# CREDIT RATING REPORT

AAA	
AA2	BBB1
A3	BB2
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## Credit Rating Report SETU

Ratings

Long Term BB<sub>1</sub>

Outlook : Stable

Date of Rating

: 31 December 2014

Valid Till

22 December 2015

Rating Based on : Audited financial statement up to June 30, 2014 and other relevant quantitative as well as qualitative information up to the date of rating declaration.

Methodology: CRAB's MFIs Rating Methodology (www.crab.com.bd)

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Year ended Ju	ne 30	
(Month)	-12	-12
(BDT in Mil)		
Micro Finance Program	FY2014	FY2013
Total Assets	448.51	373.74
No. of Beneficiaries	56,023	52,918
Active Borrowers	40,952	42,149
District Covered	8	8
No. of Branches	48	48
Loan Outstanding	390.32	344.66
Members savings	167.40	127.51
Net surplus	15.78	4.40
Portfolio Yield (%)	23.35	22.87
Operating Expense Ratio (%)	21.69	21.94
PaR>180 days (%)	5.16	6.97
Borrowed fund to Equity Ratio (Times)	2.25	2.43

## ■ Profile of SETU

SETU, a national NGO was formed in 1983 aiming to enable the disadvantaged community for sustainable development. SETU's development effort concentrates on organizing and mobilizing the viable groups, enhancing their analytical capability, so that they can act and speak in local, national even global context.

SETU has been equipped in a way to take and/or undertake right based challenging initiatives. Its particular expertise developed on the issues of globalization, rights & governance, climate justice, advocacy, CSO accountability etc. aiming at

contributing its micro-macro impact which have been gained from its past work experiences.

Now SETU has been working in 8 districts covering 1,02,700 households. SETU was registered with the Micro Credit Regulatory Authority (MRA) in 2006. Mr. M A Quedar is the Executive Director of SETU. At the end of FY-2014 SETU had loan outstanding of BDT 390.32 million to 40,952 borrowers spread across it's 48 branches.

## Programs

There are different social development programs implemented and continuing by SETU. Major programs of SETU in are Micro Finance Program, Urban Governance and Infrastructure Improvement Project (UGIIP), Legal Aid Program, Community Health Program, STD/HIV/AIDS Prevention Program, Non-Formal Primary Education, Arsenic Mitigation Program, Domestic Biogas etc.

## ■ RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has assigned ' $BB_1$ ' (Double B One) rating to SETU in the long term. CRAB performed the rating based on audited consolidated financial statement up to 30 June 2014 and other relevant quantitative and qualitative information.

The rating reflects the Organization's strength in operation of microfinance program in the area of net surplus and portfolio yield. However, the rating is constrained by portfolio at risk and provision maintained.

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Managing Director Credit Rating Agency of Bangladesh Ltd.



At the end of FY2014, the outstanding loan portfolio under micro credit program was BDT 390.32 million to 40,952 borrowers. SETU's savings outstanding was BDT 167.40 million from 56,023 members. Aging of loan portfolio of SETU depicts that at the end of FY2014, 8.20% of the loan portfolio's repayment was not regular where 5.16% of the portfolio's repayment was irregular for more than 180 days.

Net Surplus of SETU was BDT 15.78 million in FY2014 which was 4.04% of total loan portfolio. In FY2014, fund based income increased by 15.06% and net interest income increased by 16.68% respectively due to increased loan portfolio.

SETU microfinance program was mainly funded by long term liability. Of the total funding 49.29% was from long term liability followed by 37.32% of members savings, 13.39% by own fund. During FY2014, own fund grew by 17.38% backed by internal capital generation. Of the total long term liabilities 39.02% was funded from fund account and 6.79% from bank loan and 54.20% from loan from PKSF. SETU has 03 savings scheme through which SETU collected BDT 167.40 million in FY2014 registering a growth of 31.28% from last year. Balance sheet liabilities to equity) of micro finance program was 5.03 times in FY2014 (FY2013: 4.93 times) and borrowed fund to equity was 2.25 time in FY2014 which was 2.43 times in FY2013.

In FY2014, total assets of SETU increased by 20.01% and stood at BDT 448.51 million driven by outstanding loan amount. At the end of FY2014 SETU's required loan loss provision according to Micro Credit Regulatory Authority was BDT 23.52 million and SETU maintained BDT 22.86 million.

The major social development programs that SETU is Poverty alleviation through Micro Credit & Micro enterprise loan, Livelihood Restoration Program (LRP), Mainstreaming the Disable People in Development Process, Non formal Primary Education (NFPE), Reaching Out of school Children (ROSC), Sanitation, Hygiene Education & Water Supply Project, Urban Governance & Infrastructure Improvement Projects (UGIIP), Hygiene, Sanitation and Water Supply (HYSHWA) Program. The organization is implementing its multiple programmes to improve socio–economic condition of poor and extreme poor at Kushtia. The organization works with landless especially women, outcasts, untouchables and religion–ethnic minorities and extreme poor communities of the region.

#### Rating Scope

Credit ratings do not directly address any risk other than credit risk. Credit ratings do not comment on the adequacy of market price or market liquidity or social impact of the programs of an NGO, although such considerations may affect CRAB's view on credit risk, such as access to capital or likelihood of refinancing. At the time of rating of SETU, CRAB did not conduct any social research and survey on its programs. It is not within the purview of rating agency to carry out comprehensive impact study. However, at the time of rating of SETU apart from its micro credit program, CRAB tries to focus into various aspects of SETU's social development projects and tried to understand how effectively and efficiently SETU can interlink its micro credit program and social development program with its vision, mission and goals. CRAB's credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest and repayment of principal, insurance claims or counterparty obligations.

SETU At A Glance				
Name of the MFI	SETU			
Year of operation	1993			
Year of commencement of micro finance program	1993			
Executive Director	M. A. Quader			
Head Office	T & T Colony Road , Courtpara , Kushtia-7000			
Registered office	Hazra hati , Kushtia 70002			
External Auditors of FY 2014	Rahman Anis & Co.			

## SETU's Legal Status:

The organization has established functional association and affiliation with the following government departments:

- Registration No. under voluntary welfare agencies (Registration & control) ordinance, 1961;
   No. Kushtia-10/86, Dated: 17.02.1986.
- Registration No. under the foreign donation (voluntary activities) regulation rules, 1978: No. DSS/FDO/R-240, Dated: 05.10.1987.
- c) Certification of Micro-Credit Regulatory Authority (MRA) rule, 2006,

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No. 03033-03265-0049, Dated: 05-09-2007

d) Tax Identification No. under ordinance (XXXVI of 1984), TIN No. 412-400-0094/KC-2, Khulna. Dated: 12.01.2003

#### Vision

To build a just, participatory and sustainable society in which the human rights and the human dignity of men, women and children are equally respected and people live responsibly in the community with others and with nature.

#### Mission

Implementation of different development programs which are socially sound, economically compatible and environmentally sustainable towards improving the quality of life and livelihoods of disadvantaged communities towards achieving the MDGs.

## Objectives

Facilitating the marginalized and socially excluded people of the society to attain better life and livelihood.

The major programs that SETU undertook in the past and continuing were poverty alleviation through Micro Credit including Micro enterprise loan, Livelihood Restoration Program (LRP), Agriculture and Livestock Development, Promotion of Eco-Friendly Fertilizer, Farmer-to-Farmer for Food Security, Participatory Forestry Program (PFP), Health for All, Environmental Sanitation, Arsenic Mitigation, Nutrition Education, Mainstreaming the Disabled People in Development Process, Education for All, conscientize on MDGs, Technological Empowerment Through ICT, Strengthening Climate Justice, Disaster Management, River Basin Development, National Domestic Biogas & Manure program, Rights & Governance, Democracy Education, Tax Justice and Peoples' Participation, Youth Animation, Community Learning Movement (CLM), SETU-WFCL Program, Social Rehabilitation for Senior Citizen, STD/HIV/AIDS Prevention, Anti-Trafficking Movement, Cultural Action for Social Transformation, Civil Society Mobilization etc.

#### MICRO FINANCE OPERATION (MFO)

SETU continuing its "Poverty Alleviation Program" through Rural Micro Credit (RMC), Urban Micro Credit (UMC), Ultra Poor Program (UPP), Micro Enterprise Loan (MEL), Seasonal Loan and Livelihood Restoration Program (LRP), with financial and technical assistance of Palli Karma–Shahayak Foundation (PKSF) since 1993. Presently SETU implements the program through on line service. This program covers total 21 upazilas of 09 districts. Total 4,339 nos. of groups were formed with 56,024 members who have accumulated BDT 167.40 million as members' savings. Total borrowers are 40,952 total amount of loan outstanding is BDT 390.32 million in FY 2014. Poverty alleviation program is managed through SETU's 48 branches and 7 regional offices. SETU's microfinance program has different loan products (details given in Annexure–2).

OPERATIONAL MODEL: To operate microfinance program SETU forms a group, which is the key and lowest unit of SETU institutional structure. Minimum five like-minded people from the same village with similar economic status can form a group. Each group has an elected main person whose house is the weekly meeting place. These groups belong to a unit. Each unit has a center chief and a deputy center chief. They hold meetings once a week where they collected installment amount, deposits. A branch channels all services to its members. All records and accounts maintained in a branch office. A Manager heads a branch office where 4-6 field officers assist the Branch Manager. An Assistant manager is responsible in account section of a Branch as well as assists Branch manager. The main function of a branch is to implement microcredit and other programs in its command areas. Usually a branch's site selection prefers on the concentration of poor people. An Assistant Program Manager (APM) heads SETU zonal office. An APM looks after maximum of seven branches. Loan approval, supervision, monitoring and group recognition are among the major responsibilities of APM. The APM are also responsible for overall monitoring, supervision and coordination of other activities under his/her working area. The Program manager heads the regional offices (4-5) area office is under each regional office). The Head Office supervises monitors and guides the activities of each branch, region and central coordination office. The Head office also provides all logistic supports to these offices. The Branch offices send weekly and monthly reports to head office. The head offices consolidate on regular basis. The Head office also organizes external and internal auditing of branch accounts for the smooth implementation of project activities.



CLIENT CRITERIA: To improve social and economic position of the common people. Before disbursing a loan, SETU's management evaluates a borrowers' intention of loan repayment, past record of loan repayment, professional skill required to utilize the fund etc. At first field level officers collect the data, after wards branch manager, assistant program manager and regional head and head office judged these criterion.

Table 1:

Summary of Micro Finance Program	FY 2014	FY2013	FY2012
No. of member	56,023	52,918	52,135
No. of Groups	4,211	3,648	3,689
No. of Borrowers	40,952	42,149	41,585
No. of Districts Covered	8	8	8
No. of Branches	48	48	48
Loan Disbursement (Mil BDT)	685.18	602.77	553.32
Loan Outstanding (Mill BDT)	390.32	344.66	306.78
Members Savings (Mill BDT)	167.40	127.51	106.31

## Loan Portfolio Analysis

SETU loan outstanding grew 13.25% in FY2014 from previous year. It was mainly concentrated in rural micro credit (66.89%) followed by micro enterprise loan (22.86%), and urban micro credit (5.77%). In FY2014, SETU's loan portfolio increased by 13.25% and stood at BDT 390.32 million. In FY2014, micro enterprise loan grew 45.17% from FY2013.

Table 2:

Particulars		FY2014		FY2013			FY2012
	Amount	% in Total loan	Growth(%)	Amount	% in Total loan	Growth(%)	Amount
Amount in BDT Mill							
Rural Micro Credit	261.08	66.89	2.39	254.98	73.98	7.64	236.88
Urban Micro Credit	22.53	5.77	(0.29)	22.60	6.56	(3.88)	23.51
Micro Enterprise loan	89.22	22.86	45.17	61.46	17.83	42.95	43.00
Ultra Poor Program	16.50	4.23	n.a	1.67	0.48	(34.14)	2.53
Agriculture loan	0.87	0.22	n.a	0.01	0.00	(9.78)	0.01
Seasonal Ioan	0.01	0.00	(99.79)	3.94	1.14	1,152.38	0.31
EFRRAP	0.11	0.03		-	_	-	0.01
LRP			-	-			0.53
Total	390.32	100.00	13.25	344.66	100.00	12.34	306.79

## Portfolio Quality

Non-government organizations whose loans are typically not backed by bankable collateral, so, the quality of the portfolio is absolutely crucial. The most widely used measure of portfolio quality is portfolio at risk which measures the portion of the loan portfolio contaminated by arrears as a percentage of the total portfolio.

Table 3:

Particulars		FY2014			
	¹Loan Portfolio	%	Growth	Loan Portfolio	%
Amount in BDT Mill					
Regular Loan	358.20	91.81	14.23	313.56	90.98
PaR 1-30 days	7.36	1.89	98.64	3.70	1.07
PaR 31-180 days	4.49	1.15	33.60	3.36	0.98
PaR 181-360 days	3.68	0.94	(6.44)	3.93	1.14
PaR > 365 days	16.45	4.22	(18.18)	20.10	5.83
Total Loan portfolio	390.17	100.00	13.20	344.66	100.00

In FY2014 total PaR grew 2.86% from FY2013. Aging of loan outstanding of SETU is depicts that at the end of FY2014, 91.81% of loan was regular. 1.15% of the loan repayment was overdue for 31–180 days, whereas 4.22% of the

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Loan outstanding amount of financial year 2014 and 2013 was without service charge/interest.



portfolio was overdue for more than 365 days. At the end of FY2014 required loan loss provision according to Micro Credit Regulatory Authority was BDT 23.52 million and SETU maintained BDT 22.86 million. (See Annexure-2) Table 4:

	For the Year Ended June						
Year	FY-2014	FY-2013	FY-2012	FY-2011			
Capital/Asset Ratio (%)	13.39	13.69	14.37	10.50			
Deposits to Loans (%)	28.47	22.35	19.70	16.15			
Deposits to Assets (%)	24.77	20.61	18.03	14.80			
Loan Portfolio to Assets (%)	87.03	92.22	91.5'3	91.66			

Presently SETU avails commercial institutions for funding. SETU's members deposit to its loan portfolio was 28.47% in FY2014 which is below 80% reflects compliance of MRA regulation.

## Capitalization & Funding Strategy

SETU microfinance program was mainly funded by long term liability. Of the total funding 49.29% was from long term liability followed by 37.32% of members savings, 13.39% by own fund. During FY2014, own fund grew by 17.38% backed by internal capital generation.

Table 5:

			Year Ende	d June 30			
		FY-2014			FY-2013		FY-2012
(Mil. BDT)	Amount	Total (%)	Growth (%)	Amount	Total (%)	Growth (%)	Amount
Capital Fund	60.04	13.39	17.38	51.15	13.69	6.23	48.15
Long Term Liabilities/Loan	221.07	49.29	13.32	195.07	52.19	(17.66)	236.90
Fund Liabilities	86.26	19.23	22.22	70.57	18.88	25.58	56.20
Loan from PKSF	119.81	26.71	(3.77)	124.50	33.31	(31.10)	180.70
Bank Loan	15.00	3.34					
Members' Savings	167.40	37.32	31.28	127.51	34.12	19.94	106.31
Total	448.51	100.00	20.01	373.74	100.00	(4.50)	391.37

Of the total long term liabilities 39.02% was funded from fund account and 6.79% from bank loan and 54.20% from loan from PKSF. SETU has 03 savings scheme through which SETU collected BDT 167.40 million in FY2014 registering a growth of 31.28% from FY2013. Balance sheet liabilities to equity) of this program was 5.03 times in FY2014 (FY2013: 4.93 times) and borrowed fund to equity was 2.25 time in FY2014 which was 2.43 times in FY2013.

#### Financial Performance

FY2014, fund based income was 89.90% of total micro finance income backed by interest from on loan. In FY2014, fund based income increased by 15.06% and net interest income increased by 16.68% due to enhancement of fund based income. Interest and finance charges decreased 85.62% from FY2013 due to fund deficit. Therefore gross surplus of the program increased by 28.81% and net surplus increased significantly due to net interest income.

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Table 6:

Segregation of Revenue	监督护建设				
	For the	year ended June			
Year	FY-2		FY-	2013	FY-2012
(BDT in Mil)	Amount	Growth	Amount	Growth	Amount
Fund Based Income (a)	85.85	15.06	74.61	(4.34)	77.99
Interest income on loan	85.81	15.20	74.49	(4.43)	77.94
Interest income on bank deposit	0.03	(73.33)	0.12	131.19	0.05
Interest & Finance Charges (b)	8.44	2.06	8.27	(15.23)	9.76
On Borrowings	0.29	(85.62)	2.02	(58.58)	4.89
On Deposits	8.15	30.47	6.25	28.27	4.87
Net Interest Income (a-b)	77.40	16.68	66.34	(2.78)	68.24
Fee Based & Other Income (c)	9.64	n.a	1.24	30.57	0.95
Total Income (a+c)=d	95.49	25.89	75.85	(3.92)	78.94
Gross Surplus (d-b)	87.05	28.81	67.58	(2.32)	69.19
Total Expenses (e)	74.23	22.87	60.41	17.25	51.52
Personnel Expenses	45.99	15.27	39.90	11.42	35.81
Administrative & Other Expenses	28.24	37.67	20.51	30.54	15.71
Provision For Loan Loss	(2.96)	n.a	2.77	n.a	0.38
Net Surplus	15.78	n.a	4.40	(74.53)	17.29

## Financial Indicators

At the end of FY2014, portfolio yield increased 0.48 percentage points due to increased fund based income. It has impact on ROA too which was 3.52 due to net surplus. In FY2014, operating expense ratio was 21.69% indicates efficiency of the organization, decreased by 0.25 percentage points. Deposit to loan ratio was 42.89% which is lower than 80% (maintains MRA requirement). The Organization's borrowed fund to equity ratio was 2.25 times in FY2014 which was 2.43 times in FY2013. At the end of FY2014, capital adequacy stood at 13.74% that was 13.88% in FY2013. Table 7:

Key Financial Indicators	<b>从批准,不是一个</b>			
	FY-2014	FY-2013	FY-2012	FY-201
Profitability & Efficiency				
Portfolio Yield (%)	23.35	22.87	27.06	41.89
Return on Assets (ROA) (%)	3.52	1.18	5.16	3.54
Operating Expense Ratio (%)	21.69	21.94	21.40	35.15
Net surplus / Loan outstanding (%)	4.04	1.28	5.64	3.86
Deposit /Loan (%)	42.89	37.00	34.65	32.30
Fund Cost				
Cost of Savings (%)	6.00	6.00	9.37	14.54
Capitalization				
Edmowed Fund to Equity (Times)	2.25	2.43	3.75	5.70
Capital Adequacy Ratio (%)	13.74	13.88	14.62	10.70
Liquidity				
Liquid assets to Deposit (%)	10.35	6.87	9.75	12.40



## OTHER DEVELOPMENT PROGRAM OF SETU

Agriculture and Livestock Development: SETU provides agricultural loan to its group members against cultivation of onion and garlic, banana, paddy, maize, potato, vegetables, sunflower etc. SETU undertakes beef fattening program with funding from PKSF. This is an income generating program of SETU and helps much in alleviating poverty. SETU also provides credit support to fish culture, poultry and goat rearing.

Safe Migration for Bangladeshi Workers project: Migration is a major source of income of Bangladesh. Remittances earned from migration contribute highly in Bangladesh economy. The income of migrant workers improves their family status as well as it is helpful for overall development of the country. In spite of their contribution in economy the migrants face many problems in different stages mainly in lacking of right information in right time. In this perspective SETU undertakes 'Safe Migration for Bangladeshi Workers' project in Kushtia sadar upazila area in order to ensure safe migration. Under the project the migrants will get different services like easy and right information, reduce dependency on middle men.

Promotion of Eco-Friendly Fertilizer: SÉTÜ has been preparing eco-friendly fertilizer in Meherpur in cooperation with Meherpur Pourashava and UNICEF under technical assistance of Waste Concern. The constructed composting Plant was used only for the purpose of organic composting through garbage collected from residential and commercial areas. SETÜ operated and maintained the compost plant as per the guidelines of Waste Concern. The NGO takes care of operation and maintenance of community based resource recovery system.

Farmer-to-Farmer for Food Security: SETU has been implementing Farmer-to-Farmer for food security project with technical assistance of WINROCK International through USAID. The project includes improved seed production for home based gardening; improve soil conditions through fertilization management. Some courses were organized involving male and female farmers of Mirpur and Kushtia Sadar Upazila area which were facilitated by international experts.

Participatory Forestry Program (PFP): Under this programme, 152 villages under 20 unions of three thanas, namely Mirpur upzilla, Kushtia sadar and Kumarkhali of Kushtia district were brought since 1991. Major components of this program are plantation at homestead & cropland, village nursery establishment, central nursery development, tree renovation, core farmer development training etc.

Health for All: SETU promotes awareness on health for all agenda among the stakeholders as an essential service. SETU initiates advocacy with government departments and service providing NGOs to enhance quality health facilities. Mentionable results of the program are access raised to claim health service from ongoing government facilities, health awareness raised among women, knowledge level upgraded on reproductive health, HIV/AIDS, safe water use and sanitation.

Environmental Sanitation: SETU has gathered experiences in implementing Sanitation, Hygiene Education and Water Supply (GOB-UNICEF) Project in Meherpur district under financial and technical assistance of UNICEF, DPHE & DFID. The project includes 101 villages of 5 unions of Meherpur Sadar Upazila covering 1,94,665 people (male – 1,00,067, female – 94,598) of 48,977 households. A variety of activities have carried out in the field to wage social mobilization for achieving the MDGs. Moreover SETU has implemented same activities in Meherpur municipal area covering 6,265 households with funding from UNICEF, DPHE & DFID.

Arsenic Mitigation: SETU undertook Arsenic Mitigation Program as a pioneering organization soon after arsenic victims were detected in some villages under Kushtia district. SETU's program includes the following activities; advocacy and with stakeholders, water testing, surface water study, identification of patients, coordination; communication, semial symposium and meeting, media linkage, social mobilization, formation of CBOs etc. The Water & Sanitation started in 1987 at Mirpur, Kushtia sadar and Khoksa thana. Under this program 380 nos. of tube wells and social sanitary latrines were installed at the target families' houses. Moreover motivational & consciousness reside program on safe water and environment sanitation has been a regular routine work under this program.

Nutrition Education: SETU undertook this project in Kushtia Sadar, Mirpur and Khoksa upazilas in order to develop the nutritional status of rural people through establishing vegetable and fruit nurseries, Grameen Nursery (GN) and Central Nursery (CN) and promoting nutritional education in cooperation with the project participants.

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Mainstreaming the Disabled People in Development Process: SETU implements the above mentioned project in Kushtia Sadar and Khoksa upazila under Kushtia district. SETU assists the PWDs in involving them in socio-economic activities enabling them to voice their rights and opportunities. Initial activities of the project were institution building, savings mobilization and awareness raising about human rights, health etc., including provision for providing health support, Aids/Appliances and capacity building.

Education for All: SETU has been promoting education for all through implementing different programs. SETU initiates in ensuring 100% enrollment in primary school. Since 1986 SETU has been initiating adult education and non-formal education programs through organizing education centers. SETU also implemented ROSC (Reaching Out of School Children) program and arranged 30 nos of Ananda Schools in Daulatpur upazilla of Kushtia District with the financial assistance of GOB. Moreover SETU has been working with Campaign for Popular Education (CAMPE) to popularize education program through involving CSOs. SETU conducts 80 nos. of Non Formal Primary Education Centres in different villages of Mirpur Upazila area of Kushtia district where a total of 2,400 girls and boys of poor families were enrolled. SETU has been implementing the program under financial and technical assistance of BRAC-ESP.

Conscientize on Millennium Development Goal (MDG): The MDGS are commitment by the United Nation to establish peace and a healthy global economy by focusing on major issues like poverty, children's health, empowerment of women and girls, sustainable environment, disease and development. The goals are critical for meeting the basic needs of people but efforts are required to accelerate progress across all the goals. SETU make aware its people on "Millennium Development Goals" (MDG) through organizing meetings, workshops, seminars, public hearing, information dissemination through IEC materials. SETU also conducts several types of IPT (Interactive Popular Theatre) shows. The organization has been implementing different programs in the field to attain the MDGs and also initiates campaign among the stakeholders to enhance civic sensitivity on Beyond 2015.

Technological Empowerment through ICT: SETU provides management training and technical assistance to its staff members with a view to enabling them in utilizing Information Communication Technology in their respective fields. This empowers them to cope with the modern challenges in performing daily duties. In this regard SETU organized series of courses/activities on automation, networking, MIS, data analysis using its computer facilities. Already all offices of SETU were connected with online network, facilitating quick dissemination of information on a regular basis. Obviously this technological empowerment of staff through ICT results in speedy and fruitful performance of organizational work.

Strengthening Climate Justice: The threat of climate change is very real and the associated challenges are formidable. The international community recognizes that Bangladesh is especially vulnerable due to hydro-geological and socioeconomic factors. It is therefore, of utmost importance to assess its vulnerability in terms of population, areas at risks and potential for adaptation. In this perspective SETU intends to pioneer strategies to counter climate change at the community level, thus promotes following interventions:

- Mainstreaming climate change adaptation into policies and programs.
- Integrating climate justice issues in educational curriculums.
- Disseminating climate change information to vulnerable communities for raising consciousness in climate justice.
- Developing eco-specific knowledge in climate variability to enhance resolution for climate justice issues.
- Empowering the vulnerable communities on claiming climate justice and human rights, thus guarantee their
   socio economic development.

## MANAGEMENT

SETU has a structural management system where general body is the decision making body, Executive Committee movements the decision of the General body. On behalf of the Executive Committee, the Executive Director movements the activities of SETU with the assistance of all tire staff. SETU has several wings in its management system such as Financial, Program, Monitoring, Gender, Training and Disaster. SETU has a central management committee consisting of the all sector heads. The management committee held meeting tri-monthly where progress is discussed and future plan of action is prepared for better implementation of the project with a view to achieve its outcome. They have organizational rules for the above. Total project wise manpower is as follows:

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#### Internal Control

Cash handling in the branch offices and head office and procedures on a/c opening, cash withdrawal, depositing cash & closure of a/c, investments etc. are run as per organizational rules.

#### Internal Audit

There is internal audit team of SETU. The internal audit team arranges audit twice every year by organizational rules and procedure.

## MANAGEMENT INFORMATION SYSTEM

SETU has Software based MIS from 2011. The Software established through Datasoft System Bangladesh Ltd.

## CORPORATE GOVERNANCE

SETU has a General Committee consisting of 22 members headed by the Chairman; an Executive Committee consists of 07 members and an Executive Office headed by the Executive Director who is guided by the Executive Committee. All the decisions come from General Committee (GC) and Executive Committee (EC) and The Executive Director implements the decisions accordingly. Executive Committee and General Committee duly reckon up the activities, outputs and imparts in different projects independently. Moreover, a team of advisors with national and international reputation pays advisory services to enrich SETU activities in global perspective.

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## ORGANIZATION'S INFORMATION

ANNEXTURE-1

Table 8: List of Executive Committee Members

SI No.	Name	Designation		
01	Md. Omar Ali	Chairperson		
02	Md. Shahidullah Sheikh Vice-Chairperson			
03	Nazma Parvin	Treasure		
04	Md. Abdus Sattar Biswas	Member		
05	Md. Mukul Hossain	Member		
06	Mst. Lakia Khatun	Member		
07	M A Quader	Member Secretary/ Executive Director		

Table 9: List of senior management

SI No.	Name	Designation	
01	M A Quader	Executive Director	
02	Md. Mofizul Islam	Asstt. Director	
03	Nazmunnahar	Coordinator, Audit & Monitorin	
04	S M Hasib Nehal	Manager, HRD	
05	Mst. Shahanaj Parvin	Manager, Finance	
06	Abdulla Munim Ahmed	Manager, ICT	

Table 10:

Categories of Manpower	Head Office (No.)	Branches (No.)
Senior-level Management Executives	2	-
Mid-level Management Executives	2	-
Junior-level Management Executives	2	8
Senior-level Field Executives	-	10
Mid-level Field Executives		10
Junior-level Field Executives	· ·	40
Head Office Support Personnel*	2	NA
Field-level Support Personnel*	_	8
Monitoring & Evaluation Personnel	2	-
Accounts Maintenance Personnel	2	8
Other Support Staff**	1	8
Total:	13	92



External Auditors
AHMED ZAKER & CO.

## The following programs are implemented by SETU:

- 1 Urban Governance and Infrastructure Improvement Project (UGIIP)
- 2 Farmer-to-Farmer for Food Security
- 3 Beef fattening program
- 4 SETU Deposit Scheme
- 5 Legal Aid Program
- 6 Community Health Program
- 7 Civil Society Mobilization
- 8 Cultural Action for Social Transformation
- 9 Disaster Management Program
- 10 River Basin Development Program
- 11 Safe Road Management Program
- 12 Anti-Trafficking Movement Program
- 13 Social Rehabilitation for the Older Persons
- 14 Participatory Forestry Program (PFP)
- 15 STD/HIV/AIDS Prevention Program
- 16 Nutrition Education Project
- 17 Non- Formal Primary Education Program (NFPE)
- 18 Mainstreaming the Disabled People in Development Process
- 19 Rights & Governance (Budget, Health, VAT/TAX, Children Rights, ESP from UP, SMC)
- 20 SETU-WFCL Program
- 21 Youth Animation
- 22 Community Learning Movement (CLM)
- 23 Domestic Biogas
- 24 Community Radio Services
- 25 Arsenic Mitigation Program
- 26 Hygiene, Sanitation and Water Supply
- 27 Non-Formal Primary Education
- 28 Poverty Alleviation
- 29. Micro finance

## SETU has established functional association and affiliation with the following organizations:

- · Palli Karma Sahayak Foundation (PKSF), Bangladesh
- Bangladesh Rural Advance Committee (BRAC)
- Federation of NGOs in Bangladesh (FNB)
- · Center for Disability and Development (CDD)
- Disaster Forum, Bangladesh.
- Action on Disability in Development (ADD)
- International Labor Organization (ILO)
- Hospital for Sick Children (Canada)
- Cord Aid (Netherlands)

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## ANNEXTURE-2

Table 11: Information on loan product

Segment	RMC	UMC	ME	Seasonal	Others	Remarks
Loan Term	1 year	1 year	1 year	6 month	6 month	
Loan Size	10,000-29,000	10,000- 29,000	30,000- 5,00,000	10,000-30,000	6,000-20,000	
Interest Rate	27% Dec	27% Dec	27% Dec	27% Dec	27% Dec	
Repayment Policy	Weekly	Weekly	Monthly	One time	One time	
Loan Processing Fees	No *	No	0.05%	No	No	
Any other Fees	1%	1%	No	No	No	Insurance fee
Penalty if any	No					

## Table 12:

Savings	Frequency	Amount Saved	Interest	Other Features
Product 1	Weekly	BDT 10- BDT25	6.00%	
Product 2	Monthly	BDT 100- BDT 1,000	12.50%	
Insurance	Frequency	Amount Paid	Sum Insured	Other Features
Product 1	Yearly	1.00% on loan	As per loan	
Product 2				

## Table 13:

Name of the Lending Institution	Amount Sanctioned	Date of Sanctioning	Interest Rate	Loan Tenor	Repayment Frequency	Amount Disbursed	Loan Outstanding as on 30 June 2014
PKSF	1,00,00,000	24/08/2014	4.5%	3 Years	Quarterly	1,00,00,000	11,72,50,000
One Bank	15,000,000	19/05/2014	13%	1 Year	One time	15,000,000	15,000,000

## Table 14:

Particulars	2014	2013	2012
Total number of clients at the beginning of the period	52,918	52,135	56,617
Total number of clients at the end of the period	56,251	53,100	52,313
New clients - all those who joined during the period	5,820	5,735	3,350

Table 15:

Other Indicator	2014	2013	2012
Borrowers per Branch (No)	853	878	866
Borrowers per loan Officer (No)	266	260	252
Loan Outstanding per Branch (Mil BDT)	8.94	7.18	6.39
Loan Outstanding per loan Officer (Mil BDT)	2.79	2.13	1.86



Table 16

Table 16: Particulars	No. of Days Outstanding	Outstanding Loan Amount	Requ	ired provision
		Amount in BDT Mill	Rate %	Amount in BDT Mill
Total Loan Outstanding		390.17		
Total overdue:		,		100 100000
Regular	Loans with no overdue installments	358.20	1%	3.58
Watchful	Loan default duration between 1 and 30 days	7.36	5%	0.37
Sub-standard	Loan default duration between 31 and 180 days	4.49	25%	1.12
Doubtful	Loan default duration between 181 and 365 days	3.68	75%	2.76
Bad Loan	Loan default duration above 365 days	16.45	100%	16.45
Provision required by SETU				24.28
				22.86
Provision kept by SETU Surplus / (Deficit)				(1.42)

Table 17:

Table 17: Eligibility Criteria Compliance Certification (by PKSF)		As of 30 June 2014		
Minimum Loan recovery rate computed QTR based :	PKSF Standard	SETU Ratios		
95% minimum cumulative loan collection ratio on total dues( cumulative collectables)	95-98%	99.45%		
92–100% minimum loan collection ratio on current dues (on running 12 month basis) Actual collection during the past 12 month on current dues*100 collection on current dues	95-100%	99.73%		
Minimum Liquidity to Saving ratio	15.00%	1.49%		
Minimum Current Ratio	2:01	2.04:1		
Minimum Capital Adequacy ratio	10%-15%	15.59%		
Minimum Debt Service Coverage Ratio	1.25:1	0.30:1		
Debt to Capital ratio	9:01	4.49:1		
Minimum Rate of Return on Capital	1.00%	28.04%		

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#### Profitability & Efficiency

Portfolio Yield= Interest income/ Avg. Gross Outstanding Portfolio Return on Assets (ROA)

Operating Expense Ratio = Operating Expense/ Avg. Gross Outstanding Portfolio

#### Fund Cost

Cost of Savings = Interest Paid on Deposits / Avg. Deposits Cost of Borrowings = Interest Paid on Borrowings / Avg. Borrowings

## Capitalization

Borrowed Fund to Equity (times)

Capital Adequacy Ratio = Total Equity/ (Total Assets - Cash and Bank Balance).

#### Liquidity

Liquid Assets to Deposits

Borrowed Fund = Long & short term loan (do not include member's savings)

Equity & Funding = Equity (Own fund + Donation) + member's savings+ Long & short term loan



#### LONG-TERM CREDIT RATING:

## MICRO FINANCE INSTITUTIONS (MFIs)

RATING	DEFINITION				
AAA Triple A	Extremely Strong Capacity & Highest Quality. MFIs rated 'AAA' have extremely strong capacity to meet their financial commitments. 'AAA' is the highest issuer credit rating assigned by CRAB. AAA is judged to be of the highest quality, with minimal credit risk.				
AA <sub>1</sub> , AA <sub>2</sub> , AA <sub>3</sub> *  Double A	Very Strong Capacity & Very High Quality. MFIs rated 'AA' have very strong capacity to meet their financial commitments. They differ from the highest-rated MFIs only to small degree. AA is judged to be of very high quality and is subject to very low credirisk.				
A <sub>1</sub> , A <sub>2</sub> , A <sub>3</sub> Single A	Strong Capacity & High Quality. MFIs rated 'A' have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than MFIs in higher-rated categories. A is judged to be of high quality and are subject to low credit risk.				
BBB <sub>1</sub> , BBB <sub>2</sub> , BBB <sub>3</sub> Triple B	Adequate Capacity & Medium Quality. MFIs rated 'BBB' have adequate capacity to meet their financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the MFIs to meet their financial commitments. BBB rated MFIs are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.				
BB <sub>1</sub> , BB <sub>2</sub> , BB <sub>3</sub> Double B	Inadequate Capacity & Substantial Credit Risk. MFIs rated 'BB' are less vulnerable in the near term than other lower-rated MFIs. However, they face major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which might lead to inadequate capacity to meet their financial commitments. BB is judged to have speculative elements and is subject to substantial credit risk.				
B <sub>1</sub> , B <sub>2</sub> , B <sub>3</sub> Single B	Weak Capacity & High Credit Risk. MFIs rated 'B' are more vulnerable than the MFIs rated 'BB', but the MFIs currently have the capacity to meet their financial commitments Adverse business, financial, or economic conditions are likely to impair the capacity of willingness to meet their financial commitments. B is considered speculative and weak capacity and is subject to high credit risk.				
CCC <sub>1</sub> , CCC <sub>2</sub> , CCC <sub>3</sub> Triple C	Very Weak Capacity & Very High Credit Risk. MFIs rated 'CCC' are currently vulnerable and are dependent upon favorable business, financial, and economic conditions to mee their financial commitments. CCC is judged to be of very weak standing and is subject to very high credit risk.				
CC Double C	Extremely Weak Capacity & Extremely High Credit Risk. MFIs rated 'CC' are currently highly vulnerable. CC is highly speculative and is likely in, or very near, default, with some prospect of recovery of principal and interest.				
C Single C	Near to Default. A 'C' rating is assigned to MFIs that are currently highly vulnerable to non-payment, having obligations with payment arrearages allowed by the terms of the documents, or obligations that are subject of a bankruptcy petition or similar action bu have not experienced a payment default. C is typically in default, with little prospect for recovery of principal or interest.				
D	Default. MFIs rated 'D' are in default. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.				

NOTE: CRAB APPENDS NUMERICAL MODIFIERS 1, 2, AND 3 TO EACH GENERIC RATING CLASSIFICATION FROM AA THROUGH CCC. THE MODIFIER 1 INDICATES THAT THE OBLIGATION RANKS IN THE HIGHER END OF ITS GENERIC RATING CATEGORY; THE MODIFIER 2 INDICATES A MID-RANGE RANKING; AND THE MODIFIER 3 INDICATES A RANKING IN THE LOWER END OF THAT GENERIC RATING CATEGORY.



The rating committee of CRAB is the final authority to award a rating. The rating committee of CRAB is comprised of external independent persons who are not members of the board of the company and they ensure the independence of rating.

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