

## Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)

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**Rating Promoter:**

INAFI Bangladesh

**Rating:**

Long Term: AA-  
Short Term: ST-2  
Social Impact: SI-3

**Principal Activities:**

Micro Financing Programs  
Social Development  
Programs  
Commercial Programs

**Established in:**

Year 1964

**Own Fund:**

Tk. 470.58m as on 30<sup>th</sup>  
June 2004

**Credit Portfolio:**

Tk. 1578.91m as on 30<sup>th</sup>  
June 2004

**Members' Savings:**

Tk. 662.80m as on 30<sup>th</sup>  
June 2004

**Active Borrowers:**

372.37 thousand as on 30<sup>th</sup>  
June 2005

**Active Savings holder:**

403.79 thousand as on 30<sup>th</sup>  
June 2005

**Executive Director**

Prof. Dr. Hosne Ara Begum

**Chairman of the EC,**

Ms. Mahmuda Begum

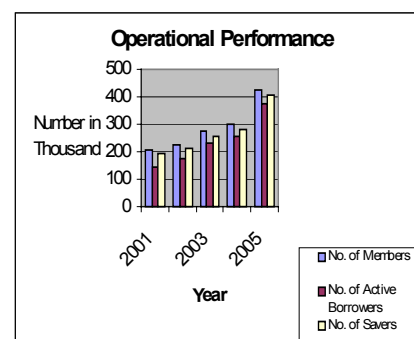
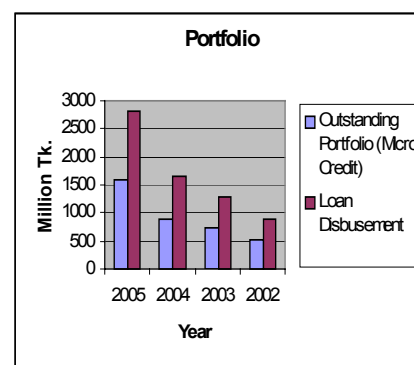
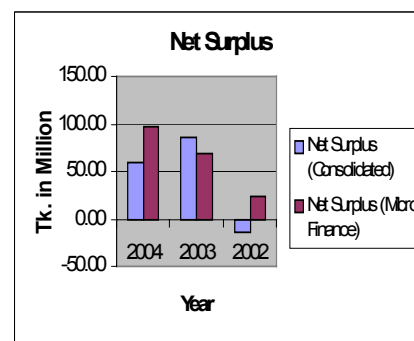
*This is a credit rating report on Thengamara Mohila Sabuj Sangha (TMSS). CRISL's long-term and social impact rating is valid for only one year and short term rating for six months. After the above period this rating will not carry any validity unless the organization goes for rating surveillance on voluntary basis.*

	Long Term	Short Term
<b>Entity Rating</b>	AA-	ST-2
<b>Social Impact Rating</b>	SI-3	
<b>Date of Rating</b>	20 <sup>th</sup> November 2005	

**1. RATING AND RATIONALE**

Credit Rating Information and Services Limited (CRISL) has assigned AA- (pronounced as double a minus) Rating to Thengamara Mohila Sabuj Sangha (TMSS) in the long run and ST-2 in the short run. CRISL also assigned SI-3 Social Impact rating to TMSS for its high impact on the socio economic life of the members. Micro Finance Institutions rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions. The Short run rating ST-2 indicates high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small. The SI-3 Social Impact rating indicates high social impact in terms of change in the quality of life of the poor and hard-core people of the society.

The above rating has been done on the basis of the evaluation of a number operational and financial performance areas of the TMSS for both long and short term vis a vis its organizational and management set up along with its operational activities and environment. The TMSS has been operating in a wide area network of 62 districts (out of total 64 districts) and delivering both financial and social services to its 4,25,052 members through its 11 micro credit and 16 social programs. The TMSS has a strong and solid infrastructure to support its total operation having a higher social impact. The MFI has a participatory management with quality human resources. The organization has been operating with satisfactory operational performance having strong loan and saving outreach. The financial performance of the organization is satisfactory having good internal capital generation from its micro finance operation. With good risk management system, the TMSS has been maintaining good asset quality.



## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

The risk weighted capital adequacy also supports the organization to achieve the above investment grade. The MFI has satisfactory liquidity and sufficient flexibility in organizing fund for immediate need. However, the above rating is constrained by its weak legal set up under the Societies Registration Act 1860. The organization is also lacking in diversified sources of funding.

### **2. INSTITUTIONAL PROFILE**

The TMSS is a non-profit organization and is one of the few NGOs in the country, which is focusing on the poor women and their development. Women who are illiterate, having below 0.50 acres of land in the family and worst victim of oppression and exploitation are the main beneficiaries of this initiative. TMSS, formally known as Thengamara Sabuj Sangha was established in 1964 under Societies Registration Act 1860 at Thengamara village in Bogra District of Bangladesh. It was the strong initiative of social activists namely Ms. Fatema Bewa and Ms. Jomela Bewa who set up the organization with the objective of mitigating poverty, socio-economic development and empowerment of women. Having its address at, Rangpur Road, Thengamara, Gokul, Bogra, it is executing different programs with the assistance of 51 different development partners, which includes Asian Development Bank, World Bank, Palli Karma-Sahayak Foundation, a few embassies of foreign government, agencies of the United Nations, Government Ministries, Departments and Directorates and many other regional and international agencies. The TMSS is registered with six government Departments/ Directorates/ Divisions to carry out different types of activities namely, Social Service Department (1964), Women and Children Affairs Directorate (1980), Health and Family Planning Directorate (1985), NGO Affairs Bureau/ Economic Relations Division (1987), Registrar of Joint Stock Companies (1999) and Narcotics Control Department (2005). The TMSS has built up a networking collaboration with the GOB, national and international NGOs, Development Partners/Donors and Development Organizations at home and abroad as well as with other stakeholders.

The mission of TMSS is to provide its best efforts in bringing the life and living conditions of womenfolk at a dignified level in the family and society and through their capacity building, optimum use of their own and available resources, participation in development activities and fulfillment of their legitimate rights. The vision of TMSS evolves around making the womenfolk happy and prosperous in the society. The goal of TMSS is empowerment of women in the society and to develop the present socio-economic conditions of the targeted beneficiaries through execution of their decisions and using unutilized local resources of the area.

#### **2.1 Organizational Structure**

The TMSS has been operating through a six layer organizational structure such as Para Group (PG), Village Organization (VO), Village Development Committee (VDC), Union Development Committee (UDC), Thana Development Committee (TDC) and District Development Committee (DDC). The election process of TMSS in different layers was found to be democratic and participatory. On an average, 30 members form the PG led by one Group Leader (GL) and one Assistant Group Leader (AGL) selected by other members. On the other hand at least three PGs form into a VO. Seven members (GLs and AGLs of each PG plus one field staff selected by TMSS) constitute the Executive Committee of VO. The Chairperson of VO is the General Body Member of TMSS. The Executive Committee of each VO selects some benevolent persons of the village who are called Social People (SP). UDC is a common forum of Union Parishad (administrative blocks comprised of few villages) based VDCs. Management Board of UDC is formed with the Chairpersons of VDCs and three more persons nominated by TMSS. TDC is formed with the Chairpersons of all UDCs of that Thana (administrative area under a police station comprised of a few Union Parishads) along with five women members nominated by TMSS. DDC is formed with the Chairpersons of all TDCs of a district along with five women members nominated by TMSS. DDC is formed with the Chairpersons of all TDCs of a district along with five women members nominated by TMSS.

#### **2.2 Infrastructure**

TMSS has established required hard and soft infrastructure network all over country in order to carry out its MF program. The TMSS has so far more than 600 acres of land property across the country, which are used mostly for agricultural and fisheries purposes. The above land asset has also the potential of value appreciation, which will further enhance the organizations' strength in future. In addition, TMSS owns several building at Bogra and Dhaka which are permanent assets assisting reduction of the occupancy cost of the organization. Hospital, women shopping mall, training institute, etc. are also included in the infrastructure list. The soft infrastructure of TMSS

## Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)

includes its wide network of branches covering 199 Upazilas, 1614 Union Parishads and 10644 Villages/Mohallahs up to June 2005 in 62 out of sixty four districts of the country. The operations of TMSS were being controlled by 1 liaison office, 15 zonal offices, 65 area offices and 352 branch/project offices as on June, 2005. The TMSS has developed a strong human resource base that is diligently working with targets and plans to achieve the objectives of the organization.

### 2.3 Micro Finance Program

TMSS started micro-financing in the year 1987 with the objective of reducing the poverty of the poor women by empowering them, by utilizing their own resources for income generating activities, to create employment/self employment opportunities for the poor people and to initiate creativity of the poor family. TMSS recognizes four target groups for micro-financing, which are, Ultra-Hard Core Poor, Hard Core Poor, Poor and Progressive Members class. The product lines are well defined with specific loan period, payment frequency, grace period, maximum loan amount, interest rate per annum, etc. The product lines are as follows:

#### Product Details of TMSS

Loan Products	Particulars	
Flexible Credit for Hard-Core Poor	<ul style="list-style-type: none"> <li>• Loan period: 1 yr.-max.</li> <li>• Payment Frequency: Contract Based</li> </ul>	<ul style="list-style-type: none"> <li>• Grace Period Project Based</li> <li>• Max. Loan Amount Tk 5000</li> <li>• Interest Rate p.a.5 to 10%</li> </ul>
Micro-credit for the Poor- rural and urban	<ul style="list-style-type: none"> <li>• Loan period: 1 yr.-max.</li> <li>• Payment Frequency: weekly</li> <li>• Grace Period 1 week</li> </ul>	<ul style="list-style-type: none"> <li>• Max. Loan Amount Tk 20,000</li> <li>• Interest Rate p.a. 12.5%</li> </ul>
Micro-enterprises for job creation by potential entrepreneurs	<ul style="list-style-type: none"> <li>• Loan period: 3 yr.-max.</li> <li>• Payment Frequency: Monthly/ Contract Based</li> </ul>	<ul style="list-style-type: none"> <li>• Grace Period :1 months-maximum</li> <li>• Max. Loan Amount Tk. 3,00,000</li> <li>• Interest Rate p.a. 12.5%</li> </ul>
Housing Loan	<ul style="list-style-type: none"> <li>• Loan period: 10 yr.-max.</li> <li>• Payment Frequency: 6 Monthly</li> <li>• Grace Period : 6 months-maximum</li> </ul>	<ul style="list-style-type: none"> <li>• Loan Amount Tk. 20,000</li> <li>• Interest Rate p.a. 5%</li> </ul>
Sanitary Loan	<ul style="list-style-type: none"> <li>• Loan period: 1 yr.-max.</li> <li>• Payment Frequency: weekly/ Contract Based</li> </ul>	<ul style="list-style-type: none"> <li>• Grace Period : 2 weeks</li> <li>• Max. Loan Amount Tk.2,000</li> <li>• Interest Rate p.a.0 to 10%</li> </ul>
Livestock Loan	<ul style="list-style-type: none"> <li>• Loan period: 1 yr.-max.</li> <li>• Payment Frequency: Contract Based</li> </ul>	<ul style="list-style-type: none"> <li>• Grace Period : contract based</li> <li>• Max. Loan Amount Tk.20,000</li> <li>• Interest Rate p.a 12%</li> </ul>
Fish Culture Loan	<ul style="list-style-type: none"> <li>• Loan period: 1 yr.-max.</li> <li>• Payment Frequency: Contract Based</li> </ul>	<ul style="list-style-type: none"> <li>• Grace Period : contracted based</li> <li>• Max. Loan Amount Tk.20,000</li> <li>• Interest Rate p.a.5% to 12.5%</li> </ul>
Investment Loan for pond and farm	<ul style="list-style-type: none"> <li>• Loan period: 5 yr.-max.</li> <li>• Payment Frequency: Contract Based</li> </ul>	<ul style="list-style-type: none"> <li>• Grace Period : contracted based</li> <li>• Max. Loan Amount Tk.20,000</li> <li>• Interest Rate p.a.5% to 12.5%</li> </ul>
Education Loan	<ul style="list-style-type: none"> <li>• Loan period: 10 yr.-max.</li> <li>• Payment Frequency: Contract Based</li> </ul>	<ul style="list-style-type: none"> <li>• Grace Period : Contracted based</li> <li>• Max. Loan Amount Tk.300,000</li> <li>• Interest Rate p.a.5% to 10%</li> </ul>
Crop Loan	<ul style="list-style-type: none"> <li>• Loan period: 1 yr.-max.</li> <li>• Payment Frequency: Contract Based</li> </ul>	<ul style="list-style-type: none"> <li>• Grace Period : Contracted based</li> <li>• Max. Loan Amount Tk.25,000</li> <li>• Interest Rate p.a.8% to 12.5%</li> </ul>
Consumer Product Loan	<ul style="list-style-type: none"> <li>• Loan period: 3 yr.-max.</li> <li>• Payment Frequency: Contract Based</li> </ul>	<ul style="list-style-type: none"> <li>• Grace Period : Contracted based</li> <li>• Max. Loan Amount Tk.300,000</li> <li>• Interest Rate p.a.7% to 10%</li> </ul>

The major lender for micro credit program of TMSS is Palli Karma-Sahayak Foundation (PKSF), a wing of the Government of Bangladesh for supplying low cost fund for micro financing.

## Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)

### 2.4 Lending Schemes

TMSS loans are disbursed in two broad categories as follows:

**General Loan:** Borrower has the liberty of choosing the type of loan falling under this category and may use the same according to his capability.

**Project Loan:** Disbursement made for a particular period for projects like fisheries, livestock, poultry/duck farming, housing etc.

The TMSS follows 11 criteria for selection borrower as per the credit manual. Attendance records in weekly meetings, past loan records, experience, results of investigation from neighbors and family members etc. are few of the criteria followed for selection of borrowers. Preconditions detailed in the credit manual are followed before approval and disbursement of loan. A maximum of Tk. 19000.00 is advanced to a borrower subject to fulfillment of all preconditions. Savings-credit ratio is 5-10% and the borrower should be able to deposit Tk. 10.00 to 20.00 per week. Subject to certain conditions, credit proposals are discussed and approved at the weekly meeting of members and at least 80% of members must endorse the proposal by signing the same. As regards recovery the TMSS follows the practice of adding service charge with principal and recovers the same by 45/23/11 installments within a year.

### 2.5 Saving Scheme Practices

TMSS operates savings activities with the objectives of accumulating small amounts from individual client. Group members are encouraged to save money on regular basis to grow their own capital over a period of time. Every member has a passbook and they get their interest as per bank rate. Savings are classed into two categories:

**Regular Savings:** a) General Savings: General Savings are collected from group members on regular or weekly basis. b) Flexible Savings: In order to make the hard-core poor saving oriented and create their capital, TMSS operates Flexible Savings facility among them. The members save Tk. 2.00- Tk. 10.00 on regular basis. c) Security Savings: Security savings are collected at the rate of 2.5% of the loan disbursed which carries no interest. The amount is paid back on termination of membership. This saving also works as an insurance for the members. In case of death, double amount of the saving is refunded.

**Voluntary Savings:** a) Special Savings: The Group Members accumulates this savings and can withdraw this at any time as per their need. B) TMSS Savings Scheme: The beneficiaries save their money in TMSS savings scheme for a particular period and it is returned while desired by the member or according to savings rule of TMSS.

### 2.6 Other Financial Programs:

TMSS maintains some other financial programs in addition to the Credit Programs. The programs are:

**Member's Benevolent Fund (Insurance):** All the beneficiaries of TMSS is involved in this program. This financial service is provided to any member or the nominee in case of crisis situation.

**Grant Allocation:** NGOs who have small worthy initiatives and those who are the networking members/CEFE club members/ registered cooperative Samity are allocated grant money from TMSS. Presently 40 NGOs are under cover of this program.

**Award Giving:** TMSS awards groups, local initiators, social people, scholars and innovative initiators for their extra-ordinary performance for successful implementation of programs.

**NGO Financing:** TMSS was involved in supporting some NGOs with finance and for their capacity building. 27 NGOs were getting this support and the scheme has now been closed.

### 2.7 Commercial Undertakings

There are two commercial undertakings of TMSS namely, TMSS Utpadon and TMSS Livestock (dairy and poultry). TMSS Utpadon collects different products from different Small and Medium Enterprises (SMEs) of own, members or non-members and distributes through its nine sales centers in Dhaka, Chittagong, Bogra, Rajshahi and Joypurhat. The product includes handicrafts products, gents & ladies wear, fabrics, food, dried fishes and different agro-products. TMSS has also established boarding houses at different places in Bogra District. There is a plan to establish a most modern highway restaurant at the west end of Jamuna River Bridge, Sirajganj on its own land.

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

At present, TMSS exports its products in limited quantities, and is planning to start with large scale in near future. In addition, a most modern market for women at Bogra (Nawab Bari Road) is under construction and is expected to be opened within 2005.

### **2.8 Social Development Programs**

TMSS has been operating different social development programs for its members with the assistance of development partners other than PKSF. These support programs have been implementing with the assistance of Sonali Bank, World Fish Center, USAID, ILO, OXFAM, Department of Agricultural Extension, Fourth Fishery and other Development Partners. It is noteworthy that the above support programs have direct favorable impact in creating an enabling environment for operating MF programs successfully. Some of the Social development programs are mentioned below:

**Women, Children and Gender Development:** The activities of TMSS revolve around capacity improvement of women so that they can participate in decision making process to mitigate their poverty. For the purpose of women, children and gender development, the TMSS activities include i) Baseline survey/social survey, ii) Assessment of need of the beneficiaries, iii) Linkage of credit/service programs with the development programs, iv) Special workshop, seminar for gender awareness, v) Rehabilitation of children at four centers at Bogra, Dhaka, Joypurhat and Rajshahi, vi) Prevents women and child trafficking by conducting awareness and training programs in the northern region of the country, vii) Child care centers for the children of working mothers, viii) Rehabilitation of old persons at two old homes at Bogra and Dhaka ix) Sheltering of distressed women at two shelter homes and x) Housing of working women at two hostels at Bogra and Dhaka

**Human Development and Training Program:** Human Resources Division of TMSS offers continuous training facilities to its staff and members from other NGOs for their capacity building in undertaking development activities. These training programs are skill-based and right-based. Beneficiaries are made aware through different programs about water and sanitation, education, health, HIV/AIDS, human rights etc. Post training support and training for appropriate technology among beneficiaries are given on regular basis. Deserving staff members are awarded and recognized for their extra-ordinary performance. Cultural team of TMSS initiates cultural activities to develop their cultural talents and awareness building.

**Health and Nutrition Services:** As per philosophy of TMSS and demand from the beneficiaries, TMSS has established health sector in 1990 to provide health services to its beneficiaries and the poor community people. TMSS, with the support of Terre des Homes of Netherlands, has established a 31 bed Rafatullah Community Hospital (RCH) at Bogra. The programs include Preventive Health-care Services, Curative Health-care Services, Expanded Program for Immunization in northern areas of Bangladesh through RCH and satellite clinics. 3882 children were immunized during 2003-04, Family planning services in the project area, Sub-clinical Services through 18 sub-clinics in operational areas, Satellite/Mobile

Clinics, Sanitation and Safe Drinking Water through advocacy and awareness raising activities, Arsenic Mitigation Program to identify and monitor arsenic content in tube-well water. Assessment of Nutrition Status to provide suggestion as an implementing organization of the government's National Nutrition Project in 9 Upazillas, Campaign for HIV/AIDS prevention among the people by using different tools, Anti Drug movement by organizing seminars, workshop, counseling etc, Modern Diagnostic Facilities at the Diagnostic Center of TMSS, Ambulance Service at RCH at reasonable cost to anybody and Emergency Health Camps for flood victims and victims of cold . During the year 2003-04 a total of 18,155 persons received curative health care services, 266, 537 persons received preventive health care services 11,237 persons were provided with services at Health Camps.

**Income Generating Activities (IGA) and Job Creation Program:** Under this program unemployed poor women are engaged in production of various products like home-textile, handicrafts and various cottage products. The steps include product development and research, training, order procurement, linkage and referral services, out-let and display center etc. TMSS has a number of processing centers in the working areas and about 2000 skilled workers have been engaged in these centers till June, 2004.

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

**Education Program:** Education is one of the highest priority projects of TMSS. The programs are of three types, such as i) Formal Education, ii) Non-Formal Education (NFE) and iii) Technical Education. TMSS has been operating and executing a number of Primary Schools Kindergarten Schools, Secondary Schools, Colleges, Pundra University of Science and Technology, Technical College and Art. NFE is one of the major educational programs of TMSS. The organization executes NFE programs for 200,000 illiterates through 3205 centers and the rate of achievement is 92%. 3200 teachers are involved in this program. TMSS received many national awards and certificates as the best NGO in the NFE sector. TMSS has been conducting technical education programs for skills improvement of the beneficiaries. Formal, training centered education and field level training approaches are followed by TMSS for technical training.

**Agriculture and Para Agriculture Program:** TMSS has been engaged in agriculture related activities since 1986. The agricultural related activities include afforestation through Social Forestry Program and Village & Farm Forestry Program (3,850,000 saplings planted so far), Plant Nursery program under which 150 farmers were trained who raise average of 50000 saplings per year, Horticulture program to grow fruits and vegetables in own farm houses, Seed Processing & Distribution program through which 9100 kg of seeds of different crops were produced for own consumption as well as for sale at low price among the farmers. There are other technology-based programs under agricultural program also. Para agriculture, with minimum requirement of land and capital, has proven beneficial to many members who were supported by TMSS with credit, technology and marketing. Para agricultural activities include poultry farming, livestock farming, poultry hatchery, fruit and vegetable farming, beef fattening, goat rearing, pisciculture etc. TMSS is supporting the farmers with artificial and natural insemination of cattle heads and fish fries from own hatchery and nursery units. In order to protect local variety of fishes TMSS has established a sanctuary for fishes. A total of 85084 members were benefited from these programs.

**Environmental Development Program:** In the process of implementing its projects/programs TMSS gives emphasis on environmental protection by utilization of natural resources/waste products. Bio-gas plants from cow-dung, poultry litter and waste, solar home system, eco-tourism/biodiversity (Eco-park on 41 acres of land), prevention of soil erosion, rain water harvesting for eco-environment/renewable energy generation, production of organic fertilizer, integrated pest management, campaigning against environment pollution, eco system promotion, garbage recycling etc., are few of the projects being executed by TMSS to protect environment.

**Human Rights and Legal Support:** TMSS, with the motive of establishing good governance in the society, is devoted to the establishment of human rights in the society from the very inception. TMSS has been working to establish human rights at the grass root level by raising awareness, by providing legal support, food, boarding, medical support etc. to the distressed, divorced and victimized women and children until dispute is resolved, arrange arbitration by involving local leaders to resolve some disputes, uses all the campaigning tools to uphold human rights, advocacy and counseling to change the attitude of the leaders of society etc. TMSS is also involved in co-operative networking with North Bengal NGO Forum consisting of about 150 members to provide legal assistance and relief and rehabilitation support.

**Entrepreneurship Development Program:** Entrepreneurship Development Program (EDP) is the business development window of TMSS. It has been organizing training courses on different need based trades for its beneficiaries. Under EDP TMSS has conducted 113 training courses involving 49 trades and 1027 trainees during 2003-2004.

**Researches, Planning, Documentation and Publication:** Action research to test/experiment efficiency of certain approach, conventional/academic research, organizational development research for internal improvement of organization, short, medium and long term planning, documentation of the activities of TMSS and publication of reports, TMSS Barta, books and campaigning materials are being done on regular basis.

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

**Local Resources Mobilization and Utilization:** Identifying of local resources, making of the same for utilization by engineering department and hand over the same to the beneficiaries and others and land development for proper utilization are a few of the activities of TMSS under this program.

**Networking and Collaboration:** TMSS has built up a networking collaboration with the Government of the Peoples' Republic of Bangladesh, national and international NGOs, Development Partners/Donors and Development Organizations at home and abroad.

**Disaster Management:** Bangladesh is in a disaster prone area. Occasional disaster situation like flood, cyclone, draught, monga etc. are the regular features in Bangladesh, which makes many people homeless and penny less every year. Awareness building, disaster preparedness programs, organizing rescue and relief camps, emergency response to natural disaster/relief distribution, emergency assessment of catastrophic situation, preparation of contingency plan, medical support, rehabilitation and long term disaster management are a few of the programs being pursued by TMSS.

**Development Program for Char (raised land in river strips) Dwellers:** The people in the char areas, who are constantly exposed to flood risks, are one of the most vulnerable in the society and are classified as the hard-core poor. TMSS is engaged in right based and income based activities for the hard-core poor of the char areas.

**Ethnic and Tribal Development Program:** TMSS has regular and continuous Social Assistance Program for tribal population. At present 31000 tribal people from Dinajpur, Naogaon, Rajshahi and Sirajganj are involved in this program.

**Comprehensive Social Development Program:** TMSS is now implementing Social Assistance Program- a sub-component of Social Investment Program Project (SIPP) financed by the Bangladesh Government with assistance from IDA. On the basis of unemployment situation as well as socio-economic condition in Bangladesh occupational skills training and employment assistance is one of the important package activities among four packages of social assistance services in about 60 villages of Gaibandha district.

### **2.9 Marketing and Competition**

The main objective of the NGOs involved in Micro-credit programs is to seek out the poor with potential self-improvement capabilities. Micro-credit program operators aims at empowering the poor by providing them a little amount of credit, train them on the best way to use the credit amount and motivate them to save and pay in small installments, which they are capable of paying without affecting their standard of living. The target group of people has never been the favorites of the commercial banks and has always been the target of village moneylenders with ill motives, which make them poorer. More than 80% of the people of Bangladesh live below the poverty line and significant portion of this population is hard-core poor with no address of their own and depends on others for food and clothing. The history and experience of Micro-credit operation in Bangladesh has shown the world as to how reliable the poor people could be in case they are pursued on personal and group level, both for the best use of fund and for the need to save small amount of money daily to pay loan installments on routine basis. Not many of the NGOs have targeted the hardcore poor due to high-risk elements involved in the operation. The main target of the NGOs is the poor people who maintains a social environment and can be grouped at village/mahalla level. NGOs and other Micro-credit operators in Bangladesh are involved mostly in areas with good communication system, existence of commercial environment and infrastructure, good mix of rich and poor, reasonably good law and order situation, similarity in social culture, minimum client base to run successful operation, the standard of education etc. The number of potential people is not the main barrier in extending Micro-credit programs in many areas and the competition between the program operators is mainly for quality of operation. With the improvement in communication system the potential areas will be further extended and there should not be any real competition for the good operators to reach the poor with good programs and services.

TMSS has prepared 10 years business plan including implementation guideline to achieve the target growth of its microfinance portfolio and branches. The branch network as per this plan would be 509, which is 212 more than the present strength of 297 branches all over the country for MF activities only. The targeted micro-financing portfolio as per the plan would be Tk. 5.94 billion up to 2015. Total staff up-to 2015 would be 6525, including field staff of 4168 and head office staff of

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

2357 to administer the growing portfolio of the organization. At present, PKSf fund and members' savings (deposits) are the main sources of fund to achieve the targeted growth of micro financing portfolio. However, discussions are on with the World Bank, ADB and other multilateral agencies for their assistance carrying out the social objectives of this organization.

### **2.10 Market Penetration**

TMSS follows a systematic branch viability study procedure before opening a branch. The procedures include selection of location, survey of location and approval for opening of branch. Policy guidelines for selection of location define that the working area should be accessible by bicycle within one hour, density of population should be medium to high with high percentage of poor, location of office should be near the bank, bazaar and high population density area, transportation system should be good, target family should be at least 2000, presence and trust of other NGOs, comparatively less developed and poor area, working area within 10 kilometer from the proposed office etc. A survey form for opening of branches is filled in with 30 criteria each having 5 to 10 marks with total mark of 250. The proposed branch must score 150 marks in 20 out of 30 criteria. The survey report is then sent to the head office for approval.

### **3. MICRO FINANCE INDUSTRY IN BANGLADESH**

Bangladesh is one of the poorest and densely populated countries of the world. Nearly half of the population lives under the poverty line, out of which 28 million are hard-core poor. The poverty situation has further deteriorated and the UNDP Human Development Index (HDI) has ranked Bangladesh as one of the poorest countries. High population growth rate, landless people, river erosion, floods and other natural disasters have reinforced the existence of continual poverty since independence. These have resulted in lower per capita income, high unemployment rate, increasing disparity in urban-rural areas and finally substantial growth in rural to urban migration.

The history of MF in Bangladesh dates back to nineteen sixties, when the world famous MF initiator Prof. Yunus started a personal approach with the poor at Chittagong by extending collateral free credit. Its immediate success led the way to the formation of Grameen Bank, the pioneering model for MF in Bangladesh and around the world through Grameen Trust. The relief organizations were set up immediately after independence to help rebuild the war ravaged country experienced from Grameen success story that poor, hitherto believed not to be credit worthy and bankable, are the most reliable as far as loan repayment is concerned and if empowered with money, training and put them in groups could develop into quality borrowers with astonishing recovery rate of over 98%.

Bangladesh is known to be the friendliest country towards MF industry. The legislations passed in 1983 to allow Grameen Bank to operate MF programs and the directives of NGO Affairs Bureau to extend loans to the poor had given the MF NGOs quasi-legal status. The government encouraged its own banks and agencies to run MF operation by replicating models practiced successfully by Grameen, BRAC and other NGOs. The Government went further ahead in setting up of Palli Karma-Sahayak Foundation (PKSF) in 1990 to provide low-cost fund to the NGOs. Under the above backdrop, Bangladesh now boasts of having the largest micro finance industry in the world. Most of the dominating and large NGOs operating in Bangladesh have started or strengthened their operation in Micro-Finance sector during last two decades and the growth of the industry had been remarkable. The successes of larger NGOs in MF sector encouraged many others to join in. The success and methodology of Grameen Bank have led others to believe that the Grameen style of MF (with a few modifications in cases) is the best way to attract poor and help alleviating their poverty. The MF models in Bangladesh pioneered by Grameen and BRAC are now being replicated around the world. In terms of conditions of products and methodology of implementation, most of the larger NGOs have modified their approach regarding their relationship with the beneficiaries and in structuring their respective organizations.

#### **3.1 Role of PKSf, GOB and Banking Sector**

In view of higher growth rate of MF activities in Bangladesh and its favourable impact on the poverty alleviation, the demand for fund increased manifold but the fund from donor agencies available on piece-meal basis found to be inadequate to meet the growing requirement. In order to narrow down the demand-supply gap of fund for MF activities in Bangladesh and to assist the NGOs to maintain their required growth rate the Government came forward to set up a funding institution titled "Palli Karma-Sahayak Foundation (PKSF)" in 1990. The PKSf, an independent and non-profit company registered under the Companies Act of Bangladesh, was established outside the ambit of government bureaucracy. GOB

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

provides fund from the annual budget for the PKSF to act as an apex financial institution for the NGOs to provide fund to support their loan program. At a later stage the successes of MF NGOs have also encouraged some private commercial banks to come forward with MF programs. Some GOB agencies have credit program for the poor as well. The establishment of PKSF, its strict evaluation and monitoring, has gone a long way in strengthening the growth of MF activities Bangladesh. The above has encouraged many successful NGOs to avail fund from PKSF to finance their expansion programs and thus reducing the dependence on donor assisted financing.

### **3.2 Legal framework for MF NGOs in respect of collection of savings and extending credit**

Non Governmental Organizations dealing with MF had been collecting savings and extending credit to the poor in line with their objective. But the existing laws have not been designed to monitor, regulate and supervise such activities. Currently, MF NGOs are carrying out their activities under one or more of the following regulations:

- a. Societies Registration Act 1860
- b. Voluntary Social Welfare Agencies (registration and control) Ordinance 1961
- c. Institutional aspects of a Company Limited by Guarantee and Licensed (under section 28 of the Companies Act 1994)
- d. Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978
- e. Co-operative Societies Ordinance, 1984

In view of inadequacy of the above regulations there have been some efforts from various quarters including Bangladesh Bank (with financial support from World Bank) and CDF to recommend proper regulatory framework for MF NGOs. Efforts are on to frame regulations under which a single authority would be able to register, monitor and supervise NGO/MFIs in place of the existing multi-agencies involvement of the government.

### **3.3 Micro Finance Practice**

Micro-credit program operators aims at empowering the poor by providing them credit, train them on the best way to use the credit and motivate them to save and pay in small installments, which they are capable of paying without affecting their standard of living. The target group of people has never been the favorites of the commercial banks and has always been the target of village lenders with ill motives, which make them poorer. Population below the poverty line is more than 40% and about half of them are hard-core poor. Not many of the NGOs have targeted the hardcore poor due to high risk and high delivery cost of operation.

MF program practiced in Bangladesh is fundamentally a savings and credit program. Members have to start depositing between Tk. 2.00 to Tk. 25.00 per week and the regularity of deposit and attendance in group meetings are the preconditions for receiving credit. MF NGOs, Specialized institutions, Banks and Administrative Ministries/divisions had a market share of 44.4% (42.8% in 2003), 31.1 (32.9% in 2003), 16.5% (15.8% in 2003) and 8% (8.4% in 2003) during 2004 respectively.

## **4. GOVERNANCE PRACTICE**

Corporate governance is a blend of law, regulations, enforcement and appropriate voluntary practice by the companies/ corporate that permits to attract capital, perform efficiently and generate long term economic value for its shareholders/ members while respecting the interest of its stakeholders and society as a whole. The specific areas covered are transparency in disclosure of relevant reliable financial and operational information, information on ownership and control, information on internal processing of management. TMSS operates its activities in the unregulated sector as a non-profit organization without having well defined ownership structure. CRISL reviews some of the areas related to good governance of TMSS as stated below:

### **4.1 Legal set up**

The TMSS has been set up under the Societies Registration Act 1860. The above Act provides legal status to the organizations, which want to provide services to the Society. The organizations working under it is a loose form of organizations and does not provide for adequate legal provisions/coverage for dealing with the finance and its recovery through legal action. The organizations registered under the Companies Act, 1994 enjoys more legal coverage than that of the organizations registered under the Societies Registration Act.

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

### **4.2 General Body**

The participatory and democratic election process of different bodies of TMSS considerably ensures interest of its stakeholders and society as a whole. General Committee (GC) is considered as the foundation of the TMSS body. At present there are 300 members in the General Committee and all the members are women. About two thirds of the members are the beneficiaries of this organization. The GC meets once in every year and elects the 15 member Executive Committee every three years. There is a provision for Extra-ordinary General Meeting to discuss matters of extreme urgency and importance.

### **4.3 Executive Committee**

TMSS has a 15 member Executive Committee (EC) elected by the General Body for a three years term. These members are eminent social workers, teachers and elite members of the society. The position of EC is just like a Board of Directors in a company. As per the constitution of TMSS the Executive Committee is the highest decision making body and supervises the overall activities of the organization including appointment of the Executive Director and External Auditor. Mrs Mahmuda Begum, a social worker and an ex-teacher, is the Chairperson of the EC. The EC also has a Vice Chairperson, one Secretary, one Assistant Secretary, one Treasurer, and ten Members. During the year 2004 and 2005, the EC held 14 and 15 meetings respectively. The EC members are active and decide on each agenda as per their wisdom and without any interference.

### **4.4 Management Team**

The EC has delegated all its operational power to the Executive Director who is the Chief Executive Officer of the organization. The ED is responsible for overall planning, and its implementation, liaison with government, donors and/or other persons/agencies for the need and interest of TMSS who is accountable to the Executive Committee. Prof. Dr. Hosne Ara Begum is the Executive Director of the TMSS who has been serving the organization since 1980. Mrs Hosne aged 51 has a long experience and association with the donor agencies and participated in many national and international seminars organized by the donors and multilateral organizations on Micro Finance. 4 Directors, 18 Deputy Directors and 54 Assistant Directors aid the Executive Director. In addition the TMSS also holds Central Co-ordination meetings chaired by the ED. Executive Heads of different departments and sections sit every fortnight to discuss the management and policy issues. Every member from the level of ED down to Project Coordinators participates openly to share their experiences and problems. Most of the departmental problems are sorted out through consultation at the meeting and the departmental heads are appraised of the overall achievements and failures of the organization that assists to build a team spirit.

### **4.5 Human Resources Management**

The overall human resource management in TMSS is satisfactory. TMSS pursues a set of Service Rules covering major aspects of HR practices, offering a congenial working environment to its human resources. The service terms as set forth, demonstrate a detail guideline and cover major aspects of HR practices. The organization had staff strength of 4305 persons up to June 2005 of which 3293 were male and 1012 female. Out of the total workforce 3647 persons were permanently employed, 541 had temporary status and 117 persons were work based. 142 technical persons were engaged in the fields of agriculture, fisheries, forestry, health, engineering, computer applications and livestock. 11 consultants were engaged in different fields to plan and implement the programs of TMSS. 3000 employees or 69.69% of the total workforce were engaged for credit programs. Human resources of the organization are divided into 16 grades. The ED is the CEO of the organization under whom 4 Directors are heading important departments namely, Operations, Programs, Integrated Activities and Administration. 18 Deputy Directors and 54 Assistant Directors were engaged in different departments, sections and projects of the organization as on June 30, 2005. In addition, seven thousand volunteers were on call-up list to assist the activities of TMSS.

TMSS recruits manpower necessary to run its operation according to yearly work program and budgeted allocation. Recruitment is done by Executive Director or as per authority of the EC. For entry level positions persons with age range of 18 to 45 will be eligible. Retirement age has been set at 65 years and extendable by maximum of 5 years subject to EC approval. Recruitment Board/Committee selects and recommends appointment of persons and the appointments are confirmed after receipts of approval by the ED. TMSS has a policy of recruiting competent consultants for the purpose of running a project smoothly.

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

In order to familiarize the employees with the working methods of TMSS and also improve the skills, on the job training methods are frequently practiced. The skill development methods include training the employees in its own training facilities, using the training facilities of other organization inside the country and also sending professionals abroad. Executive Director or the other executive heads are given the responsibility to select the staff for specific training/orientation programs. For training programs above 30 days the employees are required to sign written agreement to serve the organization for a specific period or pay compensation in case of failure to observe the contractual obligations.

Performance of all the permanent employees of TMSS evaluated once in a year in respect of skills, intelligence, quality of work, leadership, personal relations, clarity, motivation, duties and responsibilities etc. A recommendation is prepared based on Annual Confidential Report (ACR) from different levels of operation. The Administration Department evaluates the ACRs and the recommendations received through the office of ED. Annual increment, accelerated increments, promotions (subject to minimum three years in the job), punishment etc. are decided on the basis of the ACRs.

### **5. INFORMATION MANAGEMENT SYSTEM AND DISCLOSURES**

The use of information technology in TMSS in processing financial and operational data is still at early stage of implementation & needs improvement. Since TMSS is engaged in the running of Micro-finance program up to the grass root level of the remotest villages, a well equipped Financial Information System (FIS) is the most demanding of all the operational functions to keep track of all the beneficiaries and functions. TMSS did not accomplish its IT infrastructure in line with other infrastructure and volume of operation. Some organization in the peer group has already established strong IT infrastructure to meet the growing need of FIS. However, the organization generates adequate FIS by manual system.

At present about 27 staff with professional abilities are involved in FIS and Finance Department of the organization. Recently, management of TMSS has formed a separate FIS department to meet the growing requirement of financial information. This department is expected to receive micro finance loan portfolio software (loan tracking software) within a short period. However, future MIS plan do not include any procurement of savings management software for its growing number of depositors. Presently, finance department uses accounting software supplied by PKSF. Branch submits its full activities reports regarding operation and finance to head office on weekly and monthly basis. The organization collects data from time to time through manual process to monitor the client impact. Management expects to connect its all branches by the Wide Area Network (WAN) and all departments by LAN in near future.

However the TMSS maintains acceptable manual accounting system based on accrual accounting under double entry accounting system. The organization maintains separate accounts for its credit programs, Donor Fund activities and also a consolidated accounting for the organization as a whole. The external auditors duly audit the accounts. The quality of audit is average. Unlike companies, the audited financial statements are addressed to the Executive Director. The TMSS publishes annual report for its members highlighting various annual developments and summary financial statements.

### **6. OPERATIONAL PERFORMANCE**

Operational performance of TMSS is satisfactory. The size of credit portfolio of the organization have boosted up significantly during last six years. The outstanding credit portfolio of the organization as on 30<sup>th</sup> June 2005 was Tk. 1578.91 million showing a significant growth of 74.98% over the last year of Tk. 902.33 million. The number of member has increased to 425,052 in 2005 from 185,677 in 2000, a growth rate of 229%. The credit portfolio as on 30<sup>th</sup> June 2004 includes six different PKSF projects namely, Rural Micro Credit (RMC), Urban Micro Credit (UMC), Micro Enterprise Credit (MEC), Participatory Livestock Development Program (PLDP), Micro Finance & Technical Support (MFTS) and Financial Services for the Poorest (FSP). RMC is the core product of TMSS holding 67.81% of total disbursement during 2004 followed by UMC and PLDP covering 19.45% and 5.68% of total loan disbursement during 2004. The overall growth in loan disbursement was 52.42% during 2004 although the growth rate of UMC was 63.11% and RMC was 40.09% respectively during the same period. The loan recovery performance of the organization was also good having

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

cumulative Recovery Ratio (CRR) and On Time Realization (OTR) rate 99.82% and 99.93% respectively as on 30th June 2005. Member drop out rate of TMSS was 16.08% as on 30th June 2005. This rate was 23.14% as on 31st December 2004, representing improving trend of drop out rate of the organization.

### **6.1 Loan Outreach**

The TMSS has been operating with satisfactory loan outreach. The number of micro credit branches has increased to 297 branches in 31 different districts in 2005 from 89 branches in 14 different districts in 2000. The number of active borrower has increased to 372,374 as on 30<sup>th</sup> June 2005 from 118,999 as on 30<sup>th</sup> June 2000, a growth rate of 213% over the six years. Average loan size of micro credit program was Tk. 7957 as on 30th June 2005 against Tk. 6451 as on 30th June 2004, indicating increasing borrowing capability of the borrowers. On the other hand, average outstanding loan balance was Tk. 4240 as on 30<sup>th</sup> June 2005 against Tk. 3512 as on 30<sup>th</sup> June 2004, indicating increasing credit risk of the loan portfolio due to increasing average outstanding loan size. The average loan per loan officer was Tk. 1,751,656 as on 30th June 2005 against Tk. 1,708,593 as on 30th June 2004. Average loan handled per loan officer has been increasing over years, indicating soaring trend of overload to the loan officer. Average group per loan officer has also increased to 15 groups as on 30th June 2005 from 13 groups as on 30th June 2004. The percentage of active borrowers is 87.6% of the total members against industry average of 72%. The growth rate of members is more than the growth rate of active borrowers indicating scope of further expansion of the credit programs.

### **6.2 Saving Outreach**

In line with the loan outreach savings outreach of the organization is found to be satisfactory. The number of savings holder under micro credit program has soared up to 403,799 as on 30<sup>th</sup> June 2005 from 174,536 as on 30<sup>th</sup> June 2000, a growth of 131% over the six years. Average savings received per holder was Tk. 1,473 during the year 2005, which was Tk. 1,229 during the year 2004, representing growth of 20%. Thus the savings capability of the member of the organization has increased over the year. In the same manner average savings balance has increased during the year 2005 as compared to previous year. Average savings balance was Tk. 1,649 as on 30<sup>th</sup> June 2005 against Tk. 1,606 of previous year, indicating significant withdrawal of savings due to low growth of average savings balance (2.18%) against average savings received. Average savings withdrawal per savings holder was Tk. 945 during the year 2005 against previous year savings withdrawal of Tk. 924, increase of 2.31%. Outstanding savings per loan officer as on 30<sup>th</sup> June 2005 was Tk. 410,400 against previous year 463,608, which indicates decreasing trend of average savings balance. It is notable here that the organization has been getting more savings from voluntary savings scheme than the compulsory savings scheme. The growth rate of voluntary savings during the year 2005 was 124% against 31.41% growth rate of compulsory savings.

## **7. FINANCIAL PERFORMANCE AND EFFICIENCY**

The financial performance of TMSS is satisfactory. The organization earned gross revenue of Tk 377.24 million by expending an amount of Tk 317.81 million during FY 2003-04 thus producing a surplus of Tk. 59.43 million. However, the above surplus was less than the previous year's surplus of Tk. 81.48 million indicating a decrease of Tk. 22.05 million in operational surplus. The key reason behind the above declining trend of excess income was higher growth rate of operating and financial expenses than the growth rate of operating income during the year. Operating income growth rate was 8.42% against operating and financial expenses growth rate of 22.64% during FY 2003-04. Operating income was Tk. 352.06 million during FY 2003-04 against Tk. 324.72 million of previous year. On the other hand, operating and financial expenses was Tk. 317.80 million during FY 2003-04 against Tk. 259.14 million of previous year. Non-operating income was Tk. 25.18 million during FY 2003-04 against Tk. 15.90 million of previous year. It is worth mentioning here that the non-profit organization like TMSS is out of the tax bracket.

At present, the organization has been earning its major portion of revenue from service charges accruing from the core product. TMSS earned Tk. 223.22 million as service charge during FY 2003-04 against Tk. 164.55 million of previous year, representing growth of 35.66%. Service charge was 63.40% of operating income during FY 2003-04 (50.67% during previous year). The growth of service charge income was significantly high due to recent expansion of micro finance program of the organization. On the other hand, income from donation has been declining for the last five

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

years in line with sector's experience as a whole. TMSS received Tk. 81.54 million from different donors during FY 2003-04 (Tk. 113.69 million during previous year), representing decline of 28.28%. Other revenue income represents interest income from fixed deposits, house rent, income from fixed assets, etc. which experienced a higher growth of 15.53% during FY 2003-04.

Operating expenditure of the organization has significantly increased during FY 2003-04, which stood at Tk. 286.29 million against previous year of Tk. 231.55 million, representing increase of 23.64%. Financial costs during FY 2003-04 stood at Tk. 31.52 million against Tk. 27.59 million of the previous year, representing increase of 14.24%. Therefore, cost to income ratio has moved up to 84.24% in 2004 from 76.25% in FY 2003. Administrative expense to operating income ratio has soared up to 81.32% in 2004 from 71.31% in 2003. Significant increase (32.29%) in salary & allowances due to new recruitments during this period has increased the expenses. Other administrative expenses have also increased by 16.88% during the same period. However, project implementation cost has reduced to Tk. 34.92 million in 2004 from Tk. 52.40 million in 2003 because of lower number of project implementation. Financial expense to operating income ratio has also increased to 8.95% in FY 2004 from 8.50% in FY 2003. High growth rate of outside borrowing than the growth rate of internal capital generation increased the financial overhead of the organization.

Though TMSS is one of the satisfactorily performing micro finance institutions in Bangladesh, its financial performance is unstable. During the year 2002 the company reported deficit in the consolidated income and expenditure statement though micro finance program reported Tk. 92.51 million surplus balances. Return on Average Equity (ROAE) considering TMSS's own fund as equity of the organization came down to 13.89% in 2004 from 23.64% in 2003. Return on average assets (ROAA) has reduced to 4.03% in 2004 from 6.88% in 2003. However, the ROAE and ROAA of TMSS were highest in the peer group during 2004. Peer average ROAE and ROAA was 11.42% and 2.64% respectively during 2004. Asset utilization ratio of the organization found moderate. This ratio was 22.73% against peer average of 26.50% during 2004. Surplus margin ratio has decreased during the year 2004 which stood at 15.76% against peer average of 8.97%.

### **7.1 Profitability of MF Program**

The financial performance of micro finance program of TMSS was found to be satisfactory. As on 30<sup>th</sup> June 2004 the organization earned operating surplus of Tk. 93.45 million and net surplus of Tk. 96.48 million. The growth of operating surplus was 34.79% during the year 2004. The growth of net surplus was 38.50% during the year 2004 (193.15% during 2003). Net surplus margin has increased during the year 2004 by 39.38% from 36.93% in 2003. The above growth was on the basis of higher operating revenue income (29.90%) than the operating expenses (26.77%). Net service charge margin ratio has been increased from 83.21% in FY 2003 to 85.64% in FY 2004, which was the effect of increasing trend of gearing. The organization maintains this high margin ratio due to low cost of funding from PKSF. It is mention worthy here that the un-audited operating surplus as on 30<sup>th</sup> June 2005 stood at Tk. 69.47 million, representing lower earnings than previous year by 25.67% mainly due to lowering of interest rate by PKSF. Efficiency related ratio in micro finance program shows increasing trend of efficiency of the organization. Cost per Tk. 100 of money lent during the year 2005 has decreased marginally from 7.35% in 2005 to 7.29% in 2004 due to higher growth rate of loan disbursement (70.69%) than growth rate of operating expense (69.16%) during the year 2005. However, cost per loan made (operating cost to number of loan made) was Tk. 117.80 in 2005 against Tk. 91.34 in 2004, indicating significant increase of loan delivery cost per loan made. This high increase in cost per loan made due to higher growth rate of operating expenses than the growth rate of number of loan made (31.17%) during the year 2005.

### **7.2 Commercial Undertakings' Performance**

Two commercial undertakings incurred net loss of Tk. 1.06 million in 2004. However, previous year the organization earned net profit of Tk. 2.18 million. Slash down in turnover in both undertakings decreased the financial performance. TMSS Utpadon distributes handicrafts products, gents & ladies wear, fabrics, food, dried fishes, different agri-products, etc through its four outlets in different area at different districts while TMSS Livestock deals with dairy & poultry products. At present TMSS exports its products to abroad in limited manner, however, planning to start with large scale in near future. In addition, a most modern market for women at Bogra (Nawab Bari Road) is under construction and is expected to be opened within 2005.

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

### **8. SUSTAINABILITY**

TMSS is an operationally self-sufficient development organization. Consolidated operational self-sufficiency ratio of the organization stood at 110.78% against peer average of 107.24% from 127.70% in 2004, indicating high self-sufficiency. However, operational self-sufficiency ratio of TMSS was found unstable during the last five years. On the other hand, micro finance program is operationally much more self-sufficient and stable. This ratio stood at 159.89% in 2004 from 156.32% in 2003. Financial spread of TMSS is satisfactory. During 2004 financial spread of the organization has increased to 21.37% in 2004 from 20.54% in 2003. Peer average financial spread found much lower than TMSS, which was 15.12% in 2004. Investment income and fee base income of TMSS was also satisfactory. The company earned 10.79% margin on investment in 2004 against peer average of 10.56%. However, the fee base income was 6.66% of total operating income in 2004 against peer average of 26.55%. Peer average fee base earning is high due to exceptionally high fee income by one of the organizations in the peer group.

Financially the organization is also a self-sufficient. Adequate surplus income covered up the inflation and subsidy related adjustments. Consolidated financial self-sufficiency ratio was 99.91% in 2004 and 112.24% in 2003. Significant cut in surplus income reduced the financial self-sufficiency ratio of the organization during financial year 2004. The imputed cost of capital during the year was Tk. 38.12 million which includes inflation adjustment of Tk. 12.19% (with 6% average inflation assumption) and subsidy adjustment of Tk. 25.93 million (with average 8% commercial borrowing rate assumption). Peer average financial self-sufficiency ratio was 102.49% in 2004. However, financial self-sufficiency in micro finance program was high. This rate identified increasing trend which stood at 128.50% in 2004 from 121.68% in 2003.

### **9. ASSET QUALITY**

TMSS is a large non-profit development organization with substantial size of fixed and financial assets worth of Tk. 1.66 billion as on 31st December 2004. Total asset of the organization has soared up by 28.37% during 2004. The overall asset quality of the organization is good. Total assets footings includes net properties and fixed assets of Tk. 250.34 million (15.09% of total assets), credit portfolio of Tk. 955.00 million (57.55% of total assets), investment portfolio of Tk. 248.67 million (14.99% of total assets), etc. The growth rate of fixed assets, credit portfolio and investment portfolio was 28.01%, 25.34% and 28.49% respectively in 2004. Written down fixed assets of 2004 includes land of Tk. 182.66 million and building of Tk. 47.58 million. The organization purchased 600 acres of land in different areas for the purpose of cultivation, forestry, office space for branch offices, etc. The asset quality in credit portfolio found good. Investment portfolio has also identified good quality since the organization invested as term deposit in different Banks.

#### **9.1 Quality of Credit Portfolio**

The quality of credit portfolio of TMSS, as mentioned above, identified good. Gross Non-Performing Loan (NPL) ratio of credit portfolio as on 30<sup>th</sup> June 2005 was 0.87% against 1.38% in 30<sup>th</sup> June 2004, showing improving asset quality. Gross NPL ratio as on 30<sup>th</sup> June 2003 was 1.65%. NPL coverage ratio was 204%, 171% and 112% as on 30th June 2005, 2004 and 2003 respectively, representing sufficient and increasing provisioning back-up. Portfolio at risk ratio found also low in line with NPL ratio which was 0.94% in 2005, 1.42% in 2004 and 1.80% in 2003, indicating again improving asset quality. Portfolio in arrear during the year 2004 was 0.89% in 2005 against 1.34% in 2004, indicating improving asset quality. Delinquent borrower ratio has decreased from 2.34% in 2004 to 1.64% in 2005. The organization; however, do not usually write-off its bad loan. Write-off practice in micro finance industry leads to further deterioration of asset quality. Management of TMSS on the basis of the above experience has been carrying forward the bad loan continuously, of course providing sufficient provision. Provisioning policy of TMSS includes 1% general provision on unclassified loan, 50% and 100% specific provision on doubtful and bad loan respectively. Arrear above one year up-to two years are considered as doubtful loan while bad loan considers arrear above two years. Members' savings to outstanding credit portfolio stood at 57.59% in 2004 from 58.23% in 2003, representing comfortable back-up of credit portfolio of the organization by members' savings. Members' savings is considers as security coverage for credit portfolio of the organization.

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

### **10. FUNDING AND LIQUIDITY**

TMSS is working as a development organization without having an equity stake. The organization started its development activities initially by members' subscription. At present the sources of funding of the organization include members' savings, PKSF fund borrowing, donations & grants, commercial bank borrowing, etc, representing diversified funding base. However, degree of dependency on PKSF fund is quite high. Members' savings is one of the main sources of funding, which is considered as stable and low cost fund for the organization. This savings was Tk. 472.44 million in 2004 against Tk. 378.22 million in 2003, presenting growth of 25.31%. The second source of funding for the organization is PKSF fund. This fund is also low cost fund for TMSS. The outstanding borrowing from PKSF was Tk.469.76 million in 2004 against Tk.370.31 million in 2003, representing growth of 26.86%. Though the donation & grants are decreasing over the years; it has been contributing significantly in the funding requirement of the organization. TMSS received donations & grants of Tk. 81.54 million in 2004 against Tk. 113.69 million in 2003, representing declining trend of negative growth of 28.28%. Borrowing from commercial Banks was Tk. 9.20 million only in 2004 against Tk. 5.62 million in FY 2003. TMSS's borrowing from commercial banks found unstable however, the growth rate in 2004 was 63.70%.

### **11. CAPITAL ADEQUACY**

The TMSS being a Social development organization does not have capital as such. However, its retained earnings and disaster management fund, not being attached to any specific liability, may be considered as its capital for all analytical purpose. Based on the above the capital base of TMSS is quite adequate. The above equity base stood at Tk. 470.58 million as on 30th June 2004. Retained earnings growth rate in 2004 was 22.18%. Equity multiplier (asset to equity) of TMSS has been increasing due to higher asset growth than the growth of internal capital generation. Equity multiplier ratio stood at 3.54 times in 2004 from 3.37 times in 2003. Peer average equity multiplier was 4.61 times in 2004, indicating increasing trend of outside borrowing of the organizations in the peer group. The Risk Weighted Capital Adequacy ratio has been representing strong capital base of TMSS though this ratio has been decreasing over the years due to high growth rate of portfolio from outside borrowing. Capital adequacy ratio was 37.76% in 2004 against peer average of 27.76%. The organization borrowed 2.35 times against its equity in 2004 (2.20 times in 2003), which is less than the peer average of 2.83 times. Total liabilities to equity ratio has also been increasing in line with other capital adequacy ratios. This ratio stood at 2.54 times in 2004 against peer average of 3.61 times, representing satisfactory position of TMSS. Short and long term gearing ratio both found increasing trend. TMSS's long term gearing ratio is higher than short term gearing, indicating more dependency on long-term sources of funding. On the other hand, peer average indicates more dependency on the short term sources of funding by the peer organizations. Long term gearing ratio of TMSS was 1.59 time against peer average of 1.08 times in 2004. Short term gearing of TMSS was 1.20 times against peer average of 2.69 times in 2004. Internal capital generation of TMSS has decreased in 2004 due to lower financial performance during the year; however, still higher capital generation than peer average. Internal capital generation ratio of the organization was 13.95% in 2004 against peer average of 11.42%.

### **12. REGULATORY COMPLIANCES**

NGOs operating in Bangladesh have been controlled and monitored by a large number of government agencies for its activities. The donor agencies have also set a number of criterions to be followed in using its grants and donations. In addition to the above the Bangladesh Bank has set up a "Micro Finance and Reference Unit (MRRU)" in order to bring the MFI units under a regulatory framework in order to ensure transparency and accountability into their operations. The MRRU provided a six part guidelines to report in prescribed formats to the above unit of the central bank. The six part guideline includes 1) Governance/ management 2) MIS for Credits and savings 3) Financial guidelines 4) TOR for internal Auditor 5) TOR for external Auditors and 6) performance indicators and standards.

The main lender of TMSS is PKSF. In order to avail the PKSF fund, an MFI is required strictly to comply with its requirements, which ultimately assist them to improve their performance. The TMSS is also required to comply with the requirement of donor agencies in order to avail donations.

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

### **13. RISK MANAGEMENT EVALUATION**

Risk management procedures are integral parts of business processes, which acts as the safeguard of financial or non-financial assets, promote operational efficiency and effectiveness, ensure compliance with applicable policies and regulations and ensure adherence to prescribed managerial policies. CRISL reviews some of the risk management areas as stated below:

#### **13.1 Organizational Risk**

TMSS is an well established organization having its linkage up to grass root level having both hard and soft infrastructure. Having a history and experience of four decades, the TMSS has created a franchise value in the market. Based on the corporate structure, linkage and fund control policy of PKSF, management pattern and its establishment set up, CRISL does not apprehend any organizational risk associated with TMSS

#### **13.2 Operational Risk**

The TMSS is a large organization working at 62 districts covering 10644 Mohallas and dealing with poor families through 297 branch offices for MF activities only (overall 352 as on June 30,2005). Therefore, its micro finance dealing carries substantial operational risk. The TMSS has been mitigating the above risks through a structured check and balances internal control system. TMSS has a large force of skilled internal auditors to check and review the functions of all the projects. The audit team under a Deputy Director reports its activities and findings directly to the ED instead of EC. Internal audit department follows structured and documented internal audit manual. The team works regularly as per the given guideline. During the year 2004 internal audit department completed 129 branches (128 branches up-to June 2005) and reported to ED with their findings.

In addition, the organization formed several committees to look after the different operational activities. Purchase and Sales Committee nominated by EC is responsible for ensuring transparency of the activity of purchase and sales departments. The TMSS also follows Purchase and Sales Manual-1997 in controlling the purchase and sales operations. The organization has its own well defined construction policy. EC follows this policy to approve any construction projects. The committee also reviews the financing viability and budgeted cost of projects before final decision. Recently TMSS is in the process of expanding its operation and is involved in huge projects of buildings and structures including commercial buildings.

#### **13.3 Credit Risk**

MF operation in general carries substantial risk due to its nature, geographical dispersion, client outreach etc. In order to mitigate such risk, TMSS operates its business in an organized manner having its comprehensive documented credit manual. TMSS follows 11 criteria for selection of borrower. Preconditions detailed in the credit manual are followed before approval and disbursement of loan. Attendance records in weekly meetings, past loan records, experience, results of investigation from neighbors and family members etc. are a few of the criteria followed for selection of borrowers. Subject to above conditions stated in loan approval manual credit proposals are discussed and approved at the weekly meeting of members and at least 80% of members must endorse the proposal by signing the same. TMSS loans are disbursed in two broad categories namely, general loan and project loan. The single client exposure limit is specific which varies according to products. There is a limit of number of clients in a single group. The organization follows a specific guideline for provisioning for classified and unclassified loan to minimize its loan loss risk.

#### **13.4 Fund Management Risk**

It is the best practice for the organization dealing with deposits and lending to have an Asset – Liability Management Committee in order to maximize asset deployment and at the same time to avoid liquidity crisis. TMSS follows predefined guideline for fund management in order to mitigate its risk in fund management. The branch prepares monthly projected cash flow and submits the same to the head office. The head office subsequently disburses or collects fund if the projected cash flow shows deficit or surplus. Branch is permitted to hold highest amount of Tk. 0.01 million in its bank account. Branch remits surplus fund to head office by demand draft or account payee check. There is no option for cash transfer from one branch to another branch or head office. Field officer collects installment and records the same in the client's passbook with due signature. Branch cross checks the pass-books of the clients periodically. In addition, branch manager provides a

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

target collection sheet to every loan officer and receives money accordingly. Branch manager identifies overdue, if any, on daily basis and communicates personally to recover the overdue.

### **13.5 Service Charge Rate Risk**

The TMSS follows a flexible service charge rate in its MF operation. Service charge rate of the organization up-to the year 2003-04 was 15%, which subsequently reduced to 12.50% in the year 2004-05 due to pressure from the lender. PKSf is the only financier for micro financing activities of TMSS. The fluctuation of service charge rate depends on the policy of PKSf. PKSf being a non-profit organization of Government of Bangladesh allows specified low rate of service for the poor mass, which is required to be followed by all MFIs working with its fund. However, service charge rate risk from market pressure found insignificant. The effective service charge rate of TMSS has adequate caution to absorb service delivery cost. However, if the TMSS uses its own fund in place of PKSf fund, the organization will be required to adjust its rate to maintain its sustainability after meeting service delivery cost.

### **13.6 Loan Recovery Risk**

One of the major risks of MF program is collection of installments with high frequency ranging from week to months. The above risk is further fuelled by the loan default culture prevailing in the banking sector although the banking institutions are stronger entities to recover installments due from clients through legal measures and by selling of collaterals. In contrast to the above background the MF programs being operated by the NGOs without collateral and with high frequency of loan repayments are yielding a recovery rate of above 95%. The MF organizers are offering micro finance through group guarantee with the incentive of further loan if there is no default in repaying the installments. These system works favorably for the MFIs and assisting them to maintain high recovery ratio. However, legally the MFIs are in the lower end due to informal agreement with clients.

### **13.7 Political Risk**

Bangladesh is the pioneer of MF programs, which are being replicated globally. Its importance in social development is unquestionable although a segment of religious fanatics consider that the MFIs are discouraging religious sentiments at the village level. No political party has any better alternative of social development at the moment. In addition, the Government of Bangladesh is a signatory to the Millennium Development Goal. In Bangladesh the MFIs are playing a pivotal role in achieving the MDG and therefore, there is little scope of discouraging the MF programs. Therefore CRISL anticipates no substantial political risk in TMSS's MF programs.

### **13.8 Other Risk**

Foreign currency risk exposure of the organization identified nil since all lending activities found in local currency. However, there is no separate compliance department in TMSS; however, IICD is responsible for regulatory compliance of the organization. Political risk related to micro financing activities also identified low in TMSS since major clients are rural base. Government policy regarding slum removal from urban area displaces clients, which has a negative impact in the asset quality of the organization operating in urban area only. However, catastrophic risk is high in TMSS due to huge geographical coverage all over the country.

### **13.9 Assets-Liabilities Mismatch Risk**

The finance department traditionally matches the assets- liabilities through cash inflow and outflow projection in different maturities. In addition, TMSS finances in short term basis by short term borrowing specially from PKSf. The organization purchases fixed assets usually from the internal capital generation. The organization finances in weekly basis whereas borrows fund on monthly basis. TMSS does not enjoy any overdraft facilities with any Banks to meet emergency cash requirement; however, significant FDR in different Banks with different maturity ensures sufficient financial flexibility.

## **Credit Rating Report on Thengamara Mohila Sabuj Sangha (TMSS)**

### **14. SOCIAL IMPACT**

TMSS has a number of programs in addition to micro finance activities, aimed at ensuring socio-economic advancement of the beneficiaries. In order to see the result the TMSS conducts survey on regular basis to find out the impact of their programs and disseminate the findings in its Annual Report. In order to see the extent of impact, CRISL conducted a survey on 80 beneficiaries in three districts, namely, Bogra, Comilla and Gaibanda. The survey revealed that the monthly income of the beneficiaries have increased at various degrees as reported by 64% respondents while the savings habit has increased for only 32.5% respondents. While looking at the impact on literacy, 35% respondents could read/write before taking loan and the rest of the respondents learned signing their names after becoming members, which enabled them to sign loan papers. On the point of sanitation, 96.25% respondents are using latrines, out of which 31.25% respondents use pucca latrines and 36.25% use improved sanitary latrines. In the decision making process of taking loan 35% respondents decide on their own while 43.75% respondents decides along with their husbands and 17.5% respondents were motivated by NGO activist. There have been major improvements in decision making process on the issue of family planning, child bearing, educating children, purchasing of household goods, savings withdrawal, investment and children's wedding. In most cases decisions were taken by both husband and wife but for investment wives assumed dominating roles. Eighty seven percent of the respondents were confident enough to maintain the family in absence of husband or other household head. Awareness about women's right and empowerment improved as 66.25% of the respondents caste their own vote without being influenced. Most of the respondents engage themselves in social activities than before and are prepared to join programs involving women's right, if necessary. The MF loan has improved the lifestyles and family income for more than 80% respondents and about 67% opined that their social status has improved. The result of the above CRISL study is in line with the study of TMSS, which is published in their Annual Report, however varies in degree. As per TMSS study, there have been specific improvements in socio-economic status of the members. Improvements were reported in the number of women earning members, attendance in non-formal education schemes, number of literate per family, number of improved houses with sanitary latrines, number of water users from tube well, decision making by women members, infant and maternal mortality rates, women led business/trade etc. CRISL believes that the overall social impact due to MF programs was positive in various socio economic aspects of the members.

### **15 SWOT ANALYSIS**

#### **Strengths**

- Satisfactory operational and financial performance
- Operationally and financially self-sustaining
- Wide branch network
- Geographically diversified credit portfolio
- Substantial hard infrastructure
- Good quality human resources
- Satisfactory internal control
- Adequate capital base
- Members devotion towards voluntary services

#### **Weaknesses**

- High dependency on single source of funding
- Unsatisfactory IT infrastructure
- Operating under Society's Registration Act 1860

#### **Opportunities**

- Enough untapped market
- Enter into the formal financial market as MF Bank

#### **Threats**

- Unregulated sector
- Political influences

**Credit Rating Report**  
**on**  
**Thengamara Mohila Sabuj Sangha (TMSS)**

**16. PROSPECTS**

Micro-credit programs in Bangladesh have changed the lives of millions of people, mainly women. It is now a proven fact that the combined strength of the small borrowers in the field of income generation, job creation and savings mobilization is huge enough to call the NGO sector a parallel banking economy. The collection of small amount of savings has always been the strength of micro-credit programs, which provided some sort of shield against non-payment in addition to generation of fund for NGO activities. MFIs are now providing new programs to attract more borrowers and the growth in lending activities during last few years has been phenomenal. The MFIs in Bangladesh are either following the main strategy of microfinance activity or micro-credit plus other non-lending activities such as skill training, social awareness, education, health, agriculture etc. For the NGOs the Micro-credit programs have assumed the central role because of the demand from members for financial services and the growth rate of 20.77% in 2004 in lending activities proves the point. The programs of micro-credit is proving more and more viable for the NGOs as it generates extra fund to support additional activities without going for borrowing. Most of the larger NGOs have programs with own fund now, which allow them to undertake expansive programs. NGOs are increasingly becoming financial institution now with effective rate of interest of more than double the commercial rate in some instances, mainly due to high product delivery cost. An effective regulatory framework, which is now under process of implementation, will make them more accountable and less risky for national interest. To sum up the prospect of the sector we may quote some of the comments made by Muhammad Yunus in a largely attended and recently telecast T.V. program CNN Connects, which was participated among others by former US president Bill Clinton, Queen of Jordan, some Nobel Laureates and specialists in different fields from around the world. He mentioned that half a billion dollar in lending ranging from US\$ 120.00 to US\$ 200.00 by Grameen Bank to 5 million borrowers did not require legal documentation or collaterals. He hoped that with proper management and with proven recovery rate of more than 99%, the micro-credit programs promise to change fortunes of millions more around the world in future. TMSS is fairly a large organization and is on the right track through its both social and MF programs. CRISL believes that if the weaknesses are addressed and follows strategic planning, it would be able to achieve its objectives in a sustainable manner.

**End of the Report**

**Credit Rating Report  
on  
Thengamara Mohila Sabuj Sangha (TMSS)**

**SCALES AND DEFINITIONS  
LONGTERM – MICRO FINANCE INSTITUTIONS**

RATING	DEFINITION
<b>AAA</b> Triple A (Highest Safety)	<b>INVESTMENT GRADE</b> Micro Finance Institutions rated in this category are adjudged to be of best quality, offer highest safety and have highest credit quality. Risk factors are negligible and risk free, nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of MFIs.
<b>AA+, AA, AA-</b> (Double A) (High Safety)	Micro Finance Institutions rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.
<b>A+, A, A-</b> Single A (Adequate Safety)	Micro Finance Institutions rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
<b>BBB+, BBB, BBB-</b> Triple B (Moderate Safety)	Micro Finance Institutions rated in this category are adjudged to offer moderate degree of safety for timely repayment of financial obligations. This level of rating indicates that a MFI is under-performing in some areas. Risk factors are more variable in periods of economic stress than those rated in the higher categories. These entities are however considered to have the capability to overcome the above-mentioned limitations.
<b>BB+, BB, BB-</b> Double B (Inadequate Safety)	<b>SPECULATIVE GRADE</b> Micro Finance Institutions rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates a MFI as below investment grade but deemed likely to meet obligations when due. Overall quality may move up or down frequently within this category.
<b>B+, B, B-</b> Single B (High Risk)	Micro Finance Institutions rated in this category are adjudged to be with high risk. Timely repayment of financial obligations is impaired by serious problems which the entity is faced with. Whilst an entity rated in this category might be currently meeting obligations in time, continuance of this would depend upon favorable economic conditions or on some degree of external support.
<b>C</b> (Very High Risk)	Micro Finance Institutions rated in this category are adjudged to be with very high risk of timely repayment of financial obligations. This level of rating indicates entities with very serious problems and unless external support is provided, they would be unable to meet obligations in a timely fashion.
<b>D</b> (Default)	Micro Finance Institutions rated in this category are adjudged to be either currently in default or expected to be in default. This level of rating indicates that the entities are unlikely to meet maturing financial obligations and calls for immediate

**Credit Rating Report  
on  
Thengamara Mohila Sabuj Sangha (TMSS)**

**SHORT TERM – MICRO FINANCE INSTITUTIONS**

ST-1	<p><b>Highest Grade</b></p> <p>Highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding, Safety is almost like risk free Government short-term obligations.</p>
ST-2	<p><b>High Grade</b></p> <p>High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.</p>
ST-3	<p><b>Good Grade</b></p> <p>Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.</p>
ST-4	<p><b>Satisfactory Grade</b></p> <p>Satisfactory liquidity and other protection factors qualify issues as to invest grade. Risk factors are larger and subject to more variation.</p>
ST-5	<p><b>Non-Investment Grade</b></p> <p>Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.</p>
ST-6	<p><b>Default</b></p> <p>Institution failed to meet financial obligations</p>

**Credit Rating Report  
on  
Thengamara Mohila Sabuj Sangha (TMSS)**

**SCALES AND DEFINITIONS  
SOCIAL IMPACT RATING**

SI-1	<p><b>Highest Grade</b> Highest social impact in terms of change in the quality of life of the poor and hard - core people of the society. Having exceptionally strong and sustainable wide network of service delivery system, the MFI achieved highest social objectives</p>
SI-2	<p><b>Higher Grade</b> Higher social impact in terms change in the quality of life of the poor and hard - core people of the society. Having very strong and sustainable wide network of service delivery system, the MFI achieved higher social objectives</p>
SI-3	<p><b>High Grade</b> High social impact in terms of change in the quality of life of the poor and hard - core people of the society. Having strong and sustainable wide network of service delivery system, the MFI achieved high social objectives</p>
SI-4	<p><b>Good Grade</b> Good social impact in terms of change in the quality of life of the poor and hard - core people of the society. Having reasonably strong and sustainable wide network of service delivery system, the MFI achieved good social objectives</p>
SI-5	<p><b>Satisfactory Grade</b> Satisfactory social impact in terms of change in the quality of life of the poor and hard - core people of the society. Having sustainable wide network of service delivery system, the MFI achieved satisfactory social objectives</p>
SI-6	<p><b>Average Grade</b> Average social impact in terms of change in the quality of life of the poor and hard - core people of the society. Having small network of service delivery system, the MFI achieved average social objectives</p>
SI-7	<p><b>Below Average</b> Below social impact in terms of change in the quality of life of the poor and hard - core people of the society. Having non-sustainable wide network of service delivery system, achieved below average social objectives</p>
SI-8	<p><b>Poor Grade</b> Poor social impact in terms of change in the quality of life of the poor and hard - core people of the society. Having non effective service delivery system, the MFI could not achieve any social objectives</p>

**Credit Rating Report  
on  
Thengamara Mohila Sabuj Sangha (TMSS)**

**Consolidated Balance Sheet:**

	Figure in Million Taka		
ASSETS	2004	2003	2002
<b>Total Non Current Assets</b>	<b>317.52</b>	<b>247.87</b>	<b>229.51</b>
<b>Net Properties &amp; Fixed assets</b>	<b>250.34</b>	<b>195.57</b>	<b>185.23</b>
Fixed assets-at cost	119.03	194.14	183.80
Less: Depreciation	52.77		
Land	182.66		
Live Stock	1.43	1.43	1.43
<b>Total Credit Portfolio:</b>	<b>955.00</b>	<b>757.10</b>	<b>550.30</b>
<b>Short Term Credit Portfolio:</b>	<b>955.00</b>	<b>757.10</b>	<b>550.30</b>
Loan to members	955.00	757.10	550.30
Loan to Subsidiaries			
<b>Investment Portfolio:</b>	<b>248.67</b>	<b>193.53</b>	<b>222.02</b>
Long term investment in FDR			
Short term investment in FDR(ST)/Others	248.67	193.53	222.02
Investment in Long Term Assets			
<b>Other Non Current Assets:</b>	<b>67.18</b>	<b>52.30</b>	<b>44.28</b>
Loan to Staff	24.37	13.30	9.89
Loan to Subsidiaries/ Sister Concern/Wing	42.71	38.91	34.30
Security Deposit	0.09	0.09	0.09
<b>Other Current Assets:</b>	<b>138.21</b>	<b>94.13</b>	<b>74.92</b>
Interest receivables on Fixed Deposits(FDR)	12.64	38.42	29.82
Advances & Prepayments		5.35	
Grant Receivable	0.30	2.46	
Suspense Account/(Cash Defalcation)		2.61	2.20
Stock and Stores(Inventories)	0.50	0.46	0.30
Other Assets	11.52	0.78	0.51
Cash & Bank Balance	113.24	44.06	42.10
<b>Total Current Assets</b>	<b>1,341.87</b>	<b>1,044.76</b>	<b>847.25</b>
<b>TOTAL ASSETS</b>	<b>1,659.39</b>	<b>1,292.63</b>	<b>1,076.76</b>

**Credit Rating Report  
on  
Thengamara Mohila Sabuj Sangha (TMSS)**

<b>OWN FUND AND LIABILITIES</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Own fund /Equity</b>	<b>470.58</b>	<b>385.15</b>	<b>304.10</b>
Capital Fund / Fund Account	468.42	383.96	303.50
Disaster Management Fund	2.16	1.18	0.60
<b>Outside Borrowing</b>	<b>626.32</b>	<b>464.67</b>	<b>466.08</b>
<b>Financial Institution Borrowing:</b>	<b>9.21</b>	<b>5.62</b>	<b>9.87</b>
Loan from Bangladesh Bank			
Loan from Commercial Bank	9.21	5.62	9.87
<b>PKSF Borrowing:</b>	<b>469.77</b>	<b>370.31</b>	<b>353.01</b>
Long term PKSF borrowing	469.77	370.31	353.01
Others PKSF borrowing			
<b>Other Outside Borrowing</b>	<b>147.35</b>	<b>88.74</b>	<b>103.20</b>
Long term loan from other NGO			
Long term loan from Donors	6.78	5.15	4.69
Long term loan from subsidiaries	140.57	83.59	98.51
<b>Other Long Term Liabilities:</b>	<b>50.71</b>	<b>40.57</b>	<b>26.25</b>
Gratuity fund	29.31	21.57	10.57
Debt Management Reserve	21.40	18.99	15.68
Sundry Fund			
<b>Savings :</b>	<b>472.44</b>	<b>378.22</b>	<b>270.62</b>
Member's savings/Deposit	472.44	378.22	270.62
<b>Other Current Liabilities</b>	<b>39.35</b>	<b>24.02</b>	<b>9.72</b>
Interest Payable on Savings			
Interest Payable on Loan	7.30		
Payable to Different Project	0.91	11.93	
Others Liabilities	31.14	12.09	9.72
<b>Total Current Liabilities</b>	<b>511.79</b>	<b>402.24</b>	<b>280.34</b>
<b>TOTAL OWN FUND &amp; LIABILITIES</b>	<b>1,659.39</b>	<b>1,292.62</b>	<b>1,076.76</b>

**Credit Rating Report  
on  
Thengamara Mohila Sabuj Sangha (TMSS)**

**CONSOLIDATED INCOME STATEMENT:**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Total Operating Income</b>	<b>352.06</b>	<b>324.72</b>	<b>250.84</b>
<b>Service Charge Based Earnings:</b>	<b>223.22</b>	<b>164.55</b>	<b>119.57</b>
Service charge from financing activities	223.22	164.55	119.57
Other service charge/interest income			
<b>Less: Financial Cost</b>	<b>31.52</b>	<b>22.73</b>	<b>23.62</b>
Interest on member's / Business savings	13.81	11.34	8.97
Interest on borrowed fund/Service Charge	17.71	11.39	14.65
<b>Net Service Charge</b>	<b>191.70</b>	<b>141.82</b>	<b>95.95</b>
<b>Fee Based Income:</b>	<b>23.45</b>	<b>19.68</b>	<b>31.46</b>
Income from General Activities (Fees/Rent/Food)	23.45	19.68	31.46
Income from health related services			
<b>Investment Income:</b>	<b>23.85</b>	<b>26.81</b>	<b>38.29</b>
Interest on Investment/Deposits(FDR)	22.64	25.67	36.98
Interest on Bank Deposits/Savings	1.20	1.14	1.31
<b>Donation Based Income:</b>	<b>81.54</b>	<b>113.69</b>	<b>61.51</b>
Grants/Fund/Donation Received	81.54	113.69	61.51
Contribution/Credit Support			
<b>Net Revenue Income from Operation</b>	<b>320.54</b>	<b>302.00</b>	<b>227.22</b>
<b>Total Operating Expenses:</b>	<b>283.88</b>	<b>228.24</b>	<b>241.34</b>
Salary and allowance	134.32	101.53	93.51
Revenue Expenditure	80.34	48.30	58.91
Depreciation	9.05	10.31	10.25
Provision Charged	15.04	11.01	11.59
Sundry Expenses	9.39	1.53	0.33
Bank Charge	0.83	3.17	4.85
Project Implementation Expenses	34.92	52.40	61.90
<b>Gross Income from Operation</b>	<b>36.66</b>	<b>73.76</b>	<b>(14.12)</b>
<b>Less: provision for loan losses</b>	<b>2.40</b>	<b>3.31</b>	<b>3.31</b>
<b>Net Income from Operation</b>	<b>34.25</b>	<b>70.44</b>	<b>(17.44)</b>
<b>Non-Operating Income:</b>	<b>25.18</b>	<b>15.90</b>	<b>2.56</b>
Sale of Assets			
Other Receipts and Transfer	25.18	15.90	2.56
<b>Net Surplus/(Deficit)</b>	<b>59.44</b>	<b>86.35</b>	<b>(14.87)</b>