plan for the future. It is especially essential for people living in poverty who are financially vulnerable in myriad ways. Limited earning opportunities, irregular income, and inability to access formal financial services restrict their ability to invest in assets or borrow in times of need.

With the help of microfinance, people excluded from the formal banking system can access a suite of financial services such as credit, savings, and microinsurance products. Microfinance facilitates families to build assets, smooth consumption, and reduce vulnerability to shocks such as health emergencies or natural disasters. It also provides an alternative to high-interest loans from informal lenders or harmful coping mechanisms such as selling productive assets.

FINANCIAL INCLUSION AND MICROFINANCE SDG 2 ZERO HUNGER:

Provision of agricultural financial services stabilises and strengthens farming enterprises.

ZERO

HUNGER

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FINANCIAL INCLUSION IN THE SUSTAINABLE  
DEVELOPMENT GOALS

NO

POVERTY SDG 1 NO POVERTY:

Access to financial services such as savings and credit is a critical part of the formula for overcoming poverty.

SDG 5 GENDER EQUALITY:

Microfinance promotes greater control of economic resources among women.

## GENDER EQUALITY5

### SDG 8 DECENT WORK AND ECONOMIC GROWTH:

Microenterprise loans boost entrepreneurship and employment in the country, a key driver for economic growth.

## DECENT WORK AND ECONOMIC GROWTH8

### SDG 3 GOOD HEALTH AND WELL-BEING:

Financial services facilitate smooth spending and coping mechanisms.

## GOOD HEALTH AND WELL-BEING

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### SDG 10 REDUCED INEQUALITY:

Access to digital finance can be a powerful tool for inclusive growth by giving low-income households new tools to increase their incomes and improve financial resilience.

## REDUCED INEQUALITY10

### SDG 9 INDUSTRY, INNOVATION, AND INFRASTRUCTURE:

Access to digital financial services, enable small businesses grow and innovate through market linkages, thus bringing more people into the digital economy.

## INDUSTRY, INNOVATION,

AND INFRASTRUCTURE9BRAC's vision is a world free from all forms of exploitation and discrimination, where everyone has the opportunity to realise their potential.

Founded in Bangladesh in 1972, BRAC acts as a catalyst, creating opportunities for people to transform their lives. BRAC uses an integrated model to change systems of inequity, through social development programmes, humanitarian response, social enterprises, socially responsible investments and a university.

The organisation has an annual expenditure of more than USD 1.1 billion, with the majority self-financed from its enterprises, and operates in conflict-prone and post-disaster settings in 11 countries across Asia and Africa.

## ABOUT BRAC

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Creating access to financial services has been central to BRAC's holistic approach to development.

Our microfinance activities complement our other social development interventions by offering a powerful combination of services for people to build stable, healthy and empowered livelihoods.

We recognise the heterogeneity among people living in poverty and develop customised financial products that caters to various demographics in Bangladesh. Beyond tailored loans, we also provide short and long-term savings, insurance and access to mobile money services.

We promote responsible financial behaviour among our clients and have instituted a range of client protection measures that distinguish us for our commitment towards client-centric service delivery. We integrate technology to improve operational efficiency and offer higher value to our clients. This includes incorporating digital financial services and digitising core field operations and processes.

Over the last four decades, BRAC Microfinance has grown to become one of the world's largest providers of financial services, operating in seven countries across Asia and Africa.

## BRAC MICROFINANCE

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## PRODUCTS AND SERVICES

### CREDIT

### MICRO

### INSURANCE

### DIGITAL

### FINANCIAL

### SERVICES

### SAVINGS

### Loans for Women

Small Enterprise

Loans

Monthly Profit

Scheme

Deposit Premium

SchemeAgriculture Loans

Jobholder Loans

Loans for Migrant

Households

Borrowers are

able to secure

their loans in

case of death of

a family member

and receive an

additional case

benefit against a

fixed premium.

All clients are able to

save with the bKash-

enabled deposit

premium scheme and

earn higher returns.

BRAC also provides

customer assistance

with opening and

using bKash accounts.

General Savings

Special SavingsInnovative, client-centric and responsibly delivered, our credit products are tailored to meet the unique needs of different demographics.

Loans for women

Since the very beginning, we have primarily focused on equipping women with access to financial services to increase their opportunities for economic empowerment.

Our loans are collateral-free and given exclusively to individual women through a group setting, known in BRAC as village organisations (VOs). A village organisation is a women-led platform with 15-25 women, for clients to come together to deposit their instalments and savings, share information and improve financial awareness.

Borrowers utilise loans to buy productive assets, invest in business or property, enable smooth consumption, and manage shocks. Where there is demand, BRAC further supports these activities with its network of social enterprises. This approach strengthens supply chains of the clients' enterprises and give clients access to quality inputs, proper training, and marketing support, while also reducing vulnerability to market shocks.

CREDIT PRODUCTS

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Small enterprise loans

Small enterprise loans are offered to entrepreneurs to invest in existing small enterprises, which are too small to qualify for credit from mainstream banks. The loans provide flexibility for entrepreneurs seeking to expand their businesses. This supports employment generation and helps drive local economies and inclusive growth.

PAGE 6Jobholder loans

Jobholder loans are specifically designed for low to moderate salaried workers of Bangladesh who often face difficulties availing finance from mainstream banks. These loans provide access to flexibility and convenience for jobholders to take loans without any collateral or previous credit profile.

PAGE 7

Agriculture loans

Our financial services are specifically designed for different farming groups to provide them greater returns from their harvest.

- Borgachashi Unayyon Project (BCUP)

BCUP is a project aimed towards facilitating access to finance for small-holder tenant farmers who do not own farming lands. Our loans enable farmers to invest for higher crop yields, adapt to new agricultural technologies, and invest in household labour supply. Along with the loans, BCUP clients are also provided with market linkage services.

- North-west Crop Diversification Project (NCDP)

Second Crop Diversification Project (SCDP)

NCDP and SCDP projects promote yield of high-value crops such as fruits, vegetables, spices, condiments, and flowers. Our loans foster the production of nutritional food and non-traditional crops, and enable farmers to gain higher financial returns.

PAGE 8HASNA BEGUM

My husband used to manage our automobile repair shop which was our only source of income. I was shattered when he passed away. Managing our business became difficult, but giving up was not an option. I took my first loan in 2012 to cover the loss. I have come a long way since then. I never looked back.

PAGE 9Loans for migrant households

Loans for migrant households supports foreign employment opportunities and economic stability for the families of migrant workers. It also enables them to invest in business and improve the standard of living from the potential rise in income.

- Migration loans

Migration loans are provided to migrant workers seeking employment abroad, complemented with services from BRAC's migration programme such as pre-migration orientation and post-migration re-integration.

- Remittance loans

Offers flexibility to migrant households to make significant expenditures, while families wait to receive and save remittances sent from abroad by a family member.

PAGE 10SAFESAVE

SafeSave was founded in 1996 by Stuart Rutherford, a British researcher and consultant specialising in financial services for those living in poverty in Southeast Asia. BRAC took over SafeSave in 2013. SafeSave is a customised financial service for people living in the urban slums of Dhaka, Bangladesh. It provides flexibility for people living in slums to deposit savings and loan instalments every day. Clients do not have any fixed term or repayment schedule. In the communities where SafeSave operates, anyone can be a member.

PAGE 11ZAHIRUL ISLAM

A very close friend died in a horrible accident while I was living in the Middle East. The news of his death broke me emotionally. I decided to return. When I started my autorickshaw business here, I initially faced a loss worth almost USD 23,000. But I did not give up. I am now running my business in six districts across Bangladesh, with 300 autorickshaws that created job opportunities for many others.

PAGE 12Families can invest, plan for the future, enjoy smooth spending and cope with shocks with access to savings facilities. We provide four types of savings schemes in Bangladesh.

General savings

Micro-savings accounts for clients enabling them to save any amount and receive interest securely.

Monthly profit scheme

Long-term savings accounts whereby clients deposit a fixed amount upfront and receive monthly interest until the end of the agreement, along with the principal amount.

Deposit premium scheme (DPS)

Long-term savings accounts for clients to make monthly fixed deposits each month for a high return at the end of the agreement. This can be paid either in cash or via mobile money.

Special savings

The Special savings project was established to promote savings behaviour among clients and provide greater financial security in the future. Clients have the opportunity to avail five schemes: a regular DPS product, double savings scheme in 7 years, 1.5 times increase of savings in 4.5 years, a monthly profit basis savings scheme, and lastly, a fixed deposit.

SAVINGS PRODUCTS

PAGE 13Customer service assistants (CSAs)

Customer service assistants are the first point of contact for clients walking into a branch

office. CSAs provide orientation to clients before loan disbursements on our product and services, and one-to-one consultations to address client queries. Through CSAs, we aim to promote financial literacy, awareness of clients' rights and responsible financial planning and decision-making. CSAs also assist clients in opening bKash accounts, BRAC Bank's mobile money subsidiary.

## OUR SERVICES

### PAGE 14Microinsurance

In the event of a death, low-income households often resort to selling assets, and cut back on essential expenses such as their children's education. Families also resort to borrowing money to cover debts and funeral costs. Insurance enables households to safeguard their finances and cope with immediate financial shocks in the event of a death of an earning family member. Our microinsurance product, Credit Shield Insurance, is mandatory for 'exclusive loans for women category, and complimentary service for other borrowers. Availing this service at the time of taking the loan would protect the insurer and any family member in the case of death

or disability, with an additional cash benefit to cover funeral costs, against a fixed premium.

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### SHEULY AKHTAR

My parents used to keep all our money with our neighbours for safekeeping. When they were desperate, they borrowed from a mohajon (money lender) – even though they knew they might be tricked. They had no other option. I do not have to rely on people like my parents did. I have an account and I know my savings are safe. We are constantly trying to serve our clients' needs by introducing new products and operational processes by investing in technology.

### Seasonal loans

The six changing seasons of Bangladesh allow farmers to harvest different crops for each season. Seasonal loans provide farmers with a convenient repayment scheme, allowing them the flexibility to invest and start paying their instalments with the provision of a two-month grace period. The pilot is on-going in 17 rural branch offices. Additionally, we are also providing seasonal loans in char (riverine island) areas in collaboration with Swisscontact.

## NEW PRODUCT DEVELOPMENT

### PAGE 17Sanitation loans

We are collaborating with BRAC WaSH programme to provide finance to entrepreneurs to invest, and families looking to improve sanitation standards in their homes. The loan is divided into four categories: 1. Development of new/modern latrines 2. Loans for placing safe drinking water tubewells 3. Placing/setting new water pumps and water tanks 4. Entrepreneurs working with sanitation and water-treatment plants.

### PAGE 18Financial services for ready-made garments workers

The ready-made garment (RMG) sector in Bangladesh consists of over four million workers - 64% of whom are women. BRAC's microfinance programme has undertaken two initiatives to provide financial services to RMG workers.

#### - Empowering the readymade garment (ERMG) project

In collaboration with BRAC's urban development programme, we are providing financial services to RMG workers living in urban areas. The ERMG project partnered with 29 RMG factories to offer holistic services to the RMG workers through 3 one-stop service centres. The centres are located in close vicinity to RMG factories in Tongi, Savar, and Gazipur. We are offering long-term savings through deposit premium schemes (DPS) for all clients.

#### - Client interaction point (CIP)

We have established six client interaction points (CIP) in four RMG factory zones: Gazipur, Savar, Narayanganj, and Dhaka in Bangladesh. CIP works as a one-stop service point for both male and female workers to access financial services, reducing the inconvenience of depositing instalments during working hours or travelling to branch offices to take loans. Through CIPs, clients can avail loans, deposit instalments and savings via cash or bKash and also take assistance to open a bKash account.

### PAGE 19PAGE 20

### Medical treatment loans

Low-income households face economic distress during times of unforeseen health crises. We are collaborating with James P Grant School of Public Health and Heidelberg University to pilot

medical treatment loans (MTL) to support families to cover medical expenditures. MTL is aimed towards clients, who can avail loans upon providing a prescription from a doctor of their own choice with an MBBS degree. Instalments vary from 12 to 24 months, depending on previous loan repayment records.

#### Partnership with Shop Up

BRAC microfinance, in collaboration with Shop Up, an e-commerce platform, is working together to deliver innovative financial services to entrepreneurs across Bangladesh. The partnership is piloting a loan product which uses AI crediting rating system, for small-scale

Facebook-based entrepreneurs in Bangladesh. This innovative partnership is one of its kind in the microfinance sector and BRAC's first product in e-commerce.

#### PAGE 21

GEETA RANI DAS  
I was initially intimidated by the technology. It just felt hard. Practice, however, has made bKash my friend. I do not have to make the long commute to the branch to pay my loan instalments. It saves a lot of time and there is no risk of theft. Do I ever forget my PIN? No chance. I can recall it in a heartbeat.

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We are focusing on digitising delivery channels and incorporating technology in core field operations. We aim to offer greater value for clients through mobile money services, cashless branches, digital devices for instalment collection and insurance claim settlements.

#### Digital financial services

Digital financial services (DFS) is defined as a broad range of financial services accessed and delivered through digital channels. We began DFS in 2012, allowing clients the provision to send their DPS instalments via bKash, BRAC Bank's mobile money platform. We also operate seven mobile based microfinance branch offices in Southeast Bangladesh to eliminate the difficulties of long distance travel for clients living in the remote, riverine islands (char), wetlands (haor), and hard-to-reach areas.

#### DIGITAL TRANSFORMATION

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#### SMS pilot

We began the "SMS Pilot" project to make the financial transaction experience more accessible and secure for our clients. The system allows clients to receive real-time updates of instalments and savings through SMS after every transaction without having to use the passbook.

#### Digital field application

We have completely digitised the process of instalment collection by traditional 'passbook' with an application that enables field staff to instantly record client payment information and view transaction histories via handheld Android devices. Piloted in 2014, the system was officially scaled nationwide in 2017.

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#### Digital claim process

We are piloting a digital claiming processing system for our credit shield insurance product in Bangladesh. Previously, it would take three days on average to settle a claim, while being dependent on couriers to deliver claim documents, and tracking submitted claims from all parts of the country. The new time and cost-efficient digital model will ensure quicker settlements for clients, enabling households to safeguard their finances in the event of a death or disability of an earning family member.

#### SMART CERTIFICATION

BRAC is the first organisation in Bangladesh, and the largest in the world, to be recognised with Smart Certification for upholding universal standards for client protection as determined by the Smart Campaign.

#### 7 principles of Smart Certification

- Appropriate product design and delivery
- Prevention of over-indebtedness
- Transparency
- Responsible pricing
- Fair and respectful treatment of clients

- Privacy of client data
- Mechanisms for complaint resolution

BRAC INTERNATIONAL  
MICROFINANCE

Design: Asiatic Marketing Communications Limited/2020

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