

ANNUAL REPORT

2016-17

BURO Bangladesh

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Statement from the Chairperson

I still recall how exciting & delightful it was when I had been offered the position of Chairperson for BURO Bangladesh a few years ago and it has been a very fulfilling journey since. During my years of work with NGO MFIs, notably with BRAC, I had always kept a keen outlook on BURO Bangladesh's gradual but steady progress towards their goals & achievements. To be offered the role of Chairperson of BURO hence had a special value to me personally and I feel deeply privileged & honored by being part of BURO.

BURO has clearly come of age and established itself as a formidable Micro Finance Institution in the industry recognized for its model for social & economic emancipation of the poor. Both the government and other development partners/NGOs recognize BURO's undeniable presence as a key contributor to policy formulations & actionable decisions on a macroscopic & economic level.

BURO's journey is quite the inspiring tale with a humble beginning from a room in Tangail to a multi-storied office today at the heart of the capital, endowed by its very well established organizational & digital network. The undeniable commitment, devotion & dedication of the Governing Body, Management, Board of Directors, the staff & the concerned stakeholders must be accredited for this journey to have come to such pinnacle of success.

BURO has never shied away from challenges and taking difficult decisions for the sake of propagation & prosperity of the organization - most of which have eventually translated into industry precedents that others in the industry have followed in order to remain relevant.

It is also a must to acknowledge the able leadership that has been steering BURO forward for years with the distinct ability to not only understand and manage external stakeholders & situations but also with special care taken regarding the intra-organizational culture & mindset. With such a massive body of staff, it is only natural that differences in opinions do exist but with such leadership acumen such differences have always been amalgamated and combined to propagate towards fulfilling the organization's mission.

The well-balanced infrastructure created with an ensemble of Centre and Branches are kernel to the sustainable structure of BURO. The constant changes in programs and regular follow ups across the root levels supplement the sustainability of the infrastructure. The aim always remains to keep the entire body of staff focused and dedicated towards achieving the common goal of the organization.

On an ending note, I would like to express my sincere gratitude to the untiring efforts & support that our stakeholders furnish towards us relentlessly.

My best wishes and whole hearted cooperation remain for BURO for the days to come & miles to go.

Sukhendra Kumar Sarkar
Chairperson, Governing Body

Message

Message from the Executive Director



It gives me an immense sense of pride, privilege & fulfillment to have been entrusted with the responsibilities of Chief Executive Officer for BURO Bangladesh for the better part of nearly three decades, since 1990. This journey is a clear evidence of the confidence & trust that has been bestowed on me from the stakeholders & staff across the network all over the country. It is with quite irrevocable courage that I can claim today that the dream of establishing a Micro Finance Institution operating at a national level is not only possible, but that too is possible within quite a short span of time, should one have the right goals & partners to realize the dream.

BURO's presents is nothing but the manifestation of the unaltering trust, confidence, commitment, devotion & hard work that the staff across the network have put in everyday relentlessly to challenge poverty & unacceptable living condition of the poor in the rural & remote areas. BURO gives me a second reason to feel elated seeing the organization work tirelessly towards poverty alleviation & making sustainable improvements to lives irrespective of the challenges & obstacles that may arise.

BURO is not only an organization but also a thought & idea that engulfs my dreams & aspirations to take it forward from one height to another. The interactions with fellow colleagues & staff working at various levels of the network has led me to believe that it is not a sole dream – but rather a shared one. It is this dream that keeps us up at night & pushes us to bring our best to work – everyday.

The nature of our industry & work dictates that our mission statements remain international and relatable for our foreign friends & partners while holding real value for our local partners. Being an extremely dynamic industry with technology brings in big changes in the simplest of manners, right partnerships & support from our government, stakeholders & management. This leads us to unimaginable heights with sustainable changes in the lives of the poor & underprivileged in further effective & efficient manners.

To wrap it up, I assure you that my commitment & dedication to stand by my colleagues & staff at BURO shall remain unwithered as it has been throughout. I look forward to engaging with the stakeholders & staff on further detailed levels to work together and drive BURO forward in the best possible manner.

I thank all management, colleagues, staff & stakeholders for their constant support, dedication and trust on me.

Together, we go forward.

A handwritten signature in black ink, appearing to read "Zakir Hossain".

Zakir Hossain
Executive Director

Message



Glimpses of BURO

Institution

The phenomenal horizontal and vertical growth of BURO Bangladesh is the result of the irreversible propagation set in motion with high spirits & relentless dedication put into setting up BURO as a new entrant in the microfinance industry, back in 1990. Today, BURO is recognized as an undeniable & inseparable part of the micro-finance industry. BURO values its well experienced and skill human resources who are kernel in promoting the sustainability of the organization.

BURO's sustainability comes by tapping into the mix of perception, knowledge and experience that the diverse human resources brings from across the country network keeping uniform technology as the central lever of the organization considering women as its prime customers among the target low-income segment.

Two key services that BURO has introduced piggybacking on the technological advancements recognizing their needs across the target segment spectrum are:

1. the needs of the economy to bring remittance to the people across the country in a cheap, efficient & easily accessible manner through well distributed footprint set up with its network of branches.
2. the need for agricultural loan at the rural areas to supplement the vertical movement of the customers to graduate to higher socio-economic strata. This loan product is popularly known as SME loan.

BURO promotes horizontal and vertical financial inclusion since its inception and continues to do the same with new financial technology maintaining balance of power between growth and inclusiveness – aligned with the strategic maneuver of the social policies built into the economic policies. The service delivery provision of the organization continues to maintain a certain degree of non-financial service scope as well.

The ongoing social technologies are business development services (BDS), food security, human resource development, disaster management, operation research, technical assistance to NGO-MFIs, and rural water supply. The growth of BURO imbibed in its service delivery bandwidth unequivocally surfaces the organization as an undeniable Structural Social Capital.

The space is created to diversify the participation of the clients in the activities of the organization. The original vision, fervor and spirit of BURO are retained without making any compromise with new financial and social technologies.

The mixture of experience, perception and knowledge integrated with technology has resulted into financial and social products, in addition, to an insurance scheme for BURO customers.

Our Identity

Charisma, uniqueness and magnetism are embedded into BURO's modus operandi. It shuns maintaining dogmatic understanding about microfinance and its clients. BURO has instead moved steadily, banking on its own previous experiences. The organization capitalizes its experiences with new developments in the markets of the financial and economic relations. This brings dimensional changes among the bases of the organization.

Customers

Four categories of customers based on certain specific criteria drive BURO.

Very Poor/Extreme Poor

- owning less than 10 decimals of land
- annual income equal to or less than BDT 20,000
- having assets less than BDT 30,000
- age limit between 18-55 years

Moderate Poor

- owning less than 0.50 acres of land
- annual income equal to or less than BDT 60,000
- having assets less than BDT 200,000
- age limit between 18-55 years

Micro Entrepreneurs, Small & Marginal Farmers

- owning more than 0.50 acres of land
- annual income equal to or less than BDT 200,000
- having assets less than BDT 1,000,000
- age limit between 18-55 years



Professionals of Insufficient Income

- The teachers and staffs of school, the officers and staffs of different institutions. They take initiatives on their own and become entrepreneurs in their own localities.
- Those who have previous experiences benefiting through borrowing and investing capital in businesses.
- Those who create wage labor employment for others.

Legal Status

BURO Bangladesh is registered with:

- The Department of Social Welfare, No. TA. 0489 dated 9 April 1991.
- NGO Affairs Bureau No. 610 dated 19 March 1992.
- The Registrar of Joint Stock Companies & Firms, Bangladesh No. S-7026(214)/07 dated 6 September 2007.
- Licensed from Micro Credit Regulatory Authority (MRA) No.00004-00394-00288 dated 25 June 2008.
- Tax Identification Number (e-TIN): 424374711931.

Linkages

BURO Bangladesh has established linkages with:

- The Federation of NGOs in Bangladesh (FNB), Bangladesh.
- Credit and Development Forum (CDF), Bangladesh.
- Network for Information, Response and Preparedness Activities on Disaster (NIRAPAD), Bangladesh.
- International Network of Alternative Financial Institutions

(INAFI), Bangladesh.

- Microfinance Network, Mexico.
- Campaign for Popular Education (CAMPE), Bangladesh.
- Banking with the Poor (BWTP).

Access to Information

BURO furnishes information to important national and international agencies:

- Microcredit Regulatory Authority (MRA), Government of Bangladesh.
- Credit and Development Forum (CDF) for publication of Microfinance Statistics.
- Microfinance Information eXchange (MIX), Washington D.C.
- Bangladesh Economic Review, Ministry of Finance and Planning, Government of Bangladesh.
- National and international organizations for disseminating Annual Report.

Information dissemination is the most fundamental to reduce information asymmetry in flourishing microfinance initiatives. BURO's exposure to external environment carries the most powerful weapon designated as the creative wisdom of the organization. This is the combination of expanded wisdom of the individuals within the organization and the constituents of its base.

The constant sharing of experiences about the social, political and economic relations in their own surroundings adds significant value to BURO from information symmetry perspective. BURO develops information symmetry through filtering the experiences of the constituents of the base in the internal and external environment.

This is intended to enhance information dissemination on BURO endeavors as Social Capital in microfinance. This step is taken in accordance with Right to Information Act, 2009.

Highlights

Professional Attainment

- Best Published Reports and Accounts 2015. Certificate of Merit by the Institute of Chartered Accountants of Bangladesh (ICAB).
- CERISE SPI tool underlines the social performance of BURO as unique score compared to international benchmarks set for Asian MFIs. The SPI score of BURO is 70 out of 100.
- SPI is a social audit tool gives scores based on the performance of an organisation on 4 dimensions:
 - targeting the poor and excluded
 - adaptation of services
 - benefits to clients
 - social responsibility.
- Credit rating grade AA2 (double A) in the long run and ST-2 in the short run.
- Bangladesh Bank selects BURO as 'The Entrepreneurship Development Organization' under "The Refinance Scheme for New Entrepreneurs' Refinance Scheme for Cottage, Micro and Small Enterprise Sector".

Legal and Compliance

- The Income Tax assessment of BURO completed for the assessment year 2016-2017.
- Paid off BDT 55.25 million as overall taxes in the National Exchequer.
- Microfinance in compliance with the rules of MRA operational.
- Maintain 15% of customers' total savings fund constituting fixed deposit (10%) and liquid (5%) in accordance with the rules of MRA.
- Maintain accumulated surplus reserve fund (10%) in conformity with the rules of MRA.
- BURO follows guidelines of Bangladesh Bank on Agriculture and SME loan.

Product and Services

- Development of networking among women entrepreneurs through linking SMEs.
- Financial Inclusiveness promoting natural fiber-based products from agricultural wastages.
- Mobile Banking piloted and still continuing with its strengthened institutional capacity.
- Agent Banking of Bank Asia Limited in process.
- Business and Financial Literacy introduced for the clients.
- Safe and Secure Water outstanding success of the organization.
- Agriculture loan for small and marginal farmers in operation at large scale since 13 years ago.
- Microfinance for SME in operational.
- MRA approves the contractual savings for the customers in operation.
- Business and Financial Literacy introduced for the clients.

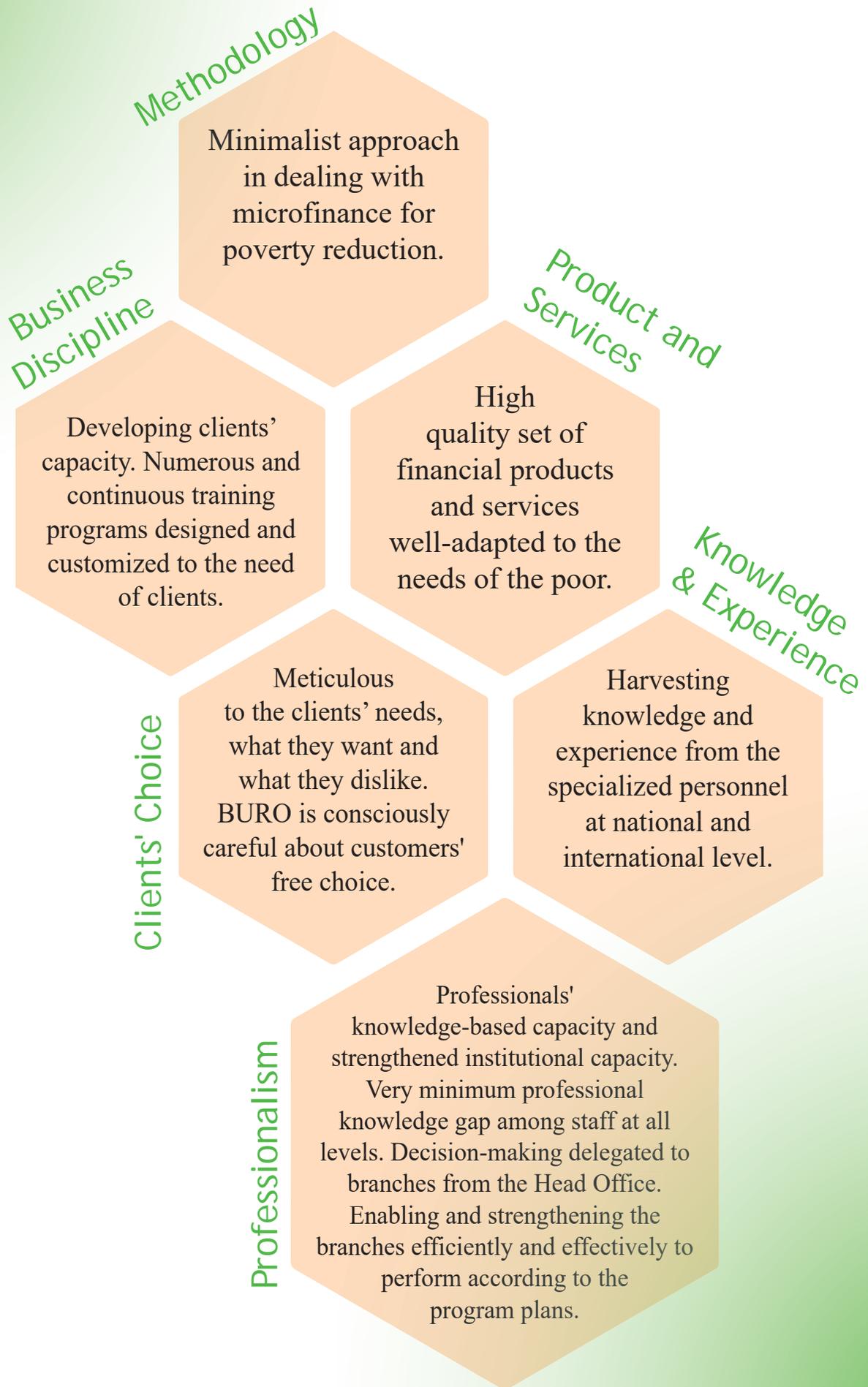
Policy Implementation

- New Comprehensive 'Rules of Business for Micro Financial Services' in operation banking previous experiences of BURO and guidelines given by MRA.
- Service Rules for the staff prepared afresh.
- A rigorous internal control system in place.
- Supply chain of foreign remittance to rural areas strengthened.
- Agent Banking expected to cover other banks also.

Operational Performance

- 133,923 entrepreneurial clients are trained on business and financial literacy.
- Attained 147% and 141% operational self-sufficiency and financial self-sufficiency respectively.
- Net Surplus (Operational Profit) BDT 2,325 million.
- Capital Adequacy Ratio 23.34%.
- Borrowing from Bank BDT 18.52 billion.
- 29% of total revolving loan fund constituting customers' savings.
- 98.63% on-time recovery rate (OTR).
- 2.38% for portfolio at risk (>30 days) and 97.35% without any payments in arrears.
- 9.39% operational expense ratio.
- 6.14% capital/financial expenses ratio.
- BDT 0.05 as cost per unit of money lent.
- Per Loan Officer dealing with BDT 10.12 million.

Our Successes



Customers' Savings Mobilization

BURO considers savings as the most vital instrument in promoting a country's national economic growth. However, savings should not be the mandatory condition to access loan from any source. Because the propensity of savings at an individual, family or even country level becomes oppressive for the poor both at an individual and household level considering existing competitive market context.

Simple motivations do not help fight such situations. Rather exploring the possibility of engaging the capabilities & functional knowledge of the poor and disadvantaged are key for generating savings at an individual and household level. It is also important to develop reliance on the capability of the poor and disadvantaged which would allow them the freedom that they need to function & deliver results.

Freedom is an integral aspect for developing the ability to do something. Freedom provides the poor and disadvantaged with a sense of recognition. They suffer from frustration as they always feel neglected and this sense of recognition often proves to be an asset to them. Recognizing freedom of the poor and disadvantaged obviously increases their self-esteem leading to increase their moral obligation towards their family, community and society.

The combined increase in self-esteem and moral obligation in an individual creates a tremendous driving force. Though intangible, but this drive is powerful to increase their propensity towards saving more and developing the capacity to investment more.

The three basic criteria considered are customer's taste of, confidence in and principle to savings. Depositing savings ensuring the maximum utility of the savings is what develops the linear relationship of customers with BURO. BURO gives total freedom to its customers for saving deposits and saving withdrawals instead of attaching criterions on deposits for providing access to loans from any other sources.

Right Choice

The genesis of savings mobilization is the transformation of microfinance institutions towards commercialization based on certain basic principles. Commercialization of

microfinance institutions is the organized behavior through regulated financial institutions which have the access to commercial financial markets in the true sense.

The organized behavior of the microfinance institutions to mobilize savings will create specialization. The transformation, because of comparative advantages, is not intended for the vast majority of nongovernmental organizations.

Recognition to the savings of the poor

The recognition towards savings of the poor is an established fact in many of the developed and developing countries including Bangladesh. It acts as the backward linkage to the "right choice" of microfinance institutions to enter into commercialization. But the supply provision (MFIs) need to design, produce and supply the (financial) products based on the demands of the poor.

Savings is "one side" of the overall cash inflow and outflow. It is recognized in overall microfinance activities as an integral entity for enhancing economic emancipation of the poor. It is a highly recognized contributing factor for the economic growth of the country.

Trust and Confidence

The customers must develop & feel a sense of trust towards the MFIs. The trust and confidence are imbibed in several undeniable factors:

- security
- location choice (convenient without many obstructions/ obstacles to reach)
- liquidity (protection against collapse due to large scale withdrawal)
- diversification of products (wide choices addressing specific needs)
- pleasant service (friendly & easy to understand)
- returns and potential access to loans

These factors are believed to establish basic prerequisites to drive the gathering and intermediating of savings.



Location Choice and Opening Hours

Savings, though in general terms may appear to be secure and conveniently accessible but they are actually quite risky. Savers aren't generally willing to accept transaction costs which may be substantial in amount. Location choice (reducing transaction costs) and opening hours are key factors effecting fundamental choices in the customer's mind while considering the savings products and services to commit towards.

Accountability and Qualifications

The board members, donors, managers and staff are educated about the expectations of the customers at the time of opening saving facilities. The value addition will emanate from considering whether collection and intermediation of savings are proving to be the right choice for the customers.

The well-trained and articulated staff are essential to attract potential savers and retain existing savers. The relationship between the institution and the savers plays a very important role to create trust and confidence of the savers on the institution. Here lies the importance of regulated MFIs.

Enabling Macroeconomic Environment

The precondition for successful operation of a financial intermediary with large number of low income clients is the enabling macroeconomic environment. This constitutes political stability and encompasses policy and regulatory environment that are needed.

Applying High Standards

Appropriate supervision does not mean relaxing standards rather applying standards in such ways that are relevant for MFIs. Three factors are necessary for appropriate supervision:

- strong institutional performance and an excellent reputation with high quality governance.
- demonstrated track record of high level performance and transparency.
- corporate culture that is open to new ideas, new products and new methods.

These three factors constitute the basis of successful transformation of an MFI into commercialization. The "Payable on Demand" ideology - practiced by BURO Bangladesh is the outcome of applying high standards of operation, while conducting microfinancing activities.

Mobilizing Savings Profitably

Financial Intermediation with large number of savers with different kinds of products becomes labor intensive and costly. MFIs should not be skewed to collect savings only from the poor because of staggering withdrawals, otherwise will face liquidity crises. Mobilizing savings from the general customers provides an important edge, withdrawals can be clustered around certain times.

Savings - a Liability

MFIs offer well designed and effectively delivered voluntary savings products and services to the customers & thus may quickly find itself with large number of new savers. Savings is also to be considered as a liability, not just as a source of funds.

'Open Withdrawal' Savings

Savings, eventually keep the poor and disadvantaged independent of microfinance institutions. MFIs shall innovate savings services based on the needs of the customers. The successful commercialization seeks to introduce 'open withdrawal' savings services by the NGO-MFIs.

The open withdrawal enables the customers to challenge any surprising shocks in their lives. Success of the different kinds of savings products developed by the NGO - MFIs are reflected by the responses received to such products from the customers in terms of acceptability and recognition.

More on Savings Mobilization

Voluntary deposits as a source of commercial finance for microcredit institutions generates lots of interest and debate, of late. Locally mobilized voluntary savings is potentially the largest and the most immediately available source of finance for some microcredit institutions. The question is when and how a microcredit institution should mobilize voluntary savings from the public.

The Time

Three conditions dominate the issue of when a microcredit institution should start mobilizing voluntary savings. These are: enabling macro-economy, appropriate legal and regulatory environment, reasonable level of political stability and suitable demographic conditions. The protection of clients, especially depositors and financial institutions mobilizing voluntary savings should come under governmental supervision.

The government may modify its banking supervision methodology to ensure that the supervisory body is also able to monitor these institutions effectively. It is important because low-income people who have entrusted their savings with small unsupervised financial institutions have in many instances lost their lifetime savings.

If an MFI is ready, but the country is not...

There are circumstances that qualify microcredit institutions to start mobilizing voluntary savings. MFIs should concentrate on bringing these issues to graft with the lessons of international experience in micro-finance to the attention of the regulatory authorities.

There should be two messages: **1.** introducing regulations regarding interest rates, capital requirements, salary levels and other factors enabling micro-finance institutions (MFIs) to provide financial services profitably; **2.** unqualified institutions shall neither be permitted nor allowed to mobilize savings.

Means of Mobilizing Savings

Bangladesh has enabling macro-economic, regulatory and political characteristics. There is a sufficient density of population to allow for profitable financial intermediation. Organizations can either be a financially viable microcredit institution with well-performing loan portfolio or commercial banks that have decided to enter the micro-finance market. Such institutions should carefully consider the issues raised below.

Adding voluntary savings to a microcredit program will fundamentally change the program.

The introduction of voluntary savings services shall imply that addition of many new customers would mean increasing staff, management systems, offices, communications, staff training, security and changes in other operational aspects for the MFI. The criteria for staff evaluation and promotion, requirements for cash management and security systems for accounting, reporting and supervision system would also require changes.

Interest rates on loans may also have to be changed ensuring that the spread between interest rates for loans and deposits is sufficient to cover all costs and to return in profit.



Compulsory savings and voluntary savings are incompatible

The requirement of compulsory savings mobilization of voluntary savings reflects two very different philosophies. The former assumes that the poor must be taught to save and that they need to learn financial discipline. The latter assumes that the working poor already save.

There are two lessons here: (1) savings and loans should be kept separate, (2) the institution should not try to teach its clients how to save. The MFI should concentrate on teaching its staff how to provide the instruments and services that will capture these savings.

Products should be designed and priced together

An institution aiming to be completely self-sufficient, must adjust interest rates. A savings instrument that features easy and quick access (liquidity) and is in high demand can be labor-intensive to manage. It is, therefore, costly to an MFI. Labor and other non-financial costs must be considered when setting interest rates on deposits.

The limits on loan sizes will have to be increased when deposit services are added. An institution using deposits for lending has to meet the demand of both borrowers and savers. Borrowers are forced out by the institution's loan limits. MFIs shall help long-term borrowers to obtain larger loans and recommend them to other banks when they qualify.

Deposit instruments should be appropriate for local demand

The common denominator is that their savings services meet specific local demands for security, convenience of location and a choice of instruments with different mix of liquidity and returns. These help the institutions to learn about the local markets that they serve. Deposit instruments are then designed specifically to meet different types of local demand.

There is a substantial need to develop human resources

Staff at microcredit institutions often need to change their perception about their clients. The genuine understanding should be that they are working to help the poor save. Training on 'good practices' of lending operations should encompass staff training about local demand for savings services, locating potential clients and designing attractive products.

New marketing strategies will have to be developed

The customers must trust the MFI in savings mobilization. The institution must first arrange to provide its savers with quality savings services - and then publicize its instruments and services in locally appropriate ways.

Careful attention must be paid to sequencing

The following steps are relevant to many microcredit institutions that are planning to introduce voluntary savings.

- Enhancing the knowledge of the managers with regard to voluntary savings mobilization.
- Carrying out market research and train staff selected for the pilot phase.
- Conducting and evaluating a pilot project.
- After successful expansion, the emphasis should switch from the logistics of expansion to the techniques of market penetration.





What We Stand For

Vision

A happy, prosperous and pluralistic democratic society that meets the basic needs of the people in Bangladesh.

Mission

An independent, sustainable, cost-effective microfinance institution that provides diverse, appropriate and market responsive, quality financial and business development services at competitive prices.

Strategic Priorities

BURO maintains continuous strategic thinking with the participation of the organizational leadership to ensure the smooth functioning of the organization. Nonetheless it has decidedly identified certain strategic priorities which are the guiding principles of the organization.

- Promote product diversification.
- Pursue use of commercial capital.
- Facilitate foreign remittance flow to the rural and urban areas.
- Facilitate the nation-state and market to create favorable

investment climate for the microfinance clients.

- Continuously refresh market segments in consonance with the market of economical relations of the country.
- Include new innovations in the financial and social services at regular intervals as the mainstream programs of programmatic restructuring within the organization.
- Exercise increasing presence with the concerned authorities of the government agencies and microfinance sector.
- Adapt strategies for vibrant supply chain of BURO with the emerging demands.

Market Positioning

- Identify the major attributes that the customers value most in the financial products.
- Review different attributes in terms of product quality, prices, availability & service delivery.
- Continuously assess BURO Bangladesh and its competitors' offering for positioning in the market.
- Develop linkage with NGO-MFIs across the boundaries of the nation-state for future effective collaboration within the greater realm of microfinance industry.
- Exercise commendable presence in the domestic and international financial and social forums.

The strategic priorities and market positioning are not dogmatic rather adaptations made in consonance with the market demand - depending on time, place and condition. Furthermore the strategic thinking of the leadership emphasizes on reciprocity and synergy between strategic priorities and market positioning.

Our Values

Listening to Customers

- BURO spinning on its client's base.
- Respect the service recipients as valued clients.
- The program pivots on clients' choice.
- Demand creation by the clients themselves.
- Clients' voice about the quality and adaptations of BURO financial services.
- Change rules and regulations based on customers' liking and disliking.

Customers Empowerment

- Access to flexible and quality financial services for the clients.
- Enhancing money management capacity through savings, loan and business expansion services.
- Emphasizes on the increase in financial assets of the clients.
- Protect the dignity, honor and self-esteem of the customers.

Right to Access Information

- Reduce information asymmetries for the clients on business and liquid through knowledge management.
- Ensure every right of the clients to verify the passbooks with branch level transactions.
- Regular information dissemination to the clients about the use of their savings by BURO.
- Ensure clients' voice in the use of their savings by the organization.
- Promote clients' participation in the activities of the organization.
- Strictly maintain privacy of the clients of the organization.

Financial and Social Services as Universal Right

- BURO as the safe and secure place for the clients to keep savings.
- Clients mandated to withdraw savings whenever it is necessary.
- Organization mandated to maintain smooth supply provision of liquid as credit for the clients for investment.
- Develop intertwined relationship between the financial and social services.
- Create space for introducing new technology in the financial and social services.

Features of Quality Financial Services

- Provide services timely.
- Deliver prompt and quick services.
- Services meet the clients' aspirations and happiness.
- Services those the clients afford.
- Organize financial counseling for clients.

Financial Prudence

- Cost recovery principle for services delivery to clients.
- Capacity to mobilize funds from commercial sources or market.
- Capacity for financial management, audit and financial control.
- Friendly investment climate with the help of the stakeholders.
- Financial Inclusiveness as the most dominant factor to apply financial and social innovations.

Good Governance

- Strategic vision/mission: Long and short-term perspective about the demand of the clients, and BURO Bangladesh.
- Responsiveness: Serving the interests of all stakeholders.
- Transparency: A free flow of information between the organization and concerned stakeholders.
- Accountability: Decision-makers answerable to the stakeholders and the organization.
- Compliance: Strictly following the directives of Microcredit Regulatory Authority (MRA).
- Bureaucracy: BURO taking extremely less time for overall loan supply provision to the clients.
- Conflict Resolution: Head office regularly monitoring through digital technology to provide timely services obstructing chaos within the organization at any level.

Social and Development Commitment

- BURO social policies in-built in financial policies.
- BURO's endeavors incorporating social investment integrated with its mission.
- Pursue commercial objective to provide sustainable microfinance services.
- Potential entity in financial and economical markets to developing reciprocity between the two markets.
- Outreach in both social and financial services encompassing vertical and horizontal movement from low to high.

▶ 1990-1994		
Genesis	Central Bank Approach	Development Partners' Attention
Five "Model Branches of Sustainable Rural Financial Services"	Friendly financial norms for financial services	BURO sustainable model as international evaluation
▶ 1995-1999		
Continued Development Partners' Attention	Emerging Social Capital	International Recognition
Evaluation with new innovations; Strategic planning exercise; Operational research for new financial products	Interventions at pre, during and post disaster; Entry into commercial capital	UN General Assembly recognizes BURO; First microfinance international rating
▶ 2000-2004		
Formal Financial Market	Strengthened Social Capital	New Innovation
Relations with banks begin; Product development review; Corporate governance continuing	MIS and FIS internal control system review; Development Partners' end term review; Second and third microfinance international rating	First comprehensive business plan; Strategic planning exercise; Review of product costing; Microfinance model for the very poor
▶ 2005-2009		
Strengthened Access to Formal Financial Market	Strengthened Social Capital	New Innovation
Intense entry into commercial banks; non-banks and international agencies; Massive expansion of microfinance program	Char Livelihood Program for disaster preparedness and mitigation; Rural water supply program	Automation of branches; Microfinance in agriculture for small and marginal farmers; partnership with 'bank syndicated financing; Foreign remittance service for the rural people; First ever commercial bank syndicated financing in agriculture
▶ 2010-2015		
Strengthened Access to Formal Financial Market	Strengthened Social Capital	New Innovation
Massive expansion of SME program; Graduation of hardcore poor to mainstream microfinance Individual lending methodology Mobile banking Agent banking	Institutional capacity and participation within the overall realm of regulation Amending the existing rules matching those of MRA First ever social performance rating of microfinance Fourth and fifth microfinance rating	Automation of branches Training and capacity building services Business and financial literacy program Enhancing institutional capacity of the clients thru WaterCredit services Financial Inclusion linking commercial banks
▶ 2016-		
Strengthened Access to Formal Financial Market	Strengthened Social Capital	New Innovation
Inclusion of low income professional group into mainstream microfinance Continuation of Mobile banking and Agent banking	Revision of the existing Human Resource Management Manual with more staff in friendly manner Development of Training and capacity building service manual	Introduce scholarship for the students from poor households Promotion of Natural Fiber-based Products from Agriculture Wastages Small and marginal farmers assistance program with financial support by the Bangladesh and Japan Government

Recognitions

The healthy internal environment eventually brings productive outcome for the organization giving due recognition to the endeavors of BURO.

Tax Card

BURO has been awarded the First Highest Tax Payer in 'Others' sectors by National Board of Revenue for the Assessment Year 2016-2017 in accordance with the National Tax Card Policies 2010.



CGAP/The World Bank Financial Transparency Award

BURO has been awarded Merit Recognition in Financial Transparency Award 2005 and 2006 by the Consultative Group to Assist the Poor (CGAP)/ The World Bank.

SAFA Award for Best Published Reports and Accounts

The South Asian Federation of Accountants-SAFA awarded BURO the first position for the Best Presented Accounts in the category of NGO-MFI for the year 2005 as well as 2007.

In 2008, BURO was awarded joint winner along with BRAC, in 2009 was awarded first runner-up and in 2010, 2012 and 2013 was awarded with certificate of merit.

ICAB National Award for Best Published Reports and Accounts

The Institute of Chartered Accountants of Bangladesh (ICAB) awarded BURO for eleven years consecutively for the best published Reports & Accounts for 2005 (second), 2006 (first), 2007 (third), 2008 (second), 2009 (second), 2010 (third), 2011 (third), 2012 (third) and 2013, 2014 & 2015 (Certificate of Merit). This is a notable national recognition for financial transparency.

Credit Rating

BURO is awarded with credit rating grade AA2 (double A) in the long term and ST-2 in the short term.

Social Performance

The social performance of BURO based on CERISE SPI tool underlines a unique score for BURO as 70 out of 100. The social audit tool SPI is based on 4 dimensions: (1) targeting the poor & excluded, (2) adaptation of services, (3) benefits to clients, (4) social responsibility.

The Social Performance of BURO was conducted by MicroSave with the financial assistance from Michael & Susan Dell Foundation.

Training Provision and Entrepreneurship Development

Bangladesh Bank has selected BURO as 'The Training Providing/Entrepreneurship Development Organization' under "The Refinance Scheme for New Entrepreneurs' Refinance Scheme for Cottage, Micro and Small Enterprise Sector".



Microfinance Market

Economic and Financial Market

The increasing complexities in the political and economic relations influence the functioning of the microfinance institutions – giving rise to quite a complicated landscape. Similar behavioral patterns exist between financial and economical markets as well. The economical market demands innovations in the financial market to reverberate its dynamism for more access by the clients of MFIs.

The silent mechanism in the economical market creating a frightening environment have an adverse impact in the lives of the people in general. The new paradox in the growing crisis of economy, underscores the new dimensional approach in relation between the economic and financial markets. The market segmentation among the formal financial institutions (Banks) and semi-formal financial institutions (MFIs) are very likely in near future.

The market segmentation may become more hostile with some of the formal and semi-formal financial institutions being liquidated due to worldwide economic and political catastrophe. The other option is that the corruption and politicization may infiltrate among these institutions thereby threatening their very existence.

Given the importance of financial market in controlling the money circulation as well as the growth of the markets of entrepreneurs, controlled money circulation by the financial market is anticipated to contribute to the organized development and growth of businesses in the economy. The social capital and social business are and shall be inbuilt in the economic policies.

Bangladesh has a unique history in resurrecting its economical market from the effect of unprecedented devastation experienced during liberation war. The unprecedented condensed population brings the market of economic relations to depend on the formal financial institutions.

The space is created in both the economic and financial markets to fill in by the usurious capital primarily in the rural and urban areas. The nation-state in the beginning of 1980s made certain aggressive moves with the development of infrastructures facilitating the growth of the financial

market. The new participant popularly known as Microfinance Institution (MFI) is the nexus between the financial market and the poor as well as between the economical market and the poor.

Trend in the Microfinance Industry

There are certain basic parameters of microfinance which demonstrates an increasing binary trend of the industry: (1) more rigorous interventions are needed from the NGO-MFIs, (2) integration between the commercial sources of capital and microfinance service providers to benefit both the financial and economical markets.

MFIs Increased Access to Formal Financial Sector

The commercial banks are now increasingly wholesaling funds to the MFIs. In addition to both private and public sectors, commercial banks, some foreign banks and non-banks are financing microfinance programs. The banks are following a number of channels to supply capital that includes syndication, securitization, guarantee and direct lending.





Bangladesh Bank has adopted Agriculture and SME policies and programs to open the space for more intense and diverse participation of the MFIs within the territory of financial market. The policies adopted by Bangladesh Bank further paves the increased access of MFIs to economical market by bringing participation of both skilled and non-skilled human resources.

BURO understands positive corporate culture as the professional behavior that brightens the internal environment and its linkage with the external environment. The positive corporate culture will bring the growth of the increased space in length, breadth and width within the realm of the financial markets. This will have a push effect of the economical market to also expand its space in similar dimension.

Involvement of NGO-MFIs as Remittance Channels

The pragmatic policies adopted quite a few years ago by the government indicated its aggressive behavior to rejuvenate the participation of the people in the markets. The remittance supply, as new technological innovations are being introduced in microfinance, has been in operation for a long time.

To make the money transfer faster to the recipients, the branches of a few MFIs provide services to both

the recipients of remittances and the banks with the approval of the central bank. The constant flow of remittances to recipients through the NGO-MFIs is anticipated to develop integration between the people and the markets.

Islamic Microfinance on Horizon

The Islamic Development Bank (IDB), Jeddah, Saudi Arabia carried out feasibility study in Bangladesh to promote Islamic microfinance based on Sharia. Rural Development Scheme (RDS) of Islamic Bank Bangladesh Limited is implementing Islamic microfinance which underscores its high potential in the market of Bangladesh.

Update on Microfinance Regulation

The Microcredit Regulatory Authority Act 2006, passed in July 2006 has been effective from August 2006. The rules for the compliance of the NGO-MFIs are finalized by MRA. The rules are put into operation since January 2011. The banks and government departments carrying out microfinance programs are outside the range of the Microcredit Act. License is granted with a fee that varies according to the size of the NGO-MFIs.



Governance

Corporate Governance

BURO intended, since its inception, towards establishing a strong corporate governance structure and framework in the internal environment of the organization. The relations of BURO with the external environment are also reasonably important for a competent transparency and accountability of the organization; maintaining a broad based corporate governance culture within the organization. The eventual purpose of bringing corporate governance is to create homogeneous organizational culture in the internal and external environment of BURO.

Constitutional Aspects

The corporate governance of BURO begins with the guiding body of the organization that encompasses three tier systems. The benefit of the organization lies in unlocking, instead of locking the management system of the organization. The three tier system of corporate governance are designated as: 1. General Body, 2. Governing Body, and 3. Operational Board of Directors (OBD).

General Body

The General Body constitutes 18 members from different professional domains: business, banking, law, diplomat, academics, journalism, and social development. The General Body is the supreme authority of electing the Governing Body after every three-year. The members of the Governing Body remain responsible and accountable to the General Body of the organizations. All the decisions of the organization adopted shall be approved by the Annual General Meeting (AGM) at the end of each year.

Governing Body

The Governing Body of the organization consists of 07 members with different professional background. They work as the conduit between the Governance and Management of the organization. The decision making authority of the Organizational Management remains accountable to the Governing Body.

Chairperson

S K Sarkar

Former - Director BRAC and Treasurer BRAC University

Vice Chairperson

Dr. Md. Nurul Amin Khan

Former Principal-Government College and Eminent Poet & Educationist

Finance Secretary

Dr. M A Yousuf Khan

Former Managing Director & CEO of People's Leasing and Financial Services Limited

Member

Anwar Ul Alam

Former Secretary and Ambassador, Government of Bangladesh

Dr. Rowshan Ara Firoz

Super-numeric Professor, Department of Philosophy, University of Dhaka

Syed Shahadat Hossain

Deputy Managing Director, Phoenix Insurance Limited

Mirza Quamrun Naher

Development Activist

Ex-Officio Secretary

Zakir Hossain

Executive Director

The Executive Director is not a member of the Governing Body but works as an ex-officio secretary. Executive Director is the Chief Executive Officer (CEO) of the organization as well.



In 2016-2017 four Governing Body meetings were held, on September 01, 2016; November 09, 2016; February 28, 2017 and June 07, 2017 respectively. The 23rd AGM was held on December 22, 2016. The annual report, audit report, budget, appointment of auditors etc. were presented at the AGM, discussed and approved by the participating members.

Operational Board of Directors (OBD)

The OBD is directly facilitating the Executive Director to exercise all executive and financial matters of BURO. The OBD also attends the meeting to help the Executive Director at the meeting of General and Governing Body. Each member of the Operational Board of Directors (OBD) has respective role relations in consonance with the corporate governance of the organization. The OBD consists of the following Directors of the organization:

- M. Mosharrof Hossain
Director, Finance
- Md. Sirajul Islam
Director, Special Programs
- Khandaker Mahfuzur Rahman
Director, Risk Management and Internal Audit
- Pranesh Chandra Banik
Additional Director, Special Programs
- Farmina Hossain
Assistant Director, Program

Senior and Mid-Level Professionals

Program

Divisional Manager

Kh. Mokhlesur Rahman
Coordinator and Divisional Manager-Dhaka
Md. Arshad Alam
Divisional Manager, Bogra
Zafar Ahmed Jewel
Divisional Manager, Khulna
Md. Saidur Rahman
Divisional Manager, Comilla
Md. Mohsin Hossain Khan
Divisional Manager, Mymensingh
Md. Istak Ahammed
Divisional Manager, Pabna

Zonal Manager

Abdus Salam, Comilla
Rafiqul Islam, Narayangonj
Haroun-Or-Rashid, Modhupur
Mir Mukul Hossain, Gazipur
Reaz Uddin, Faridpur

ABM Alauddin Ahmed, Chandpur
Samar Ali Fakir, Chittagong
Al Amin Khan, Jessore
Awlad Hossain, Sylhet
Uttam Kumar Basak, Rangpur
Abu Syeed Shikdar, Barisal
Mohammad Zahirul Islam, Dhaka Metropolitan
Tutul Chandra Paul, Rajshahi
Sirajul Islam, Cox's Bazar
Mostafizur Rahman, Tangail
Shahadat Hossen, Noakhali
Abul Bashar Sarder, Khulna
Mohsin Miah, Pabna
Md. Shamsul Alam, Thakurgaon
Md. Rezaul Islam Khan, Savar
Arich Hossain, Mymensingh
Md. Motaharul Islam, Bogra

Administration

Md. Shahinoor Islam Khan
Assistant Coordinator
Abdur Razzak Chowdhury
Assistant Coordinator
Md. Enamul Kabir, Officer

Human Resource Management

Md. Ashraful Alam Khan
Assistant Coordinator
Human Resource Management

Finance and Accounts

Md. Abdul Halim, Assistant Coordinator

Internal Audit

A.B.M Aminul Karim Majumder
Coordinator

Monitoring & Reporting

Sayed Ahamed Khan, Coordinator
Md. Abdus Sabur, Officer

Training and Capacity Building

Md. Nazrul Islam, Coordinator

Special Program

S M A Rakib, Assistant Coordinator

ICT

Shahinur Islam, Assistant Officer

Disaster Management

S. Z. M Shahriar, Manager

Audit Committee

Chairperson

Dr. Md. Nurul Amin Khan
Vice Chairperson, Governing Body

Member

Dr. M A Yousuf Khan
Finance Secretary, Governing Body

Syed Shahadat Hossain
Member, Governing Body

The Risk Management and Internal Audit Director performs his responsibilities as the secretary of the committee. Audit Committee is free of any relationship that may give rise to conflict of interest during exercising respective independent judgment as a member of the committee.

Role and Purpose

The primary roles of the Audit Committee are to assist the governing body in performing its oversight responsibilities for:

- The budgeting and financial reporting
- Internal control and risk control
- Legal and regulatory requirements implementation
- Assessing qualifications and performance of the external and internal auditors

Two meetings of the audit committee are held concentrating on discussing transparency, accountability, and financial control management of BURO. It emphasizes on increasing: institutional capacity of the finance and program unit, integration between the finance and program section and follow up services from the Head Office to the Branch and respective client base of the organization.

Advisory Support

Graham A.N. Wright has been BURO's international honorary advisor for a long time. He is providing valuable inputs in the continued development of the organization and assisting the management in quality decision-making, future development and program planning. Graham Wright is now working as Group Managing Director of MicroSave.

Policy and Functional Aspects

Policy and Procedures

The organization stresses on significant importance on the growing professionalism within BURO. The organization

constantly enhances good governance to be practiced and acts by implementing various rules to regulate the practices of Corporate Governance by the organization: 1. Rules of Business for Micro Financial Services, 2. Staff Service Rules, 3. Accounting and Financial Procedures and Rules, 4. Internal Audit Manual, 5. Administrative Manual, 6. Program Implementation Manual, 7. Gender Policy, 8. New Branch Opening Policy.

Working Committees

Seven different committees are functioning with cross-functional management. This is intended to develop and maintain high cohesion and high integration towards achieving the mission of the organization: 1. Recruitment and Promotion Committee, 2. Gender Committee, 3. Sales & Purchase Committee, 4. Land Purchase Committee, 5. Disaster Management Committee, 6. Building Construction Committee, 7. Committee for Old Papers Disposal. All committees are approved by the Governing Body.

Program Management Structure

BURO operates through its branches at different places. A branch is managed by one Branch Manager, one Accountant, and 6-8 Program Organizers (POs)/Assistant Program Organizer (APOs). There are 712 branches supervised by 148 Area Managers spread over 22 Zones equally distributed among 7 working Divisions. The program management structure sphere of Branches, Areas, Zones and Divisions respectively.

Staff Benefit Funds

The services of all staff are regulated by well-defined Service Rules of the organisation. The staff are entitled to get the benefit from funds of the organization: 1. provident fund, 2. gratuity fund, 3. health fund, 4. housing fund, 5. staff family security fund, 6. advance for motorbike and bicycle purchase, 7. income tax payment for the staff, 8. leave encashment,

9. advance salary payment on simple terms to buy life insurance policy.

Provident Fund

BURO operates a contributory provident fund for its employees from which benefits are given to its employees in accordance with its policies. National Board of Revenue (NBR) approved and recognized this fund for the purpose of taxation. The fund is operated by a separate board of trustees consisting of seven members selected from the employees of the organization.

All permanent employees of the organization are contributing monthly to the fund which is equal to 10% to 25% of the basic salary. The organization also contributes 10% of employees' basic salary to the fund each month. Income earned from investment of this fund is credited to the employees' accounts on a yearly basis and this fund is audited every year by a firm of chartered accountants.

Gratuity Fund

The organization operates a gratuity scheme for its permanent employees and maintains a separate account for this. Gratuity is payable to staff leaving the organization. Gratuity is given for one time, two times and three times at the rate of one month's last basic salary for completing five years, twelve years and twenty years of uninterrupted services respectively.

Health Fund

The organization makes a provision and contributes to health fund every year and maintains a separate account for this. Every permanent employee, who completed two years of service, is entitled to receive the grant from health fund in accordance with the rules of BURO.

Housing Fund

BURO operates a housing fund and maintains a separate account. Housing loans are given to the employees. Employees are entitled to receive these benefits once they have completed at least seven years of service. The benefit from housing fund is accessible in the form of a loan bearing 5% simple interest per annum.

Staff Family Security Fund

The Institution operates a mandatory 'Staff Family Security Fund' for its regular staff. The fund is

managed by a separate board as per the Institution's policy. All employees of the institution are eligible to become members of the fund by contributing Taka 500 each per month as subscription.

If a regular staff dies during his/her tenure of service, the nominee/nominees of the said staff will be entitled to receive a one-time grant of Taka 250,000. If someone leaves the Institution after two years of service, he/she is entitled to get back the money deposited so far. In case the staff leaves before completing two years of service, he/she is not entitled to get back any amount.

Income Tax Return Submission

Submission of income tax return is mandatory under the government rules. The organization has been regularly submitting the returns to the government. The government has exempted the non-profit organizations dealing with microfinance from paying income tax from the surplus earned. However, if there is any income from other than microfinance, it will be subjected to the relevant rules of taxation.

Internal Control System

The organization develops and pursues a very rigorous and transparent internal control system to ensure transparency, efficiency and overall effectiveness. Most international standard norms and practices are also meticulously incorporated. These practices reflect the high profile and very sound institutional and managerial competencies. The components of internal control system are laid down below.

Budget Formulation and Variance Analysis

The initial budget planning starts at the branch level. The yearly budget is split into monthly figures spelling out financial and program targets. All budgets of the branches are consolidated in the head office to formulate the organization's aggregate budget. Financial monitoring is carried out monthly based on budget variance, MIS and FIS reports.

Fair Staff Recruitment Process

Recruitments are made through fair competition and public announcements. The criteria are well defined in the service rules. Advertisements are made in the



leading newspapers in the country. Generally written tests and viva are held. For senior level recruitments assistance of external experts are taken. Executive Director approves all recruitments recommended by the Committee for Recruitment.

Procurement and Other Policies

The organization maintains an enlisted group of suppliers and signs a MoU for one year with them to supply printed materials and stationary items as per general agreement.

Travel Policy

There is a well-defined policy for domestic and international travel including food and lodging for all grades. A policy for continent-wise per diem also exists for all grades.

Payments/Advances

All payments are made through crossed cheques. Advances to the staff are made with prior approval of the management.

Clients Passbook Checking

The most critical risk in an MFI lies with collection of savings and loan repayments by the program organizers (POs) or the loan officers. Savings deposited and loans repaid by the clients are recorded in the clients' passbook and in the collection sheet as the primary record of the office.

The branch manager along with the accountant and branch organizer conducts 100% checking of all clients' passbooks every quarter to ensure that the transactions have been duly recorded.

Financial Control

Fund management is done prudently keeping in view

the demand of funds and its availability at the branch and head office. Financial control is generally exercised at three levels: The Governing Body, The Head Office and respective Branches. The Governing Body monitors all financial matters quarterly. The Executive Director and Finance Director exercise financial control based on monthly financial statements and the findings of internal auditors.

At branch level, the managers exercise financial control on the basis of budget and financial projections. Financial transactions in the head office and branch offices are regulated with regard to following four areas: 1. field level transaction control 2. treasury management 3. budgetary control 4. accurate financial reporting.

Internal Audit

The audit and risk management department is headed by a Director. A total of 71 audit staff work in this department with most of them are based in the zonal offices. The internal auditor reports hundred percent on the checking of the three fundamentals of prudential finance management: 1. loan portfolio management 2. loan and savings balancing (reconcile the balance with collection sheet) 3. loan and savings pass book verification.

The auditor also reports on the compliance of BURO and MRA rules for branch and head office, program-wise reports, and reports on fund management concerning cash and bank.

The audit reports are submitted to the Executive Director. These are discussed in meetings at higher level. Punitive and corrective measures are taken where necessary. The findings of the auditing guide the management in taking right decisions for modifying policies, systems and procedures.

Risk Management

The risk management of the organization covers core risks that include industry risk, credit risk, liquidity risk, interest rate risk and operational risks. The aim of risk management is that BURO evaluates and takes well calculative business risks and thereby safeguards the organization's capital, its financial resources and profitability. Risk management is done through internal control system and standard practices followed globally.

Monitoring

BURO monitoring unit monitors intensively the indicators in the progress of the branch functioning: 1. passbooks of the clients verifying with the loan collection sheet 2. the application of loan disbursement procedure of the organization, 3. supervises the functioning of branch managers and existing status of remittance services, 4. application of members' savings deposit and withdrawal procedure, 5. admission of SME members and SME loan disbursement procedures, 6. verification with loan collection sheet, savings withdrawal, and status of balance.

Any discrepancies in the functioning of the branches are identified by monitoring unit, and recorded at the branches. The follow-up services are provided during the next visit by the monitoring unit. Monitoring reports back to the decision making of the organization.

External Audit

The organization regularly conducts annual audit. Reputed audit firms are appointed for a period of one year by the General Body in the annual general meeting.

Standard Practices

BURO follows some of the internationally accepted reporting and prudential requirements. This is being done to conform to the standard norms and practices pursued world-wide. This is also intended to prepare for any future prudential requirements in the country. These practices and the relevant indicators portray a clear picture of the organization's financial and managerial soundness.

Capital Adequacy

Capital adequacy analysis is being used to measure the financial solvency of the organization and

determine whether the risks that it has incurred can be adequately offset with capital and reserves.

Asset Management

Loans given to the customers make up the portfolio of the total assets and forms the biggest current asset. Monthly aging analysis is performed to determine the quality of loan portfolio. The organization pursues clear policies in acquiring land and building to optimize the operation of its business.

It follows clear-cut policies to acquire necessary equipment and vehicles to create an effective infrastructure for the institution to meet the needs of both the staff and customers.

Management

Human Resource Development (HRD) is well organized in a manner that provides clear guidance and support to operational staff - including recruitment and training of new personnel. All key processes have been formalized. With much effectiveness it controls risks throughout the organization. The organization undertakes short-term and long-term financial projections and uses these to ensure fiscal and budgetary control.

Earnings

The management has been effectively using and mobilizing the available resources to ensure sustainable benefit to its customers while aiming at a modest return on the investment.

Liquidity Management

Based on experiences, 10-15% of savings balance of all branches is deemed adequate to meet the liquidity reserve ratio. For the liquidity requirement, 40% has been earmarked for general savings, 30% for contractual savings and 30% for operating and financial expenses.

Loan Loss Provisioning and Write off

Management makes provisions for loan losses every quarter in order to maintain the loan loss reserve at adequate levels for bad loans. The adequacy of the provision is determined by applying appropriate percentages to the outstanding balances in various aging categories. The write-offs of any loans, if necessary, are charged against reserve. Loans are written off in full after one year of the loan term.



Financial Inclusion

Financial Inclusion is both horizontal and vertical outreach to the customers exploring different conduits encompassing the NGOs. The Financial Inclusion is also the social dimension of microfinance services of the financial institutions. The initiatives supported by the market segments involve the banking sector within the regulations of the government.

The balance between financial inclusiveness and financial stability is an essential requirement. The balance is imbibed in the space created by the congruent application of Financial Inclusiveness. The dimension of technological application is logically cross fertilizing the created space by diverse financial services. It needs application of financial inclusion by the banks.

The relationship is facilitated between the Bangladesh Bank and NGO-MFIs, between the Banking sector and NGO-MFIs and between the Banking sector and members of NGO-MFIs is also the Financial Inclusion. Financial Inclusion needs the creation of congenial working environment among Bangladesh Bank, Banks, NGO-MFIs and people.

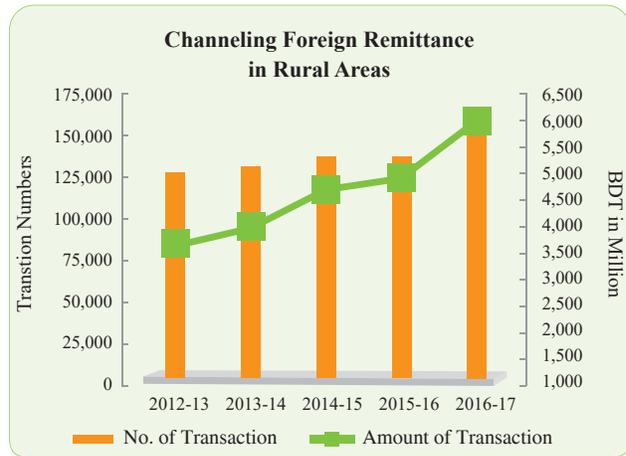
The uniqueness of Financial Inclusion is also the programmatic and organizational restructuring. It is anticipated that the deepening of financial inclusion programmatically and organizationally is projected to create supreme integration among the stated stakeholders in the financial and economical market.

Remittance Services

The remittance program is unequivocally an undeniable technology in the financial market. This opens and widens the passage for the use of remittances in the market of economic relations. The efficient utilization of remittances are golden stones for the national economy due to the dire necessities of the national economic growth to constantly enhance, by the rural economy.

The necessity is to ensure that the flow of the foreign or domestic remittance without any bureaucratic hindrances or hassles reach the recipients in the urban, rural and rural remote areas. The easy conduit for remittances reaching their doors is not the end. Rather it is the beginning of effective utilization of remittances for rural economy contributing to national economic growth.

The congruent application of remittance flow resolutely needs tapping the unutilized resources,



unfurling the latent entrepreneurial qualities and containing the wastage of remittances by its recipients. This creates the vista wide open for the quality microfinance institutions to work as the easy conduit for the recipients. BURO as one of the microfinance institutions that includes remittance program initiative realizing the potential and impact that it can have in the social and economic subtext of the country.

BURO provides all kinds of technical assistance in applying remittances by the recipients. The recipients have total controlling authority over their own capital. The organization extends its services to provide technical assistance to its users. The value addition emanates from BURO working as the safe and convenient conduit for the supply of remittances even in the remotest areas.

BURO adopts several steps those totally interdict the intruders as the claimants of remittances coming from foreign or domestic sources. The issuance of remittance client cards and providing remittance services through two terminals are highly noteworthy. BURO has set up a remittance service department for furthering its operations since December 2007.

Agent Banking

Agent banking means providing limited scale banking and financial services to the underserved population through engaging agents under a valid agency agreement. It is the owner of an outlet who conducts banking transactions on behalf of a bank. Globally these retailers are being increasingly utilized as important distribution channels for financial inclusion.



Deepening of financial inclusion programmatically and organizationally is projected to create supreme integration among the stakeholders in the financial and economical market

Bangladesh Bank has also decided to promote this complimentary channel to reach to the poor segment of the society as well as existing bank customers with a range of financial services especially to geographically dispersed locations.

Digital Financial Service (Mobile Banking)

BURO is bringing new technology in its microfinance services popularly known as Digital Financial Services (DFS) with the financial assistance from Rockefeller Philanthropy Advisors. The ICT technology in loan disbursement to and loan recovery from using mobile phone as the device will initially use the existing available platform on pilot basis.

SME in relation to Financial Inclusiveness

Business development with Financial Inclusiveness for the socio-economic empowerment of the women clients has been launched in 2013 funded by European Union and Government of Bangladesh.

The joint project between BURO and Bangladesh Women Chamber of Commerce and Industry (BWCCI) promotes natural fiber-based products from agricultural wastages under INSPIRED program. This new initiative is being implemented in the four locations of BURO.

One of the significant outcomes of this project is the development of clusters with each of 40 women entrepreneurs leading to networking among them to bring the demands and supplies from their respective SMEs.



Microfinance for Hardcore Poor

The primary microfinance operation through NGO-MFIs remains usually limited to the poor and marginal households in the rural and peri-urban areas. This creates increasing space over the period and

increases the left out rural poor and poorest of the poor in the rural remote areas. BURO capitalizes its experiences to bring the hardcore poor in the mainstream of microfinance intervention.

Table-1: Summarized balance sheet and Income Statement of 5 hardcore poor branch, as on 30 June 2017

Amount in Million BDT

Balance Sheet of Hard Core Poor Kurigram District		Income Statement of Hard Core Poor Kurigram District	
Particulars	Taka	Particulars	Taka
Property & Assets		Income	
Fixed Assets	6,114,862	Interest on Loan	45,959,105
Loan Portfolio net of LLR	219,020,020	Other Income	283,308
Advance	0	Total Income	46,242,413
Current Assets	1,034,507	Expenditures	
Cash at Bank Balance	3,151,430	Interest on Savings	3,877,766
Total Assets	229,320,819	Interest on Borrowing	18,476,757
Fund and Liabilities		Loan Loss Provision	
Customers' Saving	70,164,946	Other Expenses	16,367,131
BURO Bangladesh Fund	149,895,763	Total Expenditure	40,259,721
Bangladesh Bank	4,700,000	Net Profit/(Loss)	5,982,692
Accumulated Profit/(Loss)	4,560,110		
Total Fund and Liabilities	229,320,819		





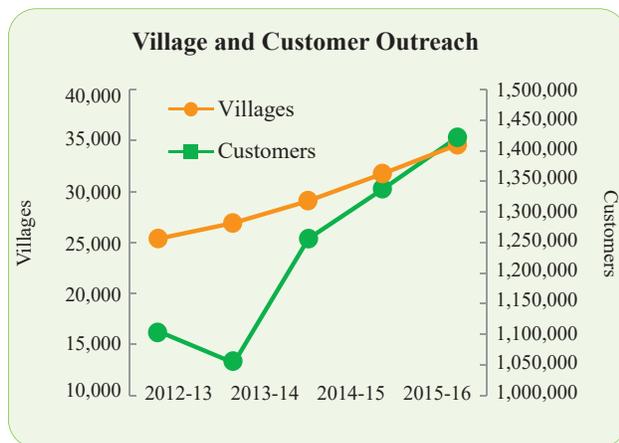
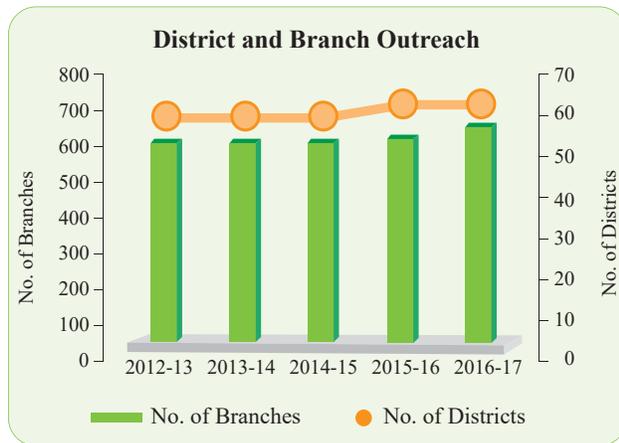
Microfinance for Moderate Poor

Geographical Coverage

As of June 30, 2017 BURO expanded its geographical coverage to a considerably large extent. Through 712 branches, BURO provides its flexible financial services to 36,248 villages in 3,710 unions of all 64 districts.

Customer Outreach

The number of active customers stands at 1.5 million as of June 30, 2017 as against 1.4 million in the last financial year. The women constitute around 99% of the total customers. Dropout rate slightly increased to 4% from 3% in 2015-16.



Savings Services

All savings products are payable to the customers on demand. Savings is not held as security for loan. Strong and accountable governance, sound asset

management and an enabling legal and regulatory environment are the three cornerstones for large scale savings mobilization. The organization offers savings services to all its clients with the following basic objectives:

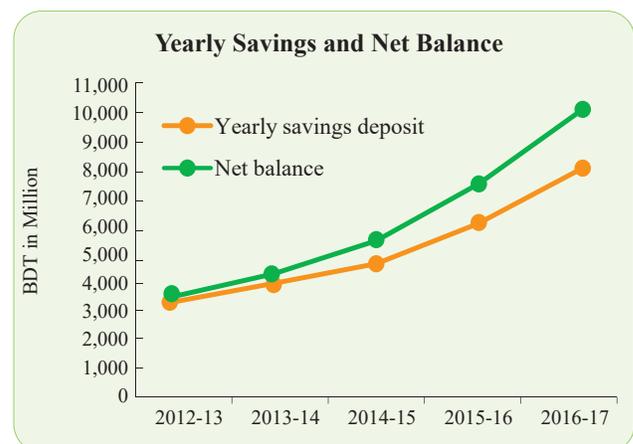
- The poor people have a formidable capacity to save. BURO provides a secured place for keeping savings, increasing financial strength and capital growth of the customers. This is intended to reduce their dependency on external resources.
- The improvement is the sustainability of the institution by developing a relatively stable means to finance its loan portfolio.

BURO Bangladesh discharges a fiduciary responsibility in accepting savings from the poor:

- Strengthen the governance and management functions to optimize the security of the savings products offered by the institution.
- Assess, understand and respond to the demand for a variety of differentiated savings products and offer a range of liquid and illiquid products.
- Develop and implement policies, procedures and processes that optimize the internal control and risk management system.

BURO's experience shows that voluntary and open access savings can mobilize more net savings than the compulsory savings.

General Savings: The small depositors usually value convenient, easy access and relatively secure delivery savings services. The delivery systems must respond to their restricted mobility and availability of time to be useful to women. The customers also value privacy, preferring systems that do not reveal to other

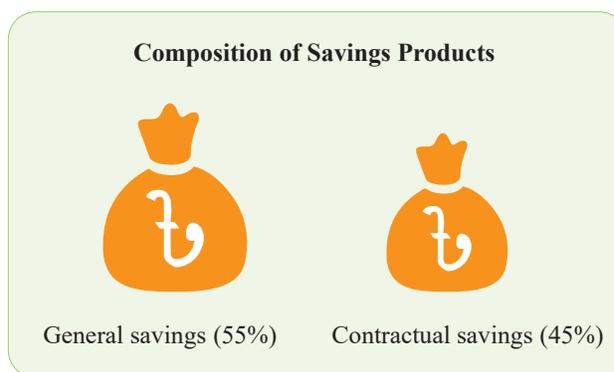


customers how much they save and withdraw. The customers can save or withdraw on demand with the following advantages:

- Savings of any amount from BDT 10 – BDT 5,000 at the Kendra (group) meeting in the village. They can deposit any amount above BDT 5,000 at the branch.
- Withdraw savings at any time on demand.
- Receive compounded interest at the rate of 6 percent per annum of their general savings account balance.

Contractual Savings: The poor often values regular and disciplined savings systems as a way of building up useful lump sums. This savings can be invested or used for social obligations such as marriages, funeral or children’s education. These products respond to the poor’s demand for illiquid savings systems. BURO pays a significantly higher rate of interest on these regular voluntary savings than on the general savings account.

The contractual savings account allows savers to determine the amount and time of deposits and withdrawals. The clients in the contractual savings account agree to regularly deposit a set amount for a set period of time after which they can withdraw the entire amount plus the interest. The savings account



offers the following advantages to the customers:

- Customers can choose to deposit on a weekly or monthly basis according to their income/ cash flows.
- Customers can choose to deposit weekly savings in the range of BDT 25 – BDT 2,000; and monthly savings in the range of BDT 100 – BDT 8,000.
- Customers receive more than the total deposited amount at the end of the period.
- Customers can (and often choose to) open more than one account in the same name simultaneously.
- Interest is paid on a compound basis on three-year term for 7%, five-year term for 8%, and ten-year term for 10%.

Savings Performance

Table-2: Savings deposits, withdrawals and net balance as on June 30

FY	Yearly		Net Balance	Increased	Average Savings per Client BDT
	Deposit	Withdrawals			
	Million BDT				
2012-13	5,066	4,154	3,716	33%	3,363
2013-14	4,113	3,342	4,487	21%	4,261
2014-15	4,818	3,609	5,696	27%	4,487
2015-16	6,252	4,256	7,692	35%	5,670
2016-17	8,211	5,572	10,331	34%	7,129

Table-3: Savings balance by product as on June 30

Amount in Million BDT

Products	2012-13	2013-14	2014-15	2015-16	2016-17
General Savings	3,437	4,003	4,200	4,784	5,724
Contractual Savings	279	484	1,496	2,908	4,607
Total	3,716	4,487	5,696	7,692	10,331

Loan Services

BURO emphasizes significantly on supporting economic activities to generate employment and income to reduce income inequality between its targeted audiences and other sections of the community.

The loan products are produced in response to the demands of its customers to assist their economic activities – they are market-led and customer responsive. BURO gains many comparative advantages.

- The clients do not have to take loans from BURO like many NGO-MFIs. BURO only gives loans as and when the clients want them to support their economic activities.
- BURO loans are not linked to savings balances like the practices of most of the NGO-MFIs clients. The institutional behavior of loans and savings services are completely de-linked and made entirely voluntary.
- Customers can prepay their loans in order to qualify for new and larger loans.

- The customers of BURO can have short-term loan for meeting any emergency needs in addition to existing loan(s).

General Loan: The loan is intended to allow the rural and urban poor households to finance their economic activities. This is intended to build a strong capital base. General Loans are working capital given to the poor and disadvantaged households to start a business. It is anticipated that the given loans will fill in the gap in the businesses.

General Loans range from BDT 20,000 to BDT 75,000 depending on the economic activity, the borrower's management capacity, and demand for the product and/or services in the market. The loans are repayable within a year in 46 installments at an annual interest rate of 27 percent.

SME Loan: BURO developed its SME loan for 15-20% entrepreneurs. These entrepreneurs are capable of graduating from the groups. SME loans as individual loans contribute significantly to creating self-employment at post-independence of the nation-state. The present day demand is to create diversification of SME loan. The use of microcredit



presently is contributing to business expansion and employment generation.

The inclusion of Missing Middle borrowers into financial relation has become of utmost importance. The inclusion can be facilitated by SME loan. The modalities to consider Small and Medium Enterprise loan necessitate two fundamental conditions: 1. creation of wage labor employment of at least one person while using SME loan. 2. borrower of SME has her/his own equity in the use of the loan.

The SME loan is assessed on the basis of household cash flow, business projections and the reputation of the borrower amongst her/his business peers in the community. The size of the loan depends on the size of the businesses and the comparative advantages that the entrepreneurs have.

The micro-enterprise loans range between BDT 50,000 - BDT 4,000,000. These loans are repayable within one to three years in 46-138 installments at an annual interest rate of 27 percent.

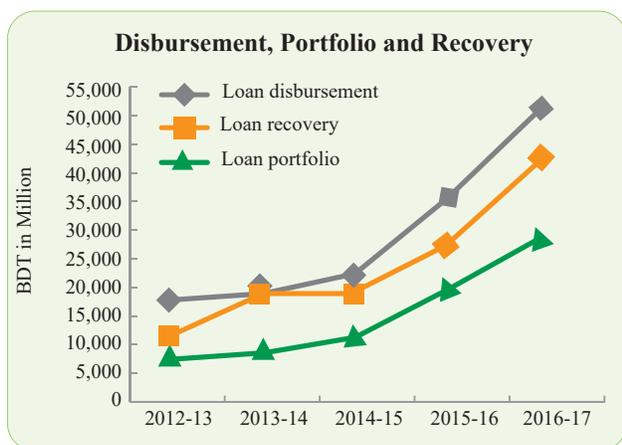
Agriculture Loan: The loan is exclusively for agricultural activities. The loan is designed to increase the farm activities enhancing the livelihood of the poor rural and peri-urban households. The agricultural loan also enhances food security of the households. The creation of self-employment through developing agriculture sector is given significant emphasis. The great opportunities exist for employment creation through proper investment in agriculture.

It is necessary to organize availability of quality seeds, fertilizers, irrigation, pesticides and other implements of agricultural production. The loans are disbursed to landless and marginal farmers. Agricultural loans of BDT 20,000 – BDT 250,000 are given for one year depending on the activity, land-holding etc. The loans are repayable in 46 installments with an annual interest rate of 25 percent.

Hand Loan: The loan is intended to serve as a “social security net”. The loan is designed to implement after the Customer Consultative Group Discussions and Client Satisfaction Surveys. The hand loan is designed to protect customers from shocks to their household economies. The loan is also intended to protect the erosion of their financial, physical and social assets.



customers prefer flexible quality financial service. They want larger loans and business development support services (BDS). The organization continues to revamp its policies and plans to stay competitive in the industry



Hand loans are also used to finance any purpose such as important festivals and ceremonies (Eid, Puja, Christmas, Marriages, etc.), health care and child education. The hand loan is a small loan of BDT 5,000 which is repayable within 3 months at an annual interest rate of 27 percent.

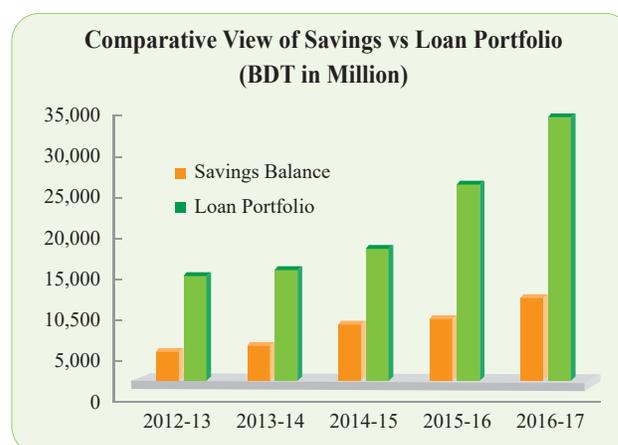
Disaster Loan: BURO places emphasis on the promotion of self-help and self-reliance of disaster-affected rural communities, encouraging and helping households to stand on their own feet. The disaster loan is intended to reduce the effect of shocks for cash from the loss of financial and physical assets of the households immediately after natural disasters. The disaster loan responds to the deteriorated situation arising out of disaster. The disaster loan ranges from BDT 5,000 – BDT 15,000 with an interest rate of 20 percent to be repaid over one year.

Water & Sanitation Loan: Environmental health concerns continue to be an ominous factor

contributing to diseases and poverty. Access to safe drinking water is also free from arsenic contamination. Access to hygienic sanitation will reduce sickness. Both these two fundamentals will increase the labor productivity.

The loan facilitates accessing pipe-water and tube-well for safe water. The sanitary loan is offered to customers seeking to install sanitary latrines in their homesteads. Both the water and sanitary loans range from BDT 5,000 – BDT 55,000. This loan is repayable within a year with an interest rate of 27 percent.

BURO’s experience indicates that the customers prefer flexible quality financial service. They want larger loans and business development support services (BDS). The organization continues to revamp its policies and plans to stay competitive in the industry.



Loan Performance

Table-4: Yearly loan disbursement and balance as on June 30

FY	Disbursement (BDT in million)		Loan Portfolio	Average Loan Size	
	Yearly	Cumulative		Disbursement	Balance
2012-13	22,111	80,247	13,000	21,018	13,680
2013-14	23,629	103,876	13,725	24,422	15,309
2014-15	26,300	130,176	16,466	29,347	19,621
2015-16	39,515	169,691	24,433	40,753	26,502
2016-17	54,394	224,085	32,779	52,870	32,795



Microfinance in Agriculture

It is widely accepted that the largest source of employment generation in the rural vicinity is agriculture and it is projected as the most effective method to rejuvenate rural economy. The out migration of the people from rural to urban areas is having a negative impact on the agriculture & economy of the rural market. Though the professional development of infrastructures paves easy access to rural and rural remote areas, with the migration being on a rise, the practice of agriculture is on a decline.

Three fundamental areas deserve attention: 1. introduction of new technology with the poor and middle class farmers, 2. provision of liquidity assistance, and 3. creating organized force in agriculture. The vacuum created as part of the natural process due to traditional practices by both the nation-state and market shall be filled in by the professional NGO-MFIs.

The technology in agriculture is basically the farm equipment used in agriculture practices. New innovations in the seeds and seedling of agricultural crops are available. The biggest question is how to reach the poor and middleclass youth with these innovations through professional agencies?

Significant infrastructures have been created in respect of space (area) and quality for the poor and middleclass youth at-risk in many of the developed rural markets popularly known as growth centers. The motivation to these groups of rural people is anticipated to become successful provided the technology can be arranged for them in a rewarding manner.

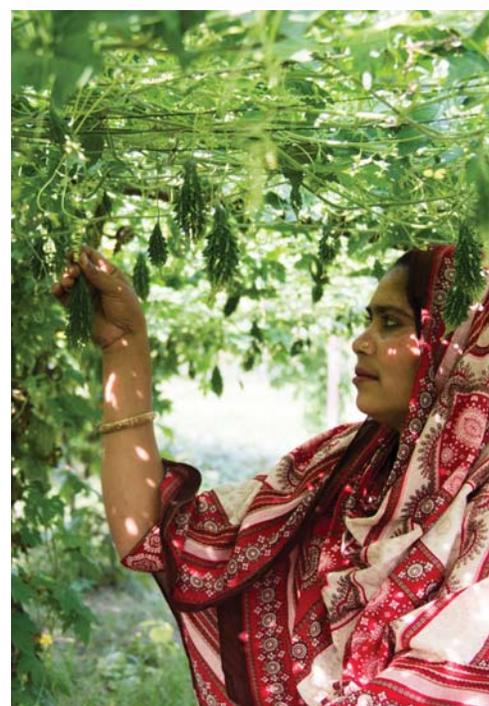
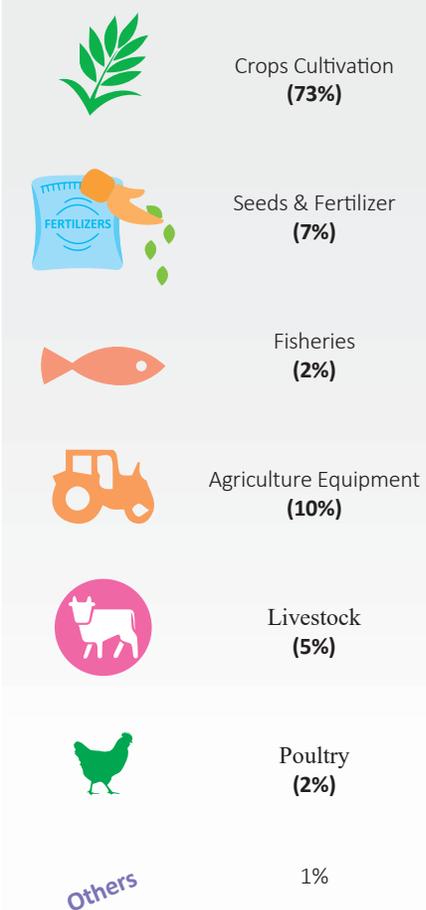
The provision for capital assistance from both public & private formal commercial sources is abundant. The problems in respect of liquidity disbursement by the formal financial institutions are binary: 1. most of the financial institutions are centralized (capital oriented) with the depressed capital base. The financial institutions select the big entrepreneurs, 2. these financial institutions pose two threats to the poor and middle class youth at-risk: a. bureaucratic hurdles to face by the poor and youth at-risk, b. considerable reluctance of the financial institutions with micro loan provision for the poor and youth at-risk.

The value chain in agriculture depends on how better the reciprocity and synergy can be developed among three fundamental areas: 1. introduction of new technology, 2. provision for capital assistance, 3. developing them as organized force in agriculture. The success of the massive funding of farming activities is the growth and development of rejuvenated rural economy.

The overall reciprocity and synergy among the three fundamentals is the food security. This is projected as the food production, preservation and consumption embedded in the agricultural financing.

Microfinance in Agriculture

(BDT in Million)





The organization provides the farmers with various training to build their capacity raising crop production. These include basic training for the customers on land practices, training on crop diversification, pest control, irrigation and modern technology dissemination for land cultivation.



The initiative of BURO microfinance in agriculture is one of the most rewarding opportunities for the farmers to explore at any time. The clear instruction to BURO Branches is to give supreme importance on agriculture simultaneously with SME development in rural and urban areas by the poor and youth at-risk.

The mix among the space, technology and time in agriculture depends on how the business and financial literacy skills have been acquired by the farmers. This is unequivocally required for the development of SME in agriculture.

BURO has developed business development services for different categories of entrepreneurs in agriculture with the help of MasterCard Worldwide. The necessity of business and financial literacy for the SME development is further strengthened with the Financial Inclusion program of Bangladesh Bank (Central Bank).

Sectoral break down of Agriculture Financing

Table-5: Sub-sectors in agriculture financing as on June 30

Micro Enterprise	2012-13		2013-14		2014-15		2015-16		2016-17	
	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT	No. of Clients	Million BDT
Crops Cultivation	348,654	4,083	368,145	5,362	374,120	6,856	402,179	9,897	515,175	10,648
Agriculture Equipment	34,215	387	40,225	586	46,062	1,254	49,747	1,369	41,258	1,584
Seeds & Fertilizer	54,265	641	44,215	644	46,321	859	50,489	943	48,369	935
Livestock	47,214	564	48,203	702	52,142	693	56,313	741	51,325	741
Fisheries	32,452	389	12,658	184	25,658	215	27,454	227	28,147	229
Poultry	18,214	218	12,125	176	14,587	235	15,316	246	11,310	236
Others	12,547	150	8,215	119	5,468	114	5,807	119	2,807	102
Total	547,561	6,432	533,786	7,773	564,358	10,226	607,305	13,542	698,391	14,475



Microfinance in SME

The Small and Medium Enterprise (SME) has a little adaptation incorporating micro enterprise. The continuation of microenterprise development experiences gradual developments in two dimensions: 1. business orientation through knowledge management, 2. capital accumulation with small drops of profit margin. The asset quality of the clients is found to be the entrepreneurial qualities acquired during the process of microenterprise development.

The investment of diversified loan is multiple: refinancing the growth of the previous business, maintaining two to three additional businesses etc. The trend to take risk for small and medium enterprise development begins to germinate and enhance with their gradual participation in the markets.

The growth in knowledge for business and financial management due to their exposure to the market is the improved skill in business and financial literacy of the clients. Without business, financial literacy and SME management skills, it can be suicidal for the clients to step into SME business.

BURO screens out those potential clients who have acquired maximum skill of microenterprise development instead of jumping into small and medium enterprise development. They carry along with more sophisticated knowledge in reality on business and financial literacy during the transition process to emerge from micro entrepreneurs to small and medium entrepreneurs.

The knowledge management is further anticipated to provide better understanding about market integration needed to sustain the investment by the consumers of SME loan. The BDS includes areas ranging from the basics of money-management, book-keeping and basic accounting through the development of market linkages to spur the growth of micro-enterprises.

The BDS shall maintain its uniqueness to adapt with the customer's quality, business type and marketing facilities. The financial



Microfinance in SME

(BDT in Million)



Grocery Shop 23%
4,799 Million



Furniture House 17%
3,443 Million



Weaving 12%
2,551 Million



Food & Beverage 11%
2,299 Million



House Building 11%
2,291 Million



Ready Made Garments 5%
1,116 Million



Communication 5%
1,085 Million



Transportation 4%
876 Million



Carpentry 4%
784 Million



Sewing & Tailoring 4%
728 Million



Printing Press 3%
563 Million

Others

1%
139 Million

BURO screens out those potential clients who have acquired maximum skill of microenterprise development instead of jumping into small and medium enterprise development

management includes financial analysis, developing self-confidence in business, conflict resolution and entrepreneurial qualities.

The financial management including financial analysis is intended to develop self-confidence in business, conflict resolution and entrepreneurial qualities. The demands driven from the clients are more easy learning that will promote expansion of their livelihood activities.



Sectoral break down of Micro-enterprise Financing

Table-6: Sub-sectors in micro-enterprise financing as of June 30

Micro Enterprise	2012-13		2013-14		2014-15		2015-16		2016-17	
	No. of Clients	Million BDT	No. of Clients	Million BDT						
Grocery Shop	14,784	1,721	12,384	1,501	13,206	1,865	33,981	4,799	37,701	6,874
Ready Made Garments	1,408	1,623	2,501	303	3,580	434	9,213	1,116	14,587	1,978
Food & Beverage	4,080	571	6,121	742	7,638	926	18,969	2,299	19,300	2,648
Furniture House	14,098	162	12,125	1,470	11,256	1,702	22,773	3,443	25,487	4,102
Printing Press	1,408	281	2,214	268	2,210	270	4,611	563	5,480	721
Communication	2,812	283	4,521	548	5,326	646	8,947	1,085	10,358	1,178
Carpentry	3,520	414	4,123	499	3,852	467	6,471	784	6,587	798
Weaving	2,302	822	6,524	791	8,524	1,119	19,434	2,551	22,548	2,987
Sewing & Tailoring	2,816	332	3,258	395	3,569	433	6,007	728	7,058	625
House Building	16,192	1,251	12,152	1,473	11,254	1,353	19,055	2,291	18,256	2,395
Transportation	2,816	332	3,259	395	4,589	557	7,220	876	7,410	987
Others	4,225	481	3,214	389	1,254	129	1,357	139	1,254	102
Total	70,461	8,273	72,396	8,774	76,258	9,901	158,038	20,674	176,026	25,395



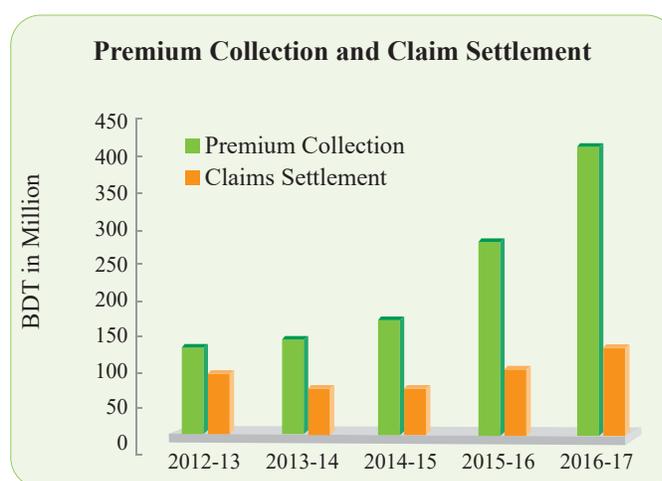
Customers' Security Services

Customers' Security Services is introduced as a mechanism for reducing the vulnerability of the customers. The very poor, poor and micro entrepreneurs (small & marginal) are emphasized as the targeted customers. It secures them from risks beyond the protection of savings or credit.

Customers' Security Services has been promoted with two objectives: 1. the social objective, and 2. economical objective. The social objective recognizes that social protection of the customers is necessary to reduce the vulnerability of the households to income and consumption shocks. The economical objective is to increase the stability and profitability of the poor households.

All in all, Customers' Security Services will reduce the vulnerability of the poor and disadvantaged. The value addition will stem from reducing the impact of customer risk on loan and savings portfolios, generating additional revenue, supporting risk management, and reducing customers' vulnerability to economic stresses.

The variations in one-time premium for the clients are negligible depending on the size of the loans. But it is permitted for any loan size that BURO offers. The benefit of opening services is that the entire outstanding loan amount in case of death of either the borrower or guarantor within the loan cycle will be totally waived subjected to the conditions.



Customers' Security Services will reduce the vulnerability of the poor and disadvantaged. The value addition will stem from reducing the impact of customer risk on loan & savings and reducing customers' vulnerability to economic stresses

Performance of Customers' Security Services

Table-7: Yearly premium collection and claims settlement

FY	Premium Collection		Claims Settlement		Kendra Expenditure BDT
	Nos.	BDT	Nos.	BDT	
2012-13	1,050,800	137.33	3,595	97.87	3.32
2013-14	946,466	150.58	3,762	74.10	2.11
2014-15	892,172	175.84	3,335	72.65	3.04
2015-16	969,385	287.25	4,860	97.69	5.30
2016-17	1,023,770	424.90	8,663	136.02	5.37

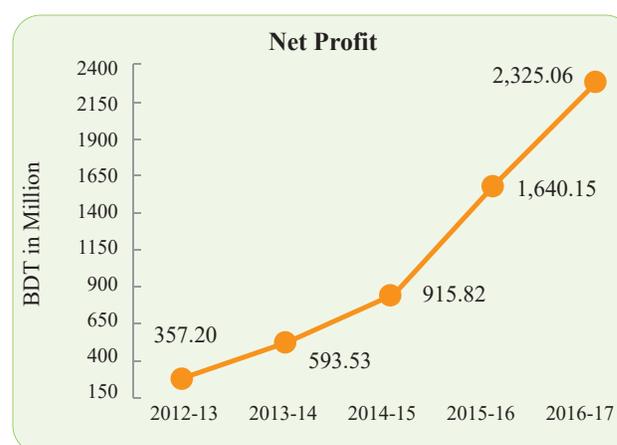
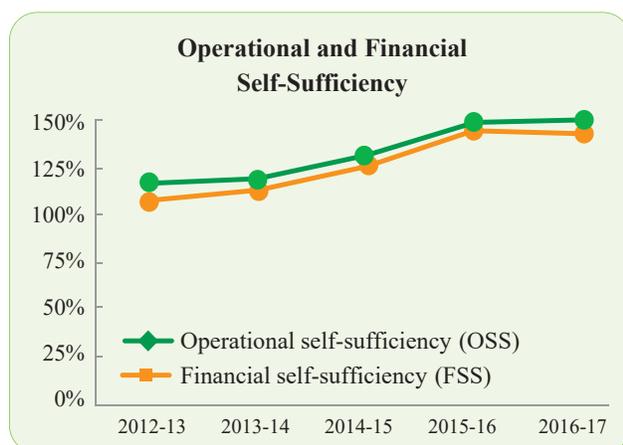


Performance Analysis

Sustainability and Profitability

BURO has achieved a staggering 147% operational self-sufficiency (OSS) and 141% financial self-sufficiency (FSS) in the year 2016-2017.

With a net profit of BDT 2,325 million in the same year which is 42% higher than the previous year the return on equity (ROE) stands at 35% and net financial spread is 9.47%.



Portfolio at risk greater than 30 days is at 2.38% and loan loss reserve ratio is figured out at 2.68%. 97.35% of the portfolio is without any payments in arrear during the year. The reserve maintains adequate fund to absorb potential risks or capital losses where loan write-off is at 0.70%. Efforts to collect bad loans continue during the year. The ageing of portfolio is shown in table-9.

Portfolio Quality

Loan portfolio is the greatest asset of an MFI. Quality is characterized by low portfolio risk and high loan recovery rate. BURO maintains a high quality portfolio of loans thanks to the on-time loan recovery rate is registered at 98.63%.

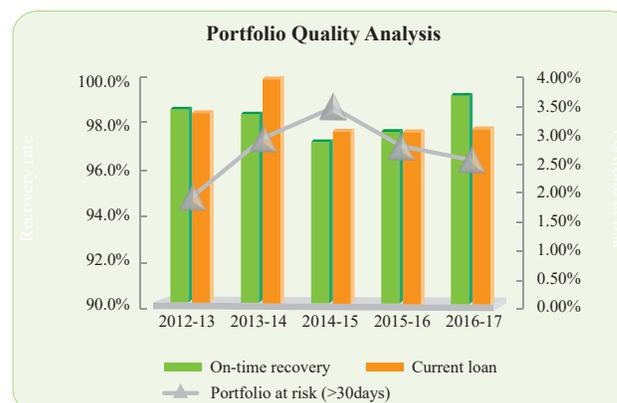


Table-8: Portfolio Ageing as of June 30, 2017

Portfolio Status	Numbers	BDT in Million	Percentage
Current Loan	953,964	31,911	97.35%
Loans Overdue by:			
1 - 30 days	2,914	87	0.27%
31 - 180 days	9,448	231	0.71%
181 - 365 days	8,965	212	0.65%
Over 365 days	24,205	337	1.03%
Total	999,496	32,779	100%

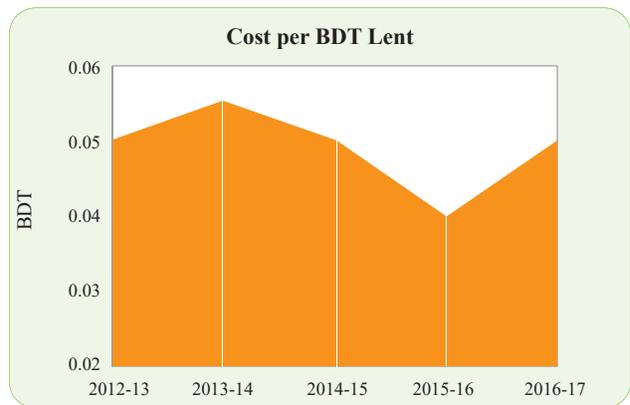
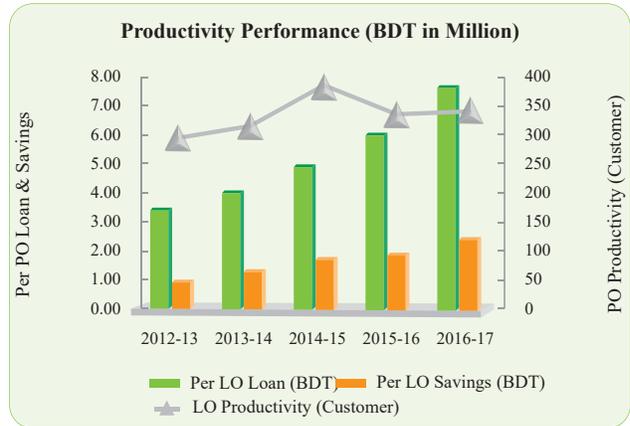
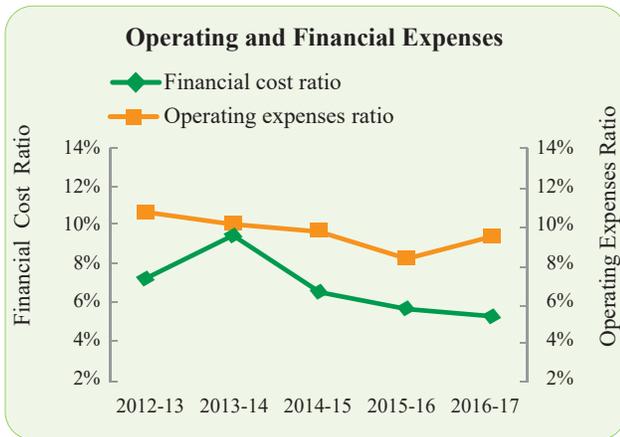
Leverage Ratio

The equity is considered in the financial market as a base for commercial borrowing. Before an MFI can borrow commercially it is imperative that the organization is financially viable and that it will continue to be viable in the long term. This is understood by debt-equity ratio, equity to asset ratio and debt service coverage ratio (DSCR).

Debt to equity ratio figures at 2.34 in the year 2016-2017. Besides, the equity to total assets ratio (capital adequacy) is 23.34% and Debt Service Coverage Ratio is 1.36 times. The given ratios are favorable enough to encourage the lenders and the savers to have ample confidence in BURO.

Efficiency and Productivity

Efficiency and productivity ratios refer to the ability of the MFIs to minimize costs of operations and



enhance profitability. These ratios indicate whether the MFIs are maximizing the use of resources. Productivity refers to the volume of business that is generated (output) for a given resource or asset (input) while efficiency refers to the cost per unit of output.

Leverage Ratio

Table-9: Financing Mix as on June 30

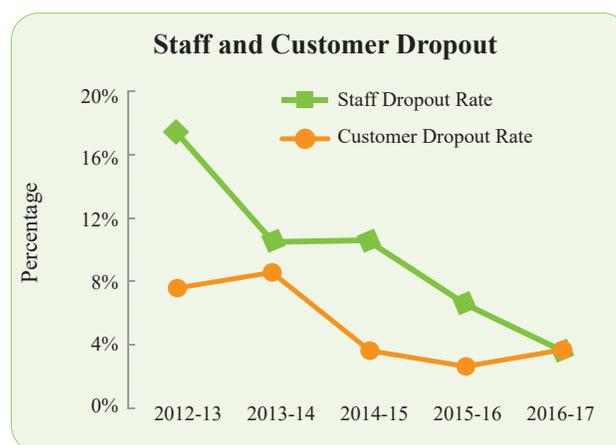
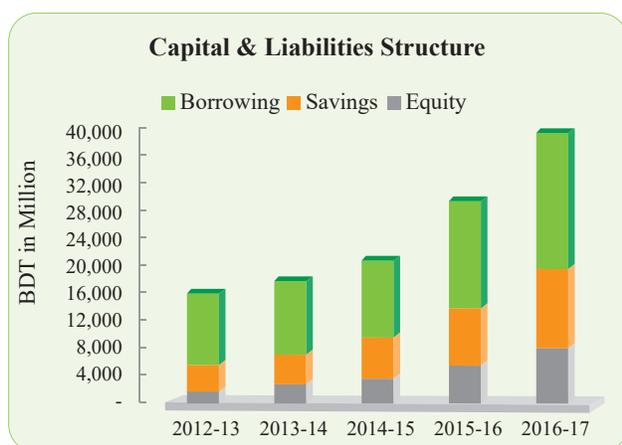
Amount in Million Taka

Financial Resources	2012-13		2013-14		2014-15		2015-16		2016-17	
	Taka	%								
Equity/Net Worth	1,670	11%	2,439	15%	3,579	19%	5,414	19%	7,901	21%
Client Savings and others fund	3,782	26%	4,571	28%	5,880	30%	8,061	29%	10,989	29%
Commercial Borrowing	9,349	63%	9,573	57%	10,035	51%	14,373	52%	18,516	50%
Total	14,801	100%	16,583	100%	19,494	100%	27,848	100%	37,406	100%
Growth	71%		12%		18%		43%		34%	

Efficiency and productivity ratios refer to the ability of the MFIs to minimize costs of operations and enhance profitability

The operating cost ratio is a measure of efficiency. The ratio stands 9.39% in the same year. The cost per unit of money lent is BDT 0.05. The financial cost ratio is 6.14%.

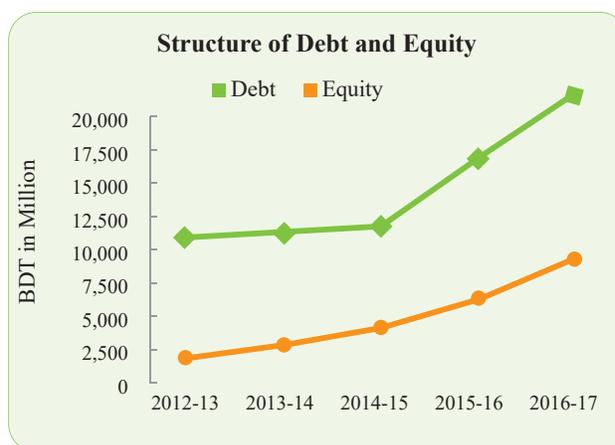
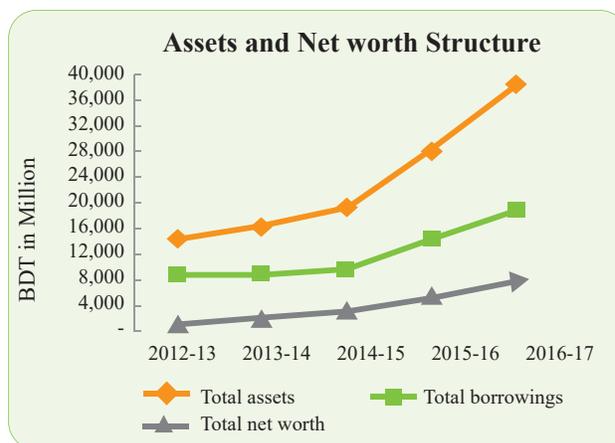
The customer/loan officer ratio stood at 342 in the year 2016-2017. Unlike most of the NGO-MFIs' loan officer (LO) of the organization performs more than three types of financial transactions with a single customer. Thus this performance clearly outstrips the average performance of a typical loan officer in the industry. A single loan officer is dealing with approximately BDT 10.17 million.



Regulatory Compliance

Table-10: Microcredit Regulatory Authority (MRA) Compliance

Eligibility Criteria	MRA Compliance	2014-2015	2015-2016	2016-2017
Cumulative Recovery Rate (CRR)	95%	99.17%	99.22%	99.38%
On Time Recovery Rate (OTR)	92-100%	96.81%	97.25%	98.63%
Liquidity to Savings Ratio	10%	20.40%	15.18%	17.47%
Current Ratio	2 : 1	4.07 : 1	5.14 : 1	5.75 : 1
Capital Adequacy Ratio	15%	21.05%	21.36%	23.34%
Debt Service Coverage Ratio	1.25 : 1	1.15 : 1	1.37 : 1	1.36 : 1
Debt to Capital Ratio	9 : 1	2.80 : 1	2.66 : 1	2.34 : 1
Rate of Return of Capital	1%	30.43%	36.48%	34.93%



Asset Composition

Table-11: Asset composition as of June 30

Amount in Million Taka

Assets Composition	2012-13		2013-14		2014-15		2015-16		2016-17	
	Taka	%								
Net fixed assets	644	4	660	4	671	4	930	3	1,209	3%
Net loan portfolio	12,679	87	13,308	82	15,872	84	23,660	87	31,901	87%
Investment	803	6	1,087	7	1,433	8	1,434	5	2,087	6%
Other current assets	173	1	282	2	459	2	760	3	746	2%
Cash and bank balance	245	2	906	5	552	2	411	2	781	2%
Total	14,544	100	16,243	100	18,987	100	27,195	100	36,723	100
Growth	73%		12%		17%		43%		35%	



Disaster Management



The program addresses preventive measures, as such, the composition of disaster management - which is basically the delivery of hardware and software services by BURO. The first part of comprehensive disaster reduction culture is the delivery of software which emanates from the knowledge management given by the organization. The knowledge management grafts previously given software with the infusion of new knowledge. The second part is the delivery of hardware services enhancing the application of the given software through knowledge management.

The technology which stands as the singular most determinant factor to graft the given software and hardware in application is virtually the continuous presence of the organization by the disaster affected people. The presence of the organization again takes the services of different units of the organization to create and provide solid technical assistance without any loophole to remain in comprehensive disaster reduction culture.

Capability Functioning: The effective disaster management is imbibed in the continuously cropping up of the institutional capacities of both the organization and disaster affected people. The

capability functioning is the sum of the institutional capacities of organization, disaster affected people, and innovation in technology mixed with the existing indigenous traditional practices.

Transformation into Human Capital: The transformation of human resources into human capital is the application of continuously cropped up institutional capacities of both the organization and disaster affected people.

Disaster management constitute two intertwined services: 1. disaster preparedness service, 2. disaster response. The sources of both services are the organization and disaster affected people.

Paradigm Shift: The paradigm shift of BURO is from traditional interventions to the combined approach of hardware and software instead of creating relief oriented mentality among the disaster affected people. The reliance on people's own capability functioning is the supreme controlling authority in disaster management by the organization.

Shared Sense of Ownership Feeling: The maximum utility can be achieved through integrating community people & local government in disaster management. This is projected to avoid wastage of

resources. The Union Council and community people in reciprocity will become more active, accountable and responsible to disseminating, sensitizing and raising the public awareness at any given locality.

Cooperation and Coordination: The life of sensitizing the issue at the nation-state, community and family level shall be the integration among the existing stakeholders and new entities. The traditional practice of cooperation and coordination does not last long which subdues the strength of comprehensive disaster reduction culture.

Integration is projected to materialize their growing awareness of interrelationships among disaster, environment and development. The potentialities of different concerned institutions as well as individuals taking its application in combination will reduce the vulnerability of the community people.

Cascade Effect: The existing services delivery environment at the nation-state, community and family level shall be symbiotic between and among each other. The sustainable symbiosis of integration is clearly dependent on how to better the interaction among the Union Council, people and service providing agencies occurs with high frequency sensitization of the issue.

Managing the Disaster Fund

During any natural calamity BURO comes forward to the aid of its affected customers. BURO has set up a disaster fund. Affected customers can take loans at a cheaper rate to recuperate their damaged business activities. The proper utilization of disaster fund by the customers is guided by the Program and Training Units of the organization.

Output of Disaster Management Program

The disaster program emerges as an integral entity of the organization in its poverty reduction for the hardcore poor, poor and vulnerable non-poor responding to the following:

- Fast disbursement of loans to affected customers of BURO

The disaster program emerges as an integral entity of the organization in its poverty reduction for the hardcore poor, poor and vulnerable non-poor

- Rehabilitation support e.g. new house building/repair, road construction/repair, raising ground of flood shelter, water & sanitation facilities etc.
- Other economic activities e.g. seed distribution, fertilizer distribution etc.
- Participate actively in Strengthening the Network of Information, Response and Preparedness Activities in Disaster

Finally, the reduced bureaucracy followed as much as possible is the niche of implementing the above stated four basic principles of the organization.

Competencies Related to Disaster Management

Teamwork leads to integration of quick decision making, working experience and technical assistance in disaster management. The capability functioning of the customers is their abilities to prepare at pre, battle during and return to normal lives.

The well instrumental training unit is the nexus between the community people and organization to deliver its technical assistance and follow-up services at pre, during and post disaster situation. BURO has emerged as an entity with the abilities to work with disaster management at the time of national crises.



Human Resource Development

The professional capacity of the staff enhances the ability of the institution to move forward with its mission. The increasing knowledge based capacity of the staff, formalizing systems & procedures as well as strengthening the existing systems in the organization are the central nerve of the professional capacity of the staff.

Customer Development Training

BURO organizes different need based training courses for its customers to strengthen their capacities and skill to boost their income and raise social awareness:

- Basic life management skill development
- Entrepreneurship development and business planning
- Business and financial literacy
- Awareness and leadership development
- Easy accounts keeping

Staff Development Training

The staff development training produces discernible impact in improving professional capacity of operational staff:

- Foundation Training
- On-the-Job Training
- Development and Quality Management Training:
 - Microfinance and microenterprise programming
 - Organizational core competency development
 - Business and financial literacy
 - Credit and Risk management
 - Finance and accounts management etc.

HRD Impacted Positively

The organization stresses on the development of efficiency of staff at all levels. It always earmarks an adequate funding for staff development. The investment in human resource development has impacted positively. Effective leadership has been created at different levels. Productivity of staff has increased substantially and this has resulted in scaling up the efficiency of operations.

Competencies Related to Human Qualities

The abilities of the organization cropping up over the period based on demand creation are clearly manifested in growing institutional capacity of BURO vis-a-vis transforming BURO into social capital. The range of consumers of its services stretches to other development organization beyond the traditionally considered NGOs; for example: business development organizations.

Physical & Infra-structural Facilities

The glimpse of BURO evolution with an independent training with its own skilled human and material resources enabling the organization to emerge as a successful training service providing organization is noteworthy.

BURO has its own training complexes with all the infra-structures and physical facilities composing five training centers located at Tangail, Comilla, Modhupur, Chittagong, Sylhet and Khulna respectively. The training complex of BURO has Rest House with full facilities at Tangail, Modhupur and Sylhet.

Training Performance

Table-12: Training recipients: 2016-17

Particulars	Participants
Staff Training	
Foundation course	1,031
On-the-Job	4,250
Development and Quality Management Training:	
Microfinance and microenterprise programming	1,583
Organizational core competency development	426
Business and financial literacy	1,049
Credit and Risk management	492
Finance and accounts management etc.	1,095
Total	9,926
Customer Training	
Basic life management skill development	153,457
Entrepreneurship development and business planning	30,532
Business and financial literacy	25,673
Awareness and leadership development	65,392
Easy accounts keeping	30,232
Total	305,286



Safe and Secure Water

WaterCredit

The Water and Sanitation program is the outcome of customers' environmental needs as the cause of behavioral change communication (BCC). The organizational potential human technology is mandated to oversee the customer's behavior including Water and Sanitation loan product.

Much grimmer situation exists in the rural, rural remote and peri-urban areas. The market is observed without providing water and sanitation infrastructure facilities available. Rural Water Supply of BURO is a great contribution to safe and secure water in the rural areas.

The banking support for infrastructure in certain instances are found without adequate provision for liquid support. This increases the vacuum as well as pulls the increasing presence of NGOs with or without the water and sanitation program in the rural and urban areas.

Notwithstanding the limitations associated with the slow process of behavioral change communication in the use of the water and sanitation services, BURO provides supreme thrust on WaterCredit.

The difficulties mostly are observed with the attitude of the poor and disadvantaged, even with the middle-class families, because no aggressive behavior from the nation-state and market are taken - limiting to very sporadic demonstrations seen at different locations of the country.

The irony that dissemination of water and sanitation is a very slow process to move its journey from the wealthy community to the grassroots is due to three reasons: 1. very limited exposure to knowledge management of the targeted audiences leading to 2. highly limited affordability of the households in respect of available resources: time, money and material leading to 3. depressed frame of mind, approach and attitude of the households.

Two very important and interesting behaviors from the users and non-users deserve attention: 1. the perception about the utility of safe water and safe sanitation facilities influencing behavioral change communication of the households and 2. properly maintaining the infrastructure of safe water drinking and safe sanitation facilities.

BURO follows certain processes creating system for bringing behavioral change communication among the customers. 1. Conduct Market Demand Assessment, 2. Innovate existing water and sanitation loan product (Product Development), 3. Select potential clients for

WaterCredit program, 4. Expose the selected clients to knowledge management on health and hygiene education & technology, 5. Select potential loanee for WaterCredit program, 6. Enhance existing Management Information System (MIS) of the organization, 7. Enhance planning, monitoring, evaluation and internal audit of the organization, 8. Site selection for setting both water and sanitation components, 9. Provide loan on water and sanitation, 10. Organize monitoring at the clients and community level, 11. Organize technical assistance and follow-up services from the organization

Performance

No.	Particulars	Achievement
1	ToT course for staff	1,045 Staff
2	Clients training organized	50,497 Clients
3	No. of loan disbursed	49,309 Persons
4	Total amount disbursed	BDT 906 Million
5	No of latrine installed	29,534
6	No of tube well installed	14,431
7	Product installed	43,965
8	New software development	1

Rural Water Supply

Portable fresh safe and secure water right from the supply tap is of paramount importance. The accessibility and affordability of safe and secure water by the rural, urban and city people is the central attention of the nation.

Arsenic contamination of ground water meanwhile emerges as grave concern. Around 1,795 people of a village of Munshigonj district have had access to piped water supply with all-out assistances from BURO. The World Bank and Social Development Foundation (SDF) make this initiative a reality.

BURO implemented the project: Reducing Health Hazards due to Arsenic Contamination in Puran Baushia village under Gazaria Upazila of Munshigonj District with the financial assistance from World Bank. The numbers of households that are connected presently stands at 464, including 5% households from hardcore poor community.



Business and Financial Literacy

MasterCard Worldwide is the Partner for Business and Financial Literacy through the provision of training. It is projected at business development services to adapt with customers quality, business type and marketing facilities. The financial management has binary implications: 1. financial analysis, developing self-confidence in business, conflict resolution and entrepreneurial qualities, and 2. link with other business and business expansion needed to adapt at the same time. The women youth at-risk with or without any business are the central attention to emerge as the potential entrepreneurs in the markets.

The training unit of the organization has given equal importance on the two fundamentals: 1. flexible financial and 2. business development to create potential entrepreneurs for business development and financial management services at the customer's level. The financial and business development services are reciprocal, synergistic at the same time the irreversible bonding between the two services.

The different functions of these two services working within their respective realm are the contributory elements to develop reciprocity, synergy and irreversibility in bonding financial and business literacy. The women youth customers at-risk are found to start maintaining their business record in organized way than their previous practices. The effectiveness of the system meanwhile demonstrates cascade effect to the respective neighbors of the respective women customers.

The woman clients meanwhile begin to demonstrate their multidimensional business approaches in consonance with the demands of the market. The non-clients have meanwhile approached BURO for training on business and financial literacy. The organization has meanwhile started at different Branches bringing non-clients of BURO under the aegis of MasterCard Program.

The significant gap in financial market leads Bangladesh Bank, NGO-MFIs and Banking sectors to take concerted efforts to develop Financial Inclusion and its deepening as new initiative for the microfinance clients. It has been observed that the clients of the NGO-MFIs must have reasonable institutional capacity for business and financial transaction with the banks and MFIs.



The non-clients have meanwhile approached BURO for training on business and financial literacy. The organization has meanwhile started at different Branches bringing non-clients of BURO

The space created for MasterCard Worldwide to participate in MSE is addressed through Financial Inclusiveness where BURO and Banks are jointly participating. The gap basically lies in tapping the hidden potential of those who have used micro financial services to emerge as the entrepreneurs in MSE. The advantage that is rewarding is that the MasterCard program will also enhance the reciprocity between the community and BURO not only in business but also in other areas to demonstrate in the long run.



Promotion of
Natural Fiber-based
Products from
Agriculture Wastages

The importance of agriculture is the most dominant role due to its given 20 percent contribution to GDP. This is also a hard fact that the country produces huge quantity of agricultural wastages. The vast quantities of wastages remain management burden for the farmers and greatly contribute to pollution of soil, environment and water bodies. Banana and Pineapple are major sub sectors which constitutes huge wastes.

Researchers identify that Banana and Pineapple fibers through proper innovation & management can offer new employment opportunity for the massive rural women. The use of innovation and management would get these wastages rid of burden for management and causing environment pollution.

The innovation identifies that Banana and Pineapple fibers could add significant value to GDP through meeting substantial demand for cotton and cotton fibers in the import oriented market. Not only but also the demand for Banana and Pineapple fibers have also capacity to meet the export demanded for textile, home textile and handicraft products.

It is estimated that from its current production, around 67,000 MTs of Banana and 16,000 MTs of pineapple fibers can be extracted to produce varieties of home textiles and handicraft products creating employment for the country and earn valuable foreign currency. Major markets of natural fiber products are in Europe, America and Middle East.

BURO's entry into exploring natural fiber-based products from agricultural wastages aims to unfurl this huge untapped potential resource of the country initially targeting to the needs of handicraft sub-sector. But the needs of textile and home-based textile industries contribute to the poverty alleviation through economic growth and employment generation in the long run.

The advantages of natural fibers over synthetic fibers are their low cost, less tool wear during the process, low density, environmental friendliness and biodegradability. Banana and pineapple fibers will be an added value to be investigated for its fiber source potential.

The similarity in production process as well as the end use of the wastes from banana and pineapple can be used for producing fabrics for making cloths and a range of handicrafts products. The innovation and value addition opportunity in this sub-sector is very



high which is currently demonstrated and dominated by neighboring countries.

BURO has been implementing this project as a partner organization with Bangladesh Women Chamber of Commerce and Industry (BWCCI). It is highly necessary to strengthen capacity of the natural fiber based handicraft sub sectors aiming to create sustainable employment and income generation.



Education support program

BURO realizes for a long time and emphasis was significantly laid on supporting not only economic activities but also on human capital development through different initiatives. For the last two decades it has extended its cooperation in the area of education, health and environmental issues. The internalization of BURO is the intertwined relationship among education, health and environment that will contribute significantly to produce human capital for the nation.

The capitalization of previous experiences of BURO is multidimensional. The poor students with latent qualities are selected to prevent their drop out of schooling. A fund is mobilized for these students which have been distributed as scholarship among the selected poor students by the organization. Furthermore, BURO has taken decision to continue this program.

BURO has developed a guideline for its education support program with two major objectives behind: 1. providing direct support to the meritorious students of poor households, and 2. involving the poor guardians of the said students in economic activities.

35-45 meritorious students of poor households per year will be eligible for this support. Each selected student will get financial support (scholarship) for 2 years

According to the guideline 35-45 meritorious students of poor households per year will be eligible for this support. Each selected student will get financial support (scholarship) for 2 years. The financial support includes: Tuition fee, Admission fee, Books & Periodicals, Dress 2 sets per year, Hostel fee (if needed), Travel expenses etc.





Future Direction

New Microfinance Product Development

The phenomenal growth of BURO imbibes high quality financial services as its original conduit and it is yet retained by the organization at the core. The organization rolls over not only through encompassing its organizational restructuring but also accommodating programmatic restructuring. BURO stresses on more innovation to identify new Microfinance Product Development expanding the horizon of microfinance sector.

The anticipated increase in space and dimension of microfinance sector will enhance the freedom of its customers to move freely in the choice of their utility, usefulness and importance of microfinance product. The reciprocity and synergy to develop between demand and supply of the organization shall mandatorily supplement those of its constituents forming the base.

The reciprocity and synergy between demand and supply - facilitate programmatic restructuring overlapping with the organizational restructuring, as the coating to protect the customer base. The phenomenal growth of the organization with nation-wide commendable image of specialized institution results in the outcome of the horizontal and vertical scaling of programmatic and organizational restructuring.

The programmatic restructuring includes and adapts new programs unequivocally vital in the lives of its clients. The continuation of the existing programs traveling alongside with the new programs is projected to strengthen the protection of the constituents of the base in the internal and external environment of BURO. The horizontal and vertical scaling of both programmatic and organizational restructuring will run parallel protecting the vivacity in the lives of each other.

Agriculture Financing

Agriculture is the spinal cord of the national economic growth of the country. The constantly increasing vivacity in the lives of the economic and financial markets is also the vivacity of agriculture. It necessitates the creation of increasing space depending on time facilitating the participation of the

financing institutions as well as the borrowers in agriculture. The intensive application of microfinance will be largely facilitated by the client base of the organization.

Entrepreneurs in agriculture will emerge with easy increasing scale of financing bringing new technology in agriculture. Remittance in microfinance is such an example to strengthen the financing agriculture. Microfinance in agriculture will strengthen Food Security of its clients through increased production, preservation and consumption of food. Thus, Food Security itself is a technology working as both consumers of, and suppliers to rural or urban markets.

SME Financing

The overriding demand creation from its client base and beyond, is the key to the creation of small and medium enterprise (SME). The abundant investment opportunities spin encircling the creation of entrepreneurs. The diversification of taste of the consumers will also diversify the taste of the entrepreneurs. It opens the opportunities for constantly unfurling the latent potentialities of unemployed or underemployed youth-at-risk of both the gender.

It demands that the future scale of investment in SME shall be more intensive and extensive. It is intended to maximize the utilization of the factors of production with comparatively higher status of markets for factors of production. The professional development of SMEs imbibes in business to business and market to market integration.

The increased consumption by the consumers of goods and/or services will create enthusiasm among the entrepreneurs. The interplay of market demand and supply, cross fertilizing the market competitiveness, will create specialized entrepreneurs. The development of specialized entrepreneurs will create demand in taste for both the inward and outward looking market.

The step by step movement by the SME entrepreneurs will bring about constructive application of technology in agricultural and non-agricultural sectors. BURO matches rural and urban market to market integration intensively through SMEs with the commercial sources of capital.

The phenomenal growth of the organization with nation-wide commendable image of specialized institution results in the outcome of the horizontal and vertical scaling of programmatic and organizational restructuring

Intensive and Extensive Automation

BURO contemplates full automation of its all branches by June 2018 and accordingly steps are taken. Presently, 513 branches are totally automated. The constructive application of technology will integrate BURO and its client base with reciprocity and synergy that will make both the constituencies transparent and accountable to each other.

Business and Financial Literacy Youth At-Risk

The gradual transformation of BURO from its traditionally conceived image of demonstration model into nation-wide image of specialized institution is absolutely needed. It is not just limited to its youth clients-at-risk. Rather innovating business and financial literacy has meanwhile been transformed into cross-cutting issue of business development and management.

BURO champions the challenge of introducing business and financial literacy program as an innovation for the youth women clients-at-risk. It is unambiguously decided to continue in the future coming days for its clients from their birth stage to prime stage. It differs in knowledge management of business & financial literacy in consonance with the life cycle of BURO clients.

Those commercial sources of capital and the corporate donors will be encouraged whose mission matches with the mission of BURO. BURO is also accommodating the account holders of Taka 10 with other banking institutions in order to bring women youth at-risk in the mainstream of business development.

Financial Inclusion

The expanded length, breadth and width of the rural and urban population in respect of financial needs surface another new arena to adopt appropriately by the microfinance institutions. The very much timely initiative taken by Bangladesh Bank (Central Bank) is anticipated to be highly rewarding to strengthen the businesses at different stages of the rural and urban client base of the organization.

The multiple implications of financial inclusion in business development range from sector-wise market segmentation for the client base. It will pass through adapting the business and financial literacy depending on the application of additional financial impetus in businesses.

The uniqueness of Financial Inclusion is the linkage between the commercial banks and microfinance institutions, between the client's base and banks through MFIs, strengthening institutional capacity of the client's base through business and financial literacy program.

Policies for Microfinance Sector

BURO has meanwhile emerged as a commendable microfinance institution with demonstrative indicators. This brings changes in its role in relations to continuous vertical elevation of microfinance sector. This is imbibed in formulating congenial policies refreshing the environment of microfinance sector continuously.

The easier the environment is for the functioning of microfinance sector, resulting into more favourable business relations. BURO has established undeniable relations with the Central Bank of Bangladesh, commercial banks and Microfinance Regulatory Authority (MRA).

Audit Report for the FY 2016-17



Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

Auditors' Report to the Members of the General Body
For the year ended 30 June 2017

We have audited the accompanying financial statements of Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), which comprise the statement of financial position (balance sheet) as at 30 June 2017 and the income and expenditure statement, statement of changes in equity, receipts and payments statement and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards and other applicable laws and regulations including guidelines of Microcredit Regulatory Authority (MRA) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain a reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of BURO Bangladesh as at 30 June 2017 and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting as stated in note no. 3 and comply with the requirements of the applicable laws and regulations including MRA guidelines, except as disclosed in note no. 3.

Emphasis of matter

We draw attention to the note no. 3 to the financial statements relating to the basis of accounting where the departure from MRA guidelines has been disclosed.

We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by laws and Microcredit Regulatory Authority Act 2006 and Rules 2010 have been kept by BURO Bangladesh so far as it appeared from our examination of those books;
- (c) in pursuant to MRA circular no. regulation 24 regarding "Compliance requirements under the guidelines on prevention of money laundering and terrorist financing for NGO/NPO" dated 06 May 2014, nothing has come to our attention to report in contrast to the disclosure provided by the BURO Bangladesh in note 6; and
- (d) the statement of financial position (balance sheet) and income and expenditure statement dealt with by this report are in agreement with the books of account.

Dhaka, Bangladesh
Dated, 30 September 2017



S. F. AHMED & CO
Chartered Accountants

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

Statement of Financial Position (Balance Sheet)
As at 30 June 2017

	Notes	2017 BDT	2016 BDT
Assets			
Non-current assets			
Property, plant and equipment	7	1,208,532,112	929,743,827
Loan to staff	8	40,714,273	29,908,288
Total non-current assets		1,249,246,385	959,652,115
Current assets			
Short-term investment	9	1,437,222,336	1,041,949,852
Accumulated surplus reserve fund investment	10	649,649,265	391,955,100
Loan to customers	11	32,778,734,018	24,433,181,259
Other current assets	12	704,877,696	729,903,996
Cash and bank balances	13	780,636,648	410,650,577
Total current assets		36,351,119,963	27,007,640,784
Total assets		37,600,366,348	27,967,292,899
Fund and liabilities			
Fund			
Revolving loan fund (donors' fund)	14	138,815,884	138,815,884
Emergency disaster funds (donors' fund)	15	132,930,609	120,836,104
Loan loss provision	16	877,749,874	772,914,193
Accumulated surplus	17	5,964,716,063	3,872,170,904
Accumulated surplus reserve fund	18	617,248,173	391,955,100
Other funds	19	169,449,417	116,824,460
Total fund		7,900,910,020	5,413,516,645
Non-current liabilities			
Customers' contractual savings	20	4,606,522,858	2,908,036,879
Customers' emergency fund	21	838,162	838,162
Customers' micro-insurance fund	22	657,375,367	368,494,853
Borrowing from different sources	23	18,516,173,703	14,373,432,232
Total non-current liabilities		23,780,910,089	17,650,802,126
Current liabilities			
Employees' security deposit	24	80,325,951	71,030,331
Customers' general savings	25	5,723,990,444	4,783,243,451
Other liabilities	26	114,229,844	48,700,345
Total current liabilities		5,918,546,239	4,902,974,127
Total fund and liabilities		37,600,366,348	27,967,292,899

These financial statements should be read in conjunction with annexed notes

For and on behalf of the Members of the General body of BURO Bangladesh



Chairperson



Executive Director



Finance Director

See annexed report of the date



Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

**Income and Expenditure Statement
For the year ended 30 June 2017**

	Notes	2017 BDT	2016 BDT
Income			
Service charge on loan to borrowers	27	7,124,718,133	4,982,219,502
Service charge on remittance service		6,845,648	6,886,725
Sale of loan application forms		27,483,289	27,248,182
Micro credit borrower admission fees		5,118,085	4,712,595
Interest on bank deposits		125,696,869	111,908,212
Interest on staff loan		1,475,568	1,369,373
Income from CHRD and rest house		28,373,134	108,196
Grants from donors		-	7,289,830
Others		5,294,152	8,011,585
Total income		7,325,004,878	5,149,754,200
Expenditure			
Interest on borrowing from banks and others	28	1,429,629,830	1,149,579,843
Interest on customers' savings	29	572,207,025	384,181,165
Loan loss provision	16	304,415,738	259,292,331
Salary and allowances		2,155,080,337	1,289,254,285
Office rent		92,645,878	77,721,900
Payment to national exchequer	30	54,193,920	48,228,666
Transportation	31	116,233,068	87,222,393
Training and research	32	7,228,057	9,963,505
Office supplies		29,843,633	29,544,103
Depreciation	7	95,654,469	59,653,764
Audit fee		353,676	448,750
Other professional fee		3,451,965	6,408,335
Other direct cost	33	139,016,302	105,601,680
Contribution to development project	34	-	2,497,594
Total Expenditure		4,999,953,899	3,509,598,314
Net Income		2,325,050,978	1,640,155,885

These financial statements should be read in conjunction with annexed notes

For and on behalf of the Members of the General body of BURO Bangladesh


Chairperson


Executive Director


Finance Director

See annexed report of the date

Dhaka, Bangladesh
Dated, 30 September 2017


S. F. AHMED & CO
Chartered Accountants

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

Notes to the financial statements For the year ended 30 June 2017

1. Background of the organization

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh) "the organisation" is a national 'not-for-profit' organisation that was set up in 1990 with a view of working for the poor on sustainable basis to reduce poverty. It is a specialised micro-finance institution that provides high quality flexible financial services to low-income people. The organisation is responsive to diverse financial needs of members. Its financial services constitute multiple loans, savings, micro-insurance and remittance services. The recipients of micro-finance services are poor, particularly women. Remittance services are provided to the relatives of overseas Bangladesh.

The organisation is registered under the Registrar of Joint Stock Companies and Firms under the Societies Registration Act 1860 (Act XXI of 1860) vide registration no. S-7026(214)/07 dated 06 September 2007; with Department of Social Welfare (Registration and Control) vide registration no.TA-0489 dated 09 April 1991 and last (Duplicate) dated 31 July 2007; with NGO Affairs Bureau under Foreign Donations (Voluntary Activities) Regulation Ordinance 1978 vide registration no. 610 dated 19 March 1992 and last renewal dated 26 April 2012 effective from 19 April 2012; and with Microcredit Regulatory Authority, issuing license to perform Microcredit Operations, vide registration no.00004-00394-00288 dated 25 June 2008. BURO Bangladesh has 712 branches through which it operates microcredit program under the supervision of 20 zonal offices.

3. Basis of accounting

As per terms of reference issued for conducting the external audit of micro finance institutions by MRA vide its circular letter no. 18 dated 16 July 2013, financial statements are required to be prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs), which require that an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.

The financial statements are prepared following cash basis of accounting meaning that the transactions are recorded as and when received or paid except depreciation and provision for loan losses which is accounted for following accrual basis which is a departure from the above MRA requirements.

The formats of the financial statements are slightly different from the formats that were suggested in the terms of reference issued for conducting the external audit of micro finance institutions by MRA vide its circular letter no. 18 dated 16 July 2013.

However there are no material changes in terms of assets and liabilities and profitability of the organisation for the use of different formats.

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

Notes to the financial statements For the year ended 30 June 2017

4. Significant accounting policies

4.1 Reporting currency

These financial statements are presented in BDT, which is also the functional and presentational currency of the organization.

4.2 Reporting period

These financial statements of the organisation have been prepared for the period from 01 July 2016 to 30 June 2017.

4.3 Revenue recognition:

4.3.1 Service charge income on loan to members:

In terms of the provisioning policy of BURO Bangladesh, service charge (interest) is recognised as an income on cash basis. Interest on loans is being charged at the time of loan taken by the members. On realisation the amount is transferred to income.

4.3.2 Investment income:

Income from investment on FDR is recognised on cash basis.

4.3.3 Fees and commission income:

Fees and commission income arise on services provided by the BURO Bangladesh are recognised on receipt basis.

4.4 Property, plant and equipment

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- a) it is probable that future economic benefits will flow to the entity; and
- b) the cost of the item can be measured reliably.

An item of property, plant and equipment qualifying for recognition is initially measured at its cost. Cost comprises expenditure that is directly attributable to the acquisition of the assets. Property, plant and equipment are stated in attached statement of financial position at cost less accumulated depreciation.

Depreciation is commenced when the asset is in the location and condition necessary for it to be capable of operating in the manner intended. Property plant and equipment of BURO Bangladesh are depreciated using straight line method. Full year's depreciation is charged on property, plant and equipment during the year of acquisition and no depreciation is charged during the year of disposal.

The annual depreciation rates applicable to different categories of assets are:

	2017
Land and land development	0%
Building construction	10%
Furniture and fixtures	10%
Office equipment	20%
Electrical equipment	30%
Motor vehicle	10%

4.5 Investment in fixed deposit

Investments in fixed deposit are shown in the financial statements at their costs plus interest earned to date. Interest from investments in fixed deposit is reinvested automatically at their maturity and is recognised as an income when the fixed deposit is matured.

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

Notes to the financial statements

For the year ended 30 June 2017

5. Significant organisational policies

5.1 Loan loss provision

5.1.1 Loan classification

Loans are classified in accordance with the guidelines of Micro Credit Regulatory Authority as noted below:

No. of days outstanding

No overdue	Regular
Overdue from 1-30 days	watchful loan
Overdue from 31-180 days	sub - standard loan
Overdue from 181-365 days	doubtful loan
Overdue from above 365 days	bad loan

5.1.2 Loan loss provisioning

Provision for loan loss is made in accordance with the guidelines of Micro Credit Regulatory Authority as noted below:

Particulars	rate
Regular	1%
watchful loan	5%
sub - standard loan	25%
doubtful loan	75%
bad loan	100%

5.1.3 Write off policy

Loan loss is written off in the financial statements having approval of competent authority if it becomes established that the loan will never be recovered.

5.2 Policy on loan to borrowers

The rate of interest for all types of loans is 27% per annum except disaster loan and agriculture loan which is 18% and 25% per annum as per policy of BURO Bangladesh. The interest rate for all types of loans for hard core poor is 25%.

6. Compliance requirements under the guidelines on prevention of money laundering and terrorist financing

We report that, all the possible steps have been taken and the guidelines on prevention of money laundering and terrorist financing for NGO/NPO sector dated November, 2013 by Bangladesh Bank, in pursuant to MRA circular no. regu.24, dated 06 May 2014 are being followed to prevent money laundering.

We also report that, as provided in section 25 (1) of Money Laundering Prevention Act, 2012, we act according to our responsibilities which are to :

- maintain complete and correct information with regard to the identity of our customers during the operation of their accounts;
- preserve previous records of transactions of such accounts for at least 5 (five) years from the date of such closure, if any account of a customer is closed;
- provide with the information maintained to Bangladesh Bank from time to time, on its demand; if any, and
- report the matter as 'suspicious transaction report' to the Bangladesh Bank immediately on our own accord, if any doubtful transaction or attempt of such transaction is observed.

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

**Notes to the financial statements
For the year ended 30 June 2017**

	2017 BDT	2016 BDT
7. Property, plant and equipment		
Cost:		
Opening balance	1,153,608,604	847,603,770
Add: Addition during the year	374,463,004	322,679,833
Less: Disposal during the year	54,700	4,275,000
Less: Adjustment	-	12,400,000
Closing balance (A)	<u>1,528,016,908</u>	<u>1,153,608,604</u>
Depreciation:		
Opening balance	223,864,777	176,611,014
Add: Charge for the year	95,654,469	59,653,764
Less: Adjustment during the year	34,450	12,400,001
Closing balance (B)	<u>319,484,796</u>	<u>223,864,777</u>
Written down value (A-B)	<u>1,208,532,112</u>	<u>929,743,827</u>
Details are in Annex A		
8. Loan to staff		
Staff housing loan	40,386,273	29,908,288
Education loan	328,000	-
	<u>40,714,273</u>	<u>29,908,288</u>
The period of housing loan is twenty years and bearing interest rate is @5% per annum including 3 months grace period. The period of education loan is ten years and bearing interest rate is @2.5% per annum.		
9. Short-term investment		
Customers' savings deposit fund (note 8.1)	1,024,313,044	756,893,691
Other funds (note 8.2)	169,440,991	116,824,460
Emergency disaster fund (note 8.3)	139,631,100	127,536,595
Fixed deposit with banks (note 8.4)	56,482,106	7,408,320
Staff security deposit	34,052,524	31,086,586
Dorment account fund (note 8.5)	8,040,137	-
Shops in Tangail town	5,262,434	2,200,200
	<u>1,437,222,336</u>	<u>1,041,949,852</u>
9.1 Customers' savings deposit fund		
MIDAS Financing Limited	396,235,614	87,638,000
Lanka Bangla Finance Limited	226,225,259	177,642,288
AB Bank Limited	199,166,185	-
Union Bank Limited	98,329,790	-
National Finance Limited	46,990,554	-
NRB Global Bank Limited	25,000,000	-
National Bank of Pakistan	22,582,743	-
The Farmers Bank Limited	9,782,899	390,373,276
Mutual Trust Bank Limited	-	27,025,000
Rupali Bank Limited	-	31,356,176
Reliance Finance Limited	-	42,858,951
	<u>1,024,313,044</u>	<u>756,893,691</u>

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Notes to the financial statements

For the year ended 30 June 2017

The above balance represents investment made in accordance with the provisions of Microcredit Regulatory Authority Rules 2010 under clauses 34 (1) and 34 (2). As per said clauses every microcredit organisation should maintain a liquidity fund which is 15% of its total deposits, in any scheduled bank; liquidity fund may be maintained in the form of minimum 5% in cash and the remaining portion in fixed deposit.

	2017	2016
	BDT	BDT
9.2 Other funds		
Gratuity fund	103,469,852	72,830,178
Health fund	37,364,713	17,745,338
Housing fund	19,004,546	17,446,982
Vehicle insurance fund	9,601,880	8,801,962
	<u>169,440,991</u>	<u>116,824,460</u>
9.3 Emergency disaster fund		
NRB Global Bank Limited	105,226,555	4,065,013
LankaBangla Finance Limited	34,404,545	-
Peoples Leasing and Financial Services Limited	-	91,828,700
Union Bank Limited	-	31,642,882
	<u>139,631,100</u>	<u>127,536,595</u>
9.4 Fixed deposit with banks		
Mutual Trust Bank Limited	28,675,416	-
Jamuna Bank Limited	27,806,690	-
NRB Global Bank Limited	-	7,408,320
	<u>56,482,106</u>	<u>7,408,320</u>
9.5 Dormant account fund		
NRB Global Bank Limited	8,040,137	-
	<u>8,040,137</u>	<u>-</u>
10. Accumulated surplus reserve fund investment		
LankaBangla Finance Limited	304,267,134	-
IPDC of Bangladesh Limited	142,300,254	132,798,520
MIDAS Financing Limited	106,774,659	98,596,500
National Finance Limited	95,125,612	-
NRB Global Bank Limited	1,181,606	1,090,000
International Leasing and Financial Services Limited	-	106,435,611
Reliance Finance Limited	-	53,034,469
	<u>649,649,265</u>	<u>391,955,100</u>

The above balance represents investment made in accordance with the provisions of Microcredit Regulatory Authority Rules 2010 under clauses 20 (1) and 20 (3). As per said clauses every microcredit organisation should create a reserve fund @10% of its total surplus which should be kept in any scheduled bank under the supervision of the head office of the relevant microcredit organisation.

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

Notes to the financial statements For the year ended 30 June 2017

11. Loan to customers

This include various loans outstanding with the clients in the following categories:

General loan:

This loan is allowed for rural and urban poor households to finance their economic activities. General loan is working capital loan given to poor and disadvantaged households. General loan ranges from BDT 1,000 to BDT 100,000. The loan is repayable within one year.

Micro-enterprise loan:

Micro-enterprise loan is given to the borrower on the basis of household cash flows, business projections and reputation of the borrower. The micro-enterprise loan borrowers are expected to generate equity and self-employment. Micro-enterprise loan ranges from BDT 50,000 to BDT 3,000,000 repayable within one to three years.

Agriculture loan:

This loan is given exclusively for the purpose of agricultural activities for increasing farms activities. The agriculture loan also enhances food security of households. Agriculture loan ranges from BDT 1,000 to BDT 500,000 and is given for one year.

Hand/Emergency loan:

This loan is intended to serve as a social security net. Hand loan is given to meet festivals, health care and child education expenses. This loan is a small loan of BDT 10,000 repayable within 3 months.

Disaster loan:

The purpose of this loan is to reduce the effect of shocks to households' financial and physical assets immediately after natural disasters. Disaster loan ranges from BDT 1,000 to BDT 20,000 and is repayable within one year.

Water and sanitation loan:

Environmental health concerns continue to be an ominous factor contributing to diseases and poverty. Access to safe drinking water and sanitation will reduce sickness and thus increase the labour productivity. The loan ranges from BDT 1,000 to BDT 20,000 and is repayable within one year.

	2017 BDT	2016 BDT
Breakup of loan (product-wise) is given below:		
Micro-enterprise loan	16,357,833,583	11,816,714,730
Agriculture loan	8,142,130,472	7,118,385,951
General loan	7,984,333,533	5,295,655,089
Water and sanitation loan	277,039,316	180,566,323
Hand/Emergency loan	17,397,114	21,859,165
	32,778,734,018	24,433,181,259

BURO Bangladesh had 999,496 loan accounts outstanding as on 30 June 2017 as compared to 921,924 as on 30 June 2016.

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

**Notes to the financial statements
For the year ended 30 June 2017**

	2017 BDT	2016 BDT
12. Other current assets		
Staff loans and advances (note 12.1)	694,921,337	728,645,082
Provident fund (*)	5,144,806	-
Staff security fund	3,552,639	-
Security deposits (note 12.2)	1,258,914	1,258,914
	704,877,696	729,903,996
12.1 Staff loans and advances		
Head office (note 12.1.1)	383,632,956	387,219,841
Branch offices (note 12.1.2)	291,690,569	323,220,393
Divisional offices (note 12.1.3)	15,685,576	12,525,866
Training centre	2,309,215	289,089
Zonal offices (note 12.1.4)	1,555,064	5,389,893
Rest house	47,957	-
	694,921,337	728,645,082
12.1.1 Head office		
Advance against salary	5,769,480	9,259,361
Mobile loan	-	-
Car loan	658,898	818,507
Motorcycle loan	366,500	473,750
Advance for training	314,611	314,611
Advance against house rent	-	-
Advance against construction	327,334,586	240,949,181
Advance transportation	406,932	477,947
Advance for exposure visit	-	5,880
Advance to consultant	587,500	282,500
Others	48,194,449	134,638,104
	383,632,956	387,219,841
(*) Provident fund amounting to BDT 5,144,806 represent excess debited to provident fund account.		
12.1.2 Branch offices		
Advance against house rent	106,464,481	71,400,587
Advance against salary	70,031,998	127,912,872
Motorcycle loan	34,775,437	35,665,923
Bicycle loan	9,999,410	11,624,823
Mobile loan	3,957,336	43,340
Advance against purchase of fans	219,472	145,927
Others	66,242,435	76,426,921
	291,690,569	323,220,393

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

**Notes to the financial statements
For the year ended 30 June 2017**

	2017 BDT	2016 BDT
12.1.3 Divisional offices		
Advance against salary	11,404,526	10,916,382
Motorcycle loan	3,970,755	1,085,150
Advance against house rent	154,908	327,008
Mobile loan	13,400	-
Bicycle loan	4,000	15,100
Others	137,987	182,226
	<u>15,685,576</u>	<u>12,525,866</u>
12.1.4 Zonal offices		
Advance against house rent	325,500	994,773
Motorcycle loan	130,000	1,186,431
Advance against salary	32,100	2,498,095
Bicycle loan	-	6,300
Advance against purchase of fixed asset	-	573,447
Others	1,067,464	130,847
	<u>1,555,064</u>	<u>5,389,893</u>
12.2 Security deposits		
Rajdhani Unnayan Katripakkha (RAJUK)	600,000	600,000
Bangladesh Telecommunication Company Limited	298,796	298,796
GSP Finance Company (Bangladesh) Limited	124,918	124,918
Others	235,200	235,200
	<u>1,258,914</u>	<u>1,258,914</u>
13. Cash and bank balances		
Cash in hand	27,548,337	12,383,520
Bank balances (note 13.1)	753,088,311	398,267,057
	<u>780,636,648</u>	<u>410,650,577</u>
13.1 Bank balances		
Current accounts	648,156,475	376,930,849
Short-term deposit accounts	104,926,150	21,318,438
Savings accounts	5,686	17,770
	<u>753,088,311</u>	<u>398,267,057</u>
14. Revolving loan fund (donors' fund)		
Department for International Development (DFID), UK	93,022,179	93,022,179
Swiss Agency for Development and Cooperation (SDC)	23,378,560	23,378,560
Swedish International Development Agency (SIDA)	14,545,494	14,545,494
Australian Agency for International Development (AusAID)	4,274,300	4,274,300
UNESCO/Stitching Gilles – Foundation, Belgium	2,147,712	2,147,712
Canada Fund	1,163,139	1,163,139
PACT Inc./USAID	284,500	284,500
	<u>138,815,884</u>	<u>138,815,884</u>

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

**Notes to the financial statements
For the year ended 30 June 2017**

	2017	2016
	BDT	BDT
15. Emergency disaster funds (donors' fund)		
Swedish International Development Agency (SIDA)	11,374,757	11,374,757
Department for International Development (DFID), UK	9,247,243	9,247,243
Swiss Agency for Development and Cooperation (SDC)	9,000,000	9,000,000
Australian Agency for International Development (AusAID)	651,000	651,000
	<u>30,273,000</u>	<u>30,273,000</u>
Add: Interest on investment of the above funds	102,657,609	90,563,104
	<u>132,930,609</u>	<u>120,836,104</u>

BURO Bangladesh focuses its efforts on the promotion of self-help and self-reliance of disadvantaged rural communities, with particular attention to women. Normally, it is not involved in any relief or charitable activities for its customers but it does not remain non-chalant when the customers become extremely vulnerable and their existence is threatened. In such situations, disaster assistance is provided.

In order to respond to emergency relief and rehabilitation needs of BURO Bangladesh's customers, emergency disaster funds have been created with financial grants from the following donors.

16. Loan loss provision

Opening balance	772,914,193	593,655,198
Add: Provision made during the year	304,415,738	259,292,331
	<u>1,077,329,931</u>	<u>852,947,529</u>
Less: Amount written off during the year (Principal)	199,580,057	80,033,336
Closing balance	<u>877,749,874</u>	<u>772,914,193</u>

Loan loss provision requirement is BDT 877,419,645 as on 30 June 2017, following MRA circular letter no. 14 dated 07 May 2012, but the actual LLP has been made of BDT 877,749,674 resulting an excess provision of BDT 330,229 during the year under reporting. The method of calculation of LLP is shown below:

No. of days outstanding	Outstanding loan (BDT)	Rate (%)	Required provision (BDT)
Regular loan outstanding	31,910,897,215	1%	319,108,972
Loan overdue status (days):			
1-30 days	87,268,039	5%	4,363,402
31-180 days	231,392,325	25%	57,848,081
181-365 days	212,308,996	75%	159,231,747
Over 365 days	336,867,443	100%	336,867,443
Total:	<u>32,778,734,018</u>		<u>877,419,645</u>

BURO Bangladesh does not renegotiate loans under normal circumstances as well as in any other circumstances, such as, catastrophic events.

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

**Notes to the financial statements
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	2017 BDT	2016 BDT
17. Accumulated surplus		
Opening balance	3,872,170,904	2,344,995,119
<u>Add: Surplus/(deficit) during this year</u>	<u>2,325,050,978</u>	<u>1,640,155,885</u>
	6,197,221,882	3,985,151,004
<u>Less: Transferred to accumulated surplus reserve fund (note 18)</u>	<u>232,505,819</u>	<u>112,980,100</u>
Closing balance	<u>5,964,716,063</u>	<u>3,872,170,904</u>
18. Accumulated surplus reserve fund		
Opening balance	391,955,100	278,975,000
<u>Add: Transferred from accumulated surplus reserve fund (note 17)</u>	<u>232,505,818</u>	<u>112,980,100</u>
	624,460,918	391,955,100
<u>Less: Donation made during this year</u>	<u>7,212,745</u>	<u>-</u>
Closing balance	<u>617,248,173</u>	<u>391,955,100</u>
<p>The above balance represents reserve fund made in accordance with the provisions of Microcredit Regulatory Authority Rules 2010 under clauses 20 (1) and 20 (3). As per said clauses every microcredit organisation should create a reserve fund @10% of its total surplus which should be kept in any scheduled bank under the supervision of the head office of the relevant microcredit organisation. BURO Bangladesh maintains the reserve fund following said clause. Details are in Note no. 10.</p>		
19. Other funds		
Gratuity fund	103,474,066	72,830,178
Health fund	37,368,925	17,745,338
Housing fund	19,004,546	17,446,982
Vehicle insurance fund	9,601,880	8,801,962
	<u>169,449,417</u>	<u>116,824,460</u>
20. Customers' contractual savings		
Opening balance	2,908,036,879	1,495,699,416
<u>Add: Received during the year</u>	<u>2,989,781,378</u>	<u>2,108,546,540</u>
	5,897,818,257	3,604,245,956
<u>Less: Payment made during the year</u>	<u>1,291,295,399</u>	<u>696,209,077</u>
Closing balance	<u>4,606,522,858</u>	<u>2,908,036,879</u>
<p>In contractual savings account, clients agree to deposit regularly an amount as fixed by them. Customers can withdraw the entire amount including interest thereon and can choose to deposit on a weekly or monthly basis. Interest is paid on a compound basis in the range of 8% to 12% per annum. The number of contractual savings accounts is 1,195,834 as on 30 June 2017 as compared to 1,025,920 as on 30 June 2016.</p>		
21. Customers' emergency fund		
Customers' emergency fund	838,162	838,162
	<u>838,162</u>	<u>838,162</u>

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

**Notes to the financial statements
For the year ended 30 June 2017**

	2017 BDT	2016 BDT
This fund is to be used for the following purposes:		
- to pay-off loans in the event of borrowers death or permanent disability;		
- to issue supplemental loans in the event of loss of the borrowers' income earnings capability through loss or damage to the assets purchased with the original loan and		
- to meet small expenses/emergencies agreed upon by the Kendra (Centre).		
22. Customers' micro insurance fund		
The premiums are one-time payment in a year. After the death of customers the entire outstanding loan to clients will be waived. This has been arrived at as under:		
Opening balance	368,494,853	183,417,390
<u>Add: Received during the year</u>	424,900,365	287,249,889
	<u>793,395,218</u>	<u>470,667,279</u>
<u>Less: Payment made during the year</u>	136,019,851	102,172,426
Closing balance	<u>657,375,367</u>	<u>368,494,853</u>
23. Borrowing from different sources		
Borrowing from specialised institutions (note 23.1)	15,119,718	23,241,484
Borrowing from banks (note 23.2)	15,971,019,657	12,050,190,748
Borrowing from non-banking financial institutions (note 23.3)	2,530,034,328	2,300,000,000
	<u>18,516,173,703</u>	<u>14,373,432,232</u>
23.1 Borrowing from specialised institutions		
Stromme Foundation (note 23.1.1)	-	-
Anukul Foundation (note 23.1.2)	15,119,718	23,241,484
	<u>15,119,718</u>	<u>23,241,484</u>
23.1.1 Stromme Foundation		
Opening balance	-	5,000,000
<u>Add: Received during the year</u>	-	-
	-	5,000,000
<u>Less: Refund during the year</u>	-	5,000,000
Closing balance	-	-
A number of loans were borrowed from Stromme Foundation for providing loan to BURO Bangladesh's customers. Interest rates ranges from 7%-10% per annum. These loans have three months' moratorium. Institutional guarantee from BURO Bangladesh is the security for the loans.		
23.1.2 Anukul Foundation		
Opening Balance	23,241,484	33,820,592
<u>Add: Received during the year</u>	-	-
	<u>23,241,484</u>	<u>33,820,592</u>
<u>Less: Refund during the year</u>	8,121,766	10,579,108
Closing balance	<u>15,119,718</u>	<u>23,241,484</u>

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	2017 BDT	2016 BDT
<p>A number of loans were borrowed from Anukul Foundation for on-lending to BURO Bangladesh's customers. Interest rate is 10% per annum. These loans have three months' moratorium.</p> <p>There is no overdue or default in respect of repayment (loan and interest) of above borrowings by BURO Bangladesh from their respective due dates.</p>		
23.2 Borrowing from banks		
Eastern Bank Limited	1,500,000,000	1,000,000,000
Dhaka Bank limited	1,250,000,000	500,000,000
United Commercial Bank Limited	1,167,278,197	479,325,730
Standard Chartered Bank	1,165,000,000	1,000,000,000
Jamuna Bank Limited	1,148,820,731	1,137,562,122
Prime Bank Limited	1,000,000,000	1,000,000,000
Dutch Bangla Bank Limited	857,743,688	500,000,000
Shahjalal Islami Bank Limited	847,538,474	357,624,929
Bank Asia Limited	753,821,016	999,994,087
The City Bank Limited	740,000,000	1,056,157,094
BRAC Bank Limited	700,000,000	-
NRB Global Bank Limited	500,005,001	48,441,164
ONE Bank Limited	500,000,000	400,000,000
Pubali Bank Limited	500,000,000	95,631,170
NCC Bank Limited	488,581,150	-
SMAP Bangladesh Bank	470,000,000	752,600,000
Southeast Bank Limited	418,419,147	273,269,031
Mutual Trust Bank Limited	311,392,242	440,106,461
Habib Bank Limited	300,000,000	300,000,000
HSBC	300,000,000	300,000,000
Basic Bank Limited	249,984,354	-
Bank Al-Falah Limited	200,000,000	50,000,000
AB Bank Limited	200,000,000	200,000,000
The Premier Bank Limited	103,538,844	212,207,660
NRB Bank Limited	100,000,000	-
Citibank, N.A.	100,000,000	-
Trust Bank Limited	98,896,813	641,877,655
Rupali Bank Limited	-	97,060,319
Commercial Bank of Ceylon PLC	-	208,333,326
	15,971,019,657	12,050,190,748

There is no overdue or default in respect of repayment (loan and interest) of above borrowings by BURO Bangladesh from their respective due dates.

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	2017	2016
	BDT	BDT
23.3 Borrowing from non-banking financial institutions		
IDLC Finance Limited	800,000,000	600,000,000
Industrial Promotion and Development Company of Bangladesh Ltd	580,000,000	350,000,000
Uttara Finance Limited	500,000,000	-
MIDAS Financing Limited	340,000,000	250,000,000
National Finance Limited	227,552,006	-
The UAE-Bangladesh Investment Company Limited	82,482,322	100,000,000
LankaBangla Finance Limited	-	1,000,000,000
	<u>2,530,034,328</u>	<u>2,300,000,000</u>

There is no overdue or default in respect of repayment (loan and interest) of above borrowings by BURO Bangladesh from their respective due dates.

24. Employees' security deposit

Opening balance	71,030,331	62,877,675
<u>Add: Received during the year</u>	<u>13,256,506</u>	<u>11,798,298</u>
	84,286,837	74,675,973
<u>Less: Refund during the year</u>	<u>3,960,886</u>	<u>3,645,642</u>
Closing balance	<u>80,325,951</u>	<u>71,030,331</u>

This represents amount received as security deposit from Branch Managers, Accountants, Assistant Accountants, Program Organisers and Assistant Program Organisers as per policy of BURO Bangladesh.

25. Customers' general savings

Opening balance	4,783,243,451	4,199,899,896
<u>Add: Received during the year</u>	<u>5,220,763,562</u>	<u>4,142,971,190</u>
	10,004,007,013	8,342,871,086
<u>Less: Payment made during the year</u>	<u>4,280,016,569</u>	<u>3,559,627,635</u>
Closing balance	<u>5,723,990,444</u>	<u>4,783,243,451</u>

The general savings account is like a current account, where customers can save or withdraw the amount on the demand. The rate of interest is 6% compounded per annum of their general savings account balance.

The number of general savings accounts is 1,449,085 as at 30 June 2017 compared to 1,356,572 at the end of year 30 June 2016.

26. Other liabilities

Dormant accounts	54,289,550	32,732,409
Security deposit from shops	9,588,746	2,750,000
BURO Bangladesh gratuity fund	7,735,989	-
BURO Bangladesh health fund	1,889,500	-
BURO Bangladesh provident fund	-	3,436,947
Others (including staff security fund)	-	9,780,989
Others	40,726,059	-
	<u>114,229,844</u>	<u>48,700,345</u>

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

**Notes to the financial statements
For the year ended 30 June 2017**

	2017 BDT	2016 BDT
27. Service charges on loan to borrowers and others		
Service charge	7,105,639,874	4,959,537,892
Recovery from loan written off	19,078,259	22,681,610
	7,124,718,133	4,982,219,502
28. Interest on borrowing from banks and others		
Commercial banks	1,213,100,432	1,077,421,360
Non-banking financial institutions	215,107,186	69,057,421
Specialised institutions	1,422,212	3,101,062
	1,429,629,830	1,149,579,843
29. Interest on customers savings		
Interest on contractual savings	317,344,010	177,634,996
Interest on general savings	254,863,015	206,546,169
	572,207,025	384,181,165
30. Payment to national exchequer		
Direct tax (note 30.1)	51,347,522	45,858,246
Government fees	2,846,398	2,370,420
	54,193,920	48,228,666
30.1 Direct tax		
Corporate tax	23,658,266	22,496,989
Interest on bank deposit	12,405,350	1,637,142
Income tax on staff salary and allowances	8,420,813	3,201,673
Value added tax	6,594,454	18,522,442
Other taxes	268,639	-
	51,347,522	45,858,246

Income tax assessment position of BURO Bangladesh is given below:

Income year ended 30 June	Assessment year	Income as per return filed BDT	Taxable income BDT	Tax paid BDT
2003	2004-2005	9,477,932	760,101	99,520
2004	2005-2006	1,816,585	1,861,585	406,679
2005	2006-2007	98,378	983,878	120,393
2006	2007-2008	860,599	860,599	98,370
2007	2008-2009	1,139,140	1,139,140	151,078
2008	2009-2010	5,626,026	5,626,026	1,272,757
2009	2010-2011	14,953,899	14,953,899	3,604,726
2010	2011-2012	30,339,290	30,339,290	7,439,823
2011	2012-2013	20,967,281	20,967,281	5,091,820
2012	2013-2014	60,163,274	60,163,274	14,885,819
2013	2014-2015	757,916,652	757,916,652	22,010,338
2014	2015-2016	121,413,491	121,413,491	22,496,989
2015	2016-2017	121,397,366	121,397,366	23,658,266

Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh)

**Notes to the financial statements
For the year ended 30 June 2017**

	2017 BDT	2016 BDT
31. Transportation		
Fuel and lubricants	45,322,401	38,994,348
Travelling allowance	12,416,251	34,021,399
Daily allowance	56,532,860	11,675,501
Car maintenance	1,961,556	2,531,145
	116,233,068	87,222,393
32. Training and research		
Staff training	5,982,668	4,004,298
Meeting and workshop	1,245,389	5,959,207
	7,228,057	9,963,505
33. Other direct cost		
Email, telephone and fax	22,867,113	19,507,522
Electricity, gas and water	17,326,498	14,888,428
Entertainment	14,882,663	12,731,908
Printing materials	7,237,499	-
Bank charges	3,561,048	2,894,540
Grant	2,777,149	-
Repair and maintenance	1,947,186	408,985
Postage and telegram	1,619,563	509,719
Registration (membership fee)	1,578,647	704,549
Advertisement	722,464	573,407
Computer accessories	257,209	160,823
Newspaper and periodicals	101,749	236,242
Office maintenance	8,071	-
Miscellaneous expense	64,129,442	52,985,557
	139,016,302	105,601,680
34. Contribution to development project		
Enhanced institutional capacity	-	-
Education program (Shikha Sohayota Prokalpa)	-	2,497,594
	-	2,497,594
35. Others		

35.1 Figures in these notes and in the annexed financial statements have been rounded off to the nearest BDT.

35.2 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

35.3 Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year, however, bearing any impact on the profit and value of assets and liabilities.

For and on behalf of the Members of the General body of BURO Bangladesh



Chairperson



Executive Director



Finance Director

Dhaka, Bangladesh
Dated, 30 September 2017

Five Years at a Glance (as of June 30)

	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
A	Institutional Profile					
	Number of Districts	61	61	61	64	64
	Number of Upazilla	399	403	403	406	432
	Number of Union	2,860	3,229	3,489	3,524	3,710
	Number of Villages	26,173	27,878	30,201	33,099	36,248
	Number of Branches	634	634	640	648	712
	Total Personnel	5,417	5,569	5,736	6,179	6,726
	Staff Dropout Rate	18%	11%	11%	7%	4%
	Number of Customers	1,104,717	1,053,035	1,269,411	1,356,572	1,449,085
	Customer Dropout Rate	8%	9%	4%	3%	4%
B	Savings Portfolio (million BD Taka)					
	Yearly Savings Deposit	5,066	4,113	4,818	6,251	8,211
	Cumulative Savings Deposit	15,988	20,101	24,919	31,170	39,381
	Yearly Savings Withdrawals	4,155	3,341	3,609	4,255	5,571
	Cumulative Savings Withdrawals	12,273	15,614	19,223	23,478	29,051
	Savings Portfolio	3,715	4,487	5,696	7,692	10,331
	Savings Portfolio Growth	33%	21%	27%	35%	34%
	Per Client Average Savings (BDT)	3,363	4,261	4,487	5,670	7,129
	Savings to Loan Portfolio	29%	33%	35%	31%	32%
C	Loan Portfolio (million BD Taka)					
	Yearly Loan Disbursed	22,110	23,629	26,301	39,515	54,394
	Cumulative Loan Disbursed	80,246	103,875	130,176	169,691	224,085
	Yearly Loan Recovered	15,995	22,904	23,559	31,548	46,048
	Cumulative Loan Recovered	67,247	90,151	113,710	145,258	191,306
	Loan Portfolio	12,999	13,724	16,466	24,433	32,779
	Loan Portfolio Growth	89%	6%	20%	48%	34%
	Number of Borrowers	950,234	896,475	839,183	921,924	953,964
	Borrower/Customers Ratio	86%	85%	66%	68%	69%
D	Sustainability/Profitability					
	Return on Equity (ROE)	24%	29%	30%	36%	35%
	Return on Performing Assets	23%	26%	25%	24%	25%
	Operating Self-Sufficiency	118%	120%	130%	147%	147%
	Financial Self-Sufficiency	110%	114%	126%	142%	141%
	Financial Spread (Net Financial Margin)	4.57%	5.75%	8.19%	9.61%	9.47%
E	Portfolio Quality					
	On Time Recovery Rate (OTR)	98.22%	98.05%	96.81%	97.25%	98.63%
	Cumulative Recovery Rate (CRR)	99.18%	99.24%	99.17%	99.22%	99.38%
	Portfolio at Risk-PAR (>30days)	1.77%	2.76%	3.31%	2.62%	2.38%
	Risk Coverage Ratio	101%	101%	100%	100%	100%
	Loan Loss Reserve Ratio	2.46%	3.03%	3.61%	3.16%	2.68%
	Write-Off Ratio	0.64%	0.43%	0.68%	0.39%	0.70%
F	Assets/Liability Management					
	Yield on Gross Portfolio	23%	26%	25%	24%	25%
	Current Ratio	381%	365%	407%	514%	575%
	Financial Cost Ratio	7.89%	9.98%	7.25%	6.48%	6.14%
	Annual Growth to Total Assets	73%	12%	17%	43%	35%
G	Leverage					
	Debt to Equity	5.60	3.92	2.80	2.66	2.34
	Debt Service Coverage Ratio	1.13	1.15	1.15	1.37	1.36
	Capital Adequacy Ratio	12.37%	17.12%	21.05%	21.36%	23.34%
H	Efficiency/Productivity					
	Loan Officer (LO) Productivity	295	315	385	337	342
	LO Productivity (Loan-BDT)	3,476,753	4,110,365	4,995,734	6,065,834	7,729,011
	LO Productivity (Savings-BDT)	993,763	1,343,820	1,728,034	1,909,454	2,435,867
	Average Disbursed Loan Size (BDT)	21,018	24,422	29,347	40,753	52,870
	Average Outstanding Loan Size (BDT)	13,680	15,309	19,621	26,502	32,795
	Cost of per Unit Money Lent (BDT)	0.05	0.06	0.05	0.04	0.05
	Operating Expenses Ratio	10.34%	9.88%	9.56%	8.34%	9.39%

Five Years Balance Sheet (as on 30 June)

Figure in Million Taka

PARTICULARS	2012-13	2013-14	2014-15	2015-16	2016-17
PROPERTY AND ASSETS					
Current Assets					
Cash and bank balance	244.59	906.48	552.11	410.65	780.64
Investment	802.56	1,086.93	1,432.96	1,433.90	2,086.87
Other current assets	172.96	281.55	458.94	759.81	745.59
<i>Loan portfolio</i>	12,999.58	13,724.51	16,465.94	24,433.18	32,778.73
<i>Loan loss reserve (LLR)</i>	320.42	416.20	593.66	772.91	877.74
Loan portfolio-net of LLR	12,679.16	13,308.31	15,872.28	23,660.27	31,900.99
Total Current Assets	13,899.27	15,583.27	18,316.29	26,264.63	35,514.09
Long - Term Assets					
<i>Fixed assets at cost</i>	765.84	802.80	847.60	1,153.61	1,528.02
<i>Accumulated depreciation</i>	121.45	142.92	176.61	223.86	319.48
Fixed assets - net of accumulated depreciation	644.39	659.88	670.99	929.74	1,208.53
Total Long - Term Assets	644.39	659.88	670.99	929.74	1,208.53
Total Assets	14,543.66	16,243.15	18,987.28	27,194.37	36,722.62
LIABILITIES AND FUNDS					
Current Liabilities					
Employees' security deposits	56.42	58.94	62.88	71.03	80.33
Clients' general savings	3,436.56	4,003.37	4,199.90	4,783.24	5,723.99
Bank overdraft	1.64	0	0	0	0
Other liabilities	5.15	17.11	23.87	48.70	114.23
Total Current Liabilities	3,499.76	4,079.42	4,286.65	4,902.97	5,918.55
Long-Term Liabilities					
Clients' contractual savings	279.12	483.65	1,495.70	2,908.04	4,606.52
Emergency funds	0.84	0.84	0.84	0.84	0.84
Micro insurance	65.76	83.42	183.42	368.49	657.38
Borrowing from Specialized Institution	87.21	59.51	38.82	23.24	15.12
Borrowing from Commercial Banks	8,541.82	9,513.19	9,296.09	12,050.19	15,971.02
Borrowing from Non - Bank Financial Institution	719.66	0	700.00	2,300.00	2,530.03
Total Long-Term Liabilities	9,694.41	10,140.60	11,714.86	17,650.80	23,780.91
Funds and Surplus					
Revolving loan fund (donors' grant)	138.82	138.82	138.82	138.82	138.82
Emergency disaster fund (donors' grant)	96.04	106.54	116.21	120.84	132.93
Other Funds	0	69.63	106.78	116.82	169.45
Accumulated surplus reserve fund	0	170.00	278.98	391.96	617.25
Accumulated surplus	1,114.62	1,538.16	2,345.00	3,872.17	5,964.72
Total Net Worth	1,349.49	2,023.13	2,985.77	4,640.60	7,023.17
Total Liabilities and Net Worth	14,543.66	16,243.15	18,987.28	27,194.37	36,722.62

Source: Audit Report

Five Years Income and Expenditure Account

(as on 30 June)

Figure in Million Taka

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
A Financial & Micro Credit Income					
Service charges/Interest on loans	2,287.94	3,525.89	3,797.14	4,982.22	7,124.72
Service charges from remittance services	4.01	5.31	6.54	6.89	6.85
Sales of loan application forms	29.17	26.42	26.14	27.25	27.48
Borrowers admission fees	10.60	8.59	3.73	4.71	5.12
Interest on bank deposits	60.16	66.56	115.88	111.91	125.70
Interest on staff loan	1.51	1.15	1.45	1.37	1.48
Others	3.93	8.08	4.07	15.41	33.67
Total Financial & Micro Credit Income (A)	2,397.33	3,642.00	3,954.95	5,149.75	7,325.00
B Financial Cost					
Interest on borrowings	778.67	1,388.64	969.89	1,149.59	1,429.63
Interest on customers' savings	145.76	178.08	338.76	384.18	572.21
Total Financial Cost (B)	924.44	1,566.72	1,308.65	1,533.77	2,001.84
C Gross Financial Margin (A-B)	1,472.89	2,075.28	2,646.31	3,615.99	5,323.17
D Provision for loan losses	82.95	153.64	279.55	259.29	304.42
E Net Financial Margin (C-D)	1,389.94	1,921.64	2,366.76	3,356.70	5,018.75
F Operating Expenses					
Salary and allowances	758.37	1,025.51	1,095.22	1,289.25	2,155.07
Rental office	67.71	73.78	74.12	77.72	92.65
Payment to national exchequer	18.30	20.63	33.73	48.23	54.19
Transportation	62.56	76.16	83.41	87.22	116.23
Training & research expenses	5.22	8.36	7.91	10.06	7.23
Office supplies	24.47	27.56	32.37	23.97	29.84
Depreciation	23.56	26.42	35.82	59.65	95.65
Audit & professional fees	4.11	2.10	4.59	6.76	3.81
Project contribution	0	0.20	1.90	0	0
Other expenses	68.42	67.40	81.88	113.67	139.02
Total Operating Expenses (F)	1,032.74	1,328.11	1,450.94	1,716.54	2,693.69
G Net Surplus/(Deficit) (E-F)	144.22	593.53	915.81	1,640.15	2,325.06

Source: Audit Report



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