

Executive summary

Microfinance has already had a positive influence on the life of millions of people in Asia, Africa and Latin America. The microfinance sector has evolved as an economic development tool which benefits low-income people through the provision of adequate financial services (Ledgerwood, 2000). Furthermore it can be a cost effective weapon in the fight against poverty and a critical input towards the achievement of the Millennium Development Goals (Littlefield et al., 2003). However to accomplish this, it is crucial that the poor and very poor people are consistently being reached by the microfinance institutions (MFIs). Therefore two main objectives must be reached by the MFIs; sustainability and outreach.

In order to examine BRAC's poverty outreach this study focuses on the numbers of clients entering and leaving the MFI. These numbers will provide insight whether the MFI services are being considered as meeting financial demands of the poor. Assumed is that more people will become clients and only few will leave if the products and services the MFI provides are suitable to the needs and wants of the poor. Furthermore this study seeks to examine if the ultra poor are graduating out of extreme poverty into BRAC's mainstream microfinance programs. Among those clients who have maintained their relationship with the MFI, this research tries to gain more insight into their social and economic context, poverty characteristics and it also shows impact reflections in the lives of the poor due to their membership.

This study is conducted in Bangladesh, the birthplace of microfinance, where some of the most mature MFIs in the world can be found. Out of those, BRAC is chosen for this research since it is a sustainable organization with a holistic approach of development and in addition because of its status as the biggest NGO in the world (in terms of staff and population covered). This study stresses that poverty is not homogenous but is manifested in different ways and in different contexts. It provides a detailed insight into BRAC's response to this multidimensional concept of poverty in Bangladesh, especially focusing on the ways particular programs were designed and adapted to the needs and wants of the extreme poor.

Chapter 2 provides a theoretical background and review for the objectives of microfinance. In order to reach the MDGs and alleviate poverty it's important that the microfinance industry expands in order to reach more poor people and provide them with financial services. Therefore two objectives have to be met, sustainability and outreach. Often there exists a trade off between the two objectives and the question is which objective will be prioritized? This chapter ends with challenges and future steps that have to be undertaken in order to better reach the microfinance objectives.

Chapter 3 gives a short overview of the financial services for the rural poor in Bangladesh. It starts with a description of formal institutional schemes and shows that repayment rates were not only low but also rapidly deteriorating over the 1980s. Therefore Professor Yunus initiated the microfinance movement in Bangladesh in the 70s and this chapter continues with these microfinance schemes for the Bangladeshi poor. Furthermore a more detailed look is provided into microfinance and the extreme poor in Bangladesh.

Chapter 4 provides a detailed into the NGO MFI BRAC. It starts with an overview of the organization as a whole. Since BRAC believes in a holistic approach of alleviating

poverty, a brief description is also given about their other programs; health, education, supporting and commercial enterprises and their activities abroad. Thereafter BRAC's view of microfinance is outlined, as well as its credit plus approach and its multidimensional view of poverty. All BRAC's different microfinance programs are examined, their target group, methodology and loan components. This chapter ends with an overview of BRAC's financial situation and shows that with an annual budget of €195 million, around 77% of which is self-financed; BRAC is one of the few examples of a solid sustainable organization.

A description of primary data and findings is presented in chapter 5. Results from the indepth

interviews with 41 selected STUP members, observations, meetings with key participants both members and employees both from head office as field staff, are being analyzed. BRAC as an MFI NGO has an excellent reputation in the field because of their long-standing commitment to develop small-scale entrepreneurs by providing them financial services in combination with education and training. As the findings show, BRAC has an considerable outreach, both in terms of volumes and sizes but also from a poverty perspective. Special programs are designed which have a significant impact on the lives of the selected extreme poor.

This study concludes that BRAC's microfinance operations are an exemplary model for the Bangladeshi microfinance market. The organization's focus on structured programs and following them strictly has allowed it to expand successfully throughout Bangladesh and even abroad without losing its social focus and ability to obtain high rates of repayment. BRAC has achieved a considerable outreach in terms of volumes, sizes etc but also looked from a poverty perspective BRAC reaches the extreme poor. This achievement is demonstrated by the special programs designed for the 31% extreme poor people in Bangladesh, their poverty level, the 100% graduation into BRAC's mainstream programs and the impact reflections of the CFPR program on their target group. The interviewed STUP members showed large impact and improvements in their lives and high satisfaction level. A major part of the selected women show large changes in their daily life, food intake has improved largely same as their access health services and education to knowledge. Another remarkable change is empowerment of these women; the large improvement of the women's social capital, their position in society and the increase in motivation and ambition. This all shows great compatibility with the needs and wants of this group of ultra poor.