

00184
BBA



An Overview of Micro Credit and Investment Practices of MIDAS Financing Limited

Prepared For:

Mr. Mahmud Zubayer
Internship Supervisor

Prepared By:

Shamsul Arefin Shuvo
ID# 2004-3-10-041
Program: BBA
Semester: Spring 2009

Internship Duration: 05 January-05 April, 2009
Submission Date: 22 April, 2009

**Department of Business Administration
East West University**



EAST WEST UNIVERSITY

Mr. Mahmud Zubayer
Internship Supervisor

Dear Sir

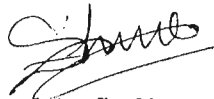
Submission of internship report

I am pleased to present my internship report on “**An Overview of Micro Credit and Investment Practices of MIDAS Financing Limited**” that was assigned to me as a partial requirement of my BBA program. In doing my internship report, I have found the work quite interesting and valuable. I have tried my level best to make it authentic and worth reading. While writing this report I have gone through Internet, different brochures, annual reports and interviews with personnel from different department of MIDAS Financing Limited for the relevant information of the assigned topic.

I put my best efforts to apply the theoretical concepts in real life situation. I have thoroughly enjoyed preparing this report as a partial requirement of my BBA Program.

Please feel free to call me, if you have any query regarding this report or any clarification needed. I am looking forward to get your comments and suggestions on this report.

Thanking you
Sincerely yours



Shamsul Arefin Shuvo
ID # 2004-3-10-041

To Whom It May Concern

This internship report is prepared with relevant documents related to this topic Overview of Micro Credit and Investment Practices of MIDAS Financing Limited.

This internship report is written by Shamsul Arefin Shuvo, ID#2004-3-10-041, BBA Department, East West University, is acknowledged and accepted.



Mahmud Zubayer

Internship Supervisor

East West University, Dhaka.

SENT

This Internship has been a very good experience for me in the way that it has given me the opportunity to understand the real world outside the class room. The present report could never been completed without the help of some cooperative persons and accommodating authorities. I have received help from a number of persons in preparing this report and I would like to thank all of them.

First and foremost I would like to express my sincere gratitude and respect to my internship supervisor, Mr. Mahmud Zubayer, East West University, for his enthusiastic guidance during the entire phase of the study without which it would not be possible for me to prepare this internship report.

I am also grateful to Mr. Md. Abdur Rashid Gazi, Managing Director, MIDAS Financing Limited; Mr. Shafique-ul-Azam, Senior General Manager, MIDAS Financing Limited; Mr. Md. Atiar Rahman Ansary, General Manager, MIDAS Financing Limited; Mr. Tareq Ahmed Salah Uddin Khan, Senior Manager, MIDAS Financing Limited; Mr. Md. Enamul Haque Khan, Assistant Manager, MIDAS Financing Limited; Mr. Shameem Ahmed, Senior Manager, MIDAS Financing Limited; Mrs. Nilufar Sultana, Senior Manager, MIDAS Financing Limited, Mr. Md. Fakhruddin Emdad, Officer, MIDAS Financing Limited for their kind cooperation to fulfill the Internship Report on: **An Overview of Micro Credit and Investment Practices of MIDAS Financing Limited.**

Finally, I would like to thank the entire faculty and staff of East West University who had been very cooperative and supportive and whose valuable guidance/teaching helped me know a lot about Bachelor of Business Administration and made it possible for me to accomplish this Internship Report.

The internship report entitled “**An Overview of Micro Credit and Investment Practices of MIDAS Financing Limited**” will help fulfilling the partial requirement of the Bachelor of Business Administration (BBA).

MIDI Program is an important issue of Micro Industries Development Assistance and Services (MIDAS). MIDAS is committed to the development of a sound and rapidly growing micro, small and medium-scale enterprise sector in Bangladesh. Accordingly, it aims at (i) continuously developing its institutional capabilities for attaining self-reliance, (ii) identifying exceptionally promising micro, small and medium-scale enterprises for providing financial, managerial, and technical assistance, (iii) developing entrepreneurship and enabling entrepreneurs prepared to exploit new business opportunities, (iv) enhancing capability of micro, small and medium enterprise promotion organizations, and (v) serving as a catalyst force for the growth of a sustainable micro, small and medium business in the country.

MIDAS Financing Limited launched its MIDI Program to create employment opportunities and to develop entrepreneurial skills among small entrepreneurs. MIDI Program gives short term and medium term loan with easy terms and conditions. The organization considers MIDI as tool to ensure expected performance.

The micro-credit is seen as the most effective development tool nowadays. The institutions in Bangladesh have a pioneering and leading in this sector worldwide and are recognized offering the most diverse product line. With the time many Income Generating Activities moved with the help of micro credit to the stage of entrepreneurship. Nonetheless there was years ago a big lack for those who have been released of micro credit. This is why MIDAS Financing Limited started in July 1993 its Micro Enterprise Development Initiative in short MIDI. The idea was to support graduated entrepreneurs with financing enabling them investing in their business and give them further perspectives. Additionally the training tools of MIDAS give their clients the ability to enhance their business skills.

By the time some leading NGOs and through the pressure of the government and for reaching a new client group, banks replicated or installed similar programs. More lending programs for a specific target group do not only mean a wider range of products and easier access to credit for enterprises but also implicates a change in the strategic position of MIDI on the market.

After introducing the topic and the objectives, methodology scope and limitations of the study, I tried to focus on the organizational overview, organogram and management, and different services offerings of MFL in chapter 2, 3 and 4.

In chapter 5, I tried to focus on the professional background of micro-credit and micro-enterprise financing itself. It is incessant to understand the basic concepts, historical development, importance and the perspectives of the micro financing.

In chapter 6, basic concepts, policies and strategies accompanied with background information of the MIDI Program are described.

In chapter 7, marketing analysis of MIDI Program and MFL is evaluated. To conduct marketing analysis, I made a questionnaire, which is given in Appendix B.

A financial statement of MFL is evaluated using common size statement analysis and ratio analysis in chapter 8.

Chapter 9 tries to identify the strengths, weaknesses, opportunities and threats of the MIDI program. In chapter 10 and 11, some major findings and recommendations are mentioned in order to demonstrate necessary changes and possible strategies.

Some lists of acronyms are given in Appendix A, which are used in this report. The lending policy of MIDI Program of the company has been given in Appendix C.

Finally it can be said that MIDI has a strong performance and a good position on the market. Besides a lot of improvements have to be done for continuous success and to be able to compete with a good program packet in the future.

	Topics	Page No.
Chapter 1	INTRODUCTION & BACKGROUND OF THE STUDY	
	1.1 Introductory Part	1
	1.2 Objective of the Study	2
	1.3 Importance of the Study	2
	1.4 Scope of the Study	3
	1.5 Methodology of the Study	3
	1.6 Limitation of the Study	4
Chapter 2	ORGANIZATIONAL OVERVIEW	
	2.1 Historical Background of MIDAS Financing Limited	5
	2.2 Company Introduction	8
	2.3 Objectives	9
	2.4 The Strategy	9
	2.5 Values	10
	2.6 Mission	10
	2.7 Vision	10
Chapter 3	ORGANIZATION AND MANAGEMENT	
	3.1 Management	11
	3.2 Professional and Functional Specialization	11
	3.3 Organogram	11
	3.4 Networking	13
	3.5 Publications	13
	3.6 Evaluation	13
	3.7 Branch Offices	13
Chapter 4	SERVICES MIX OF MFL	
	4.1 Small Enterprise Development (SED)	14
	4.2 Micro Enterprise Development Initiative (MIDI)	14
	4.3 Women Enterprise Development (WED)	15
	4.4 Lease Finance	15
	4.5 Housing Loan	16
	4.6 Consumer Credit Scheme (CCS)	17

	4.7 Loan against Lien of Securities (LLS)	17
	4.8 Term Deposit	18
	4.9 Investment in Securities	18
Chapter 5	MICRO CREDIT AND INVESTMENT PRACTICE	
	5.1 What is Micro Credit	19
	5.2 Essential Features of Micro Credit are:	20
	5.3 In the Context of Microfinance	21
	5.4 Micro Financing Institutions (MFI)	22
	5.5 The Impact of Microfinance in General	24
	5.6 The Evolution of Micro Credit in Bangladesh	24
	5.7 The Transition from Micro Credit to Micro Enterprise Financing	25
	5.8 Micro Enterprise Financing	26
	5.9 Problems for Micro Enterprises	27
	5.10 Development in Bangladesh	28
Chapter 6	MIDI PROGRAM	
	6.1 Mission	29
	6.2 Objectives	29
	6.3 Security	30
	6.4 Loan Processing Costs	30
	6.5 Eligibility for Credit Facilities	30
	6.6 Statistical Facts	31
Chapter 7	MARKET ANALYSIS	
	7.1 Business Performance	32
	7.2 Business Performance of MIDI Program	33
	7.3 Project Analysis of MIDI Program	34
	7.4 Sub-Sector Wise Distribution of MIDI Projects	35
	7.5 Recovery Performance of MIDI Program	37
	7.6 Investment	38
	7.7 Scheme-wise Investment Portfolio	38
Chapter 8	FINANCIAL STATEMENT ANALYSIS	
	8.1 Basis of Accounting.	39
	8.2 Financial Performance- At a Glance	39
	8.3 Common Size Statement Analysis	39

	8.4 Ratio Analysis of MIDAS Financing Limited	45
Chapter 9	SWOT ANALYSIS	
	9.1 Strength	51
	9.2 Weakness	51
	9.3 Opportunity	52
	9.4 Threat	52
Chapter 10	FINDINGS	
	10.1 Major Findings	53
Chapter 11	RECOMMENDATION	
	11.1 Recommendations	54
Chapter 12	CONCLUDING REMARKS	
	12.1 Conclusion	56
Chapter 13	REFERENCE & APPENDIX	
	REFERENCE	57
	APPENDIX A: Acronym	58
	APPENDIX B: Questionnaires	59
	APPENDIX C: MIDI Lending Policy	60

	Topics	Page No.
Table	Table 1: Time Line of MIDAS and MFL	7
	Table 2: The Major Events of The Company	8
	Table 3: Business performance of MFL	32
	Table 4: Business performance of MIDI Program	33
	Table 5: Performance report of MIDI Program	34
	Table 6: Sub-sector-wise Distribution of Approved projects	35
	Table 7: Investment Practice of last two year	38
	Table 8: Financial performance of MFL of five years	39
	Table 9: Five Years Balance Sheet of MFL	40
	Table 10: Common Size Balance Sheet of MFL	41
	Table 11: Five Years Income Statement of MFL	43
	Table 12: Common Size Income Statement of MFL	44
Diagram	Diagram 1: Organogram of MFL	12
	Diagram 2: The links of objectives, activities and impact of MFI	23
Figure	Figure 1: Business performance of MFL over last five years	32
	Figure 2: Business performance of MIDI Program over last five years	33
	Figure 3: Sub-sector-wise Distribution of Approved projects	36
	Figure 4: Recovery performance of MIDI Program	37
	Figure 5: Scheme-wise Investment Portfolio for June 30, 2008	38



Chapter 1

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introductory Part

MIDAS Financing Limited started the Micro Enterprise Development Initiative (MIDI) in 1993 with the intention to provide financial support to a neglected sector of enterprises up to that date. MFL was the first institution who recognized that there is a marginal group of enterprises not considered by the banking and NGO sector until this time. Giving financial access to this untouched niche in the financing sector led to that MFL is regarded as the pioneer of micro-enterprise financing in Bangladesh.

Very few other institutions recognized the incredible potential of the micro-enterprise sector. On the one hand the NGOs concentrated only on financing the hardcore poor and poor entrepreneurs and the commercial banks tried to make their business with the medium and large companies to reach incremental profit. The micro-enterprises who could graduate through micro-credit and standing on a self-sustainable basis had no objectives to get any financial support needed mainly as working capital. A further difficulty was for those entrepreneurs that there was no possibility to take smaller loans from commercial banks because collateral security has to be provided.

But during the last years and also with the pressure of the government of the Republic of Bangladesh many banks started micro-enterprise financing schemes to extend their businesses and to reach new clients. Also the NGOs recognized that they cannot release their customers without giving them a perspective for the future. Therefore more and more NGOs decided to support them till the micro-enterprises can graduate to get loan from the banks.



1.2 Objective of the Study

The purpose of the report is to achieve knowledge about the micro credit and investment practices of the company. The main objective of this study is to prepare an internship report on the specified topic working within a company.

Certain objectives are essential for the conductive research. These are as follows-

- To present a brief overview and history of MFL company.
- To find out and provide micro credit practices of MFL.
- To find out the promotional activities of MFL.
- To find out the problems regarding micro credit service.
- To understand the cost efficiency of MIDI Projects.
- To understand MFL activities and in special the MIDI program.
- To analyze the situation of micro-enterprises and their future perspectives.
- To analyze the policies, methods and practices of MIDI program.
- To point out the strengths, weaknesses opportunities and threats of the MIDI Program.

1.3 Importance of the Study

The main importance in any aspects of educational field is – “To gain knowledge through a scheduled process.” As an essential part of my assigned course, it is a necessity to go through all fields of knowledge, both theoretical & practical.

The internship program is assigned to all the BBA students to attain efficiency in various perspectives such as– micro credit, investment practice, accounting information systems, management, finance and banking, marketing, economics etc. It is very important to conduct an internship program, as academic knowledge is not sufficient enough to face future opportunities & threats. This program is valid for major reasons-

- To develop clear understanding about the organizational objectives.
- To know the structure of the organization.
- To analyze the activities of the organization.



- To assess the major strengths, weaknesses, opportunities and threats of the organization.
- To design promotional techniques for the organization.
- To identify the categories of the clients.
- To suggest appropriate steps taken to promote its services.

1.4 Scope of the Study

Basically this report is based on the present situation of micro credit in Bangladesh and MFL's contribution in it. MIDAS Financing Limited (MFL) is one of the leading non banking financial institutions in Bangladesh. This report covers the organization's background, structure, functions, management practices, services, micro credit, micro-enterprise financing, MIDI program and its market situation, and SWOT analysis of MIDAS Financing Limited.

1.5 Methodology of the Study

The report were conducted in number of subsequent steps that cover an integrated plan. These steps include:

- Collection of the relevant information,
- Collection of the necessary resources,
- Analysis and evaluation of the findings.
- Recommendation on the findings.

Sources of Data: Data used in the study were collected from both primary and secondary sources.

The Major sources of primary data are:

- Interview with the executives of different departments and MIDI department,
- Observing activities of the concerned Department.
- Discussion with knowledgeable persons.



The *secondary sources* of data are:

- Publication materials of MFL.
- Annual Reports of MFL.
- Use of brochures, published books, articles, journals, and research papers etc.
- Information collection from internet sources,

1.6 Limitation of the Study

At the time of preparing my report I faced several problems. These limitations are as follows:

- Time is the main limitation for my study. Due to unavailability of sufficient time, it is not possible for me to provide all up to date information.
- Work load during the internship program at the work place was also a barrier to prepare this report.
- Current and adequate information is hard to collect.
- Due to lack of practical experience, some errors might be occurred during the study. Therefore maximum efforts have given to avoid mistakes.
- As a novice it was tough for me to make evaluation and finally draw recommendations. The allotted time is not enough to understand and evaluate this type of vast issue.
- Last but not the least; a good study requires the analysis of as much data as possible covering various aspects of the study. There may be some lacking and I hope to be excused for these.

Despite all these limitations, the study has hopefully fulfilled its objectives and indicates some important suggestions.



Chapter 2

NATIONAL OVERVIEW

In order to conduct a worthwhile report preparation of MIDAS Financing Limited, it is necessary to go through the profile of the company under study.

2.1 Historical Background of MIDAS Financing Limited

Micro Industries Development Assistance and services (MIDAS) was established in 1982 under the Societies Act with the initiative of United States Agency for International Development (USAID) to overcome the high rate of unemployment of Bangladesh which is also influenced by high population growth rate and stagnant per capital agricultural productivity.

MIDAS was also formally registered with the Department of Social Welfare, Government of the People's Republic of Bangladesh as a non-profit voluntary organization with a view to generating employment opportunities. Before registration of MIDAS, a cooperative agreement was signed between USAID (under its Rural Industrial Project) and the Asia Foundation (as an intermediary) in 1981 to channel and administer USAID assistance to MIDAS.

Upon registration as non-profit voluntary organization, the management of MIDAS was vested in a board of directors who were society's member representing the voluntary agencies, private organizations, the government of Bangladesh and donor agencies. The Board Members are elected for a term of two years.

An amendment to the cooperative agreement with USAID was made in 1985 that include a scheme of granting loan and equity fund to the potentially profitable and innovative business ventures as it believed that there is a large opportunity for the development of micro and small labor intensive enterprises in the services, construction and manufacturing sub sectors rather than in the public and large manufacturing sectors.



Through a high degree of specialization and experience together with prudent traditional values, MIDAS activities are increasingly become commercial in nature and have demonstrated its ability and commitment to the development of small enterprises in Bangladesh. Therefore the government of Bangladesh has advised to operate MIDAS as an industrial promotion company rather than a non-profit voluntary organization. Understanding this Board of MIDAS reviews the proposition and decided to convert MIDAS into a company limited by guarantee under the Company Act 1993.

USAID supported MIDAS till September 1993 and after that MIDAS has not received any assistance from any quarters.

The goal of MIDAS is not only to provide financial assistance to micro and small enterprises but also to become a financially self-reliant organization. In this respect it applied to Bangladesh Bank for license under the Financial Act, 1993 to operate as a regular Non-Banking Financial Institution and have access to short-term credit from international organization and multinational agencies like ADB, IFAD etc.

With license from Bangladesh Bank to operate as a non-bank financial institution under the financial act, 1993, MIDAS set up "MIDAS Financing Limited" which is an offshoot, a spin-off MIDAS with the primary objective of taking over the enterprise financing role of MIDAS and performing it in a better way and on a larger scale.

MIDAS and MFL both are companies incorporated by the register of joint stock companies and firms under the companies act. But where MIDAS is a company limited by guarantee and MFL is a public company limited by shares.

MFL having license from MIDAS has inherited a corps of devoted and qualified professionals with vast experience in enterprise promotion and financing. It will also be underpinned by the backup services of MIDAS that will continue to play its developmental role with full vim and vigor.

**Table 1: Time Line of MIDAS and MFL**

TIME LINE	MIDAS SERVICES
1981	Started its journey as an SME development project of USAID under The Asia Foundation.
1982	Registered as an NGO under the Department of Social Welfare.
1983	<ul style="list-style-type: none"> - Started providing financial assistance to small enterprises. - Opened consultancies wing and started doing feasibility study, market research & business plan.
1984	Started sub-sectoral studies on areas having investment potentials on regular basis.
1987	Started Textile Development Program with the assistance of Ford Foundation (5-year project).
1988	<ul style="list-style-type: none"> - Started working with NRDP-II/DANIDA as long (5years) Consultant/Employment Advisor. - Opened a separate training unit and started organizing courses on Entrepreneurship and Business Development (based on CEFE approach).
1989	Designated as Resident Representative of Canadian Executive Service Organization (CESO).
1990	Designated Consultant of Small Enterprise Development Program (SEDP) of NORAD for its IICL wing (a 4 year project).
1991	Implemented Business Advisory Center (BASC) – a USAID project, which emerged as an independent organization in 1994.
1993	MIDAS changed its status as a company (limited by guarantee) from NGO.
1994	Joint HRD Program was launched with Humber College of Canada (3-year project).
1997	<ul style="list-style-type: none"> - Started “ Promotion of Private Sector-B” Project as implementing agency with the collaboration of GTZ (3 year project). - Designated Resident Representative of Netherlands Management Cooperation Program (NMCP).
2000	Launched a subsidiary non-banking financial institution named MIDAS Financing Limited- a public company limited by shares.



2.2 Company Introduction

Name and Status

- **Name:** Micro Industries Development Assistance and Services (MIDAS)
- **Status:** MIDAS is registered with:
 - a) The Registrar of Joint Stock Companies and Firms as a company limited by guarantee under Companies Act 1913. Registration No. CTO- 304(16)/92 dated December 30, 1992.
 - b) NGO Affairs Bureau, Prime Minister's Office, as a Private Voluntary Organization under the Societies Act XXI of 1860. Registration No. S-838/17 dated November 09, 1989.
 - c) Department of Social Welfare, Ministry of Social Welfare. Registration No. DSW/FDO/H-123 dated August 13, 1982.

MIDAS Financing Ltd. – a subsidiary organization of MIDAS, is operating as a Non-Bank Financial Institution (NBFI), under Financial Institution Act, 1993. It is registered with The Registrar of Joint Stock Companies and Firms as a Public Company Limited by Shares. Bangladesh Bank issued license on October 11, 1999 in favor of MIDAS Financing Limited.

Table 2: The Major Events of The Company is as follow:

i.	Date of Incorporation	May 16, 1995
ii.	Issuance of NBFI License by Bangladesh Bank	October 11, 1999
iii.	Commencement of Commercial Operation	January 01, 2000
iv.	Commencement of Leasing Business	July 01, 2001
v.	Commencement of Consumers Credit Operation	October 01, 2001
vi.	Commencement of Housing Loan	July 01, 2004
vii.	Signing of First Lease Agreement	July 05, 2001
viii.	First deposit taking from individual investors	June 08, 2002
ix.	Initial Public Issue of Shares (date of allotment)	August 12, 2002
x.	Listing on Stock Exchange:	
	- Dhaka Stock Exchange (DSE)	October 26, 2002
	- Chittagong Stock Exchange (CSE)	July 27, 2004
xi.	Opening of Bogra Branch	February 19, 2006
xii.	Entry in CDBL	March 23, 2005
xiii.	Issue of Rights share	May 15, 2005



2.3 Objectives

MFL strongly believes that a positive contribution can be made to the development of the economy through creating new employment opportunities and developing new base of entrepreneurship in the country. Therefore it aims at-

- To enhance the capability of micro, small and medium enterprises through providing financial assistance.
- To develop entrepreneurship and enabling entrepreneurs to exploit new business opportunities.
- To identify exceptionally promising micro, small and medium enterprises for providing financial, managerial and technical assistance.
- To promote women entrepreneurship.
- To discriminate information on micro, small and medium enterprises.
- To offer consultancy services.
- To carryout study and research services.
- To develop its institutional capabilities for attaining self- reliance.
- To expand their presence in the area of trade and business and investment of our country.
- To serve as a catalyst force for the growth of sustainable micro and small enterprises in our country.

2.4 The Strategy

MIDAS strongly believes that micro and small enterprises provide an excellent room for creation of new employment opportunities and development of new base of entrepreneurship in the country. Its enterprise development program aims at strengthening the strategic position of micro and small enterprises between large scale , capital intensive and sophisticated firms and very small! scale, informal and less sophisticated enterprises.



2.5 Values

MFL abides by a set of core values. Some can be classified as traditional values such as security, trustworthiness, integrity, and confidentiality. MFL holds the following values also-

- To work as a team to serve the best interest of the customer.
- To have strong customer focus and build relationship based on integrity, superior service, and mutual benefits.
- To be relentless in pursuit of entrepreneurship development and improvement.
- To value and respect people and make decisions based on merits.
- To strive for profit and sound growth.

2.6 Mission

MFL is a non-banking financial institution with a vision of excellence. It aims to be an outstanding non-banking financial institution providing a broad range of services to the full range of customers, delivered nationally and differentiated from its competitors by quality and efficiency of services. MIDAS Financing Limited connects the mission into specific performance objectives-

- MFL wishes to achieve the top position in the country and sustain thereafter.
- MFL develops strategic plan (Long term, intermediate, and short term) to attain its objectives.

2.7 Vision

MFL will be renowned as the top performing non-banking financial institutions serving in Bangladesh. They are relative to their competitors:

Provide the greatest return to the shareholder by achieving sound profitable growth. Be perceived by customers and staff as the best whatever they operate. Have staff of the highest caliber.



Chapter 3

ORGANIZATION AND MANAGEMENT

3.1 Management

There are 10 members in the management of MFL. The Board of Directors including Managing Director look after the day-to-day affairs of the company. Management of MIDAS Financing Ltd every year performs Annual General Meeting (AGM). Recently the organization declared dividend to the shareholder at the ratio of 1B: 10. The management of MIDAS Financing Ltd has already started and has planned to undertake a number of new programs in order to diversify its activities and expand business, which are as follows:

- Housing loan scheme.
- Investment in capital market.
- Merchant banking operation.
- Factoring.
- Computerization and Automation.
- Enlistment with CDBL.

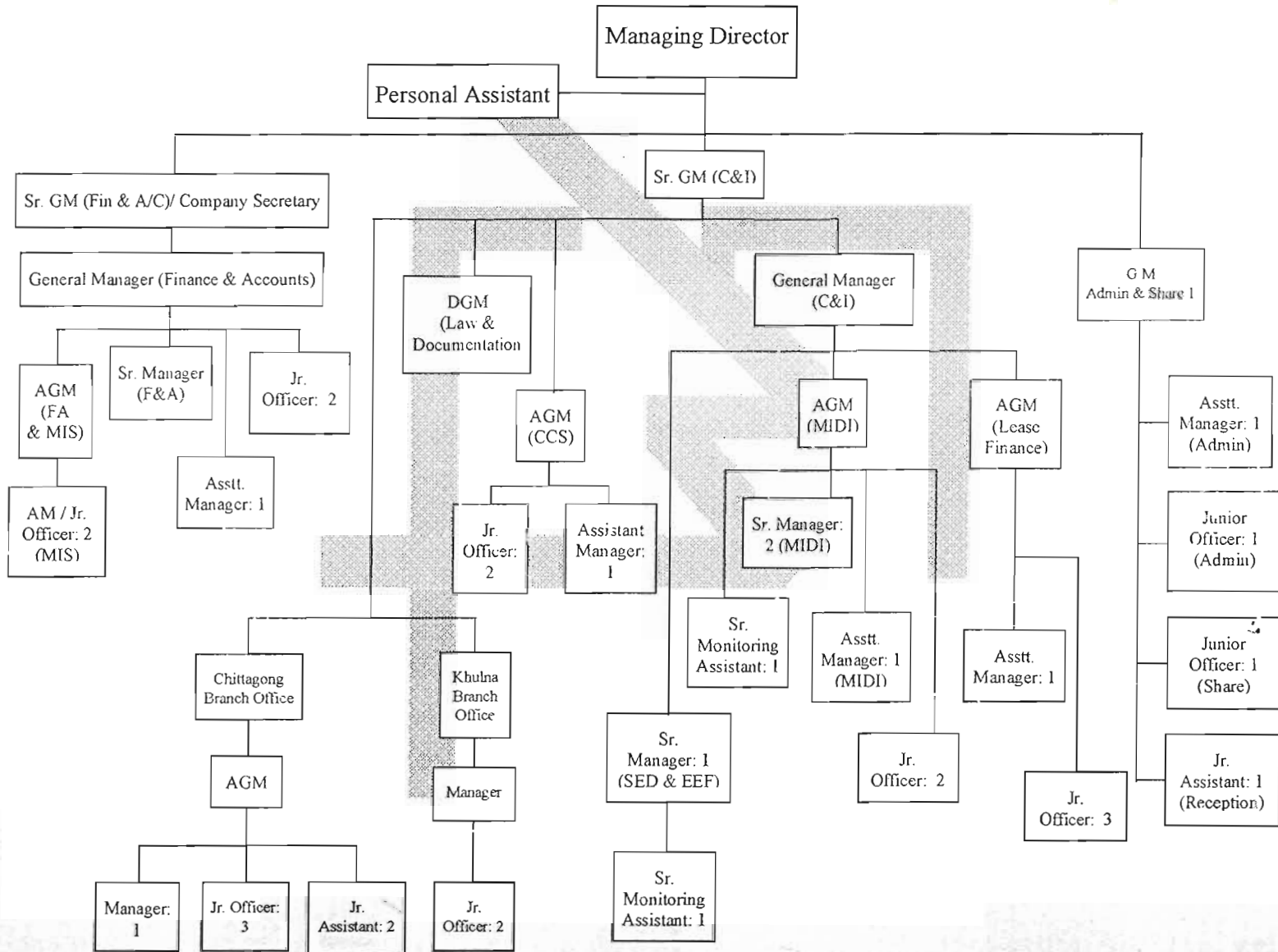
3.2 Professional and Functional Specialization

Trained manpower is an important asset of any company. MFL implements its programs with the help of its own team of qualified professional specialized in various financial incentives and socio-economics. MFL has in house professional with their qualifications, experience and expertise in various fields such as Business Administration, Economics, Finance, Management, Marketing, Accounting and Computer Science etc. A number of officers of the company participated in different training courses and workshops organized by reputed training institutions including BIMB.

3.3 Organogram

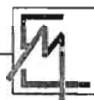
The organogram of MIDAS Financing Limited is presented on next page.

Diagram 1: Organogram of MIDAS Financing Limited



Presented by: Shamsul Arefin Shuvo. ID#:2004-3-10-041





3.4 Networking

MIDAS maintains an excellent networking with similar institutions both within and outside Bangladesh.

3.5 Publications

MIDAS publishes a quarterly newsletter named "MIDAS News". Its circulation is about 3,000 copies and is distributed to selected organizations of many countries of all the 6 continents of the world.

MIDAS also publishes an annual report, which presents the organization's overall activities and achievements during the year. There are also brochures on different programs of MIDAS which are updated from time to time.

3.6 Evaluation

MIDAS performance of first 10 years had been reviewed by two leading US based consultancy houses namely, **Development Alternatives, Inc.**, and the **Nathan Associates Inc.**, Washington, D.C., appointed by USAID. The main areas of evaluation were—MIDAS's organizational strength and its management system and self-sustainability. MIDAS financial management system was evaluated by the **Coopers and Lybrand, Singapore**, appointed by the Regional Inspector General of Audit, USAID/Singapore, a non-federal audit office of USAID.

In one of the evaluation reports, the evaluators recorded MIDAS as a "**highly visible and highly regarded show-case of private enterprise initiative in developing countries**".

3.7 Branch Offices

MIDAS has 4 Branch offices in Chittagong, Khulna, Bogra and Narayanganj and 2 Booth Offices in Feni and in Comilla respectively. Every Branch office has its own Library and Information center, computer and other modern communication facilities.



Chapter 4

SERVICES MIX OF MFL

Presented below are the different services provided by MFL for development and promotion of micro, small and medium scale enterprises and other institutions/organizations in Bangladesh.

4.1 Small Enterprise Development (SED)

MFL adopted SED program to create employment on self-sustainable basis for small and medium enterprises and to explore new products, production process, marketing strategies and financial arrangements etc. Under this program MFL provides loan for *Fixed Capital* and *Working Capital*.

Characteristics SED Program

- Maximum loan size of SED is Tk. 100 million.
- The debt equity ratio must be 70:30
- The loan repayment period is 5 years (maximum).
- Mode of repayment may be monthly, quarterly or half yearly.
- Service charge is 17% per annum (simple) and project appraisal fee is @ 0.5% of the total project cost.
- Personal guarantee, third party guarantee, demand promissory note, hypothecation of the project assets are required as security. Collateral security / bank guarantee/ insurance guarantee for loans above Tk. 7.5 lac.

4.2 Micro Enterprise Development Initiative (MIDI)

The MIDI program was introduced in the year 1993 under MIDAS. After that in the year 2000, it became one of the important schemes of MFL. The main objectives of MIDI are to create employment opportunities and develop entrepreneurial skills among small entrepreneurs. Short-term and medium-term loans ranging from Tk.50,000/- to



Tk.1,000,000/- are provided to micro enterprises on very soft terms. Special features of MIDI loans are:

- Loans up to Tk.750,000/- are collateral free.
- Simple and quick processing.
- Special cash incentive is offered on timely repayment.
- Provision for special loans to meet seasonal demand.
- Special reduced interest rate for women entrepreneurs.
- No fees for documentation.

For security of the loan, MIDI takes Personal Guarantee of the Sponsor and Third Party Guarantee from a person acceptable to MFL. There is no collateral security needed up to Tk. 750,000. So guarantor is very important and visit to the guarantor is also necessary. If the sponsor does not repay money then after 3 months they (MIDI) has to send notice.

4.3 Women Enterprise Development (WED)

The WED cell is established with the objective of increasing women participation in activities by way of their employment or self-employment in MIDAS supported programs. A designated female Board member of MIDAS supervises the cell. It offers a wide variety of managerial and technical support services to them. Under the WED program investment counseling, tech-market information, technical assistance, managerial assistance, market promotion, organizing women's forums, organizing MIDAS MINI MART is provided to women entrepreneurs. MFL arranges discussion meetings with women entrepreneur on the 3rd Thursday of every month at the head office to inspire and assist them to start business and establish as a successful entrepreneur.

4.4 Lease Finance

MFL extends lease finance facility to micro, small and medium enterprises and corporate business units in the manufacturing and service sectors and also to individuals and institutions for acquisition of machinery, equipment, vehicles and other fixed assets. After obtaining license as non-bank financial institution in October 1999 it started its



commercial operation from January 2000 but it actually started leasing operation from July 2001.

Under this scheme, they give loan to Capital machinery, Heavy construction equipment, Generator, Transformer, Lift and Boiler, Air-Conditioning and Refrigeration equipment, Medical equipment, Vehicles, and Agricultural equipment.

- Lease amount: minimum Tk. 300,000 and maximum Tk. 100 million.
- Lease Period is 2-5 years.
- Installment is monthly or bi-monthly.
- Implementation period is 3 months (maximum).
- MFL takes two rental installments as Lease/Security Deposit.
- Terminal Value is 1% of lease amount.
- Appraisal Fee is 0.2% of lease amount or Tk. 2,000 (min) to Tk. 20,000 (max).
- Rental charge is 18% (reducing balance method).
- Lease period is maximum 5 years.

For security of the loan, lease finance takes Personal Guarantee of the sponsor and Third Party Guarantee/Corporate Guarantee, Bank/Insurance Guarantee, Mortgage of Land and Building, Lien of Marketable Securities, and Lien of TDR.

4.5 Housing Loan

MFL has launched Housing Loan Scheme in the year 2004 to fulfill the dream of the limited income people by extending financial support in the form of term loan. Under this scheme, they give loan for construction or renovation of a house / apartment, and purchasing a ready made house / apartment / commercial space / shop.

- Any Bangladeshi citizen within the age bracket of 30-55 years with recognized sources of income can apply for loan under this scheme.
- The amount of loan shall be from Tk. 3 lac to Tk. 50 lac but not exceeding 50% of the construction cost or purchase price of the property.



MFL started LLS scheme in 22nd December 2005. MFL LLS scheme is a fully risk less scheme and now it is becoming very popular day by day.

4.8 Term Deposit

Under the guideline of Bangladesh Bank, MFL receives term deposit from individuals and institutions at attractive rates of interest. The rapidly growing MFL offers an excellent opportunity of secure investment with superior return to individual and organizational investors under its investment scheme. MFL started this scheme to solve liquidity problem. Anyone has surplus fund and are interested in secure investment with superior return, he / she can easily invest his / her fund under this scheme in MFL.

Main features of this scheme are:

1. Fund received under an agreement.
2. Period of investment is 1 year for an individual and 6 year in case of institution (automatically renewable).
3. Rate of return at 13% per annum.
4. Payment of return- Half yearly and instant on the due date.

4.9 Investment in Securities

As part of diversification of its operation MFL has decided to operate in the capital market by investing in shares and securities both in the Primary market and Secondary market. This investment will help develop capital market as well as Increase Company's earning and profitability.

Objectives of Investment in Capital Market: MFL should decide upon capital investment objectives before buying securities. Different organizations have different objectives to invest in capital market. For the organizational investors, perhaps one goal should be not to get rich, but rather to make a sensible return investment. There may be other objectives as well. The following are possible investment objectives of the investor: Liquidity, Income or yield, Capital gains, Security or principal, and Hedging inflation.



Chapter 5

INVESTMENT PRACTICE

5.1 What is Micro Credit

"Micro credit" is the name given to extremely small loans made to poor borrowers. A typical micro credit scheme involves the extension of an unsecured, commercial-type loan at interest to a poverty stricken borrower. The definition of poverty stricken varies with the situation, but in Bangladesh the typical definition is a borrower who owns less than 0.5 acres of land and relies on wages for all income. Loans are disbursed in a group setting to poor borrowers, with some amount of non-credit assistance also being made available. The non-credit assistance typically ranges from skills training to marketing assistance to lessons in social empowerment. (Khandar, 1998).

Extremely small business ventures, such as those financed with micro credit loans, are known as micro enterprises. Micro enterprise clusters are simply groups of micro enterprises located in close proximity to one another and engaging in similar business activities. Clustering can either arise spontaneously, or as a result of outside encouragement from government or NGO's.

The definition of micro credit that was adopted in Micro Credit Summit was

"Micro credit is a program extends small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families"

According to Oxfam, micro credit consists of *"very small scale financial services, including savings, loans for emergencies, day-to-day living, and investment in productive activities"*. Credit is usually provided to groups of individuals or village organizations that use joint-liability to enforce loan repayment. The word "micro credit" did not exist before the seventies. Now it has become a buzz-word among the development practitioners.



Definitions differ, of course, from country to country. Some of the defining criteria used include-

- **size-** loans are micro, or very small in size
- **target users-** micro entrepreneurs and low-income households
- **utilization-** the use of funds - for income generation, and enterprise development, but also for community use (health/education) etc.
- **terms and conditions-** most terms and conditions for micro credit loans are flexible and easy to understand, and suited to the local conditions of the community.

Micro credit has proven an effective and popular measure in the ongoing struggle against poverty, enabling those without access to lending institutions to borrow at bank rates, and start small business.

The key implications of micro credit are in its name itself: 'micro'. A number of issues come to mind when 'micro' is considered: The small size of the loans made, small size of savings made, the smaller frequency of loans, shorter repayment periods and amounts, the micro/local level of activities, the community-based immediacy of micro credit etc. Hence micro credit is not the solution, but is a menu of options and ennoblement, that has to be put together based on local conditions and needs.

5.2 Essential Features of Micro Credit are:

1. It promotes credit as a human right.
2. Its mission is to help the poor families to help themselves to overcome poverty. It is targeted to the poor, particularly poor women.
3. It is offered for creating self-employment for income-generating activities and housing for the poor, as opposed to consumption.
4. It was initiated as a challenge to the conventional banking which rejected the poor by classifying them to be "not creditworthy". As a result it rejected the basic methodology of the conventional banking and created its own methodology.



5. Loans can be received in a continuous sequence. New loan becomes available to a borrower if her previous loan is repaid.
6. All loans are to be paid back in installments.
7. Simultaneously more than one loan can be received by a borrower.
8. It comes with both obligatory and voluntary savings program for the borrowers.

5.3 In the Context of Microfinance

In 1998 the number of people around the globe having a daily income of US \$1 reached 1.2 billion. A year later 4.5 billion people (nearly 75% of the world population) have been living in countries with low income. Out of them 2.4 billion had an average per capita income of US \$410 and further 2.1 billion men has been living in countries with a per capita income of US \$1200.

In developing countries the majority of the people have a lack on capital and savings what results in the impossibility to get self-employed and make productive activities. To close this gap micro finance has been installed to support those poor people and enabling them to get access to capital and to get more independent. Especially those small and micro-entrepreneurs constitutes a significant percentage of economic activities, particularly in those countries where the agricultural sector is important and is the main income resource.

Bangladesh is probably the country with highest population density where job opportunity is very small. Unemployment rate is approximately 40%. Population living below the poverty line is 36%. Therefore, it is the prime concern for the nation to generate income through creation of job opportunity and employment. Creation of job opportunity at large scale is not possible. A tool for helping the people to get self-employed can be financial support. Many small and medium entrepreneurs in the country have innovative ideas, spirit and potentiality to do something productive for local consumers as well as to export abroad.



The definition of microfinance often includes both financial intermediation and social intermediation. Micro-finance is not simply banking but it is a development tool. Micro-financing activities usually involve:

- Small loans, typically for working capital.
- Informal appraisal of borrowers and investments.
- Collateral substitutes, such as group guarantees or compulsory savings.
- Access to repeat and larger loans, based on repayment performance.
- Streamlined loan disbursement and monitoring.
- Secure saving products.

Compulsory savings are useful

- to demonstrate the saving value to the borrowers,
- to serve as an additional guarantee mechanism to ensure the repayment of loans,
- to demonstrate the ability of clients to manage cash flow and make periodic contributions (is important for loan repayment) and
- to build up the asset base of clients.

Referring to the World Bank the collection of savings is an important part of the credit operation. *“By reducing daily consumption and controlling unnecessary expenses whatever amount can be saved for future investment is called **savings**.”* Furthermore during long time observation it is proven that “credit operation has shown that savings regularly tend to be disciplined in credit and others activities” and following is “an important indicator of the ability to pay back loans”. Savings can enable the borrower a special kind of life security and are an additional asset what can also used for further investment.

5.4 Micro Financing Institutions (MFI)

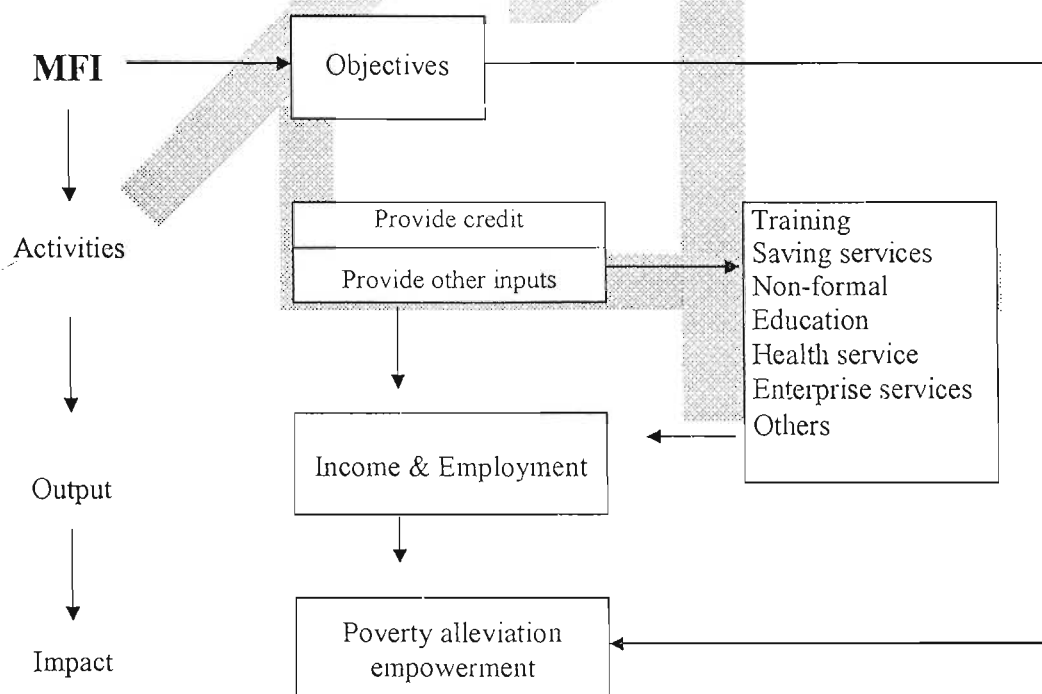
MFI's are usually NGOs, credit unions, private commercial banks, state-owned banks, etc. who offer financial services to the poor. Their clients are self-employed entrepreneurs with



low income in rural and urban areas like traders, street vendors, small farmers, hairdressers, etc. with a stable but low income.

The circle of micro-finance: Below a simple diagram represents the circle of micro-finance. The main objectives of MFI's are without doubt the poverty alleviation and the empowerment of the people. The activities and tools to achieve that is the provision of **micro-credit**. However, those inputs only define the product microfinance. More insurance, enhanced personal skills and entrepreneur development result in higher business success. Finally, the enterprise receives more income and can employ more people. If the policy and strategy including the service of the MFI works well, the impact should coincide with the objectives namely reaching the aim of poverty alleviation. Besides the positive effects for the enterprise, the MFI can have further profits like taking subsequent loan by the entrepreneur or good recommendations, etc.

Diagram 2: The links of objectives, activities and impact of micro financing institutions





5.5 The Impact of Microfinance in General

There is a significant difference between the increase of income and reduction of poverty. Poverty is neither linear nor static. A not so poor person today can easily belong to the group of very poor people tomorrow. The reverse case is also possible.

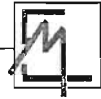
In the year 1997 Hulme and Mosley wrote:

"There is clear evidence that the impact of a loan on a borrower's income is related to the level of income....This finding should not be unexpected given that those with higher income have a greater range of investment opportunities, more information about market conditions and can take more risk than the poorest households without threatening their minimum needs for survival."

5.6 The Evolution of Micro Credit in Bangladesh

After liberation of Bangladesh in 1971 a high number of landless households without asset had little or no access to formal credit for self-employment. For that reason there was a demand of a strategic shift in the development policy of the country. In March 1976 the government of Bangladesh undertook a project to provide collateral free credit to small farmers and landless labourers through Janata Bank. This initiation came into progress under the name "Action-cum-Research Project on Small Farmers and Landless Labourers" what turned later on into the Small Farmers Development Project (SFDP) which was supported by UNDP through FAO.

Later on was "The Grameen Bank Project (GBP) taken up for experimentation based on the Zobra village experiences of Prof. Yunus on a limited scale by involving the NCBs for financing the landless poor by organizing them into groups for certain Income Generation Activities. The operation started in 1979 in 2 thanas namely Chittagong and in Tangail district. Through its success, the project was expanded to ten Swanirvar thanas under the supervision of GBP office of the Bangladesh Bank. In 1983 Grameen Bank was established under an ordinance passed in parliament.



With the time, many large NGOs introduced similar loan programs all over the country. Small NGO's got supported by domestic and foreign donor agencies to be capable offering the package as well. With the growing success of micro-finance in Bangladesh many foreign institutions have overtaken the approach in their programs.

The World Bank estimates that there is a potential market for micro-enterprise credit at a state of 100 million clients worldwide. Out of all those markets around the globe the microfinance sector in Bangladesh is maybe the most diverse sector. The four largest MFI's are Grameen Bank, BRAC, ASA and PROSHIKA.

5.7 The Transition from Micro Credit to Micro Enterprise Financing

Income Generating Activities belong to the informal sector being usually not self-sustainable. The other sector players like small and medium enterprises but also the large-scale industries are mainly profit-orientated and concentrate on maximizing their profit and expanding their business. The micro-enterprise itself belongs not really to the informal but also not to the formal sector. It is more or less on the jump to the formal sector through graduating from the informal sector especially through getting micro-credit in former years. When they reached the self-sustainable level and need more money to expand their business, there was in the last year a lack of financial support.

Mainstream financial institutions (the commercial banks) are incapable of servicing the micro enterprise at a cost only covered by the interest charge, and with confidence in the intent and ability of the borrower to repay. The classical methods employed by the commercial banks are clearly too expensive to make loans of such small amounts and of such short duration, commercially viable.

They can generate income and contribute to the GDP. They may also provide employment to other people. Development and growth of Small and Medium Enterprises is vital for national financial support because they have no access to institutional credit facilities, as they cannot provide collateral security as demanded for such credit facility.



5.8 Micro Enterprise Financing

Normally, no general definition is available for this type of enterprises. It varies from country to country but also between the different financing institutions.

Definition

Whatever in the last years was said, from all different views crystallized some key points of describing a micro enterprise—

- 1) 10 or less employees; often family members
- 2) Some capital assets, often under USD 1,000
- 3) Often located in the home or yard
- 4) Predominant activities: Retail, services, processing and manufacturing; usually the operational sectors are traditional ones.
- 5) Where total bank investment is limited to Tk. 600,000.
- 6) Location: Both rural and urban.
- 7) Characteristics:
 - Limited equity & some collateral
 - Some technical skills
 - Very limited access to credit (especially formal)
 - Some machinery and equipment
 - Limited use of power
 - No modern management
 - Weak marketing, which is usually oriented to the local markets
 - Low value added
 - Labor intensive
 - Obtains its products locally
 - No paper recording system
- 8) Over 75% of the micro enterprises are under individual ownership. Of the others most are under family ownership and very few are under partnerships or limited companies.
- 9) Local areas are the most important markets for the products of micro enterprise, followed by neighbouring areas and urban markets.



- 10) Does not follow labor laws like minimum wage and good working conditions (sometimes also employs children).

A problem for the micro-enterprise is that it belongs neither to the non-formal nor to the formal sector. On the one side the commercial banks concentrating only on the medium and large sized industry and on the other side the NGOs supporting only the poor and hardcore poor. Between these two sectors the informal and the formal there is still a gap in financing even when the situation is improving in Bangladesh.

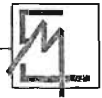
Micro-enterprise programs go to predictable stages of growths from initial introduction, to expansion and ultimately to sustainable operations. Those programs are designed to provide credit and non-financial services to large segments of a market that is currently not served by the formal banking system.

5.9 Problems for Micro Enterprises

Collateral is technically not effective but psychologically important. Technically collateral is for lower amount ranges of micro-enterprise financing counterproductive because if the borrower is unable or unwilling to repay his duties then the necessity for the MFI arises to go to court. It is practically proved that open a lawsuit can end in a long process over years at the court what satisfies none of the two parties and is accompanied by lot of costs. Furthermore, the lower courts in Bangladesh are after the police the second highest corrupted institution. Surveys have shown that 73% of such courts charge bribe.

More important of demanding collateral is the fact that it is very time consuming for the entrepreneur to prepare all necessary documents and for the MFI to collect, control and review them. When collateral is asked then it takes 2-3 additional months whereas without the process can be done within some days.

In short, it should be mentioned that graduated enterprises also often have problems to bring their products, which are not produced anymore only for the daily purpose, to the



markets especially when the enterprises are located on the countryside. Those people have a further problem caused by missing infrastructure and the lack of transport facilities. We can refer this to a geographical gap. That let think the bigger NGO's and banks to open a branch in such locations.

5.10 Development in Bangladesh

MIDAS financing limited started the Micro Enterprise Development Initiative (MIDI) in July 1993 with the pioneer role in micro enterprise financing for a specific group of entrepreneurs who has neither financial access to NGOs nor to banks. Some other programs followed by the big NGO's like BRAC and PROSHIKA. Recently the banks establish more and more programs to attract these target groups. The one reason is that the government of the Republic of Bangladesh puts pressure on the banks and besides there is a high competition on the banking sector for medium and large enterprises that is why banks have to diversify and extend their product line.

Other NGOs like Resource Integration Centre (RIC) or Shakti Foundation now established micro enterprise cells in order to be capable to give further support to their members. Also new banks will enter this finance sector. For instance Southeast Bank Limited has planed to launch with begin of July 2003 a micro enterprise financing program. Through the upcoming expansion to the countryside of the bank with new subsidiaries, the focus of this program will concentrate on the rural and the agro-processing areas.



Chapter 6

MIDI PROGRAM

MIDI is a special credit program of MFL. Under this program short-term and medium term loans are provided for establishment / expansion of small and micro enterprises on easy terms.

6.1 Mission

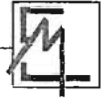
To generate sustainable employment opportunities by promoting the development of small and micro enterprises.

6.2 Objectives

- Promote entrepreneurship development.
- Finance micro enterprise.
- Develop entrepreneurial skills and assist business growth.
- Encourage entrepreneurs to set up new business venture.
- Serve or retain the existing work force or micro enterprises.
- Create new employment opportunities.
- Develop entrepreneurial skills among women entrepreneurs and encourage them to set up new ventures.

Terms and conditions of the loan are:

- The loan size is Tk. 50,000 to Tk. 1,000,000.
- Total Project Cost is Tk. 10 million (maximum).
- Debt- Equity ratio is 80:20 (maximum).
- Service Charge is 16.78% per annum (simple) on the basis of reducing balance method.
- Rebate for timely repayment of loan is 5% of service charge.



- Loan repayment period is 1 to 4 years.
- Project implementation period is 3 months (maximum).
- Loan processing time is 15-30 days.
- Mode of repayment: monthly installments.
- Project appraisal fee is 1% of the loan amount for new loans and 0.5% for repeat loans.
- Provision of loan for- Working capital and Fixed capital.
- Loan application fee is Tk.100 (non refundable).

6.3 Security

- Personal guarantee of the sponsor
- Third Party guarantee from a person acceptable to MFL.
- No collateral security is needed upto Tk. 750,000

6.4 Loan Processing Costs

Application fee	Tk. 100 (non refundable)
Loan Application Fee	1 st loan: 1%, Repeat loan: 0.5%, Additional loan: 1% of sanctioned loan.
Legal Fee	NIL
Documentation Fee	NIL

6.5 Eligibility for Credit Facilities

Age of the entrepreneur	25-60 years
Educational background of loanee	Ability to sign
Experience of loanee	N/A
Existence of business	At least 2 year
No. of engaged employees	N/A
Net annual income	N/A
Type of clients	Individuals
Type of enterprise	Existing enterprises
Provision of subsequent loan by	<ul style="list-style-type: none"> ▪ Timely repayment of former loan ▪ No outstanding loan ▪ Upgrading skills of workers ▪ Enhancing the welfare of the workers
Other requirements of selection	List of clients



6.6 Statistical Facts:

At the start of the program, the women rate of entrepreneurs under the umbrella of the MIDI program was only at the rate of 3%. During the time the rate climbed up to 14% with further increasing tendency.

Women rate of loanees	14%
Recovery rate	95%
Legal status of enterprise:	
Proprietorship	99%
Partnership	1%
Operating places:	
Urban	100%

MIDI is a very popular scheme of MFL. Most of the clients of MIDI are women entrepreneurs who are the owners of different innovative enterprises.



Chapter 7

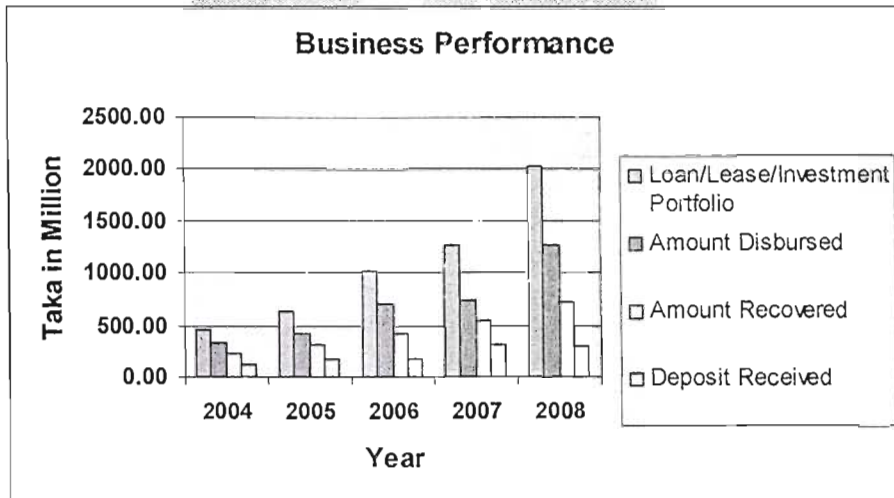
MARKET ANALYSIS

7.1 Business Performance

Table 3: Business performance of MIDSA Financing Limited

Particulars	Unit	Year				
		2004	2005	2006	2007	2008
Loan/ Lease/ Investment Portfolio	No.	2106	2415	2587	2345	2290
	Million/Tk.	466.38	627.72	1026.41	1272.62	2020.31
Amount Disbursed	Million/Tk.	333.74	423.38	706.93	744.59	1272.43
Amount Recovered	Million/Tk.	228.55	315.57	424.13	545.55	729.87
Deposit Received	Million/Tk.	121.33	171.63	175.70	321.00	297.85

Figure 1: Business performance of MIDAS Financial Limited over last five years



Explanation: The above diagram is showing the business performance of MIDAS Financing Limited. We can see that the company’s business performance is good in all areas. Its Loan/ Lease/ Investment portfolio is increasing at a rapid rate. Amount of disbursement and recovery also shows increasing trend over the periods, which is a good sign of managing their portfolio. Although collection of deposit was increasing from 2004 to 2007, it decreased in 2008



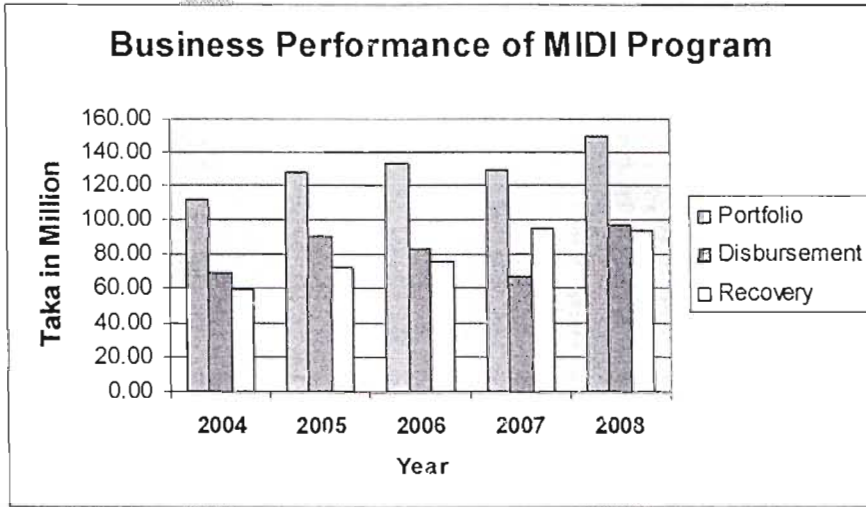
7.2 Business Performance of MIDI Program

Table 4: Business performance of MIDI Program

Taka in Million

Particulars	Year				
	2004	2005	2006	2007	2008
Portfolio	111.52	127.48	132.77	128.60	149.50
Disbursement	68.87	90.22	82.35	66.60	97.15
Recovery	59.22	72.20	75.08	94.00	92.98

Figure 2: Business performance of MIDI Program over last five years



Explanation: The above diagram is showing the business performance under MIDI Program of MIDAS Financing Limited. Its investment portfolio is increasing over years, although decreased in 2007. Although amount of disbursement is fluctuating over years, it is highest in 2008. Amount of recovery is increasing over years under MIDI program.



7.3 Project Analysis of MIDI Program

Table 5: Performance report of MIDI Program for year 2007 and 2008

Sl	Particulars	Year		Increase (Decrease) in %
		2007	2008	
1	Application Form Sold (No.)	627	506	-19.30%
2	Application Form Received (No.)	420	446	6.19%
3	Application Fees Received (Tk.)	63,000	50,600	-19.68%
4	Project Developed (No.)	304	416	36.84%
5	Project Approved (No.)	292	395	35.27%
6	Appraisal Fees Received (Tk.)	435,900	749,275	71.89%
7	Loan Sanctioned (Tk.)	71,625,000	114,580,000	59.97%
8	Fund Disbursed (Tk.)	66,500,000	97,150,000	46.09%
9	Project Financed (No.)	266	349	31.20%
10	Loan Recovery			
	a) Principal (Tk.)	76,394,109	74,071,301	-3.04%
	b) Service Charge (Tk.)	17,606,475	18,910,759	7.41%
	Total (Tk.) [a+b]	94,000,584	92,982,060	-1.08%
11	Total Income (Tk.) [3+6+10b]	18,105,375	19,710,634	8.87%
12	Portfolio Amount	128,600,000	149,500,000	16.25%

Explanation: The above table compares last two years performance of MIDI Program. The company sold 627 application form in 2007 and 506 application form in 2008. So number of application form sold decreased by 19.30% than previous year. As fewer number of application form sold in 2008, company received fewer application fees in 2008; and application fees received is decreased by 19.68%. In 2007, company developed 304 projects and approved 292 projects. In 2008, company developed 416 projects and approved 395 projects. Amount of appraisal fees received, loan sanctioned, fund disbursed increased. Company recovered 94 million taka in 2007 and 92.98 million taka in 2008. Total income under MIDI Program is increased by 8.87% in 2008. Company's investment portfolio is increased by 16.25%.



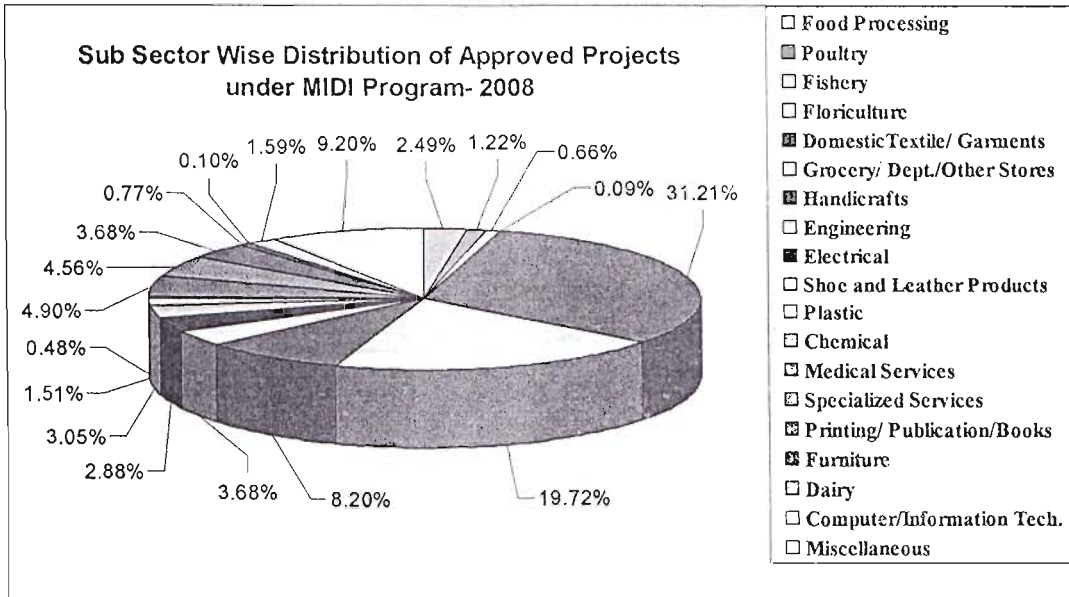
7.4 Sub-Sector Wise Distribution of MIDI Projects

Table 6: Sub-sector-wise Distribution of Approved projects under MIDI Program-2008

Sl. No.	Sub-Sector	No. of Projects	% of Total Projects
1	Food Processing	753	2.49%
2	Poultry	370	1.22%
3	Fishery	200	0.66%
4	Floriculture	28	0.09%
5	Domestic Textile/ Garments	9,429	31.21%
6	Grocery/ Dept./Other Stores	5,957	19.72%
7	Handicrafts	2,477	8.20%
8	Engineering	1,111	3.68%
9	Electrical	871	2.88%
10	Shoe and Leather Products	921	3.05%
11	Plastic	455	1.51%
12	Chemical	146	0.48%
13	Medical Services	1,479	4.90%
14	Specialized Services	1,376	4.56%
15	Printing/ Publication/Books	1,112	3.68%
16	Furniture	233	0.77%
17	Dairy	30	0.10%
18	Computer/Information Tech.	479	1.59%
19	Miscellaneous	2,780	9.20%
	Total	30,207	100.00%



Figure 3: Sub-sector-wise Distribution of Approved projects under MIDI Program-2008



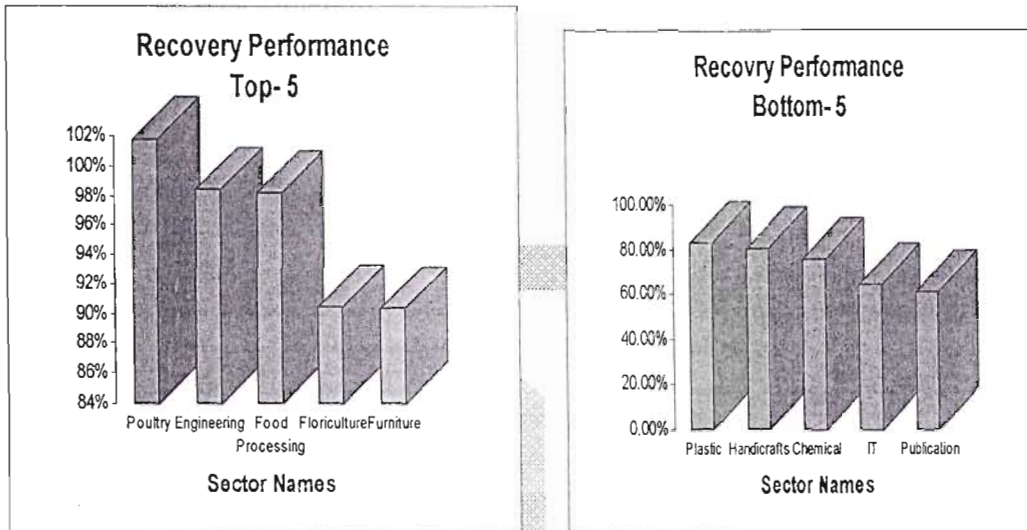
Explanation: Table 6 is showing the number of approved projects in different sub-sector under MIDI Program in 2008. It also shows the percentage of total approved projects in different sub-sector.

From the above graph, it is observed that Domestic Textile/Garments sector takes the major position in the portfolio of MIDI projects, which possesses 31.21% of the total portfolio. The reason behind this position is higher demand and good repayment performance of this sector. After Garments sector, Grocery/Departmental/Other Stores consist 19.72% of the total portfolio as most of the small entrepreneurs in Bangladesh are engaged in retailing and wholesaling business. Floriculture sector posses the lowest percentage (0.09%) of portfolio in the MIDI projects. The reason might be that MIDI's loan portfolio targets the urban sector but most of the agro-based industries are located at rural areas.



7.5 Recovery Performance of MIDI Program

Figure 4: Recovery performance of MIDI Program



Explanation: The overall recovery performance of MIDI is 95%. It is a well performed scheme among other schemes of MFL as well as in the SME industry. From the above table it is found that, among 19 sectors, the recovery rate of 16 sectors shows above 80% which is a sign of well managed portfolio of MIDI. Poultry sector shows the top most recovery rate over the other sectors although the number of project is very small. Engineering, Food Processing, Floriculture, Furniture belong to the top most performer of MIDI. IT and publication shows bad performance in making their repayment.



7.6 Investment

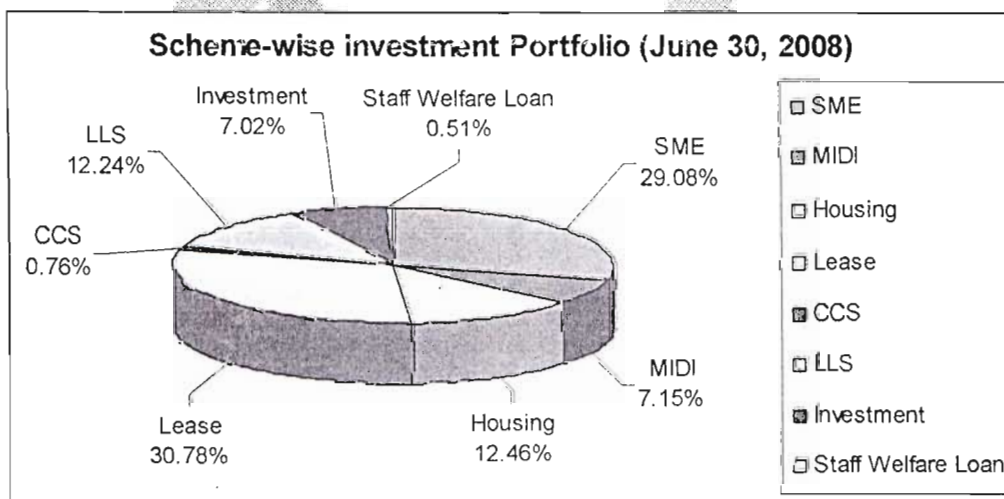
Table 7: Investment Practice of last two year

<i>Taka in Million</i>				
Sl#	Schemes	2007	2008	% Increase (Decrease)
1	SED	98.60	526.30	433.77%
2	MIDI	72.68	97.15	33.67%
3	Lease	301.89	214.96	-28.80%
4	CCS	10.34	4.87	-52.90%
5	Housing	105.90	91.08	-13.99%
6	LLS	84.85	266.62	214.23%
7	Investment in Securities	70.33	71.45	1.59%
Total Taka		744.59	1272.43	70.89%

During the year under report, the Company achieved remarkable progress in its operation compared to the previous year. Investment under SED, MIDI, LLS and Securities are increased. But Lease, CCS, and Housing schemes decreased.

7.7 Scheme-wise Investment Portfolio

Figure 5: Scheme-wise Investment Portfolio for June 30, 2008



The above graph shows percentage of investment portfolio on June 30, 2008. Company's investment portfolio is highest (30.78%) under Lease Program and lowest (0.51%) under Staff Welfare Loan.



Chapter 8

STATEMENT ANALYSIS

8.1 Basis of Accounting

The Financial Statements have been prepared in accordance with the Companies Act 1994, Bangladesh Accounting Standard (BAS), the Financial Institution Act 1993, Securities and Exchange Commission Rules 1987 and all other relevant rules & laws applicable for the Company. The accounting policies have been consistently applied for preparation of the Financial Statements.

8.2 Financial Performance- At a Glance

Table 8: Financial performance of MIDAS Financing Limited of five years

Financial Performance	Year				
	2004	2005	2006	2007	2008
Income	66,328,414	115,660,935	135,139,599	185,803,867	325,131,539
Expenditure	44,514,718	70,630,763	100,382,228	98,516,478	213,017,530
Net Profit Before Tax	21,813,646	46,559,378	36,039,917	93,032,060	125,320,480
Net Profit After Tax	21,813,646	42,459,378	35,357,917	55,164,060	81,920,480
Fixed Assets	13,404,127	13,830,616	15,474,928	64,164,169	87,044,417
Shareholders Equity	131,426,913	291,467,491	322,122,160	372,112,648	439,805,804
Book Value Per Share	122.95	124.00	125.00	131.00	141.00
No. of Shareholders	727	1542	1669	1706	2892
Earning Per Share (EPS)	20.41	18.06	13.67	19.39	26.17
Dividend (%)	10.00	12.00	12.00	15.00	17.50

8.3 Common Size Statement Analysis

Common Size Statements are used to standardize financial statement components by expressing them as a percentage of relevant bases. For example, balance sheet components can be shown as a percentage of total assets, and revenues and expenses can be computed as a percentage of total sales or revenues. Table 9 and Table 10 shows the actual balance sheet and common size balance sheet of the company of last five years, and Table 11 and Table 12 shows the actual income statements and common size income statements of the



company of last five years. The scaling factors are total assets for the balance sheet and operating revenue for the income statements.

Table 9: Five Years Balance Sheet of MIDAS Financing Limited

Comparative Balance Sheet <i>Particulars</i>	Amount in Taka				
	2004	2005	2006	2007	2008
Current Assets:					
Cash and Cash Equivalents	26,685,401	160,553,245	42,592,111	99,411,029	63,141,914
Marketable Securities	0	41,881,091	60,240,372	70,337,799	141,796,624
Accounts Receivables	15,185,515	27,781,698	36,878,996	101,747,911	161,317,101
Advance, Deposit and Prepayment	2,160,749	7,488,500	4,443,952	6,786,602	16,347,184
Stock of Stationery & Office Materials	25,011	136,289	52,157	89,532	54,673
Current Portion of Lease Assets	5,880,674	13,184,360	15,005,132	218,645,073	204,379,024
Current Portion of Loan	0	0	154,323,111	123,497,155	278,499,367
Total Current Assets	49,937,350	251,025,183	313,535,831	620,515,101	865,535,887
Application of Funds:					
Fixed Assets	13,404,127	13,830,616	15,474,928	64,164,169	87,044,417
Investments	444,132,682	584,658,621	775,812,726	784,246,710	1,286,135,077
Total Fixed Assets	457,536,809	598,489,237	791,287,654	848,410,879	1,373,179,494
Total Assets	507,474,159	849,514,420	1,104,823,485	1,468,925,980	2,238,715,381
Current Liabilities & Provisions:					
Call Loan	0	0	0	70,000,000	0
Accounts Payable	4,958,456	7,450,788	6,593,812	12,038,109	29,571,400
Currents Portion of Loans	0	20,788,211	166,798,535	212,040,158	356,630,286
Advance, Deposit and Prepayment	24,926,216	34,532,618	41,715,833	42,564,852	32,268,684
Provision for Taxation	0	4,100,000	4,782,000	40,309,234	83,709,234
Provision for Other Finance	3,934,798	10,486,294	46,057,490	53,342,524	103,232,319
Provision for Income Suspense	0	0	7,116,898	15,746,199	28,584,540
Total Current Liabilities	33,819,470	77,357,911	273,064,568	446,641,076	633,996,463
Long Term Loan & Term Deposit:					
Loan Fund	180,897,776	309,059,018	333,933,757	329,766,756	546,058,840
Term Deposit	161,330,000	171,630,000	175,703,000	321,005,500	618,854,274
Total Long Term Liabilities	342,227,776	480,689,018	509,636,757	650,772,256	1,164,913,114
Total Liabilities	376,047,246	558,046,929	782,701,325	1,096,813,332	1,798,909,577
Shareholders Equity:					
Share Capital	106,892,000	235,162,400	258,678,500	284,546,500	313,001,100
Statutory Reserve	13,845,713	22,337,589	29,409,172	40,441,984	56,826,080
Proposed Dividend	10,689,200	28,219,488	31,041,432	42,681,975	54,775,192
Retained Earnings	0	5,748,014	2,992,956	4,442,189	15,203,432
Shareholders Equity	131,426,913	291,467,491	322,122,160	372,112,648	439,805,804
Total Liabilities & Equities	507,474,159	849,514,420	1,104,823,485	1,468,925,980	2,238,715,381



Table 10: Common Size Balance Sheet of MIDAS Financing Limited

Comparative Balance Sheet <i>Particulars</i>	Common Size (%)				
	2004	2005	2006	2007	2008
Current Assets:					
Cash and Cash Equivalents	5.26%	18.90%	3.86%	6.77%	2.82%
Marketable Securities	0%	4.93%	5.45%	4.79%	6.33%
Accounts Receivables	2.99%	3.27%	3.34%	6.93%	7.21%
Advance, Deposit and Prepayment	0.43%	0.88%	0.40%	0.46%	0.73%
Stock of Stationery & Office Materials	0.005%	0.016%	0.005%	0.006%	0.002%
Current Portion of Lease Assets	1.16%	1.55%	1.36%	14.88%	9.13%
Current Portion of Loan	0%	0%	13.97%	8.41%	12.44%
Total Current Assets	9.84%	29.55%	28.38%	42.24%	38.66%
Application of Funds:					
Fixed Assets	2.64%	1.63%	1.40%	4.37%	3.89%
Investments	87.52%	68.82%	70.22%	53.39%	57.45%
Total Fixed Assets	90.16%	70.45%	71.62%	57.76%	61.34%
Total Assets	100%	100%	100%	100%	100%
Current Liabilities & Provisions:					
Call Loan	0%	0%	0%	4.77%	0%
Accounts Payable	0.98%	0.88%	0.60%	0.82%	1.32%
Currents Portion of Loans	0%	2.45%	15.10%	14.44%	15.93%
Advance, Deposit and Prepayment	4.91%	4.06%	3.78%	2.90%	1.44%
Provision for Taxation	0%	0.48%	0.43%	2.74%	3.74%
Provision for Other Finance	0.78%	1.23%	4.17%	3.63%	4.61%
Provision for Income Suspense	0%	0%	0.64%	1.07%	1.28%
Total Current Liabilities	6.66%	9.11%	24.72%	30.37%	28.32%
Long Term Loan & Term Deposit:					
Loan Fund	35.65%	36.38%	30.23%	22.45%	24.39%
Term Deposit	31.79%	20.20%	15.90%	21.85%	27.64%
Total Long Term Liabilities	67.44%	56.58%	46.13%	44.30%	52.03%
Total Liabilities	74.10%	65.69%	70.84%	74.67%	80.35%
Shareholders Equity:					
Share Capital	21.06%	27.68%	23.41%	19.37%	13.98%
Statutory Reserve	2.73%	2.63%	2.66%	2.75%	2.54%
Proposed Dividend	2.11%	3.32%	2.81%	2.91%	2.45%
Retained Earnings	0%	0.68%	0.27%	0.30%	0.68%
Shareholders Equity	25.90%	34.31%	29.16%	25.33%	19.65%
Total Liabilities & Equities	100%	100%	100%	100%	100%

**Interpretation:**

- Cash position of the company increased in 2005; it indicates that the company's increase reserve of cash to meet its liabilities both current and future. But cash position is lower in next years (2006-2008). The company's cash position fluctuates over the year.
- Accounts receivable of the company has constantly been increasing from year 2004 to 2008. It indicates in future there will be enough cash flow company is able to generate. Accounts receivables are more (7.21%) in 2008 than any other years, and the company's cash position is good in the year.
- Company has the lowest ratio (0.60%) of accounts payable in 2006 and highest ratio (1.32%) in 2008.
- The company maintains considerable portion of current assets to meet up its current liabilities. Though the company's current liabilities is increasing from 2004 to 2008, from the common-size balance sheet it is apparent to find that the portion of current assets is higher than the portion of current liabilities in considerable amount. Therefore the company can assure its short term credit of repayment of debt with the specified time period as its liquidity position is very good.
- Short term debts are higher (30.37%) in 2007 than other years and lower (6.66%) in 2004.
- Company's total liabilities is lower (65.69%) and equity capital is higher (34.31%) in 2005, than any other year. So in 2005, the company is more financial sound compared to other years. The company is also more solvent in 2005.
- MIDAS Financing Limited has the highest ratio (34.31%) in year 2005 of equity to total assets.

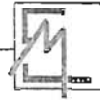


Table 11: Five Years Income Statement of MIDAS Financing Limited

-7

Comparative Income Statement <i>Particulars</i>	Amount in Taka				
	2004	2005	2006	2007	2008
Income from Lease	36,868,884	62,943,207	67,461,925	96,715,424	92,660,569
Income from Term/Loan Finance	27,284,037	35,135,014	58,663,010	69,952,617	147,562,007
Other Operating Income	1,499,906	17,582,714	9,014,664	19,135,826	84,908,963
Operating Revenue (a)	65,652,827	115,660,935	135,139,599	185,803,867	325,131,539
Administrative Expenses	17,075,838	25,245,020	27,920,070	29,164,967	38,147,353
Depreciation on Fixed Assets	948,592	1,099,018	1,246,110	980,432	1,652,149
Provision for Classified Loan & Leases	5,829,380	11,432,823	23,299,712	7,285,034	49,889,795
Operating Expenses (b)	23,853,810	37,776,861	52,465,892	37,430,433	89,689,297
Net Operating Revenue (a-b)	41,799,017	77,884,074	82,673,707	148,373,434	235,442,242
(+) Non Operational Income	675,587	1,529,206	1,282,546	5,744,671	13,206,471
Net Profit Before Interest & Taxes	42,474,604	79,413,280	83,956,253	154,118,105	248,648,713
(-) Financial Expenses	20,660,958	32,853,902	47,916,336	61,086,045	123,328,233
Net Profit Before Tax	21,813,646	46,559,378	36,039,917	93,032,060	125,320,480
(-) Provision for Income Tax	0	4,100,000	682,000	37,868,000	43,400,000
Net Profit After Tax	21,813,646	42,459,378	35,357,917	55,164,060	81,920,480
(+) Retained Earnings brought forward from previous year	282,457	0	5,748,014	2,992,916	4,442,240
Net Profit Available For Appropriation	22,096,103	42,459,378	41,105,931	58,156,976	86,362,720



Table 12: Common Size Income Statement of MIDAS Financing Limited

Comparative Income Statement <i>Particulars</i>	Common Size (%)				
	2004	2005	2006	2007	2008
Income from Lease	56%	54%	50%	52%	28%
Income from Term/Loan Finance	42%	30%	43%	38%	45%
Other Operating Income	2%	15%	7%	10%	26%
<i>Operating Revenue (a)</i>	100%	100%	100%	100%	100%
Administrative Expenses	26%	22%	21%	16%	12%
Depreciation on Fixed Assets	1%	1%	1%	1%	1%
Provision for Classified Loan & Leases	9%	10%	17%	4%	15%
<i>Operating Expenses (b)</i>	36%	33%	39%	20%	28%
<i>Net Operating Revenue (a-b)</i>	64%	67%	61%	80%	72%
(+) Non Operational Income	1%	1%	1%	3%	4%
<i>Net Profit Before Interest & Taxes</i>	65%	69%	62%	83%	76%
(-) Financial Expenses	31%	28%	35%	33%	38%
<i>Net Profit Before Tax</i>	33%	40%	27%	50%	39%
(-) Provision for Income Tax	0%	4%	1%	20%	13%
<i>Net Profit After Tax</i>	33%	37%	26%	30%	25%
(+) Retained Earnings brought forward from previous year	0%	0%	4%	2%	1%
<i>Net Profit Available For Appropriation</i>	34%	37%	30%	31%	27%



Interpretation:

- The operating expenses are declining. The operating expenses are highest (39%) in 2006 and lowest (20%) in 2007. The company is maintaining its variable expenses.
- Company's EBIT portion has been higher than the portion before charging financial expenses. This is because firm is incurring huge amount of financial/interest expense. So firm has to control its fixed financial expense to increase its profitability. In 2008, the company has more financial obligations than 2005.
- In 2007, the company has more EBIT (83%) than other years, and net profit before tax is also higher (50%). In 2006, the company has less EBIT (62%) than other years, and net profit before tax is also lower (27%).
- The trend of earning net income is decreasing in years.

8.4 Ratio Analysis of MIDAS Financing Limited

8.4.1 Current Ratio

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

2004	2005	2006	2007	2008
1.48	3.24	1.15	1.39	1.37

Interpretation: Current ratio measures firm's ability to pay current liabilities from current assets. The higher current ratio is good. Among the five years, in 2005 the current ratio is highest (3.24 times); it indicates better liquidity position to meet up current obligations. Here company's current ratio is showing a somewhat fluctuating trend over the years.

8.4.2 Quick Ratio

$$\text{Quick Ratio} = \frac{\text{Cash} + \text{Marketable Securities} + \text{Accounts Receivable}}{\text{Current Liabilities}}$$



2004	2005	2006	2007	2008
1.24	2.98	0.51	0.61	0.58

Interpretation: Quick ratio measures company's ability to pay current liabilities from quick assets (QA). Quick ratio is a more conservative measure of liquidity. The quick ratio of the company is better in 2005 (2.98 times) than that of other years.

8.4.3 Cash Ratio

$$\text{Cash Ratio} = \frac{\text{Cash} + \text{Marketable Securities}}{\text{Current Liabilities}}$$

2004	2005	2006	2007	2008
0.79	2.62	0.38	0.38	0.32

Interpretation: Among the five years the cash ratio is higher in 2005 which is 2.62 times. In 2005 the company has the higher ability to meet the current obligations. The cash ratio is the most conservative measure of cash resources.

8.4.4 Debt to Total Capital Ratio

$$\text{Debt to Total Capital} = \frac{\text{Total Debt (Current + Long - term)}}{\text{Total Capital (Debt + Equity)}}$$

2004	2005	2006	2007	2008
0.74	0.66	0.71	0.75	0.80

Interpretation: It measures the lender's contribution part into the assets. The percentage of 2005 is smaller than other years. Creditors prefer low debt ratio, because the lower the ratio- the greater the cushion against creditor's losses in the event of liquidation.

8.4.5 Debt-Equity Ratio

$$\text{Debt to Equity} = \frac{\text{Total Debt}}{\text{Total Equity}}$$



2004	2005	2006	2007	2008
2.60	1.64	1.58	1.75	2.65

Interpretation: It measures the proportion of lender's contribution and owner's contribution to the business. Among the five years, in 2006 the company has the lower ratio which is 1.58 times. The lower the ratio is better, because shareholder bear for every Tk 1, lower amount of liability, less obligation, less risky.

8.4.6 Time Interest Earned

$$\text{Time Interest Earned} = \frac{\text{Earning Before Interest and Taxes (EBIT)}}{\text{Interest Expense/ Financial Expenses}}$$

2004	2005	2006	2007	2008
1.06	1.42	0.75	1.52	1.02

Interpretation: It measures the firm's ability to pay its interest expense from its earning. The ratios are fluctuating in years. The higher the ratio means higher the ability of the company to pay interest expense.

8.4.7 Return on Assets (ROA)

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Total Assets}}$$

2004	2005	2006	2007	2008
4.35	5.00	3.72	3.96	3.86

Interpretation: The ratios are higher in 2005 than other years. The higher ratio is good. It indicates higher efficiency of the company in terms of asset. It also indicates higher return available to all capital providers.



8.4.8 Return on Equity (ROE)

$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Average Stockholder's Equity}}$$

2004	2005	2006	2007	2008
16.59	16.12	12.00	25	28

Interpretation: It measures the percentage of earning that a company can earn on its equity. The ratios are higher in 2008 and lower in 2006. The higher ratio indicates the higher return available to the equity holders only.

8.4.9 Book Value per Share

$$\text{Book Value per Share} = \frac{\text{Common Stockholder's Equity}}{\text{Number of Shares Outstanding}}$$

2004	2005	2006	2007	2008
122.95	124.00	125.00	131.00	141.00

Interpretation: Book value per share represents the equity a common stockholder has in the net assets of the corporation from owning one share of stock. Book value per share is showing an increasing trend over the periods. Book value per share of stock is the amount each share would receive if the company were liquidated on the basis of amounts reported on the balance sheet.

8.4.10 Earning per Share (EPS)

$$\text{Earning per Share} = \frac{\text{Net Income}}{\text{Number of Shares Outstanding}}$$

2004	2005	2006	2007	2008
20.41	18.06	13.67	19.39	26.17

Interpretation: Earning per share indicates the income earned by each share of outstanding common stock. Company's EPS is increasing from 2006.



8.4.11 Dividend per Share (DPS)

$$\text{Dividend per Share} = \frac{\text{Dividend paid to Common Stockholders}}{\text{Number of Shares Outstanding}}$$

2004	2005	2006	2007	2008
10	12	12	15	17.50

Interpretation: Dividend per share is the amount of dividend paid to common stockholders based on number of outstanding shares. Dividend per share, which is the amount of cash distributed during the period on behalf of each outstanding share of common stock paid in 2008 was Tk.17.50.

8.4.12 Price Earning Ratio

$$\text{Price Earning Ratio} = \frac{\text{Market Price per Share}}{\text{Earning per Share}}$$

2004	2005	2006	2007	2008
13.52	17.95	15.50	16.16	20.69

Interpretation: The price-earnings ratio is an oft-quoted measure of the ratio of the market price of each share of common stock to the earnings per share. The level of the price-earnings ratio indicates the degree of confidence that investors have in the firm's future performance. The higher the ratio, the greater is investor confidence.

8.4.13 Financial Expenses Coverage (Times)

2004	2005	2006	2007	2008
1.66	2.29	1.74	2.52	2.02

Interpretation: Company has higher ratio of financial expenses coverage (2.52 times) in 2007 and lower (1.66 times) in 2004.



8.4.14 Net Asset Value per Share (NAV) (Tk)

$$\text{Net Asset Value per Share} = \frac{\text{Net Asset Value}}{\text{Number of Shares outstanding}}$$

2004	2005	2006	2007	2008
122	124	125	131	141

Interpretation: Net asset value per share is increasing through years. It is a good sign for the company.

8.4.15 Year End Market Price (Tk) per Share

$$\text{Market Price per Share} = \frac{\text{Market Price per Share}}{\text{Number of Shares outstanding}}$$

2004	2005	2006	2007	2008
276.00	324.25	212.00	313.50	541.50

Interpretation: Market value per share is calculated by dividing company's market value by number of shares outstanding. In 2008 company's market price was taka 541.50 per outstanding shares.



Chapter 9

SWOT ANALYSIS

It is evitable for a company to analyze the strength & weakness of its products and its position on the market. Furthermore it is also important to analyze the company's structure itself. Here I tried to list these points demonstrating strengths, weaknesses, opportunities and threats of MIDI and MFL at the current time.

9.1 Strength

- Big loan range is an asset.
- Most of the clients of MFL are repeat borrowers which is an indication of customer's satisfaction.
- Maximum amount of first loan is attractive for new entrepreneurs coming from other financial institutions.
- High rebate on interest that ensures and enforces the loanees to show a good repayment performance and is also an asset of promotion.
- Special focus on women.
- Excellent recovery rate.
- Incentive for good repayment performance.
- Loan process of MIDI is very easy and consumes little time.
- MFL is self sufficient and not dependent on any other organization. Self reliant MFIs are better able to maintain their identity, autonomy and mission.
- Excellent interpersonal relationships of MFL staffs.
- Excellent training for low fee for the clients.

9.2 Weakness

- Low and old technical facilities.
- Low number of staff what makes it difficult to expand new markets and supervises an increasing number of clients.



- Growth rate of financial project is very low in MIDI.
- MIDAS is even not known or well known by every bank (or their officers).
- Rate of women entrepreneurs is not satisfactory.
- The MIDI program has no special futures. Most of the banks have various credit programs with sector or area concentrated futures and priorities for their target groups.

9.3 Opportunity

- SME sector is a flourishing sector in our country. The size of SME sector is increasing at a rapid rate which reveals the future potential demand of this sector.
- Government is adopting favorable MSME policy to boost up this sector. For instance, EEF is being provided to agro based and IT sectors. MFL also enjoys the benefit of refinancing for providing loan to the MSME sector.
- Default culture is lower in MSME than that of corporate and industrial loan although most of the micro enterprise financing is collateral free.
- MFL is managing collateral free loan portfolio very effectively which would ultimately attract the new clients to be a prospective loanee of MFL.

9.4 Threat

- Banks are concentrating in SME sector realizing the potentiality of this sector which evokes massive competition in this sector.
- Local co-operative institutes are also very much active in this sector.
- Central bank is not aware of informal loan information. For this reason, the current status of borrowers can not be properly assessed.
- As bank, non bank and other co-operative institutions are competing among others through extending the disbursement of loan, it would increase default culture.
- Complexity in legal procedure creates difficulties in solving the dispute as the loan is completely collateral free.



Chapter 10

FINDINGS

10.1 Major Findings

Here, I have summarized the findings of this report in pointing out what can or has to be by the MIDI program of MIDAS Financing Limited.

- MFL is a public limited company.
- MFL has a remarkable reputation in the market.
- MFL has a wide distribution channel all over the country.
- Environment is customer friendly.
- MFL does not go for aggressive in sales and marketing strategy.
- MFL do not have separate sales forces to approach the potential customers.
- MFL does not have a marketing plan in a broad aspect.
- Most of its customers are referred by the current customer.
- Brochure of MIDI program is out dated.
- MFL yet approach most of the corporate customer.
- Advertisement and media communication are hardly seen to communicate the offer of MFL.
- There is no separate marketing department.
- Management is efficient, experienced and highly qualified.
- Business growth is high.
- Advertisement and media communication are hardly seen.
- Brand name of MIDAS provides some extra value to MFL.
- Cost of fund is high in NBFIs in compare with bank.



Chapter 11

RECOMMENDATION

11.1 Recommendations

I would like to recommend the following points-

The program

- Cost & time can be saved through using advanced management information system.
- No necessity to go down with the minimum ceiling.
- Incentive system for Extension officers: providing bonuses for maintaining high repayment rates and new client growth. Give loanee feeling that you care about him personally, not only as client.
- Improve the selection process. This is the most essential point in having clients with excellent repayment performance in the future.
- Expanding MIDI Program in other areas, the focus should be set to urban and sub-urban areas (like Sylhet or Rajsahi). When MFL is located primarily in several big and smaller cities, at the same time it also covers some of the rural areas. In near future the rural will be more effective but it needs time to have those areas developed gradually (mostly those entrepreneurs take micro-credit). But it is too risky to expand rural areas at a time.
- Of course the concentration should lie on the biggest growing areas and the potential enterprise development. It should not be forgotten at which areas the competitors are located.
- Attract the clients to make voluntary savings. That gives them the possibility to have investment capital at the end of the repayment phase.
- Prepare a questionnaire for the loanees for beneficiaries to evaluate the whole MIDI loan process at the end of the repayment phase. Usable may be given which enables MFL to understand easier the problems and obstacles for the entrepreneurs.

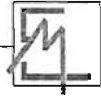


Besides during meetings with the clients also it can be talked about program related problems or improvements. Extend the target group to other sectors; also new programs can be initiated through which new target groups can be reached. The MIDI program can also be divided into sub-programs.

- New programs can be started depending on the location.
- Diversification of the product should be a must as well as the expansion to other places because as we have seen the micro-enterprise sector attracts more interest by government, World Bank, foreign institutions, banks and NGOs, Commercial banks have the advantage of a wide branch network and that the credit scheme is one of many.
- More detailed analysis should be done by the MIS (Management Information System) in order to study more detailed the developments, strengths and weaknesses of the lending performance. For examples: percentage of borrowers concerned to the amount of loan, percentage of the location of the borrower enterprises, percentage of the sick projects or overdue products related to the loan range.
- Organize awareness through workshops

Promoting Organizing events

- Organizing interesting or unusual activities— fairs, public information desk by big public events.
- Intensify the promotion for women through women's organizations (like WEA or WEB)
- Intensify the cooperation with newspapers, radio, television, etc.
- Strong personal contact with the client and good experiences of the borrower with the MIDI program will lead the clients to recommend the program.
- When a client is a new borrower of MIDI then s/he should be asked how s/he got informed about MFL. (Can I really broach the target group with my advertisements? Which promotion techniques are more effective?).



Chapter 12

INCLUDING REMARKS

12.1 Conclusion

Before seventies Bangladesh was suffering from the curse of poverty. People were not conscious for the education and health. After the liberation war, when the micro credit was introduced by some NGOs then the poverty level was reduced successfully. Micro credit is increasingly promoted not only as a positive rural development intervention, but in some instances as a rural development panacea. The rise of new-liberalism has facilitated a distorted perspective of the prospects and possibilities of micro finance as a rural development intervention. The promotion of micro enterprise financing as a rural development intervention has tied in neatly with new development ideology. It develops new markets and promotes a culture of entrepreneurship. The provision of micro credit is necessary but not sufficient factor in ensuring the success of micro enterprise. Sufficient infrastructure, skilled entrepreneurs, access to information and culture conducive to micro enterprise are necessary conditions for the success of micro enterprise.



Chapter 13

REFERENCE

Articles:

- Some brochures of MIDAS Financing Limited.
- Khandker, Shahidur R.; (1998); "Fighting Poverty with Microcredit: Experience in Bangladesh"; Published for the World Bank by Oxford University Press.
- The Microfinance revolution – Marguerite S. Robinson
- An Examination of the Micro credit Movement. By Jason Meade, MA in IPE. 15 January 2001

Web site:

- www.midasfinancing.com
- www.midasfl.com

Books:

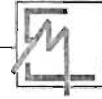
- Annual Report of MIDAS Financing Limited- 2008, 2007, 2005-2006, and 2005.
- Financial Statement Analysis, Third Edition. By Gerald I. White, CFA, Ashwinpaul C. Sondhi, Ph.D., and Dov Fried, Ph.D. ISBN 0-471-37594-2
- Small & Medium Scale Enterprises in Industrial Development. By Sadrel Reza; and M. U. Ahmed & Wahiduddin Mahmud.
- Micro credit and Micro entrepreneurship. Collateral Free Loan at Work in Bangladesh. By Wali I. Mondal.



ANNEX A: Acronym



ADB	=	Asian Development Bank
BASC	=	Business Advisory Services Center
BRAC	=	Bangladesh Rural Advancement Committee
CCS	=	Consumers Credit Scheme
CDBL	=	Central Depository Bangladesh Limited.
CSE	=	Chittagong Stock Exchange
DSE	=	Dhaka Stock Exchange
EEF	=	Entrepreneurship & Equity Fund
FAO	=	Food and Agriculture Organization
GBP	=	Grameen Bank Project
GTZ	=	German Technical Co-operation
ICB	=	Investment Corporation of Bangladesh
IFAD	=	International Fund for Agricultural Development
LLS	=	Loan against Lien of Securities
MFI	=	Micro Financing Institutions
MIDAS	=	Micro Industries Development Assistance and Services
MIDI	=	Micro Enterprise Development Initiative
MFL	=	MIDAS Financing Limited
MSME	=	Micro, Small & Medium Enterprises
NBFI	=	Non Bank Financial Institution.
NGO	=	Non Government Organization
SEC	=	Security and Exchange Commission.
SED	=	Small Enterprise Development
SFDP	=	Small Farmers Development Project
SME	=	Small and Medium Enterprises
UNDP	=	United Nations Development Program
USAID	=	United States Agency for International Development.
WED	=	Women Enterprise Development



Need Assessment of the MIDI Project

This questionnaire was made for the purpose of analyzing marketing situation of MIDI Program on MIDAS Finance Limited.

Objectives of the questionnaire: Need assessment of the projects under MIDI Program of MIDAS Financing Limited (MFL).

-
-
1. How many projects were **developed** and how many projects were **approved** from IRC meeting of MIDAS Financing Limited?
 2. How much amount of loan was **sanctioned** and **disbursed** to entrepreneurs?
 3. How many **application forms** were sold?
 4. Out of number of application forms sold, how many applications form were received from entrepreneurs for their project development?
 5. How much amount was received as **application fees** and **appraisal fees** from entrepreneurs?
 6. Out of approved projects, how many projects were financed?
 7. How much amount was recovered from projects? How much service charge was recovered?
 8. What was total income from MIDI Program of MIDAS Financing Limited?
 9. What was total portfolio from MIDI Program of MIDAS Financing Limited?
 10. How many projects were approved in different sectors under MIDI Program? What was the percentage of number of approved projects in these sectors?
-
-

Thank you for your co-operation



MIDI Lending Policy



1.0 PREAMBLE

MIDAS, in keeping with its objective to promote and develop micro enterprises, launched its MIDI (Micro Enterprise Development Initiative) Program in August, 1993. Under this Program; MIDAS extends financial assistance in the form of short-term loans ranging from Tk.50,000/- to Tk. 1,000,000/- for the establishment and/or expansion of economically viable micro enterprises. This Policy encapsulates guidelines to be followed in matters relating to loan sanction, disbursement, monitoring and recovery of loans under the MIDI program.

2.0 DEFINITION

The title of the Policy is the MIDI Lending Policy 1997.

3.0 OBJECTIVES

The objectives of the MIDI Lending Policy are:

- ◆ To guide initial scrutiny for correct project selection.
- ◆ To achieve,
 - i. accurate project appraisal,
 - ii. effective monitoring, and
 - iii. timely recovery of loans.

4.0 PROJECT SELECTION

4.1 Any proposal for a MIDI loan will first be discussed with the sponsor. If the proposal is found admissible prima facie by the Interviewing Officer, the sponsor will be advised to apply for a loan in the prescribed form. Applications received will be screened by a pre-appraisal selection committee comprising the Director Commercial or a senior officer nominated by him, the officer in charge of the MIDI unit and the Interviewing Officer. The selected applications will then be assigned to Project Development Officers for further investigation and detailed appraisal.



- 4.2. Normally application from enterprises, both manufacturing and service-oriented, meeting the following criteria will be accepted for consideration:
1. The total project cost does not exceed Tk. 2.0 million,
 2. The enterprise has a valid trade license,
 3. The enterprise is located in Bangladesh,
 4. It has prospects of positive cash flow,
 5. It has prospects of being financially viable,
 6. It is free from any long term loan liability,
 7. There is demand for its product(s)/service(s),
 8. The location of the enterprise is good.
 9. It has necessary permission of the concerned government department if the product has any bearing on public health.
- 4.3. Innovative enterprises and enterprises owned by women entrepreneurs or providing employment to women will be given special consideration.

5.0. ENTREPRENEUR IDENTIFICATION AND SELECTION

- 5.1 Generally, applicant fulfilling the following conditions will be selected for sanction of MIDI loans:
1. The applicant is a Bangladeshi citizen,
 2. He should be minimum literate.
 3. He is in the age- bracket of 21-70,
 4. He has entrepreneurial competence, potential and integrity,
 5. The enterprise is the applicant's main pursuit.
 6. The applicant is fully involved in the enterprise,
 7. The applicant has no other institutional loan liability,
 8. The applicant has necessary experience, skill, specialized projects,
 9. The applicant is not engaged in any anti-social and/or anti-state activity,
 10. The applicant has reputation of good conduct in monetary transactions,
 11. The applicant is not a guarantor of another loan,
 12. The applicant has not been declared bankrupt/insolvent/insane by any competent authority of the country,



- 5.2. Designers, craftsmen, skilled technicians, etc. will be preferred and women entrepreneurs will be given special consideration.

6.0. LOAN CONDITIONS

- 6.1. An enterprise to be considered for a loan will be a legal entity and have the status of individual proprietorship, partnership or private limited company.
- 6.2. The amount of Loan will not be less than Tk. 50,000/- and more than Tk. 1,000,000/-.
- 6.3. Loans will be sanctioned for meeting the fixed capital requirement, or working capital requirement or both.

7.0. INTEREST RATE/SERVICE CHARGE

- 7.1. The borrower shall pay service charge on the loan at 16.78% (simple) per annum provided that the rate of service charge may be revised by the MIDAS Board of Directors at its discretion. The service charge will be calculated on a daily product basis.
- 7.2. The service charge during implementation period will be collected as deferred payment over the entire loan period.
- 7.3. If the borrower fails or neglects to make any or all the payment according to the agreed repayment schedule, a penal charge at the rate of 4% per annum, on the overdue loan amount and calculated on a daily product basis, be paid by the borrower. This rate is subject to revision at the discretion of the MIDAS Board of Directors.
- 7.4. For each installment paid in time a 10% rebate on the service charge portion will be allowed. The rebate will be paid to the borrower on the liquidation of the loan. This may be withdrawn or revised by the MIDAS Board of Directors.



8.0. LOAN REPAYMENT

- 8.1. The loan together with the service charge shall be repaid by the borrower in monthly or bimonthly installments over a total period not exceeding 3 (three) years inclusive of the implementation period and the grace period.
- 8.2. A maximum period of 3 months will be allowed for implementing the project.
- 8.3. The grace period will be 2 months (max).

9.0. LOAN SECURITY

- 9.1. To secure loans not exceeding Tk. 200, 000/- in the case of new loans and Tk. 300,000/- in the case of repeat loans, the following shall be obtained from the borrower:
 1. Personal Guarantee of the sponsor(s);
 2. Demand Promissory Note for timely repayment of the loan and the service charge thereon;
 3. Third party Guarantee;
 4. Notarized Power of Attorney providing control over the enterprise to MIDAS;
 5. Executive of a deed with MIDAS to the effect that all project assets comprising plant, machinery, equipment, stock-in-trade, etc. shall remain hypothecated to MIDAS to secure timely repayment of loan;
 6. Advance cheques in favor of MIDAS covering the entire loan amount.
- 9.2. To secure loans exceeding Tk. 200,000/- in the case of new loans and Tk. 300,000/- in the case of repeat loans, collateral security shall be obtained in lieu of Third Party Guarantee in addition to the other instruments mentioned at Para 9.1.
- 9.3. The MIDAS loan including the accrued service charge should be fully covered by the value of the collateral security provided. The value of the tangible assets for security purposes will be determined at the following rates:

<i>Land</i>	:	100%
<i>Building</i>	:	75%
- 9.4. In case of Limited Companies floating charge over all assets (movable and immovable) will be registered with the Registrar of Joint Stock Companies.



10.0 THIRD PARTY GUARANTEE

10.1. Third Party Guarantee will be accepted only from persons meeting the following criteria:

1. He/she is a Bangladeshi citizen;
2. He/she is in the age-bracket of 30-65,
3. He/she is not engaged in any anti-social and/or anti-state activity and does not have a previous record of any such act(s),
4. He/she is easily approachable,
5. He/she has explicit means to liquidate the MADAS loan,
6. He/she holds a respectable position in the society,
7. He/she has a recognized source of income.

11.0. LOAN APPLICATION AND APPRAISAL FEE

11.1. A price of Tk. 100/- per application form and appraisal fee equal to 1% of the loan amount in the case of new and repeat loans and 2% in the case of short-term additional loans will be charged. The price and fees will be non-refundable.

12.0. ADDITIONAL SHORT-TERM LOAN

12.1. To meet incidental or seasonal requirement an additional loan not exceeding @50% of the current loan amount and not less than Tk. 25,000/- may be sanctioned in favor of a project for a short term provided that:

1. The repayment of the previous loan is on schedule;
2. At least 6 installments of the existing loan have been paid;
3. The disbursed loan has been invested in the project; and
4. The sum of the amount of the current loan outstanding and the additional loan does not exceed the initial loan amount.

12.2. Additional loans will be fully recovered including accrued service charge within 5 months from the date of disbursement.

12.3. The following shall be executed/obtained to secure the additional loan:

1. Supplementary Loan Agreement;



2. Personal Guarantee of the sponsor(s);
3. Third Party Guarantee from the existing guarantor;
4. Advance cheques covering the entire additional loan amount.

13.0. REPEAT LOAN

- 13.1. Repeat loans not exceeding twice the amount of the previous loan may be sanctioned in favor of the project provided:
1. The previous loan has been liquidated;
 2. At least 12 monthly or 6 bimonthly installments were paid as per schedule;
 3. The utilization of the previous loan has been found satisfactory on verification.
- 13.2. A repeat loan will be considered a separate loan and all the terms and conditions applicable to a new MIDI loan shall apply in the case of repeat loan.

14.0. SANCTION OF LOAN

- 14.1. Detailed appraisal reports on the loan proposals shall be placed before the IRC and the IRC shall take the final decision thereon.

15.0. PROJECT DOCUMENTATION

- 15.1. Documentation will be carried out to ensure security of MIDAS loans and MIDAS right to recover the loan together with service charge. The borrower will be given seven days to accept the terms and conditions of the loan to be communicated through a sanction letter.
- 15.2. The documentation of the loan shall be completed within one month from date of communication of the sanction.

16.0. LOAN DISBURSEMENT

- 16.1. Loans will be disbursed through a bank account in the name of the enterprise, after completion of the all documentation formalities, subjects to availability of fund.



- 16.2. The sanctioned loan amount may be disbursed in installments according to the approved financing plan presented with the feasibility study of the project. If the first installment of the loan amount is required for fixed investment, the concerned project officer will exercise utmost prudence to ensure that the amount disbursed is properly utilized. The installment for working capital will normally be disbursed after the fixed capital investment has been completed.
- 16.3. No second or subsequent disbursement will be made to the project unless an inspection has been carried out by the Monitoring/Project Officer of the project and a report has been submitted. The inspection will verify the following:
1. Whether the previously disburse amount has been properly utilized,
 2. Whether an accounting system has been adopted,
 3. Whether a full account of the amount disbursed and spent is available.

17.0. ADJUSTMENT OF OVERDUE LOANS

- 17.1. Any payment received after the date on which it is due will be first adjusted against the service charge due.

18.0. ADVANCE PAYMENT

- 18.1. Any payment received from the borrower (at least 15 days) in advance will be adjusted against the principal amount.

19.0. MONITORING AND RECOVERY

Installment shall start falling due after one month (in case of monthly repayment) from the date of completion of the implementation of the project. After implementation the project shall be monitored by the assigned project officer for smooth operation and timely recovery.

20.0 RECOVERY OF OVERDUE

- 20.1. ♦ Up to 60 days



If an installment is not paid in time, the Project Officer will try to recover the amount by using all possible means including project, visit, discussion, persuasion, contacting and persuading the guarantor to ensure repayment, etc. If the position does not improve in two months it shall be reported to the controlling officer.

◆ Beyond 90 Days

In the case of default beyond 90 days the over dues will be reviewed, the project will be classified and appropriate action will be taken according to the nature of the project. The following guidelines will be followed in classifying loans and initiating action against the defaulter:

1. If the project has already been implemented and is in production but not earning sufficient cash to repay the MIDAS loan or if the project has not been implemented and there is no prospect of its implementation, but the sponsor intends to repay the loan from other sources or good enough to inform MIDAS of his incapability, the repayment may be rescheduled on request.
2. If the project has not been properly implemented owing to fund constraint and the project bids fair to be viable and the sponsor appears to be dependable, sanction of the additional loan may be considered.
3. If the project is not earning sufficient cash and there is no hope of its improvement in future, or if the project has not been implemented and the sponsor is not sincere and interested in making efforts to implement it and pay the MIDAS loan or if the sponsor absconds and is out of contact or if in spite of making profit from the project the sponsor willfully defaults, loan call back notice will be served and further necessary action will be taken.

21.0. RESCHEDULING OF LOANS

21.1. In the case of default for reason(s) beyond the control of the borrower, the repayment of loan may be rescheduled on request. The first reschedule will be authorized by the Director, Commercial on the recommendation of the Project Officer. The second and subsequent rescheduling proposals will be evaluated by the Internal Review Committee (IRC) and on the recommendation of the (IRC) will be approved by the Managing Director.



Rescheduling may be done in the following two ways:

1. By extending the amortization period of the loan;
2. By rescheduling the installment amount within the sanctioned loan period.

22.0. LOAN CALL BACK

If a loanee-

- i) fails to abide by the terms and conditions of the loan agreement
- ii) diverts fund from the project,
- iii) defaults in payment of three consecutive installments or
- iv) falls in the category started in clause 20.1(3),

the entire outstanding loan along with accrued service charge shall be recalled by giving a time limit. On the expiration of this time legal action shall be initiated.

23.0. LIQUIDATED DAMAGE

On the loan call-back, in addition to the outstanding loan and the service charge accrued, liquidated damage @20% of the outstanding amount shall be claimed.

24.0. WRITE OFF/WAIVER OF LOAN/SERVICE CHARGE

Any proposal for write off/waiver of principal loan or service charge shall be placed before the Board of Directors for approval.

25.0. CONCLUSION

Notwithstanding anything contained herein, this policy supersedes previous policies, orders, guidelines, etc. relating to lending under the MIDI program. However, it will not invalidate any action taken or agreements made in respect, of the existing loan. This policy is subject to amendment, modification, and/or withdrawal to any time at the discretion of the MIDAS Board of Directors.