

Creating Smart Growth on the Underserved Market Experience of the Association for Social Advancement (ASA) Bangladesh

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Topic: Creating Smart Growth on the Underserved market-Experience of ASA:

Honorable President, distinguished guests, practitioners of the Asian Credit Union Forum, leaders of the Microfinance Community, ladies and gentlemen present.

I would like to offer my gratitude and warm welcome to you all. I am pleased to speak about the experience of ASA in respect of "Creating Smart Growth on the Underserved market" and its success on poverty alleviation programs.

I feel excited to speak such an important forum arranged by the Cooperative Credit Union League of Bangladesh under the leadership of Mr. John F. Rodrigues, the Chairman of CCULB.

It goes without saying that among the pre-conditions of human development, "Microfinance" is effective vehicle for poverty reduction. So, in order to achieve the goal of poverty reduction we should work together wherever we work around the globe.

Our financial product should design in such a way so that the vast population of the globe particularly among the needy people may enjoy its benefits.

ASA has developed an effective microfinance delivery model that proves to grow exponentially, can cover a large number of new clients, and maintain financial viability.

Let me give you brief descriptions about some of the very important features of ASA's microfinance model for which it was possible to expand its microfinance model rapidly:

ASA recruits more new clients every year than any other microfinance institution in the world today, and is on track to reach one million borrowers in nearly half the time (just eight years) of any other international leaders. Starting from scratch in 1991, ASA had become the third largest micro-credit program in Bangladesh by 1996 providing financial services to 635,000 poor households. ASA's success is all the more remarkable because ASA reaches financial self-sufficiency and viability within about a year of launching its program in any given area. At the same time, ASA has lowered its interest rate and is absorbing higher financial cost more independently of donors than its counterparts.

Expansion and growth has been an important concern of the managers and analysts of development programs for some time. ASA sees expansion as a dual process involving implementation of specific policies and management of growth. The first challenge, however, is to become a viable and highly efficient institution. For this, the objectives of the institution must be clear. During the initial stages there should be a premium put on simple procedures and cost-effective alternatives. Simplification of procedures has a couple advantages. Not only will focus on simplicity be a boon as the institution grows and management becomes more complex, but also as importantly, staffs will require less time to fully comprehend the system. Simplicity allows staffs to concentrate on the task of providing quality service to their clients and to become more in touch with their needs and desires. Experiences and insights of staffs improve internal soundness allowing for an increasingly dynamic institution. The institution can then incorporate more flexible and diverse products working from its core of a few standard products.

Practical hands on training: ASA provides 7 days practical training to the newly appointed Loan Officers. The successful candidates are to undergo a 3 day long theoretical pre-service orientation course (PSO) at the district

office under the guidance of the respective District Manager. After the PSO course, the trainee loan officer is assigned for operational activities at the branch level under the close supervision of the Branch manager. In this way, the fresh employee of ASA gain sufficient knowledge and develop themselves through a "learning by doing" process. Such unique system is known as the 'each one, teach one ' system which is quite different from the very conventional training methodology followed by other organizations. ASA always emphasized and preferred hands on training instead of long theoretical training. Thus, ASA's training system has become cost-effective, time saving and fruitful one.

Decentralization: Decentralized management system has been introduced with a view to building up responsive and competent decision-makers at all levels of the organizations with responsive guidance from the top management. Decentralization is a bold initiative of the ASA management. Through decentralization, maximum authority is vested in the field level management. Due to delegation of authority to the field level, active participation of the staff members of all levels has been ensured in ASA. Decisions are made very quickly, necessary funds are utilized efficiently, financial data are chalked out properly and the whole operations are running effectively. Besides, due to maintaining a minimum number of administrative levels, the dynamism of the programs has been increased to a greater extent. Due to the conventional practice of holding all authority by the central administration, no other organizations are found to make their activities as quickly and as effectively like ASA.

Written Manual: All sorts of administrative and program policies are documented in details in a working manual, which is kept at each branch office at the field level. It has been clearly stated in the ASA Management manual about every important aspect related to the field management. All approvals in the manual are given requiring no reference to or permission from the higher authority i.e., administrative & program related decision-making power have been delegated to the field office.

Simple Products and Simplified Procedures: Such clear vision in ASA has led to quite simple financial products designed to best meet client needs, as well as a simple delivery mechanism. Simplicity of operations is directly linked to several other sustainability issues and ensures high staff morale as well. Fortunately, viability is a choice determined by MIS, pricing policy, appropriate delivery systems and recruitment.

Emphasis on simplification of services can make or break any well-intentioned institution just getting started. ASA in 1991 decided after a long history of social action to specialize in credit delivery to better meet the needs of clients. ASA credit services remain as simple as ever, extending loans according to demand of members, subject to the credit limit computed on the basis of number and size of past loans handled by the borrower. Consequently, ASA maintains repayment patterns standard and similar for all members. This in turn enhances loan monitoring and easy, error-free accounting.

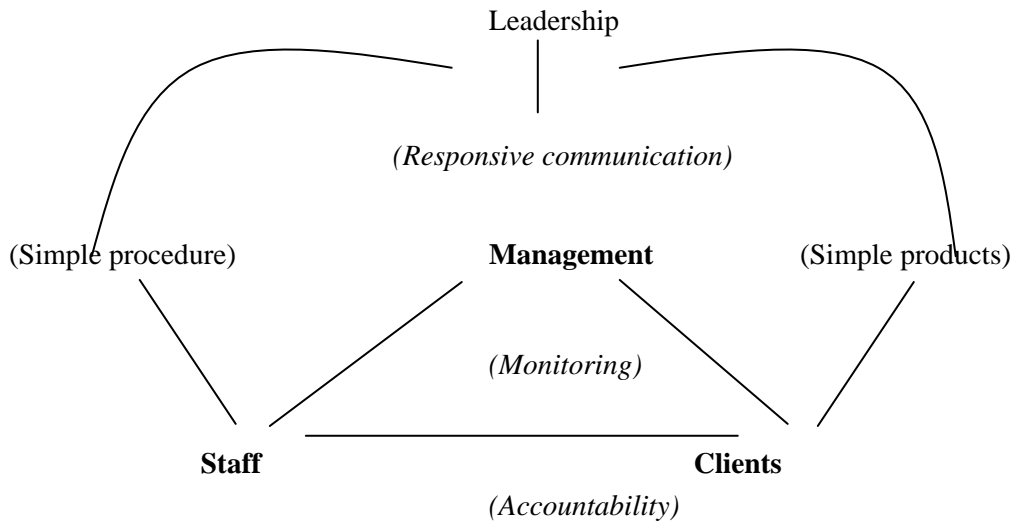
Innovative Bookkeeping and Account keeping: A simple product led to ultra-simple bookkeeping and eliminated the need for branch accountants. Staffs are only number crunching and filling up books about an hour a day. As a result, operations in the field are highly systematic. ASA operating systems are so simple and well designed that a one week practical training course is enough for newly recruited staff (Equipped with a detailed guidebook) to develop the basic capacity needed to start working in the field on a full roster.

Cost Effective Management: ASA recognized that effective management of staff training in a fast expanding organization is feasible only when learning demands are kept low. This enables limited staff training and grooming capacity to become effective even in the face of fast expanding staff strength. Furthermore, by standardizing services, staffs are not required to analyze members' enterprises before taking credit decisions, and ASA's approach entails little training of borrowers as they are often found to pursue ventures with which they are already familiar.

Simple and Systematic Procedures at All Levels: Simple and systematic procedures allow for delegation of significant authority to staff (such as loan approval) authority, thus minimizing the need for judgment calls. Most large commercial banks, with nation-wide operations and thousands of qualified officers on their staff, do not make as many individual loans every year. Even then, decision errors are not absent. Simplicity minimizes errors

and allows staff responsibility and performance expectations to be clearly defined and understood by staff and management both.

The degree of simplification that ASA has introduced in accounting and administrative procedures is significant. Once the annual budget has been approved, the Branch offices do not require any other administrative or accounting approval to incur expenses as per budget further, all the vouchers of expenses made at the branch level are kept in the field and only a summary statement of expenses is sent to central office to be included in the common account. There is, thus, no routine accounting or administrative security over the activities of the field offices as long as the budget targets is being met. There is little flow of proposals, approvals and notes or queries between the central office and branch offices other than standard monthly MIS reports, and summary accounting statements that are designed for brevity.



Management Monitoring, Transparency and Accountability: ASA has placed significant emphasis in the field of Management Monitoring, transparency and also mutual accountability. For each branch of 6-7 field staff, there exists one supervisory branch manager. In most other successful micro-credit programs, the span of control of field officers is kept around 10 or more. ASA policy ensures that up to 50 per cent of the actions of any level of staff is cross-checked by a senior. The system bears close similarity to conventional banking practices, where each transaction has to be cross-checked before it is executed. Each client has her savings and repayment balance confirmed personally by the branch manager every couple months to make sure that staffs have filled out account books and client passbooks properly. Such close supervision of staff effectively eliminates any inclination among staff to become lax in their duties or misappropriate cash, and saved time can be spent (by staff and management) on swiftly tracking and following up on delinquency. Simple and highly transparent procedures hold staff and clients alike accountable.

Delinquency Management: Following up on delinquency is important, as ASA believes that micro-credit is a business where less than 100 per cent achievement must not be accepted. Each case of default triggers a multiplier effect up through the supervision chain. The planned number and amount of the loans have to be disbursed, and the expected amount of savings and loan installments have to be collected on a daily basis without fail. The pressure for compliance with this rule is extremely high on field staff, and this gets transferred to the borrowers.

Innovative Branch Management: Leadership realized the added benefits of systematization of risk management and efficiency of operations. Branches, day-to-day operations and budgets are all identical. Living arrangements for branch staff are an innovation of ASA that effectively insulate the grassroots staff from any contingencies. ASA field staffs reside together in a room, which is integrated with the office and self contained in terms of board and lodge. Since most ASA staffs come from social milieu different from that of where they live and work, they are partly insulated from local socially induced factors that could come in the way of their work. By making a group of only one overlooking four others living and working together in a branch office, ASA succeeds in building a team identity whose members take over the work of a member incapacitated by any contingency. The

work of each team member is identical, requiring limited person-specific knowledge, and hence can easily be performed by other members.

Standardization: ASA has further capitalized from standardization of overhead expenditure in the branches as well. Branch office sizes and costs are all standardized, right down to the design of chairs, tables, fans, and other fixtures. This brings about substantial savings and promotes harmony as well, since all offices are alike.

Communication and Coordination: Middle management operates from desks in a branch in the field. Middle management's main function is to visit surrounding branches. They crosscheck accounts, monitor performance and help to maintain a positive work environment in their area of jurisdiction. In addition, central office senior staffs maintain close contact through personal visits to the field at least 10 days per month. Ongoing communication between the central office and middle management as well as field operations is maintained through visits by these highly skilled and experienced senior staff.

Mutual Accountability: ASA operations are successful because regular visits by management help to ensure mutual accountability between staff and clients, critical for honest bookkeeping and high repayment rates. Such monitoring also keeps management in touch with field level operations. Regular coordination meetings arranged by leadership, then makes certain this precious insight is turned into better institutional policy (simple procedures for staff and simple, but cherished financial products by clients). Staff and clients are both satisfied, which facilitates a positive working atmosphere making monitoring by management an easier task. Through this cycle ASA continues to improve upon its services and efficiency.

Financial Management: Standardization of the branch opened the door to a variety of new insights. Branch operations and costs were now highly predictable. Predictability of expenditure coupled with predictable income as a result of staff predictable meeting their responsibilities greatly enhances the capacity for financial planning. This enables the central office to project fund requirements and pursue highly efficient cash and fund management strategy at the branch level. Individual branches require only one capital infusion from the central office and four new branches rotate funds among themselves to reduce capital requirements for start-up by a third. Extra cash idle in banks is minimized due to branches' highly accurate fund requirement projections with surplus funds sent to deficit branches. Savings and repayments are turned around quite rapidly, sometimes disbursed again as credit within 24 hours.

Funds Mobilization: A fast expanding program needs to come out of this slow moving cycle of funds generation. The institution should also constantly explore other options. In another departure from typical development NGO practice, ASA adopted a strategy to tap the known financial institutional funds available in the market place. ASA has tapped normal banking windows for funds to supplement donor funds, and is recently generating significant savings from members (nearly 50% of working capital) as part of its resource mobilization strategy designed to benefit clients. The share of this relatively expensive fund in ASA's portfolio is highest among comparable credit programs in Bangladesh. This policy also allowed ASA to negotiate with different financiers from a position of strength, and insulate its program decisions from donors' internal decision-making.

Monitoring Mechanism: The caliber of financial management and the monitoring mechanism at the branch level enables a branch to become an individual profit center operating effectively on its own, within a year of opening.

With its effective operational structure and efficient service delivery, ASA is well placed to reach its goal of serving about 7.0 million of poor by 2007.

Finally, we would like to express our gratefulness and sincere note of thanks to my beloved colleagues for their active support and excellent cooperation. Our staffs contributed a lot to sustain ASA's financial activities. To be honest, we would be very happy to have your valuable suggestions and productive criticisms for further improvement of the overall performances of ASA of its national and international financial activities.

In fine I would like to offer my heartfelt thanks to you all on behalf of ASA for your presence and for a patience hearing. God might bless you.