



NGOs for Development: Experience of Bangladesh

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INTRODUCTION

Bangladesh became independent in 1971 through a nine-month-long war of liberation. Considered as a ‘Basket Case’ (refer to Bari 2008 for detail) by prominent leaders and a ‘Test Case for Development’ by intellectuals (Faaland and Parkinson 1976), Bangladesh successfully took several giant steps over time in achieving most of the Millennium Development Goals

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(MDGs) (Planning Commission of GoB 2015). For instance, it was reported that the proportion of people living below the national poverty line (2122 kcal) was 56.7 percent in 1992 and the rate reduced to 31.5 percent whereas the target was to achieve 29 percent within 2015. As per the Household Income and Expenditure Survey 2016–17, the poverty rate is now 24.3 percent only (BBS 2017). Again, the net enrolment rate in primary education found to be 97.7 percent compared to the targeted rate of 100 percent. The under-five mortality rate became 46/1000 even though the target was 48/1000. Similarly, the infant mortality rate per 1000 was targeted to 31; however, achieved to 32 (BBS 2015; Planning Commission of GoB 2015). The Bangladesh economy, unlike many other less-developed countries, has maintained a robust economic growth rate of around six percent for the last decade despite the global financial crisis. In recognition of the excellent performances of the country, the United Nations Department of Economic and Social Affairs (2018) categorized Bangladesh as a country in the league of ‘developing nations’ and acknowledged Bangladesh as a more stable and balanced economy than any other country in South Asia.

Sen (1984), in his capability approach, argued that the central role of government and other development organizations is to endow people with necessary conditions to actualize necessary capacities. In addition to the support of the government, the ongoing development and balanced economic trend in Bangladesh has mainly been contributed by the non-government organizations (NGOs). Especially in the past two decades, their role is noteworthy (Islam 2016; Jakia 2010). One of the motives for this revived gusto about NGO derives from the fact that this particular sector has contributed to the transformation of the country from a wretchedly poor ‘Basket Case’ of the 1970s to a harbinger in novelties in social services (particularly for the poor mass) in the 1990s (Chowdhury and Mukhopadhaya 2012). For example, the number of NGOs has grown in maximum by 1160 in the 1990s (known as the golden age of GO-NGO partnership) and 340 in the 2000s (Bangladesh Bank 2015) and on those mentioned periods, the poverty reduction rates were 4.8 percent and 3.5 percent, respectively, which are reported to be highest in the history of Bangladesh (Hossain 2014). Moreover, studies indicated that the percentage of total aid to Bangladesh that was channeled through NGOs increased

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to 32 percent in 2000 from 10 percent in 1990 (Bangladesh Bank 2015). In 2015, this rate increased to 49 percent of the total aid. All these stated facts approve the credibility as well as the contribution made by the NGO sector in the development of Bangladesh. As NGOs' contributions are well recognized, the question of interest in this chapter is how and in what form the NGO sector aided economic, social, and political development in Bangladesh?

Noticeably, the focus of NGOs has been shifted and expanded over time from rehabilitation in the 1970s to credit delivery, poverty alleviation, and other development services in recent times. This expansion activity was officially recognized by the Government of Bangladesh (GoB) in their fourth Five-Year Plan (1990–95). In the relevant literature, NGO and micro-finance institutions (MFI) are used interchangeably even though there are differences between them. According to the World Bank (1995), NGOs are to relieve suffering, promote the interest of the poor, protect the environment, and provide essential social services. On the other hand, MFIs are entitled to deliver credit to the poor as this segment of the population does not have access to formal financial institutions (FIs). However, as mentioned before, NGOs in Bangladesh have expanded their operation to credit delivery as well, which made MFIs 'credit-only' and NGOs 'credit-plus' institutions. Considering the revised scopes of activities, Bangladesh Bank (2015: 31) broadly categorized NGOs as Microcredit NGOs (NGO-MFI) and Development NGOs (NGO-Development). According to the NGO Affair Bureau (NGOAB 2019), currently, 2472 registered NGOs are working in Bangladesh, out of which 2224 are local, and 248 are foreign NGOs. In addition to credit delivery, Bangladeshi NGO-MFIs are working tirelessly on the overall social capacity development for rural population through relief and rehabilitation (such as *Swanirvor Bangladesh* and *Terre Des Hommes*), education (Bangladesh Rural Advancement Committee [BRAC]), health and family planning (*Gono Shastho Kendra*), microcredit (BRAC, ASA), empowerment and legal support Bangladesh Environmental Lawyers Association (BELA), infrastructure development Danish International Development Agency (DANIDA), sanitation and water supply Cooperative for Assistance and Relief Everywhere (CARE), sustainable development programs Oxford Committee for Famine Relief (OXFAM), and research and communication (BRAC) (Bangladesh Bank 2015).

The NGO sector is not free from criticism for reaching less number (only 20 percent) of rural marginal poor (ADB 2010), weaker administrative setup (Islam 2016), involvement in corruption and political patronage (Brinkerhoff et al. 2007), and charging high effective interest rate (MRA 2011). However, in 2015, more than 120,000 people got employment in NGOs, 26 million poor are served by NGOs out of which 20.35 million

are credit borrowers (97 percent of that are women) with a loan recovery rate of 95.64 percent, and amount saved by the NGO members is 132.02 billion BDT. To validate the successes of NGOs in Bangladesh a case study on the Bangladesh Rural Advancement Committee (BRAC)—a top-ranked global NGO originated from Bangladesh—is used in this chapter to exemplify how a holistic and philanthropic approach of social development has turned into a role model of self-sustainable organization.

The rest of this chapter is formed as follows: Section “[Defining NGO-MFI: A Review of the Growth of NGOs and Their Changing Role in Bangladesh](#)” summarizes the historical evolution of the NGO sector with the theoretical justification of their growth. Section “[Appraisal of Evolutionary Changes of NGOs to Address Development](#)” explains the evolutionary changes of NGO operations in Bangladesh. Section “[NGO’S Contributions to the Development of Bangladesh](#)” discusses the noticeable contributions of NGOs, which got less attention in the available literature. These are the contributions that seem to have evolved in parallel to the development needs of the country. Section “[BRAC’s Contribution to the Development of Bangladesh](#)” takes up the case of BRAC as a role model to substantiate the contributions of NGOs in the development of Bangladesh. Section “[Concluding Remarks](#)” concludes the chapter with some significant debates on NGO operations and possible remedies to the pitfalls.

A REVIEW OF THE GROWTH OF NGOs AND THEIR CHANGING ROLE IN BANGLADESH

Even though there are several definitions of NGO are available in the literature (refer to Bebbington and Farrigon 1992), a more operational definition would be:

NGOs are non-profit and not politically attached organizations that work for social welfare in the public interest. Hence the concept of NGO is generally restricted to social, cultural, environmental, and legal advocacy having a non-commercial vision in public works.

However, as NGOs are heavily engaged in poverty alleviation through the delivery of microcredit, the above definition now includes the ‘economic’ aspect too and therefore most NGOs are termed as NGO-MFIs (Bangladesh Bank 2015).

The Emergence of NGO-MFIs as a Response to Market Failure

Before 1971 and the 1970s: Relief and Rehabilitation

NGOs have a long history of operations even in the colonial period when Christian Missionaries and Hindu and Muslim community-based organizations established orphanages and schools. During 1947–71 (East Pakistan regime), NGOs mostly performed community services and disaster relief works. Before the war of independence, in the absence of Bangladeshi NGOs, few international voluntary organizations like Catholic Relief Services (CRS), the Society of Friends (Quakers) and CARE were working here with limited activities like relief work and emergency help (Huda 1987). There were very few NGOs who actively served during the liberation war. For example, *Gono Shahstho Kendra* and *Terre Des Hommes* offered medical assistance to freedom fighters and rehabilitation to unwanted war children, respectively.

Soon after the independence, the scenario drastically changed as there was colossal destruction of economic base and infrastructure during the liberation war. Millions of people became homeless and about ten million people went to India for shelter as refugees. After independence, they returned to Bangladesh and lacked food, medicine, shelter, and other fundamental rights and needs. Hence, to support the relief and rehabilitation activities, the first generation of NGOs in Bangladesh emerged. Bangladesh Rural Advancement Committee (BRAC) was founded immediately after the liberation war and played a vital role in the relief and rehabilitation activities. In addition to disbursing humanitarian aid, rehabilitation, and reconstruction, NGOs began contributing to informal education and health care at a small scale (DFID 2005). Also, NGOs helped the government in flood control programs, immunization, and family planning programs. At that time, NGOs were preferred due to their close association with the people, flexibility, and quality assurance. Also, donors started liking NGOs as these non-profit organizations could design a well-suited and appropriate mix of public goods by engaging the poor in the process. The stated reasons for NGO proliferation theoretically support the ‘Entrepreneurship theory’ of the non-profit, which argues that social entrepreneurs, instead of generating monetary value create social values for the community (Ackerman 1996).

Very soon, it had been realized that the distinctive welfare and charity orientation would not be enough for sustainable development, especially for those who needed more than emergency sustenance. Hence, transfor-

mation in NGO activities, especially in their vision and mission, took place in several phases up to the 1980s. In the mid-1970s, it was found that poverty and inflation rates in the country were around 71 percent and 40 percent, respectively (Hossain 2014), and thus there was an immense need to offer finance to those (especially in rural areas) who were living at the bottom of the social ladder in terms of income. These marginal poor neither qualified for a loan from the formal financial institutions because they could not fulfill the requirements (such as collateral or higher cost per customer), nor could they absorb the higher interest rate charged by rural informal moneylenders called *Mohajon* (Yunus 2008). A study by Thomas (1992) reported that in the 1970s, interest on loan charged by Mohajon was as high as 28 percent. So, at that period (1975–80), the emergence of NGO-MFIs is rooted in the failure of formal and informal financial institutions to serve this market. Theoretically, this reason of NGO-MFI proliferation supports ‘the Public Goods Theory’ offered by Weisbrod (1975) who argued that formal entities (especially government) tend to provide that level of public goods which satisfy the median voter and NGOs emerge to fulfill the demand of unsatisfied individuals whose demand is higher than the median. Failure of the formal and informal financial institutions (FIs) to meet the credit needs helped develop the idea of NGO-MFIs pioneered by the Grameen Bank. Later on, public and private banks also joined this newer market with more flexible financial products “targeted to micro and small enterprises and economically disadvantaged borrowers (Rashid et al. 2010). Figure 12.1 depicts the failure of the formal market to meet the demand for financial support of the marginalized people.

As soon as the number of NGOs increased with the plethora of services, they felt the need for a common platform where they can collaborate their activities and relationship with stakeholders like government, donors, and other NGOs. To meet up this requirement, the Association of Development Agencies in Bangladesh (ADAB) was established in 1974 where they could exchange their experiences and views and work collaboratively (Huda 1987). From 1976 to 1980, institutional building for the poor became a major focus of NGOs as they realized that removing structural impediments by building institutions for the poor was a must for not only providing the elementary facilities but also mitigating mass poverty. Hence, from the beginning of 1976, some NGOs modified their strategies and administered their programs and services to benefit the poor through what they called ‘the target group approach’ where the poor with similar economic interests were grouped together.

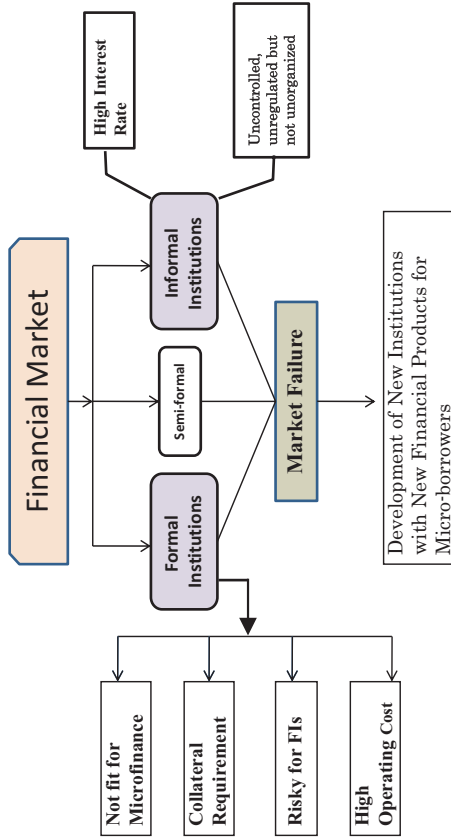


Fig. 12.1 Failure of Financial Market in Bangladesh in the 1970s (Source: Modified. Rashid et al. 2010)

The 1980s: Expansion of NGOs' Activities

During this period, NGOs in Bangladesh flourished significantly by making themselves self-reliant organizations for the impoverished mass and by providing basic facilities in health, family planning, and education. As per NGOAB (2015), 296 new NGOs started their operations during the 1980s. The innovation of collateral-free microcredit facility by Dr. Muhammad Yunus encouraged many NGO-MFIs to contribute to the development of the country. The development of the microcredit industry “has been closely associated with the experiences of NGOs and largely remains within their domain, government has always participated—to a relatively limited extent as providers and regulators, but more crucially in terms of creating an enabling environment for microfinance institutions, or at least not hindering them” (Hulme and Moore 2006). To regulate the rapidly rising microcredit operations by NGO-MFIs, the government established the NGOAB in 1990. In the mid-1980s, it was realized that NGOs' limited operation and small-scale services need to expand in larger segments of the population through broader geographical coverage. As a result, NGOs took the initiative to work in collaboration with the government, donors, and other relevant agencies and complement each other's efforts in rendering benefits to the needy population. Therefore, many collaborative initiatives like immunization and oral rehydration therapy (ORT) with BRAC, agriculture programs and Food for Works with CARE, and agriculture research and extension with RDRS took place. The aim of these collaborations was to complement the government's and donors' programs to a large extent and show a different type of orientation by the NGOs. These successful collaborations reflect the government's recognition and donors' reliance on NGO operations. Gradually, these initial collaborations were further extended to other sectors like health, population, environment, education, livestock and fisheries, women empowerment, youth development, disaster management, and emergency response. By this time, donors were reasonably convinced that NGOs in many aspects are more effective and acceptable than government agencies and other for-profits to the mass poor. More reliance of donors on NGOs approves that the flourishing of NGOs in the 1980s is theoretically supported by ‘the Contract Failure Theory’ (Hansmann 1980), which says that it is hard for the beneficiaries to police for-profit producers by ordinary contractual devices and therefore creates market failure. Non-profit firms (like NGOs) by contrast offer beneficiaries the advantage by owning the non-distributional constraint and have no chance to take advantage of the

beneficiaries. As an example, NGOs could build their credibility due to their significant contribution to disaster management in the aftermath of terrible floods in 1987 and 1988. Also, the government in recognition involved the NGOs in legal aid works, human rights activities, and advocacies (Islam 2016).

The 1990s: Era of Government-NGO Collaboration

In the 1990s, NGO-MFIs engaged in numerous activities with government and other external parties, and some of those projects gained momentum because of GO-NGO collaboration. The Fourth Population and Health Project (World Bank 1996), The General Education Project (GEP), and Integrated Non-formal Education Project (IFEP) are some remarkable examples. Also, the government involved NGOs in election monitoring, political advocacies, public interest litigation, and educating voters (Bangladesh Bank 2016). In the 1990s, NGOs were running their activities almost independently without any interference from the government just by registering under the Societies Registration Act and Social Welfare Registration and Control Ordinance 1961. Bangladesh government offered a 10 percent tax rebate for the NGO-MFIs working in development programs.

Due to the success of microcredit operations and other humanitarian and development works, the NGO sector of Bangladesh received significant attention from the overseas governments and donors. For example, the amount of foreign aid and grants to NGOs has also amplified significantly from US\$ 106.6 million in 1990–91 to US\$ 310 million in 2003–04 (190 percent increase). Also, NGOs' share of total aid to Bangladesh increased from US\$ 180.0 million to 379.4 million (World Bank 2006). As the professionalism and credibility of the NGOs were well established among donors, a significant number of local and international NGOs started their operations during this timeframe. According to NGOAB (2015) report, 1160 new foreign-funded NGO-MFIs were registered in the 1990s (also refer to Fig. 12.2). To support the NGO-MFIs in expanding microcredit operations, the government established the *Palli Karma Shabayak Foundation* (PKSF), which served as a credit whole seller to NGO-MFIs. PKSF started working as the apex microcredit funding organization to the poor through partner organizations (POs). Considering the support of the government to the NGOs, it can be argued that the significant growth of this sector supports 'Subsidy Theory' (Fama and Jensen 1983) of

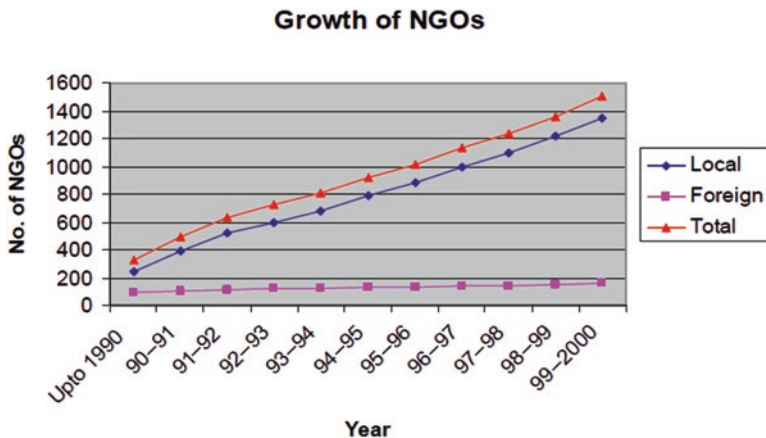


Fig. 12.2 Growth of NGOs in the 1990s. (Source: NGOAB 2015)

non-profits which argues that large scale expansion of non-profits is due to the subsidies provided by the state.

So far, NGOs gained more credibility and strengthened their position by demonstrating the potentiality to work with the government. But then again, before the 1990s, there was an absence of regulation from the government in the operations of NGOs. In a sense, NGOs were running their activities almost independently without any interference from the government. Hence, for making NGO activities accountable, government started applying rules such as (a) Societies Registration Act of 1860 (SRA), (b) Social Welfare Registration and Control Ordinance 1961 (SWR), (c) Foreign Donation (Voluntary Activity) Regulation Ordinance, 1978 (FDR), and (d) Foreign Contribution (Regulation) Ordinance, 1982 (FCO).

Post-2000 Role of NGO-MFIs

During the 2000s, focus and operation areas of NGO-MFIs have not changed by that much. Therefore, income-generating activities of NGOs were the most pronounced program in the development discourse in the 2000s. Besides, NGOs like BRAC started their international operations during this decade. As the living standard and financial condition of the population of Bangladesh, especially the clients of NGOs, improved, NGOs shifted their activities from Benevolent Model to Community

Contribution Model. Also, NGOs' contribution to attaining foreign grants and aid continued. For instance, fund released through NGO-MFIs was US\$ 516 million in 2009, which increased to US\$ 827 million at the end of 2018 (MRA 2018). This injection of foreign grants and aid contributed significantly to the Annual Development Program (ADP) of Bangladesh. In this period, Bangladeshi NGOs have started organizing international workshops and conferences for human resource development and expansion of their operations.

During the 2000s, there were significant controversies about NGO-MFIs' direct engagement to politics and disagreement within the sector. The split of ADAB and the establishment of the Federation of NGOs justify the mentioned argument. As a result, the government has moved away from the lenient approach and has created the Microcredit Regulatory Authority (MRA) in 2006 as the regulatory and supervising body of MFIs. Section 2(22) of the MRA Act 2006 states: "Microcredit means loan facilities offered by microcredit organization certified under the Act for poverty alleviation, employment generation and facilitate a small entrepreneur—" (MRA 2018: 6). Getting a license from the MRA is now mandatory for any microcredit operations in Bangladesh, and MRA reserves the right to cancel the license of MFIs. Recently, 118 NGO-MFIs lost their licenses due to non-compliance with the regulations of MRA.

APPRAISAL OF EVOLUTIONARY CHANGES OF NGOS TO ADDRESS DEVELOPMENT

As a developing country, Bangladesh has several socio-economic complications. Still, 24.3 percent of the total population lives in poverty due to a lack of access to resources and basic education. In recent years, due to significant migration from rural to urban areas, it was found that poverty fell faster in rural areas than the urban counterpart. For instance, between 2010 and 2016, rural poverty reduced from 35.2 to 26.4 percent, whereas for the urban area, the rates were 21.3 and 18.9 percent, respectively (HIES 2017). Observing the socio-economic barriers and infrastructural challenges, many NGOs have started helping the vulnerable urban dwellers of the country. The role of the NGO-MFI sector in the progress of macroeconomic indicators, including recent graduation to the rank of the middle-income country and achievement of food self-sufficiency is vital. For example, rural households have gradually experienced structural shifts

in the level and composition of their household income. Per capita income of a rural household rose to US\$ 580 in 2015 from US\$ 157 in 1988 (PPRC 2016). Moreover, NGOs made a remarkable contribution to creating new income-generating opportunities for the grassroots rather than agriculture. Hence, remittances, business, technical labor, services, and so on became the most promising non-agricultural income. For example, 26 percent of rural people were engaged in businesses in 2015, whereas this rate was around 5–6 percent in the early 1990s (PPRC 2016).

Changes in Microcredit Operations

Over the years, micro-credit operations of NGO-MFIs evolved into three distinguished patterns (refer to Fig. 12.3). These are as follows: (a) *Credit Alone*: Under this minimalist approach, microcredit is seen as the core and critical element to addressing liquidity problems and hence, poverty of the marginalized poor. Many NGOs are still offering credit of this sort and they tend to evaluate successes of their operations in terms of their financial outreach indicators, reaching to women, and repayment rate. (b) *Credit Plus*: This approach considers poverty as a multidimensional issue than merely a liquidity problem and involves other services in addition to

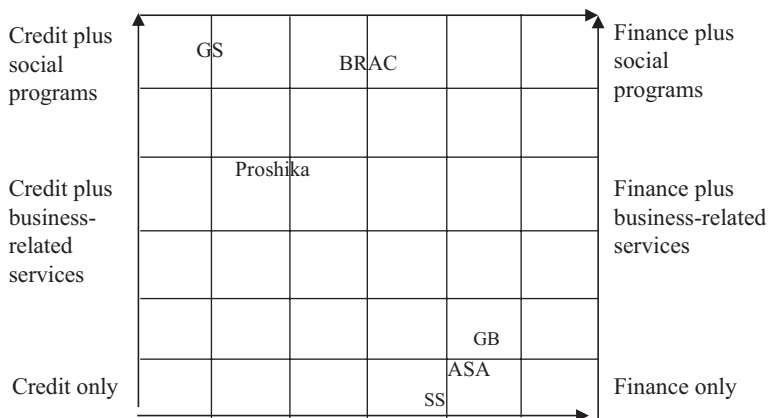


Fig. 12.3 Matrix of microfinance (and related) institutions in Bangladesh (Note: GS—Grameen Shikka, SS—Safe Save, ASA—Association for Social Advancement, BRAC—Bangladesh Rural Advancement Committee, GB—Grameen Bank. Source: Adapted from Hulme and Moore 2006)

credit. The members, for receiving microcredit and services, have to make compulsory and voluntary deposits. (c) *Credit with Social Development*: This approach blends income-generating microcredit with a host of other programs that contribute to the borrowers' skill development, healthcare, basic education, and awareness creation on various social and human rights issues.

Figure 12.3 contains the placement matrix of some of the biggest MFIs like ASA, BRAC, Grameen Bank, Grameen Shikka, Proshika, and Safe Save operating in Bangladesh in the grids to represent the diversity of their existing programs. For identification, the continuum between pure credit provision and broader financial service provision is on the horizontal axis, while the continuum between only credit or finance, credit or finance plus business-related services, and credit or finance plus social programs are shown on the vertical axis.

A quick look at the evolution in credit operation can find that theoretically, the changes are in line with the evolving concepts of poverty which changed over time from a physiological approach to a participatory and human rights approach. This means when poverty was mainly measured with physiological and basic needs approaches, the 'credit alone' method was implemented. However, when poverty was viewed broadly as participatory and human rights approaches, 'credit with social development' method was executed. The evolution has also followed the route of successive amalgamation of different newer and innovative intervention measures with microcredit to create sustainability of the borrowers (Barai and Moral 2002). The sustainability of the borrowers is where the long-term operational viability of microcredit lies. Interestingly, the additional interventions, delivered to the poor through their existing network mostly developed for channeling the microcredit, are intended to increase the effectiveness of the credit schemes as well. However, similar to the microcredit practice in other countries, providing credit has remained at the core of most of the programs of the microcredit practitioners in Bangladesh.

Changes in the Sources of Funds

NGO-MFIs in Bangladesh rely on a variety of sources of funds to finance their clients and dependency on those sources changed over time. In the 1980s to mid-1990s, external resources played an essential role in the experimentation, development, expansion, and subsequent growth in the outreach of microcredit. Not only that, the institutional strengthening of

the NGO-MFIs through a management information system and human resource development was benefited by the external funds. Donors had incentives and desire to see that their fund was utilized to create a positive impact. Therefore, larger NGOs with a proven track record and demonstrated success in implementing projects got preference over the smaller ones in the selection and funding process of donors.

Zaman (2004) points out that the large NGOs had been reasonably successful in “managing donors”. MFIs with a strategic sustainability plan required investment in the capital base for their expansion. They had to convince donors of the soundness of their strategy to use their funds. Donors with a long-term vision, also in their part, crucially required NGOs who were able to deliver. NGO-MFIs in other countries lacked to provide this sort of strategic view on the best use of donor resources as the resources had often been used to either subsidize final on-lending rates or support MCIs without a solid strategic plan.

The dependency on the external fund, nonetheless, got reduced through progressive internal resource generation by the NGO-MFIs (refer to Table 12.1). Funding share of donors was as high as 60 percent of the total in 1996 and that came down to 1.05 percent only in 2016 (MRA 2018), reducing the importance of the external source to an insignificant level in the process. The emergence of PKSF made a qualitative change in the sourcing of funds by MFIs in Bangladesh. Of late, commercial banks have also started playing an important role in funding the microcredit sector and supplied about one-fifth of the total fund for microcredit lending in 2016.

Table 12.1 Sources of funds for microcredit lending

<i>Year</i>	<i>Clients savings</i>	<i>PKSF loan</i>	<i>Banks' loan</i>	<i>Donors' fund</i>
1996 (percent)	25.2	11.9	3.0	60.0
1997 (percent)	17.9	18.0	15.2	33.1
2000 (percent)	27.5	24.8	10.6	20.0
2009 (percent)	30.6	15.6	18.9*	3.1
2011 (percent of total)	34.46	17.3	12.84	3.82
2015 (percent of total)	33.94	9.47	17.19	1.29
June 2016 (BDT mill.)	170,460	40,762	95,014	5108
2016 (percent of total)	34.92	8.35	19.46	1.05

Source: Compiled from MRA (2011, 2016, 2018), Annual Reports and CDF Statistics

Changes in the Outreach of Credit Operations

The outreach of microcredit has continually expanded since its inception to include more and more people in Bangladesh (refer to Table 12.2). The early 1990s, in particular, saw the rapid growth in coverage of microcredit, mainly due to the establishment of a wholesale financing institution, the PKSF (Hulme and Moore 2006). According to Zohir (2010), the annual average growth rate of the number of borrowers had been around 10 percent for major NGOs for more than a decade.

Till June 2016, the MRA has approved licenses in favor of 748 NGOs, while a total of 27.8 million people were the clients of around 16,284 branches of NGO-MFIs all over the country (MRA 2018) (refer to Table 12.2). Out of the total clients, 23.3 million were microcredit borrowers, constituting 14.6 percent of the total population of 160 million. In terms of the number of borrowers, the size grew by 2.2 times between 2003 and 2016. Though factoring out of the overlapping number of clients, whereby one person could be the member of multiple NGOs, could bring down the actual figure of borrowers, this number shows the outreach level of microcredit among the poor in Bangladesh. Looking from the disbursement of the fund point of view, the outstanding loan of the sector stood at BDT 460 billion while they collected BDT 171 billion as micro-savings at the end of June 2016. Again, this growth was maintained with a 96 percent recovery rate by MFIs. It is worthy of mentioning that since the beginning of the microcredit operation, around 97 percent of the borrowers are women (Akhter et al. 2018).

Table 12.2 Outreach of microfinance sector in Bangladesh

<i>Particulars</i>	2003	2010	2013	2014	2015	2016
No. of licensed NGO-MFI	720	516	649	742	753	758
Total clients (million)	14.63	25.28	24.60	25.11	26.0	27.79
Total borrowers (million)	10.65	19.21	19.27	19.42	20.35	23.28
Loan disbursed (billion Tk.)	NA	306.72	432.28	462.00	634.00	787.00
Loan outstanding (billion. TK)	36.49	145.02	257.01	282.20	352.41	459.37
Total savings (billion TK)	15.56	51.36	93.99	106.99	135.41	171.19
Loan recovery rate (percent)		97.35	97.69	95.64	96.02	96.8

Source: MRA Annual Report, various issues

*Future of NGO-MFIs: Benevolent Model to Community
Contribution Model*

Funding has always remained the major challenge in NGOs' operation, and this will pose a much bigger threat as Bangladesh will lose getting grants/aids from donors after the country graduates to developing country status by 2024. For this reason, NGOs are reshaping their programs by introducing community contribution so that they can function appropriately, aligned with MDGs and social development goals. For instance, the currently unsolved challenges in Bangladesh are rapid unplanned urbanization, ensuring quality education for the twenty-first century, youth development, environmental and climate change management, and changes in the lifestyle and psychographic conditions of people. As mentioned before, the urban poverty reduction rate is much lower than that of rural Bangladesh—an important issue yet to be addressed. To tackle the above-mentioned challenges, NGOs can play a significant role due to their proven efficiency in service delivery and project management. As maintaining financial sustainability will become the main challenge to the NGOs shortly, several options are open to them. First, NGOs can serve as part of the government's annual development plan implementation. This will help the government to become a country of upper-middle-income by 2030. Current GO-NGO collaborations are of the best examples of NGOs' contribution as partners to government in the development of the country. To become a country with an annual per capita income of US\$4136 (to be upper-middle category), the government needs to ensure development in each corner of the country. In doing so, NGOs' ability of innovation, connection to the grass-root level, and efficacy in project governance can be useful for the government to ensure equity-based development. It has to be ensured that NGOs are operating as per mandate to be coordinated with the national and local governments. Also, funding and expenditure policy has to be transparent and accountable to the concerned government agencies. Second, NGOs can initiate social enterprises to generate funds to run pilot programs subject to government approvals. In return, the part of their surplus that is spent for the welfare of people will be exempted from taxes as provided in taxation laws. For instance, Aarong, BRAC's social enterprise, has created hundreds of jobs and involved over 65,000 artisans across the country in the development process. It is, therefore, expected that the government's policy agenda will focus on incentives to encourage investment by the NGOs and improve security during this term.

But the surfing of various MRA reports (2018) highlights a highly skewed institutional concentration ratio of large MFIs as they are controlling the largest number of market clients, borrowers, and savings collected from the members. This may not augur well to the future of small scale microcredit players in Bangladesh because of severe competition in the microcredit operations and competitive edge of the bigger NGOs.

NGO'S CONTRIBUTIONS TO THE DEVELOPMENT OF BANGLADESH

Financial Inclusion and Employment

Financial inclusion (FI) means “individuals and businesses have access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit and insurance—and are delivered in a responsible and sustainable way” (The World Bank 2018). In broader terms, these useful and affordable financial products and services could be from financial institutions, government, or NGOs. For developing countries like Bangladesh, FI is considered to be very crucial as many people have no or limited access to financial services to improve their living standards. FI helps those people (refer to Table 12.3) to make longer-term consumption and investment decisions, participate in productive activities, and cope with unexpected short-term shocks (Park and Mercado 2015).

The recent numbers (Table 12.3) show that a total of 27.79 million or 17.4 percent of the total population were financially included through NGOs. As a single component of finance and underprivileged characteristics of the clients, this has more socioeconomic impacts on the down the line people of the country.

The employment impact of NGOs has to be seen from two positions: the total number of employees engaged in running the microcredit operations of the NGOs as well as the credit-induced employment generated among the borrowers. Table 12.3 shows that as of 2016, there were a total of 127,820 employees working with 758 MFIs in Bangladesh. Taking into consideration of the unregistered NGOs with microcredit operations in remote parts of the country, the internal employment figure should add up further.

Studies (see for instance Chowdhury and Mukhopadhaya 2012), however, indicate mixed results of impacts of microcredit on employment and

Table 12.3 Access to finance and direct employment of NGOs in Bangladesh

<i>Particulars</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
No. of licensed NGO-MFIs	590	649	742	753	758
No. of employees	108,654	110,734	109,628	110,728	127,820
Total clients (million)	24.64	24.60	25.11	26.0	27.79
Total borrowers (million)	19.31	19.27	19.42	20.35	23.28
Loan disbursed (billion Tk.)	456.02	432.28	462.00	634.00	787.00
Agricultural loan disbursement (billion Tk.)	110.84	131.98	155.73	266.25	353.00
Agricultural loan as percentage of total disbursement	24.31	30.53	33.71	42.00	44.85

Source: Compiled from MRA (2016)

productivity in Bangladesh. For example, self-employment activities had more than 50 percent contribution to total income for the participants as against 43 percent in the case of non-participants (Ahmed 2004). Also, the average returns of the members are higher from non-agriculture activities compared with those engaged in livestock and agriculture.

Khandker et al. (2016) point out that microcredit could reduce the supply of wage laborers by increasing opportunities for self-employment, possibly leading to a rise in the wage rate. Moreover, microcredit programs significantly impacted total production as average household production increased by 56 percent for Grameen Bank and 57 percent for BRAC in program villages (Khandker et al. 2016). The report also found that a 10 percent rise in men's borrowing raises men's and women's labor supply by 0.5 percent and 0.4 percent, respectively. However, a similar increase in women's loans increases those outcomes by 0.4 percent and 0.6 percent, respectively. While loans for both genders raise non-land household assets by about the same percentage (0.4), men's loans have a comparatively higher impact on net worth.

Another noticeable contribution of NGO-MFIs is the employment generation for the educated labor force as well as the forgotten women, where the rate of unemployment is a burning concern for the government. The World Bank (2016) seems very satisfied at the performance of NGOs in providing microcredit in Bangladesh and thinks of NGO-based institutions as efficient and effective delivery vehicles for overcoming the failure of the formal financial sector to provide financial services to the poor by creating employment opportunity, reducing poverty, and correcting gender inequality.

Table 12.4 Loan Portfolios and Beneficiaries of Top NGOs/MFIs in Bangladesh (2016–17)

<i>NGO-MFI</i>	<i>Loan portfolio (BDT billion)</i>	<i>Loan disbursed (BDT billion)</i>	<i>Savings (BDT billion)</i>	<i>Borrowers (million)</i>
BRAC	155.5	269.6	53.4	5.55
ASA	154.7	266.6	66.6	6.79
Buro Bangladesh	32.8	54.4	10.3	0.99
TMSS	18.7	33.1	5.9	0.74
SSS	15.1	27.6	5.8	0.49

Source: MRA (2017), Annual Report 2017

Indeed, the employment impact of microcredit has to be seen from two positions: the total number of employees engaged in running the microcredit operations of the MFIs as well as the credit-induced employment generated among the borrowers. Table 12.3 shows that as of June 2016, there were a total of 127,820 employees working with 758 MFIs in Bangladesh. Taking into consideration the unregistered informal NOGs which have microcredit operations in remote parts of the country, the internal employment figure should add up further (Barai 2019). The working days for the female labor force also went up over time as the participation of the female labor force in non-agricultural activities has also increased. As the continuation of initiatives, NGOs have arranged many income-generating activities like apiculture, silk production embroidery, fishnet matching, livestock, and poultry to increase the socio-economic condition of women. BRAC, as the biggest microcredit institution, has created a sole opportunity for females in its every branch for the post of the cashier, where local underprivileged women and widows are preferred to join. Table 12.4 shows the contributions of leading NGOs in terms of memberships, loan portfolio, loan disbursement, as well as savings encouragement in the economy for the year 2016–17.

NGO-MFIs and Allocation of Foreign Aid

NGOs in Bangladesh receive aid/grants from foreign sources channeled through multilateral aid agencies via international NGOs, foreign private donors, embassies, and so on. Even though donors provide funds to NGOs in different ways, the most common one is funding for a specific project. In some cases, donors found to have funded the whole range of activities of the NGOs. In recent times, as funding small NGOs has become costlier for donors, they prefer to channel it through larger vehicles.

Table 12.5 Foreign aid flows through NGOs in Bangladesh

<i>Year</i>	<i>Grants to NGO-MFIs (in Million US\$)</i>	<i>Share of NGOs to total aid (percent)</i>
1990–91	106.6	11.4
2000–01	250.9	33.2
2009–10	516.03	44.7
2013–14	719.01	51.37
2014–15	749.8	NA

Source: ERD, Ministry of Finance (2015)

The share of foreign aid going to NGOs had increased sharply and especially in the 2000s (refer to Table 12.5). As could be seen, the total paid to the NGO sector increased from 11.4 percent (US\$106.6 million) in 1990–91 to 51.37 percent (US\$719.01 million) in 2013–14 (ERD 2015). Notably, the figures reported in Table 12.5 do not include the share of credit funds disbursed by lending agencies channeling through NGOs due to lack of record in the NGOAB. Sector-wise foreign fund allocation through NGOs revealed that in 2015, the health sector got the highest funding of US\$15898.68 million, followed by US\$9507.62 million in education. Foreign funds to NGOs for environmental protection are rising too, and in 2015, US\$314.99 million was disbursed. Figure 12.4 shows the trend of the percentage of foreign aid flow through NGOs in Bangladesh since 1990.

Nevertheless, the size of the ADP has continued to grow at a steady pace and reflects the ambition of a country that has clocked successive years of 6 percent-plus growth rates and is widely celebrated globally as a development miracle. Besides, dependence on aid has decreased over time, as demonstrated by the fact that government spending has increased at a far higher pace than aid where NGO's role is inevitable. NGO's Microcredit Program enabled the poor mass to improve their lifestyle and loan repayable capability. Hence, it is to be noted that by attracting foreign aids and grants and injecting these to the national economy, NGOs of Bangladesh have played a prominent role in this "Rehabilitation to Development" journey.

Humanitarian Response to Rohingya Refugee Crisis

In 2017, nearly a million Rohingya, among whom 60 percent are children with high rates of malnutrition, were forced to flee their homes and seek refuge in Bangladesh. This Rohingya issue has become a significant chal-

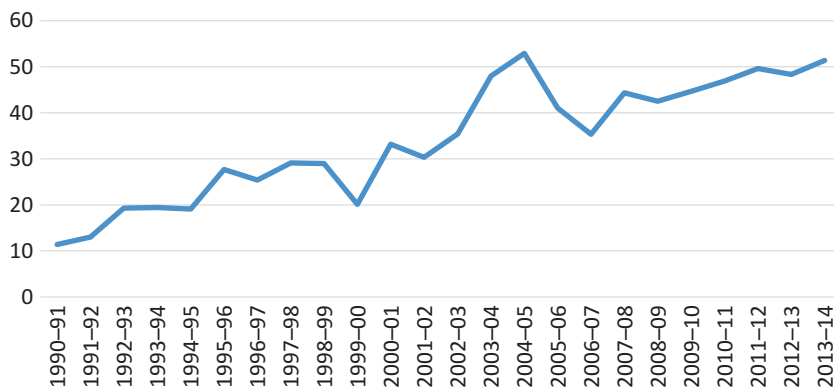


Fig. 12.4 Trend of foreign aid flow through NGOs against total flows to Bangladesh, 1991–2014 (%). (Source: ERD, Ministry of Finance 2015)

lenge to the GoB concerning service delivery and ensuring the supply of basic needs. Therefore, over one hundred local, national, and international NGOs were allowed to respond to the crisis along with the Government and UN agencies. In 2018, US\$ 655 million were received by NGOs and Partners from donors to support Rohingya refugees in 10 essential needs. Also, in 2018, the World Bank announced a grant of US\$ 480 million. Due to the collaborative effort of government and NGOs, the prevalence of Global Acute Malnutrition among Rohingyas dropped from 19 percent to 12 percent (below the emergency threshold level), food security has significantly improved, immunization coverage increased to 89 percent, and women health facilities rose from 22 percent to 40 percent (UNHCR 2019).

BRAC'S CONTRIBUTION TO THE DEVELOPMENT OF BANGLADESH

We should not lose sight of working for those who need our hands the most.
—Sir Fazle Hasan Abed KCMG, Founder and Chairperson, BRAC

With a slogan of “Small is beautiful, scale is necessary” BRAC (initially known as Bangladesh Rehabilitation Assistance Committee) was founded in 1972 by Sir Fazle Hasan Abed within a small subdistrict of Bangladesh, Shalla, to help the return of war victims. After the completion of initial relief centric work, BRAC, with a new acronym of the ‘Bangladesh Rural Advancement Committee’ and then as ‘Building Resources Across Communities’, realized the need for long-term development activities

rather than implementing rehabilitation activities only. As the problems such as poverty, malnutrition, lack of education, empowerment, and so on were structural and chronic, BRAC started their new mission aligned with its vision of creating ‘a world free from all sort of exploitation and discrimination where everyone should have an opportunity to realize their potential’. To empower people and communities in the situation of poverty, diseases, illiteracy, social prejudice, and injustice, BRAC’s interventions aim at achieving large scale, positive changes through an economic and social program that enabled men and women to realize their potential. BRAC has developed a holistic approach for social development and consequently, turned into a self-sustainable model from the philanthropic model—which is now acknowledged as the number-1 NGO of the world (NGO Advisor 2018). This recognition inspired us to incorporate the contributions of BRAC as a case in the overall development of Bangladesh.

BRAC’s Unique Approaches

It is argued that BRAC has several noticeable unique approaches that contributed to the success of the organization. A few of them are discussed here:

1. BRAC’s fundamental idea is to start any project on a pilot basis or small scale, and then learn from it, adjust or re-adjust it. When the pilot project starts benefitting the cause, take it to a larger scale. BRAC believes that innovation is the key to their growth and success, and they focus more on social than technical innovation. This pilot-based learning attitude helped BRAC to expand its operations both locally and internationally.
2. BRAC wants to make a significant difference in the lives of poor people. And gradually, BRAC wants to change its free-service recipient beneficiaries to respectful customers. BRAC is identifying the poor’s ability to pay as the economic conditions of those people have improved over time. However, in doing so, for a long period, BRAC helped the marginalized people to fight against poverty from multiple fronts. BRAC views poverty as multi-dimensional and BRAC has, therefore, developed support services in the areas of human rights and social empowerment, education and health, economic empowerment and enterprise development, livelihood training, environmental sustainability, and disaster preparedness.

3. BRAC has started moving from donor-dependency to a cost recovery model to gain financial sustainability as the flow of foreign aid is shirking. As an example, BRAC is running 35,000 non-formal schools across Bangladesh found that to run the schools they require 300 Taka per child. They subsidized 200 Taka and taking 100 Taka from the parents to recover some part of the cost. As per BRAC's Annual Report (2017), the organization is no longer depending on donors for health, education, and skill development programs for youth.
4. BRAC's cost recovery model is heavily supported by its strategy of establishing 'social enterprises' which generate a surplus. BRAC operates social enterprises that are strategically connected to its development programs and form crucial value chain linkages which increase the productivity of its members' assets and labor and reduce risks of their enterprises. These enterprises, ranging from agriculture to handicrafts, also help to make them increasingly self-reliant. As an example, BRAC opened an eye healthcare center and set the fees in a way that people can pay it and the fees are higher than the cost of operations.
5. BRAC implemented a special project called 'Ultra-poor Graduation Program' where women who are not only economically extreme poor but are also socially isolated would be served. To help them, BRAC runs a two-year program with the delivery of seven essential services required to break extreme poverty. In the last 10 years, BRAC helped 1.7 million households to graduate out of extreme poverty.

BRAC's Noticeable Contributions in the Service Delivery to Bangladesh

BRAC's socio-economic development activities for rural poor are administered through its development program such as; economic development this is a 'credit-plus' program with savings and credit supported by a range of poultry, livestock, fisheries, agriculture, forestry and sericulture and so on. Social development covers health, primary education, community empowerment, human rights, and legal aid services, water, sanitation, and hygiene. (Jakia 2010: 15)

BRAC's annual expenditure increased to US\$1049 million in 2017 from US\$728 million in 2013 (BRAC Annual Report 2017) and these investments were made in diversified areas, including: (i) disaster, environment, and climate change; (ii) health, nutrition, and population; (iii) water, sanitation, and hygiene; (iv) education; (v) migration; (vi) agriculture and food security; (vii) integrated development; (viii) skill development program; (ix) microfinance; (x) enterprises and investments; (xi) targeting the ultra-poor; (xii) community empowerment; (xiii) gender justice and diversity; (xiv) human rights and legal aid service; and (xv) urban development (Hossain 2012; Jakia 2010). Few commendable contributions of BRAC are portrayed here:

- *Human development initiatives:* BRAC with the help of a group-based microcredit program, rural development package, and ultra-poor graduation program, contributed to different aspects of poverty reduction. In 2017 alone, BRAC disbursed US\$3.62 billion (14 percent more than 2016) among the poor people, and as a result, more than 75,000 households came out of extreme poverty (BRAC Annual Report 2017). By 2017, BRAC reached 5.7 million borrowers with a repayment rate of around 97 percent. The report also said that BRAC helped 1.3 million people in the gender integration process, 49,000 women to participate in the local power structure, and conducted more than 90,000 classes on human rights and legal education.
- *Healthcare initiatives:* Healthcare has always been the primary activity of BRAC. As per their report, in 2017, BRAC reached 90 percent of hard-to-reach regions in Bangladesh, diagnosed and treated 162,219 and 19,145 cases of TB and malaria, respectively, and ensured access to safe water to more than 43,000 families. In 1980, BRAC introduced a nation-wide oral rehydration therapy program, which got significant attention among donors. In the early 1990s, BRAC also started offering reproductive healthcare and nutrition services to women in Bangladesh.
- *Primary education programs:* BRAC initiated a non-formal primary education (NFPE) program in 1985, and till now they established a total of 43,793 schools and centers in Bangladesh where 3.8 million children (60 percent are girls) are enrolled. Also, around 400,000 children between the age of 3 and 5 years have got access to pre-primary programs.

- *Support and training services*: BRAC is well known for its diversified support services including agricultural services, equipment training, safe migration services, support to women after man-made disasters, house building services, and so on. According to the report (Annual Report 2017) 110 million people received services from BRAC out of which 450,000 received agricultural supports, 65,000 received migration services, and more than 110,000 women received services who are the victims of domestic violence. BRAC has set a separate training division for skill development and training of youth.
- *Humanitarian crisis management (Rohingya issue)*: BRAC helped more than 170,000 people in humanitarian responses due to climate change out of which 117,000 were women and children. The organization trained 1855 staff to deliver effective humanitarian services. In response to the Rohingya crisis, BRAC is pursuing an adaptive and phase-wise strategy with a presence in over 30 camps in Ukhiya and Teknaf. So far, 21,000 Rohingya children received basic education, 13,340 people received family planning support, and more than 15,000 and 21,500 refugees got their TB and malaria tested and treated by BRAC (Annual Report 2017). It was also reported that BRAC constructed 15,500 latrines and set 1500 tube wells in the refugee camps.

CONCLUDING REMARKS

Bangladesh can certainly take pride in the status of “Development Puzzle” for maintaining sustained economic growth as well as advancement in social indicators such as accelerated economic growth of 7.86 percent in 2018, reduced population growth (from 3.0 to 1.2 percent per year), maintaining food security through increased production of rice (from 10 to 33 million tons of milled rice), reducing crude death rate (5.1 per thousand children from 53 in 2011) and infant mortality rate (24 per thousand in 2018), improving literacy rate (from 24 percent to over 72.3 percent), increasing the attendance rate of children in primary schools (from less than 40 percent to over 95 percent), and eliminating gender disparity in secondary schools. In improving those socio-economic development factors over the last four decades, NGOs have played a pivotal role in supporting government initiatives as well as complementing the government, corporate sector, civil society, and development partners and look ahead for the challenges that need to be addressed for the long-term develop-

ment. Despite dwindling land base, falling land fertility, existence of rural poverty cycle, and population growth pressure, Bangladesh has also achieved most of the MDGs. The local and global achievements of Bangladesh can be labeled as a success story of social development which other least developed countries can follow. Undoubtedly, these impressive achievements have resulted from a coordinated and cooperative approach among the government, NGOs, and private organizations.

Even though the NGO sector has contributed significantly to achieving MDGs and reducing poverty, these contributions should be investigated by taking into view the potential failures of the sector. From a theoretical perspective, NGO failures in Bangladesh can be rationalized by the theory offered by Salamon (1987), who argued that NGOs may fail due to: philanthropic insufficiency (lack of social services), philanthropic particularism (profit-oriented business venture), philanthropic paternalism (donor-centered policies), and philanthropic amateurism (lack of experience). For instance, the following are a few significant weaknesses/failures of NGOs in Bangladesh, which are in line with Salamon's (1987) theory:

1. NGOs could not reach to the people living in extreme poverty. This means the microcredit program will never be able to truly eradicate poverty until NGOs lack philanthropic sufficiency. In such respect, relatively smaller and grass-root level NGOs might be used in the process, and they may follow the cost recovery and financial sustainability principles of BRAC.
2. According to recent practice, microcredit operations mostly cover women. To broaden the coverage, microcredit should be offered to the needy poor irrespective of the gender of the person.
3. NGO-MFIs sometimes duplicate the services of government which creates confusion among the beneficiaries. For instance, BRAC used to run the Vulnerable Group Feeding program in collaboration with the government. However, later on, they implemented a similar type of program called Ultra-poor gradation program. Sometimes this confuses donors too.
4. The interest rate of microcredit is still high, and for many poor this is unbearable (philanthropic paternalism failure). More research is required to identify the appropriate level of interest rate that can help the poor to generate surplus after paying the interest burden.
5. According to many studies (Chen and Heuser 2013), the NGO sector acts like a 'parallel government' even though they are regulated

by the government. This argument came up as typically NGOs do not elect their decision-makers in a democratic way. More accountability of the operations of NGOs is deserved, especially when it is visible that NGOs are opening profit-motivated businesses in the name of social enterprise (failure due to philanthropic particularism).

6. NGOs need to address two controversies immediately: first, their involvement in politics, and secondly, their reluctance to involve their beneficiaries in the decision-making process of the organizations, even though NGOs work for their empowerment.

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