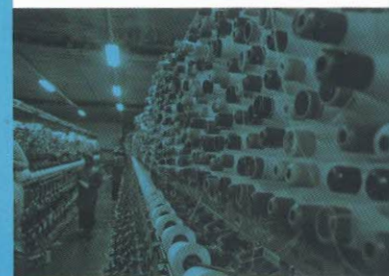


CREDIT RATING REPORT



www.crab.com.bd



**CREDIT RATING
AGENCY OF
BANGLADESH LTD.**



Credit Rating Report (Initial)

DAK DIYE JAI

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Assigned Rating

Long Term : A₃

Short term : ST-3

Outlook : Stable

Date of Rating : 26 July 2023

Valid Till : 26 July 2024

RATING BASED ON: Audited financial statements of FYE 2022, FYE 2021, FYE 2020, FYE 2019, Financial report submitted to PKSF as on 30/06/2023, Banker's feedback dated as on 30/06/2023 and other relevant quantitative as well as qualitative information up to the date of rating declaration. External Auditors name: Habib Sarwar Bhuiyan & Co.

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

■ PROFILE:

Name	: DAK DIYE JAI
Legal Status	: Non-Government, Non-Profit Voluntary Organization
Year of Incorporation	: 1982
Registered with	: Microcredit Regulatory Authority (MRA), NGO Affairs Bureau & Social Welfare Dept.
Nature of Business	: Microfinance Institution
Branches	: 37
Manpower	: 360
Number of Members	: 45,093
Number of Borrowers	: 36,507
Beneficiary	: 45,093
Others/Development Programs	: All social development programs included ENRICH, LIFT, VGD Adolescent program, Uplifting quality of life of elderly people are PKSF financed.

■ Financial Highlights:

BDT Mill	30/06/2022	30/06/2021	30/06/2020	30/06/2019
Loan Outstanding	1,121.75	936.30	738.63	755.28
Members Savings	418.51	395.11	365.56	331.42
PAR	170.70	261.80	615.62	64.15
PAR > 180 days (%)	10.26	15.45	6.62	2.97
Return on Asset (%)	2.21	0.96	(1.54)	0.39
Yield on Loan Portfolio (%)	17.98	16.36	18.27	21.76
Operating Expense Ratio (%)	12.53	12.35	15.20	15.69
Capital Adequacy Ratio (%)	16.32	16.49	19.20	20.54
Borrowed Fund to Equity (X)	2.52	2.59	1.92	1.88

■ Strength and Challenges Analysis:

Strength	Challenges
Stable earning capacity	Moderate liquidity position.
Portfolio at risk is in reducing trend	Risk coverage ratio was 33.97% in FYE 2022. Coverage of PAR need improvement.
Experienced senior management	

■ RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has assigned 'A₃' (Single A Three) rating in the long term and 'ST-3' rating in the short term of DAK DIYE JAI (DDJ). CRAB performed the rating based on audited financial statements up to 30 June 2022, financial report as on 30/06/2023 submitted to PKSf and other relevant quantitative and qualitative information.

The rating reflects the Organization's strength in its microfinance operation, funding from members' savings and PKSf, stable capital adequacy as well as good operational efficiency. The rating also emphasizes on DDJ's operations in different PKSf oriented social development programs in the area of health, education, social awareness, community development etc. On the other hand, the rating is constrained by portfolio at risk (PAR) and loan loss provision which needed to be further improved to cope up with PAR.

DDJ started its activity in micro credit and non-micro credit program in 1982 with a vision to alleviate poverty of the rural poor and empower women by providing funds for income generating activities. Over the last 40 years of operation, DDJ gradually extended its micro credit program with the support of PKSf, members savings and commercial bank loan. After overcoming slowdown in FY20 and FY21 due to COVID-19 pandemic, DDJ haven't yet go for any rapid expansion in FY 2022-23. Therefore, number of members as well as borrowers remained more or less stable during FY22.

Loan portfolio and members saving of DDJ grew 19.81% and 5.92% respectively during FYE 2022. In FY22, DDJ's loan portfolio was strongly dominated by Agrosor /microenterprise loans (42.90% of total) followed by Jagoran loan (41.34%) and Sufolon/agricultural loan (4.92%).

On the other hand, PAR (in absolute amount) showed decreasing trend after FYE 21. Total PAR as 15.22% of loan portfolio in Jun' 22 reduced from 27.96% in Jun'21. PAR > 180 days was 10.26% in Jun'22. DDJ maintained provision amounting BDT 57.99 million at the end of June 2022 as portfolio risk coverage complying regulatory requirement of MRA. There was BDT 2.24 million surplus provision. Risk coverage ratio was 33.97% in Jun'22 which indicates that 33.97% of portfolio at risk (PAR) was covered by its actual loan loss reserve at the end of Jun'22. Loan loss reserve ratio was 5.17% in Jun'22.

DDJ is strongly funded by members' savings and PKSf since its inception. However, borrowed fund increased by 14.64% to BDT 481.11 million in FY22. Borrowed fund to equity was 2.52 times in Jun'22 remained same as PY. On the other hand, total savings of DDJ reached BDT 421.78 million in FY22 registering growth of 5.92%. Total members savings was strongly dominated by general savings (68.46% of total) followed by special savings (25.3% of total member saving). Average cost of deposit & borrowing was 5.80% in FY22. Liquid assets to savings ratio was 30.0% for the same period. Capital fund of DDJ reached BDT 190.81 million in FY22 grew 17.66% due to internal generation. Capital adequacy ratio was 16.32% in FY22 compares to average capital adequacy ratio 18.14% of the last 4 years. Capital adequacy ratio was above 10.0% given by PKSf eligibility criteria. Debt to equity ratio was 2.52 times in FY 22 (PY: 2.59 times).

Interest income from different microcredit loan constantly had been the major contributing source of DDJ since inception. Interest income grew by 31.67% during FY22 on the back of loan growth. On the other hand, interest expense increased moderately due to growth of members saving as well as PKSf borrowing. Total operating income of DDJ reached BDT 159.24 million in FY22. Operating expense of DDJ grew by 14.63% during the same period mainly resulted from administrative & other expenses. Loan loss provision was reduced in FY22 compared to previous period as the MFI maintained provision according to MRA regulation no. 71. As an overall impact, net surplus (including PKSf donation) of DDJ reached BDT 28.64 million in FY22. Net surplus to loan portfolio ratio increased to 1.71% in FY22. ROA was 2.21% in FY22.

■ Organization Profile & operation

Dak Diye Jai (DDJ), a non-government, non-profitable development organization, which was established in December 10, 1982 at the village Char Baleswar of Balipara Union under Zianagar upazila of Pirojpur district. Balipara Union is located on the bank of the river Baleswar and the river Katcha flows by the eastern side of the Union. The organization implemented different social development project in different titles and phases with the direct financial and technical support of Bangladesh Population and Health Consortium (BPHC) from 1992 to 2004. As recognition of success in implementation of Maternal, Child Health and Family Planning project, Dak Diye Jai was awarded National Prize and Certificate by the Ministry of Health and Family Welfare of Bangladesh government for consecutive two times in Barisal division for the years of 1989-1999 and 1999-2000. The organization started implementing Water and Sanitation project in 1990 with the financial and technical cooperation and support of NGO Forum for DWSS. The organization started implementing Rural Micro Credit program in a greater extent in 1994 with the funding support of Palli Karma-Shahayak Foundation (PKSF) for the socio-economic development of the rural poor and since then the forward journey of the organization towards socio-economic development of poor people is continuing.

Legal entity of DDJ:

Registration Authority	Registration No.	Date of Registration
Directorate of Social Welfare	BARI-64/85	October 3, 1985
NGO Affairs Bureau	FDO/R-484	June 8, 1991
Microcredit Regulatory Authority	01121-00835-00237	14-May-2008
National Board of Revenue	778325249019	29-Jan-2014
Customs, Excise & VAT Commissionerate, Khulna	15121016033	23-Sep-2012

Programs

Programs of DDJ can be segregated in two categories: Credit and Non-credit programs. Under micro credit programs, it has member savings program along with micro credit. Under non-credit program, the organization has different social development program to improve the quality of life of underprivileged families.

Geographical Coverage:

Division	Name of Zilla	No. of Upazila
Barisal	Pirozpur	7 Upzila
	Barisal	7 Upazilla
	Jhalkathi	4 Upazilla
	Barguna	2 Upazilla
Khulna	Bagerhat	9 Upazilla
	Khulna	1 Upazilla
Dhaka	Gopalganj	2 Upazilla
	Madaripur	1 Upazilla
3 Division	8 Zilla	33 Upazila

Operational Model

The one of the major program of DDJ is microfinance. To operate microfinance program, DDJ forms group/"Samity" which is the key and lowest unit of the institutional structure. Area is selected depending on communication facilities, controlling, banking facilities, social, political & financial condition of that area, presence and operation of other organizations, cooperation of local administration and dwellers etc. 15-30 similar minded people from the same village with similar economic status but not relatives of each other can form a group. Each group has an elected group leader. As of 30 June 2022, there were 2,610 Samity/groups. Each group/ Samity led by a group leader. A field officer looks after groups of a Branch. DDJ branches are administered by Program Coordinators, based in the Head Office, who supervise branch managers, area managers. A program coordinator supervises and monitor all the field level activities. They move from branch to branch and monitor all the works there.

■ MICRO CREDIT PROGRAM
Outreach Summary

DDJ initiated micro credit programs in 1982 in a small scale. Afterwards it started implementing Rural Micro Credit program in a greater extent in 1994 with the funding support of Palli Karma-Shahayak Foundation (PKSF). There are loan from PKSF and commercial bank which eases the journey of the organization. During FY 2022, DDJ has 37 branch providing micro credit and various social development program in 3 division. In the same duration, BDT 1,121.75 million loan outstanding with a borrower base of 36,507. DDJ has 3 (three) types of members' saving schemes from which it accumulated BDT 418.51 million from 45,093 members' in FYE 2022. The organization provided micro credit in the agriculture, cattle rearing, poultry, fisheries, paddy cultivation, small grocery shop, different types of transport vehicles sectors. Loan growth was 19.81% in FYE 2022 and member savings grew at 5.92%.

Table 1

Outreach Summary of Microfinance Program	FY 2022	FY 2021	FY 2020	FY 2019
No. of Division	3	3	3	3
No. of Branches	37	37	37	37
No. of Samity	2,610	2,653	2,535	2,478
No. of Members	45,093	42,993	38,638	39,567
No. of Borrowers	36,507	35,320	28,526	30,284
Loan Outstanding (BDT Mil)	1,121.75	936.3	738.6	755.28
Members Savings (BDT Mil)	418.51	395.1	365.6	331.42

Loan Portfolio and Its segregation

In FYE 2022, DDJ's Agrosor and Jagoron loan has major share in loan portfolio (84.25% of total loan outstanding). DDJ focused on small and medium sized loans, handicraft loan, fish cultivation, vegetables rearing and small business concerns which usually create income generation. Sufolon and Buniad loan shared 4.71% and 2.37% of total loan outstanding respectively during FYE 2022. Sector wise loan concentration depicts that, major portion of loans was given in small and medium business/trade sector, livestock sector, agriculture sector, housing and small & cottage industries sector. Branch wise loan outstanding was BDT 30.30 million in FYE 2022.

Table 2

Sector-Wise Loan Outstanding	FY- 2022			FY- 2021			FY- 2020
	Amount	Total (%)	Growth (%)	Amount	Total (%)	Growth (%)	Amount
Jagoron (RMC/UMC)	458.32	41.34	14.84	399.09	42.62	30.70	305.39
Agrosor(ME)	475.62	42.90	31.88	360.65	38.52	4.60	344.63
Buniad	26.25	2.37	(56.76)	60.70	6.48	109.60	28.962
Sufolon	52.25	4.71	48.35	35.22	3.76	69.20	20.819
Others	96.12	8.67	19.19	80.64	8.61	107.70	38.817
Total	1,108.55	100.00	18.40	936.30	100.00	26.80	738.63

Loan Portfolio Quality

Portfolio quality of the micro finance program is very crucial as these are not backed by bankable collateral. The most widely used measure of loan portfolio quality is Portfolio at Risk (PAR) which measures the portion of the loan portfolio contaminated by arrears as a percentage of the total loan portfolio. DDJ micro credit program, loan outstanding in FYE 2022 to BDT 1,121.75 million. PAR (in absolute amount) of DDJ decreased to BDT 170.70 in the same duration. There were 91% budget variance of loan recovery in FYE 2022. Total PAR was 15.22% of total loan outstanding and PAR > 180 days was 10.26% in FYE 2022.

Table 3

Aging of Loan Portfolio	FY-2022		FY-2021		FY-2020	
	Amount	% of Total Loan	Amount	% of Total Loan	Amount	% of Total Loan
Good Loan	951.05	84.78	674.50	72.04	123.11	16.66
Watchful - (default 1 day - 30 days)	28.52	2.54	70.95	7.58	152.46	20.64
Substandard - (default 31 days - 180 days)	27.10	2.42	46.18	4.93	414.26	56.08
Doubtful - (default 181 days - 365 days)	22.38	1.99	62.81	6.71	27.43	3.71
Bad - (default 365 days above)	92.71	8.26	81.87	8.74	21.47	2.91
Total	1,121.75	100.00	936.30	100.00	738.73	100.00

DDJ maintained portfolio risk coverage with loan loss provision BDT 57.99 million in FYE 22 which was maintained according to MRA regulation circular no. 71. (Annexure-1). Required loan loss provision for DDJ was BDT 55.75 million. Provision expense ratio by DDJ slightly reduced to 0.24%. The provision expenses ratio of 0.24% indicates that 0.24% of outstanding loan of DDJ can be written off without charging anything in the equity. In FYE 2022, provision reserve ratio decreased 0.73 percentage points to 5.17% (PY: 5.90%). The Risk Coverage Ratio of DDJ is analyzed in conjunction with Portfolio at Risk and Write-offs, since all three are interdependent. In FYE 22, 33.97% of portfolio at risk (PAR) was covered by its actual loan loss reserve indicates diminutive coverage. There was no loan write off generated at the end of FYE 2022.

Table 4

Provision and Risk Coverage ratios	FY 2022	FY 2021	FY 2020
Provision Expense Ratio (%)	0.24	1.00	1.74
Provision Reserve Ratio (%)	5.17	5.90	6.22
Risk Coverage Ratio (%)	33.97	21.11	7.46

Capitalization, Funding and Liquidity

DDJ is mainly funded by member's savings and PKSf loan. External borrowed fund combine loan from PKSf and commercial bank shared 41.89% of the total fund mix in FYE 2022. Member's savings shared 36.44% of total fund mix. Average proportion of member's savings in the fund mix of DDJ for the last 3 years was 39.17% on the back of accumulation of savings from the members. Capital fund included cumulative surplus and reserve fund which shared 16.62% of fund mix thus grew 5.92% in FYE 2022 on the support of internal capital generation.

Table 5

Funding Mix (Mil. BDT)	FY 2022			FY 2021			FY 2020	
	Amount	Total (%)	Growth (%)	Amount	Total (%)	Growth (%)	Amount	Total (%)
Members' Savings	418.51	36.44	5.92	395.11	38.28	8.08	365.56	42.79
Loan from PKSf	403.93	35.17	17.66	343.30	33.26	38.49	247.89	29.02
Capital Fund	190.81	16.62	17.66	162.18	15.71	7.09	151.44	17.73
Loan from Bank/FI & Other Institutions	77.18	6.72	1.04	76.39	7.40	75.62	43.50	5.09
Fund Liabilities	57.99	5.05	4.92	55.27	5.35	20.39	45.91	5.37
Total	1,148.42	100.00	11.26	1,032.24	100.00	20.83	854.30	100.00

In FYE 2022, Fund liabilities shared 5.05% of fund mix consisted of loan loss reserve of DDJ. At the end of FYE 2022, capital adequacy ratio stood at 16.32% with an average ratio of 17.34% for the last 03 years. Debt /Equity ratio of DDJ was 2.52 times in FYE 22 (PY: 2.59 times).

Table 6

Financial Structure	FY 2022	FY 2021	FY 2020
Capital/Asset Ratio (%)	14.73	14.02	15.70
Debt to Equity Ratio (X)	2.52	2.59	1.92
Deposits to Loans (%)	37.60	42.53	49.85
Capital Adequacy Ratio (%)	16.32	16.49	19.20
Deposits to Assets (%)	32.55	34.42	38.18
Loan Outstanding to Assets (%)	86.58	80.94	76.59

Eligibility criteria ratios of PKSf are maintained by DDJ in FYE 2022. DDJ's strength raised from its members' savings which is stable and improving for last few years.

Table 7

Fund Cost	FY 2022	FY 2021	FY 2020
Cost of Savings (%)	4.92	3.37	5.09
Cost of Borrowings (%)	6.47	5.65	13.84

DDJ's external borrowed fund increased both from commercial banks and PKSf in FYE 2022 due to expansion of micro credit program. The organization has focus on building up its members' savings too. Cost of fund minimization is vital in micro credit operation. DDJ's 68.5% of member's savings belongs to compulsory savings in FYE 2022. Liquid asset to members' savings ratio of the organization reduced to 30.0% in FYE 2022 due to decreased investment in FDR's kept in commercial banks. DDJ's average cost of deposit & borrowing was 5.80% at the end of FYE 2022.

Table 8

Liquidity Ratios	FY 2022	FY 2021	FY 2020
Liquid Assets to Members Saving (%)	30.00	43.56	47.76
Members Savings to Loan Outstanding	37.60	42.53	49.85

Earnings and Profitability

Net interest income of DDJ is the major source of income since its micro credit program inception. On an average, 96.31% of total operating income came from interest income for the last 3 years. Interest income grew significantly in FYE 22 due to operation growth. DDJ earned BDT 3.65 million interest income for its deposit maintained with commercial banks. DDJ's interest expenses amplified significantly in FYE 2022 as the volume of borrowed fund as well as member's savings increased. Net interest income grew to BDT 155.46 million at the end of FY2022. Besides, there is other income of BDT 3.78 million which includes members' admission fee, passbook selling income etc.

Table 9

Segregation of Revenue	FY-2022		FY- 2021		FY -2020
(BDT in Mil)	Amount	Growth	Amount	Growth	Amount
Interest Income (a)	205.39	29.18	159.00	15.73	137.39
Interest income on loan	201.74	31.67	153.21	13.52	134.96
Interest income on bank deposit	3.65	(36.99)	5.79	138.43	2.43
Interest & Finance Charges (b)	49.92	49.01	33.50	(13.89)	38.91
On Borrowings	29.16	45.26	20.07	(0.46)	20.17
On Deposits	20.76	54.63	13.43	(28.34)	18.74
Net Interest Income (a-b)=d	155.46	23.88	125.50	27.43	98.48
Other Operating Income ©	3.78	124.94	1.68	6.03	1.58
Total Operating Income (c+d)	159.24	25.21	127.18	27.09	100.07
Personnel Expenses	101.78	(7.00)	109.44	0.89	108.47
Administrative & Other Expenses	38.75	527.73	6.17	62.94	3.79
Profit Before provision	18.71	61.77	11.57	(194.88)	(12.19)
Provision expense for Loan loss	2.72	(70.97)	9.36	(27.23)	12.87
Net Surplus without donation	15.99	626.11	2.20	(108.79)	(25.06)
Grant / donation (PKSF)	12.65	42.95	8.85	(13.16)	10.19
Net Surplus with donation	28.64	159.17	11.05	(174.32)	(14.87)

Operating expense of DDJ includes personnel expense, infrastructure expenses and overhead expense. On an average 81.77% of total operating expenses of DDJ comprised of personnel expenses for the last 3 years. DDJ operating expenses amplified 14.60% from last year. After all the required maintained, Net surplus of DDJ was BDT 28.64 million at the end of FY 2022. Yield on loan was 17.98% in FYE 2022 maintained MRA regulation. ROAA enhanced 1.26 percentage points in FYE 2022 resulted from enhanced net surplus. Operating expense ratio mostly remained same at 12.53% in FYE 2022.

Table 10

Profitability & Efficiency Ratio	FY 2022	FY 2021	FY 2020
Yield on Loan (%)	17.98	16.36	18.27
Return on Assets (%)	2.21	0.96	(1.54)
Operating Expense Ratio (%)	12.53	12.35	15.20
Net Surplus to Loan Outstanding (%)	1.71	0.30	(3.39)

Operational Self Sufficiency

The operational self-sufficiency ratio can capture the sustainability of an organization. Operating self-sufficiency ratio of DDJ indicates that it generates enough internal revenue to cover its' own operational, financial expenses and keeping required loan loss provision for overdue loan. In FYE 2022, operating self-sufficiency ratio of DDJ was 106.32%.

Table 11

	FY 2022	FY 2021	FY 2020	FY 2019
Operating Self Sufficiency Ratio (%)	106.32	100.33	83.76	100.87

MEMBERS SAVINGS PROGRAM

In consideration of the need and demand of the poor people, DDJ is running 3 types of member savings programs. In FYE 22, members' savings was BDT 418.5 million shared 37.60% of loan outstanding. Branch wise members' savings was BDT 11.31 million. All members always enjoy the right of withdraw their savings with interest in their crisis hours/difficult situations.

Member Savings (Compulsory)

Members needs save minimum BDT 20 each week. However, any member can save more than BDT 20 every week. DDJ pays interests 6.00% on the average monthly savings balance and allows withdrawal of savings at clients' request as per DDJ policy accepted by the client.

Special Savings

Members may save or not save money under this savings product. This is not compulsory. Member can withdraw their deposit fully or partially any time with interest.

Member Savings (Voluntary)

Members may save or not save money under this savings product. This is not compulsory. Member can withdraw their deposit fully or partially any time with interest. DDJ pays higher rate of interest than general savings. Members can save minimum BDT 100-200 or any amount.

Table 13

Savings composition		FY-2022		FY-2021		
BDT Mill	Amount	Total (%)	Growth (%)	Amount	Total (%)	Growth (%)
General savings	286.5	68.5	10.0	260.3	65.9	15.0
Special savings	106.1	25.3	(5.5)	112.3	28.4	(4.9)
Voluntary savings	25.9	6.2	15.4	22.5	5.7	12.1
Total	418.5	100.0	5.9	395.1	100.0	8.4

Other Indicators

DDJ's loan Portfolio per staff stood at BDT 1.73 million in FYE 22. At the same duration, Loan Portfolio per branch ratio was BDT 9.21 million in FYE 22 indicated increased branch wise loan outstanding.

Table 14

Other indicators	FY 2022	FY 2021	FY 2020	FY 2019
Borrowers per Branch (Number)	987	955	771	818
Borrowers per Staff (Number)	140	133	108	111
Loan Outstanding per Branch (BDT Million)	30.32	25.31	19.96	20.41
Loan Outstanding per Staff (BDT Million)	4.31	3.52	2.81	2.78
Member savings per Branch	11.31	10.68	9.88	8.96

SOCIAL DEVELOPMENT PROGRAMS

Non-micro credit programs of DDJ are following along with micro credit program.

Ongoing social development program list:

Sl. No	Name of the social project	Name of Donors	Duration
1.	Enhancing Resources and Increasing Capacities of Poor Households Towards Elimination of their Poverty- (ENRICH) Program	PKSF	July 2014 to continuing
2.	Learning and Innovation Fund to Test New Ideas (LIFT) Program	PKSF	December 2016 to continuing
3.	Uplifting the Quality of the Lives of the Elderly People Program	PKSF	July 2017 to continuing
4	Resilience through Economic Empowerment and Community Adaptation, Leadership, Learning Project-REE CALL-2021	Oxfam	1 October 2017 to 31 March 2025
5	Koisor Program/Adolescent Program	PKSF	July 2019 to continuing
6	Vulnerable Group Development Program (VGD)	Dept. of Women Affairs of GoB	August 2021 to December 2022

MANAGEMENT

DDJ is primarily governed by two tiers of hierarchies as follows: a) General committee and b) Executive committee

General Committee:

The General Committee of Dak Diye Jai is the highest policy formulation body and meets once in a year to review and approve plan, budget and expenditure and also formulates policy decisions. This committee is formed by 19 members and elects an Executive Committee for 3 years. As per DDJ constitution the duration of this Committee is 3 years. Date of latest AGM was 26/06/2022.

Executive committee: The Executive Committee of Dak Diye Jai is formed by 7 members. This committee meets quarterly to approve and review the quarterly plan, budget expenditure and progress and makes policy decisions. The Executive Director materializes the decision through his colleagues. As per DDJ constitution the duration of this committee is 3 years.

Table 15: Executive committee member List

Name	Position
Monjur Morshed Talukder	Chairman
Nazma Begum	Vice Chairman
Md. Shahjahan Gazi	Secretary/ Executive Director
Md. Alauddin Ahmed Masum	Treasurer
Md. Mirajul Haque Talukder	Member
Champa Das Gupta	Member
Sanjida Khan Ava	Member

Human Resources & Internal Audit

In 2022, number staff was 360. There are personnel policy of the organization. Accounts and financial policy, Savings & credit policy and Internal Audit cell policy is present. The audit department is headed by the Executive Director of DDJ. Internal Audit Committee works with a view to monitor and to control the Organization's financial operations smoothly, transparently and effectively. There were no qualified opinions issued by the external auditor in FYE 22.

Senior Management Committee:

DDJ has also a Senior Management Committee (SMC), which comprises of 7 nos. of senior staffs of the organization. The Executive Director presides over the meeting of the committee. This committee reviews day to day activities of the organization and guides the project/program/department heads regularly to keep them on track.

Financial Reporting and Disclosures

The financial statement of the Organization was audited by chartered accountants firm Habib Sarwar Bhuiyan & Co. According to them the financial statements of DDJ were prepared and presented in accordance with International Financial Reporting Standards (IFRSs). According to the Auditor, the financial statements gave a true and fair view of the state of the Organization as on 30 June 2022.

Table 16 (Information obtained from financial report submitted to PKSF)

Financial Indicators of DDJ		
BDT Mill	30/06/2022	30/06/2023
Loan Outstanding	1,121.75	1,246.29
Members Savings	418.51	451.01
PAR	170.70	99.27
(%)		
Interest Income	205.39	262.48
Interest Expense	49.92	51.14
Total Operating Income	159.24	276.43
Total Operating expense	140.53	266.14
Net Surplus with donation	28.64	10.29

APPENDIX 1: DEFINITIONS OF SOME RATIOS AS PER CRAB METHODOLOGY

1. Provision Expenses Ratio = Provision expenses for loan loss / Loan outstanding
2. Provision Reserve Ratio = Loan Loss Reserve / Loan outstanding
3. Risk Coverage Ratio = Loan Loss Reserve / Portfolio at Risk
4. Borrowed Fund to Equity (times) = Borrowed Fund / Capital Fund excluding LLR
5. Capital Adequacy Ratio = Capital Fund/ (Total Assets – Cash in hand & Bank – Investment)
6. Cost of Savings = Interest Paid on Savings/ Avg. Member Savings
7. Cost of Borrowings = Interest Paid on Borrowings/ Avg. Borrowings
8. Avg. cost of deposit and borrowings = Total Interest Expense/ Avg. Savings & Borrowings
9. Portfolio Yield= Interest income on Loans/ Avg. Outstanding loan
10. Return on Assets (ROA) = Net Surplus without grant/ Total Asset
11. Operating Expense Ratio = Operating Expense/ Outstanding Loan

APPENDIX 2: FINANCIAL RATIOS IN COMPLIANCE WITH PKSF CRITERIA

Eligibility Criteria	Audited Figures or Compliance	Audited Figures or Compliance
	2021-2022	2020-2021
Minimum Loan recovery rates, computed quarterly, based on the following:		
i) 95% minimum cumulative loan collection ratio on total dues:	98.89	96.75%
ii) 92-100% minimum loan collection ratio on current dues (on running 12 month basis):	92.91%	83.16%
Minimum liquidity ratio of 10%	3.25%	10.28%
Minimum current ratio of 2:1	2.11:1	1.97:1
Minimum capital adequacy ratio of 15%	15.80%	15.55%
Minimum debt service cover ratio of 1.25:1	1.09:1	1.03:1
Debt Capital Ratio 9:1	5.16:1	5.47:1
Minimum rate of return on capital of 1%	16.23%	7.05%

Particulars	No. of Days Outstanding	Outstanding Loan	Rate %	Required provision according to MRA regulation
as on 30 June 2022		Amount in BDT Mill		Amount in BDT Mill
Total Loan outstanding		1,121.75		
Good Loan	Loans with no overdue intallments	951.05	1%	9.51
Watchful	Loan default duration between 1 and 30 days	28.52	5%	1.43
Sub-Standard	Loan default duration between 31 and 180 days	27.10	25%	6.77
Doubtful	Loan default duration between 181 and 365 days	22.38	25%	5.59
Bad Loan	Loan default duration above 365 days	92.71	35%	32.45
Total require loan loss provision according to MRA				55.75
Loan Loss Provision Maintained by DDJ				57.99
(Deficit)/Surplus Loan Loss Provision				2.24

ANNEXURE-1: LOAN PRODUCTS

Segment	Jagoron	Agroshor	Sufolon	Buniad
Loan Term	12 Month	12,18,24 Month	6 Month	12 Month
Loan Size in BDT	5,000-29,000	31,000- 500,000	5,000-30,000	2,000-25,000
Interest Rate (declining balance method)	24.0%	24.0%	24.0%	-
Repayment Policy	Weekly	Weekly, Monthly	Single Repayment	Weekly

ANNEXURE 3: COMMERCIAL SOURCES OF FUND AS ON 18/07/2023

SL	Name of The Lending Institution	Amount Sanctioned BDT Million	Interest Rate	Status	Loan Outstanding BDT Million	Limit expired
1.	NRBC Bank Ltd.	100.00	9.13%	STD	45.69	15.09.2024

Note:

Banker's Feedback received from NRBC Bank. The loan is standard. Lien on FDR equivalent 20 % of loan amount duly discharged by the beneficiary.

Name of Partnership Organization	Partnership Year
NGO Forum for Drinking Water Supply and Sanitation	1989
Palli Karma-Shahayak Foundation (PKSF)	1994
Bangladesh NGO Foundation (BNF)	2007
Governance Coalition	2004
Citizen's Platform for SDGs, Bangladesh	2019

Development Partners:

- Overseas Development and Administration (ODA);
- Helen Keller International (HKI);
- International Voluntary Services (IVS);
- World Fish Center, Bangladesh;
- The Asia Foundation;
- CARE Bangladesh;
- Oxfam;
- Save the Children International (SCI);
- World Bank Dhaka Office;
- IRRI
- CIMMYT
- Bangladesh Population and Health Consortium (BPHC);
- Palli Karma-Shahayak Foundation (PKSF);
- Bangladesh NGO Foundation;
- HYSAWA Fund Management Office;
- NGO Forum for DWSS;
- Ministry of Land of GoB;
- Ministry of Environment and Forestry of GoB;
- Dept. of Forestry of GoB;
- Dept. of Agriculture Extension (DAE) of GoB;
- Dept. of Non Formal Education (DNFE) of GoB;
- Dept. of Women Affairs of GoB
- BRAC;
- South Asian Partnership (SAP) Bangladesh;
- WAVE Foundation;
- Steps Towards Development;
- Padakkhep Consortium;
- North South University.

Indirect:

- CIDA, European Commission, European Union, USAID, DANIDA, Shiree, Global Fund.

**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 ₁ , AA ₂ , AA ₃ * 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 a small degree. AA is judged to be of very high quality and is subject to very low credit risk.
A ₁ , A ₂ , A ₃ 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 ₁ , BBB ₂ , BBB ₃ 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 ₁ , BB ₂ , BB ₃ 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 ₁ , B ₂ , B ₃ 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 or willingness to meet their financial commitments. B is considered speculative and weak capacity and is subject to high credit risk.
CCC ₁ , CCC ₂ , CCC ₃ 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 meet 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 but 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.

SHORT-TERM CREDIT RATING: MICRO FINANCE INSTITUTIONS (MFIs)

RATING	DEFINITION
ST-1 Highest Grade	MFIs rated in this category are considered to have the highest capacity for timely repayment of obligations. MFIs rated in this category are characterized with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds.
ST-2 High Grade	MFIs rated in this category are considered to have strong capacity for timely repayment. MFIs rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds.
ST-3 Average Grade	MFIs rated in this category are considered to average capacity for timely repayment of obligations, although such capacity may impair by adverse changes in business, economic, or financial conditions. MFIs rated in this category are characterized with satisfactory level of liquidity, internal fund generation, and access to alternative sources of funds.
ST-4 Below Average Grade	MFIs rated in this category are considered to have below average capacity for timely repayment of obligations. Such capacity is highly susceptible to adverse changes in business, economic, or financial conditions than for obligations in higher categories. MFIs rated in this category are characterized with average liquidity, internal fund generation, and access to alternative sources of funds.
ST-5 Inadequate Grade	MFIs rated in this category are considered to have inadequate capacity for timely repayment of obligations susceptible to adverse changes in business, economic, or financial conditions. MFIs rated in this category are characterized with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds.
ST-6 Lowest Grade	MFIs rated in this category are considered to have obligations which have a high risk of default or which are currently in default. MFIs rated in this category are characterized with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds.

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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CREDIT RATING REPORT



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