

Bangladesh

**Can there
be a crisis
there too?**



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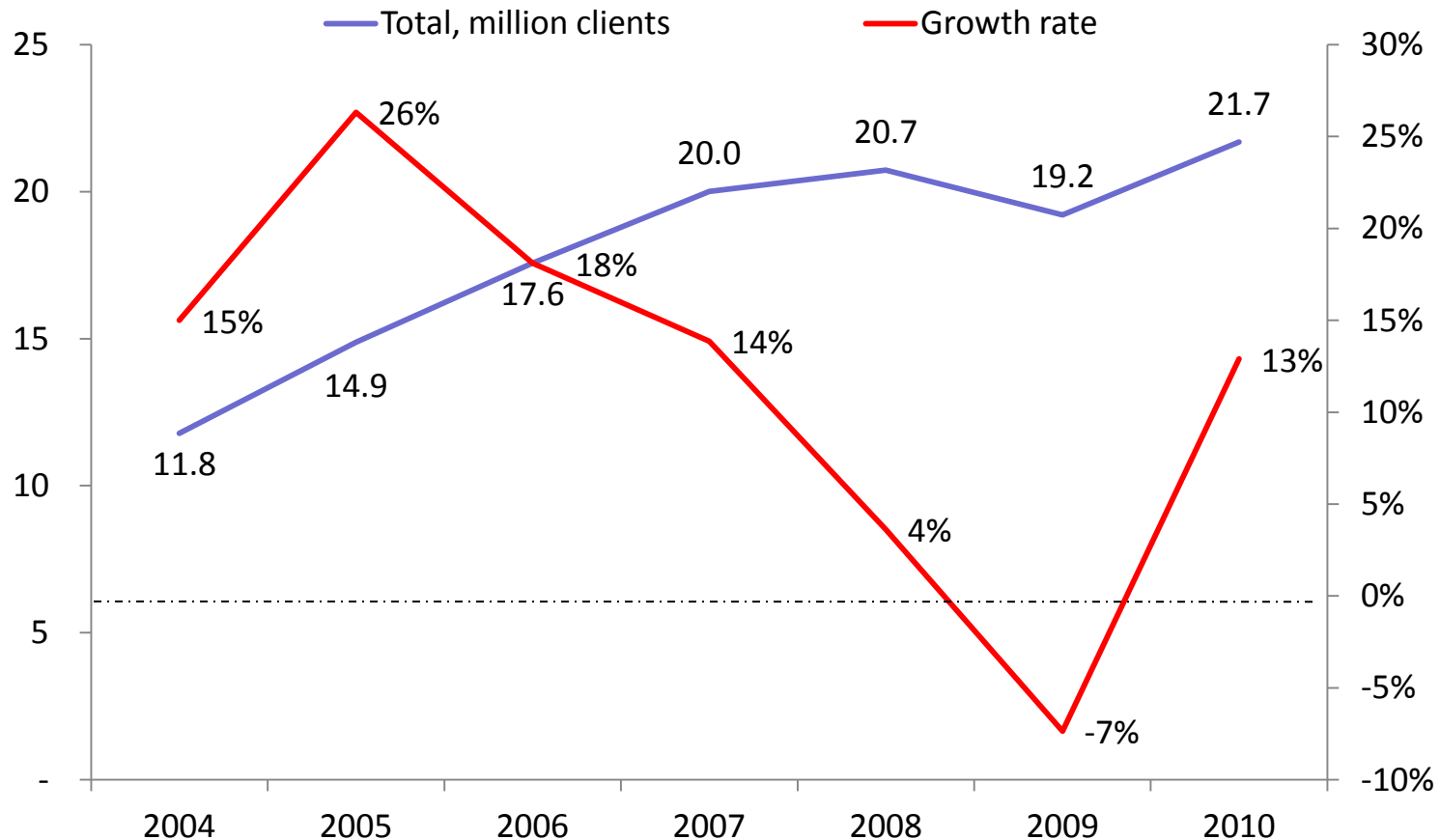
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Mature industry, role diluted

- Established over 30 years ago – one of the first to provide nationwide micro-credit services
- Role as world leader in microfinance diluted by a perceived monoculture of weekly loans, yearly tenure and step cycle increases in loan size
- Uniformity is effective in limiting expenses but does it necessarily meet the needs of clients?
- Not much innovation in product design
- Hesitant foray into deposit services

As there was competitive expansion

- Amongst the largest 15 MFIs in Bangladesh

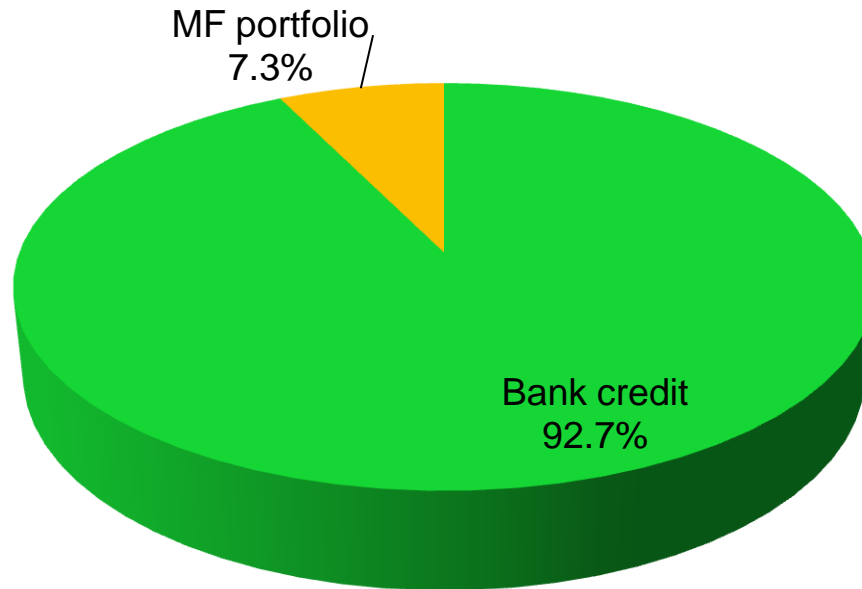


...and the scope for further growth is limited

- According to Bangladesh Microfinance Statistics there were 29 million borrower accounts with around 800 MFIs in 2010
- The largest 10 MFIs serviced over 75% of these accounts
- But there is extensive “overlapping”
 - Total families 33 million
 - Families with <\$1.75 per day, 73% = 24.1 million
 - Exclude bottom 10% = 20.8 million
 - Assume 10% do not want to borrow – 18.5 million
 - Reduce overall accounts by 15-20% for exaggerated claims due to MFI rivalry = 23 million
 - No. of loans per borrowing client household = 1.25
- With pockets of heavy concentration – central Bangladesh

But no political interference so far...

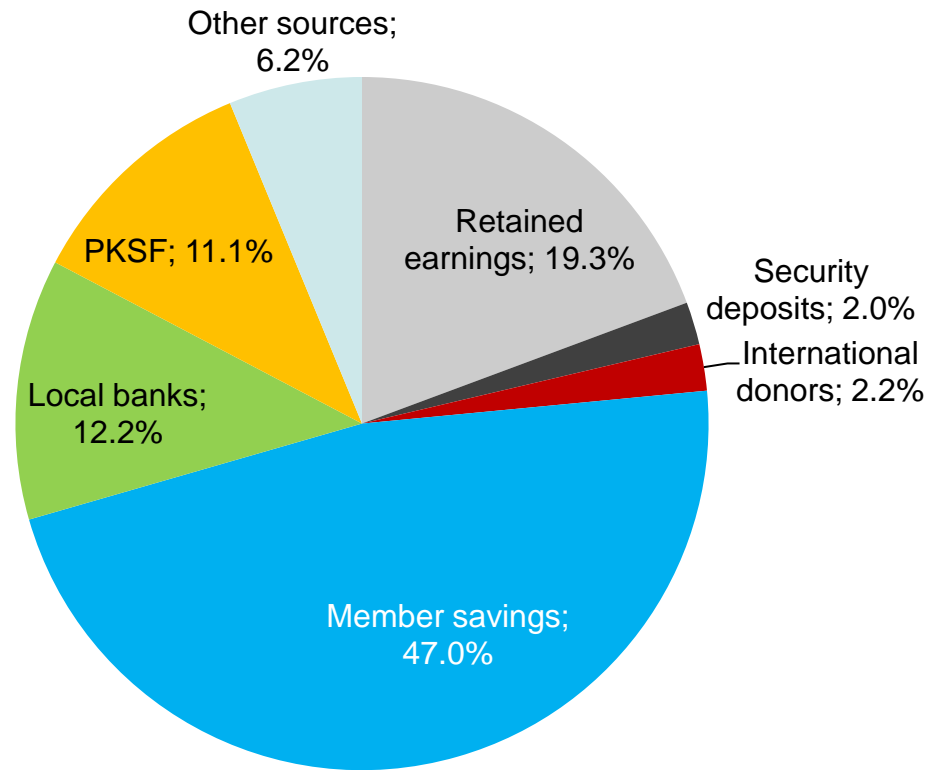
Since the contribution of microfinance to the financial system is substantial...



India, with similar borrower account numbers, MF just 0.64%

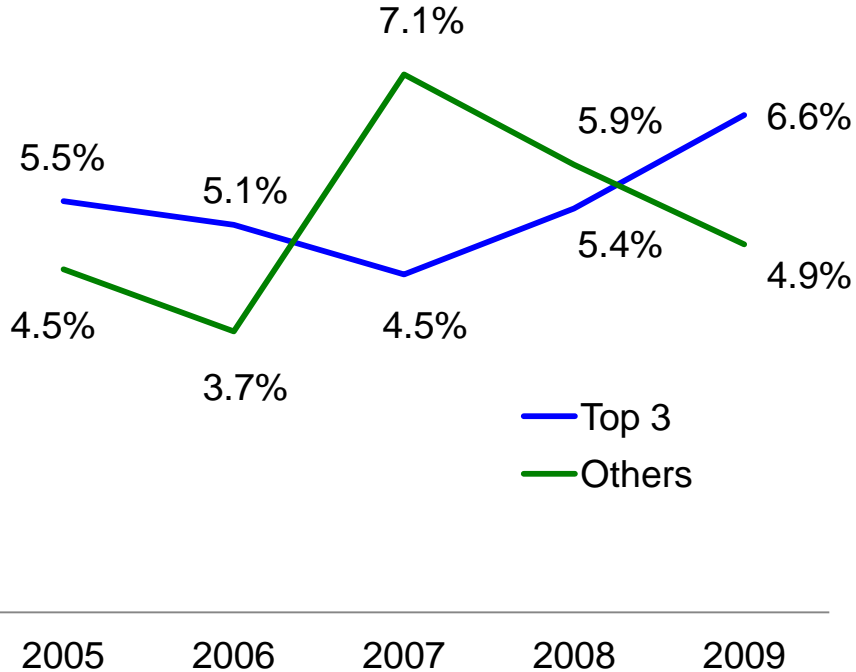
Member deposits play a huge role

in the funding of MFIs & internal accruals are also important

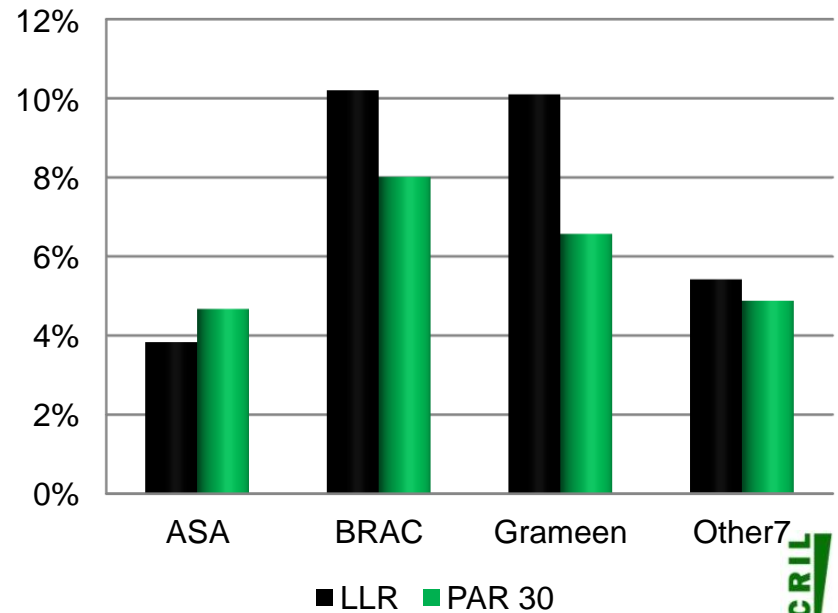


...but portfolio quality is not so impressive

by international standards

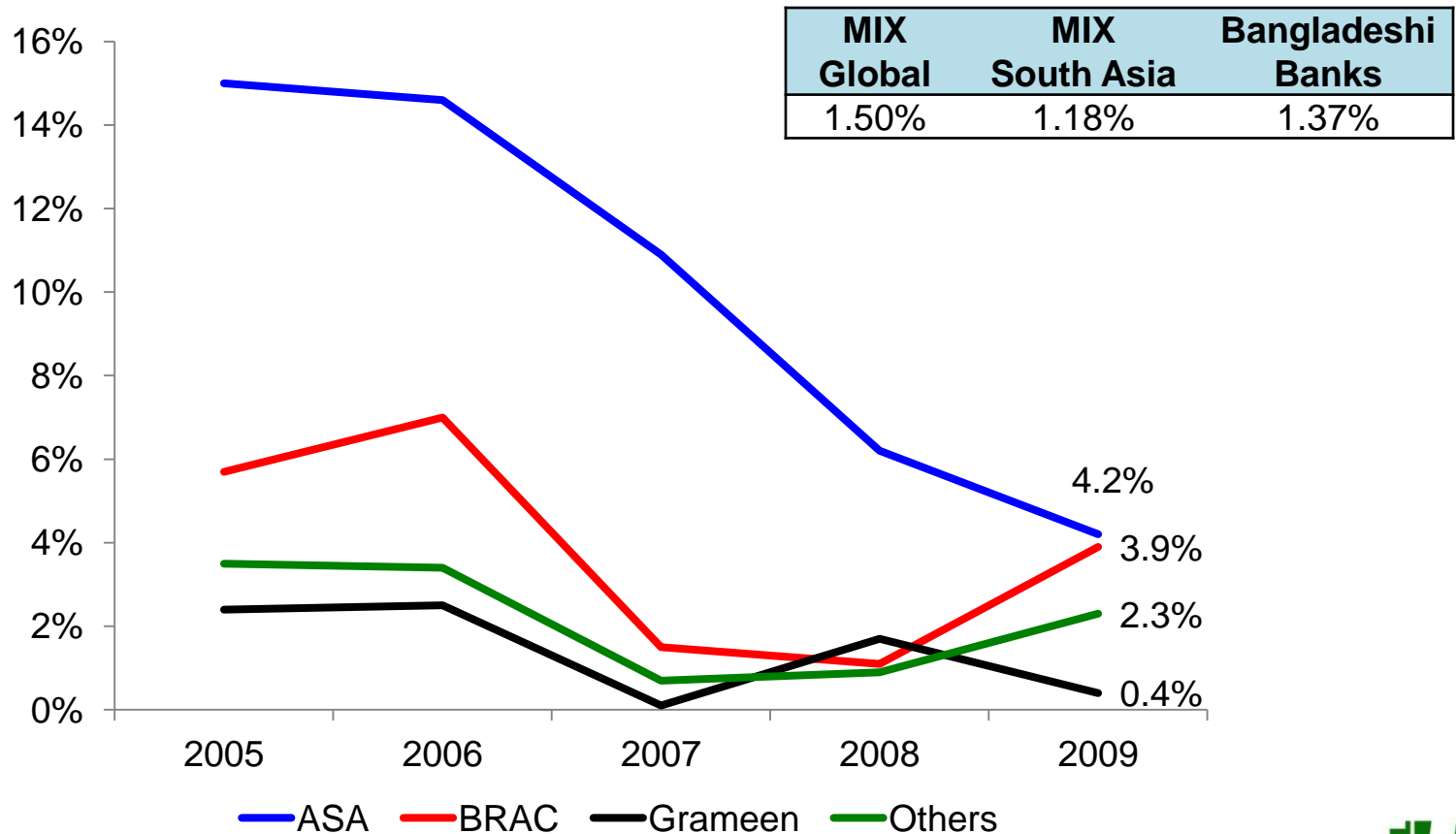


...though current reserve rates are more than adequate



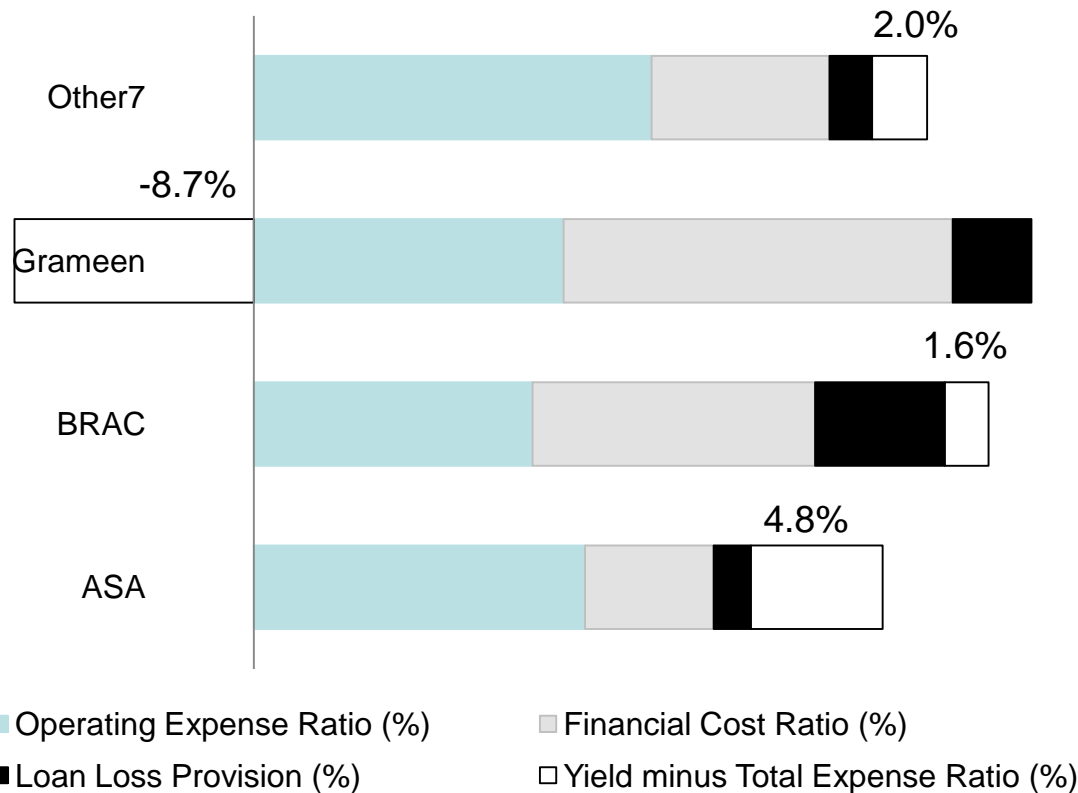
...while return on assets

was clearly affected by the 2007 calamity



Overall, low returns on portfolio

are enhanced by investment income



Overall, low returns on portfolio

- So the profitability performance of the leading MFIs in Bangladesh is reasonable but insecure
- It could be upset by another calamity with the onset of a new monsoon season
- Or by political intervention in the face of renewed competitive expansion

In the context of current developments in the political economy of microfinance the future remains uncertain