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# Understanding Marketing Strategy and Measuring Consumer Attitude towards Micro Credit Service of NGOs in Bangladesh: A Study on ASA and BRAC

Mitul, Nahida Parvin

University of Rajshahi

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**UNDERSTANDING MARKETING STRATEGY  
AND MEASURING CONSUMER ATTITUDE  
TOWARDS MICRO CREDIT SERVICE OF NGOs  
IN BANGLADESH:  
A STUDY ON ASA AND BRAC**



**A THESIS SUBMITTED TO THE DEPARTMENT OF  
MARKETING UNIVERSITY OF RAJSHAHI FOR THE  
AWARD OF THE DEGREE OF MASTER OF PHILOSOPHY**

**BY**

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ROLL NO: 11505  
SESSION: 2011-12**

**DEPARTMENT OF MARKETING  
UNIVERSITY OF RAJSHAHI  
BANGLADESH**

**DATE: 22-06-2016**

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**M.PHIL  
THESIS**

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## **ABSTRACT**

Micro credit has become an important financial tool for the poor people of developing country like Bangladesh. Bangladesh has huge potential for development. For various socio-economic reasons, among the poorest countries in the world, with the rising need of money for investment and employment micro credit program of NGO-MFIS got acceptance and a lot of NGO'S with micro credit program emerged here. This research looks into the marketing strategy of this service paired by two popular NGO-ASA and BRAC. The study utilizes fishbeines multi-attribute attitude-object model to measure overall attitude of consumer's towards Micro credit program of NGO. T- Test is performed to test hypotheses. The study reports among 7 salient beliefs consumer's perceptions on ASA is favorable than BRAC. The model anticipates overall consumer's attitude towards ASA is favorable than BRAC in Micro credit program of NGO. This study analyses marketing strategies of microcredit service of two market leading NGOs in Bangladesh. Results of this study provide some indications on the concerns and contain affecting micro credit marketing by NGO. The outcome of the study might be used as the basis fare the development of better strategy.

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## ACRONYMS

ADB	Asian Development Bank
ADEMI	Asociación para el Desarrollo de Microempresas, Inc. (Dominican Republic)
AIG	American Insurance Group
ASA	Association for Social Advancement (Bangladesh)
ASCA	Accumulating Savings and Credit Association
BAAC	Bank for Agriculture and Agricultural Cooperatives (Thailand)
BBS	Bangladesh Bureau of Statistics
BDT	Bangladesh Taka
BEES	Bangladesh Extension Education Services
BIDS	Bangladesh Institute of Development Studies
BKB	Bangladesh Krishi Bank
BMDA	Barind Multi-Purpose Development Authority
BRAC	Building Resources Across Communities (Largest NGO) [Formerly Bangladesh Rural Advancement Committee]
BRDB	Bangladesh Rural Development Board
BRI	Bank Rakyat Indonesia
BSBL	Bangladesh Sanchya Bank Limited
CARB	Center for Agricultural Research-Barind (a Bangladeshi MFI)
CARE	Cooperative for Assistance and Relief Everywhere
CBN	Cost-of-basic-needs
CBO	Community Based Organization
CDF	Credit and Development Forum
CFPR	Challenging the Frontiers of Poverty Reduction Programme
CGAP	The Consultative Group to Assist the Poorest (Washington, DC)
CIDA	Canadian International Development Agency
COSOP	Country Strategic Opportunities Paper (of IFAD)
CPD	Centre for Policy Dialogue

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DANIDA	Danish International Development Agency
DFID	Department for International Development
DOF	Department of Fisheries
EC	European Commission
FFP	Fondos Financieros Privados
FINCA	The Foundation for International Community Assistance
FSP	Financial Service for the Poorest
FSS	Financial Self-sufficiency
FY	Fiscal Year
GB	Grameen Bank
GDP	Gross Domestic Product
GNP	Gross National product
GOB	Government of Bangladesh
GPS	Grameen Pension Scheme
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HCP	Hardcore Poor Program
HIES	Household Income and Expenditure Survey
IBBL	Islami Bank Bangladesh Limited
IBM	International Business Machines Corporation
IBRD	International Bank for Reconstruction and Development (World Bank)
IDPM	Institute for Development Policy and Management (University of Manchester)
IFAD	International Fund for Agricultural Development
IGA	Income Generating Activities
IGVGD	Income Generation for Vulnerable Group Development
InM	Institute of Microfinance
IRDP	Integrated Rural Development Program (India)
JC	Jagorani Chakra (MFI)
LGED	Local Government Engineering Department
MBB	Microbanking Bulletin
ME	Microenterprise

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MFI	Microfinance Institution
MFMS	Microfinance for Marginal and Small Farmers Project
MFTSP	Microfinance and Technical Support Project
MIDAS	Micro Industries Development and Assistance Society
MIDI	Micro Enterprise Development Initiative (of MIDAS)
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MRA	Microcredit Regulatory Authority
MSME	Micro, small and medium enterprises
NCB	Nationalized Commercial Bank
NGO	Non-Government Organization
OSS	Operating Self-sufficiency
PDBF	Palli Daridra Bimochan Foundation (formally RD 12; CIDA-funded BRDB project)
PKSF	Palli Karma-Sahayak Foundation
PLDP	Participatory Livelihood Development Project
<i>PMUK</i>	Padakhep Manobik Unnayan Kendra
PO	Partner Organization (of PKSF)
PRA	Participatory Rural Appraisal
PROGRESA	Programa de Educación, Salud y Alimentación (Mexico)
Proshika	A Bangladeshi NGO
RBI	Reserve Bank of India
RLF	Revolving Loan Fund
RNF	Rural Non-farm sector
ROA	Return on Asset
ROSCA	rotating savings and credit associations
RRA	Rapid Rural Appraisal
SAARC	South Asian Association for Regional Cooperation
SB	Sonali Bank
SBL	Small Business Loan
SDC	Swiss Agency for Development and Cooperation
SEL	Small Enterprise Loan

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SEWA	Self-Employed Women's Association (Ahmedabad, India)
SHG	Self-help Group
SME	Small and Microenterprise
SMF	Small and Medium Farmer
SM-PO	Small and Medium Partner Organization
SSS	Society for Social Services
TMSS	Thengamara Mahila Sabuj Shangha (an NGO)
UNDP	United Nations Development Program
URDEP	Upazila Resource Development and Employment Project (formerly TRDEP)
USAID	United States Agency for International Development
WFP	World Food Programme

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## **DECLARATION**

I do hereby declare that the thesis entitled “Understanding marketing strategy and measuring consumer attitude towards micro credit service of NGOs in Bangladesh: A study on ASA and BRAC ” submitted to the Department of Marketing, University of Rajshahi, Bangladesh, for the degree of Master of Philosophy (M. Phil) in Marketing is an original and independent research work. No part of this thesis, in any form, has been submitted to any other university/ institution for any other degree or diploma.

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## **CERTIFICATE**

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**SUPERVISOR**

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## **CHAPTER ONE**

### **1.1 INTRODUCTION**

In recent years, micro credit, in its wider dimension known as microfinance, has become a much favored intervention for poverty alleviation in the developing countries. There is scarcely a poor country not involved in the promotion of a microfinance program. Many achievements are claimed about the impact of microfinance programs and an outside observer can not but wonder at the range of diversity of the benefits claimed.

Although Bangladesh has huge potential for development, it is, for various socio-economic reasons, among the poorest countries in the world. About half of the countries population lives below the poverty line with 80% in the rural areas. The burden of poverty falls disproportionately on women, who constitute half of the total population. Government of Bangladesh in this condition for poverty alleviation adopted the micro credit approach. Both government and non-government organization are implementing the micro credit program and the scope of its efficient growth is enormous.

Many research studies have been conducted on microfinance all over the world. It has been found that these researches were conducted focusing on their self purpose or motive, based on different distribution structural research model, adopting different marketing strategies. Despite the fact, researches have been conducted on marketing strategies of microcredit service from organizational viewpoint. But research is extremely limited based on consumer attitude. Surprisingly, research on understanding marketing strategy along with measuring consumer attitude has not been conducted in context of Bangladesh. This study will be an attempt to fill that gap in literature.

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## 1.2 BACKGROUND OF THE STUDY

Micro credit is the extension of very small loans (micro-loans) to those in poverty designed to spur entrepreneurship. These individuals lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. Micro-credit is a part of microfinance, which is the provision of a wider range of financial services to the very poor.

During the last two decades, the Government of Bangladesh (GoB) has been pursuing a number of social safety net programs. Almost all ministries or agencies are pursuing some works directly or indirectly which are contributing to poverty alleviation or adding to the well-being and empowerment of the poor. Available information shows that there are 5 types of social safety net programs:

- ⇒ Cash support program
- ⇒ Food aid program
- ⇒ Special program for poverty reduction
- ⇒ Self-employment through micro-credit program.
- ⇒ Some specific programs for poverty alleviation.

Over time the social safety net programs have been getting increasing attention from the government as well as from non-government organizations.

Reducing poverty is a social issue. Thus, we have to see the microcredit programs of NGO-MFIs from the view point of social Marketing. In social marketing we see three conditions. They are:

- i. Company profits
- ii. Consumer satisfaction
- iii. Social or public interests.

The social marketing calls for balancing all three conditions. Micro-credit is a service industry. "Micro-credit to an individual level is a small/tiny amount of money but if envisages in terms of geographical coverage, number of clients, total amount invested it

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appears a big industry. Micro finance either in industrial or in small scale are in practice in all most all the poor and the developing countries. The wave of micro-credit also spread in Arkansas in USA, the richest country in the world”

The goal of Bangladesh Government, reducing poverty, will be achieved if the NGO-MFIs provide the quality service.

So, the main issues of this study are to (a) analyze the marketing strategies of micro-credit institutions and (b) measure consumer attitude towards the services of NGO-MFIs in Bangladesh.

I shall take ASA and BRAC as case to analyze their marketing strategies and measure consumer attitude towards the service. Because, most of the market share of micro-credit industry are captured by them. And they have the nationwide coverage.

Being a student of marketing I wanted to explore the marketing strategies of NGO-MFIs for microcredit program. My study was based on two top NGOs in this ground (ASA and BRAC) in Bangladesh

Here the product of these organizations is service. From the aspect of service marketing the strategies are regarding target market, positioning, product line, price, distribution outlets, sales force service, sales promotion, research and development.

Another important issue is the attitude measurement of consumers receiving the service. Attitudes are expressions of inner feelings that reflect whether a person favorably or unfavorably predisposed to some object (service) because they are an outcome of psychological process. Attitudes are not directly observable. It must be inferred from what people say or what they do. The term attitude is closely related with human psychology and it influences the human behavior. Attitudes are important because they reflect what people think, feel and are inclined to do about a product or service. Generally attitude of the people expressed through their opinion and satisfaction towards particular issue.

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### **1.3 DEFINITION OF KEY TERMS OF THE STUDY**

In recent years, micro credit, in its wider dimension known as microfinance, has become a much favored intervention for poverty alleviation in the developing countries and least development countries. There is scarcely a poor country and development oriented donor agency (multilateral, bilateral and private) not involved in the promotion (in one form or other) of a microfinance program. Many achievements are claimed about the impact of microfinance programs, and an outside observer can not but wonder at the range of diversity of the benefits claimed. Although Bangladesh has huge potential for development, it is, for various socio-economic reasons, among the poorest countries in the world. About half of the country's populations live below the poverty line with 80% in the rural areas. The burden of poverty falls disproportionately on women, who constitute half of the total population. Logically, therefore, poverty alleviation and creation of rural employment are top priorities in the development agenda of the government of Bangladesh (GOB) which has adopted a broad based approach to poverty alleviation, emphasizing macroeconomic stability, economic liberalization, and support for a number of government agencies and non-government organizations (NGOs). Substantial progress has been made in implementing the micro credit program (MCP), and the scope for its efficient expansion is enormous. Money begets money. Adam Smith said "Money, says the proverb, makes money. When you have got a little, it is often easy to get more. The great difficulty is to get that little" ("The Wealth of Nations" 1937, p. 93). It is very difficult for the poor to get small working capital from formal banking system for various reasons. A collateral free working capital loan is the requirement at the door steps of the poor at the right time to help them facilitate and start feasible intended income generating activities (IGAs). It is with this background that, microfinance is seen as one of the significant approaches to poverty alleviation.

### **EVOLUTION OF MICROFINANCE INSTITUTIONS IN BANGLADESH**

During the late 1970s, when the 'Jobra' experiment was underway under Professor M. Yunus, the Dheki Rin Prokolpa was initiated by the Bangladesh Bank in collaboration with the Swanirvar Bangladesh, and several other pilot schemes were initiated by a handful of

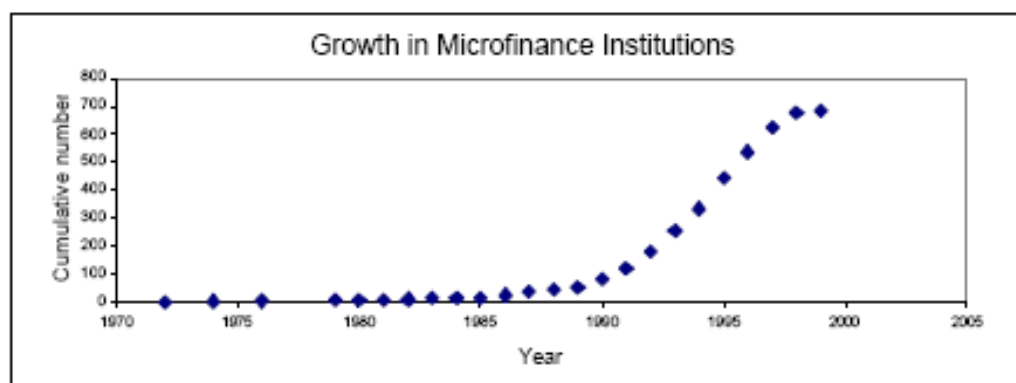
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the NGOs which were active then. At that time, it was difficult to conceive that these initiatives would lead to a major microcredit movement, which would make Bangladesh known to the rest of the world. Even during the 1980s, in spite of Grameen Bank's success, the main discourse amongst development practitioners in Bangladesh centered around the desirability of microcredit program as opposed to conscientization. By 1990, unhindered experimentation in the fields led to a quiet resolution of the debate and the country experienced a massive expansion of microfinance activities during the 1990s. PKSF contributed significantly to the expansion of microcredit programs in Bangladesh. This is borne out by the figures on the time path of NGO-microfinance institutions (NGO-MFIs) expansion (see Figure 1), as well as, by the expansion in membership in these MFIs (see Figure 2).

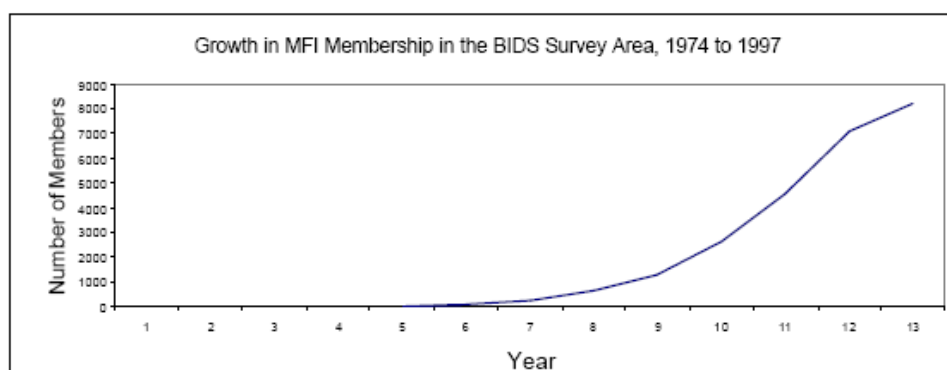
This rapid expansion drew attention from all important quarters—policymakers, academia and development practitioners—each trying to grapple with the unfolding stream of issues and trying to shape the course of the social and economic dynamics initiated due to introduction of microcredit. With a view to meet the demand for fund for re-lending by the development partners (NGO -MFIs), and due to an urge to coordinate the flow of such funds to appropriate use, the Palli Karma-Sahayak Foundation (acronym PKSF and the full Bengali name can be translated in English as "Rural Employment Support Foundation") came into being in late 1990. Over the years, its share in the revolving loan fund of the MFIs increased— from 9 percent in 1996 to 24 percent in 2002 (see Table 2). In recent years MFIs have moved from the margins of the financial system towards the mainstream. It is now more widely accepted that populations traditionally excluded by the formal financial sector can, in fact, be a profitable market niche for innovative banking services. The 1997 Micro credit Summit held in Washington D.C launched a global movement to reach 100 million of the world's poorest families with credit for self-employment and other financial and business services by the year 2005. Much remains to be done, however, to integrate micro financial systems, and for orthodox financial institutions, notably commercial banks, to recognize its full potential.

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**Figure-1: Growth in Microfinance Institutions**

*Note: This captures only those MFIs which responded to CDF query during their bi -annual surveys.*

*Source: Compiled from CDF data.*

**Figure-2: Growth in MFI Membership in the BIDS Survey Area, 1974 to 1997**

*Note: Each unit along the horizontal axes is two years, except for the last unit (between 12 & 13), which captures the difference between 1996 and 1997.*

*Source: BIDS Census of 91 villages, October -December 1997.*

## COVERAGE UNDER MICROCREDIT PROGRAMS

Microcredit programs (MCP) in Bangladesh are implemented by various formal financial institutions (nationalized commercial banks and specialized banks), specialized government organizations and semi-formal financial institutions (nearly 700 NGO -MFIs). The growth in the MFI sector, in terms of the number of MFI as well as total membership, was phenomenal during the 1990s and continues till today. The total coverage of MCP in Bangladesh is approximately 13 million households. Table -1 gives the coverage of major institutions in the formal and semi-formal sectors.

There is debate, however, on the extent of overlap- one borrower taking loan from more than one microfinance institution. The general consensus is that a national average would be that 15% of all borrowers are borrowing from more than one MFI. In that case the effective coverage is about 11 million households. Out of 11 million households covered by MCP, about 80% are below poverty line and so about 8.8 million poor households are covered by MCP. With estimated households of 26 million, out of which about 46% are poor households, the total number of poor households is approximately 11.96 million. Therefore, there is still scope of extending the coverage of microcredit programs to an approximate 3.16 million households.

**Table-1:** Coverage of Microcredit program as of June 2002

Name of the Organization	No. of Outstanding Borrowers	Disbursement Amount (Tk. in million)	Outstanding Amount (Tk. in million)
PKSF Partner Organizations' Borrowers funded by PKSF	3569565	67066.22	11912.45
PKSF Partner Organizations' Borrowers not funded by PKSF	4000979	90584.00	13880.68
NGO-MFIs not Partner Organizations of PKSF	1118931	29689.03	3503.925
Grameen Bank	2367641	161411.20	12218.7
BRDB	634500	26500.48	2148.20
Department of Youth Development	352956	4713.27	274.47
Palli Daridra Bimochon Foundation	276923	9158.18	1164.84
BARD	41494	734.33	167.88
Department of Social Services	49452	N.A	139.71
Bangladesh Small and Cottage Industries Corporation	46002	N.A	359.09
Manpower, Employment & Training Bureau	1912	N.A	131.04
Jatiyo Mohila Sangstha	3052	N.A	27.50
Janata Bank	129920	16240.40	991.364
Rupali Bank Limited	1519	16.77	9.09
Bangladesh Krishi Bank (BKB)	418797	8346.00	3113.10
Agrani Bank	516241	19188.40	5528.52
Rajshahi Krishi Unnoyan Bank	11615	N.A	468.20
<b>Total</b>	<b>13541499</b>	<b>433648.26</b>	<b>56038.75</b>

Sources : PKSF Statistics, CDF Statistics

NGO-MFIs are the major providers of microcredit in Bangladesh. Table 2 depicts the sources of fund of NGO-MFIs in Bangladesh.

**Table-2:** Source of Microcredit and revolving loan fund of NGOs

(Fund : Taka in million)

Source	June '98		June '99		June '00		June '01		June '02	
	Fund	%	Fund	%	Fund	%	Fund	%	Fund	%
PKSF	2880.80	18.70	4784.00	23.48	6597.70	24.03	7598.70	23.50	8829.80	23.64
Local banks	1833.60	12.07	2343.00	11.50	3100.00	11.29	2959.60	9.51	3359.20	8.99
Foreign donation	3942.90	25.96	4157.00	20.41	4648.20	16.93	5633.00	17.43	6160.00	17.50
Members savings	3020.20	19.89	4813.00	23.63	6943.50	25.29	8321.90	25.74	9518.10	25.49
Service charge	2275.30	14.98	2338.00	11.48	3862.10	14.06	5563.30	17.21	6194.90	16.59
Others	1235.50	8.13	1936.00	9.50	2309.00	8.40	2251.80	6.97	3285.40	7.79
<b>Total</b>	<b>15188.00</b>	<b>100.00</b>	<b>20371.00</b>	<b>100.00</b>	<b>27460.00</b>	<b>100.00</b>	<b>32328.30</b>	<b>100.00</b>	<b>37347.40</b>	<b>100.00</b>

[Source: CDF Statistics, various volumes]

## ACTIVITIES OF BORROWERS FINANCED BY MICROCREDIT INSTITUTIONS IN BANGLADESH

Of the various employment activities (mainly self-employment), small-scale business/trade is the most important, accounting for more than 40% of fund disbursed by the MFIs. On the other hand agriculture, food processing, transport, housing and livestock sectors were getting relatively small portions of fund. This is shown in Table:

**Table-3:** Sub-sector wise microfinance disbursement of NGO-MFIs

Sub-Sector	% disbursed up to June 2000 (476 MFIs)	% disbursed up to December 2000 (469 MFIs)	% disbursed up to June 2001 (468 MFIs)
Agriculture	12.63	12.77	12.23
Fisheries	4.74	4.48	4.91
Food Processing	6.99	7.11	3.78
Small business	41.31	41.81	43.02
Cottage industries	3.03	3.08	3.03
Transport	3.42	3.49	2.78
Housing	1.28	1.30	1.16
Health	0.39	0.37	0.45
Education	0.02	0.02	0.08
Livestock	20.91	20.53	18.11
Others	5.28	4.71	10.45
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Sources : CDF Statistics, Various Volumes.

The table shows that a transformation is taking place in the economic activities of the poor households in the rural areas. In the initial years of microcredit operation during eighties,

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the traditional sector including fisheries and poultry accounted for a larger segment of self employment activities of the poor. BIDS surveys conducted during 1997 to 2000 on PKSF funded MFIs, show the predominance of small-scale trade and lately medium and large-scale trading has assumed prominence.

There are, however, some weaknesses of the non-farm sector; many of its activities are unable to accommodate a workforce round-the-year and also over a period of two or more years (BIDS, 2001). This aspect combined with the market constraints to the expansion of self-employment has prompted the efforts of MFIs to finance micro enterprises for the borrowers graduating from income generating activities (IGAs).

### **PALLI KARMA-SAHAYAK FOUNDATION (PKSF): APEX FUNDING ORGANIZATION FOR MICROCREDIT**

Palli Karma-Sahayak Foundation (PKSF), since its establishment in May 1990 by the Government, has been working as an apex microcredit and capacity building organization for eradicating poverty initially in the rural areas and subsequently in urban areas. The basic operational strategies of PKSF (**Rural Employment Support Foundation**) are the followings:

- ⇒ It does not directly lend money to the landless and the asset less people rather reaches its target groups through its Partner Organizations (POs);
- ⇒ It provides greater thrust to institutional development, both its own capacity as an apex organization as well as the capacities of POs;
- ⇒ It favors no particular model; instead, innovations and different approaches based on experience are encouraged;
- ⇒ It acts as an advocate for appropriate policies and regulations useful for the microcredit sector.

PKSF currently provides loanable funds to 195 POs- 3 big and 192 small and medium-under its four mainstream credit programs: Rural Microcredit; Urban Microcredit; Micro enterprise credit and Microcredit for the Hardcore Poor. It charges differential service charges for its two categories of POs: 7% for the big POs and 4.5% for the small and

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medium POs. It also operates a loan program for capacity enhancement of POs at a subsidized rate of 1% service. It provides customized training courses and has a well-developed training strategy including outsourcing to private and public sector institutes. On-site technical assistance is also offered during the intensive schedule of field visits undertaken by PKSf personnel. Upto June 2004, PKSf has disbursed a total amount of about US\$ 313.08 million among 5.10 million poor borrowers about 90% of who are women. PKSf's loan recovery rate is over 98%. Independent evaluation studies have shown that PKSf's microcredit program implemented through its POs has helped alleviation of poverty.

#### **SOURCES OF FUND OF PKSf**

(a) Grant from Government of Bangladesh	US\$ 19.00 million
(b) Grant from USAID	US\$ 11.00 million
(c) Matching loan fund from Government of Bangladesh	US\$ 21.00 million
(d) Loan fund from IDA/World Bank, ADB, IFAD & others	US\$346.55 million
Total	US\$ 397.55 million

#### **SUSTAINABILITY OF PKSf (PALLI KARMA-SAHAYAK FOUNDATION)**

**Institutional sustainability of PKSf:** PKSf has a competent and dynamic Governing Body capable of guiding the management, changing policies and introducing programs as necessary. It has well established transparent policies regarding the loan program as well as management of its affairs. It has gradually increased its outreach by enlisting an increasing number of POs. PKSf has been able to mobilize the financial resources required to embark on a large-scale expansion of its activities. These factors will continue to contribute towards the expanded operations of PKSf.

**Financial Viability:** PKSf has been able to gradually improve its financial position. It has been successful in increasingly covering *the* cost of its operations by charging a reasonable service charge, increasing loan disbursement, keeping its operating expenses low and keeping the loan loss expenses very low by maintaining high recovery rate. Overall, PKSf has posted *a* surplus every year since inception. Some of the financial data of PKSf as on 30 June 2002 are as follows:

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(i) Debt-capital Ratio	2.81:1
(ii) Cumulative Loan Recovery Rate	98.30%
(iii) Reserve Rate (Loan loss reserve/loan outstanding)	3.72%
(iv) Operational expenses to loan disbursed (operational expenses/disbursement of the same year)	8.50%
(v) Operational self sufficiency (Total income/operation expenses including financial expenses + DMR)	159.99%
(vi) Percentage of total expenditure to total income	36.53%

Financial ratio analysis shows that PKSf is in sound position. The debt-capital ratio, the portfolio and self-sufficiency ratios show that performance of PKSf is good in terms of operational and financial self -sufficiency. The cost structure and the profitability analysis also show that PKSf is covering all the expenditures from its income from loan operations and also having surplus of income over expenditure.

## **SUSTAINABILITY OF POS (PARTNER ORGANIZATIONS) OF PKSf**

**a. Institutional sustainability of POs:** Fundamental policies to run a successful rural credit program are in place in many POs. Selection of members, savings and loan policies, portfolio management, financial control, and monitoring and evaluation are some of the fundamental areas of policy formulation. So far, many POs within their limited capacity have tried to recruit competent staff. POs do not have adequate financial resources to recruit staff with better educational attainment and competence. Many POs are being managed by their founders and expected to do so for quite sometime. Leadership by the present Directors at this early stage of the organization is important for growth and sustainability. Many POs either have physical assets like office buildings and land or purchased land for construction of office, training center, etc. This shows a clear commitment from the part of the organizers for giving POs a solid foundation.

**Financial sustainability of POs:** The basic issue in financial viability analysis is whether POs can cover the costs of managing their credit programs from the income of the programs, mainly the service charge from loans. Some POs have been successful to

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gradually cover the cost of operations from the income of the credit program and generate moderate surplus. It expected that all POs will continue to improve their profitability conditions.

**SOME OF THE BEST PRACTICE LESSONS EVIDENT FOR MICROCREDIT IN THE PKSf EXPERIENCE INCLUDES:**

- ⇒ PKSf has been established and funded by the government, but it has been kept as an independent organization outside government bureaucracy. This has enabled PKSf to form its own policies and develop its own management practices suitable for its activities.
- ⇒ The outstanding quality of the Governing Body has contributed most in guiding the management and forming and revising policies whenever necessary.
- ⇒ The policy of recruiting officials of above average quality has contributed greatly to the growth and performance of PKSf.
- ⇒ PKSf has been successful in utilizing the capacities of local NGOs in quickly reaching the poor and developing the POs to deliver the financial services to the poor. Selection of the right POs was the most crucial factor for PKSf's success.
- ⇒ PKSf has created a congenial "microcredit culture" in Bangladesh by introducing several standards, norms and guidelines for operation of microcredit programs.
- ⇒ PKSf's pragmatic policies and practices have made it the world's largest and most successful autonomous apex funding agency (wholesale fund) for microcredit and PKSf model is now being replicated in different countries of the world.

**IMPACT OF MICROCREDIT PROGRAM ON POVERTY**

The main objectives of microcredit programs are to increase employment opportunities and to enhance income adequate to lift the poor above the poverty line on a sustainable basis. A summary of the findings of some impact assessment studies is presented in table:

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**Table-4:** A summary of the findings of IAS (Impact Assessment Studies)

Source	Economic Indicators	Type of Change	Social Indicators	Type of Change
Hossain 1985	Return on investment	+		
	Household income	+		
	Employment	+		
Hossain 1988	Working Capital	+	Social Investment	+
	Non-agricultural investment	+		
	Agricultural investment	?		
	Labour force participation rate	+		
	Income	+		
BIDS 1990	Income	+	Child woman ratio	?
	Expenditure	?	School enrollment	+
	Employment	+		
	Land Purchase	+		
IMEC 1995	Economic empowerment	+	Social empowerment	+
Pitt & Khandker 1995	Various labour supply	+	Girl's schooling	+
	Men's labor supply	-	Contraceptive use	?
	Household Expenditure	+	Women's non land asset	+
Rahman 1996	Household expenditure on consumption	+	Number of meals taken by men	?
	Human Capital and fixed investment	+	Number of meals taken by woman	?
	Employment	+	School enrolment rate	+
			Attitude to education	?
		Pure drinking water	+	

[Source: Impact Assessment Studies, various volumes]

## FINDINGS OF STUDY BY BIDS

Palli Karma-Sahayak Foundation (PKSF) commissioned a survey (1997-2001) through the Bangladesh Institute of Development Studies (BIDS) covering 3026 sample households from 91 villages under 13 POs of PKSF. A census was administered in late 1997, covering 19151 households in 91 villages. Some of the major findings are given below:

## ECONOMIC IMPACTS OF MICROFINANCE

### (a) Income

The 1998 survey found the average annual income of participant households to be higher than that of the non-participants. Self-employment activities had more than 50% contribution to total income for the participants as against 43 percent in case of non-participants. The second BIDS survey suggests that nominal household income increased by

19 percent in program villages and by only 13.5 percent in control villages. Compared to non-participants the participant households were better able to cope with flood, sustain their income, and achieve higher purchasing power and consumption level.

**(b) Food Security**

The BIDS study finds the program participants, due to greater access to sharecropping, had better food security and about 26 percent of rice consumption out of own production (after sale), which was also marginally higher than the non-participants.

**(c) Wage**

Wage earning contributed about 23 percent of total annual income for the land-poor households. Microcredit helped participant households to earn about 8 percent higher income than that of the non-participants.

**(d) Employment**

The participant households are better able to ensure more employment on own farms due to their better access to the land rental market. Wage and self-employment in non-agricultural sector is also higher for the participant households due to their access to microcredit program.

**(e) Assets: land and non-land**

Average size of land owned by participant households is lower than the non-participants; 91 decimals compared to 149 decimals. The BIDS study however suggests that the eligible participant's mortgage or rent-in more land than the non-participants, and therefore, have larger operational holding. Higher percentage of program participants own poultry, goat/sheep and cows compared to non-participants.

A higher percentage of the participants own bicycles (12.5% compared to 8%), boat (3.7% compared to 1.6%), irrigation equipment (1.23% compared to 0.23%), radio (17.9% compared to 12.6%) and rickshaw/van (8% compared to 2%) thus showing higher asset ownership of the participants.

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## **SOCIAL AND OTHER DEVELOPMENT IMPACTS**

### **(a) Health and Nutrition**

There is positive program placement effect on nutrition status.

### **(b) Sanitation and Drinking Water**

The BIDS study finds small positive influence of participation on waste disposal and use of sanitary toilets among the land-poor households with no clear evidence of program impact on hand-washing. The use of pure drinking water from hand tubewell was found universal.

### **(c) Literacy and School Enrollment of Children**

Adult literacy rate is significantly higher among the eligible participants. The BIDS study also found that program participation increases the chance of both boys and girls to be enrolled in schools.

### **(d) Empowering Women**

Microcredit programs' main target is women. There are strong evidences that, microcredit programs contribute to women's empowerment. One consistent finding is the increased self-confidence and increased self-esteem. Another is women's increased in decision making in the areas of family planning, children's marriage, buying and selling of properties and sending daughters to school. There have been some evidences that members of microfinance institutions are able to stop domestic violence due to personal empowerment and through group action. In Bangladesh, microcredit programs have also increased women's participation in the activities of local government. Some women microcredit clients have been elected as Chairpersons and Members of various Union Parishads, the lowest and most vibrant tier of local government. Now women microcredit clients take greater roles in community activities and organizing for social change.

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The summary of the Study by BIDS is shown in the Table:

**Table-5:** Impacts of Microfinance (compared to non-participants)

Broad Category	Indicators	Type of Change	Cause of Change
Economic Impact	Income	+	Self employment activities
	Food Security	+	Greater access to cultivable land through the rental market
	Wage (land poor)	+	Transport and other non-agri activities support by microcredit
	Employment (land poor)	+	? better access to the land rental market ? wage employment in non-agri sector
	Assets (land poor)	+	? av. low land size than non-participants ? larger operational holding ? impact of MF (poultry livestock, bi-cycles, rickshaw/van)
Social and other development impacts	Fertility and contraceptive use	+	? program participation ? female methods dominate
	Health and Nutrition	+	? program placement effect
	Sanitation and drinking water	+	? program participation
	Literacy and school enrollment of children	+	? program participation
	Social mobility	?	? do not vary significantly
	Women participation and HH welfare	+	? participation in a microcredit program ? increasing women's income

[Source: BIDS Statistics, various volumes]

## MAJOR ISSUES

### (a) Targeting the Poorest Versus Achieving Financial Sustainability: The Dilemma in Microcredit

Studies of microcredit programs show that these have been successful in improving the economic condition of the members. Macro studies, however, show that there has not been any significant decline in the overall levels of poverty. This apparent contradiction may be partially due to the fact that the microcredit programs have not been very successful in including the hard core poor, who constitute about half of the poor in Bangladesh. The poorest may have been left out because quite often the destitute themselves feel they are not credit worthy and the microcredit programs also do not judge them to have the

entrepreneurial ability necessary to handle money properly. Perhaps microcredit, especially in the form that is currently in practice, is not the answer for the hard core poor.

Normally, the MFIs have been successful in expanding their outreach by providing Microcredit to increasing numbers of borrowers who are near the poverty line, not well below that. The MFIs adopt this approach to reach financial viability within a reasonable time frame. If the MFIs are to borrow (from PKSF and other sources) at a rate close to market rate of interest, the effort to reach financial viability may become difficult and delayed. The partner organizations (POs) of PKSF have achieved financial viability at the present (subsidized) rate of service charge of PKSF. Therefore, in the context of Bangladesh there seems to be a trade-off between outreach and sustainability of MFIs and they should strike a judicious balance between the two which may enable them to achieve financial sustainability.

Experiences suggest that the financial needs of the poor are best served by encouraging a broad range of institutions to provide efficient and responsive lending, savings, insurance, and other financial services that poor people need to build their business, increase income and assets, and reduce risks. Poor people need sustained access to an evolving set of financial products and services. These can only be provided by financially sustainable institutions, dealing with diverse segments and products, each in the position to increase outreach and grow with their clients.

#### **(b) Widening the Target Group: New Products and New financial Technologies**

The MFIs have some scope to expand horizontally-devising ways to include more people from the target group. More important is, as older borrowers graduate to higher income brackets, new products need to be devised to meet their changing needs. These new products may also help the MFIs to expand vertically by tapping borrowers outside the target group. A possible way to expand horizontally is to include more men. Research in Bangladesh and elsewhere show that men usually borrow larger amount. However, their repayment record is not as good as women. Including more men will allow MFIs to attain sustainability quickly, but it will also mean that the repayment performance of an institution

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will suffer as well. As the microcredit movement matures it faces the varied requirements of the borrowers and the need to offer a larger package of products.

#### **(c) Accessing Non-Donor Source of Financing**

It is fair to say that donor funding and enthusiasm for microcredit will diminish in the future. This means that MFIs have to look for new avenues to fund their activities, potential source of fund will be to mobilize saving deposits of members and non-members. Another alternative is to try to tap commercial source of funding such as commercial banks, the local stock market and financial market. This option might be open only to large and well established MFIs and may not be feasible for small MFIs.

#### **(d) Internal and External Governance Issues**

Research in Bangladesh and other places show that a crucial element for the success of a credit granting NGO-MFI is the quality of leadership and management. The governance of NGOs is increasingly being discussed nowadays. Research findings indicate that governance and financial sustainability are closely interrelated. Weak governance and management characterize many microfinance NGOs in Bangladesh. It is commonplace to find friends, close relatives, retired bureaucrats, and such other persons in the governing bodies. They are mere onlookers and remain uninvolved with the board's business. The chief executives are said to overpower the boards. If this is the situation, good governance will not occur by just inducting good people in the governing body. The essence of governance is to ensure an overall system of structuring accountability and transparency in an organization. The problems of governance are mostly due to the inadequacy of the existing laws and regulations and lack of reporting, supervision and monitoring. The MFIs are not to blame fully for this.

#### **(e) Sustainability of Microcredit Borrowers**

An individual member may be considered as sustainable when he/she is capable of meeting the basic needs of his/her family without borrowing money/capital from the project or any other sources like banks etc. for consumption purposes. However, loans can be taken for IGAs. Most people are of the opinion that a member's sustainability should be judged by two separate but inter-dependent criteria, viz, (i) social development and (ii) economic

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development. Controversies, however, exist as to which of the two criteria should go first. Some people argue that economic development is a pre-condition for social development while some others consider social development as a prerequisite for economic development. Most people, however, are of the opinion that the two are interactive and therefore should be pursued simultaneously. Sustainability of borrowers is also linked with some programme challenges of MFIs, like devising appropriate microinsurance schemes and social protection schemes, providing other financial services to the poor.

#### **(f) Service Charge of MFIs**

The MFIs in Bangladesh usually charge a flat rate of 12 to 15% per annum from the microcredit borrowers. The effective rate becomes about 20 to 28% at the borrowers' level. Recently, there has been debate whether this rate is too high or not. The critics of service charges of MFIs compare, somewhat erroneously, with interest rates of the conventional formal banking system. Microcredit is "banking at the doorstep" of the poor borrowers. The monitoring and supervision are quite intensive and costly. Therefore, the comparison with formal banks is not proper. There are several other factors like risks associated with collateral-free loans, provisioning for doubtful and bad loans, compulsion to build up MFI's equity and attaining financial sustainability also are determinants of service charge of microcredit programs. Bangladesh microcredit sector has a relatively lower rate of service charge compared to many other countries. However, social obligations, political realities and credit at a competitive rate may require consideration of reducing the rate by MFIs. But that should not be done by resorting to capping the rate. The actions to increase efficiency in the credit operation of MFIs, information flow at grassroots level regarding charges of various MFIs, increasing the loan size for the borrowers and healthy competition among MFIs may lead to competitive rates acceptable to all concerned.

#### **(g) Regulatory Framework**

This issue has come to the forefront because MFIs are providing financial services and products to the poor, outside the formal banking system. In view of the history of MFIs (most of which are NGOs), it can be argued that the conventional regulatory framework such as that of formal banks and financial institutions is not appropriate and hence not required under the circumstances prevailing in many countries. This is particularly in view

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of the fact that many MFIs are not accepting deposits with checking facilities. The unique features of MFIs in the field of social and financial services with the core objectives of poverty alleviation differentiate the industry from the formal financial sector and further justify this proposition. However, that does not in any way downplay the importance of having some strategic monitoring measures that are compatible and appropriate to MFIs' objectives, institutional operation and develop permanent culture. The measures should incorporate user-friendly prudential norms/indicative guidelines in the form of a concrete 'Code of Norms/Conduct' which would ensure sound and organized growth of MFIs on a sustainable basis.

A set of financial standards, reporting formats and performance standards may be an effective way to keep the MFIs on the right track. There is a broad range of experiences to draw from in establishing appropriate standards, including the work being done by PKSF in Bangladesh (See Box). An independent autonomous apex body outside the government's control is the best option to ensure that the 'code of conduct' and the microcredit standards are complied with by the MFIs. Non-compliance by the MFIs may ultimately result in canceling the permission/registration of a defaulting MFI. The government has recently decided to give the responsibility to devise a regulatory framework to a Committee headed by the Governor of the central bank of Bangladesh. The Committee has already formulated a set of reporting formats to be followed by MFIs and also drafting a law for microcredit programs in Bangladesh.

### **DEVELOPING BEST PRACTICES FOR MICROCREDIT SECTOR**

PKSF, in the last decade, has prepared a number of policy guidelines and standards for its Partner Organizations (POs) and for the microcredit sector involving the practitioners of PKSF, POs and others concerned. PKSF reviews its policies and programs continuously and adjusts them to meet the changing requirements. PKSF has a program to develop standards in further areas. Major policy guidelines and standards prepared by PKSF are:

- 1) Statement of Policy: Guidelines for selection of POs and borrowers for Rural, Urban, Hardcore poor and Micro enterprise Credit Programs;
  - 2) Guideline for Accounting;
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- 3) Policy for Loan Classification and Debt Management Reserve;
  - 4) Guideline for Designing Internal Control System for POs of PKSF;
  - 5) Guidelines for Management of Savings;
  - 6) Guidelines for Management of Service Charge Earnings;
  - 7) Guidelines for Avoiding Overlapping;
  - 8) Guideline for Management of Micro enterprise Environmental, Health and Safety (EHS) Risks
  - 9) Management Information System (MIS);
  - 10) Guidelines for Performance Standards and Categorization of POs;
  - 11) Financial Ratio Analysis;
  - 12) Policy for the Utilization of Disaster Management Fund;
  - 13) Guidelines for Indicators for Early Warning System;
  - 14) Business Plan for POs;
  - 15) Guideline for Management Audit of POs by PKSF;
  - 16) Guideline for Internal Audit of POs by PKSF;
  - 17) Audit TOR for External Auditor of PKSF for Auditing PKSF;
  - 18) Audit TOR for External Auditor of PKSF for Auditing its POs;
  - 19) Audit TOR for Auditors appointed by POs;
  - 20) Policy for Loans for Institutional Development.
  - 21) PKSF Microcredit Program Funding Policy for Indigenous Ethnic Minorities.

The above guidelines have been prepared following a pragmatic approach and these can be adapted by other institutions in Bangladesh and abroad in implementing microcredit programs.

Microcredit, originated in Bangladesh has spread all over the globe. Today within the global coverage of microcredit Bangladesh's achievement stands out prominently. According to the Microcredit Summit Campaign Report, 67.6 million families have been reached by microcredit in 2002 around the world. Out of that 59.6 million clients are in Asia and Bangladesh alone covered 13 million clients (22.6%). The world community has appreciated the contributions of Bangladesh in the field of microcredit, which was evident in the recently held Asia Pacific Region Microcredit Summit (APRMS) Meeting of

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Councils in Dhaka, Bangladesh from 16-19th February, 2004 arranged by Palli Karma - Sahayak Foundation (PKSF), in association with the Microcredit Summit Campaign based in Washington D.C. More than 1200 participants from 47 countries from different parts of the globe pledged their firm commitment to take forward the microcredit movement. Bangladesh government has also placed adequate emphasis on microcredit programs. The Interim Poverty Reduction Strategy Paper (IPRSP) of the government of Bangladesh has outlined some important roles for microcredit. The policy makers have recognized the importance of microcredit in Bangladesh and the present government has pledged its support to this program. Recognizing the importance of microcredit in poverty alleviation, the major challenge now, the UN has declared 2005 as the UN International Year of Microcredit. With combined efforts of the governments, MFIs, donor agencies and above all the peoples of the nations through a multipronged approach poverty will be removed from the face of the earth and thus peace in its true sense will be restored around the world.

## **1.4 IMPORTANCE OF THE STUDY**

In micro finance industry, there are different NGOs providing this service. In Bangladesh, consumer attitudes are positive towards the service if proper marketing strategies are applied and, the service can be expanded intensively. Proper market segmentation and positioning may expand the service for all who need it and proper disbursement of this service may bring the proper success. The objectives of this program may be fulfilled and poverty alleviation, employment feasibilities and women empowerment can be ensured which is very much needed for our economic development. The realization came from other relevant studies. So, this study is important from both business and economic perspective. This study is important from both business and economic perspective as it will help:

- To enrich the existing literature related to microcredit service.
  - To help different stakeholders and policy makers of microcredit.
  - To conduct further research in developing countries on understanding marketing strategy along with measuring consumer attitude.
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## 1.5 OBJECTIVES OF THE STUDY

The broad objectives of the study are to know about the marketing strategy of the NGOs microcredit program and measuring consumer attitudes towards the service. We can express it by following statements:

1. To understand the marketing strategies of NGO microcredit program in Bangladesh.
2. To identify the problem faced by the consumers in the existing system.
3. To measure consumer attitudes towards their service of NGO.
4. To give a few suggestions for the betterment of existing services of NGO in Bangladesh.

## 1.6 HYPOTHESIS

A number of different multi attribute models have been adopted in order to predict a consumer's attitudes towards an object the attitude towards the object model .The Fishbeines model receives the most attention from consumers and marketing researchers.

Fishbeins position is that people form attitudes towards objects such as a product, service, idea or person, on the basis of their beliefs (perception and knowledge) about those objects. Beliefs are intern acquired by processing information that is obtained from direct experiences with objects and form communication about them required from other sources. Therefore, to understand consumer's attitudes adequately we must determine the beliefs that form the basis of the attitudes.

Fishbeins multi attribute attitude model can be expressed in equation as:

$$A_o = \sum_{i=1}^n b_i e_i$$

Where,

$A_o$  = The persons overall attitude towards the object

$b_i$  = The strength of one's belief that the object is related to attribute.

$e_i$  = One's evaluation or integrity of feelings of the goodness or badness of attribute.

$n$  = The number of relevant beliefs for that person.

The model explicitly incorporates the cognitive (belief) and affective (evaluation) components of attitudes. It also accounts for the strength or intensity of these elements. The model states that to determine a person's overall attitude toward some object, it is first necessary to determine those beliefs that have the influence on his attitude. Those most relevant beliefs, called salient beliefs, frequently don't exceed nine in number. The overall attitude towards an object can be obtained by multiplying the belief score by the evaluation score for each attribute and then summing across all relevant beliefs to obtain the value  $A_o$ . Thus the model is applicable to measure consumer's attitude towards micro credit service of NGOs (ASA and BRAC) in Bangladesh. Numerous researchers have used this model to measure consumer's attitude towards an object in investigating consumer preferences.

On the basis of the problem and the variables used in the model following seven null and alternative hypotheses are assumed to be tested.

$$\begin{array}{ll}
 H_{01}: \bar{X}_{LF} = \bar{Y}_{LF} & H_{a1}: \bar{X}_{LF} \neq \bar{Y}_{LF} \\
 H_{02}: \bar{X}_{RI} = \bar{Y}_{RI} & H_{a2}: \bar{X}_{RI} \neq \bar{Y}_{RI} \\
 H_{03}: \bar{X}_{RS} = \bar{Y}_{RS} & H_{a3}: \bar{X}_{RS} \neq \bar{Y}_{RS} \\
 H_{04}: \bar{X}_S = \bar{Y}_S & H_{a4}: \bar{X}_S \neq \bar{Y}_S \\
 H_{05}: \bar{X}_{FS} = \bar{Y}_{FS} & H_{a5}: \bar{X}_{FS} \neq \bar{Y}_{FS} \\
 H_{06}: \bar{X}_{EC} = \bar{Y}_{EC} & H_{a6}: \bar{X}_{EC} \neq \bar{Y}_{EC} \\
 H_{07}: \bar{X}_{SC} = \bar{Y}_{SC} & H_{a7}: \bar{X}_{SC} \neq \bar{Y}_{SC}
 \end{array}$$

Where X and Y denote the consumers attitude on microcredit service of ASA and BRAC. Respectively and LF=Loan features, RI=Repaying installment, RS=Recovery system, S=Savings, FS=Facility services, EC=Economic contribution, SC=Social contribution.

Here the hypotheses are described in statement form.

H<sub>01</sub>:  $\bar{X}_{LF} = \bar{Y}_{LF}$  Consumer's attitude on microcredit service of ASA and BRAC regarding loan features are similar.

H<sub>02</sub>:  $\bar{X}_{RI} = \bar{Y}_{RI}$  Consumer's attitude on microcredit service of ASA and BRAC regarding repaying installment are similar.

H<sub>03</sub>:  $\bar{X}_{RS} = \bar{Y}_{RS}$  Consumer's attitude on microcredit service of ASA and BRAC regarding recovery system are similar.

H<sub>04</sub>:  $\bar{X}_S = \bar{Y}_S$  Consumer's attitude on microcredit service of ASA and BRAC regarding savings are similar.

H<sub>05</sub>:  $\bar{X}_{FS} = \bar{Y}_{FS}$  Consumer's attitude on microcredit service of ASA and BRAC regarding facility services are similar.

H<sub>06</sub>:  $\bar{X}_{EC} = \bar{Y}_{EC}$  Consumer's attitude on microcredit service of ASA and BRAC regarding economic contribution are similar.

H<sub>07</sub>:  $\bar{X}_{SC} = \bar{Y}_{SC}$  consumer's attitude on microcredit service of ASA and BRAC regarding social contribution. Are similar.

H<sub>a1</sub>:  $\bar{X}_{LF} \neq \bar{Y}_{LF}$  Consumer's attitude on microcredit service of ASA and BRAC regarding loan features are not similar.

H<sub>a2</sub>:  $\bar{X}_{RI} \neq \bar{Y}_{RI}$  Consumer's attitude on microcredit service of ASA and BRAC regarding repaying installment are not similar.

H<sub>a3</sub>:  $\bar{X}_{RS} \neq \bar{Y}_{RS}$  Consumer's attitude on microcredit service of ASA and BRAC regarding recovery system are not similar.

H<sub>a4</sub>:  $\bar{X}_S \neq \bar{Y}_S$  Consumer's attitude on microcredit service of ASA and BRAC regarding savings are not similar.

H<sub>a5</sub>:  $\bar{X}_{FS} \neq \bar{Y}_{FS}$  Consumer's attitude on microcredit service of ASA and BRAC regarding facility services are not similar.

H<sub>a6</sub>:  $\bar{X}_{EC} \neq \bar{Y}_{EC}$  Consumer's attitude on microcredit service of ASA and BRAC regarding economic contribution are not similar.

H<sub>a7</sub>:  $\bar{X}_{SC} \neq \bar{Y}_{SC}$  consumer's attitude on microcredit service of ASA and BRAC regarding social contribution. Are not similar.



## **1.7 LIMITATIONS OF THE STUDY**

Consumers of micro credit are the lower class of society who is very much ignorant, illiterate and unconscious. For proper marketing strategy development and consumer need, attitude measurement is very much needed. So, here the problems are twofold. To understand the marketing strategy of this program by NGOs and measuring the consumer's attitude towards this program by NGOs. In Bangladesh most of the people receiving this service are not aware of standard of service. They do not compare the NGO micro credit service with other loan sanctioning institutions. But the consumers generally evaluate services on the basis of some features like amount of loan sanctioned, rate of interest, time to repay the loan, number of installment, savings facility, types of loan etc. There exists a lot of problem regarding these features. Rate of interest is high, repaying installment starts after two weeks of sanctioning loan within which time income generation is not possible, consumers are not well aware of cost of loan and cannot measure the suitability of loan and effect on their income and development, workers sometimes create pressure for paying installment if they are incapable to pay in right time. So this service has many problems that should be revealed and take proper actions to solve them. There exist many problems regarding marketing strategies of NGOs in Bangladesh from the view point of social and service marketing. The attitudes of consumers should be measured and then problems can be detected easily. So, the Problems are mainly:

- I) To understand the marketing strategy of this program by NGOs.
  - II) Measuring the consumer's attitude toward this program by NGOs.
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## **1.8 CHAPTER OUTLINE**

The present study is consisted and organized in 6 (Six) Chapters. The Layout of the proposed chapters is as follows:

- ⇒ The First is adhered to the statement of the Problem, Objectives of the study, Definition of key terms of the study, Importance of the Study, Limitations of the study and Chapter Outline.
  - ⇒ The Second Chapter has illustrated about the literature reviewed for this study.
  - ⇒ The Third Chapter is comprehended with the methodology of the study.
  - ⇒ The Fourth Chapter is described about the Marketing Strategies of NGOs.
  - ⇒ The Fifth Chapter is the measurement of overall attitudes.
  - ⇒ The Sixth Chapter has displayed the Summary, Discussion of Problems, Recommendations, Limitations and Future Research Opportunity and Conclusion.
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## CHAPTER TWO

### 2.1 LITERATURE REVIEW

Here are some research overviews related to Microcredit service about understanding the marketing strategy of Microcredit program of NGO-MFIS and measuring their consumers' attitudes towards their own service. These reviews were essential to conduct this study. It helped to know the availability of the research works. Here the researcher tried out with their best to make review of relevant works done in this field. A few research works, articles, reports and books related with the proposed study are briefly reviewed below:

Evans School of Public Affairs, The Siberian Academy of Public Administration, and the Irkutsk State University published (1998) a Russia Microfinance Project to acquaint students with pricing mechanisms for microfinance program. Here it described that Pricing is a direct determinant of viability, though not the only determinant. Studies have found that the most financially viable programs differ significantly from less viable programs in their willingness to set interest rates at levels that allow them to fully recover costs. This is not to say, however, that high pricing is a signal of a financially viable MFI. Certainly, there are MFIs that both charge high prices and are not financially viable. Furthermore, it is important to note that many donor-financed MFIs that are not financially viable stand-alone institutions also serve an important function. Financial viability may or may not be a part of the mission of an MFI. Since financially viable institutions generally charge higher prices than institutions that are not financially viable. Financially viable programs have not had success reaching the poorest of the poor. The goal of extending credit services to the poorest households may justify ongoing subsidization. Judging an MFI's viability based on its ability to cover program and financial costs through interest payments is a meaningful standard only to relatively mature institutions. Young microfinance programs that attempt to cover all costs would be forced to charge exorbitantly high interest rates. MFIs can be expected to cover all relevant costs only after having an opportunity to attract a sizable client base and acquiring appropriate tools for efficiency. The issues that have found here were very much connected and associated for this present study but though it was based on Russia's aspects, the researchers tried to find out those in Bangladesh's concern.

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Monica Brand (1998) made a work supported by the U.S. Agency for International Development, Global Bureau, Economic Growth Section, and Microenterprise Development Office to implement new products once they have successfully passed the pilot test phase. But it was not associated with understanding the marketing strategy of Microcredit program of NGO-MFIS and measuring their consumers' attitudes towards their own service. So, the researcher has tried to implement the mentioned aspect in the sector of Bangladesh NGOs of MFIS institutions for the overall improvement of that sector.

Valarie A. Zeithaml (1998) made a report on Consumer Perceptions of Price, Quality, and Value: A Means-End Model and synthesis of evidence which was published in *Journal of Marketing*, July 1988, Vol. 52 (July 1988), 2-22. It tried to define the concepts of price, quality and value from the consumer's perspective, relating the concepts in a model and to develop propositions about the concepts, examining the available evidence in support of the propositions, and suggesting areas where research is needed. It is found out that Consumers' perceptions of quality change over time as a result of added information, increased competition in a product category, and changing expectations. The dynamic nature of quality suggests that marketers must track perceptions over time and align product and promotion strategies with these changing views. Because products and perceptions change, marketers may be able to educate consumers on ways to evaluate quality. Advertising, the information provided in packaging, and visible cues associated with products can be managed to evoke desired quality perceptions. It was partially associated with this present study but was not too much handy for overall measurements and evaluation.

Mr. Nara Hari Dhakal et al. (1999) made a joint project on **MARKETING IN NEPALESE MICROFINANCE INSTITUTIONS** Financial viability is dependent on client satisfaction". This paper attempts to assess state of marketing practices as they prevail among Nepalese MFIs and identify factors affecting MFIs' marketing plan. It is found that MDBs that started small as NGOs and have grown into their current positions through rigorous transformation and acquired the status of Development Banks have added marketing system as they proceed ahead, whereas development banks like SKBB, emerged out of downscaling of ADBN possess a more developed systems and outlets for marketing. Marketing system adopted by GBB varies as they undergo series of preparation prior to lending. Small MFIs

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like SCCs/SFCLs and FI-NGOs lack systematic marketing initiatives. In contrast, marketing strategies adopted by RMDC exhibit the features of professional marketing initiatives. Close scrutiny of the operational mechanism of Nepalese MFIs indicates that marketing efforts have evolved among them over time, with growth of institution and changing nature of the working areas in which they operate. Marketing efforts tend to start off minimally, while institutions are trying to pull together all of their management systems and to learn how to grow properly. Initially, the focus is just on promotion; a more complete marketing program encompassing other aspects of marketing usually comes later, if it exists at all. For many MFIs, marketing still equals promotional initiatives undertaken by staff during entry period. Primary concern of SCCs/SFCLs and FI-NGOs lies first at establishing themselves in existing microfinance market and marketing enters to their system then after. Younger, less mature MFIs like some MDBs and FI-NGOs concentrate their marketing attempt on promotion rather than a more in-depth market research and devising marketing strategy. In most MFIs, marketing is confined at promotion as opposed to other aspects. As they are still young, they try to perfect their lending techniques and build demand for their services. They have the tendency to place branches in areas with greatest potential for finding sufficient number of clients that fit their target market. MFIs coming out of development banking backgrounds like SKBB start with a different perspective on marketing. They bring a lot of marketing skills with them, but they still encounter a lot of issues related to market for microfinance. They have different marketing conditions than MDBs transforming out of NGOs (SDB, NUB and DDB). SKBB have ADBN's marketing systems included in their operation. RMDC possess perfect and professional marketing strategies while other MDBs, FI-NGOs and SCCs/SFCLs need to develop marketing system from scratch and often apply importance to them when there is an initial crisis. In MDBs and FI-NGOs development of the marketing programs tends to be reactive, linked to concerns about profitability, while in GBBs and SFCLs, marketing problems commence in response to other problems such as low repayment rates that reflect their reduced profitability level. Developing a more in-depth marketing program tends to be a reactive effort among MFIs originating in response to shocks to profits (low repayment rates). Interest in collecting detailed information on clients and tracking their behavior usually happens after Page 15 of 16 MFIs encounters one or more problems that affect initially on profitability and ultimately on sustainability. This study was based on Nepal regions. The

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researchers tried to implement those issues in Microfinance Institutions in Bangladesh Perspective.

Marguerite Berger et al. (2000) made a survey about the Microfinance emergence within the Emerging Markets in Washington. He tried to find out the developments of the past thirty years economic and regulatory policy framework within which it operates and in the development of products and institutions capable of offering microfinance services on a sustainable basis in Latin America. He found that a significant expansion of private investment will require widely-accepted standards of financial performance and risk for the microfinance industry as a whole. In addition to satisfying their macro level concerns such as sufficient liquidity in the financial system and a favorable regulatory environment for micro-finance, potential private sector investors need to be able to assess the viability of specific microfinance institutions or microfinance departments within their draft-24 own institutions. Transparency of information and proper regulation and supervision are needed to support this process. The study was useful but was closely connected within Latin Area region. The Researcher here tried to concentrate within Bangladesh on marketing point of view.

Yoko Miyashita et al. (2000) conducted a research on Microfinance and Poverty alleviation from Indonesia's village banking system. Here he found that Indonesia can take its microfinance environment to the next level of achievement by increasing the outreach and number of its state-run MFIs and by integrating more NGOs into the provision of microfinance services. It should do so by eliminating legal barriers to NGO participation in both savings and credit services provision. Whether expanding microfinance through state-run MFIs or through NGOs, organizations should adhere to the policies and practices that have been shown to increase the likelihood of success for an MFI. New MFIs should be wary of political corruption, especially if it is a state-run program.<sup>39</sup> Increased NGO involvement could reduce the clients' political risk in microfinance intermediation by offering an opportunity to bank with a non-state-owned MFI. Furthermore, though the state-run institutions have penetrated successfully at the village level, further efforts to reach those in the outermost regions are needed. Smaller NGOs with operating flexibility may be better suited for reaching these populations. Microfinance is a proven way to reduce poverty

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among the world's poor. It was very much connected and associated with Indonesia's that time worthy situation. Here, in this research it is tried to reveal those findings applicable for Bangladesh aspects.

Dr. Ahmed Nassar et al. (2005) made a Journal on THE NATIONAL STRATEGY FOR MICROFINANCE in EGYPT which was published in UNDP, USAID journals in 2005. Here it was tried to develop a microfinance industry within the next five years a microfinance industry in which sustainable financial services for the lower segments in the market are integrated in the overall development of a broad, inclusive, and diverse financial sector. It revealed that it is important for establishing a successful microfinance sector is the existence of a competitive macroeconomic environment that spurs economic growth and prosperity. It found that governmental policies are indeed progressing in that direction. The enactment of the Small Enterprise Development Law # 141/2004 is a confirmation of the priority that the government has placed on developing Egypt's microfinance industry, and an acknowledgement of the critical role that the MSE sector can play in enhancing economic growth, including the mitigation against negative effects that certain macro policies might entail. While the strategy has attempted to address the weaknesses in the environment that do not render support to the industry, it is important to recognize that there are elements of strength that the strategy can build upon to create a more enabling environment for microfinance in Egypt. These are the following: The political will of the government, which sees in the development of microfinance an alternative to underemployment, redundant government employment and unemployment. The continued interest of donors to support the development of the microfinance industry in Egypt. The experience accumulated by practitioners (banks and NGOs) during the past 15 years, which has served to establish that microfinance is a commercially viable industry. The existence of a base of specialized technical services and loan tracking systems that can be built upon and developed. The recent effort coordinated by the SFD to establish an inclusive network among active MFIs could constitute an effective national mechanism to monitor the industry is performance and ensure that it is adequately represented. The existence of the regional MF network, SANABEL, will enhance the access of the national MFI Network to regional and international developments in microfinance. It recommendations made in the strategy for the development of a multi-tiered system of financial institutions servicing the

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sector have been translated into an action plan specifying the responsibilities of the relevant stakeholder entities and the level of priority for implementing activities corresponding to these recommendations. Undoubtedly, the consensus and continued commitment of stakeholders, and increased coordination among them, will ensure that the strategy for the integration of microfinance into the formal sector helps in moving the industry forward, and in making it inclusive as well as sensitive to the needs of the target population groups, “the economically active poor”. The SFD should coordinate the implementation of the strategy, including the measures recommended in the action plan, in a participatory approach that engages all relevant stakeholders at each stage, in order to secure the successful and accelerated establishment of the vibrant microfinance sector envisioned for Egypt.

Michal Matul et al. (2005) made a research case study *MDF-Kamurj, Armenia* to inform the development of a new product completely distinct from current services. They find that the decision to conduct a given type of market research within the product development process will depend on three main factors: 1) what is known so far and what additional information is still needed, 2) what are the costs (including capacities required) in relation to benefits, and 3) what is the type of market to be served. MDF-Kamurj’s and others’ experience shows, it provides multiple benefits and baseline knowledge for product design, test, roll-out and maintenance. The qualitative concept test is a smart short-cut for obtaining very detailed information at very low costs. If quantitative information is needed, a market survey is necessary, and it does not need to be a very long questionnaire on a big sample. Contrary to qualitative activities it makes sense to design the quantitative study internally and outsource the rest of the work. Finally, the pilot test provides an excellent opportunity to learn more about the market due to its experimental nature. On the other hand, if the prototype for a product test is ill-designed because there was not enough market intelligence generated a priori, the pilot test might become a nightmare rather than a useful tool for further market research. A basic cost-benefit analysis helps to decide if marginal benefits from the market research will outweigh their costs. The type of market determines the needs for the research. Generally, on both new (poorly developed) and mature (saturated) markets there is a need to conduct more research. On a new market there is not enough experience to draw from in order to mitigate risks. On a mature market it is hard to gain a significant

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market share without relevant market intelligence. This study was really beneficial but here the researchers tried to find those issues more or less in these Countries aspects.

Elisabeth Rhyne and Maria Otero (2006) made a paper on Microfinance through the Next Decade: Visioning the Who, What, Where, When and How. Which was commissioned by the Global Microcredit Summit in 2006? This paper considered the key change agents and challenges that would shape the microfinance industry through the next ten years. The authors seek to anticipate the impact on the industry of various forces of change and to identify the key challenges facing suppliers of financial services to the poor. The paper encompasses the global microfinance industry, and highlights regional variations. It is assuming an increasingly important role. Institutions that gave birth to this industry, NGOs, will have to reinvent and modernize themselves, as many have done when transforming into regulated institutions, in order to continue making a contribution in this next stage. They will have to go where more commercial players will not go, to deepen coverage, and increase social impact. All involved in microfinance will have to expand their minds and visions to develop the exciting possibilities before us. Microfinance also should be set in the context of the Millennium Development Goals, in which all nations, under the coordination of the United Nations, have developed a comprehensive road map to address the major problems facing humanity today, in particular, peace and security, human rights, democracy and governance, the environment, and poverty. Among the many important tasks that constitute the agenda for poverty eradication, the UN Millennium Declaration calls for “microfinance projects which meet local community priorities.” From this perspective, microfinance is brought back to its roots, addressing poverty, and becomes an important component to meeting the Millennium Development Goals for 2015. This assertion places greater pressure on microfinance to address the challenges and to seize the opportunities of the next decade so that in 2016 it will have realized the vision - assuring access to financial services to the world’s majority. They discussed about on those for that time period. Hence, the present study tries to explore consumer related marketing issues in this time in Bangladesh aspects.

Raghav Gaiha (2006) Faculty of Management Studies University of Delhi and Ganesh Thapa Asia and the Pacific Division International Fund for Agricultural Development

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conducted A methodology for assessment of the impact of microfinance on empowerment and vulnerability. The purpose of this study was to develop a broad framework for assessing the impact of microfinance projects on empowerment, going well beyond the conventional criteria of rates of return and financial sustainability of microfinance institutions. But they did not discuss anything about understanding the marketing strategy of Microcredit program of NGO-MFIS and measuring their consumers' attitudes towards their own service. So, the researcher has tried to implement the mentioned aspect in the sector of Microcredit Program in Bangladesh.

Rebecca Thomas et al. (2009) made a paper on A Critical Look at Microfinance and NGOs in Regard to Poverty Reduction for Women in India. This article reviews the outcomes of international microcredit programs, with special attention to the multiple layers of support offered by such programs. They summarized new qualitative data for interviews with twelve nongovernmental organizations in Kolkata, India, that offer microcredit to women. They explored whether microfinance in lieu of or in isolation from other supports is sufficient to promote women's income gain and help reduce gendered poverty. She suggested that at the micro level, poverty reduction must be addressed through multiple strategies and supports. They have organized the themes here according to the microcredit services (specifically to loans and savings) offered by each organization and then the additional services that the NGOs used in conjunction with microcredit services. In a third section, They briefly presented the primary challenges that the NGOs themselves faced in helping to create products, find markets, and sell products made by participants in the programs. They discussed about on those for that time period. Hence, the present study tries to explore consumer attitude and marketing strategy in Bangladesh aspects.

Mohammad A. Ashraf et al. (2010) made an exploratory survey conducted on MICROFINANCE CONSUMER (BORROWER) EXPERIENCE TOWARDS THE EFFECTIVENESS OF MFIS IN BANGLADESH: AN EXPLORATORY ANALYSIS which was published on *ABAC Journal Vol. 30 No. 2 (May-August 2010, pp.12-25)*. It was analyzed the microfinance consumers' (borrowers') perception about the microfinance schemes adopted by different microfinance institutes (MFIs) in Bangladesh. This study covered only three MFIs such as Grameen Bank (GB), Bangladesh Rural Advancement

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Committee (BRAC) and Association for Social Advancement (ASA). Based on the study, borrowers' experience suggests that income level has not been increased. This implies that MFIs are not effective to achieve their objectives of raising income and reducing poverty. It also shows that the factors such as membership criteria, costs of credit, income level and religious restrictions are observed significant to affect microfinance consumer experience in Bangladesh. It was very much helpful for this present study but it did not properly help to give a keen look over our related issues. So, the researchers tried to find out the effectiveness of those issues from consumer point of view in this present research.

ACCESS DEVELOPMENT SERVICES LTD. group (2011) made a study on Interest Rates and Costs of Microfinance Institutions which was published in Journal of SIDBI, Small industries Development Bank of India, It conducted a detailed analysis of interest rates, costs and margins of SIDBI assisted microfinance institutions. It commented on impact of caps on interest rates and margins and provided recommendations on further reducing costs of operations in these institutions. It is said that the micro finance development council (MDC) can help build a more comprehensive database concerning various aspects of micro finance. Analytically rigorous policy oriented research will need to be encouraged. The costs and benefits of administering and complying with the provisions of the microfinance Bill and of delivering microfinance services need to be analyzed and results incorporated in regulatory and operational practices. SIDBI can play a sector building role by enabling such policy studies to be carried out periodically. SIDBI being a member of MDCs can advise on policies and measures relating to use of technology, establishing of credit bureaus and financial literacy and financial education of microfinance members. This study was made over banking sectors and in Indian region, where researchers here tried to extract those facts for the Microcredit service of NGOs of Bangladesh.

Salman Khalid et al. (2011) made a case study of Faisalabad on Consumer Satisfaction with Service Quality in Conventional Banking in Pakistan. The objective of the study was to find out the relationships between service quality attributes (tangibles, reliability, responsiveness, empathy) and consumer satisfaction in the conventional banking sector of Pakistan. They found that consumer satisfaction vary according to the nature of service. In this case, the highest consumer satisfaction is demonstrated in the responsiveness area such

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as willingness to help consumer, friendly attitude of staff, followed by the reliability area such as consumer guidance, consumer support. On the other hand, the moderate satisfactions are in the tangibles area, such as infrastructure facilities, décor, followed by empathy area such as banks business timing and return on investment. Due to the wide variation of the responses, both public and private banks need to consider the weak areas in order to meet consumer requirements. To be successful in banking sector, banks must provide service to their consumer that at least meets or better if exceeds their expectations, This study provided some sort of guidelines to the policy makers (managers) of banks to take appropriate decision to improve the quality of services in Pakistani banking sector but it was not so much associated with Microfinance aspect and within this region. So, the researchers here tried to consider consumer attitude towards Microfinance in Bangladesh.

William Gabriel et al. (2011) Department of Economics, University of Cape Coast, Ghana tried to identify whether microfinance institutions within the Accra metropolis use marketing approaches and strategies in savings mobilization and credit delivery. More specifically, to assess the degree of marketing orientation among microfinance institutions in Accra and to examine the application of marketing programs in the mobilization of savings and delivery of credit among micro finance institutions. But it was conducted in context of Accra. Hence, the present study tries to explore those issues in context of Bangladesh.

Yasuhiko Yuge (2011) made a research study on The Current Situation of Microfinance in Bangladesh: A Growing Concern about Overlapping Loan Problems – From a Field Visit to Rajshahi and Comilla. The object of that study was to analyze the overlapping loan problems based on previous research and interviews the author conducted with ASA borrowers and ASA field staff in Rajshahi and Comilla, Bangladesh in 2009. Summarizing these borrowers' stories, it could be argued that if borrowers are able to control their cash management with an adequate amount of credit they can handle, overlapping borrowing does not necessarily cause harm to the borrowers. On the other hand, the more loans the borrowers use, the more likely they will become delinquent. It is striking that there are many overdue members using more than three loans from MFIs or other lenders in both the cities. It indicated the seriousness of the overlapping problems when borrowers rely on

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excessive loans from multiple financial institutions. This study conducted within limited area only Rajshahi and Comilla which the researchers found not well enough to portray the actual scenario of Bangladesh as a whole.

Neringa Ivanauskienė et al. (2012) made a research on CONSUMER PERCEPTIONS OF VALUE: CASE OF retail banking, which was published in ISSN 2029-4581. ORGANIZATIONS AND MARKETS IN EMERGING ECONOMIES, 2012, VOL. 3, No. 1(5). Is to assess the factors of consumer perceived value in the retail banking sector during the period of economic recession. The study results revealed that in the period of economic recession the dimensions of emotional (affective) value (i.e., the reliability and security of bank, good psychological climate when contacting with bank personnel) and functional value (i.e., the quality of service provision, the competence of contact personnel) are rated higher by consumers. Meanwhile, the factors of social value (i.e., the established long-term relationship, personal beliefs, social integration, the opinion and recommendations of relatives, acquaintances and/or friends) are rated lower. The study shows that there is no significant difference between the perception of the emotional value and contact personnel competences: both these values are equally evaluated by the consumer. It could be stated that dimensions that refer to the contact personnel competences (devotion to the job, knowledge and expertise level) and emotional value (good psychological climate; relaxation and certainty for financial operations security; comfort; reliability and satisfaction; positive emotions and experience) are the most significant for the consumer perception of value in retail banking. This encourages retail bank management to consistently pay sufficient attention to contact personnel competence development and emotional value creation. Moreover, in economic recession time retail bank managers should invest in employees' training and think about empowering the front-line people. The third most evaluated dimension - service quality - also determines consumer perceptions of value in great level and is worth considering. Further research is needed to determine the significance of dimensions of the value perceived by the consumer in the retail banking sector during the period of economic growth. Additional questions that need an answer include: (1) whether the same factors impact consumer value perception in other countries in retail banking sector; (2) what other factors are related with value perceptions processes; (3) what consumer experiences create consumer value perception in other service industry sectors.

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Finally, an area that has received scant attention is the interconnections between consumer service experiences, emotional experiences and value perceptions considering them in a more holistic perspective. The finding of this study was useful for Retail Banking sector but in microcredit these issues are not so much associated. Thus, the researchers here tried to implement those revealed implications on Microcredit service of NGOs in Bangladesh.

Eddy BALEMBA Kanyurhi (2013) submitted a report to determine the main dimensions of financial services of the microfinance institution, the consumer satisfaction level and assess to what extent consumer satisfaction is influenced by consumers' characteristics. But it was conducted in context of Africa. Hence, the present study tries to explore those issues in context of Bangladesh.

## **RESEARCH GAP ANALYSIS**

I have discussed 18 research works in the review of the literature section. These research works have been performed in many different parts of the world like United States of America, Russia, Togo, Indonesia, Pakistan, India and in some other regions of Asia. Some of these researches helped me to understand the situation of microfinance for some specific time period that when it was performed, and some other helped me to enhance my knowledge to conduct this research study more effectively and efficiently about marketing strategies of NGOs for micro credit service and consumer attitude as well.. But so far, I have found that most of these researches were based on outside Bangladesh and focused on their self purpose or motive, based on different distribution structural research model, adopting different marketing strategy which is not exactly and appropriately related to this issue. The short summary of all these researches work have been included in the review of the literature section. Many research studies have been conducted on marketing strategies of microcredit service from organizational viewpoint. But research is extremely limited based on consumer attitude. Surprisingly, research on understanding marketing strategy along with measuring consumer attitude has not been conducted in context of Bangladesh .This study is an attempt to fill that gap in literature.

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## **CHAPTER THREE**

### **METHODOLOGY**

The method of the study depends on the nature and purpose of the study. So every research study has its own individual method respectively. Methodology is the systematic and logical study of the principles of guiding scientific investigation, (Gould and Kolb, 1964, p. 425)

Methodology plays a vital role in any research, but the methods in practical uses somehow differ from one research to another. Any scientific investigation requires one or more research methods which enable a researcher to conduct the study systematically. Research is a disinterested or unbiased search for knowledge. It is a scientific effort of finding the truth. (Abedin, 1996, p.11)

Documentary analysis' (Kothari, p. 117, Good and Scates, 1954, p. 670) is used in the present study. This is defined as an attempt to find out what has happened in the course of time and to correlate the events, within the limits of available material on the one hand and of the researchers' intelligence and understanding on the other, into a meaningful sequence.(Abedin, p. 53)

Hence selection of a well-defined method is inevitable for conducting any research work. At first, a questionnaire has been prepared on different research oriented issues. Then it has been applied a pilot study (Kothari, P.125). In the next stage, the questionnaire has been finalized.

An exploratory and empirical research approach has been applied to select the salient beliefs and to understand consumers' evaluation as well as measuring the overall attitude towards ASA and BRAC.

### **3.1 NATURE OF THE STUDY**

The study is exploratory and empirical in nature. In the present Study, secondary data are considered to be the "rough materials researchers collect from the world they are studying;

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that are the particulars which is the basis of analysis (Bogdan and Biklen, 1992, p.106). Depending on the basic philosophical approach of the qualitative research, many methods are needed for analyzing data. Following method of qualitative data analysis, the researcher has strictly maintained the concept of “three concurrent flows of activity; data reduction, data display and conclusion drawing/verification” (Miles and Huberman, 1994, p. 10). Further, the researcher has converted the qualitative data into quantitative data for statistical analysis. It can be said that there lies a mixed approach for both of qualitative and quantitative data which is suggested by research paradigm because it fulfills the terms of post positivism theory. So, the present research study is qualitative and quantitative (mixed methodology) by nature.

### **3.2 STUDY AREA AND PERIOD**

Four divisions of Bangladesh were broadly taken for sampling as in these areas NGOs microcredit coverage is greater. Urban poor and underdeveloped areas around 4(four) divisions of Bangladesh (Dhaka, Chittagong, Rajshahi, Khulna). Has been selected as the study area for this research. The period is considered from liberation of Bangladesh to till 2011. All the activities related to marketing activities and strategies related facts findings were taken into account.

### **3.3 POPULATION**

All the consumers who are eligible for taking micro credit from NGOs in Bangladesh are considered as the population of the present study.

### **3.4 SAMPLING TECHNIQUE**

To analyze the First Objective of the study, Secondary data has been collected. A questionnaire related to the 2nd and 3rd objectives of the study has been prepared by the researcher. Having prepared the questionnaire, a pilot study in the form of a preliminary try out has been conducted on a small sample of 120 respondents. The items of the

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questionnaire have been selected on the basis of the findings of a pilot study. After that the primary data has been put for analysis. In the present study, the Simple Random Sampling (SRS) technique has been followed for collecting primary data.

### **PRIMARY DATA COLLECTION METHOD**

Data was gathered by convenience sampling from 800 respondents (both for ASA and BRAC) from different urban poor and underdeveloped areas around 4(four) divisions of Bangladesh (Dhaka, Chittagong, Rajshahi, Khulna). A structured questionnaire was formed to gain the respondents feelings on different statements in relation to beliefs and respective evaluation on different attributes of micro credit service provided by the NGOs. Paired sample T-test was performed to test the hypotheses.

### **SECONDARY DATA COLLECTION METHOD**

Some secondary sources are used to collect the data when necessary. These sources consist of annual report of the organization, organization's website, past record, research works etc.

## **3.5 SAMPLE SIZE**

A total of 800 respondents constitute the sample of the present study. Data was gathered by convenience sampling from 800 respondents (both for ASA and BRAC) from different urban poor and underdeveloped areas around 4(four) divisions of Bangladesh (Dhaka, Chittagong, Rajshahi, Khulna).

## **3.6 RESEARCH TOOLS**

The study was designed to explore different beliefs/attributes related to the micro credit service of NGOs in Bangladesh that influence to form consumer's attitude towards the service.

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A pretest was conducted on explore various attitude related to the service. Open ended question was used to explore the attributes.

Following seven beliefs have been identified twenty attributes according to their degree of influence. Those are:

1. Loan features  
(Whether the NGO has all loan features facilities.)
2. Repaying installation  
(Whether the NGO has repayment system by installation)
3. Recovery system  
(Whether the NGO has different loan recovery system)
4. Savings  
(Whether the NGO has savings facility)
5. Facility service  
(Whether the NGO has facility service offering)
6. Economic contribution  
(Whether the NGOs loan has economic contribution)
7. Social contribution  
(Whether the NGOs loan has social contribution)

Final questionnaire was constructed from the elements of pilot test. It was at 5 point likart scale. After preparing final questionnaire data were collected from respondents. On the basis of beliefs and evaluations average mean the results were calculated on the basis of Fishbeins multi attribute attitude model.

A number of different multi attribute models have been adopted in order to predict a consumer's attitudes towards an object the attitude towards the object model .The Fishbeines model receives the most attention from consumers and marketing researchers.

Fishbeines position is that people form attitudes towards objects such as a product, service, idea or person, on the basis of their beliefs (perception and knowledge) about those objects. Beliefs are intern acquired by processing information that is obtained from direct

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experiences with objects and form communication about them required from other sources. Therefore, to understand consumer's attitudes adequately we must determine the beliefs that form the basis of the attitudes.

Fishbeines multi attribute attitude model can be expressed in equation as:

$$A_o = \sum_{i=1}^n b_i e_i$$

Where,

$A_o$  = The persons overall attitude towards the object

$b_i$  = The strength of one's belief that the object is related to attribute.

$e_i$  = One's evaluation or integrity of feelings of the goodness or badness of attribute.

$n$  = The number of relevant beliefs for that person.

The model explicitly incorporates the cognitive (belief) and affective (evaluation) components of attitudes. It also accounts for the strength or intensity of these elements. The model states that to determine a person's overall attitude toward some object, it is first necessary to determine those beliefs that have the influence on his attitude. Those most relevant beliefs, called salient beliefs, frequently don't exceed nine in number. The overall attitude towards an object can be obtained by multiplying the belief score by the evaluation score for each attribute and then summing across all relevant beliefs to obtain the value  $A_o$ . Thus the model is applicable to measure consumer's attitude towards micro credit service of NGOs (ASA and BRAC) in Bangladesh. Numerous researchers have used this model to measure consumer's attitude towards an object in investigating consumer preferences.

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On the basis of the problem and the variables used in the model following seven null and alternative hypotheses are assumed to be tested.

$$H_{01}: \bar{X}_{LF} = \bar{Y}_{LF}$$

$$H_{02}: \bar{X}_{RI} = \bar{Y}_{RI}$$

$$H_{03}: \bar{X}_{RS} = \bar{Y}_{RS}$$

$$H_{04}: \bar{X}_S = \bar{Y}_S$$

$$H_{05}: \bar{X}_{FS} = \bar{Y}_{FS}$$

$$H_{06}: \bar{X}_{EC} = \bar{Y}_{EC}$$

$$H_{07}: \bar{X}_{SC} = \bar{Y}_{SC}$$

$$H_{a1}: \bar{X}_{LF} \neq \bar{Y}_{LF}$$

$$H_{a2}: \bar{X}_{RI} \neq \bar{Y}_{RI}$$

$$H_{a3}: \bar{X}_{RS} \neq \bar{Y}_{RS}$$

$$H_{a4}: \bar{X}_S \neq \bar{Y}_S$$

$$H_{a5}: \bar{X}_{FS} \neq \bar{Y}_{FS}$$

$$H_{a6}: \bar{X}_{EC} \neq \bar{Y}_{EC}$$

$$H_{a7}: \bar{X}_{SC} \neq \bar{Y}_{SC}$$

Where X and Y denote the consumers attitude on microcredit service of ASA and BRAC. Respectively and LF=Loan features, RI=Repaying installment, RS=Recovery system, S=Savings, FS=Facility services, EC=Economic contribution, SC=Social contribution.

Hypothesis testing was performed by SPSS using paired sample t test at .05 significant level.

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## **DATA ANALYSIS & INTERPRETATION**

Analysis of consumer's beliefs and evaluations:

### **1. Loan features**

Loan features was measured by 7 characteristics named as amount given as loan variety of loan, loan supply intensity, conditions, loan access, membership, time needed and at last overall belief. On the basis of all this the average belief has been measured.

### **2. Repaying instrument:**

Repaying installment as measured by 7 characteristics named as number of installment, amount of installment. Interval between installment, first installment, rate of interest, record keeping, rules for failing to pay and at last overall belief, on the basis of all this the average belief has been estimated.

### **3. Recovery system:**

Recovery system as measured by 7 characteristics named as coercive action, give pressure, field workers behavior legal action, mental torture, seizing property, health problem. And overall belief, on the basis of all this the overall belief has been estimated.

### **4. Savings:**

Savings yeas estimated by also by 7 characteristics named as amount deposited, rules, flexibility, interest rate, withdrawal process ,time, conditions and overall belief.

### **5. Facility Services:**

This feature yeas also budged by 7 characteristics like training, flexibility, disaster provisions, interest free loan, measures far loan misuse, monitoring, record keeping and overall belief.

### **6. Economic contribution:**

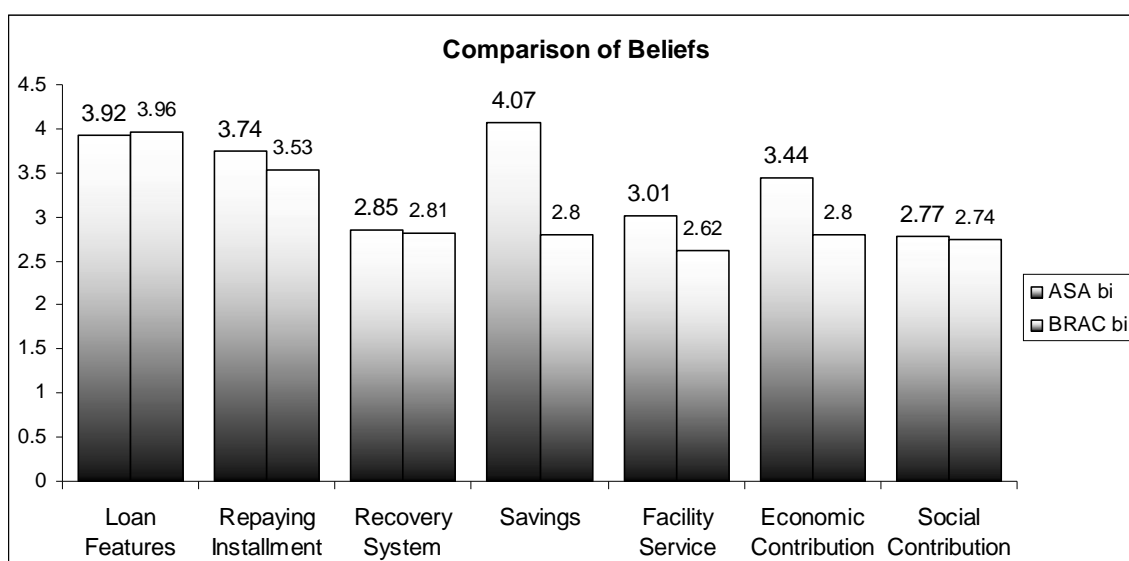
It was also measured by income generation facilitation capital supply, Family solvency, improves existing business, women income source, self dependency, small business facility and overall contribution.

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**7. Social contribution:**

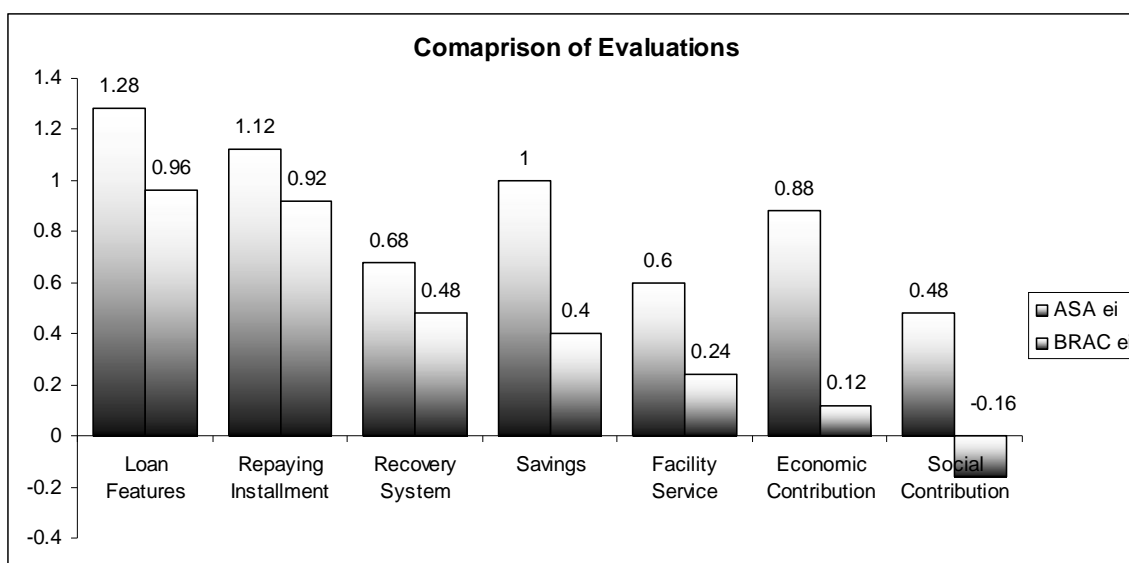
This feature was measured on the basis of group skill, woman education, women participation in decision making and overall social contribution. Data was analyzed using mean, standard deviation and a result of hypotheses testing was prepared by T- test.

**Figure-3: Comparison of Beliefs**

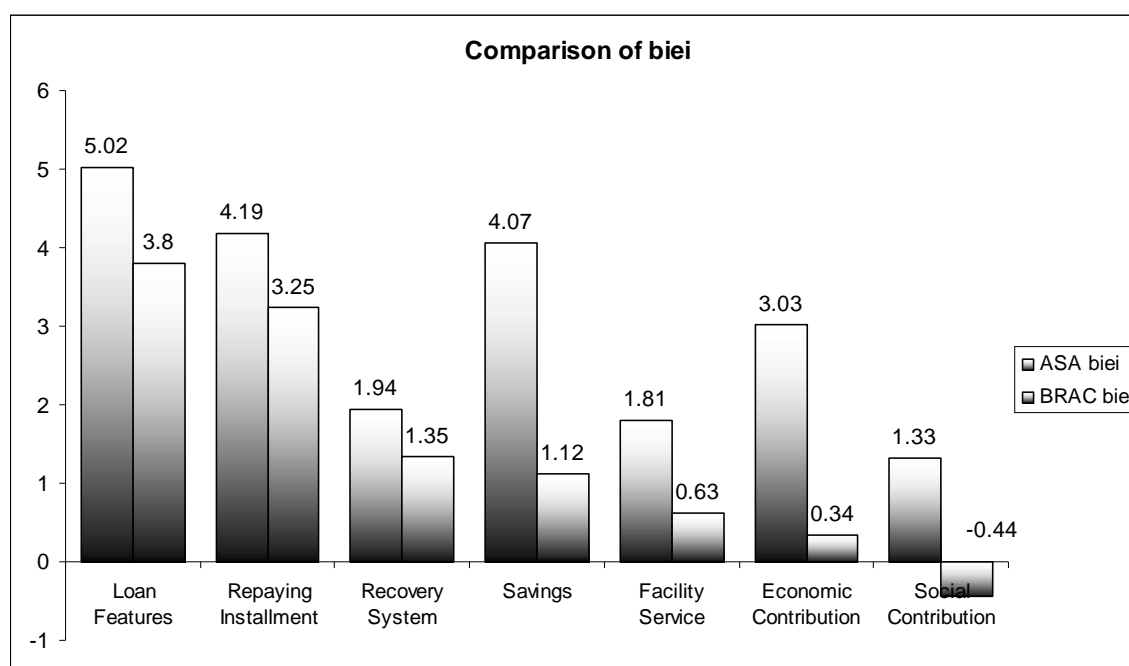


[Source: Survey Data]

**Figure-4: Comparison of Evaluations**



[Source: Survey Data]

**Figure-5: Comparison of biei**

[Source: Survey Data]

### 3.7 Ethical Consideration

Throughout history, research has been shaped by ethical issues as these ‘ethical decisions necessarily involve one’s personal morality’ (Taylor and Bogdan, 1975, p. 29). Ethics has become a cornerstone for conducting effective and meaningful research. As such, the ethical behavior of individual researchers is under unprecedented scrutiny (Best and Kahn, 2006; Field and Behrman, 2004; Trimble and Fisher, 2006), the researcher has followed ‘the code of conduct or expected norms of behavior while conducting the research’ (Sekaran, 2009, p. 16). So, in planning and conducting research, as well as in reporting research findings, the researcher has to maintain several ethical issues. First, the researcher has planned the research study so that the chance for misleading results is minimized. Second, the study has been planned so that it meets ethical acceptability. Third, steps have been taken to protect and ensure the dignity, social norms and welfare of all participants, as well as those who may be affected by the results of the research study. In the present study, qualitative data have been considered depending on the basic philosophical approach of the qualitative researcher and many methods exist for analyzing data. The researcher has strictly followed

the guidelines of concurrent flows of activity (Miles and Huberman, 1994, p. 10) to convert qualitative data into quantitative data through statistical analysis.

The researcher has followed the suggestion that 'data can be coded descriptively or interpretively' (Miles and Huberman, 1994, p. 12). The researcher has coded data according to categories and details of settings; types of situation observed; perspectives and views of subjects of all manner of phenomena and objects; processes, activities, events, strategies and methods observed; and social relationships. The researcher has gone to the close contact and has collected the primary data from the lower class consumers with potentiality, accuracy and competency. The researcher has depended on the clients to be honest in presenting the reasons for doing the research and in describing the research field situation (Zikmund, Babin, Carr and Griffin, 2011, p. 90). The researcher is ultimately responsible to ensure that no ethical violations occur in the study because the researcher must receive institutional approval where the focus is on protecting human subjects. The researcher has always kept in mind that, 'Confidentiality is a tool to help ensure truthful responses' (Zikmund, Babin, Carr and Griffin, 2011, p. 91) and has strictly maintained privacy of the respondents. According to the guideline of Erlandson (Erlandson et al., 1993, p. 28), the researcher has been conscious enough to maintain privacy, confidentiality and avoid harm, deception, and informed consent. During the execution of the present study, the researcher has tried to keep away from plagiarism and has maintained integrity very carefully using material from others and ensures that it is adequately referenced. The researcher has not misrepresented anything purposefully in the research work to impress anybody and has not undertaken the research involving the collection, analysis, and interpretation of data what is known as academic fraud.

The researcher has followed appropriate statistical techniques and methods for analyzing data. Computing of various percentages corresponding, pair t-test etc. has been done by applying SPSS and Excel software. The researcher finds out the relationship or differences supporting or conflicting with original or new situation should be tested to determine with what validity data can be said to indicate any conclusion. Overall, the researcher has abided by the golden rule of 'Highly ethical behavior can be characterized as being fair, just and acceptable' (Robin and Babin, 1997, p. 563).

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## **CHAPTER FOUR**

### **MARKETING STRATEGY OF NGOs**

#### **4.1 UNDERSTANDING MARKETING STRATEGY**

Marketing strategy is the goal of increasing sales and achieving a sustainable competitive advantage. Marketing strategy includes all basic and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company and the formulation, evaluation and selection of market-oriented strategies and therefore contributes to the goals of the company and its marketing objectives.

#### **DEVELOPING A MARKETING STRATEGY**

Marketing strategies serve as the fundamental underpinning of marketing plans designed to fill market needs and reach marketing objectives. Plans and objectives are generally tested for measurable results. Commonly, marketing strategies are developed as multi-year plans, with a tactical plan detailing specific actions to be accomplished in the current year. Time horizons covered by the marketing plan vary by company, by industry, and by nation, however, time horizons are becoming shorter as the speed of change in the environment increases. Marketing strategies are dynamic and interactive. They are partially planned and partially unplanned. See strategy dynamics. Marketing strategy needs to take a long term view, and tools such as consumer lifetime value models can be very powerful in helping to simulate the effects of strategy on acquisition, revenue per consumer and churn rate.

Marketing strategy involves careful and precise scanning of the internal and external environments. Internal environmental factors include the marketing mix and marketing mix modeling, plus performance analysis and strategic constraints. External environmental factors include consumer analysis, competitor analysis, target market analysis, as well as evaluation of any elements of the technological, economic, cultural or political/legal environment likely to impact success. A key component of marketing strategy is often to keep marketing in line with a company's overarching mission statement.

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Once a thorough environmental scan is complete, a strategic plan can be constructed to identify business alternatives, establish challenging goals, determine the optimal marketing mix to attain these goals, and detail implementation. A final step in developing a marketing strategy is to create a plan to monitor progress and a set of contingencies if problems arise in the implementation of the plan.

Marketing Mix Modeling is often used to help determine the optimal marketing budget and how to allocate across the marketing mix to achieve these strategic goals. Moreover, such models can help allocate spend across a portfolio of brands and manage brands to create value.

## **TYPES OF STRATEGIES**

Marketing strategies may differ depending on the unique situation of the individual business. However there are a number of ways of categorizing some generic strategies. A brief description of the most common categorizing schemes is presented below:

### **STRATEGIES BASED ON MARKET DOMINANCE**

In this scheme, firms are classified based on their market share or dominance of an industry. Typically there are four types of market dominance strategies:

- Leader
- Challenger
- Follower
- Nicher

According to Shaw, Eric (2012). "Marketing Strategy: From the Origin of the Concept to the Development of a Conceptual Framework". *Journal of Historical Research in Marketing*, there is a framework for marketing strategies.

#### **Market introduction strategies**

"At introduction, the marketing strategist has two principle strategies to choose from: penetration or niche" (47).

**Market growth strategies**

"In the early growth stage, the marketing manager may choose from two additional strategic alternatives: segment expansion (Smith, Ansoff) or brand expansion (Borden, Ansoff, Kerin and Peterson, 1978)" (48).

**Market maturity strategies**

"In maturity, sales growth slows, stabilizes and starts to decline. In early maturity, it is common to employ a maintenance strategy (BCG), where the firm maintains or holds a stable marketing mix" (48).

**Market decline strategies**

At some point the decline in sales approaches and then begins to exceed costs. And not just accounting costs, there are hidden costs as well; as Kotler (1965, p. 109) observed: 'No financial accounting can adequately convey all the hidden costs.' At some point, with declining sales and rising costs, a harvesting strategy becomes unprofitable and a divesting strategy necessary" (49).

Early marketing strategy concepts were:

**Borden's "marketing mix"**

"In his classic *Harvard Business Review* (HBR) article of the marketing mix, Borden (1964) credits James Culliton in 1948 with describing the marketing executive as a 'decider' and a 'mixer of ingredients.' This led Borden, in the early 1950s, to the insight that what this mixer of ingredients was deciding upon was a 'marketing mix'" (34).

**Smith's "differentiation and segmentation strategies"**

"In product differentiation, according to Smith (1956, p. 5), a firm tries 'bending the will of demand to the will of supply.' That is, distinguishing or differentiating some aspect(s) of its marketing mix from those of competitors, in a mass market or large segment, where consumer preferences are relatively homogeneous (or heterogeneity is ignored, Hunt, 2011, p. 80), in an attempt to shift its aggregate demand curve to the left (greater quantity sold for

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a given price) and make it more inelastic (less amenable to substitutes). With segmentation, a firm recognizes that it faces multiple demand curves, because consumer preferences are heterogeneous, and focuses on serving one or more specific target segments within the overall market" (35).

#### **Dean's "skimming and penetration strategies"**

"With skimming, a firm introduces a product with a high price and after milking the least price sensitive segment, gradually reduces price, in a stepwise fashion, tapping effective demand at each price level. With penetration pricing a firm continues its initial low price from introduction to rapidly capture sales and market share, but with lower profit margins than skimming" (37).

#### **Forrester's "product life cycle (PLC)"**

"The PLC does not offer marketing strategies, per se; rather it provides an overarching framework from which to choose among various strategic alternatives" (38).

There are also corporate strategy concepts like:

#### **Andrews' "SWOT analysis"**

"Although widely used in marketing strategy, SWOT (also known as TOWS) Analysis originated in corporate strategy. The SWOT concept, if not the acronym, is the work of Kenneth R. Andrews who is credited with writing the text portion of the classic: Business Policy: Text and Cases (Learned et al., 1965)" (41).

#### **Ansoff's "growth strategies"**

"The most well-known, and least often attributed, aspect of Igor Ansoff's Growth Strategies in the marketing literature is the term 'product-market.' The product-market concept results from Ansoff juxtaposing new and existing products with new and existing markets in a two by two matrix" (41-42).

#### **Porter's "generic strategies"**

Porter generic strategies – strategy on the dimensions of strategic scope and strategic strength. Strategic scope refers to the market penetration while strategic strength refers to

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the firm's sustainable competitive advantage. The generic strategy framework (porter 1984) comprises two alternatives each with two alternative scopes. These are *Differentiation* and *low-cost leadership* each with a dimension of *Focus*-broad or narrow.

\*\* Product differentiation\*\* Cost leadership and Market segmentation

### **Innovation strategies**

This deals with the firm's rate of the new product development and business model innovation. It asks whether the company is on the cutting edge of technology and business innovation. There are three types:

Pioneers

Close followers

Late followers

### **Growth strategies**

In this scheme we ask the question, "How should the firm grow?". There are a number of different ways of answering that question, but the most common gives four answers:

Horizontal integration

Vertical integration

Diversification

Intensification

These ways of growth are termed as organic growth. Horizontal growth is whereby a firm grows towards acquiring other businesses that are in the same line of business for example a clothing retail outlet acquiring a food outlet. The two are in the retail establishments and their integration lead to expansion. Vertical integration can be forward or backward. Forward integration is whereby a firm grows towards its consumers for example a food manufacturing firm acquiring a food outlet. Backward integration is whereby a firm grows towards its source of supply for example a food outlet acquiring a food manufacturing outlet.

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A more detailed scheme uses the categories: Miles, Raymond (2003). *Organizational Strategy, Structure, and Process*. Stanford: Stanford University Press. ISBN 0-8047-4840-3.

Prospector

Analyzer

Defender

Reactor

### **Marketing warfare strategies**

This scheme draws parallels between marketing strategies and military strategies. BCG's "growth-share portfolio matrix" "Based on his work with experience curves (that also provides the rationale for Porter's low cost leadership strategy), the growth-share matrix was originally created by Bruce D. Henderson, CEO of the Boston Consulting Group (BCG) in 1968 (according to BCG history). Throughout the 1970s, Henderson expanded upon the concept in a series of short (one to three pages) articles in the BCG newsletter titled Perspectives (Henderson, 1970, 1972, 1973, 1976a, b). Tremendously popular among large multi-product firms, the BCG portfolio matrix was popularized in the marketing literature by Day (1977)" (45).

### **Strategic models**

Marketing participants often employ strategic models and tools to analyze marketing decisions. When beginning a strategic analysis, the 3Cs can be employed to get a broad understanding of the strategic environment. An Ansoff Matrix is also often used to convey an organization's strategic positioning of their marketing mix. The 4Ps can then be utilized to form a marketing plan to pursue a defined strategy. Marketing Mix Modeling is often used to simulate different strategic flexing go the 4Ps. Consumer lifetime value models can help simulate long term effects of changing the 4Ps, e.g.; visualize the multi-year impact on acquisition, churn rate, and profitability of changes to pricing. However, 4Ps have been expanded to 7 or 8Ps to address the different nature of services.

There are many companies especially those in the Consumer Package Goods (CPG) market that adopt the theory of running their business centered on Consumer, Shopper & Retailer needs. Their Marketing departments spend quality time looking for "Growth Opportunities"

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in their categories by identifying relevant insights (both mindsets and behaviors) on their target Consumers, Shoppers and retail partners. These Growth Opportunities emerge from changes in market trends, segment dynamics changing and also internal brand or operational business challenges. The Marketing team can then prioritize these Growth Opportunities and begin to develop strategies to exploit the opportunities that could include new or adapted products, services as well as changes to the 7Ps.

### **Real-life marketing**

Real-life marketing primarily revolves around the application of a great deal of common-sense; dealing with a limited number of factors, in an environment of imperfect information and limited resources complicated by uncertainty and tight timescales. Use of classical marketing techniques, in these circumstances, is inevitably partial and uneven.

Thus, for example, many new products will emerge from irrational processes and the rational development process may be used (if at all) to screen out the worst non-runners. The design of the advertising, and the packaging, will be the output of the creative minds employed; which management will then screen, often by 'gut-reaction', to ensure that it is reasonable.

For most of their time, marketing managers use intuition and experience to analyze and handle the complex, and unique, situations being faced; without easy reference to theory. This will often be 'flying by the seat of the pants', or 'gut-reaction'; where the overall strategy, coupled with the knowledge of the consumer which has been absorbed almost by a process of osmosis, will determine the quality of the marketing employed. This, almost instinctive management, is what is sometimes called 'coarse marketing'; to distinguish it from the refined, aesthetically pleasing, form favored by the theorists.

An organization's strategy combines all of its marketing goals into one comprehensive plan. A good marketing strategy should be drawn from market research and focus on the right product mix in order to achieve the maximum profit potential and sustain the business. The marketing strategy is the foundation of a marketing plan.

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## 4.2 STRATEGIC MARKETING FOR MICROFINANCE INSTITUTIONS

Graham A.N. Wright, David Cracknell, Leonard Mutesasira and Rob Hudson - "As more players enter the market and competition increases, microfinance will inevitably move away from the supply-led approach that applied a narrow range of lending methodologies to a wide range of contexts, towards a demand-driven, client-oriented approach." - CGAP Phase III Strategy 2003-2008

Microfinance has demonstrated its potential to assist the poor to make significant strides towards reducing their vulnerability, improving their livelihoods, paying for basic health care and financing their children's education (Littlefield et al., 2003). Many microfinance Institutions (MFIs) have demonstrated an ability to provide financial services to poor people on a sustainable, profitable basis. Together, these facts have attracted a great deal of donor of money and a wide variety of organisations into the Microfinance sector. As a result, a growing number of markets are becoming extremely competitive and clients have an ever-widening choice of financial service providers to choose from. With the vast majority of MFIs functionally confined to offering short-term credit products, the clients are effectively given the choice of staying with or leaving their current service provider at the end of every loan cycle. In competitive markets they are exercising this choice with unflinching regularity ... and many are "deserting" their service provider to try another or simply to take a "rest" from the rigours of MFIs' terms and conditions.

The extensive literature documenting the reasons for and cost to MFIs of high levels of "drop-out", "exit" or "desertion" (see for example Hulme et al., 1999, Wright 2000, Brand and Gershick, 2000) has spurred them to re-examine their products and delivery systems to respond better to clients' needs. Furthermore, the growth in competition between MFIs in many markets has meant that growing numbers of MFIs are responding by seeking to better understand their clients' demands and preferences and thus taking a market-led approach to their business (Anyango, Sebtsad and Cohen, 2002).

The development of a more client-responsive, market-led approach to Microfinance is an important watershed in an industry hitherto largely dominated by the misconception that

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simple replication of successful models could achieve massive and sustainable scale worldwide. As Hulme notes, “Ironically it is the success of the “first wave” finance for the poor schemes...that is the greatest obstacle to future experimentation” (Hulme, 1995 quoted in Rogaly, 1996).

For most MFIs responding to the market has been largely in terms of developing new products that meet the needs of their clients. But some others are beginning to move towards a strategic marketing approach that looks at corporate branding and identity as well as product delivery system and consumer service strategies in addition to the product strategy.

There are many benefits in doing this for both the MFIs and their clients. For the MFI a market-led approach enhances consumer loyalty and reduces drop-outs and thus increases profitability (Churchill and Halpern, 2001). For the MFIs’ consumers more appropriate, client-responsive products allow them to better manage their household finances with a variety of financial services and products, in which they have confidence, delivered through systems and people that are secure, efficient and satisfying.

#### **Why a Market Orientation?** (Extracted from Gary Woller, 2002)

“Market orientation holds that “success will come to those organizations that best determine the perceptions, needs, and wants of target markets and satisfies them through the design, communication, pricing, and delivery of appropriate and competitively viable offerings.” In contrast to a market orientation, most MFIs possess a “product orientation,” which holds that “success will come to those organizations that bring to market goods and services they are convinced will be good for the public.”

The transition from product orientation to market orientation is a process that has occurred in virtually all mature industries. The microfinance industry is unique only in that it relatively young and immature and it has yet to pass through this phase. But pass through this phase it must, if it is to survive and prosper. The question for MFIs is how to take an abstract concept like market orientation and give it real managerial/operational relevance.

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Of 48 studies testing the relationship between market orientation and institutional performance, 44 found positive relationship between market orientation and at least one measure of institutional performance as measured by profitability, sales, market share, or innovation success. The same studies also found positive relationships between market orientation and other organizational variables, such as consumer retention, consumer service, esprit de corps, trust in senior management, job satisfaction, and the intent to remain at an institution. The weight of these empirical findings offers conclusive evidence that higher levels of market orientation lead generally to higher levels of institutional performance.

### **Implications for Microfinance**

The implications of the market orientation research for MFIs are many:

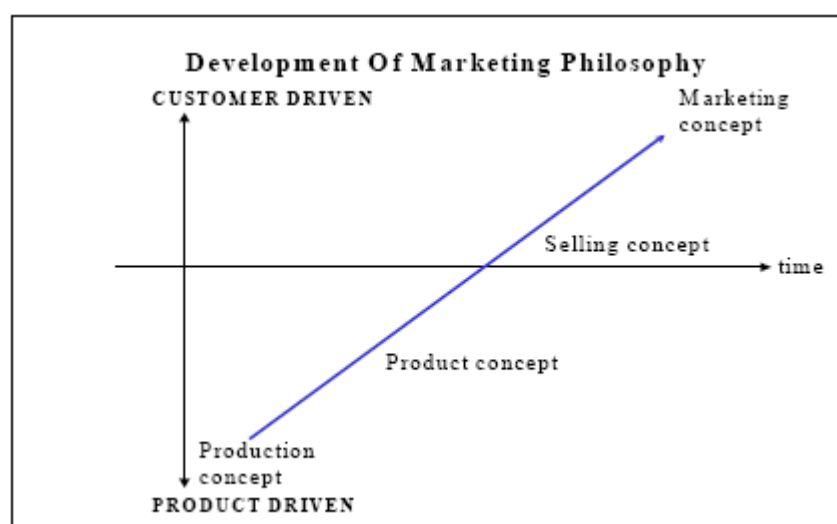
- ⇒ Market orientation is by extension an important determinant of MFI performance (e.g., financial self-sufficiency, revenue growth, consumer desertion, repayment rates, etc.)
  - ⇒ The best way to achieve long-term financial self-sufficiency and achieve deep outreach is to identify the needs and wants of the very poor and to provide products of value to them.
  - ⇒ To the extent MFIs explicitly target the very poor and create learning institutions in tune with their needs and wants, competition and the drive for sustainable competitive advantage will drive MFIs to find ways to serve the very poor in an increasingly cost-effective manner.
  - ⇒ The creation of a market-oriented institutional culture and market-oriented institutional practices is the distinct responsibility of senior management. Without the explicit and active participation of management (in both word and deed), the transition to market orientation will fail.
  - ⇒ The creation of an appropriate consumer-centered reward system is an integral component of the transition to market orientation. It is an unambiguous statement of managerial values that connect rhetoric to practice.
  - ⇒ Other market-oriented practices include monitoring consumer satisfaction and otherwise routinely soliciting consumer feedback, hiring staff with consumer-centered attitudes
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and firing those without, increase interaction and decrease conflict between functional departments, or pushing the decision-making locus closer to the consumer.”

The microfinance industry is beginning to mature, and with maturity comes change. There are four alternative concepts on which organisations conduct their activities – these represent the development of marketing philosophy. The concepts have characterized the maturation of most industries over time, and are also clearly discernable in the microfinance industry. The process of maturation has typically (but not always) been linear with the industry passing through each phase before moving to the next. These concepts for organizational activities are:

1. **Production:** which focuses on producing goods/services as cheaply as possible;
2. **Product:** which focuses on making the goods/services as high quality as possible;
3. **Selling:** which focuses on persuading potential consumers to buy the goods/services being produced; and
4. **Marketing:** which focuses on understanding the target market(s) needs and responding to these in all aspects of the organization’s operations.

**Figure-6:** Development of Marketing Philosophy



[Source: web materials, <https://en.wikipedia.org/wiki/Marketing>]

The marketing concept takes an outside-in perspective. The organization tries to see itself from the client’s perspective, and base its decisions (subject to financial and organizational constraints) on this perspective.

Organizations using the marketing concept recognize that there is more value in retaining consumers than in attracting new consumers who cost more. This concept works more at identifying and meeting consumers' needs profitably in addition to maximizing consumer satisfaction with existing products.

### **Strategic Marketing (Defined)**

“Marketing attempts to understand the needs of the client and to adapt operations in order to meet those needs and achieve greater sustainability. It addresses the issues of new product development, pricing, the location of operations and the promotion of the institution and its products. Marketing is a comprehensive field aimed at strengthening the institution by maintaining focus on the client. In doing so, it creates exchanges that satisfy individual and organizational goals.” Kotler, 1999

### **Importance and Role of Marketing Strategy and Plan**

The South Africa-based ARPs were noticeably more sophisticated from a strategic marketing perspective, but only one of the eight ARPs had a formalized marketing strategy and plan – this is now being addressed by most of the organisations. The report noted “the importance of formal planning in association with strategy development and particularly implementation. Plans serve as the road map to delivering against strategic objectives and optimize process consistency, timing, co-ordination, momentum and overall control” (Hudson and Mutesasira, 2002).

### **Evolution of the Marketing Function**

The marketing function of the ARPs reviewed had evolved from market research activities initiated either to examine client satisfaction and/or to develop new products. As the MFIs grew to understand more of the determinants of client satisfaction and successful products, so the role of the marketing function began to expand to take on consumer service, promotion and selling and delivery systems, as well as (in the more sophisticated MFIs) corporate branding and identity.

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### **Consumer Service in Marketing**

Consumer service is a key determinant of client satisfaction and loyalty. It is one of the aspects of MFI operations that are relatively easy and low-cost to improve upon. And yet few MFIs have focused on understanding and improving consumer service in a systematic manner. “Research undertaken by South African MFIs highlights the extensive influence of the word of mouth effect on generating sales. In East Africa the top management of MFIs reviewed all appreciate the reliance of word of mouth promotion on sales and as such most endeavor to achieve differentiation through consumer service performance. Yet few of these players had any formal consumer service strategy or staff training policy at time of review” (Hudson and Mutesasira, 2002).

### **Management Information Systems (MIS)**

Prior to undertaking field-based primary research, MFIs need to use the secondary data sources available to them. A good MIS can provide large amounts of valuable strategic marketing information – at far lower cost than conducting primary market research. “More and more strategic marketers are appreciating and exploiting the value of internally generated market intelligence. Intelligence of this nature has diverse strategic value supporting strategic decision making in areas such as the identification of:

1. Product cross selling, growth and innovation opportunities within the client base;
2. Market segmentations requirements;
3. Product profitability trends;
4. Profitability trends by market segments, regions, profiles etc.; and
5. Risk related trends by market segments, regions, profiles etc.

The extent and value of internal intelligence that is accessible to marketing management, as well as other strategic functional management of an organization, is dependent on the internal systems within the bank, as well as the detail and quality of the input data captured into these systems. Unfortunately these are areas where most the ARPs have had historic limitations. It is for these reasons that the **MicroSave** ARPs are working to improve their MIS and the ability of these to produce strategically actionable, consumer base intelligence” (Hudson and Mutesasira, 2002).

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The **MicroSave** ARPs have started developing marketing functions, but the scope of their activities and their roles and responsibilities vary significantly. Furthermore there is some degree of confusion amongst the top management of the ARPs (as throughout the microfinance industry) as to what strategic marketing entails and how it interfaces with operations, human resource development, IT etc. “Although what is distinct is the growing number of leading organisations that are building their business strategy around their marketing strategy and not the other way around (to an increasing extent marketing strategy is becoming business strategy). In association with the development of the strategic marketing in business today, the scope of the function is also rapidly diversifying” (Hudson and Mutesasira, 2002).

In developing a market-led business strategy clearly the basic questions are:

1. Who are the MFI’s consumers now and which new consumers does the MFI want to attract?
2. What are these consumers and potential consumers’ needs and wants in relation to the market? And (for those MFIs focusing on sustainability)
3. What are the profitable markets and products to serve ?<sup>3</sup>

### **The Strategic Marketing Framework Developed by TMS and MicroSave**

As a result of the review, TMS developed a Strategic Marketing Framework and this was adopted and adapted by **MicroSave** for use in the microfinance industry. **MicroSave** developed and tested a workshop to introduce Strategic Marketing for MFIs on the basis of this Framework and this was well received by the ARP CEOs and Marketing/Operations Directors.

The Marketing Strategy comprises three legs:

1. Corporate Brand Strategy;
  2. Product Strategy; and
  3. Product Delivery and Consumer Service Strategy.
-

Those are based on information generated from four sources:

1. Competitor Analysis;
2. Market Analysis;
3. Consumer Analysis; and
4. Political, Economic, Social and Technological (PEST) Environment Analysis.

Complemented with some ad hoc analysis on an as needed basis. The rest of this paper introduces these three legs of the marketing strategy and four (plus ad hoc) information sources.

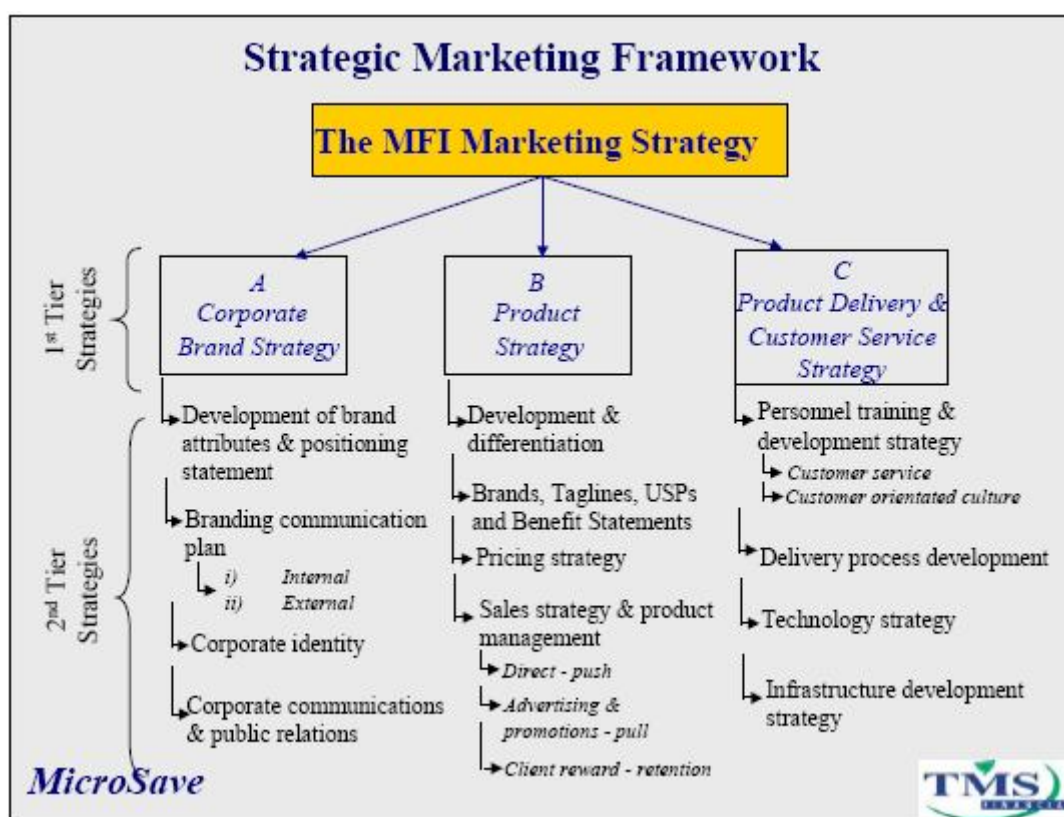
### **The Framework**

As a result of the study, TMS Financial and **MicroSave** developed the following framework to assist MFIs thinking about strategic marketing and how it relates to their core business of providing financial services to poor people.

The framework is based on three 1<sup>st</sup> tier strategies and their 2<sup>nd</sup> tier sub-components and provides a comprehensive, all-embracing overview of how a market-led approach necessarily affects almost every aspect of an MFI's business – from operations to human resource management, from IT to sales. To make the market-led approach yield the full benefits of its potential, for the MFI and its clients, it will require support from the Board and top management. And the Marketing Director will need to be a master of developing collaborative working, team-based relationships.

The next section of this paper briefly examines the three 1<sup>st</sup> tier strategies and their sub-components.

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**Figure-7: The MicroSave-TMS Financial Strategic Marketing**

[Source: web materials, <https://en.wikipedia.org/wiki/Marketing>]

## A. CORPORATE BRANDING STRATEGY

Kotler (1999) defines a brand as “A name, term, symbol or design (or a combination of them) which is intended to signify the goods and services of one seller or group of sellers and to differentiate them from those of competitors.”

### A.1 BRAND DEVELOPMENT AND POSITIONING

From the project’s inception, MicroSave has put significant effort into developing its brand. And research indicates that the MicroSave brand is associated with client-focused, quality work on savings. As a result, many people working on microfinance turn to MicroSave’s publications / website when they want information on savings and/or clients’ perceptions or use of products. But MicroSave’s brand is fundamentally misleading, since the project’s mandate has been widened beyond just savings to embrace product development and a market-led approach to microfinance. As a result of the misleading branding, MicroSave continues to struggle to gain recognition for its work and toolkits on product development and marketing.



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During the study, it became clear that many of MicroSave's Action Research Partners had misleading or problematic brands. FINCA-Uganda has a well-recognised brand associated with providing small loans to groups of women. An asset in the past, this will prove a challenge as FINCA tries to expand its product range to include individual lending and savings products for both women and men. Both Post Banks are still associated with, and seen as part of the Post Offices, even they were functionally separated years ago. Credit Indemnity is moving towards offering savings services and indemnifies nothing. A good corporate brand is important since it provides:

1. Instant recognition: so that consumers feel they know what they can expect and know what to ask for if they are seeking services;
2. Differentiation: so that the well-branded MFI can stand-out from the crowd in a competitive market;
3. Credibility: so that consumers can believe in the organization (which is particularly important for those offering savings services);
4. Warranty: of the quality and reliability of services offered by the MFI;
5. Facilitated Promotion: since promotion efforts can spend less time on who the MFI is, and more on its competitive advantages and products;
6. Word of Mouth Marketing: so that consumers can easily recommend the MFI and its services, and those hearing the recommendation can remember the MFI's name; and
7. Goodwill: so that the MFI is better equipped to come through problems, and better positioned to talk to stakeholders above and beyond its existing consumers – from government officials to donors.

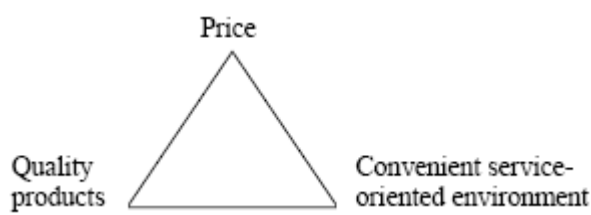
Rutherford's detailed work on financial diaries amongst the poor in Bangladesh provided very clear evidence of the importance of these roles of a corporate brand. "Quite aside from the inadequacies of product design is the overwhelmingly important issue of product reliability. Reliability is the quality that, above all others, is conspicuously missing in the world of money management of the poor – and the poor themselves know it ... many MFIs (and their backers) have yet to understand that this leaves them with a golden opportunity to steal a march on the competition" – Rutherford, 2002.

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In industries with strong competition, a brand differentiates an organization or product by creating an association with a particular set of features and standards. Brand attributes are brand character statements that reflect or play on market needs or expectations. If an MFI understands the positive and negative motivators are for value amongst its target market, and offers key positive motivators, this will attract consumers to choose it and its products over those of the competitors. This in turn, provides an opportunity for the consumer to become deeply committed to the MFI's brand over time – to become a loyal and valuable consumer.

Typically, brand development should start with the MFI identifying its competitive advantage, or the advantage that it wishes to promote given its target market's needs and expectations. At its simplest, this can be done on a basic perceptual map broadly as follows:

**Figure-8:** Competition Analysis Matrix



[Source: web materials, <https://en.wikipedia.org/wiki/Marketing>]

Based on market research, perhaps using **MicroSave's** Competition Analysis Matrix or Financial Landscape Analysis tools<sup>4</sup>, the MFI can plot its position and that of its major competitors on this simple perceptual map in order to identify its desired position and thus brand.

Corporate brands are often supported by taglines, which are designed capture the essence of the brand and its key attributes in a single catchy phrase. **MicroSave** Action Research Partner corporate taglines include:

1. "Growing Together With Trust" – TEBA Bank
2. "At Your Service Countrywide" – Kenya Post Office Savings Bank
3. "Cash Loans to Help You" - Credit Indemnity
4. "The Leading and Preferred Financial Service Provider" – Equity Building Society

## A.2 BRAND COMMUNICATION PLAN

To build and deliver on a brand (for it is essential that the consumer's experience of the brand is closely aligned to the brand's attributes) it is vital that the brand is effectively communicated both internally and externally.

Once an MFI understands the need for a market-led approach to conducting business and makes the decision to build a brand, it will need to identify its position in the market and prepare a positioning statement to define its desired brand. A **position** (or statement of position) is a cold-hearted, no-nonsense statement of how the MFI is perceived in the minds of prospective consumers. A position is given to an MFI by the market. A **positioning statement**, by contrast, states how an MFI wishes to be perceived. It is the core message the MFI wants to deliver in every medium. It is aimed at influencing perceptions of the MFI's service ... and eventually, changing your MFI's position.

An MFI's positioning statement must support its brand. The positioning statement is short and aims to differentiate the MFI from its competition, by focusing on key strategic or competitive advantages that address market needs. The MFI's staff must associate with its positioning statement and deliver on it – thus ensuring that the consumer's experience of delivery, product and pricing is aligned to the advertised brand.

Once the brand has been defined, the MFI will need to prepare to communicate it. A brand communication plan defines the activities needed to establish the brand and communicate its attributes. Continuity and consistency of messages and associated content is important in building the desired brand position. The brand communication strategy has two parts – internal and external brand building activity. Internal marketing of the brand is as important as the external marketing efforts – it is essential that the brand is believed by the MFI's employees as well as confirmed by its consumers.

Many methods have been used by MicroSave's Action Research Partners to communicate the MFI's brand and these include:

1. **Internal workshops** – at branch, regional etc. levels – to discuss the MFI's position, positioning statement and brand, and why these are important;
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2. **Internal “road shows”** – presentations by management on the MFI’s position, positioning statement and brand, and why these are important;
3. **Internal competitions** – to stimulate discussion of how best to support and strengthen brand attributes;
4. **Newsletters**, corporate communications and intranet;
5. **Dissemination of positive research results** – both internally and externally; and
6. **Using symbols, logos, taglines, uniforms, corporate colors** etc. consistently in support of the brand and its attributes.

It is important to remember that everyone (from the Chairman to the cleaner) is important in marketing and the establishment and maintenance of the corporate brand.

### **The Heart of a Brand**

“When a prospect initially agrees to use a typical service, what does he own? Nothing but someone’s promise that they will do something. The most desirable services, then, are those that keep their promises. This also means that the heart of a service brand – the element without which the brand cannot live – is the integrity of the company and its employees.” - Beckwith, 1997

### **A.3 CORPORATE IDENTITY**

A crucial element of supporting the corporate brand is the MFI’s corporate identity. **Corporate identity** is, in simple terms, the total of the experience, history, culture, strategy, structure and appearance of the MFI – what the MFI is its personality. This should not be confused with the MFI’s **corporate image** - how an institution’s audiences perceive its corporate identity.

Corporate identity is therefore the unique characteristics of an MFI that together define it. On a day-to-day basis these include the design of its offices, its signage, staff uniforms (if any), and it’s stationary and so on. They also include less tangible things like the way the MFI conducts its business. And these are very often even more important than the physical characteristics of the MFI. In developing a corporate identity, it is crucial to ensure

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consistency through standardization so that the consumers' experience of the MFI and its identity is the same irrespective of which branch they visit.

The details of corporate identity do matter – particularly (but not exclusively) in competitive environments. People look for differences upon which to base their decisions. This is very significant for an MFI in an industry of look-a-likes. It means that the more alike the services on offer are, the more important each difference becomes. With meaningful differences difficult to find, potential clients look for signals in seemingly trivial differences: the appearance of the banking hall, the behavior of the front-line staff etc. Unable to see the real differences between the services, potential consumers look for clues in the differences elsewhere.

Teba Bank and Tanzania Postal Bank have both invested heavily in the development and maintenance of corporate identity. Their branches are under-going refurbishment, their staffs wear uniforms, their corporate colors are firmly established and omnipresent, and their promotional materials are presented in a consistent manner. As a result of this work on corporate identity both organisations' images have significantly improved and their consumers happily report this, not just to consumer satisfaction analysis teams, but (far, far more importantly) to friends and relatives – all potential clients.

#### **A.4 CORPORATE COMMUNICATIONS AND PUBLIC RELATIONS**

Corporate communications are the way in which an MFI projects its corporate identity in the media and public relations is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its public.

Most MFIs will get some form of publicity – even without trying ... the public relations function is to ensure that it is good publicity. Public relations can have a strong effect on the public's knowledge and perception of the MFI, its products, people and position ... at a much lower cost than with advertising. The role of the public relations function is to ensure that there is a steady flow of positive, brand-strengthening stories circulated around the media to build strong links between the MFI and the public.

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The public relations function can be seen as playing the following roles:

1. **Press relations** – placing newsworthy information in media appropriate for the target audience;
2. **Product publicity** – generating positive institution and/or product-focused publicity, which is usually cheaper and more effective advertising;
3. **Public affairs** – developing and maintaining national and/or local community relations;
4. **Lobbying** – to influence legislation/regulation;
5. **Investor relations** – with shareholders/financial community; and
6. **Development** - liaising with donors/non-profit organisations to get financial or volunteer support.

With such a diverse set of roles to play, it is important for corporate communications and public relations to be coordinated, planned and targeted with care in order to ensure optimal impact and cost effectiveness. MFIs should spend some time examining their key stakeholders, their needs for information and the media through which it is best to communicate with them.

In addition to the broad diversity of roles and target audiences for corporate communications and public relations, there are also a variety of tools that can be used to optimize this important function. Some of the main tools of a corporate communications and public relations department are as follows:

1. **News**, placed or naturally occurring – for best results the news relating to the MFI should tie into larger-scale current events;
  2. **Speeches**, usually by senior staff, at conferences/workshops etc.;
  3. **Special events** such as news conferences, press tours, grand openings or educational programmes – usually these coincide with important events (branch openings, product launches etc.) or anniversaries (ten years of operation, the 100,000th loan made etc.);
  4. **Written materials** such as annual reports, brochures, articles or company magazines/newsletters;
  5. **Audiovisual materials** such as videos, slide-shows etc., which are particularly powerful for audiences which cannot get out to see the front-end of the MFI in the field;
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6. **Corporate identity materials**, including logos and signage etc. (see above for a detailed discussion of these);
7. **Public service activities** such financial advice for low-income families, training/information sessions etc.; and
8. **Sponsorship/donations** of activities and events or people/to charitable organisations – with education such an important issue for MFI clients, sponsoring even a very few children, selected

## B. PRODUCT STRATEGY

Product strategy is a strategic approach to developing and enhancing products to fit the needs of the market and going about activities to optimize sustainable sales of the product in the most profitable manner.

### B.1 DEVELOPMENT AND DIFFERENTIATION

The development and differentiation of products is a process of continually and systematically assessing needs of the market and its different segments to support product development and innovation that caters for those needs in the most feasible and profitable manner. In particular MFIs will be looking for opportunities that are not oversupplied from a competitive perspective.

Kotler (1999) identifies nine ways to build demand, depending on the nature of the market and the product being sold by the organization. MFIs can use this matrix (see Table 3) to analyze how they might set about product development and differentiation.

**Table-6: Nine Ways to Build Demand (Kotler, 1999)**

		Product		
		Existing	Modified	New
Market	Existing	Sell more of our existing products to our existing types of customers ( <i>Market penetration</i> )	Modify our current products and sell more of them to our existing customers ( <i>Product modification</i> )	Design new products that will appeal to our existing customers ( <i>New product development</i> )
	Geographically Modified	Enter and sell our products in other geographic areas ( <i>Geographic expansion</i> )	Offer and sell modified products to new geographical markets	Design new products for prospects in new geographic areas.
	New	Sell our existing products to new types of customers ( <i>Segment invasion</i> )	Offer and sell modified products to new types of customers	Design new products to sell to new customers ( <i>Diversification</i> )

[Source: Philip Kotler Book, 1999]

Effective product development and differentiation – even when it only involves relatively straight-forward product refinement can have dramatic results.

**The Power of Market-Led Product Refinement** (Extracted from Coetzee et al., 2002)

“The market research made it clear Equity Building Society would need to quickly address the perceived exorbitant price and attendant charges of the loans. Equity would have to seek to re-price and re-package its loan products if it was to counter and overcome the threat from SACCOs and other competitors.

In the short term, the company would carry out a quick product differentiation in the various features of the loan products to address the needs of each market segment. The research team prepared a list of things to be acted on immediately which included: reviewing the interest rates and restating them in client language, print brochures outlining the product changes, displaying bank tariffs in the banking halls, reconstitute a professional marketing team to carry out the changes and transform Equity’s image in the market – all these were formulated out of client responses as result of the market research.

The results of this initial product refinement were marked by an overwhelming client response towards Equity as an institution and its products and services. To test the effect of the market research, Equity decided not to aggressively market the new refinement measures but instead monitor to see what responses would ensue that could be attributed solely to the market research exercise. Soon after the market research, the number of accounts opened in a day jumped from an average of 20 – 30 to about 200.”

**B.2 PRODUCT BRANDS, TAG LINES, UNIQUE SELLING PROPOSITIONS AND BENEFIT STATEMENTS**

Selling products is made considerably easier when approached in a systematic manner. There is a relatively straight-forward method for preparing the key messages for a product marketing strategy. This approach is built on taglines, unique selling propositions and benefit statements – see Table 4 for the roles of each of these components and how they fit together. Each of these components should be developed on the basis of market research to assess clients’ needs and expectations, and then quickly tested on the target market using focus group discussions prior to roll-out.

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**Product branding** has similar objectives to corporate branding – namely differentiation, warranty and sales promotion. Product branding comes to the fore where there is little differentiation in product attributes – for example savings accounts ... and many MFIs' standard group-based lending products. For the microfinance market, it is important to keep brand associations simple and clear. It is also important to test the perceptions of brand names/images – clients can often surprise us! Finally the MFI should check product branding against competition to ensure no overlap or potential for confusion.

A **tagline** is a short phrase that is always connected with the product. It is a positioning “nugget” that describes the way you want consumers to see the product the tagline seeks to communicate key product messages to the consumer and must always be there in print and in the minds of the consumers. The product and corporate tagline should not be identical though they can be related. The tagline must reflect a need and be informative/descriptive of the product. Examples of product taglines used by **MicroSave**'s Action Research Partners include:

1. “Time is Money, save both!” – Tanzania Postal Bank Domicile Quick Account
2. “Realize your Dreams” – Equity Building Society Jijenge Account.
3. “This One's for You” – Kenya Post Office Savings Bank Bidii Account

A product's **Ultimate Selling Proposition** (or USP) is the choice between differences you want to communicate to the target market. The USP is “the difference that makes a difference” – the difference that compels the potential client to choose your product over that of the competition. The USP differentiates a product from the competition in response to market needs. The USP should be as tangible and factual as possible – always be suspicious of a USP phrased as “we provide the best consumer service”. The term USP can be misleading – MFIs offering market-responsive products may be able to identify and market several USPs for each. For example Credit Indemnity has several related USPs, the first relating to how well established they are and the others stressing that the organization operates in a very different manner from almost all of its “loan shark” competition:

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1. We have been around since 1978
2. We do not keep consumers' PINs<sup>5</sup> or cards
3. We do not keep consumers' ID books

**Benefit statements** are central to the sales effort. Every marketing book relates that the consumer looking for a drill is not really looking for a particular piece of equipment - he or she needs a hole in something. Your consumers are looking for the end result. It is important to remember that consumers do not buy products and services; they buy **benefits** or **value** they expect to derive from them. It is therefore important to list out the key product attributes and translate them into benefits to the consumer.

The list of the benefits for the product is the most powerful tool your sales force can carry. In every consumer contact, they should deliver the full key benefit message. Each carefully crafted benefit will appeal to various clients unequally. Price may mean everything to one consumer, while availability might be the big problem to another. An MFI's sales force should be sensitive to the needs and responses of the target market to ensure that the product's benefits are appropriately pitched. For example when selling a salary-processing current account to an employer, he/she may be more interested in the low cost and efficient processing time. On the other hand, the employees are likely to be more interested in the convenient location of branch offices, rapid and courteous service and access to credit on the basis of the salary remittances.

Please see the **MicroSave's** "Product Marketing Strategy Toolkit" for more details on these issues.

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**Table-7:** Roles of Different Core Marketing Strategy Components  
(Remember that these can be applied at the corporate or the product level  
– this example illustrates the concepts at a product level)

Core Marketing Strategy	Example	Role
<b>Brand Name</b>	Premium Fast Account	Assurance or warranty of the product's quality and values, the integrity of the product. Well-established brands sell faster and easier.
<b>Tagline</b>	"Unlimited Withdrawals – Fast!"	The idea that must whiz through customers' head when they hear the brand name. A succinct statement of the product's Unique Selling Proposition and benefits.
<b>Unique Selling Proposition</b>	"The safe account that offers fast, unlimited withdrawals at the customer's convenience"	The compelling benefit that shouts – "no other product is like this!" The choice between service differences that you want to communicate to the market. It is the difference that makes a difference
<b>Benefit Statement</b>	<p>The Premium Fast Account ("Unlimited Withdrawals – Fast!") is <i>the account for the saver who wants a secure place to save with fast and easy access to his/her money.</i></p> <p>The Premium Fast Account ("Unlimited Withdrawals – Fast!") offers the following benefits:</p> <ul style="list-style-type: none"> <li>➤ It is <b>Fast</b>: a computer operated account so <i>you no longer have to wait in long lines;</i></li> <li>➤ It is <b>Safe</b> since if you lose your card, no one can use it to withdraw money and TSB is a stable government-backed bank so <i>your deposits are secure;</i></li> <li>➤ It is <b>Easy</b> since the minimum balance is Tsh.5,000 and customers can deposit and withdraw money any time they need; and if they need to transact away from their Premium branch they can transfer money onto their passbook and use that, so <i>it is flexible and responsive to your needs;</i></li> <li>➤ And <b>Interest</b> is paid at the end of each year so <i>you earn money on your deposits.</i></li> </ul>	<p>The basis of your advertising copy for brochures, posters etc. as well as standard marketing lines, Frequently Asked Questions etc.</p> <p>Includes and expands on/explains the Unique Selling Proposition.</p>
<b>Positioning Statement</b>	Tenga Savings Bank's Premium Fast Account provides fast, flexible savings account for our existing passbook savings account holders, institutions looking for an efficient way of paying salaries, traders and savings groups offering a convenient account in a secure bank. Unlike other products in the market Tenga Savings Bank's Premium Fast Account allows our customers to deposit and withdraw any amount as often as they want so they can make unlimited withdrawals – fast!	<p>The internal focused statement of the perception staff are required to plant in customers' minds.</p> <p>Speaks of the orientation of the company/product.</p> <p>How you wish the company/product to be perceived. The core message you want to be delivered in every medium in order to influence the perceptions of your company/product.</p> <p>Should be tattooed on the inside of your staff's heads!!</p>

[Source: web materials, <https://en.wikipedia.org/wiki/Marketing>]

### B.3 PRICING STRATEGY

There are several factors that make pricing financial services very different from pricing traditional goods. These are as follows:

1. **Consumer needs vary considerably** and with that consumers' willingness to pay for particular service attributes varies;
2. **Financial services often bundle several services together** - for example savings accounts with ATM cards, or overdraft facilities;
3. **Price information is overwhelming** - a savings product may pay interest, but have monthly fees, fees for withdrawals, transfers, opening accounts, closing accounts, accepting cheque deposits etc. These fees make it difficult for a consumer to objectively compare two related financial products;
4. **Many products involve future consumption** - for example contractual savings account that offers variable rates or a pension scheme, which can make future values uncertain; and
5. **Most services involve a continuing relationship between bank and consumer** - which means that the nature and strength of the ongoing relationship between the bank and its consumers often determines consumers' reaction to pricing decisions?

While there are a large variety of bases for pricing financial services (see **MicroSave's** "Costing and Pricing Financial Services Toolkit" for an extensive discussion of the many bases for pricing), the three most commonly used are as follows:

1. **Cost based** – prices are based on the cost of the product plus a margin;
2. **Competition/Market based** – prices are based on the prices charged by competitors; and
3. **Demand based** – prices are based on an assessment of the value of the product to the consumer.

There are many advantages and disadvantages to each of these approaches to pricing products. In reality the MFI management team will probably use a combination of cost plus, competition based, and demand based strategies to determine the amount consumers are

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charged. It is, however, essential for the MFI to conduct product costing as an integral part of the pricing process. Almost every one of MicroSave's Action Research Partners discovered that they had a loss-making product when they conducted their product costing analysis.

#### B.4 SALES STRATEGY

An MFI's sales strategy will depend on its products and its target market. These will dictate the balance between pull- and push-based strategies to selling the products. A **pull-based** strategy uses big spend on advertising and promotion to increase demand. This pulls the consumers to demand the product on the basis of:

- Advertising
- Public relations
- Sales promotions
- Direct marketing

A **push-based** strategy uses a sales force to push the product through the following channels:

- Personal selling
- Direct marketing

The options in striking the balance between these strategies can be shown graphically as follows:

**Figure-9:** The options in striking the balance between push based strategies



[Source: web materials, <https://en.wikipedia.org/wiki/Marketing>]

**Advertising** is designed to generate demand for your MFI's products through non face-to-face communication channels and can also complement corporate branding communications. When designing an advertising campaign, it is important to remember that the level of identification is central to advertising. Essentially you are seeking to get the prospect to hear the advertisement, identify with it, understand it and remember the advertiser. Often advertising agencies prepare concepts which are too sophisticated for MFI clients – it is essential to be simple and literal, with one single message. To minimize wastage MFIs should also test the basic messages (whatever medium is to be used) before they take them out to the market.

In designing advertisements – irrespective of the media to be used - MFIs can also use the old marketing acronym of AIDA to guide the development of the copy/message. AIDA reminds us to get the audience's **A**ttention, generate its **I**nterest, stimulate its **D**esire for the product and give it clear instructions on the **A**ction it should take to respond to that desire.

The final step is for the MFI to conduct adequate research (or use a media planning agency) to identify which media (TV/radio, newspaper, posters, signage etc.) are likely to generate the most cost-effective audience. Thereafter, the MFI should conduct some cost-to-result ratio analysis after the campaign has been run to reassess whether it got value for money from the investment. At the most basic level, the MFI can analysis cost per new client generated by asking new clients where they heard of the product as part of the initial account opening or application process.

As noted above **public relations** can play a very important role in an MFI's selling strategy. A well-designed public relations campaign can provide:

**Credibility:** provides validity for product claims;

**Imitation:** prospects/consumers relate to the good credentials of the event or individuals involved;

**Image transference:** links product with a set of positive image qualities;

**Bonding:** gains involvement of prospects/consumers; and

**Retention:** enduring awareness and exposure since public relations activities often have a longer run time.

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Public relations-based selling efforts are time-consuming and often slow to yield results, but can prove very valuable exercises.

Sales Promotions are used by MFIs throughout the world, whenever they make special offers such as waived fees, reduced opening balances or premium interest rates. Typically these promotions are:

Time-bound (for example “open an account before 31<sup>st</sup> December and we’ll waive the account opening fees”); or

Activity-based (for example “bring in 5 new consumers and we’ll offer 2% premium interest on your savings account for that year”); or

Segment focused (for example “special offer for students - no minimum balance on this account”).

Direct marketing is the form of selling that links the MFI directly with its prospects. Direct marketing approaches used by MFIs include the distribution of leaflets, kiosk marketing in busy places, direct mail, targeted press advertising, and radio or TV advertisements with built-in direct response mechanisms. With direct marketing is essential to ensure that the prospect is given an easy opportunity to respond/buy. Direct marketing is usually more effective with advertising back up so that prospects know/ recognize your MFI and its brand.

Personal selling is perhaps the mostly commonly used sales technique amongst MFIs. Field staffs are out in the cities, towns and villages selling the MFI and its services. Some MFIs have dedicated sales staff tasked with making presentations to each and any gathering of the target market – from school open days to meetings of vendors’ associations. Others target employers needing efficient banking services for their lower-paid staff.

Optimizing personal selling depends on setting consistent standards and approaches – so that the benefits are appropriately marketed and the message is consistent and compelling. In addition, effective personal selling is dependent on defining transparent and fair rewards or incentive schemes for the sales force. MFIs using personal selling should set targets by

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team, region and person, and ensure buy in to those targets from the sales team. The team should also be provided with sales support materials – brochures, Frequently Asked Questions sheets etc. - in Clear, Concise, and Client language. Furthermore, the MFI should make sure that it is easy for the prospect to buy so that the sales team does not waste too much time closing the pitch into a sale – some MFIs have separate staff to assist prospective clients to open their accounts, so as to keep the sales team out selling the MFI and its services.

Finally, it is important to note that personal selling provides a unique opportunity to educate clients and respond to their questions (as well as obtain important information from them that can be fed into future marketing activities). This is particularly important in a competitive market where clients have a large number of choices and therefore want to ask many questions about the service before finally choosing which MFI to use.

Client reward and retention is closely related to sales promotion but is geared towards retaining high quality, high value clients and rewarding client behavior that benefits the MFI – for example regular and prompt repayment of loans or maintenance of high savings balances. To work effectively, the incentive offered to the client must constitute a real benefit, and experience suggests that it is important to keep reward/incentive schemes simple to ensure that the consumer understands them and that they are easy for the MFIs to manage and administer.

Examples of client reward and incentive schemes include Centenary Bank's automatic access to credit for long-term clients with an excellent repayment record, Bank Rakyat Indonesia's interest rebate for prompt payments on loans and CARD Bank's Gold Card for long-term, high-quality consumers.

## **C. PRODUCT DELIVERY AND CONSUMER SERVICE STRATEGY**

### **C.1 PERSONNEL TRAINING AND DEVELOPMENT STRATEGY**

The fastest, cheapest, and best way to market an MFI's service is through its employees. Every employee should know that every act is a marketing act upon which the success of the MFI depends. A market-led MFI needs to review every step, from how its receptionist

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answers the phone to its transaction forms, and ask what it could do differently to attract and keep more consumers

An MFI's staffs members define its corporate image, make or break its brand ensure quality of service and commitment to client satisfaction (or otherwise) and deliver its products. A market-led MFI therefore has to focus particularly carefully on them and optimizing their performance through:

A well structured programme of **human resource development**;

Attention to the process of **team building** and maintenance and

The development and implementation of transparent and fair **staff incentive schemes**.

Perhaps the simplest framework for looking at **human resource development** is as follows:

**Evaluate:** the attitude, skills and knowledge required for a particular role or position;

**Audit:** existing staff's competencies – usually through an appraisal system;

**Gap Analysis:** of the variation between two above to identify where additional training is required;

**Implementation:** of the identified training programme; and

**Evaluation:** of results of training programme.

**Team building** is essential for a market-led MFI. There is an almost universal acceptance in the management literature that high-quality; market-oriented organisations are invariably run by teams. Key factors for teams' success (or otherwise) are broadly as follows:

There must be **tangible indications of team's importance** to the organization;

The **group dynamics** amongst the team members must "fit";

Personal characteristics and **abilities of members** contribute to, and are sufficient for, the task at hand;

**Effective leadership** able to recognize significant gaps, which if are not recognized or go unfilled, will cause adverse effects on performance; and

A recognition that **teams need to be fostered** developed and assessed.

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Please see the **MicroSave/Aclain** “Institutional Culture Change Toolkit” (which is due to be updated in 2005) for more on these issues.

Well-designed **staff incentive schemes** can have positive and powerful effects on the productivity, efficiency and quality of MFI operations. Conversely poorly developed schemes can have serious detrimental effects. Incentive schemes must be transparent so that staff members affected should be able to easily understand the mechanics of the calculation. Thus the system should not be overly complex and should contain as many objective factors and as few subjective variables as possible. Furthermore, the “rules of the game” should be made known to everyone and should not be changed arbitrarily. In addition, it is essential that the incentive scheme be perceived as being fair, and thus the goals set out by the scheme must be attainable, and better performing staff members must indeed be rewarded with higher salaries. Finally, everyone must be able to achieve a higher compensation by working better and harder.

Please see the **MicroSave** Briefing Note #15 “Designing Staff Incentive Schemes” and the **MicroSave** “Designing and Implementing Staff Incentive Schemes Toolkit” for more on these issues.

There are five compelling reasons why excellent **consumer service** must be a “prime directive” for any market-led MFI:

1. Good service keeps consumers;
2. Good service builds word-of-mouth business;
3. Good service can help you overcome competitive disadvantages;
4. Good service is easier than many parts of your business; and
5. Good service helps you work more efficiently.

Consumer service depends on a wide range of variables, many of which have already been touched on in this paper. These are:

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**Product/service range** - not only the core products and services offered, but also the additional services (such as consumer rewards and incentives) as well as the delivery augmentations outlined below;

**Delivery systems** need to be efficient, effective, responsive and reliable, mass services are typified by limited contact time and a product orientation;

**Delivery environment** in terms of the location of branches and their opening hours, as well as their physical layout and design, as well as the atmosphere – space, color, lighting, temperature etc. – in the branches;

**Technology** is often integral to a product – for example ATMs or card-based savings accounts; and

**Employees'** role in consumer care cannot be overstated.

To help employees achieve the quality of consumer care necessary, the MFI should set consumer service standards. Service standards are measures against which actual performance can be judged. Staff must understand what management wants them to do and how often they want them to do it, it is therefore essential to:

Spell out your MFI's service policy;

Establish measurable criteria and set standards;

Specify actions you want employees to take in response to consumers;

Reward employees who exceed consumer service standards; and

Involve consumers in providing feedback.

Consumer service standards in financial service organisations typical involve a mixture of quantifiable factors and less quantifiable factors. Quantifiable factors might include speed/efficiency of service (although it is important to note issues of centralized vs. decentralized decision making and how these affect speed/efficiency) and knowledge of products, systems and procedures etc. Less quantifiable factors include staff members' professional appearance, friendliness and attitude.

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Ultimately, however, performance must be assessed through consumer satisfaction analysis involving both existing clients and exiting or past clients. This analysis is aimed at testing performance and identifying opportunities for innovation. And requires both qualitative and quantitative primary research using focus group discussions, mystery shopping and quantitative surveys such as ServQual questionnaires.

## **C.2 DELIVERY PROCESS DEVELOPMENT**

There is a growing recognition that some MFIs have not paid adequate attention to optimizing the processes used to deliver their products and services. New focus on Activity Based Costing and risk analysis, as well as this important component of the Product Delivery & Consumer Service Strategy, are all using process mapping as a tool to improve the efficiency of delivery processes. Process mapping involves the detailed analysis and recording of systems and procedures in the form of a flow chart to identify inefficient or redundant procedures.

The basic procedure used to analyze and improve delivery processes is broadly as follows:

1. **Set and monitor performance targets** as recommended in the previous section;
2. **Be alert for signs of stress** such as lengthening queues, decreasing numbers of new consumers, falling activity rates, longer working hours for staff, increasing consumer complaints, increased drop-outs etc.;
3. **Look for lost-cost, quick wins** such as minor adjustments to procedures to save processing time, refining job descriptions or adjustments to physical infrastructure;
4. **Improve your sources of information** through using client satisfaction surveys, consumer exit surveys and serviced suggestion boxes or through internal/external evaluations; and
5. **Study existing processes**, through process mapping or activity based costing.

Some of the “quick wins” identified and implemented by **MicroSave**’s Action Research Partners include:

Equity Building Society has implemented large “**salary boards**” to allow clients to see at a glance if their salaries have been credited to their accounts without queuing to ask the tellers

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Teba Bank, Equity Building Society and Uganda Microfinance Union have all **simplified procedures** to significantly speed up processing time as a result of process-mapping exercises

Teba Bank and Equity Building Society have introduced **dedicated consumer service/enquiry staff** to reduce the number of people queuing at the tellers' counters to make enquiries; and

Tanzania Postal Bank, Kenya Postal Bank, Centenary Bank and Equity Building Society have all developed and introduced **frequently Asked Questions guides** to help both consumers and staffs understand new products introduced.

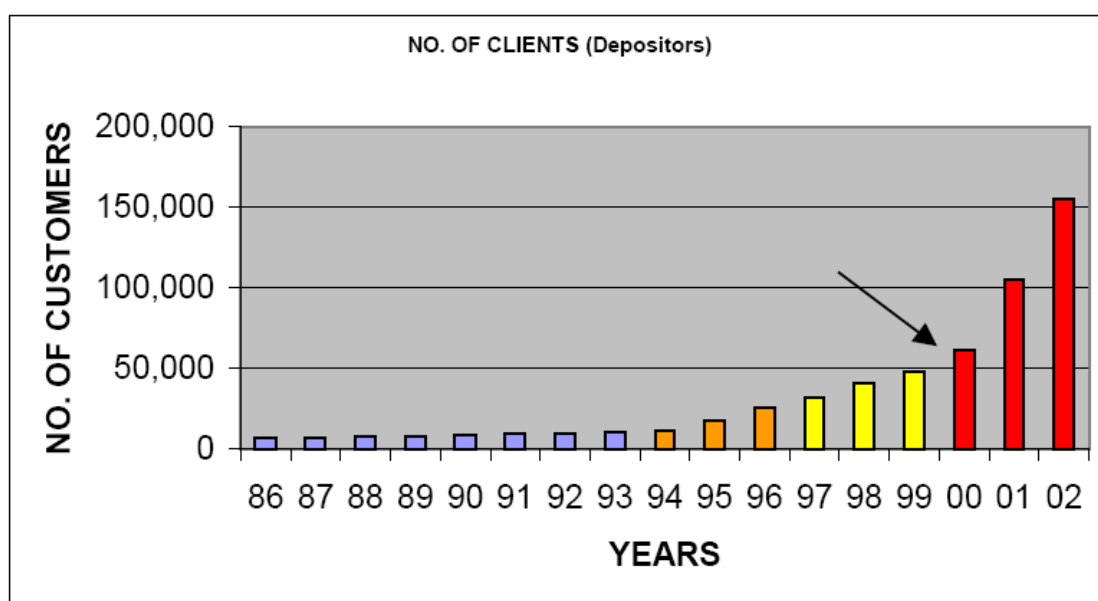
For more on Activity Based Costing, please see CGAP's "Activity Based Costing Toolkit". For more on risk analysis, please see **MicroSave's** "Institutional and Product Development Risk Analysis Toolkit". For more on optimizing information flows see **MicroSave's** study "The Feedback Loop: A Process for Enhancing Responsiveness to Clients". For more on process mapping see **MicroSave's** "Process Mapping Toolkit".

### **C.3 TECHNOLOGY STRATEGY**

With the growth of technology-based opportunities to enhance service standards and delivery processes, technology has to be an important part of any forward-thinking MFI's strategy. MFIs should therefore constantly examine options for technology-based solutions but subject them all to rigorous cost/benefit and risk analysis. Furthermore, in many countries – particularly in rural areas, infrastructure issues need careful assessment since unreliable electrical supplies, high levels of dust or problems with availability of spare parts or rapid-response maintenance capability can turn a technology-based dream into a nightmare.

That said, effective computerization can significantly increase the speed and efficiency of processing transactions and of generating financial reports and management information. Equity Building Society's growth was significantly restricted by its manual system until it introduced the Bank 2000 system in the year 2000. That year Equity was able to nearly double their number of clients – a trend that has continued since (see Table 5).

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**Figure-10:** Growth in No. of Depositors with equity building society 1986-2002

[Source: web materials, <https://en.wikipedia.org/wiki/Marketing>]

Similarly by introducing Bidii, a basic computer/card-based system to replace the old passbook, Kenya Post Office Savings Bank was able to reduce the cost of processing salary deposits by 58% and withdrawals by 36%. Cost savings were made as a result of the reduced teller-client interface time arising from the computerized nature of the Bidii account. And the saving in teller-client interface time also meant that KPOSB could potentially more than double the number of clients it currently serves without increasing the congestion in the banking halls.

#### C.4 INFRASTRUCTURE DEVELOPMENT STRATEGY

This strategy refers to the development of infrastructure so that the target market can have access to the financial services offered by the MFI. This strategy is therefore an important component of any growing and expanding MFI's business plan, and should outline proposals and rationale for the development and expansion of the MFI's outreach infrastructure.

It depends on detailed analysis of several issues including:

- Infrastructure (availability of roads, electricity, telephone, public transport, security etc.);

- Economic activity in the area;
- Demographics and population d
- Results of market research into demand/
- Presence (or absence) of competitors;
- Location of the MFI's existing branches to minimize overstretching the MFI's resources and allow effective communication and monitoring;
- Location of branches of banks to provide the necessary financial backbone to allow a the MFI to function;
- The mobility of target market and the existence or otherwise of centrally located markets to which they come
- Seasonality of road access;
- "Footfall" (i.e. passing traffic of potential consumers) at proposed branch, sub-branch, agency or mobile unit;
- Cost-benefit analysis for the potential branch, sub-branch, mobile unit; and
- Availability of housing etc. for staff.

### **Sources of Information to Support the Marketing Strategies**

Throughout the discussion above, the importance of basing the strategies and the supporting activities and documentation on careful research and analysis has stressed. The process of gathering information to underpin these is not as onerous as it first appears. Essentially, there are four standard information packages that will inform all of the marketing strategies although these will need to be supplemented periodically with additional ad hoc analysis – particularly when testing communication materials. In addition, it should be stressed that before conducting primary research (for which the MFI has to collect new data), it should carefully examine existing sources and conduct secondary data analysis. Secondary data is often available from government and donor agencies, networks and trade associations etc., as well as (crucially) within the MFI's own management information system.

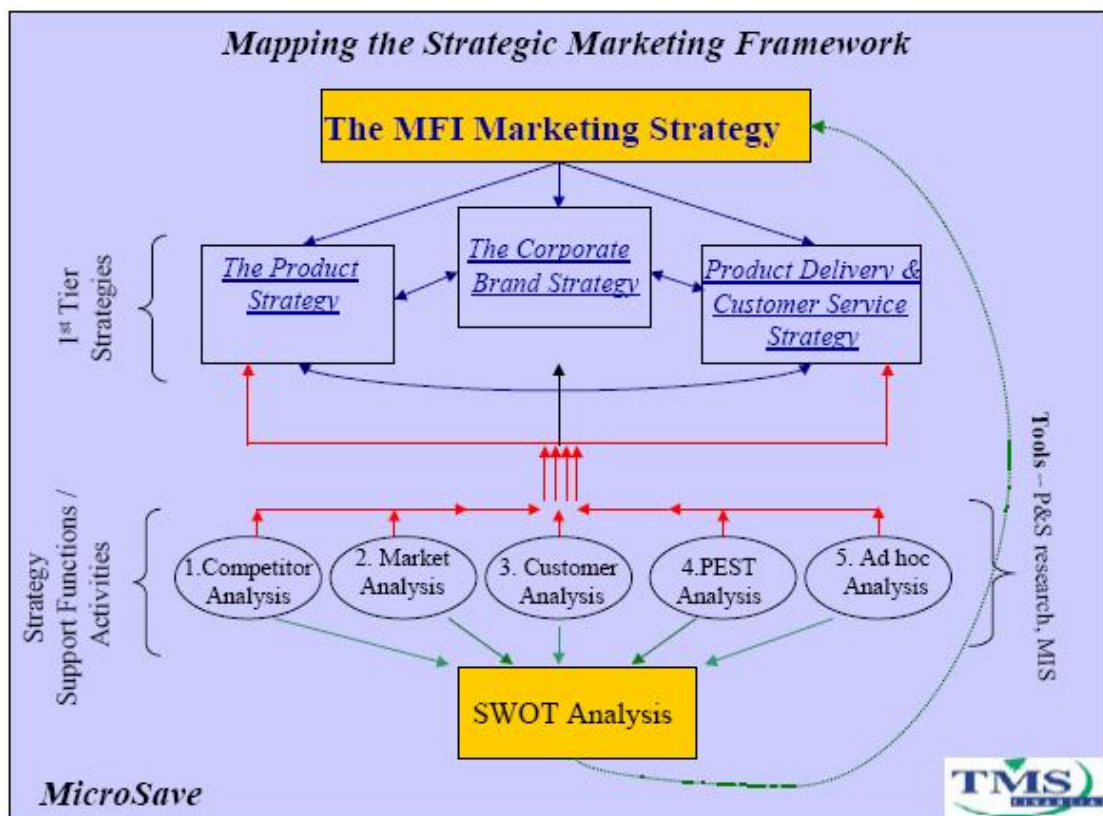
The financial services market is one of the hardest to research since people's responses to questions concerning money and their financial affairs are often pre-programmed by society. Thus people in Bangladesh will almost invariably describe themselves as "poor"; whereas those in Uganda will nearly always say that they are "not so poor" as being "poor"

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carries a significant social stigma. Responses on savings behavior are also often influenced by social norms and desirable practices. Furthermore, there are often discrepancies between what people say about financial services and how they actually use them – hence the importance of careful, and often non-traditional research.

TMS Financial and MicroSave have tried to show the relationship between the various information packages and the three 1st tier strategies of Corporate Brand, Product and Product Delivery and Consumer Service outlined above in Table 6.

**Figure-11:** Information Packages and the Three 1<sup>st</sup> Tier Strategies



[Source: web materials, <https://en.wikipedia.org/wiki/Marketing>]

Four information packages will inform almost all aspects of an MFI's marketing activities. These are:

1. **Market Analysis** – which profiles and understands the MFI's target/potential market;
2. **Competitor Analysis** – which profiles and understands the MFI's competitors (both formal, semi-formal and informal);



- 
3. **Consumer Analysis** – which tracks the MFI’s performance through consumer research, particularly through consumer satisfaction analysis; and
  4. **PEST Analysis** – which examines the Political, Economic, Social and Technological environment within which the MFI operates.

In addition, the MFI will need to conduct some additional ad hoc research in response to specific needs. These are likely to include:

1. Pre and post testing of taglines, product names and concepts, promotion materials, Frequently Asked Question (FAQ) guides etc.;
2. Stakeholder needs assessment to look at donors, investors, policy makers;
3. Costing by products and branches to determine the most profitable of these and adjust marketing activities accordingly;
4. Process mapping in order to optimize service delivery processes;
5. IT cost-benefit and risk analysis to examine options for using new technology for service delivery; and
6. Outlet feasibility analysis to guide expansion plans.

The above information packages can be obtained using a mixture of:

Secondary sources such as government/industry surveys, donor reviews, research studies, and newspaper and trade journal reports etc;

Information derived from active mining of data from the MFI’s Management Information System (a source of important marketing data typically under-used by MFIs);

Qualitative group discussions/individual interviews; and Quantitative surveys.

**MicroSave**’s “Market Research for Microfinance Toolkit” can be used to obtain most of the qualitative information – as shown in Appendix 1. **MicroSave** is currently working on a quantitative component of the “Market Research for Microfinance Toolkit

The microfinance industry is at a crucial stage of its evolution: it is coming of age. For a long time, microfinance has been moving beyond “credit for enterprise” to encompass “financial services to reduce vulnerability and to improve livelihoods”. With the

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international community's focus on the Millennium Development Goals this shift in the scope of microfinance is both timely and essential.

While this important shift has been in progress for many years amongst leading MFIs, many remain fixed on "credit for enterprise". In such organisations microfinance clients continue to struggle to manage rigid enterprise loans to meet their real needs (see for examples of this Rutherford 1995, Wright et al. 1999 and Snodgrass and Sebstad, 2002). Many MFIs continue to simply replicate systems developed and delivered in foreign lands and very different socio-cultural and economic environments to markets that are fundamentally different in nature ... and then struggle to understand why their clients leave in such large numbers. As a result this form of microcredit is confined to certain, limited market segments (Cohen 2001) and is not realizing its full potential developmental impact.

Despite the remarkable impacts of microfinance and its contribution to the Millennium Development Goals (see for example Snodgrass and Sebstad, 2002 and Littlefield et al., 2003), the dominant mono-product culture of short-term working capital loans backed by compulsory savings mean that Microfinance is not contributing as much as it might. In addition to a clear need for product diversification (but not proliferation – see Wright et al., 2002) to offer microfinance clients a wider range of services, there is a clear need for MFIs to look carefully at how to optimize their delivery and communication systems. Microfinance continues to struggle to maximize the cost-effectiveness and client-responsiveness of delivery systems and this will be one of the industry's key challenges for the next decade. In addition, MFIs continually struggle to communicate effectively with their clients and markets (see for example Cracknell et al., 2002) thus losing opportunities to retain and serve existing clients as well as attract new ones. Selling products and, in increasingly competitive environments, branding is also essential both for the sustainability of MFIs, as well as empowering poor people to access the financial services of their choice.

The challenges raised in the paragraph above cover a broad range of operational issues from product development to product delivery systems all set in the context of understanding the competitive environment or "financial landscape". They also encompass human resource management, staff incentive systems, IT systems and physical infrastructure development. This diverse range of core functions affected by a market-led approach present a significant

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problem for MFIs – and indeed corporations operating in almost every industry worldwide. A market-led approach, by definition, affects almost every aspect of the business, and thus the Marketing Director needs to be a master of networking, alliance-building and collaborative working within the organization.

MFIs will have to, and in some cases are beginning to, rise to these challenges. Delivering and communicating a variety of market-led, products through appropriate and cost effective systems is:

1. □ Necessary for **long-term sustainability** of MFIs (currently often undermined by drop-outs/desertions);
2. Necessary as part of the maturing of the microfinance market and its **march towards commercialization**;
3. Necessary to **broaden the range of microfinance clients** – both up and down market – beyond the market traders;
4. Necessary to **realize real change and development** in the livelihoods of clients and to reduce their vulnerability; and
5. Necessary for MFIs in **competitive environments** (and desirable everywhere).

The transition to a market-led approach to microfinance often starts with relatively modest product development, but those MFIs seriously committed to this soon find that a market orientation requires long-term and fundamental changes in approach, mind-set and systems of almost every part of their business.

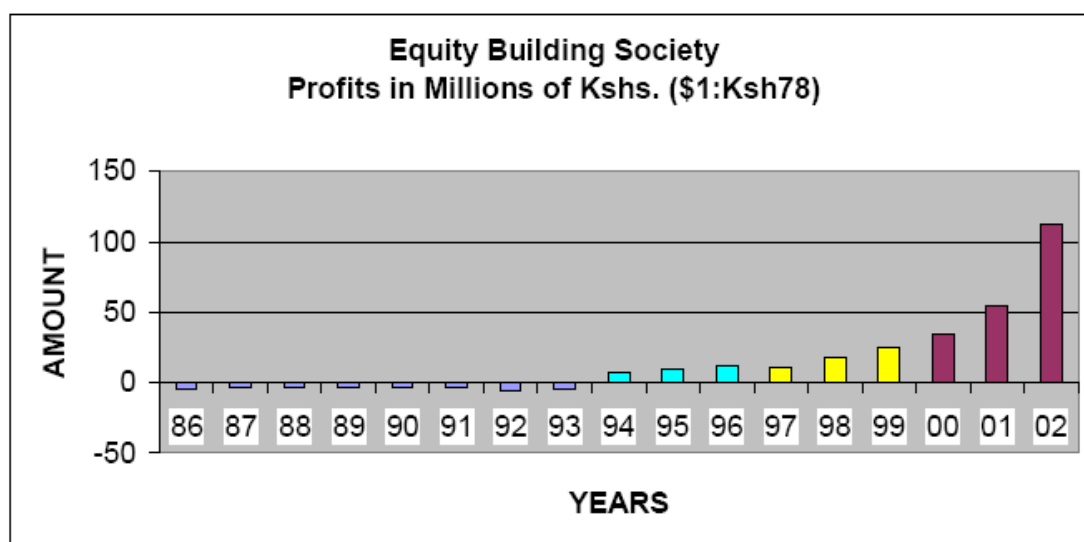
Gary Woller (2002) identifies five rules of thumb can help guide the transition to market orientation for MFIs:-

1. Senior management should not assume that such a profound change can be delegated to Subordinates.
  2. Transition to a market orientation should be viewed as a long-term evolutionary process.
  3. Transition must involve all organizational levels and functions.
  4. Transition requires extensive and continual training and development of staff.
  5. Transition must be continually evaluated, monitored, and reinforced.
-

The rewards of making the transition to a market-led approach are very significant and manifested in a startling variety of ways: staff satisfaction, consumer loyalty, developmental impact and higher profitability. Several of MicroSave's Action Research Partners, including Equity Building Society in Kenya, Tanzania Postal Bank, Uganda Microfinance Union and Teba Bank in South Africa are already reaping the benefits of moving to an increasingly market-led approach and using a strategic marketing as a core value and driving force of their institutions. These institutions are already implementing most of the components of the framework presented in this paper and under-going rapid transformation and growth as a direct consequence.

The evolution of the Equity Building Society's approach to microfinance demonstrating the effect of a market-led approach to microfinance on profitability is shown in Table 7. below. The recent change to a market-led approach has in the words of James Mwangi, its Finance Director, "revolutionized the bank".

**Figure-12:** Equity Building Society's Annual Profits Colored by Business Approach



■	Product-Led Phase
■	Selling Phase
■	Marketing (Selling plus) Phase
■	Market-Led Phase

[Source: web materials, <https://en.wikipedia.org/wiki/Marketing>]

We hope and believe that the MicroSave-TMS Financial Strategic Marketing Framework can be used extensively by MFIs. Specifically, to move the microfinance industry from a product-driven to a market-led approach to the benefit of MFIs and their clients.

## **GENERAL PRICING STRATEGIES**

### **PRICING FOR MICROFINANCE**

Setting interest rates and service charges is a central issue in microfinance program design. Effective pricing of financial services may to a great extent determine the short- and long-term success a microfinance institution (MFI). Over the course of the last two decades, there have been several different theories on how MFIs should set prices. Some models of donor-financed programs set interest rates at extremely low levels. Organizations that follow these practices risk erosion of loan funds and discontinued loan services if donations are interrupted. The emergence of a number of financially viable MFIs demonstrates that microfinance organizations can reach a large number of borrowers on a sustainable basis. An essential requirement for financial viability is that prices charged for financial services are high enough to cover all of an organization's operational and financial costs. There is an inherent trade-off in pricing financial services. When the price of lending services goes up, the quantity of loans demanded generally goes down. However, it is widely believed that demand for financial services among poor borrowers is highly inelastic—that is, a relatively large increase in interest rates tends to cause a relatively small reduction in quantity of loans demanded. The price inelastic characteristic of the market for micro loans has been well documented and explains one of the golden rules of microfinance: access is more important to small borrowers than costs.

#### **1. WHAT THIS MODULE COVERS**

The objective of the module is to acquaint students with pricing mechanisms for microfinance programs. This module discusses the important elements that microfinance institutions consider when setting effective interest rates. In addition, this module provides instruction on how to calculate the effective interest rate on a loan. Particular attention is paid to relationship between interest rates and financial viability.

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## **2. LOAN TERMS**

How loan repayment is structured is of central importance to both borrowers and lenders. Loan terms describe the process of loan repayment in terms of price and time. The terms of a loan include:

### **Time elements:**

Duration of loan contract

Repayment intervals

Grace period (time between loan disbursement and first repayment)

### **Price elements:**

Interest payments

Amount of forced savings, if required

Fees and commissions

The loan terms determine both the yield on an MFI's portfolio and the real cost to the borrower. One of the most critical elements is the amount and structure of interest payments. As is demonstrated below, a quoted interest rate of 3%, for example, may generate dramatically different levels of interest income depending on how interest payments are calculated.

## **3. CALCULATING INTEREST PAYMENTS**

The amount that a borrower pays to a lending institution in interest is determined not only by the stated interest rate but also by the method used to calculate interest. Two general techniques are widely used: the declining balance method and the "flat" method. The declining balance method imposes lower costs on the borrower than does the flat method. Equivalently, the declining balance method generates lower yield on an MFI's portfolio than does the flat method. In the following sections, we will consider examples of interest calculated using these two methods. For simplicity, we will ignore present value considerations and we will assume that when a weekly or monthly rate is annualized, an "Annual Percentage Rate" (APR) method is used (compounding is not taken into account).

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### DECLINING BALANCE METHOD

When the declining balance method is used, interest is computed based on the balances that remain in the borrower's hands. As successive installments of principal are repaid, these balances decline. In this case, interest is not charged on the amount of the loan principal that the borrower has already repaid.

Consider the following example of a 3 month, \$300 loan to be repaid in 6 equal monthly installments, calculated on declining balances. The payment made each period (PMT) is \$53.56. In the early periods when the outstanding balance is high, the contribution of interest to the PMT is relatively high and the contribution of principal repayment to the PMT is relatively low. As the principal balance declines, the contribution of interest payments to the PMT declines as well.

**Table 8:** Declining Balance Method

Loan amount: \$300; Loan term: 3 months; Loan repayment period: every 2 weeks; Annual interest rate: 48 percent				
Period	Principal	Interest	Total Payments	Outstanding Balance
0	-	-	-	300.00
1	47.56	6.00	53.56	252.44
2	48.51	5.05	53.56	203.93
3	49.48	4.08	53.56	154.45
4	50.47	3.09	53.56	103.99
5	51.48	2.08	53.56	52.51
6	52.51	1.05	53.56	0.00
TOTAL	300.00	21.35	321.35	-

Pmt function was used to calculate total payments.

In this declining balance example, total payments by the borrower are 321.35.

[Source: web materials, interests payments declining balance method, <https://en.wikipedia.org/wiki/Marketing>]

### FLAT METHOD

When the flat method is employed, interest is computed based on the original face amount of the loan rather than on the declining balances. Computing interest using the flat method instead of the declining balance method has the effect of raising the payment made each period, and, therefore, increasing the "effective" interest rate to the borrower. This means

that the loan is more costly to the borrower and, equivalently, that the loan generates more income for the lending institution.

Consider the same example as last time, except now interest is calculated using the flat method. In this case, the contribution of interest payments to the PMT is constant: in each period, the borrower repays \$50 in principal and \$6 in interest. Here, the payment made each period is \$56, which is less than the PMT of \$53.56 in the declining balances case. The total payments made by the borrower in the flat rate case are \$336.

**Table 9: Flat Method**

Loan amount: \$300; Loan term: 3 months; Loan repayment period: every 2 weeks; Annual interest rate: 48 percent				
Period	Principal	Interest	Total Payments	Outstanding Balance
0	-	-	-	300
1	50	6	56	250
2	50	6	56	200
3	50	6	56	150
4	50	6	56	100
5	50	6	56	50
6	50	6	56	0
<b>TOTAL</b>	<b>300</b>	<b>36</b>	<b>336</b>	<b>-</b>

[Source: web materials interest payments flat method, <https://en.wikipedia.org/wiki/Marketing>]

All else equal, total payments by the borrower when interest payments are calculated using the flat method is greater than total payments when interest payments are calculated using the declining balance method. Therefore, the flat method generates more revenue for the lending institution and imposes higher costs on borrowers.

### **THE EFFECTIVE INTEREST RATE**

The effective interest rate is the rate that a client is “really” paying, based on the amount of loan proceeds actually in the client’s hands during each period of the life of the loan. The formula to calculate the effective interest rate is:

$$\text{Effective Interest Rate} = \frac{\text{Total Interest \& Fees}}{\text{Average Balance outstanding}} \times \frac{\text{Average Balance outstanding}}{\text{Average Balance outstanding}}$$



Using this formula, we will compute the effective interest rates implied by the two previous examples of declining balance and flat interest rates on otherwise identical loans.

**Declining balance case:**

In the declining balance case, interest payments totaled 21.35, the average balance is 177.9, there are 12 months in a year and 3 months in the loan period.

$$\text{Effective interest rate} = (21.35/177.9) \times (12/3) = 0.48$$

In the case of declining balance interest rate calculations (without fees, upfront interest payments, or compulsory savings), the effective interest simply equals the annualized interest rate.

**Flat rate case:**

In the flat rate case, interest payments totaled 36 and the average balance was 175.

$$\text{Effective interest rate} = (36/175) \times (12/3) = 0.82$$

All else being equal, the effective interest rate is higher in the case of a flat rate than in the case of interest computed on declining balances.

**4. Other Factors that Determine Effective Interest Rates**

A lending institution can increase the effective interest rate of a loan (and increase the portfolio yield) by changing any of the following factors:

Requiring that a portion of the loan be deposited as compulsory savings prior to or after loan disbursement.

Requiring payment of interest at the beginning of the loan, as a deduction from the amount of principal disbursed to the borrower. For example, take the declining balances case described in Table 1.

Charging an initial fee or commission in addition to the interest.

Requiring more frequent payment of principal and interest.

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Consider the following example of a \$300, 3 month loan with flat 48% annual interest and a fee of 3%.

**Table 10: Flat rate with fee**

Loan amount: \$300; Loan term: 3 months; Loan repayment period: every 2 weeks; Annual interest rate: 48 percent; Fee = \$10				
Period	Principal	Interest	Total Payments	Outstanding Balance
0	-	10	10	290
1	50	6	56	240
2	50	6	56	190
3	50	6	56	140
4	50	6	56	90
5	50	6	56	40
6	50	6	56	
<b>TOTAL</b>	<b>300</b>	<b>46</b>	<b>346</b>	<b>-</b>

[Source: web materials, interest payments flat rate with fee method, <https://en.wikipedia.org/wiki/Marketing>]

In this case, the total interest payments are 46 and the average balance is 165.

Therefore, the effective interest rate is  $(46/165) \times (12/3) = 1.12$ . In the case without the upfront fee, the effective interest rate is 82%. With an up-front fee of \$10, the effective interest rate is 112%. This example demonstrates that requiring an up-front fee raises the effective interest rate.

## 5. Setting Interest Rates

How should an MFI decide what prices to charge its clients? In order to achieve financial sustainability, program income must cover all programmatic and financial costs. For most MFIs without other assets that provide income, this means that interest income from loans must cover all costs. Therefore, the following are important factors to consider when an MFI decides an interest rate:

Administrative expenses, including rent and utilities, salaries, travel and transportation, office supplies, etc.

Inflation and depreciation

The cost of loan losses

The cost of the funds that the MFI borrows.

### **Nominal vs. Real Interest Rates**

The interest rate charged to borrowers is usually called the nominal interest rate. This may be different from the real interest rate, which is approximately calculated as follows:

$$\text{Real Interest Rate} = \text{Nominal Interest Rate} - \text{Rate of Inflation}$$

If the nominal interest rate is higher than the rate of inflation, then the real interest rate is positive. For borrowers, a positive interest rate means that they have actually paid something for the benefit of using the money that they have borrowed. In order for the loan fund to maintain its value, it is essential for an MFI to charge a nominal rate of interest that is greater than the rate of inflation.

### **A Sustainable Interest Rate**

The Consultative Group to Assist the Poorest (CGAP) has designed a straightforward method to allow MFIs to determine what effective interest rate they need to charge in order to achieve financial viability. Below is an overview of the computation

The interest rate required for financial sustainability (R) is determined by five elements, each expressed as a percentage of the average outstanding loan portfolio:

Administrative expense rate (AE), calculated by dividing total annual administrative expenses by average outstanding loan portfolio; Targeted capitalization rate(K), the net real profit that the MFI decides to target, divided by the average loan portfolio; Loan loss rate (LL), calculated by dividing annual loss due to uncollectible loans by average outstanding loan portfolio; The market cost of funds rate (CF), for details on calculation, see the CGAP paper; and Investment income rate(II), the income expected from an MFI's financial assets other than the loan portfolio, divided by the average loan portfolio.

In general, health MFIs have administrative expense rates between 10-25%, targeted capitalization rates between 5-15%, and loan loss rates between 1-2%. R, the minimum required annualized effective interest rate for financial sustainability, is calculated as follows:

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$$R = \frac{AE + K + LL + CF}{1 - LL}$$

The CGAP paper provides the following example for the interest rate calculation for a Hypothetical MFI:

- Administrative expense rate = .25
- Targeted capitalization rate = .16
- Loan loss rate = .02
- Cost of funds rate = .21
- Investment income = .015

In this example,  $R = (.25 + .16 + .02 + .21 - .015) / (1 - .02) = .638$ .

## 6. Prices and Viability

Pricing is a direct determinant of viability, though not the only determinant. An MFI that is able to recover programmatic costs and compensate for the impact of inflation on the portfolio (in other words, a financially viable MFI) must charge higher prices, in general, than an MFI that is financed by donor funds. Studies have found that the most financially viable programs differ significantly from less viable programs in their willingness to set interest rates at levels that allow them to fully recover costs. This is not to say, however, that high pricing is a signal of a financially viable MFI. Certainly, there are MFIs that both charge high prices and are not financially viable.

Furthermore, it is important to note that many donor-financed MFIs that are not financially viable stand-alone institutions also serve an important function. Financial viability may or may not be a part of the mission of an MFI. Since financially viable institutions generally charge higher prices than institutions that are not financially viable, some scholars have written that financially viable programs have not had success reaching the poorest of the poor. The goal of extending credit services to the poorest households may justify ongoing subsidization.

Lastly, judging an MFI's viability based on its ability to cover program and financial costs through interest payments is a meaningful standard only to relatively mature institutions.

Young microfinance programs that attempt to cover all costs would be forced to charge exorbitantly high interest rates. MFIs can be expected to cover all relevant costs only after having an opportunity to attract a sizable client base and acquiring appropriate tools for efficiency.

### **7. Prices and the Operating Environment**

A microfinance organization should examine the ability of its potential clients to pay for financial services. In addition, it is important for an MFI to investigate the other financial options available to its client base. Very often, access to credit among poor and especially poor rural populations is very limited or in fact non-existent. An MFI's competitors, if they exist, may include: local moneylenders, commercial banks, and other microfinance organizations.

## **4.3 MARKETING STRATEGY OF ASA**

### **THE BEGINNINGS & EXPANSION**

ASA has emerged as one of the largest and most efficient Microfinance Institution (MFI) in the world and has been working relentlessly to assist the poor since its inception in 1978.

The major drive behind ASA is to gradually eradicate poverty from society. During its early years, ASA undertook various development programs like awareness building for social action, training local birth attendants, capacity building of journalists, etc. In the mid-80's it introduced new programs working in the sector of health and nutrition, education, sanitation, etc. It was at this stage that ASA introduced microcredit as a pilot project.

From its hands on experience in the field, and by evaluating the impact of development assistance, ASA realized that financial solvency, to a great extent, is what the poor need to bringing positive changes in their lives. In 1992, this paradigm shift led ASA to focus solely on microfinance as its tool in fighting poverty.

ASA wanted to evolve its operations to become self-reliant and move away from depending on donor funding and grants - ASA's Microfinance Model gradually transformed itself to become the globally renowned "ASA Cost-effective and Sustainable Microfinance Model."

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Following this model, ASA became self-sustainable within a short span of time and the organization declared itself a "self-reliant MFI" in 2001.

This model, that has been practiced and perfected in the field by ASA, has proved effective in making a branch self-reliant within 12 months. Any MFI that adopts this model for operations becomes sustainable within the shortest possible time. It has been adopted by many MFIs around the world to get result within the shortest possible time.

As of June 2008, ASA has successfully extended its outreach in Bangladesh through 3,324 branches and its 25,125 staff works relentlessly to serve **more than 7.13 million clients** in 72,204 villages.

In April 2006 ASA formulated its 10-years IT Roadmap - the first step of which called for automating its branch operations by December 2007. With this target, a world-class software called **“ASA Microfinance Management System” (AMMS)** was developed by an in-house team of software developers and IT professionals within twelve months.

A pilot deployment was done in 89 ASA district offices once AMMS was ready to a beta release. From the experience gathered by this pilot rollout the IT Team successfully deployed a full fledged branch automation system to 3200 of ASA's branches at one go. Starting in June 2007 this deployment was successfully completed by December 2007, covering the branches within just seven months.

#### **RESULT OF AN IMPACT ASSESSMENT**

An impact assessment of the ASA microfinance programs has recently been carried out from the ASA Research and Documentation Cell. The assessment covered the long-term members, we continued minimum 3 years membership (from 2005 to 2007), in the credit program of ASA.

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The assessment was carried out to gauge the impact of the ASA microfinance programs in the lives of its clients, that is, changes brought about in their day-to-day lives through utilization of microfinance facilities provided by ASA.

With a view to selecting a sample size, multi-stage sampling of management units from the administrative divisions to members has been done. From all of the 6 administrative divisions of Bangladesh, 12 districts were taken by selecting 2 districts from each division. Then 4 ASA branches from each district were selected. Among the branches, 2 were taken from rural and 2 from urban areas. 4 Loan Officers from each branch were taken, i.e.,  $4 \times 48 = 192$  Loan Officers were selected and 4 groups of each Loan Officer were taken. At this  $4 \times 192 = 768$  Groups came under the study. Each group has 20 members on average, that is,  $768 \times 20 = 15,360$  members in total. 5 (25%) Members from each Group, i.e.  $5 \times 768 = 3,840$  Members were taken as the sample size.

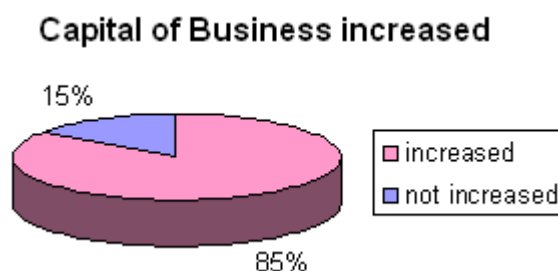
- Selection process: Members were selected for interview through a systematic sampling of odd numbers such as 1, 3,5,7,9 and so on.
- Method of data collection: Interview method (individual) and tool for data collection was structured questionnaire.
- Time: September to December 2007.

## **IMPACT OF CREDIT & SAVINGS PROGRAM**

### **Business Capital**

ASA implements its microfinance programs with the objective to reduce poverty of the poor and make them self-reliant. Along with the savings and credit amount, members' business capital has increased gradually through years. According to the findings of the study the business capital of 3,269 (85.13%) members have increased, but it was negative in the case of 571 (14.87%).

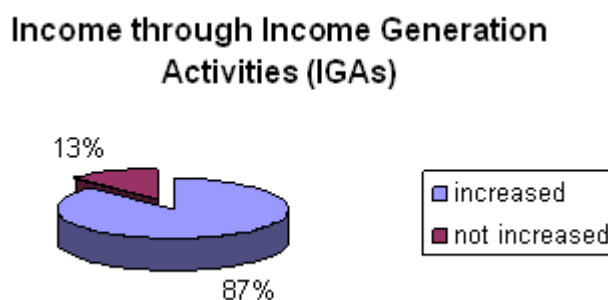
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**Figure-13: Capital of Business increased in ASA**

[Source: Official website of ASA ]

### **Income through Income Generation Activities (IGAs)**

Clients use their loans in various income generating activities (IGAs). Through its implementation, they have been successful in increasing their income during the last years. The findings of the assessment reveal that about 3,352 (87.29%) out of the total 3840 clients have agreed that their income have increased. Only 488 (12.71%) said that they have failed to increase their respective incomes. Findings of the assessment reflect that in 2005, their monthly income on average was Tk.4,778/-. The amount increased in 2006 and became Tk.6,731/-. Next year, in 2007, the amount of income further increased and stood at Tk.10,384/-. From the data it was found that their income has increased by Tk.1,953/- and Tk.3,653/- in 2006 and 2007 respectively.

**Figure-14: Income through income generation activities (IGAs) of ASA**

[Source: Official website of ASA ]



**ASA - PROGRAM****i. Small Loan for Female Clients; accounts for 78% of total portfolio**

Eligible Criteria	Initial Loan Size	Maximum	Interest rate	Loan Term	Repayment Mode	Incremental increase of loan size
Economically active poor to undertake or strengthen income generating activities	BDT 10,000-20,000 or US\$ 150-300 depending on the economic potential of area and client's capacity as well		12.5% (flat)	45 weeks	Weekly (37 equal weekly installments)	BDT 4,000 or US\$ 60 (maximum) in each loan cycle

[Source: Official website of ASA ]

**ii. Hardcore Poor Loan; accounting 1% of total portfolio**

Eligible Criteria	Initial Maximum Loan Size	Interest rate	Loan Term	Repayment Mode	Incremental increase of loan size
A flexible loan product for hardcore/ultra poor to match their irregular pattern of income generating activities	BDT 5,000 or US\$ 75	12.5% (flat)	Flexible; 4, 6 or 12 months	Flexible; Monthly, quarterly and half-yearly installments or at a time	BDT 2,000 or US\$ 30 (maximum); annual

[Source: Official website of ASA ]

**iii. Small Business loan; accounts for 12% of total portfolio**

Eligible Criteria	Initial Maximum Loan Size	Interest rate	Loan Term	Repayment Mode	Incremental increase of loan size
A loan product for informal or formal micro enterprises to promote production/enhance business activity and employment generation	BDT 50,000 or US\$ 735	12.5% (flat)	One Year	Flexible; Weekly or Monthly	BDT 7,000 or US\$ 100 (maximum); in each loan cycle

[Source: Official website of ASA ]

**iv. Small Entrepreneur Lending (SEL); accounts for 6.5% of total portfolio**

Eligible Criteria	Initial Maximum Loan Size	Interest rate	Loan Term	Repayment Mode	Incremental increase of loan size
A loan product for informal or formal small/micro enterprises to promote production/enhance business activity and employment generation. This product also caters to Information Technology related activities	BDT 400,000 or US\$ 5,900	12.5% (flat)	12/18/24 months	Monthly	Not fixed; depends on projects

[Source: Official website of ASA ]

**v. Agri-business Loan; account to 1.5% of total portfolio**

Eligible Criteria	Initial Maximum Loan Size	Interest rate	Loan Term	Repayment Mode	Incremental increase of loan size
A loan product for supporting agribusiness related activities	BDT 400,000 or US\$ 5,900	12.5% (flat)	12/18/24 months	Monthly	Not fixed; depends on projects

[Source: Official website of ASA ]

The first six months of 2009 was a period of consolidation for ASA. The fallout of the world economic meltdown produced negative impact on Bangladesh's economy during the period. As a consequence, the economic growth of the country suffered. The recessionary fallout gradually impacted on all the sectors of Bangladesh. And the rural economy of the country could not escape from its wrath. The economic downturn has considerably slowed the pace of microfinance programs and activities as well. ASA's microfinance programs were also affected by it. Moreover, some natural disasters hit the country's coastal areas, which further aggravated the situation.

## PRODUCTS

It is obvious that most poor people have no access to commercial banks. As a result, these institutions cannot play a vital role in promoting economic growth and economic empowerment at the bottom of the pyramid. However by providing small collateral-free loans, ASA is enabling the poor and the upper poor community people to obtain capital so that they may engage themselves in income generating activities. This helps reduce their poverty, and provides them access to opportunities and markets.

ASA has been offering various types of loan products, of which Small Loan (male & female), Small Business Loan, Small Entrepreneurs Lending (SEL), Education Loan, Rehabilitation Loan, IT Loan are significant. Product wise statistics as on 30 June 2009 is given below:

### SMALL LOAN (FEMALE)

It may be mentioned here that around 90% of the total ASA borrowers are women. This is such a product which has been designed considering the overall socio-economic condition of the women folk in Bangladesh perspective. Duration of this product is one year and the rate of service charge is 14.4% (flat). The principal amount is to be repaid in 46 equal weekly installments.

Disbursement	-	TK.	18,746 million
Realized	-	TK.	23,959 million
Outstanding	-	TK.	16,892 million
Recovery Rate	-	TK.	99.71 %
Cumulative Disbursement	-	TK.	243,161 million

[Source: Official website of ASA ]

### SMALL LOAN (MALE)

This is in fact a product which was designed and introduced for the husband/guardian of the female loan account holders. Duration of this product is one year and the rate of service charge is 14.4% (flat).

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Disbursement	-	TK.	193	million
Realized	-	TK.	109	million
Outstanding	-	TK.	376	million
Recovery Rate	-	TK.	99.46	%
Cumulative Disbursement	-	TK.	8,730	million

[Source: Official website of ASA ]

### **SMALL BUSINESS LOAN**

This loan product has been designed considering the socioeconomic condition of those people who have got small capital for running their various types of small businesses. Duration of this product is one year and the rate of service charge is 14.4% (flat).

Disbursement	-	TK.	3,361	million
Realized	-	TK.	4,543	million
Outstanding	-	TK.	3,283	million
Recovery Rate	-	TK.	99.46	%
Cumulative Disbursement	-	TK.	33,626	million

[Source: Official website of ASA ]

### **SMALL ENTREPRENEURS LENDING (SEL)**

Those people who are small and emerging entrepreneurs are offered this sort of loan. Duration of this loan product is flexible, which is 1 year, 1.5 years and 2 years respectively and the rate of service charge is 14.4% (flat).

Disbursement	-	TK.	2,469	million
Realized	-	TK.	2,962	million
Outstanding	-	TK.	2,821	million
Recovery Rate	-	TK.	99.13	%
Cumulative Disbursement	-	TK.	13,341	million

[Source: Official website of ASA ]

### **EDUCATION LOAN**

This loan is offered to the members for assisting their children to obtain higher education. Duration of this product is one year and the rate of service charge is 14.4% (flat).

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Disbursement	-	TK.	8.64	million
Realized	-	TK.	17.84	million
Outstanding	-	TK.	8.61	million
Recovery Rate	-	TK.	99.84	%
Cumulative Disbursement	-	TK.	132	million

[Source: Official website of ASA ]

### **REHABILITATION LOAN**

ASA offers rehabilitation loan to the people who are victims of natural disasters. This is an interest free loan and the repayment schedule is fixed based on the convenience of the victim.

Realized	-	TK.	23.57	million
Outstanding	-	TK.	11.38	million
Recovery Rate	-	TK.	97.58	%
Cumulative Disbursement	-	TK.	221	million

[Source: Official website of ASA ]

### **AGRIBUSINESS LOAN**

ASA has been conducting Agribusiness loan in cooperation with the Government of Bangladesh and Asian Development Bank (ADB) in order to assist the people maintaining their life and livelihoods either in part or full round the year on agricultural products and marketing. Duration of this loan ranges from 6 months to 34 months. The rate of service charge per year is 14.4% (flat).

Disbursement	-	TK.	280.63	million
Realized	-		215.78	million
Outstanding	-		271.78	million
Recovery Rate	-		99.25	%
Cumulative Disbursement	-		816	million

[Source: Official website of ASA ]

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**HEALTH ASSISTANCE**

ASA has been providing cash grant to the ailing clients for treatment of their major/critical diseases. This is a self-funded service of ASA. Clients don't have to pay any premium for enjoying this service. During the period (Jan-June 09) Tk. 1 million was given among the members as health assistance.

**SAVINGS**

ASA also provides flexible and accessible savings products, which provide a cushion for the poor to weather economic shocks. As many poor people live a rather precarious life, without savings, even a minor event can send them into extreme poverty or financial ruin. By offering safe and secure savings, ASA clients need not sell assets in times of crisis, but can merely draw on their accumulated savings, and use them to meet their pressing needs. ASA provides voluntary, mandatory and long term savings services with modest interest among its clients.

**SECURITY FUND CALLED MINI INSURANCE**

ASA has introduced two types of insurance policies for its consumers. One is mini life insurance and other one is loan insurance. These services facilitate the clients to shield themselves to mitigate emergencies and sudden economic shocks.

**MEMBER SECURITY FUND (MINI LIFE INSURANCE)**

Small Female loan and Small business loan account holders deposit Tk. 10 on weekly basis as the premium of insurance. The size of deposit for the SEL account holders is Tk. 50 per month. Inheritors receive 6 (six) times of the total deposit if a member dies. Otherwise, the depositors are refunded six times of the total amount with interest at the end of maturity. During the period (Jan-June 09) ASA paid 16.41 million in BDT to the families of 3,987 deceased members.

**MALE MEMBER SECURITY FUND (MINI LIFE INSURANCE)**

Female group members are also allowed to introduce insurance for their husbands or guardians and the size of weekly premium is Tk. 10 for the program. If the male member

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dies, respective inheritors are provided three times of their total deposits. Otherwise, total deposited amount is refunded along with interest. During the period (Jan-June 09), ASA has paid Tk. 3.35 million to the families of 2,409 deceased members.

### **LOAN INSURANCE**

ASA charges a premium of only Tk. 10 per 1,000 (One Thousand) Taka loan to provide this insurance. The outstanding loan is adjusted in full as insurance benefit if a member or her husband/guardian dies with outstanding loan. During the period (Jan-June 09), ASA made the adjustment or provided payment of Tk. 90.07 million to the families of 16,051 deceased members.

### **COUNTRY COVERAGE**

ASA has been providing assistance in all the districts of the country through 3,281 branches. At present, a number of 24,638 staffs are working to assist almost 5.91 million members. Up to June 2009, the cumulative disbursement (principal) stands at Tk. 305,080 million and the outstanding (principal) is Tk. 24,195 million.

### **ASA-NGO PARTNERSHIP BUILD-UP PROGRAM**

ASA has a policy to assist the local small and emerging NGOs so that they can play supportive role in poverty alleviation and can be sustainable within the shortest possible time. ASA has been providing skilled manpower, technical support and loan funds to the partner NGOs. ASA is facilitating 31 partner NGOs in the country as a mentor organization.

ASA also channels soft loan funds from the donors to the local organizations. Due to ASA's earnest efforts and goodwill CORDAID Netherlands also extended financial support to 12 NGOs of Bangladesh. ASA cordially tries to ensure its assistance to poor people of the remote and uncovered areas. All of the partner NGOs are also building their capability to get access to other commercial funds.

No. of partners	-	31
Borrowers	-	86,040
Outstanding Loan	-	460,881,527

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Savings balance	-	126,349,602
Staff deployed from ASA	-	45

[Source: Official website of ASA ]

## **AUTOMATION OVERVIEW**

ASA Microfinance Management System (AMMS) was developed as an integrated solution that contains modules for handling microfinance operations, accounts, HRM, fund planning, etc. AMMS has been developed utilizing Microsoft C#. NET and Microsoft SQL Server technology. In addition, JIRA, SVN and Rational Rose have also been used in the development life-cycle. The helpdesk uses JIRA for trouble shooting and details audit trails.

The major emphasis of the automation project is to ensure correctness of the software. To achieve this objective, ASA has appointed personnel from different departments (Programs, MIS, Accounts and HR) to verify the software and certify whether the software produces correct report and meets their expectations in every aspect.

ASA's IT infrastructure was originally managed by two functional teams: development and implementation. The development team was responsible for introducing and matching ASA's business needs to software system and implementation team was responsible for delivering solutions to end-users and maintain infrastructure. However due to the similar objective these two teams have been streamlined and reorganized as software development plus support and hardware purchase plus support. This has significantly reduced inter team dependency ensuring timely support for each problem.

Successful completion of the branch automation will initiate a new project of consolidating branch information into district level and thus producing fully automated report for management. This will reduce the burden of preparing monthly reports at district office and they can concentrate more on supervising branches.

## **ASA INTERNATIONAL (ASAI)**

ASA International (ASAI) ([www.asa-international.com](http://www.asa-international.com)) has been established to play a vital role in global poverty alleviation through establishing MFIs globally. The organization is currently working in India, Pakistan, Afghanistan, Sri Lanka, Ghana, Nigeria and the

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Philippines and some other countries like China, Cambodia, Indonesia, etc. are in the pipeline. Catalyst Microfinance Investors Company (CMIC) is the fund manager and ASA is the Technical Assistance (TA) provider.

#### **ASA FOUNDATION INTERNATIONAL (AFI)**

There is a great demand for ASA model of microfinance worldwide and it seems difficult for ASA spreading microfinance services globally. Huge fund is essential for this venture. In this situation, ASA Foundation International ([www.asafdn.org](http://www.asafdn.org)) has been established to provide technical assistance worldwide. This is a not for profit organization to assist the poor through assisting the institutions, that help them. Small and emerging NGO/MFIs of the world will be benefited from this. They will be provided opportunity to replicate the ASA cost-effective and sustainable microfinance model besides getting financial assistance from this institution. The Head Office of ASA Foundation International is situated in New York, USA.

#### **FOREIGN VISITORS TO ASA**

ASA's sustainable microfinance model has drawn worldwide attention whereby more and more people are coming to visit ASA to familiarize themselves with this model. It has led to an increasing demand for ASA's Technical Assistance (TA) as well as operating green field operations in more than 15 countries around the Globe. Moreover, its cost effective microfinance model is drawing attention of students from different countries of the world, especially from USA and Europe at both graduate and under graduate level to visit ASA to learn about this program.

During January-June 2009, a number of 120 visitors from 16 countries across the world visited ASA to learn from its different development programs. They have shown keen interest in ASA central and field level activities. Moreover students from home and abroad completed their internship courses in ASA in till June 2009.

#### **ASA UNIVERSITY BANGLADESH (ASAUB)**

ASA University Bangladesh launched its academic activities in May, 2007 with the approval of the Govt. of Bangladesh. Initially, the University offered different programs of

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graduation and post graduation. The graduation (4 years) programs are English, LLB and BBA. The post graduations (2 years) are LLM, MA in English, MBA (Regular) and MBA (Executive). About 4000 students are enrolled presently in the university under different disciplines. Some new disciplines are being considered for introduction very soon.

### **CONCLUSION**

Keeping the major aspects of its mission in reducing poverty from the society, ASA has been working wholeheartedly for improving the lifestyle of the needy people by offering cost effective microfinance. Though around 40% of the families in our country are still living below the poverty line. We believe wholeheartedly that it is possible to bring them out of the poverty within a certain period of time. Considering the above, ASA has taken some effective strategies to gear up the pace of poverty eradication activities. And some steps also have been taken for strengthening the organization to meet the challenges of microfinance sectors in the upcoming days.

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**Table-11: Financial Analysis of ASA (Financial Statistics)**

**FINANCIAL ANALYSIS OF ASA**  
**Financial Statistics**  
**(Amount in BD Taka)**

Particulars	June 2009	2008	2007	2006
<b>Information</b>				
No. of branches	3,281	3,303	3,333	2,931
Total no. of groups	283,973	271,976	239,695	204,938
No. of members (in million)	5.91	7.28	6.66	6.46
No. of active borrowers (in million)	4.57	5.88	5.42	5.16
No. of loan officers (end of year)	13,722	14,266	14,788	11,564
Average no. of members per LO	431	504	451	558
Avg. no. of borrowers per LO	333	412	367	446
Avg. no. of members per branch	1,802	2,177	2,002	2,203
<b>Loan portfolio</b>				
Yearly total loan disbursed (in million)	25,061	61,108	48,365	41,312
No. of loans disbursed (in million)	2.20	6.73	6.10	5.56
Average loan size	11,375	9,039	7,868	7,430
Total loan outstanding (in million)	24,196	32,022	24,704	21,003
Current	23,184	31,222	24,240	20,785
Overdue (past due)	1,011	800	464	218
Avg. outstanding balance by clients	5,291	5,193	4,501	4,068
Portfolio per Loan Officer (in million)	1.76	2.24	1.67	1.81
Portfolio per staff (in million)	0.98	1.24	0.98	1.14
Total amount written off (in million)	155.24	146.84	69.48	47.92
Total loan loss reserve (in million)	1,209	1,092	769.06	596.71
<b>Savings</b>				
Total savings (in million)	7,762	6,433	4,604	3,521

**Table-11(Contd.):** Financial Analysis of ASA (Financial Statistics)

FINANCIAL ANALYSIS OF ASA				
Financial Statistics				
(Amount in BD Taka)				
Particulars	June 2009	2008	2007	2006
<b>Productivity/quantitative indicator</b>				
Cost per money lent	0.092	0.069	0.053	0.044
Cost per loan made	1,047	632	424	327
Portfolio in arrears	2.81%	2.50%	1.85%	1.04%
Portfolio at risk	4.98%	5.00%	3.36%	1.85%
Loan loss ratio	0.64%	0.45%	0.27%	0.23%
Reserve ratio	5.00%	3.41%	3.11%	2.84%
Effective yield on avg. portfolio	14.04%	24.35%	26.00%	28.45%
Effective yield on avg. assets	11.77%	23.38%	24.89%	25.15%
ROE (Return on Equity)	0.47%	3.80%	8.88%	16.42%
ROA (Return on Assets)	0.27%	2.29%	5.70%	9.36%
Operating self-sufficiency (OSS)	136.22%	136.75%	187.13%	238.16%
Financial self-sufficiency (FSS)	102.32%	110.40%	127.77%	155.20%
Total expenses/Total average assets	11.80%	22.44%	20.52%	16.95%
Financial cost/Total average assets	1.18%	2.09%	2.17%	2.29%
Adjustment cost/Total average assets	2.94%	4.32%	6.51%	5.90%
Loan loss cost/Total average assets	0.81%	1.59%	1.01%	0.29%
Operating cost/Total average assets	6.88%	14.41%	10.82%	8.47%
Total equity (own fund)/assets	59.42%	63.79%	70.36%	55.21%
Total equity (own fund)/liability	134.76%	130.66%	155.44%	140.81%
<b>USD1=Taka</b>	<b>68.45</b>	<b>68.50</b>	<b>68.56</b>	<b>69.00</b>

Note: June 2009 figures are provisional

[Source: Official website of ASA ]

**Table-12: ASA at a Glance (upto June 2009)**

<b>ASA AT A GLANCE</b>		<b>(Amount in BD Taka)</b>	
<b>Up to June 2009</b>			
1. Year of Starting the Microcredit Program			1992
2. Total No. of Branch Offices (Rural-2,967, Urban- 314)			3,281
3. Total No. of Staff (Central office- 244, Field- 24,394)			24,638
4. Total No. of Thanas (sub-districts)			511
5. Total No. of Districts			64
6. Total No. of Groups	Small	240,102	
	Small Business	43,871	283,973
7. Total No. of Active Members	Small	4,427,224	
	Small (male)	1,044,297	
	Small Business	338,321	
	SEL, IT & Agrl Business	83,747	
	HC Poor	15,677	
	BDS	3,284	5,912,550
8. Total No. of Borrowers with Loan	Small	3,822,965	
	Small (male)	332,564	
	Small Business	291,076	
	SEL & Agrl Business	83,747	
	HC Poor	12,242	
	Education	9,515	
	BDS	3,284	
	Rehabilitation/Monga	17,829	4,573,222
9. Savings Balance (Taka In Million)	Small	4,500.42	
	Small Business	828.71	
	Hard core Poor	4.51	
	BDS	0.76	
	LTS	2,428.02	7,762.42
10. Total No. of Security Fund (Policy holders)	Member	4,774,275	
	Husband/Guardian	1,044,297	5,818,572
11. Security Fund (Taka In Million) (end balance)	Member	3,643.86	
	Husband/Guardian	509.82	4,153.68
12. Total Loans (Taka In Million) (With service charge)	Disbursed (cumulative)		346,221
	Realized (cumulative)		319,526
	Outstanding		26,695
13. Rate of Recovery			99.65%
14. Operational Self-Sufficiency (OSS) 2008			136.75%
15. Financial Self-Sufficiency (FSS) 2008			110.40%

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**Design & Make up:** Md. Shahidul Islam

[Source: Official website of ASA ]

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## **4.4 MARKETING STRATEGY OF BRAC**

### **HISTORICAL EVOLUTION**

BRAC was founded by Fazle Hasan Abed at Sulla in the district of Sylhet as a small-scale relief and rehabilitation project to help returning war refugees after the Bangladesh Liberation War of 1971. By 1974, BRAC had begun providing microcredit as well as evaluating the usefulness of credit in the lives of the poor. In addition, BRAC concentrated on village development programs that included agriculture, fisheries, cooperatives, rural crafts, adult literacy, health and family planning, vocational training for women and construction of community centers. A Research and Evaluation Division (RED) was set up by BRAC in 1975 to analyze and evaluate its activities and provide direction for the organization to expand and evolve. In 1977, BRAC shifted from community development towards a more targeted approach by organizing Village Organizations (VO). This approach addressed the poorest of the poor – the landless, small farmers, artisans, and vulnerable women. Those who own less than half an acre of land and survive by selling manual labor were regarded as BRAC's target group. In 1979, BRAC entered the health field by establishing a nation-wide Oral Therapy Extension Program (OTEP), to combat diarrhea (the leading cause of child mortality). In 1985, BRAC expanded its programs to include the Non-Formal Primary Education Program that focused on drop-outs of the government and non-government primary schools. In 1986 BRAC launched its Rural Development Program that included basic education and training, credit operation, income and employment generation and support services. The Women's Health Development Program begun in 1991 and expanded in 1996 includes the Social Development, Human Rights and Legal Services Program designed to empower women with legal rights and assist them in becoming involved with community and political organizations. After 25 years of existence, BRAC established the Dairy and Food project in 1998 to provide a market for villagers who purchased cows with their loans and the following year opened the Information Technology Institute to train qualified IT professionals. In 2001, BRAC established BRAC University to create future leaders and the BRAC Bank was started to support primarily small and medium size enterprises. In 2002 BRAC launched a program called Challenging the Frontiers of Poverty Reduction – Targeting the Ultra Poor (CFPR-TUP) designed

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specifically for the extreme poor who cannot access conventional microfinance. It was the first organization in Bangladesh to establish, in 2004, the office of an Ombudsperson. Expanding innovations related to poverty reduction is a major challenge faced by governments and NGOs in most developing countries and BRAC is now exporting experience, expertise, and values to other southern hemisphere countries to assist with poverty reduction efforts. BRAC Afghanistan was the first of BRAC's international initiatives that focused on relief and rehabilitation programs. In 2002, BRAC's assistance followed and now includes services in micro-finance, health, education, income generation, and small enterprise development in 23 out of 34 provinces of Afghanistan. In 2005 BRAC was invited to help Sri Lanka get back on its feet after the devastating Tsunami tidal waves. The entry into Pakistan in late 2006 brings the total of south Asian countries being assisted to four.

In Africa, BRAC is working in Tanzania and Uganda with 117,000 households and has expanded its effort to include Southern Sudan along with Sierra Leone and Liberia in order to help the citizens rebuild their lives after decades of destructive civil wars (PROCASUR, 2009).

## **OVERVIEW**

### **INTRODUCTION**

While the women still may not be able to act against legal injustices, they have been able to acquire knowledge of property rights, inheritance laws, the legal marriage age, polygamy, dowry, divorce, and other legal matters based on the BRAC human rights and legal services program.

The BRAC was founded in 1972 as the Bangladesh Relief Assistance Committee in response to the humanitarian needs of thousands of refugees returning to their homes after Bangladesh's War of Independence. After initially establishing relief and rehabilitation operations, BRAC shifted its focus in 1973 from relief to long-term community development and was renamed the Bangladesh Rural Advancement Committee (BRAC). With its expansion to other countries, the name of the organization has been simplified to

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BRAC. The agency's mission is to bring about positive changes in the quality of life of the people of Bangladesh amidst extreme poverty, illiteracy, disease and other handicaps. Women and girls have been the primary focus of BRAC's anti-poverty approach, recognizing not only their vulnerabilities but also their strong motivation for change.

Today, BRAC operates in all 64 districts of Bangladesh that include 70,000 villages and 2000 slums, reaching three quarters of the entire population with an integrated range of services for rural and urban communities to combat poverty. It has over 7 million micro-finance group members, 37,500 non-formal primary schools and more than 70,000 health volunteers. From a global perspective BRAC is one of largest NGOs with staff of 125,000 people and majority of them are women. It operates now in several countries including Pakistan, Sri Lanka, Africa, Sudan, Uganda, Tanzania and Afghanistan as well as Bangladesh.

BRAC believes that poverty must be tackled from a holistic viewpoint, transitioning individuals from being aid recipients to becoming empowered citizens in control of their own destinies. Over the years, BRAC has organized the isolated poor, learned to understand their needs, piloted, refined and scaled up practical ways to increase their access to resources, support their entrepreneurship, and empower them to become active agents of change. Women and girls have been the central analytical lens of BRAC's anti-poverty approach, recognizing both their vulnerabilities but also their thirst for change.

Today in Bangladesh alone, BRAC works to combat poverty in 70,000 villages and 2000 slums, and reaches three quarters of the entire population with an integrated package of services for rural and urban communities. We employ more than 100,000 people - microfinance officers, teachers, health staff, and enterprise managers - to be on the very doorstep of the poorest families making our services accessible, relevant and adaptable. We have learned over time to find the poorest of the poor - those who are destitute and outside the reach of most NGOs - and help them rebuild their lives from scratch and achieve financial independence.

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**Holistic approach - a complete model for poverty alleviation**

We understand that when a person is poor, they are poor for a whole number of reasons that compound the disadvantages they face - a poor landless family struggles to secure an income against rising food costs, frequent natural disasters and the threat of ill health and malnutrition. They also lack access to markets and decent supplies, credit, savings and insurance, safe water and sanitation, and a quality education for their children.

BRAC has established a complete set of services for poor, disadvantaged families that helps them, through small incremental steps, to leave poverty behind and look forward to a positive future.

**VILLAGE ORGANISATIONS**

At the centre of our approach are village organisations (VOs) -each with 30-40 women members - which are set up to provide social support and microfinance services. These village organisations meet weekly to distribute loans, collect repayments and savings contributions, and raise awareness on many social, legal and personal issues affecting the everyday lives of poor women. They also give training and support to the microfinance borrowers so they can use the money productively and effectively.

While BRAC has more than 7 million women participating in our village organisations and accessing our financial services for the poor, we provide services to millions more women and their families - not just our village organization members. A poor woman in the village can rely on BRAC to provide her with essential health care, education for herself and her family, business support, legal assistance and a voice in local issues.

**Increased outreach and impact**

The village organisations are also the recruiting ground for some of our key community workers - such as the community health volunteers, agricultural extension workers, and paralegal volunteers - who enable BRAC to increase the outreach and impact of our programmes.

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For instance, our 68,000 community health volunteers make home visits to 18 million village households every month and provide the first line of support in our essential health care programme. Every week, 1.55 million children attend our primary and pre-primary schools and are taught by more than 50,000 trained teachers - teachers who are drawn from the communities they live in. In total, we cover an estimated 110 million people with our services in microfinance, health, education, social development, human rights and legal services, and microenterprise support.

### **Pro-poor enterprises - long term financial sustainability**

As well as our core programmes, we also have our own social enterprises. These are commercially operated, pro-poor enterprises which are strategically linked to our development programmes and form the crucial value chain linkages to increase productivity of assets and labor and reduce the risks of the enterprises of the poor.

For example, a poor farmer who takes out her first small loan to purchase some poultry birds is at the centre of a well orchestrated support structure that ensures she is able to get a good return. She receives training on modern poultry farming techniques, can purchase high yield variety chicks from our hatcheries, buy good quality poultry feed from our feed mills, and control poultry disease through our vaccination services.

Just providing the loan is not enough; we have looked at the whole supply chain - both upstream and downstream – both backward and forward - and strengthened that chain to maximize the benefits for the enterprises of the poor.

### **Focus on empowering poor rural women**

From the beginning, BRAC has recognized that destitute rural women, while being the worst affected by poverty, can play a crucial role as agents of change. Rural women are placed in a vulnerable position as employment opportunities are limited and they lack health care services, receive less nutrition, and are less educated than their male counterparts. Also the growing number of female-headed households, as a result of the death of the male earner, divorce, desertion and male migration, has left many women at the helm of their households. With all these factors in mind, BRAC focuses mainly on rural women, giving

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priority to their needs, bringing about meaningful transformation in their lives by making small loans available to them for income generating activities. We also provide livelihood development training, microfinance and social support to adolescent girls to help them prepare for adulthood and empower them to make their own choices for the future. Today, more than 98% of BRAC's 7.37 million borrowers and savers are women.

### **Making a significant difference**

The national scale and impact of our anti-poverty interventions are what makes BRAC unique in the development community. The programmes evolve over time and we innovate, scale up and respond to changes and challenges. We believe in scaling up to have an impact at the national level. We have an expansive grass roots infrastructure that ensures our reach is national and we can implement programs quickly and efficiently. For instance, our new flagship Water, Sanitation and Hygiene Program, began as a sanitation pilot under the Essential Health Care Program and has since been rolled out to 150 sub-districts. It is the first integrated approach to water, sanitation and hygiene that involves the entire population of an area and we are aiming for national coverage by 2015. Our logistical infrastructure was also crucial when we needed to mobilize 2,500 field staff positioned in the Cyclone Sidr affected area for emergency relief work in November 2007.

### **Going international**

Scaling up poverty reduction innovations is a major challenge faced by governments and NGOs in most developing countries. Our experiences in Bangladesh of innovating new approaches in many key areas of development and taking them to scale rapidly against a range of constraints is of significant relevance for the fight against poverty in other developing countries. It is this experience, expertise, and attitude with a southern core and perspective that BRAC intends to deploy in helping the poverty reduction efforts of other developing countries.

BRAC Afghanistan was the first of BRAC's international initiatives. Our microfinance programme is operating across 75% of the country and is a lifeline to more than 179,000 households whose livelihoods have been devastated by decades of conflict and uncertainty. In Africa, BRAC has been able to scale up in Tanzania and Uganda after only eighteen

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months of operating in the region and is already helping 117,000 households in those two countries - with further plans to help the citizens of Sierra Leone and Liberia rebuild their lives after decades of disastrous civil wars.

### **Future Vision**

When the world is free from hunger and poverty, BRAC's work will be done. Until then, we will strive to find practical and scalable approaches to eradicate poverty wherever we find it.

With one billion people in the world today still suffering from poverty, the task ahead is enormous. Even in countries which are making good progress on economic growth and many of the MDG goals, there are second generation development challenges that remain to be solved. These include: the need to provide quality education for all; reduce maternal and neonatal mortality; expand the frontiers of sustainable agriculture production; adapt to climate change; and sustain and expand the gains made by the poor in a globalised economy. BRAC will be working actively and in close alliance with civil society, private sector, government and knowledge institutions, in addressing these challenges.

## **BRAC- GOVERNANCE**

### **Governing Body**

BRAC has a governing board of thirteen members. Apart from the Chief Executive Officer, Fazle Hasan Abed, who is the founder of BRAC, all other members of the governing body are volunteers who have distinguished themselves in business and the professions who possess a pro-poor mindset and bring diverse skills and experience to the governing of BRAC. BRAC is currently evolving its governance structure to operate as a global organization and has started the internationalization of the board. The long term objective is to set up the global organization based in the Netherlands and operating in eight countries that will constitute its partner. Until the transition to the international governing body of BRAC is completed, Bangladesh will to be the headquarters for management control and oversight of all the operations. The executive team consists of one Chief Executive Officer, one Adviser, one Executive Director and three Deputy Executive Directors and twelve Directors who manage various departments and programs (PROCASUR, 2009).

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**Audit Committee**

The Audit Committee assists the BRAC Governing Body in reviewing the financial condition of the organization, the effectiveness of the internal control system of the organization, performance and findings of the internal auditors and recommending appropriate remedial action. The Audit Committee reviewed the Annual Audit Report and audit findings as raised by the external auditors in the Memorandum on Internal Control and Other Matters of Annual Audit of BRAC for the year ended December 31, 2007. The BRAC Audit Committee reviewed the recommendations of the auditors and the respective management comments, as well as the actions taken against the above recommendations.

In 2007, the Audit Committee developed an Internal Audit Charter that was subsequently approved. The Audit Committee held four meetings during 2007. They were attended by all the members.

**Ombudsperson**

BRAC has established an Office of the Ombudsperson with a comprehensive mandate to investigate any incident of misadministration and misuse of power within BRAC. This includes grievances such as corruption, abuse of power or discretion, negligence, oppression, nepotism, rudeness, arbitrariness, unfairness and discrimination. In November 2007, Mr. Mohammad Abu Hena was appointed for 3 years as the second Ombudsperson of BRAC.

**Delegation of Authority**

BRAC has developed clear written policies regarding the authority for each level of management and staff. The staff is empowered to take decisions at all levels. Procedure manuals and policy documents are available to all staff.

**Internal Control**

The Internal Audit Department consists of 160 audit staff. 100% audits are conducted where irregularities are detected during normal internal audits, which are done on a sample basis. The frequency for auditing in each of the Area Offices, Head Office and Commercial

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Projects is at least once a year with additional audits sometimes being carried out for locations and programmes that need further attention. The Internal Audit, during 2007, was conducted in 5011 locations. The Internal Financial Monitoring Section has five staff members, who periodically monitor inventory and internal financial control matters at BRAC Head Office and projects.

### **External Auditors**

The BRAC Governing Body appointed Ernst & Young Chartered Accountants, Malaysia and S. F. Ahmed & Co. Chartered.

Accountants, Bangladesh (local partner) jointly as the external auditors of BRAC for the year 2007. They duly conducted the audit and signed the audit report on 16 March 2008. They were also appointed to audit BRAC Education Programme (BEP) and Challenging the Frontiers of Poverty Reduction-Targeting the Ultra Poor (CFPR-TUP) programme. These two programmes account for a large portion of total donor finance to BRAC. The donors' consortia approved their appointment and they duly submitted the audit reports of BEP and CFPR-TUP. While conducting the audit of all the BRAC projects including the above two, the external auditor S. F. Ahmed & Co. Chartered Accountants reported separately to NGO Affairs Bureau for each project.

For the other donor financed BRAC projects the following external auditors were appointed: J. R. Chowdhury & Co., S. K. Barua & Co., ACNABIN & Co., and Masih Muhit Haque & Co.

Audit reports for all projects were submitted to the NGO Affairs Bureau of the Government of Bangladesh. A total of 32 external auditing missions, from four audit firms and the Audit Directorate, foreign aided projects, and the Government of Bangladesh, reported on different BRAC programmes in 2007.

### **Partners**

BRAC has two donors' consortia, one each for the BRAC Education Programme and the Ultra Poor Programme. The consortia conducted their own audits and external reviews and met twice in 2007 to discuss findings. The consortia donors are the European Commission,

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Department for International Development (UK), Embassy of the Kingdom of the Netherlands (EKN), CIDA (Canada), NOVIB (the Netherlands), AusAID (Australia), NORAD (Norway) and the World Food Programme (WFP).

### **Finance**

BRAC's Finance and Accounts Division performs a vital role within the organisation in improving programme efficiency, enhancing management decision-making capabilities, and promoting transparency and accountability. Under this division, financial data from all transactions carried out at different cost centres in the organization are collected and stored, data useful for decision-making is processed into information and adequate controls to safeguard organizational assets are provided.

The Finance and Accounts Division prepares BRAC's financial statements in accordance with international reporting standards to ensure transparency. Its efforts have been recognized with numerous national and international awards including the National Award for Best Presented Published Accounts and Reports 2004, 2005 and 2006 from the Institute of Chartered Accountants of Bangladesh (ICAB); the Best Presented Accounts Award 2005 and 2006 from the South Asian Federation of Accountants (SAFA); and the Financial Transparency Award for 2004, 2005 and 2006 from the Consultative Group to Assist the Poor (CGAP).

### **Monitoring**

Monitoring is part of our internal control mechanism for programmes. This unit conducts periodic analysis using selected indicators to enable managers to determine whether key activities are being carried out as planned and are having the expected impact on the target population.

Monitoring activities are designed as a continuous process of data collection, analysis and judgment in order to produce relevant, timely and accurate information. Monitoring findings are disseminated to the relevant field level managers during data collection by the monitors, on a bi-monthly basis, through presentations and discussions, and the publication of summary and narrative reports. Emphasis is laid on assessing the effectiveness of the

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project components with an indication of the corrective measures required. This information is especially designed for senior BRAC management, programme managers, stakeholders and programme sponsors. The monitoring Department has gradually broadened its area of activities to include all core and support programmes of BRAC.

### **Human Resource Division**

BRAC's Human Resource Division works to enforce procedural justice, intensify transparency and equity, and promote innovation and quality. We ensure a working environment where BRAC staff are nurtured and treated with dignity and respect. The HRD is composed of eight sections - Policy, Progress and Communication, Performance Management, Human Resource Field Operations, Staff Separation and Compensation Management, Recruitment and Placement, Human Resource Information System, Gender Justice & Diversity, and Sexual Harassment Elimination (SHarE) and Staff Relations. Under the Human Resource Field Operations (HRFO), HR officers working at the head office coordinate and provide support to 15 decentralized HR field offices to accelerate HR services to BRAC field staff. In 2007, the division processed 132,525 applications and recruited 19,010 staff.

### **Investigation**

The Investigation Unit is also a part of our internal redress mechanism. The mechanism was created to uphold organizational ethics and values and to ensure greater transparency and accountability of overall management and internal observation procedures. Accordingly, all complaints regarding misadministration, abuse of discretion, negligence, oppression, nepotism, indecent behavior, arbitrariness and discrimination fall under the coverage of the department's Investigation unit.

### **Procurement**

BRAC has a separate Procurement Department that manages the requisitioning of purchases for the programmes. In all aspects, it follows BRAC Procurement Guidelines and Implementation Procedures, which are transparent and were developed in line with international procurement standards.

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## **PROGRAMS AND APPROACHES**

### **Holistic approach to poverty alleviation**

BRAC views poverty as not only a lack of income or employment but also a complex phenomenon that requires a holistic approach to poverty alleviation where micro-finance programs are combined with health, education and other social development programs, needed to promote livelihood and protection. As a result, BRAC works for the development of organizations of the poor, by building awareness related to mobilizing saving, children's education, health, gender equality, and human resource development where poverty is viewed holistically (Ahmed and Rafi, 1999).

### **Health services for the ultra poor**

Ultra poor households are the most deprived segment of the population and often lack even the most basic necessities (e.g. adequate food, adequate shelter, resources to address extreme malnutrition and programs to prevent all forms of diseases). BRAC designed a more innovative and tailored approach to effectively reach these ultra poor households through the use of a stipend to support skill development training and health care. The strategies focus on the policies, structures and institutions reproducing and sustaining poverty and vulnerability. Health care of the poor is seen as a basic right with services that address the specific health needs related to prenatal care, immunization, nutrition education, safe water supply, sanitary toilets, family planning, TB control and basic curative services provided by specially-trained health providers along with essential drugs, equipment and supplies has been ensured.

An essential element of this strategy is to sensitize the community to health care needs of its poorest members by increasing access to basic health resources, ensuring security of their newly-gained assets and helping them during emergencies. Another dimension of the strategy has been to build partnership and referral linkages with the government and other health facilities to expand existing services (Hadi, 2004). BRAC's programs can be viewed in terms of three program categories: core programs, support programs, and international programs.

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### **1. BRAC Core Programs**

BRAC's Core Programs include: (a) Economic development, (b) Education, (c) Health, and (d) Social development and legal services program.

### **2. BRAC Support Programs**

BRAC support programs include: (a) Training, (b) Research and Development, (c) Human rights and Advocacy, (d) Public Affairs and Communications, (e) Publication and Audiovisual, (f) Administration and Special projects, (g) Finance and Accounts, (h) Internal Audit, (i) Monitoring, and (j) Human Resource Development.

### **3. BRAC International Programs**

BRAC's international programs currently include: BRAC Afghanistan and BRAC Sri Lanka. To help with reconstruction and rehabilitation, BRAC interventions include microfinance, education, health, capacity building and livelihood programs (PROCASUR, 2009).

#### **A. Core Programs**

##### **Education**

BRAC began its Non-Formal Primary Education Program in 1985 with 22 one-room schools and 726 students and has grown over twenty years to include 35,500 schools and over one million students (accounting for over 11% of the primary school children in Bangladesh). Re-named as BRAC Education Program (BEP) in 2003, it fulfills BRAC's stated goal of poverty reduction by providing access to non-formal primary education for those traditionally outside the system of formal schooling. Working mainly in rural areas, BRAC focuses on improving the quality of education services, management, and finance (Chaboux, 2006). While BRAC schools teach students the same competencies as the government schools, they enroll and retain a higher proportion of hard-to-reach children (such as girls, who make up 65% of the student body) (PROCASUR, 2009).

The importance of maintaining literacy outside the school setting has been addressed through the development of BRAC's 964 rural community-based libraries called

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Gonokendras, 185 are equipped with computers with Internet access and 8,016 centers for adolescents called Kishori Kendra that give access to a variety of reading materials (PROCASUR, 2009). BRAC also operates more than 800 schools for adolescent girls in rural Afghanistan.

### **Health**

Health care has been an essential component of BRAC's service model from its early days in the form of preventive, curative, and rehabilitative grassroots health services delivered through four components: 1) BRAC's own programs, 2) partnership programs with the government, 3) facility-based services, and 4) pilot initiatives. The health programs have evolved from small curative care to a large scale Oral Therapy Extension Program to fight massive diarrheal deaths in the 1980s (Ahmed and Rafi, 1999) and a women's Health and Development Program that includes Reproductive Health and Diseases Control Program and National Nutrition Program. BRAC is also actively collaborating with the Health, Nutrition and Population Sector Program of the Government of Bangladesh. These programs involve 29,736 community health volunteers called Shastho Shebikas who are members of the Village Organizations, trained to provide health education, sell essential health commodities, treat basic ailments, collect basic health information and refer patients to health centers when necessary (The Daily Star , 2006). Today, BRAC offers comprehensive health care to 31 million people and through its Tuberculosis control program it reaches about 83 million people.

### **Social Development and Legal Services**

BRAC began its social development program in 1977 to promote greater awareness of social, political and economic issues related to: (1) participation of women in the political process (women's coalition groups) and (2) ensuring women's increased control over their bodies and lives within the country's legal and constitutional framework (Reza & Ahmmed, 2008).

BRAC believes that women need to be aware of their legal rights to protect themselves from discrimination and exploitation and to take action when their rights are violated. To take such steps, women often need external assistance of a lawyer or the police, either through

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legal aid clinics that help women report cases to the local police or get medical care in the case of acid attacks (PROCASUR, 2009).

### **BRAC Community Road Safety Program**

The BRAC community road safety program was launched in 2001 to provide training to 22,000 field officers who undertake community road safety initiatives across the country in collaboration with various departments in the government of Bangladesh (Davis and Quimby 2003). This program includes the formation of community road safety groups, the deployment of student traffic cadets and road safety training for the students and teachers, local NGO executives, heavy vehicle drivers and rickshaw pullers (PROCASUR, 2009). Two well-researched training films and plays were developed and used for the training of local road users. Of particular note is the popular theatre program *Gono Natok* that depicts real life stories of road traffic accidents and how casualties impact the families (Davis and Quimby 2003). Globekids Inc, a US based company is extending the technical expertise of BRAC with funding from the World Bank to (PROCASUR, 2009).

### **Economic Development**

The BRAC economic development program provides the foundation for all of BRAC's development work. It includes microfinance, institution building, income generating activities and program support enterprises. BRAC views micro credit as an important tool in breaking the cycle of poverty but also places equal emphasis on educating its loan recipients about income generating activities and facilitating their linkage with consumer markets (PROCASUR, 2009). It uses an integrated approach to income generation and micro-enterprise creation that focuses on six sectors: poultry, fishery, livestock, sericulture, agriculture, and agro forestry (NextBillion.Net).

**Poultry & Livestock Program:** In 1970, BRAC identified poultry as a potential source of income for poor women and started the poultry program. The program is composed of several components: poultry and livestock extension program, poultry farms and hatcheries, feed mills and feed analysis laboratories, bull station, and the disease diagnosis laboratories. Established in 1999, the Poultry Disease Diagnostic Lab provides disease management support to the six poultry hatcheries and three poultry feed mills that seek to meet the

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increasing demand for healthy chicks and quality feed in rural areas as well as to provide supplies to women trained in a variety of aspects of poultry rearing.

The livestock program was started in 1983 to protect village livestock from disease by developing skilled para-veterinarians and improving local cattle breeds by providing credit and appropriate technical support. It has also developed the successful 'Bangladesh Poultry Model' in collaboration with the governments Department of Livestock Services that involves more than 2 million women in the program.

**Sericulture:** In 1978, BRAC started its sericulture program as part of the Manikganj Integrated Project under rural development program. The main objective was to provide income generating activity and employment opportunities to poor, landless women. The sericulture program includes all stages of activities from planting of mulberry trees and silkworm rearing to production and dyeing of the finished silk product. Currently BRAC produces 40 tons of the total 60 tons that constitutes the country's total silk production.

**Fishery:** The BRAC Fisheries Program was started in 1976 as a way of generating income for the rural farmers. The focus of the fisheries activities is on pond culturing. The fisheries program consists of three different but supporting types of activities; namely, hatcheries, nurseries, culturing. The aquaculture activities have been extended to cover 277,000 households and 180,000 ponds.

**Agriculture Extension Program and Agro Forestry:** The program was started to increase agriculture production through technology transfer related to: 1) vegetable cultivation; 2) crop diversification (rice, maize, wheat, cotton, and sunflower cultivation). It has also established a modern soil testing laboratory to increase the production. In 1996, BRAC started producing high quality seeds for distribution to farmers. Today it has 23 seed production and processing centers. In 2007, 27,000 pounds of vegetables and about 1,674,000 tons of potatoes were exported.

In 1991, an agroforestry project was started on degraded and unoccupied private and government land (khas land) to produce wood, fuel, fodder, food, fruit and vegetables.

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To date, BRAC's Economic Development Program has organized 4.96 million poor and landless people (mostly women) into 160,197 Village Organizations (VOs) to ensure economic and social sustainability by offering credit as well as assistance and encouragement to save (PROCASUR, 2009).

BRAC has invested substantially in commercial enterprises, such as Aarong (retail handicraft chain stores) that link poor rural artisans with the expanding urban markets. Similar enterprises include the BRAC Dairy and Food Project that is the second largest milk plant in Bangladesh and has an integrated system of milk procurement from rural dairy farmers to the production of quality dairy products. The poultry farms and feed mills help to meet the increasing demand for healthy chicks and quality feed in rural areas as well as provide access to women trained in a variety of aspects of poultry rearing (PROCASUR, 2009).

### **Research and Evaluation**

The Research and Evaluation Division (RED) provides research support to BRAC programs related to poverty alleviation, socio-economic development, agriculture, nutrition, health, population, education, environment, gender, and related fields. Although RED concentrates its activities on BRAC programs, it also maintains strong linkages with government organizations, UN bodies, and a number of academic and research institutions at home and abroad. RED emphasizes the importance of effectively sharing research findings with its stakeholders (e.g. BRAC management, donors, field managers, and also policy makers and researchers at home and abroad). Research findings are disseminated through reports, monographs, annual reports, books and book chapters, journal articles, research compendium in multiple languages, and media articles. The research findings are also disseminated through presentations in national and international conferences, seminars, and workshops. Summaries of major findings and important activities are also posted on display boards placed at all the training venues of BRAC. RED researchers published 102 journal articles, 18 books, 75 book chapters and 40 media articles in newspapers and newsletters during 2001-2005 (PROCASUR, 2009).

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## **B. Other BRAC Initiatives**

### **BRAC University**

Inaugurated in 2001 to foster national development by creating a centre of excellence in higher education that is responsive to the needs of society, this program was designed to develop creative leaders and actively contribute to learning and knowledge development. BRAC University began with less than 100 students and has currently 4200 students enrolled (VarsityAdmission.com). Recently BRAC University launched the James P. Grant School of Public Health to address the impending global health worker shortage. In 2008, BRAC Development Institute was inaugurated at BRAC University in Dhaka. The primary goal is to operate as a resource centre that promotes practical research and knowledge for the world's underprivileged.

### **BRAC Bank Ltd**

BRAC Bank is a full service commercial bank focused on providing financial services to small and medium enterprises (PROCASUR, 2009). BRAC Bank began earning revenues in 2004 and in 2009 it has 56 full-service branches as well as 30 service centers in 429 unit offices to serve small and medium size enterprises. During 2008, the bank distributed over a billion dollars in loans to nearly 200,000 small and medium entrepreneurs and the consumer base has expanded to 477,000 depositors and 186,000 advance accounts (<http://www.bracbank.com/>).

BRAC Afghanistan Bank has been operating in Afghanistan since November 2006. It with fifteen Units Offices and four Branches. It is Afghanistan's first commercial micro-finance institution. Expand the frontiers of sustainable agriculture production, 4) the need to adapt to climate change and 5) the need to sustain and expand the gains made by the poor in a globalised economy. BRAC is working actively and in close alliance with civil society organizations, private sector, government and knowledge institutions to address these challenges.

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**Table-13: BRAC at a Glance****COVERAGE**

Districts	64
Upazilas	509
Villages	69,421
Population Covered	110 million

**HRD**

Full Time Staff	49,405
BEP Teachers	65,326
Total	114,731

**DEVELOPMENT PROGRAMMES**

Economic Development Programme
Health Programme
Education Programme
Social Development Programme
Human Rights & Legal Services
Disaster Management, Environment & Climate Change

**GOVERNANCE, MANAGEMENT & CAPACITY BUILDING**

Training
Advocacy
Research & Evaluation Division
Human Resources Division
Public Affairs & Communications
Administration & Risk Management
Finance & Accounts
Procurement, Estates & Mgt Services
Publications
Monitoring
Internal Audit
Construction & Maintenance

Table-13 (contd.)



**SOCIAL ENTERPRISES**

Aarong  
 BRAC Dairy & Food Project  
 BRAC Agriculture & Livestock Enterprises  
 BRAC Printers  
 BRAC Print Pack  
 BRAC Tea Estates  
 Ayesha Abed Foundation  
 BRAC Solar & Biogas

**BRAC INVESTMENTS & RELATED INSTITUTIONS**

BRAC University  
 BRAC Bank Ltd  
 bracNet  
 Documenta Ltd  
 Delta BRAC Housing Finance Corp Ltd

**ECONOMIC DEVELOPMENT PROGRAMME****Challenging the Frontiers of Poverty Reduction Targeting the Ultra Poor**

Coverage	46 Districts
Women Trained	369,600
Total asset transfer( in mil)	1,262,066,894 Tk.
Beneficiaries received asset	133,496
Total Subsistence Allowance	629,996,276 Tk.
Beneficiaries received allowance	133,496
Borrowers	215,723
Loan Disbursed	1,027,756,924 Tk.

Table-13 (contd.)

**Microfinance Programme**

Village Organisations (VO)	294,214
VO members (in mil)	8.30
Total Borrowers (in mil)	6.41
Cumulative (in mil)	TK 394,353.74 (USD 6,453.46)
December 2008 (in mil)	TK 39,327 (USD 576.22)
Outstanding Loan (in mil)	TK 45,499 (USD 666.65)
Repayment Rate	99.29%
Average Loan Size	TK 18,392 (USD 269.48)
Savings Deposits (in mil)	TK 16,989 (USD 248.92)
Cost per loan	TK 981.00 (USD 14.37)

**Offices**

Regional Offices	32
Area Offices	305
Branch Offices	2,705

**MICROFINANCE TIERS****DABI (Economically Active Poor)**

Members (in mil)	6.75
Borrowers (in mil)	5.47
Loan Disbursement (in mil)	TK 264,964 (USD 4,513.37)
Outstanding (in mil)	TK 21,242 (USD 311.24)
Average Loan Size	TK 11,298 (USD 165.54)

**UNNOTI (Small Agri Producers)**

Members	1,282,286
Borrowers	853,058
Loan Disbursement (in mil)	TK 39,533 (USD 589.66)
Outstanding (in mil)	TK 6,164 (USD 90.32)
Average Loan Size	TK 20,420 (USD 299.19)

Table-13 (contd.)

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**PROGOTI (Small & Medium Entrepreneurs)**

Borrowers	261,551
Loan Disbursement (in mil)	TK 89,857 (USD 1,350.43)
Outstanding (in mil)	TK 18,093 (USD 265.10)
Average Loan Size	TK 121,751 (USD 1,783.90)

**EMPLOYMENT & LIVELIHOOD FOR ADOLESCENTS**

VOs	21,472
Members	421,840
Loan Disbursement (in mil)	TK 5,026( USD 72)
Outstanding (in mil)	TK 1,021 (USD 15)
Average Loan Size	TK 8,520( USD 122)

[Source: Official website of BRAC]

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## CHAPTER FIVE

### MEASURING OVERALL ATTITUDE

#### 5.1 MEASURING OVERALL ATTITUDE

Considering the perceptions of consumer and their respective evaluations overall attitude towards the micro credit service provided by ASA and BRAC has been calculated separately.

**Table: 14** Perceptions of consumer and their respective evaluations of ASA and BRAC

	ASA			BRAC		
	bi	ei	biei	bi	ei	biei
Loan Features	3.92	1.28	<b>5.02</b>	3.96	0.96	<b>3.80</b>
Repaying Installment	3.74	1.12	<b>4.19</b>	3.53	0.92	<b>3.25</b>
Recovery System	2.85	0.68	<b>1.94</b>	2.81	0.48	<b>1.35</b>
Savings	4.07	1	<b>4.07</b>	2.80	0.40	<b>1.12</b>
Facility Service	3.01	0.6	<b>1.81</b>	2.62	0.24	<b>0.63</b>
Economic Contribution	3.44	0.88	<b>3.03</b>	2.80	0.12	<b>0.34</b>
Social Contribution	2.77	0.48	<b>1.33</b>	2.74	-0.16	<b>-0.44</b>

Total= **21.39**

**10.05**

[Source: Survey Data ]

Here the chart shows overall attitude towards the micro credit service provided by ASA and BRAC.

At first regarding loan features considering amount given as loan variety of loan, loan supply intensity, conditions, loan access, membership, time needed to repay the attitude towards the micro credit service provided by ASA is 5.02 and for BRAC it is 3.80.

Then regarding repaying installment (considering number of installment, amount of installment. interval between installments, first installment, and rate of interest, record keeping, and rules for failing to pay) the attitude towards the micro credit service provided by ASA is 4.19 and for BRAC it is 3.25.

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Then regarding recovery system (considering coercive action, give pressure, field workers behavior legal action, mental torture, seizing property, health problem) the attitude towards the micro credit service provided by ASA is 1.94 and for BRAC it is 1.35.

Then regarding savings (considering amount deposited, rules, flexibility, interest rate, withdrawal process, time, conditions) the attitude towards the micro credit service provided by ASA is 4.07 and for BRAC it is 1.12.

Then regarding facility service (considering training, flexibility, disaster provisions, interest free loan, measures far loan misuse, monitoring, record keeping) the attitude towards the micro credit service provided by ASA is 1.81 and for BRAC it is 0.63.

Then regarding economic contribution (considering by income generation facilitation capital supply, Family solvency, improves existing business, women income source, self dependency, small business facility) the attitude towards the micro credit service provided by ASA is 3.03 and for BRAC it is 0.34.

Then regarding social contribution (considering group skill, woman education, women, participation in decision making) the attitude towards the micro credit service provided by ASA is 1.33 and for BRAC it is -0.44.

## **5.2 MODEL PRESENTATION**

A number of different multi attribute models have been adopted in order to predict a consumer's attitudes towards an object the attitude towards the object model .The Fishbeins model receives the most attention from consumers and marketing researchers.

Fishbeins position is that people form attitudes towards objects such as a product, service, idea or person, on the basis of their beliefs (perception and knowledge) about those objects. Beliefs are intern acquired by processing information that is obtained from direct experiences with objects and form communication about them required from other sources. Therefore, to understand consumer's attitudes adequately we must determine the beliefs that form the basis of the attitudes.

Fishbeins multi attribute attitude model can be expressed in equation as:

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$$A_o = \sum_{i=1}^n bie_i$$

Where,

$A_o$  = The persons overall attitude towards the object

$b_i$  = The strength of one's belief that the object is related to attribute.

$e_i$  = One's evaluation or integrity of feelings of the goodness or badness of attribute.

$n$  = The number of relevant beliefs for that person.

The model explicitly incorporates the cognitive (belief) and affective (evaluation) components of attitudes. It also accounts for the strength or intensity of these elements. The model states that to determine a person's overall attitude toward some object, it is first necessary to determine those beliefs that have the influence on his attitude. Those most relevant beliefs, called salient beliefs, frequently don't exceed nine in number. The overall attitude towards an object can be obtained by multiplying the belief score by the evaluation score for each attribute and then summing across all relevant beliefs to obtain the value  $A_o$ . Thus the model is applicable to measure consumer's attitude towards micro credit service of NGOs (ASA and BRAC) in Bangladesh. Numerous researchers have used this model to measure consumer's attitude towards an object in investigating consumer preferences.

On the basis of the problem and the variables used in the model following seven null and alternative hypotheses are assumed to be tested.

$$H_{01}: \bar{X}_{LF} = \bar{Y}_{LF}$$

$$H_{02}: \bar{X}_{RI} = \bar{Y}_{RI}$$

$$H_{03}: \bar{X}_{RS} = \bar{Y}_{RS}$$

$$H_{04}: \bar{X}_S = \bar{Y}_S$$

$$H_{05}: \bar{X}_{FS} = \bar{Y}_{FS}$$

$$H_{06}: \bar{X}_{EC} = \bar{Y}_{EC}$$

$$H_{07}: \bar{X}_{SC} = \bar{Y}_{SC}$$

$$H_{a1}: \bar{X}_{LF} \neq \bar{Y}_{LF}$$

$$H_{a2}: \bar{X}_{RI} \neq \bar{Y}_{RI}$$

$$H_{a3}: \bar{X}_{RS} \neq \bar{Y}_{RS}$$

$$H_{a4}: \bar{X}_S \neq \bar{Y}_S$$

$$H_{a5}: \bar{X}_{FS} \neq \bar{Y}_{FS}$$

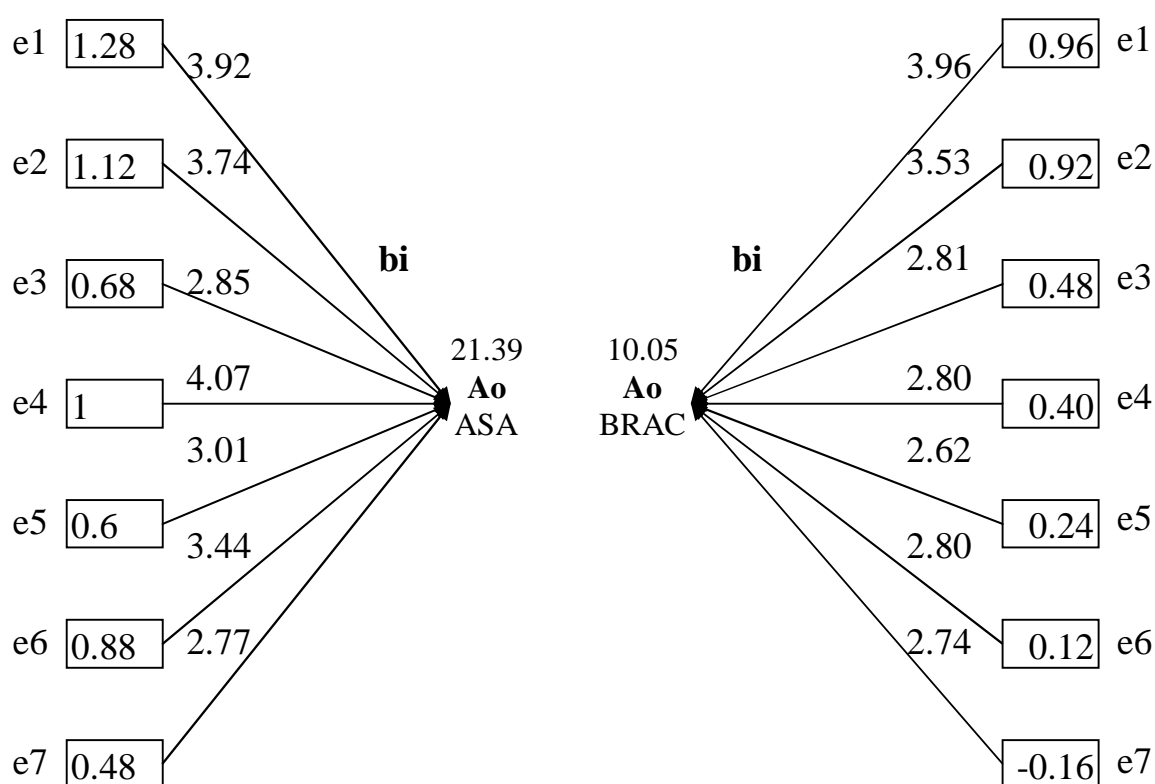
$$H_{a6}: \bar{X}_{EC} \neq \bar{Y}_{EC}$$

$$H_{a7}: \bar{X}_{SC} \neq \bar{Y}_{SC}$$

Where X and Y denote the consumers attitude on microcredit service of ASA and BRAC. Respectively and LF=Loan features, RI=Repaying installment, RS=Recovery system, S=Savings, FS=Facility services, EC=Economic contribution, SC=Social contribution.

Both the table and model shows that the consumer's attitude towards ASA is 21.39 and BRAC is 10.05. The study reveals that the consumers attitude towards ASA is favorable than that of BRAC. The study further reveals that ASA stands favorable perceptions on loan features, repaying installment, recovery system, savings, facility services, economic contribution and social contribution. All the scores show

**Figure-15:** Modal representation of Perceptions of consumer and their respective evaluations of ASA and BRAC



[Source: Survey Data ]

### 5.3 DATA ANALYSIS & INTERPRETATION

Analysis of consumer's beliefs and evaluations:

#### 1. Loan features:

Loan features was measured by 7 characteristics named as amount given as loan variety of loan, loan supply intensity, conditions, loan access, membership, time needed and at last overall belief. On the basis of all this the average belief has been measured.

**2. Repaying instrument:**

Repaying installment as measured by 7 characteristics named as number of installment, amount of installment. Interval between installment, first installment, rate of interest, record keeping, rules for failing to pay and at last overall belief, on the basis of all this the average belief has been estimated.

**3. Recovery system:**

Recovery system as measured by 7 characteristics named as coercive action, give pressure, field workers behavior legal action, mental torture, seizing property, health problem. And overall belief, on the basis of all this the overall belief has been estimated.

4. Savings-Savings yeas estimated by also by 7 characteristics named as amount deposited, rules, flexibility, interest rate, withdrawal process ,time, conditions and overall belief.

**5. Facility Services:**

This feature yeas also budged by 7 characteristics like training, flexibility, disaster provisions, interest free loan, measures far loan misuse, monitoring, record keeping and overall belief.

**6. Economic contribution:**

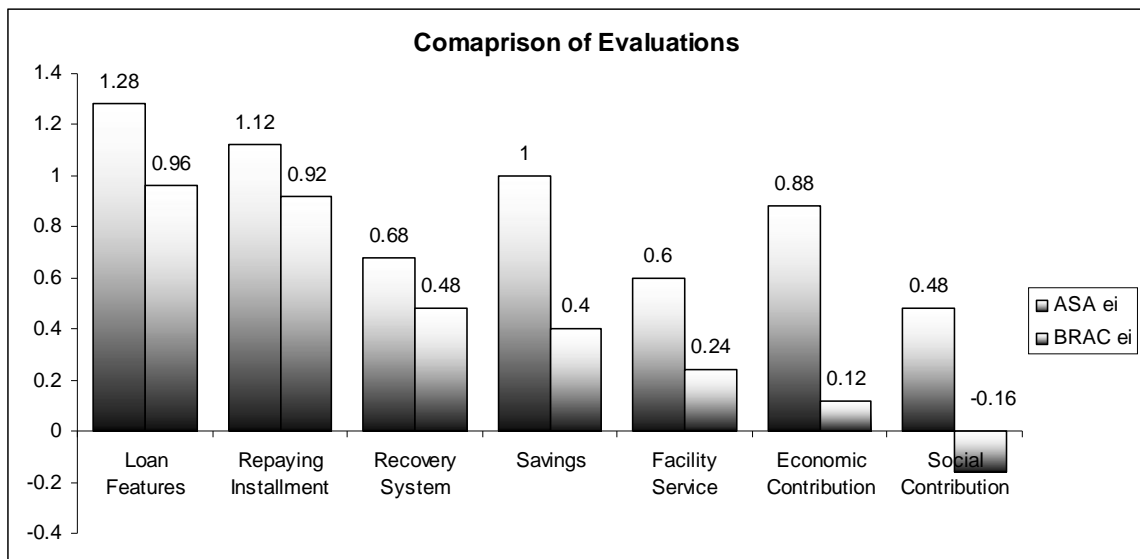
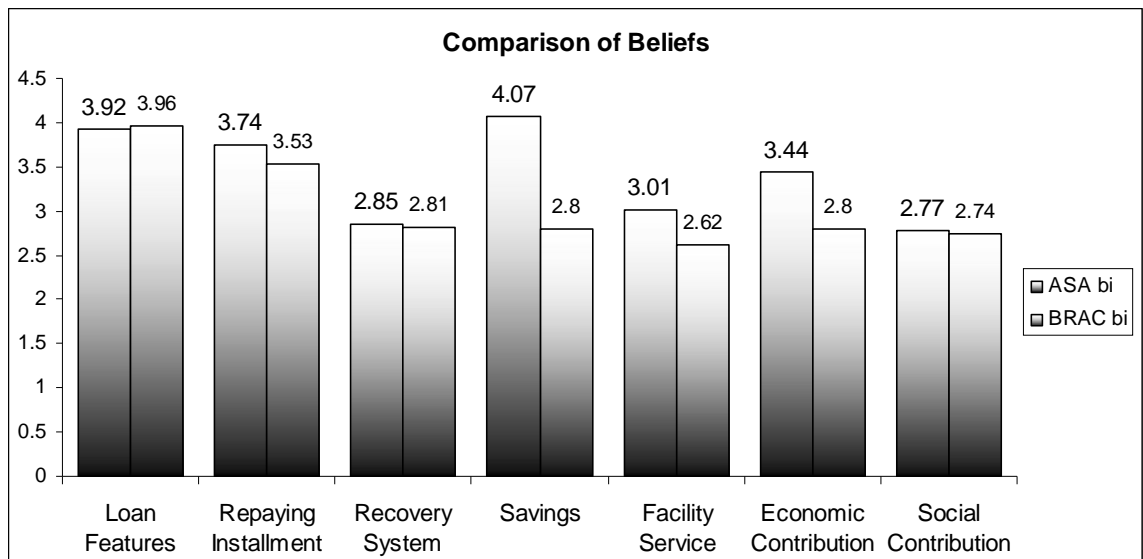
It was also measured by income generation facilitation capital supply, Family solvency, improves existing business, women income source, self dependency, small business facility and overall contribution.

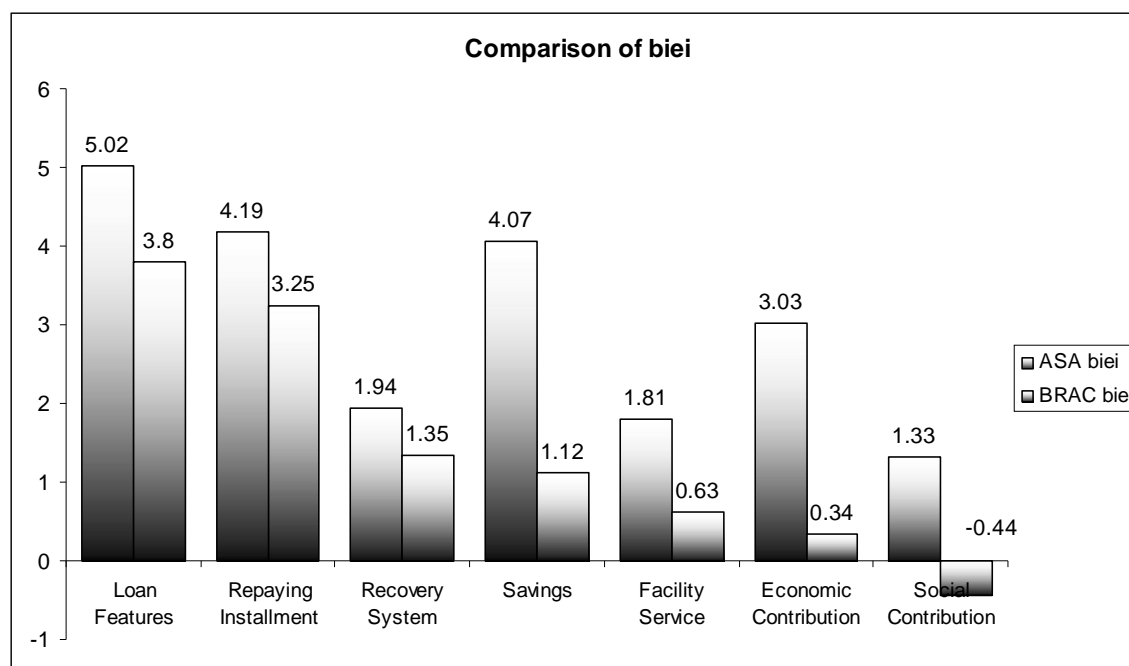
**7. Social contribution:**

This feature was measured on the basis of group skill, woman education, women participation in decision making and overall social contribution. Data was analyzed using mean, standard deviation and a result of hypotheses testing was prepared by T- test.

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## 5.4 TEST RESULT

Table shows that consumer's perceptions on all the attributes are statistically different at 0.5 level of significance. Utilizing the test result the level hypotheses are all rejected. It means for all the attributes ASA and BRAC has far difference.

$H_{01}$  rejected  $H_{a1}$  accepted ( $t=6.474$ ,  $p<.05$ )

$H_{02}$  rejected  $H_{a2}$  accepted ( $t=6.249$ ,  $p<.05$ )

$H_{03}$  rejected  $H_{a3}$  accepted ( $t=5.989$ ,  $p<.05$ )

$H_{04}$  rejected  $H_{a4}$  accepted ( $t=17.180$ ,  $p<.05$ )

$H_{05}$  rejected  $H_{a5}$  accepted ( $t=14.877$ ,  $p<.05$ )

$H_{06}$  rejected  $H_{a6}$  accepted ( $t=42.590$ ,  $p<.05$ )

$H_{07}$  rejected  $H_{a7}$  accepted ( $t=23.478$ ,  $p<.05$ )

T-TEST PAIRS=LF\_A RI\_A RS\_A S\_A FS\_A EC\_A SC\_A WITH LF\_B RI\_B RS\_B  
S\_B FS\_B EC\_B SC\_B (PAIRED) /

[CRITERIA=CI (.9500) (Confidence Interval 95%)]

**T-Test (With SPSS Statistics 17.0)**

**Table-15: Paired Samples Statistics****Paired Samples Statistics**

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	LF_A	5.0176	800	.61775	.12355
	LF_B	3.8016	800	.54191	.10838
Pair 2	RI_A	4.1216	800	.53780	.10756
	RI_B	3.2476	800	.56658	.11332
Pair 3	RS_A	1.9380	800	.41351	.08270
	RS_B	1.3509	800	.28042	.05608
Pair 4	S_A	4.0700	800	.73161	.14632
	S_B	1.1240	800	.23279	.04656
Pair 5	FS_A	1.8030	800	.40648	.08130
	FS_B	.6283	800	.09147	.01829
Pair 6	EC_A	3.0228	800	.28066	.05613
	EC_B	.3360	800	.08031	.01606
Pair 7	SC_A	1.3272	800	.37282	.07456
	SC_B	-.4384	800	.12831	.02566

[Source: Survey Data]

Here A stands for ASA and B stands for BRAC and LF =Loan features, RI = Repayment Installment, RS=Recovery System, S=Savings, FS=Facility services, EC=Economic contribution, SC=social contribution.

**Table-16: Paired Samples Correlations****Paired Samples Correlations**

		N	Correlation	Sig.
Pair 1	LF_A & LF_B	800	-.309	.133
Pair 2	RI_A & RI_B	800	.199	.340
Pair 3	RS_A & RS_B	800	.034	.874
Pair 4	S_A & S_B	800	-.428	.033
Pair 5	FS_A & FS_B	800	.238	.251
Pair 6	EC_A & EC_B	800	-.317	.123
Pair 7	SC_A & SC_B	800	.147	.483

[Source: Survey Data]

**Table-17: Paired Samples Test****Paired Samples Test**

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	LF_A – LF_B	1.21600	.93908	.18782	.82837	1.60363	6.474	799	.000
Pair 2	RI_A – RI_B	.87400	.69929	.13986	.58535	1.16265	6.249	799	.000
Pair 3	RS_A – RS_B	.58714	.49179	.09836	.38414	.79014	5.969	799	.000
Pair 4	S_A – S_B	2.94600	.85740	.17148	2.59208	3.29992	17.180	799	.000
Pair 5	FS_A – FS_B	1.17471	.39481	.07896	1.01174	1.33768	14.877	799	.000
Pair 6	EC_A – EC_B	2.68680	.31543	.06309	2.55660	2.81700	42.590	799	.000
Pair 7	SC_A – SC_B	1.76560	.37601	.07520	1.61039	1.92081	23.478	799	.000

[Source: Survey Data]

## CHAPTER SIX

### SUMMARY

The study results about **objective 1 and 2** - Understanding marketing strategies of NGOs microcredit service in Bangladesh and problems faced by the consumers were discussed in chapter four broadly. From the viewpoint of service marketing the NGOs marketing program are profit oriented than consumers. The interest rate is higher and installment grace period facilities are not available. NGOs have many outlets and workers available. But yet they lack proper information system and consumer positioning which cause improper loan sanctioning.

The study results about **objective 3** - Measuring consumer's attitude shows that consumer's have different attitudes towards ASA and BRAC. The measurement of attitude reveals that the consumers have favorable attitude towards ASA than BRAC. The differences of the attitudes are formed by the contribution of consumer's beliefs on different features/attributes of the services calculated mean of consumer's beliefs on various selected attributes of the service appeared as different. Estimation of those different values using the fishbeines multi-attribute model shows the overall attitude toward the service. The paired sample test result shows consumer's belief on all salient features are different for ASA and BRAC at .05 significant level Consumer's perception. In loan features, repaying installment, recovery system, savings, facility services, economic contribution and social contribution all are greater for ASA than BRAC. Though there may be differences in consumer's attitude it actually matches to the reports of micro credit industry that ASA is the best, from all aspects.

The study results about **objective 4** - is discussed in recommendation chapter.

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## **DISCUSSION OF PROBLEMS**

### **PROBLEMS BEING FACED BY MICROFINANCE PROGRAMS IN BANGLADESH**

Microfinance is the provision of financial services (Loans, savings, insurance) to people on a small scale, such as businesses with low or moderate incomes. Despite good intentions, microfinance still has several hurdles to cross over:

#### **1. Multiple borrowing or overlapping**

Overlapping or multiple borrowing by an individual borrower or household is considered as an alarming issue or problem, according to the respondents.

#### **2. Misuse of credit by borrowers**

As in most of the cases MFIs do not review what is the borrower doing with the money borrowed. Misuse or unproductive use of credit is a usual practice.

#### **3. Lack of innovation**

From almost the beginning till today almost every MFIs follow Grameen Model of micro financing.

#### **4. Severe lack of training and education**

The research and training capability of MRA is poor. MFIs are facing many emerging issues to meet the present and future challenges.

#### **5. Reaching economically backward region**

MFIs/ NGOs could not effectively reach the people of economically backward regions of the country. As a result, MFIs showed poor performance in economically backward areas. [Source: Sarder & Golzare, 2012]

#### **6. Targeting women as borrower and its Social Dilemma**

Most of the microfinance borrowers are women. In usual practices rural community does not appreciate women to go in public and participate in financial activities. Inappropriate targeting of poor households is a major problem to the microfinance providers.

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**7. Higher interest rate**

High cost involved in small loan transactions for Microcredit providers. Higher interest rate is a financial disadvantage of microfinance. Due to higher interest rate charges, Grameen Bank has been criticized, as the interest rate is roughly 31% (The New Nation, 2010), whilst the interest of conventional banking is 10-15% in Bangladesh.(Hossain, et, al., 2011)

**8. Less attention to ultra poor**

Micro financing is to deal with poor, so does it. But there are not much significant interventions for the ultra poor segment.

**9. Lack of capital**

Although the microfinance sector has reported an impressive growth, there is a lack of capital for some of the microfinance institution in the country.

**10. Insufficient repayment time by the microfinance institution to the borrower**

Most of the micro-loans are given for the start of micro-enterprises for a short Period and the loan would have to be rapid from the cash flows generated from the business.

**11. Regulation and supervision**

The MRA is now the sole watchdog of vast microfinance market of the country. As a new organization it is growing day by day. The present capacity of this regulatory organization seems to be insufficient in terms of manpower, resource base and geographical concentration (only in Dhaka).

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## RECOMMENDATIONS

For this program from my observation I may recommend the existing firms in the industry to be more consumer-oriented than policy. Because from marketing perspective it's a part of social marketing so consumer benefit must be ensured first. ASA for its flexible and sophisticated policy stood at this point so others must follow it and must ensure consumer oriented policy NGO's should enhance their service for non profit motive and increase the arena of this program. Poverty alleviation, women empowerment should get highest priority. Marketing policy of NGO's should be formed to create great adorned poor people for self development. Income generation must be ensured facility services must be enhanced. Interest rate of micro credit must be reduced as the target people are poor and they must be given an adequate time to repay. Most cases the interest payment starts when the people has not generated income so interest is to be given from the loan. So, they may be provided adequate time to re pay. Proper utilization of micro credit should be ensured by proper monitoring until the money is properly utilized it can not contribute to alleviate poverty. In brief recommendations are

- > Microcredit service providers must be more consumer-oriented than policy.
  - > Consumer benefit must be ensured first by microcredit service providers.
  - > Microcredit service providers should apply flexible and sophisticated policy
  - > Poverty alleviation, women empowerment should get highest priority.
  - > Income generation must be ensured facility services by microcredit service providers.
-



## **LIMITATION AND FUTURE RESEARCH OPPORTUNITY**

The study exploits various aspects of micro credit service and the marketing strategies of existing top two NGO's in this industry, the study revealed some key attributed on the basis of which anyone can understand and judge this service. Through this study we revealed consumer attitude towards microcredit service of top two NGO's in Bangladesh. But here this study had some limitations.

Firstly as it is a research study in limited time, judged and for educational purpose. So, many fields may not be revealed.

Secondly, for limited resource the field of sample was small and location was limited within Bangladesh.

So, there are greater opportunities for further researcher to reveal better outcome. There are many sub factors under each attribute. Further researcher can utilize it for better statistical application like factor analysis. It may be helpful for microcredit industry also for their policy making.

This study is important from both business and economic perspective as it will help:

- > To enrich the existing literature related to microcredit service.
  - > To help different stakeholders and policy makers of microcredit.
  - > To conduct further research in developing countries on understanding marketing strategy along with measuring consumer attitude.
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## CONCLUSION

There is scarcely a poor country not involved in the promotion of a microfinance program. In recent years, micro credit, in its wider dimension known as microfinance, has become a much favored intervention for poverty alleviation in the developing countries. Although Bangladesh has huge potential for development, it is, for various socio-economic reasons, among the poorest countries in the world. About half of the countries population lives below the poverty line with 80% in the rural areas. Government of Bangladesh in this condition for poverty alleviation adopted the micro credit approach. Both government and non-government organization are implementing the micro credit program and the scope of its efficient growth is enormous. Many research studies have been conducted on microfinance all over the world. It has been found that these researches were conducted focusing on their self purpose or motive, based on different distribution structural research model, adopting different marketing strategies. Despite the fact, researches have been conducted on marketing strategies of microcredit service from organizational viewpoint. But research is extremely limited based on consumer attitude. Surprisingly, research on understanding marketing strategy along with measuring consumer attitude has not been conducted in context of Bangladesh. This study will be an attempt to fill that gap in literature. Micro credit is the extension of very small loans (micro-loans) to those in poverty designed to spur entrepreneurship. These individuals lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. Micro-credit is a part of microfinance, which is the provision of a wider range of financial services to the very poor. The marketing strategies of NGO-MFIs for microcredit program have been explored through the study. This study was based on two top NGOs in this ground in Bangladesh.

From the aspect of service marketing the strategies are regarding target market, positioning, product line, price, distribution outlets, sales force service, sales promotion, research and development. Another important issue is the attitude measurement of consumers receiving the service. Many researches on microcredit service have been followed as literature. And it's an ongoing process to review literature.

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However On this specific topic yet no research has been conducted in Bangladesh. This study may reveal a new dimension on microcredit service marketing.

This study is important from both business and economic perspective as it will help:

- > To enrich the existing literature related to microcredit service.
- > To help different stakeholders and policy makers of microcredit.
- > To conduct further research in developing countries on understanding marketing strategy along with measuring consumer attitude.

The broad objectives of the study are to know about the marketing strategy of the NGOs microcredit program and measuring consumer attitudes towards the service.

Both qualitative and quantitative approach has been followed that is mixed methodology for data collection. Qualitative approach as depth interview has been followed to find out the variables from both the service providers and consumers and then by analyzing the findings final questionnaire will be made for survey.

The contribution of micro credit on our economic development is significant; our poor level people are highly dependent on this industry. At present NGO interest rate is high but if NGO's like ASA, BRAC take initiative they can ensure the proper consumer benefit. Results of this study provide some indications on the concerns and contain affecting micro credit marketing by NGO. The outcome of the study might be used as the basis for the development of better strategy.

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## **APPENDIXES**

### **PRETEST QUESTIONNAIRE**

I am Nahida Parvin Mitul, M. Phil fellow, Department of Marketing, Rajshahi University. I need some information related to micro credit. I need your assistance.

1. Have you taken micro credit? If yes then mention the name of NGO.

.....

2. Which advantages did you get from it?

.....

3. Which problems did you face for taking loan?

.....

4. Which facilities do you want to get from this service?

.....

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## FINAL QUESTIONNAIRE

Dear Respondents,

I am going to conduct a Research on “Understanding marketing strategy and measuring consumer attitude towards micro-credit service of NGOs in Bangladesh. A study on ASA and BRAC.

For the fulfillment of requirement of M. Phil program in the Department of Marketing, University of Rajshahi. The findings of the study will help me to understand the main services that lead the consumers toward the NGOs for micro credit in Bangladesh. Your participation is extremely important to assess the general issues related to micro credit program of NGOs. The answer will be kept strictly confidentially.

We would very much appreciate if you answer all of the questions carefully. Your true and careful opinion is highly encouraged for conducting the study.

Sincerely yours,

Nahida Parvin Mitul  
Department Of Marketing  
University of Rajshahi.

❖ Name of the NGO from which you have taken loan.    a) **ASA**    b) **BRAC**

Please read following each statement carefully and tick appropriate number that represents how strongly you believe or disbelieve with each service that influence the consumer's attitudes towards micro credit program of NGOs. **Note: 5=very strongly believe, 4=strongly believe, 3=somewhat believe, 2=strongly disbelieve, 1=very strongly disbelieve.**

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<b>Loan Features</b>	<b>Very Believe</b>			<b>Strongly Disbelieve</b>		
	5	4	3	2	1	
1. Amount given as loan is adequate.	5	4	3	2	1	
2. Variety of loan is available.	5	4	3	2	1	
3. Supply loan at your doorstep.	5	4	3	2	1	
4. Conditions for getting loan are easy.	5	4	3	2	1	
5. Access to loan is easy.	5	4	3	2	1	
6. Getting membership is easy.	5	4	3	2	1	
7. Time gap between membership and loan offering is low.	5	4	3	2	1	
8. Overall belief about loan features.	5	4	3	2	1	
<b>Repaying Installment</b>	<b>Very Believe</b>			<b>Strongly Disbelieve</b>		
1. Number of installment is reasonable.	5	4	3	2	1	
2. Amount of each installment is affordable.	5	4	3	2	1	
3. Interval between installments is reasonable.	5	4	3	2	1	
4. First installment cutting system is acceptable.	5	4	3	2	1	
5. Rate of interest is reasonable.	5	4	3	2	1	
6. Record keeping system is transparent.	5	4	3	2	1	
7. Rules in case of failure to pay are acceptable.	5	4	3	2	1	
8. Overall belief about repaying installment system.	5	4	3	2	1	
<b>Recovery system</b>	<b>Very Believe</b>			<b>Strongly Disbelieve</b>		
1. Personal coercive actions for repayment are reasonable.	5	4	3	2	1	
2. Group pressure for recovery is reasonable.	5	4	3	2	1	
3. Field workers behavior is acceptable.	5	4	3	2	1	
4. Legal actions taken are acceptable.	5	4	3	2	1	
5. Mental torture for paying is tolerable.	5	4	3	2	1	
6. Seizing property is reasonable.	5	4	3	2	1	
7. Health problem is created.	5	4	3	2	1	
8. Overall belief about recovery system.	5	4	3	2	1	
<b>Savings</b>	<b>Very Believe</b>			<b>Strongly Disbelieve</b>		
1. Amount deposited is favorable.	5	4	3	2	1	
2. Interest rate on savings is acceptable.	5	4	3	2	1	
3. Withdrawal process is favorable.	5	4	3	2	1	
4. Conditions applied are flexible.	5	4	3	2	1	
5. Time required to withdraw is reasonable.	5	4	3	2	1	
6. Rules for missing installation are suitable.	5	4	3	2	1	
7. Org is flexible in disaster or death.	5	4	3	2	1	
8. Overall belief about savings.	5	4	3	2	1	

<b>Facility services</b>	<b>Very Believe</b>			<b>Strongly Disbelieve</b>		
	5	4	3	2	1	
1. Training given is adequate.	5	4	3	2	1	
2. Flexibility is available in disasters.	5	4	3	2	1	
3. Provisions available for failure to pay due to death/disaster.	5	4	3	2	1	
4. Interest free loan supply is available.	5	4	3	2	1	
5. In case of misuse further loan supply is available.	5	4	3	2	1	
6. Proper monitoring is available.	5	4	3	2	1	
7. Record keeping is available.	5	4	3	2	1	
8. Overall belief about facility services.	5	4	3	2	1	
<b>Economic contribution</b>	<b>Very Believe</b>			<b>Strongly Disbelieve</b>		
1. Facilitates income generation.	5	4	3	2	1	
2. Supplies capital without collateral.	5	4	3	2	1	
3. Brings family solvency.	5	4	3	2	1	
4. Improves existing business	5	4	3	2	1	
5. Women income generation.	5	4	3	2	1	
6. Widow/Divorcee can be self dependent.	5	4	3	2	1	
7. Improvement of small business.	5	4	3	2	1	
8. Overall belief about economic contribution.	5	4	3	2	1	
<b>Social contribution</b>	<b>Very Believe</b>			<b>Strongly Disbelieve</b>		
1. Increase group work skill.	5	4	3	2	1	
2. Enhance democratic knowledge.	5	4	3	2	1	
3. Awareness about sanitation and health.	5	4	3	2	1	
4. Increase family planning knowledge.	5	4	3	2	1	
5. Increase woman awareness about rights.	5	4	3	2	1	
6. Facilitates women education.	5	4	3	2	1	
7. Increase woman participation in household decisions.	5	4	3	2	1	
8. Overall belief about social contribution.	5	4	3	2	1	

**PERSONAL INFORMATION (PLEASE TICK/WRITE WHERE IT NECESSARY)**

01. Purpose of taking loan .....
02. Actual use .....
03. How many times you took loan and from where.....
04. Your age: a) Less than 20 b) 20-30 years c) 30-40 years d) 40+
05. Locality.....
06. You are: a) Male b) Female
07. Your monthly/weekly income.....

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## **GENERAL ATTITUDE TOWARDS MICRO CREDIT PROGRAM OF ASA/BRAC**

Please read following each statement carefully and tick appropriate number that represents your overall evaluation which influences consumer's attitude towards micro credit program of ASA/BRAC.

**Note:** 2 = extremely good, 1 = Very good, 0 = somewhat good,  
-1= Very bad, -2 = extremely bad.

Micro credit attitudes impact for ASA/BRAC	Extremely good			Extremely bad	
	2	1	0	-1	-2
01. Loan features provided is	2	1	0	-1	-2
02. Repayment installment system is	2	1	0	-1	-2
03. Recovery system is	2	1	0	-1	-2
04. Savings service is	2	1	0	-1	-2
05. Facility services are	2	1	0	-1	-2
06. Economic contribution is	2	1	0	-1	-2
07. Social contribution is	2	1	0	-1	-2

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