NGOs in Development
The Case of ASA

Nilufar Begum
Md. Abdul Matin
Dr. Nazmul Ahsan Kalimullah
Abdullah M. Khan

Bangladesh Public Administration Training Centre
Savar, Dhaka
June, 1998

Contents

Acknowledgement

The Research team is hereby extending its heartfelt gratitude to BPATC and ASA Managements for their all out cooperation in conducting this study.

Abstract

Government views the NGO activity as an useful contribution to the national development and welcomes NGO participation in sectors where govt. activities are scanty. The government is also implementing different projects and programs through and jointly with NGOs. It is evident that NGOs are significant, efficient and inevitable partner of the govt. in the overall development activities of the country. ASA started her interventions as a development NGO in 1978 with relatively radical programs like social conscientization and group organization of the poor. The period from 1985, to 1991 can be marked as reformative phase in ASA biography as the organization made some priority and policy shifts by this time and gradually was becoming a loan advancing organization from an advocacy NGO. From 1991, ASA started specializing on microcredit and within next few years, managed to be appeared as one of the four BINGOs [Big NGOs] of Bangladesh.

Chapter 01

1.0 NGOs in Development : The Bangladesh Context.

1.1 Working Definition of NGO

NGO is an abbreviation which, in full expression, is "Non-Government Organization." By the term, people generally mean a non-government organization pursuing voluntary development activities out of local resources or foreign donations. In the broader definition, the term NGO is meant for all organizations other than the govt.. For this study, we would like to define NGO as any non-govt. organisation that carries on voluntary development activities and plays a complementary role to counterpart govt. organisations in the respective fields.

1.2 Working Definition of Development

In the study, we would like to define 'development' as the marked or explicit positive change in the quality of life of people. The common indicators of development are life expectancy, percapita income, literacy rate, birth rate, infant mortality rate, death rate, human rights status, employment opportunity, human development index status, accessibility to institutionalised credit, access status to safe drinking water, famale education status, net population growth rate, parchasing power etc.

1.3 NGOs in Bangladesh

NGO activities has become a much talked about subject these days. Even officially, the non-govt. sector has become a priority area as it is reflected in the recently published national plan document (5th Five Year Plan 1997-2002). Since independence, the number of NGOs has increased rapidly in Bangladesh and the NGOs have been found working in almost all the fields of socio-economic development side by side with the govt.. By this time, since liberation of 1971, some of the Bangladeshi NGOs are known all over the world for their innovative approach towards development. Many of those creative approaches and development models are being excercised, tested and replicated in other developing countries.

1.4 NGOs in Poverty Alleviation

It is agreed that the main obstacle to the advancement of Bangladesh is poverty. So an idea of the economic condition of the country and the nature of poverty which stands on the way of our development may be useful to appreciate properly the contribution of the NGOs in the socio-economic upliftment of the country.

Bangladesh is a poverty prone country having a very large population in a small territory. The multi facets of poverty in Bangladesh include low income, vulnerability to income deflation and poor's incapacity to absorb shocks. Our percapita income is one of the lowest in the world. The great majority of the rural population suffer from endemic seasonal and permanent unemployment or under employment. The urban poverty is also growing here. Overall 50% of the population live below poverty line income. The part of the population who technically live above the poverty line are also highly vulnerable to threats of income erosion and consequent descents to moderate and extreme poverty. Erosion of income is often related to expenditures for coping with contingencies such as natural disasters, illness and reduction of real income. So poverty alleviation is the prime concern of Bangladesh NGOs working for socio-economic development.

1.5 Areas and coverage of NGO operation

After 1971, a good number of foreign and foreign aided NGOs took efficient efforts in relief and rehabilitation program in building the war damaged nation. From relief and rehabilitation work, these NGOs moved to support direct intervention in favour of the rural poor's social and economic empowerment. The NGOs got involved in development activities. Subsequently local development NGOs emerged following the paved way of foreign NGOs. Now a days, the range of NGO activities has become so wide that it include almost everything from group formation to microcredit delivery, from social awarness campaign to business, from environment to wild life protection, from informal to degree awarding education, from health care to family planning, from poultry to livestock, from knitting to manufacturing, from legal aid to land reform and administrative reform advocacy etc.

Up to December '97, total 1195 NGOs have been registered with the NGO Affairs Bureau out of which 1054 NGOs are having local and 141 NGOs are having foreign origin (as per official records of NGO Affairs Bureau). It may be mentioned here that to receive and operate with foreign funds an NGO has to get itself registered with the NGO Affairs Bureau. Some key information (up to July '97) about these registered NGOs are :

1.	No. of approved projects	:	4,316
2.	Budget approved	:	Tk. 84.35 billions
3.	Amount Released	:	Tk. 49.41 billions
4.	Districts covered	:	64
5.	Thana covered	:	460
6.	No. of employees	:	Above 2 lakhs
7.	Size of Revolving loan Fund (Microcredit)	:	Tk. 1000 crore (approx.)

[Source : Official documents of NGO Affairs Bureau]

Here it should also be mentioned that many local voluntary development NGOs are also registered with Ministry of Women and children Affairs, Ministry of Youth & Sports and the Deptt. of Social services.

Chapter 02

2.0 Introduction to Association for Social Advancement (ASA)

2.1 The Association for Social Advancement (hence forth, ASA) was formed in March, 1978 at a remote village in Manikganj (now, it is a district). Since then, ASA kept pursuing its mandated mission against rural poverty and still it is heading firmly towards its goal of rural development through improving the quality of life of poor people. Within two decades of operational life, ASA has already become a well known NGO in her field and achieved the honour to be ranked as one of the four big players in Bangladesh which is focusing on credit to the poor with about 5,71,000 members and an annual credit disbursement of 1.84 billion taka in 1996 ('New Vision', No. 15,1997). Other BINGO's (Big NGOs) are BRAC: Proshika and GSS. Among them, ASA is the one that is growing fastest and is the most cost efficient (Getubig et.al., 1997). From the very beginning ASA's goal is to empower the powerless grassroot people so that they can be able to resist oppression, injustice and establish their right of access to institutional resources.

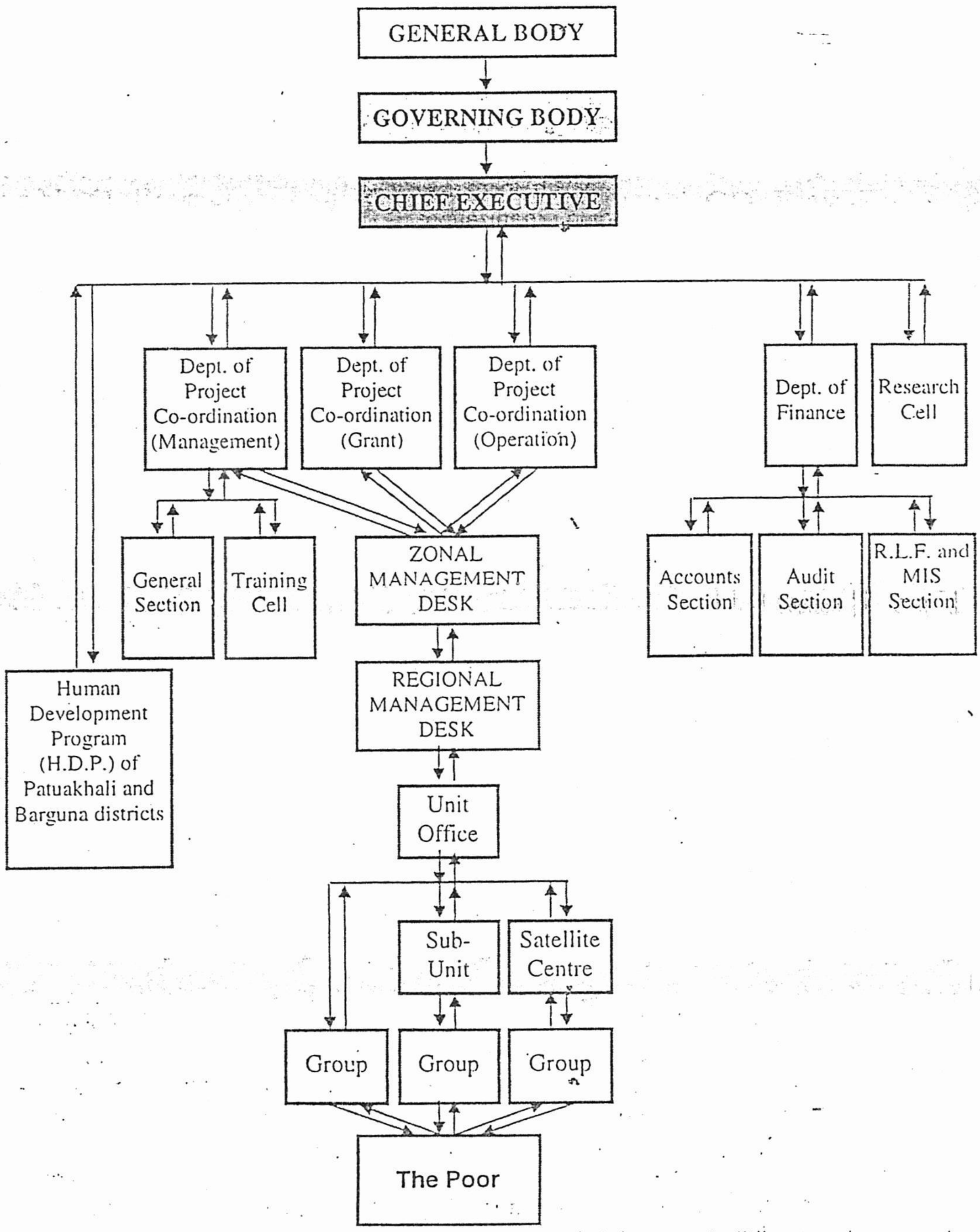
MAIN FEATURES OF ASA

Program Feature	1992	1993	1995	1996
Membership of Year-end	1,43,894	2,56,512	4,04,218	5,70,893
No. of loans disbursed	88,325	204,066	404,218	539,852
Total value of loans disbursed (000 Tk.)	1,70,173	499,493	10,15,924	18,40,619
Members savings (000 Tk.)	28,744	98,184	2,45,631	4,18,487
Average initial loan (Tk.)	1,984	2,529	3,161	3,478
Av. no. of loan officers	911	980	1,499	1,918
Partfolio in arrears	-	-	1.10%	0.98%
Operating cost ratio	19.35%	16.45%	12.05%	11.48%
Financial self sufficiency	43.78%	89.36%	101.02%	100.25%

2.2 The ASA Management

Over last two decades of operating life, ASA has experienced a rapid expansion in its programs and activities. For example, upto 1985, ASA activities were limited to only 29 thanas (administrative unit) and by December, 1996, ASA had implemented its microcredit program in 253 thanas of 50 administrative districts of Bangladesh establishing 500 unit offices (Source : Institutional sustainability of ASA, p.2 and p. 13).

ASA Organogram



Such speedy program expansion made the organization to go for decentralized management. "ASA has decentralized more and more power and authority from the head office to the various management stratum of the field level along with fast expansion of the program. Decentralisation of management was done on the basis of need and functional effectiveness to increase efficiency and ensure self-sufficiency through covering costs from income earnings. Considering this to be of utmost importance, ASA follows a management system which helps to increase income, decrease costs and ensure sustainability" (Source : 'Institutional sustainability of ASA' p.13).

The basic structure of ASA management is the unit office at the field level. Generally the Unit offices of ASA consist of 4 community organizers (COs) and 1 peon-cum-cook. Each Unit Office is headed by a unit manager (UM). Unit offices discharge field level activities such as group formation, group supervision, development education, savings collection, loan disbursement, instalment collection etc. for the members under their supervision through materialising policy directives guided by the rules and regulations of the organisation. 'The COs handle lending activities of the groups directly.

Every CO is responsible for supervising and discharging credit services to 18 groups. The UM's job is to plan, supervise, monitor, operate and manage the Unit. The UM maintains necessary liaison and produces reports to the Regional Manager (RM) regularly.

There is a desk of Regional Management for unit offices. The number of units under a desk is generally ten (10). The desk is attached to one of the ten unit offices convenient to facilitate the program by the Regional Manager (RM). The RM is the only responsible officer to the Regional Management Desk. The RM facilitates the credit program implementation maintaining a liaison with units and central implementors at the central office. RMs supervise monitor, and coordinate activities of the units under the desk. The RM performs managerial and coordinating functions such as need assessment of different units of the region, excercising approved authority, auditing etc. The RM plays a particularly important role in financial and fund management of the region.

There are central management desks such as Dept. of project Co-ordination, Dept. of Finance, Research Cell, General Section, Training Cell, Accounts Section, Audit Section, Revolving Loan Fund (RLF) section and Management Information System (MIS) Section.

'The Central Management includes the Chief Executive (CE), 4 Co-ordinators, 2 Senior Associate Co-ordinators and 7 Associate Co-ordinators along with 26 Collaborating and 22 support staff members'.

'ASA has a 8 member "Governing Body (GB)". It co-operates with the CE to direct the organisation. The CE informs the GB about the program of activities and discusses important issues and policies. Vital decisions and policies are taken by the GB.'

The 'General Body' is composed of 48 members of which 24 are staff members and 24 are group members. The General Body members elect the Governing Body members.

[The quoted paragraphs are taken from an ASA publication titled "Institutional Sustainability of ASA, p.p. 13-16]

2.3 Policies followed by ASA

Some of the main policies of ASA are stated below :

- to work for the poor section of the society including women mainly in the micro-credit program for poverty alleviation, economic empowerment and overall development.
- to specialize the micro-credit and savings program, which brought a wider domain of standardization into the whole operation of ASA.
- to formulate credit rules based on previous experience and guide the group members to invest properly for ensuring profitable utilisation of credit which ensures economic empowerment and organisational self reliance with a high recovery rate.
- to maintain simplicity and transparency in credit operation, which brings staff efficiency and establishes trust worthiness.

- to accumulate resources from the savings deposits of group members, which reduces risk of lending and increases fund utilisation in lending operation more conveniently.

[Policies quoted from 'Institutional Sustainability of ASA' p.p. 12-13]

2.4 Funding of ASA activities

'ASA has a variety of funding sources for her savings and credit program. According to her 1997 Annual Report, the ASA sources of funds up to 31 December were as follows :

Particulars	Taka	US $
1. Savings	72,1,910,000	1,6,042,444
2. PKSF Fund	42,6100,000	9,468,889
3. Grant from the Donors	45,8,870,000	1,0,197,111
4. Own & others fund	28,2,650,000	6,281,111
Total	1,8,8,9,530,000	4,1,989,555

The following are ASAs major sources of funds : BILANCE (Netherlands), HEKS (Switzerland), MISEREOR (Germany), DIA (Netherlands), DANIDA (Denmark) , PKSF. Moreover, CARITAS, Netherlands has given cyclone and emergency assistance, HKI and EPI contributed for collaboration fund, and PAPS has provided resettlement collaboration.

[Source : ASA Annual Report, 1997.]

Chapter 03

3.0 Priority shifts of ASA programs over time

Since her emergence in 1978, ASA has passed through three major phases (ASA in Transition, 1994). The phases are :

1) The Foundation phase (1978-1984)
2) The Réformative phase (1985-1991)
3) The program specialisation phase (1992- till date)

3.1 Priorities of the Foundation phase (1978-1984)

The major priorities were :

- Consientization for Social Action
- Awareness building of legal rights, supported by legal aid
- Training for organisational and occupational skills
- Communication support service system
- Training rural journalists

During this period achievement for ASA was the strengthening of social actions taken by member groups in the following areas :

- asserting right to land
- fighting injustice and gaining access to institutional resources
- protecting legal rights and challenging the rural elite
- obtaining just wages for their work
- participating in local govt. processes

ASA evaluated its performance in this phase and found some limitations as mentioned below :

- because of their poverty, the groups could not retain possession of assets such as khas land and ponds obtained from government, once members of the elite applied pressure within the legal and political system.

- once group members had successfully bargained for higher wages, the elite banded together and fought back using such measures as the incorporation of cheap migrant labour.

- The frequent natural calamities disrupted development activities of groups and the huge in flow of emergency aid through government and other NGOs built up a relief mentality which militated against long-term solutions dependent on group solidarity.

- because of their weak financial base, group members in the long-term gave preference to income generating activities over broader actions intended to change the social structure.
- Considering the achievements and constraints of its first phase, ASA revised her priorities and entered into the second phase.

3.2 The Reformative phase (1985-1991)

The priority agendas for action had been modified in this phase which were as follows :

- development education for empowerment program.
- credit program for income generation.
- mini-irrigation program for landless and marginal farmers.
- women's development program.
- health program, including primary health care, nutrition and Traditional Birth Attendant (TBA) training.
- human development training.
- post disaster management program.

The phase was also found successful in creating positive impact in rural development. Basic literacy and numeracy achieved by the members increased their interest to participate in group activities. The major limitation of this phase were found as :

- many ASA members left the organisation to join 'Grameen Bank' or other NGOs, because, ASA could not meet their needs for credit for income generation purposes.

- the development and implementation of integrated development programs takes a long time for the preparation of group members, who in the meantime must wait (sometime for years) to obtain credit, which they themselves identify as their crucial need.

- the absence of a equitable credit distribution policy for members led to uneven distribution which meant that a few members could get large amounts while others got nothing.

After this self-evaluation ASA stepped into her current phase.

3.3 program specialisation phase (1992-till date)

This phase started in 1992 and still is operating. The major focuses for action under this phase are :

- Savings and Credit for income generation in a cost-effective manner.
- Institution building at the grass root level through development education.
- Creation of alternative leadership in rural society.

Chapter 04

4.0 The ASA Model for sustainable development

4.1 How it is a Model

At present ASA is dealing with more than 11,44,541 group members and current total credit disbursement is more than Tk. 1,865 million through 686 unit offices along with 4,787 staff members. ASAs current recovery rate is 99.93 and financial sustainability rate is 102.96. The term 'Model' usually implies replicability. For the continuous operational success, the ASA method is being highly appreciated by beneficiaries as well as by national and international inteligentia. For its unique simplicity and accountability the method is being successfully replicated by many other NGOs in home and abroad. ASA's micro-financing approach is being successfully replicated in Combodia (since 1993), Tazikistan (since 1995), Afghanistan (since 1995), Jordan (since 1996), Ethiopia (since 1996) and other countries. This replicability proves the worthiness of the method to be called as a 'Model'.

4.2 Development Strategy of ASA

A study on ASA activities, conducted by the policy and operations Evaluation Department of the Netherlands Govt. reveals the major development strategies of ASA as :

- selection areas are undertaken on the basis of govt. and ASA data showing areas with low literacy rates and concentration of poor people.

- the task of institution building is undertaken through the formation of groups, each comprising 20 poor women, with 60 such groups forming one administrative unit. Members save what they can, and attend weekly development education meetings;

- financial discipline is ensured through a standard credit repayment regime. Repayment is made in 45 installments, which include a 12.5% service charge. Members savings are encouraged and utilized for credit purposes;

- all members get credit within 3 to 5 months with a current minimum of Tk. 3,000, rising in successive loans to a maximum of Tk. 10,000.

- Management is decentralized, with all credit-related discisions taken at the unit level. The Unit Manager has a clear guide book to prevent errors. [Rural Development in Bangladesh : A case of ASA, p.5]

4.3 Prominent properties of 'ASA Model' of Sustainable Development

The following are the main features of ASA model for sustainable development :

i) Formation of a 20 member's group of the poor especially of women.

ii) Member's participation in development education process.

iii) Provide small credits to increase income of the individual member.

iv) Ensure 100% loan repayment.

v) Emphasis on member's own savings.

vi) Meet the cost of credit from the service charges.

vii) Minimal administrative expenses.

viii) Making each ASA Unit cost effective in the least possible time (Usually less than 9 months).

ix) Decentralized management and effective monitoring.

x) Using the enhanced income, the members meet their expenses, mainly education, health, better food, etc.

xi) Ensure participation of the women in the important affairs of the family and society.

xii) Continuity of human development training to increase consciousness, develop leadership, improve project planning, ensure effective monitoring and enhance credit-management skills. (Source : ASA sustainable Micro-Financing Model, July 1996, p.p.13-14).

4.4 About Sustainable Development

'Sustainability' means 'the ability to be sustained'. A development program may be called sustainable when it is able to deliver a certain level of benefits for a continuous period of time after exogenous financial, managerial and technical assistance are ceased. Though ASA started her initial operation based on external resources over a period of time, She has invented a unique cost effective, sustainable development model for alleviation of poverty, and is currently expanding using own Revolving Loan Fund.

4.5 Process of group members sustainability : The ASA Approach

The ASA borrowers, who are predominantly females, usually invest in small projects like paddy husking, rice puffing, cattle and goat rearing, vegetable gardening, tailoring, running grocery shops, knitting, handicraft, fire wood selling, etc. For a better understanding, let us quote the calculation of a beneficiary's project of paddy husking, as it appeared in an ASA publication ('ASA sustainable Microfinance Model', P.P. 10-12) :

A group member after receiving Tk. 2000/- for the first time invests the amount in the project of paddy husking according to her personal choice. Through close observation, it is found that in the first year when she starts the project the expenditure incurred on are : (a) purchase of accessories Tk. 100/-, (b) carrying cost Tk. 100/- , (c) purchase of raw materials Tk. 1200/-, (d) labour cost Tk. 25/- per day x 4 days per week =100/-, and (e) carrying cost for marketing of the produced goods Tk. 100/-, all expenses added together become Tk. 1,600/- only. The rest of amount (Tk. 2,000-Tk. 1,600=

Tk. 400) remains in hand for covering probable risks. A beneficiary can work at her project only four days a week on an average, since she has also to do household work. Through investment of Tk. 1,600/- she can draw an income of Tk. 240/- in a week. The profit usually remains at the rate of fifteen percent (15%). From this, she deposits Tk. 50/- as weekly instalment of her credit and Tk. 5/- as weekly thrift deposit. She also supports the family expenditure, contributing Tk. 20/- per day, i.e, Tk. 140/- [20/- x 7 days =140/-] per week, from the income of her project. So, the weekly expenditure stands at Tk. 55/- + Tk. 140/- = Tk. 195/-. Excluding the amount from the income earned, the net surplus derived from her Income Generating Activities (IGA) is Tk. (240-195) = Tk. 45/- only per week. Hence, the beneficiary draws an income of about Tk. 45/- x 46 weeks (excluding vulnerable days) = Tk. 2,070/- per year on an average from utilization of credit in her project.

After the end of the first year when all the repayments are completed the same group member gets Tk. 3,000/- as credit. At this time her capital becomes tk. 3,000/- (new credit) + Tk. 2,070/- (earned profit) + Tk. 400/- (risk covering) = Tk. 5,470/-. It is observed that, there is a tendency of the beneficiaries to invest the capital in more than one project. In the second term when she gets sufficient money in hand, she usually creates a second project. She invests Tk. 3,000/- of the second term credit in the previous project and Tk. 2,000/- in a project where she requires little investment. Usually she purchases a calf or goat expecting a long-term benefit. After one. or two years of rearing she can sell it with much profit during the second year she conducts her previous project in the same way as before and her income increases more or less at the proportionate rate.

This time she needs helping hands for smooth running of the project activities. At this, the project management cost increases. However, she invests Tk. 3,000/- in the previous project, Tk. 2,000/- in the new one and keeps Tk. 470/- as risk covering fund. Through the same process of previous year she draws an income of about Tk. 450/- per week. This time she deposits the weekly instalment of Tk. 75/- and weekly savings of Tk. 5/- i.e, Tk. 80/- in total, family expenditure increases with increased income. Tk.30/- per week x 7 days a week = Tk. 210/- per week. The total weekly expenditure becomes Tk. 80/- + Tk. 210/- = 290/- excluding this from the income the net profit per week stands at Tk. (450-290) = Tk. 160/- only. So, the profit after the end of the second year is about Tk. 160/- x 46 week =

7,360/- on an average. From this amount a portion is spent to meet the expenditure for the second project. Tk. 5/- per day × 7 days × 52 week = Tk. 1,820/- only during the whole year. So, the cash in hand remains Tk. (7,360-1,820) = Tk. 5,540/- + Tk. 470 (risk covering) = Tk. 6,010/- at the end of second term. Moreover, the investment in the second project remains intact and its valuation has been increasing gradually, the benefit of which would be received later on, but at a time. After two year, the beneficiary gets an increased amount of Tk. 4,000/- as credit for the third term. Adding the previous year's Tk. 6,010/- to the third term credit of Tk. 4,000/-, the total amount becomes Tk. 10,010/-. This time the group member invests an increased amount in her project. As the volume of work increases, all the family members become involved in the project. Understably, as the capital size of the beneficiary increases she becomes interested in repairing her house and purchasing new assets, especially cultivable land. With the increase of her income, the socio-economic status of her family becomes upgraded and her growing solvency and social status gradually lead her towards self reliance and sustainable development.

Chapter 05

5.0 Attacking hardcore poverty with ASA Microcredit

5.1 About Hardcore Poverty

Bangladesh is predominantly rural out of the 118 million people, over 80% live in rural areas. In 1991/92, 53% of the rural poor and 34% of urban people lived below the poverty line.

Basic human needs such as food, clothing, shelter, education, healthcare etc. are not even met at bare minimum levels by the hard core poor throughout the year. They have no land or house of their own, they sell manual labour with no other means of income, they have no savings, they are unable to eat meals three times a day. They are unable to purchase minimum clothing, they have no ability to spend money on education, they have a very weak asset base and they suffer from instability and frustration in every day life. This portion of the poor is referred to as the hardcore poor in this study. (Source : Document of the World Bank, Report no. 15431-BD, August 14, 1996, p.p. 36-38).

5.2 What is Microcredit ?

The word 'micro' means very small and 'credit' implies money lent out by NGOs, banks or other financial institutions. The micro credit program is meant to develop very small credit services to the poor people who need and want these services for their own socio-economic betterment. ('Hardcore poor in Microcredit' An ASA study Report, September, 1997, p. 11).

5.3 ASA in Microcredit

The Microcredit program has become a widely applied means to alleviate hardcore poverty specially from the developing countries. Among the Bangladeshi NGOs, it is claimed that Grameen Bank is the pioneer in this field raising the slogan : 'Credit is a matter of Right to the Borrowers!'. Now many NGOs have come up with colateral-free credit services among which the ASA approach has earned a reputation mean while. An ASA study report reveals that by 1996, ASA had implemented it's microcredit program in 253 thanas of 50 districts in Bangladesh by establishing 500 field level Unit offices. A total of 561,530 landless poor women and men were covered with credit activities compared to 143,894 members in 1992. The credit program was expanded rapidly establishing 341 more unit offices between 1992 and 1996. (Institutional Sustainability of ASA, March, 1998, p.3).

Chapter 06

6.0 Impact Evaluation of ASA Interventions for Development

6.1 Social impacts

ASA is pursuing her mission of development since last two decades. For increasing the awerness of her clients on social issues ASA does not offer any formal training, as is usually done by such NGOs like BRAC or CCDB. The only intervention in this respect is through discussions conducted by the COs during weekly group meetings. Women's issues such as protest against dowry, establishment of women's inheritance rights, mobilization against whimsical divorce and payment of alimony are also not on the ASA group meetings agenda. The occasional issue-based discussions may cover such topics as the ill effects of dowry, need for women's education, preventive healthcare, benefits of hygienic sanitation and safe drinking water. Although relatively little time is allotted for these topics, ASA clients appear as articulate and informed as those of other NGOs which spend much more time and effort through formal training in disseminating such information. It is reported that the children who come with their mothers to the meetings are all immunized. Women stated that they mostly use hygienic latrines and they get their poultry vaccinated of the nearby govt. center. The ASA group formation approach is raising self confidence and integrity of the rural women community, as one woman member comments : "earlier we were isolated and stayed in our own houses. Now we regularly sit together and discuss issues. It has given us the confidence and skill to express ourselves in an articulate way in front of others. Therefore, we can now go to various govt. and non-govt. bodies and ask for things without hesitation" (Rural Dev. in Bangladesh : A case of ASA, p.15).

6.2 Economic Impacts

Most of the clients stated that the ASA credit has had a positive impact on their lives. Using the credit they have been able to increase their family income. Some clients mentioned that the economic survival of their family rested on the availability of ASA credit. When they were asked to describe the nature of economic change that has occured in their lives, they stated that they can now afford adequate food for all members of the household. Earlier, there were times when not all of the family members could eat square meals a day. Clients indicated that income generated from ASA credit does not reach a level that could affect their land holding pattern or create major assets, but some have been able to improve their homes.

When ASA clients were asked how they used their credit, it was found that most of the female clients utilize only a small part of their credit themselves. So far it is mostly their husbands or sons who use most of the money. Petty business, hoarding, fruit vending and running grocery shops are some of the major areas in which family members have invested credit funds.

Chapter 07

7.0 Organizational sustainability of ASA

7.1 Organisational sustainability : the concept

An organization, specially a developing NGO may be called 'sustainable' when it will be self-financing and be capable of pursuing all of its programs and activities in a growing manner despite the withdrawal or suspension of external aids of all forms.

7.2 ASA's sustainability status

With the expansion and development of the organization, ASA managed to minimize cost. It introduced some managerial changes in keeping accounts, and program implementation process which are very simple, adaptive and effective. A cost effective model has been perfected at the unit level of operation. Financial discipline and a decentralized management characterized by low cost has been established between 1992 and 1996. At the same time, ASA has continued to keep a high loan recovery rate. All these enabled ASA to cover all costs from income and ensure sustainability of ASA program. Financial and Operational self-sufficiency ratios from 1992 to 1996 explained in the following paragraphs would provide the status of sustainability of this NGO :

The status of financial sustainability is achieved when a program acquires the ability to cover its operating and financing costs from earnings. It is an important goal for a microcredit organization like ASA, as it ensures continued operation independent of concessional funding. ASA as a microcredit organization aims at ensuring institutional self-reliance and sustainability.

The formulas for the derivation of operational and financial ratio are given as follows :

$$\text{Operational self-sufficiency} = \frac{\text{Financial Income}}{\text{Operational cost + Financial cost + Loan loss provision}} \times 100$$

$$\text{Financial self-sufficiency} : \frac{\text{Financial Income}}{\text{Operational cost +Financial cost +Loan loss provision +Imputed cost}} \times 100$$

Financial income covers service charges, admission fees, bank interest, and miscellaneous income Costs consider the personnel, office expenses, depreciation, loan loss provision, financial and imputed costs.

The operational and financial self-sufficiency ratios calculated from 1992 to 1996 are demonstrated in the table and graph below, which gives a first hand reading of ASA's sustainability status.

Table : Self-sufficiency ratios

	1992	1993	1994	1995	1996
Operational self- sufficiency	53.17%	105.41%	120.49%	113.84%	109.76%
Financial self- sufficiency	47.03%	92.66%	107.57%	101.02%	102.04%

(Source : "Institutional sustainability of ASA", March, 1998, p. 6).

Chapter 08

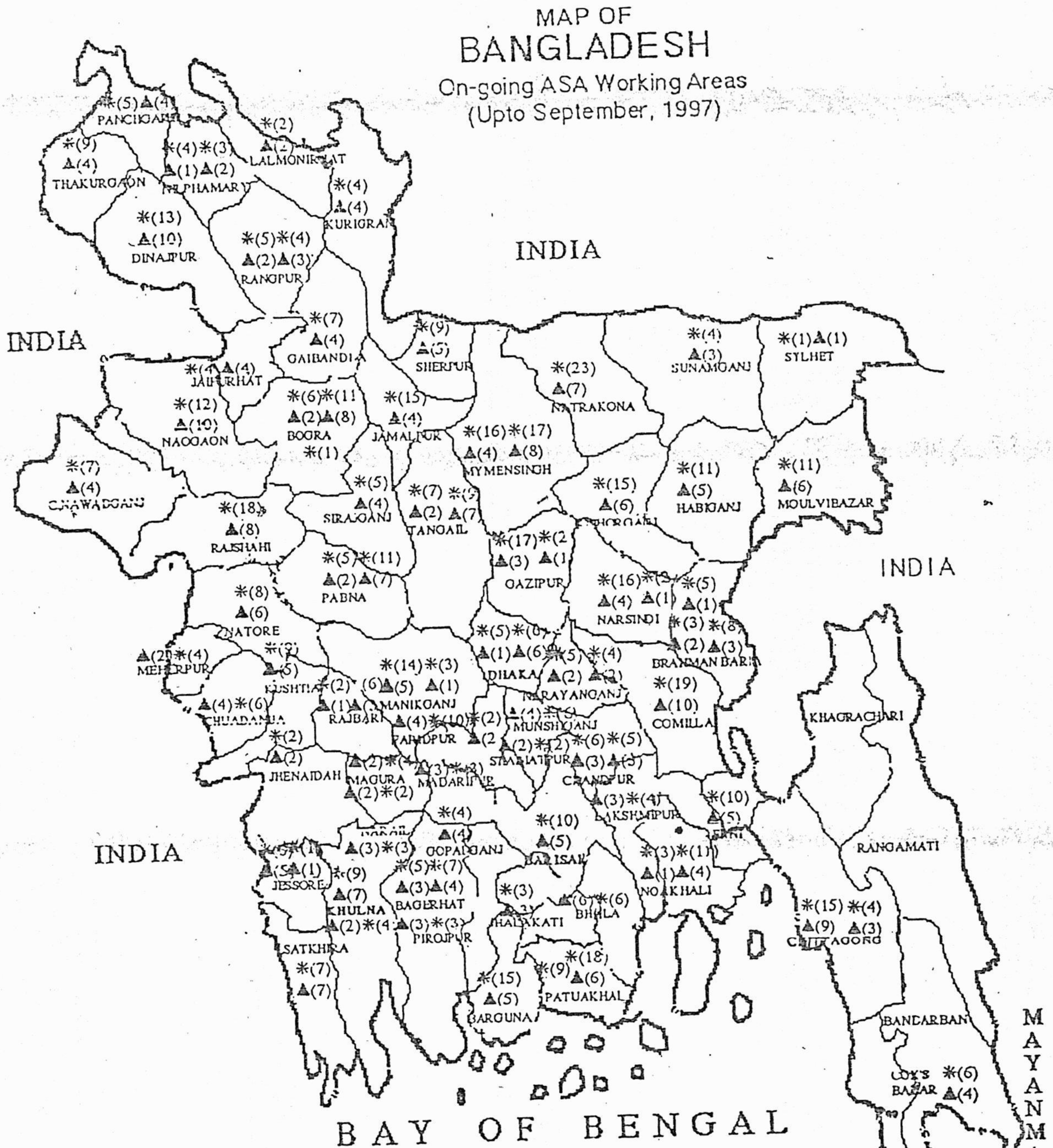
8.0 Concluding Remarks

The Fifth Five Year Plan (1997-2002) has strongly recommended for wider involvement of NGOs and closer co-operation between the Govt. and NGOs in various socio-economic and environmental sectors including human resource development, environment protection, strengthening of local govt. institutions, empowerment of women, literacy, primary healthcare, etc. ASA, though started its operation as a social conscientization mission, has now shifted her priority service line from social campaign to credit delivery, from policy advocacy to loan advancing (micro-credit). However, the need for social awareness of the hard core poor remain still sharp as it seemed two decades ago when the emergence of ASA took place. So, along with the micro credit operation, ASA should -

- again pay more attention to social issues like gender equity, environment and resolution of social conflicts;
- make a perspective plan projecting her physical expansion and calculate the amount of funds needed to sustain her growth. Then she should set plan so that it can play its her fund raising/revolving strategies accordingly;
- aim to establish a Development Financing Bank and take necessary preparations.
- provide legal aid to the grassroot level poor as they are the most vulnerable section to any oppression;
- diversify her service line for also to reach urban poors, like slum dewellers, street archins, floating sex workers, etc.

Annexure-1

Map of Bangladesh with Distribution of ASA Units and their Donors



Total No. of covered Districts - 61, Total No. of covered Thanas - 326 & Total No. of Units - 623

Sign of Thanas = ▲ and Sign of Units = ✳

Consortium of 4 European Donors Funded Thanas - 51
Consortium of 4 European Donors Funded Units - 146

DANIDA Funded Thanas - 11
DANIDA Funded Units - 33

BILANCE-Netherlands Funded Thanas - 20
BILANCE-Netherlands Funded Units - 30

PKSF-Bangladesh Funded Thanas - 138
PKSF-Bangladesh Funded Units - 242

Save the Children Funded Thanas - 1
Save the Children Funded Units - 5

Others (gr. savings, revolving, etc.) Funded Thanas - 105
Others (gr. savings, revolving, etc.) Funded Units - 167

Annexure-2

Identification of Constraints to Reaching the Hardcore Poor with the Microcredit Program

WHERE does the ASA Unit Office Work?	Features of the ASA Group Members	Variables
1. AREAs to be emphasized, which are inhibited by the hardcore poor in a clustered way and are neglected; 2. AREAs where there is no intensive credit programs by other institutions; 3. AREAs where a low rate of literacy of the common people is found; 4. AREAs where there are no institutions working;	1. Landless labourer households; 2. Women (95%) and men (5%) who have formed small entrepreneurial groups; 3. Marginal farmers, or of whom monthly income is on average ≤1,500 TK. 4. Divorced, widowed, left-off, inclusion of unmarried members with conditions; 5. Fields of considerations: - Per capita income - Employment - No. of household members - Cash - House - Other fixed and liquid assets - Size of village - Population density - Poor people	1. Organizational structure; 2. Functional procedures; 3. Policy formulation; 4. The role of ASA field staff; 5. Organizational culture; 6. Socio-economic status of the hardcore poor; 7. Physical and mental status of the hardcore poor. 8. Differences in NGO microcredit operating mechanisms; 9. Insufficient infrastructural facilities; 10. Other socio-economic factors.

Annexure-3

Portfolio Report and Ratio Analysis

Portfolio Ratio Analysis	1992	1993	1994	1995	1996
Financial Sustainability Ratios					
Return on total assets	11.94%	20.78%	23.76%	19.04%	19.64%
Financial cost ratio	4.01%	3.25%	4.38%	3.91%	4.63%
Loan loss provision ratio	0.0%	0.01%	0.85%	0.77%	0.91%
Operating cost ratio	18.45%	16.45%	14.49%	12.05%	12.35%
Imputed cost of capital ratio	2.94%	2.71%	2.37%	2.12%	1.35%
Donation and grant ratio	44.97%	19.90%	6.51%	11.11%	10.50%
Operational self-sufficiency	53.17%	105.41%	120.49%	113.84%	109.76%
Financial self-sufficiency	47.03%	92.66%	107.57%	101.02%	102.04%
Operating Efficiency Ratios					
Cost per unit of money lent	Tk. 0.1620	Tk. 0.0937	Tk. 0.0856	Tk. 0.07756	Tk. 0.0676
Cost per loan made	Tk. 312.13	Tk. 229.37	Tk. 247.16	Tk. 242.22	Tk. 230.69
Number of active borrowers per credit officer	94.13	201.54	247.33	217.64	269.87
Portfolio per credit officer	Tk. 125,496	Tk. 254,864	Tk. 327,136	Tk. 373,370	Tk. 489,703
Portfolio Quality Ratios					
Portfolio in arrears	0%	0.168%	2.23%	1.10%	1.0165%
Portfolio at risk	0%	N/A	N/A	N/A	N/A
Loan loss ratio	0%	0.013%	0%	0.004%	0.73%
Reserve ratio	0%	0%	1.11%	0.91%	1.315%

Source : RLF & MIS Section, ASA.

References/Bibliography

1. *ASA in Micro-finance* (ASA Annual Report, 1996).

2. *'ASA Sustainable development Model'* (An ASA publication), July, 1996.

3. *'ASA in Transition'* (An ASA Publication), December,1994.

4. Alamgir, Dewan, A. H. *" Achieving Financial Viability By a Large Micro Finance Institution* (IMF) : The Association for Social Advancement (ASA), Credit and Development Forum, Bangladesh, 1997.

5. *Advancement* (ASA Annual Report 1997) Dropout in Micro-credit operation (An ASA publication), April, 1996.

6. *"Cost Effective Operation*, 1995 (ASA Annual Report, 1995)

7. Chowdhury, M. Shafiqul Haque, " *ASA Sustainable Micro finance Model*", July, 1996, p.p. 10-13.

8. Getubig, I., Remeny, J., Quinones, B. (eds.) (1997) *: Creating the vision, Micro financing the poor in Asia-Pacific* : Issues, Constraints and Capacity building, Kuala Lumpur.

9. *'Hardcore Poor in Micro-credit'* (An ASA publication), September, 1997.

10. *'Impact Assessment* of ASA' (An ASA publication)

11. *Institutional Sustainability of ASA*. (An ASA publication), March, 1998.

12. Jain, Pankaj S. "*Managing Fast Expansion of Micro-credit Program*" (An ASA publication).

13. *'New Vision'* (A House Journal of ASA), 20 April, 1998

14. *"Rural Development in Bangladesh*; A case of ASA" (An ASA Publication).