

Interest Free Loan Program for the Poor Hand Loom Weavers

By

BUET'88 Club

Program Area: Shahidganj, Sirajganj District, Bangladesh

'Providing Interest Free Loans for the Flood Affected Poor Hand Loom Weavers'

The Interest Free Loan Program in brief:

S/N	Item	Description
1	Area of the program	Shahidganj suburb area within Sirajganj Pourashava.
2	Number of beneficiary families	Initially 50 (fifty) poor weaver families-gradually it will cover around eighty families.
3	Basis for the selection of the beneficiary families	The worst affected and poor weaver families will be selected from the area in co-ordination with the weavers and their leaders and the Rotary Club representatives.
4	Loan amount to be Paid to each family.	Tk. 10,000/-
5	Repayment to started after	2 (two) months.
6	Repayment installment amount.	Tk. 250/- plus Tk. 20/- as service charge.
7	Total number of installments to be paid	40 (Forty).
8	Repayment period frequency	Every week
9	Service charge usages	Payment of salary for an employee engaged with the collection of Loans and cost of supervision and administrative costs.
10	Total cost of the program	Tk. 6,00,000/-
11	Program conducted by	BUET'88 club represented by its President Engr. Rafez Alam Chowdhury and General Secretary Engr. Ahsan Habib Manik
12	Program co-ordinator	Md. Abdul Moqaddem, EC member of BUET'88 club
13	Program start date (Initial Phase)	1 January, 2008
14	Initial Phase covers	30 families
15	Second Phase start date	1 April, 2008
16	Second Phase covers	Additional 20 families
17	Total families covered when in full swing	Around 78 families (See attached sheet)
15	Sources of fund	1. Donation from Spaandan-B

## **Interest Free Loan for the Poor Weaver families, Sirajganj**

### 1. Introduction:

This year (2007) flood affected 49 districts of Bangladesh and tens of millions of people. The worst affected district was Sirajganj. The Flood protection dams on different locations were damaged and as a result a huge area including the district head quarters were inundated under water. This year at Sirajganj the flood level exceeded that of 1988. After the initial flooding in the last week of July to the first week of August, 2007 a second round of flooding occurred in Sirajganj in the first week of September, 2007. About one month after the enormous damage by first flooding, the second round of flooding caused serious damages to the farmers and other people. Among most affected are the small weavers at different areas of Sirajganj. So, we need to do something for the affected people.

### 2. BUET'88 Club's Flood Rehabilitation program

In 2004 BUET'88 club carried out Flood Rehabilitation Program for the affected people of Chandpur district with the financial support from Spaandan-B. This year BUET'88 Club again constructed 50 (fifty) houses for the Flood affected families of Khoksabari and Songacha unions of Sirajganj.

### 3. Selection of area

Since Sirajganj is the worst affected area this year, so Sirajganj is selected for our Flood Rehabilitation Program.

During building of 50(fifty) houses for Flood affected families of Sirajganj, BUET'88 club President, General Secretary and some other members visited Sirajganj. They also visited Shahidganj area where more than 200 weaver families reside. They found that during the recent devastating Flood all of their Handlooms were inundated and some of them were seriously damaged. The weavers have repaired some of their handlooms and started working. To start the business in full swing they need some financial help from out side.

### 4. Damages caused by flood this year

Huge damages caused to thousands of families of all 9(nine) upazilas of Sirajganj district. Various types of damages are caused and some of the examples are: (1) Damage to the thousands of handlooms, (2) Destruction of thousands of houses of very poor families, (3) Spread of various disease due to the flooding, (4) Damage of crops to thousands of farmers, (5) Destruction of flood protection dams, (6) Loss of fish cultivations of thousands of farmers, (7) Loss of cattle and poultry of thousands of farmers and many more.

### 5. Proposed Interest Free Loan Program

BUET'88 club EC members visited the area along with the Rotary Club-Sirajganj executive committee members and along with them accompanied members of Gulshan Youth club who distributed an instantaneous fund among few of very poor families. BUET'88 Club and Rotary Club-Sirajganj members noticed that those affected

families badly need some financial help to rebuild their handlooms and to pay off some of their loans obtained with high interests. So, they agreed that they will try to mobilize fund to be distributed among at least some 50(fifty) weaver families and recycle the same fund among the group and thus allow them to rebuild their business.

BUET'88 club can form a Committee with its own representatives along with the representatives from Rotary Club-Sirajganj, and representatives from the weavers. A current account can be opened with a local in Sirajganj and an employee (preferably chosen from the weaver families) selected to work for the Committee and collect loan installments regularly. BUET'88 club may decide to keep the official documents of the committee at the Rotary Club-Sirajganj's office and the documents may comprise of few registers and installment collection receipts, Letter head Pads, membership forms etc.

The attached table shows an ideal situation when all the installments are paid regularly and from the collected installments new loan is provided. It assumes that initially Tk.3,00,000/- loan will be distributed among only 30(thirty) families with an amount of Tk.10,000/- per family. The repayments will start after two months. After observing the success for four months, additional amount of Tk.2,00,000/- for another 20(twenty) families will be also disbursed. After observing the functioning for four months, some modifications may be done if so required. As shown in the attached sheet if the timely collections can be ensured, this program will continue smoothly. It can be seen that when in full swing total beneficiary families vary between 72 & 78 and among them installments paying (matured) beneficiaries vary between 60 & 66. For initial two years the salary for the employee engaged with installment collection is assumed to be Tk.4,000/- per month. For further years the salary should be incremented. It is assumed that one representative from BUET'88 club will be visiting at least once in every month to see the progress and total visits per year will be around 18. So, for the expenses for such visits and other administrative cost is thought to be Tk.2,000/- per month.

It can be also noted that there will be additional administrative costs for more close monitoring by BUET'88 club for few months at the beginning. There will be some expenses required to print some forms, receipt books, pads, registers etc. The additional amount for such costs can be taken as around Tk.50,000/- and again initially there will be less collection of service charge so we need to keep a provision of additional say Tk.30,000/- and we can see that for a period of two years, we will require additional around Tk.80,000/- to run the program smoothly. To be more safe we can keep this amount to be Tk.1,00,000/-.

To cope up with the incremental administrative costs due to increase in salary and other administrative costs, we recommend to add another 30(thirty) families by adding another Tk.3,00,000/- after say two years. It is assumed that the program will be successful.

6. Total cost of the program

The total cost of the program will be around Tk.6,00,000/- (Taka six lacs) only. The cost is estimated for initial 50 (fifty) families.

It is recommended that after evaluation the program after 2 years, additional funds may be allocated (if felt appropriate) to make it more stable.

7. Implementation period

The selection of families will be done by the Rotary Club-Sirajganj and the weaver representatives. If approved in time, the program may be started from the first week of January, 2008. Initially, Tk.3,00,000/- may be distributed among 30(thirty) selected families. Another 20 (twenty) families will also be selected. The waiting families will work as pressure group for timely repayment of installments by initial families. After successful operation for 4(four) months, another Tk.2,00,000/- may be disbursed among 20(twenty) already selected families.

Any family who receives the Tk.10,000/- will start repayment of installments after 8(eight) weeks. Each beneficiary will pay the installments of Tk.250/- every week. They will also pay an amount of Tk.20/- per week which is allocated for the costs to run the program successfully.

The beneficiary who completes repayments successfully will deserve a new loan.

8. Use of the service charge

The service charge is supposed to be used for the administrative costs to run the program successful. The money so collected as service charge will not be used to pay loan without approval by the committee and consensus from the weaver members. Any member may like to check the administrative expenses.

The employee engaged for collection of installments can be S.S.C pass, but if he is H.S.C pass can be also o.k. After certain period, say 1(one) year or so he will have very good experience and can provide good suggestions to the weavers for improvements. In such case, he will desire higher salary. So, some addition of fund and allowing more families to add say another 20-30 families.

9. Risks involved

The scenario shown above is very ideal. In practice we may experience some exceptions which have to be taken care of. Some of the member may tend to be sick member. Timely monitoring the situation may avert such situations.

If any future natural calamity causes troubles for the weaver families, necessary measures have to be taken. If needed suspension of collection may be needed for a short period. Even may require addition of new fund may be required.

Table showing calculations for a period of two years.

Yr	Wk	T. B.	N. A. B.	C. B.	U. C. B.	M.B	Collection of installments	Remains of collections	Collection of service charge	Expenses (Salary, Admin)	Remains of service charge
1st	1	30	30	0	30	0	Tk.0	Tk.0	Tk.0	Tk.50,000	-Tk.50,000
	2	30	0	0	30	0	Tk.0	Tk.0	Tk.0	Tk.0	Tk.0
	3	30	0	0	30	0	Tk.0	Tk.0	Tk.0	Tk.0	Tk.0
	4	30	0	0	30	0	Tk.0	Tk.0	Tk.0	Tk.6,000	-Tk.6,000
	5	30	0	0	30	0	Tk.0	Tk.0	Tk.0	Tk.0	Tk.0
	6	30	0	0	30	0	Tk.0	Tk.0	Tk.0	Tk.0	Tk.0
	7	30	0	0	30	0	Tk.0	Tk.0	Tk.0	Tk.0	Tk.0
	8	30	0	0	30	0	Tk.0	Tk.0	Tk.0	Tk.6,000	-Tk.6,000
	9	30	0	0	0	30	Tk.7,500	Tk.0	Tk.600	Tk.0	Tk.0
	10	30	0	0	0	30	Tk.7,500	Tk.0	Tk.600	Tk.0	Tk.0
	11	30	0	0	0	30	Tk.7,500	Tk.0	Tk.600	Tk.0	Tk.0
	12	33	3	0	3	30	Tk.7,500	Tk.0	Tk.600	Tk.0	Tk.0
	13	33	0	0	3	30	Tk.7,500	Tk.0	Tk.600	Tk.6,000	-Tk.3,000
	14	33	0	0	3	30	Tk.7,500	Tk.0	Tk.600	Tk.0	Tk.0
	15	33	0	0	3	30	Tk.7,500	Tk.0	Tk.600	Tk.0	Tk.0
	16	56	23	0	26	30	Tk.7,500	Tk.0	Tk.600	Tk.0	Tk.0
	17	56	0	0	26	30	Tk.7,500	Tk.0	Tk.600	Tk.6,000	-Tk.3,600
	18	56	0	0	26	30	Tk.7,500	Tk.0	Tk.600	Tk.0	Tk.0
	19	56	0	0	26	30	Tk.7,500	Tk.0	Tk.600	Tk.0	Tk.0
	20	59	3	0	26	33	Tk.8,250	Tk.750	Tk.660	Tk.0	Tk.0
	21	59	0	0	26	33	Tk.8,250	Tk.0	Tk.660	Tk.6,000	-Tk.3,480
	22	59	0	0	26	33	Tk.8,250	Tk.0	Tk.660	Tk.0	Tk.0
	23	59	0	0	26	33	Tk.8,250	Tk.0	Tk.660	Tk.0	Tk.0
	24	62	3	0	6	56	Tk.14,000	Tk.8,750	Tk.1,120	Tk.0	Tk.0
	25	62	0	0	6	56	Tk.14,000	Tk.0	Tk.1,120	Tk.0	Tk.0
	26	62	0	0	6	56	Tk.14,000	Tk.0	Tk.1,120	Tk.6,000	-Tk.1,320
	27	62	0	0	6	56	Tk.14,000	Tk.0	Tk.1,120	Tk.0	Tk.0
	28	67	5	0	8	59	Tk.14,750	Tk.6,750	Tk.1,180	Tk.0	Tk.0
	29	67	0	0	8	59	Tk.14,750	Tk.0	Tk.1,180	Tk.0	Tk.0
	30	67	0	0	8	59	Tk.14,750	Tk.0	Tk.1,180	Tk.6,000	-Tk.1,340
	31	67	0	0	8	59	Tk.14,750	Tk.0	Tk.1,180	Tk.0	Tk.0
	32	72	5	0	10	62	Tk.15,500	Tk.9,750	Tk.1,240	Tk.0	Tk.0
	33	72	0	0	10	62	Tk.15,500	Tk.0	Tk.1,240	Tk.0	Tk.0
	34	72	0	0	10	62	Tk.15,500	Tk.0	Tk.1,240	Tk.6,000	-Tk.1,100
	35	72	0	0	10	62	Tk.15,500	Tk.0	Tk.1,240	Tk.0	Tk.0
	36	78	6	0	11	67	Tk.16,750	Tk.3,250	Tk.1,340	Tk.0	Tk.0
	37	78	0	0	11	67	Tk.16,750	Tk.0	Tk.1,340	Tk.0	Tk.0
	38	78	0	0	11	67	Tk.16,750	Tk.0	Tk.1,340	Tk.0	Tk.0
	39	78	0	0	11	67	Tk.16,750	Tk.0	Tk.1,340	Tk.6,000	Tk.600
	40	84	6	0	12	72	Tk.18,000	Tk.8,250	Tk.1,440	Tk.0	Tk.0
	41	84	0	0	12	72	Tk.18,000	Tk.0	Tk.1,440	Tk.0	Tk.0
	42	84	0	0	12	72	Tk.18,000	Tk.0	Tk.1,440	Tk.0	Tk.0
	43	84	0	0	12	72	Tk.18,000	Tk.0	Tk.1,440	Tk.6,000	-Tk.240
	44	91	7	0	13	78	Tk.19,500	Tk.3,500	Tk.1,560	Tk.0	Tk.0
	45	91	0	0	13	78	Tk.19,500	Tk.0	Tk.1,560	Tk.0	Tk.0
	46	91	0	0	13	78	Tk.19,500	Tk.0	Tk.1,560	Tk.0	Tk.0
	47	91	0	0	13	78	Tk.19,500	Tk.0	Tk.1,560	Tk.6,000	Tk.240
	48	98	7	0	14	84	Tk.21,000	Tk.9,500	Tk.1,680	Tk.0	Tk.0
	49	68	0	30	14	54	Tk.13,500	Tk.0	Tk.1,080	Tk.0	Tk.0
	50	68	0	0	14	54	Tk.13,500	Tk.0	Tk.1,080	Tk.0	Tk.0
	51	68	0	0	14	54	Tk.13,500	Tk.0	Tk.1,080	Tk.0	Tk.0

52	78	10	0	17	61	Tk.15,250	Tk.6,250	Tk.1,220	Tk.6,000	Tk.140
1	78	0	0	17	61	Tk.15,250	Tk.0	Tk.1,220	Tk.0	Tk.0
2	78	0	0	17	61	Tk.15,250	Tk.0	Tk.1,220	Tk.0	Tk.0
3	78	0	0	17	61	Tk.15,250	Tk.0	Tk.1,220	Tk.0	Tk.0
4	84	6	0	16	68	Tk.17,000	Tk.2,750	Tk.1,360	Tk.6,000	-Tk.980
5	84	0	0	16	68	Tk.17,000	Tk.0	Tk.1,360	Tk.0	Tk.0
6	84	0	0	16	68	Tk.17,000	Tk.0	Tk.1,360	Tk.0	Tk.0
7	84	0	0	16	68	Tk.17,000	Tk.0	Tk.1,360	Tk.0	Tk.0
8	87	6	3	12	75	Tk.18,750	Tk.9,750	Tk.1,500	Tk.6,000	-Tk.420
9	87	0	0	12	75	Tk.18,750	Tk.0	Tk.1,500	Tk.0	Tk.0
10	87	0	0	12	75	Tk.18,750	Tk.0	Tk.1,500	Tk.0	Tk.0
11	87	0	0	12	75	Tk.18,750	Tk.0	Tk.1,500	Tk.0	Tk.0
12	71	7	23	13	58	Tk.14,500	Tk.750	Tk.1,160	Tk.0	Tk.0
13	71	0	0	13	58	Tk.14,500	Tk.0	Tk.1,160	Tk.6,000	Tk.820
14	71	0	0	13	58	Tk.14,500	Tk.0	Tk.1,160	Tk.0	Tk.0
15	71	0	0	13	58	Tk.14,500	Tk.0	Tk.1,160	Tk.0	Tk.0
16	73	5	3	12	61	Tk.15,250	Tk.8,750	Tk.1,220	Tk.0	Tk.0
17	73	0	0	12	61	Tk.15,250	Tk.0	Tk.1,220	Tk.6,000	-Tk.1,240
18	73	0	0	12	61	Tk.15,250	Tk.0	Tk.1,220	Tk.0	Tk.0
19	73	0	0	12	61	Tk.15,250	Tk.0	Tk.1,220	Tk.0	Tk.0
20	76	6	3	11	65	Tk.16,250	Tk.2,000	Tk.1,300	Tk.0	Tk.0
21	76	0	0	11	65	Tk.16,250	Tk.0	Tk.1,300	Tk.6,000	-Tk.960
22	76	0	0	11	65	Tk.16,250	Tk.0	Tk.1,300	Tk.0	Tk.0
23	76	0	0	11	65	Tk.16,250	Tk.0	Tk.1,300	Tk.0	Tk.0
24	77	6	5	12	65	Tk.16,250	Tk.5,000	Tk.1,300	Tk.0	Tk.0
25	77	0	0	12	65	Tk.16,250	Tk.0	Tk.1,300	Tk.0	Tk.0
26	77	0	0	12	65	Tk.16,250	Tk.0	Tk.1,300	Tk.6,000	Tk.500
27	77	0	0	12	65	Tk.16,250	Tk.0	Tk.1,300	Tk.0	Tk.0
28	78	6	5	12	66	Tk.16,500	Tk.5,250	Tk.1,320	Tk.0	Tk.0
29	78	0	0	12	66	Tk.16,500	Tk.0	Tk.1,320	Tk.0	Tk.0
30	78	0	0	12	66	Tk.16,500	Tk.0	Tk.1,320	Tk.6,000	-Tk.740
31	78	0	0	12	66	Tk.16,500	Tk.0	Tk.1,320	Tk.0	Tk.0
32	78	6	6	12	66	Tk.16,500	Tk.6,000	Tk.1,320	Tk.0	Tk.0
33	78	0	0	12	66	Tk.16,500	Tk.0	Tk.1,320	Tk.0	Tk.0
34	78	0	0	12	66	Tk.16,500	Tk.0	Tk.1,320	Tk.6,000	-Tk.720
35	78	0	0	12	66	Tk.16,500	Tk.0	Tk.1,320	Tk.0	Tk.0
36	78	6	6	12	66	Tk.16,500	Tk.6,000	Tk.1,320	Tk.0	Tk.0
37	78	0	0	12	66	Tk.16,500	Tk.0	Tk.1,320	Tk.0	Tk.0
38	78	0	0	12	66	Tk.16,500	Tk.0	Tk.1,320	Tk.0	Tk.0
39	78	0	0	12	66	Tk.16,500	Tk.0	Tk.1,320	Tk.6,000	Tk.600
40	77	6	7	12	65	Tk.16,250	Tk.5,750	Tk.1,300	Tk.0	Tk.0
41	77	0	0	12	65	Tk.16,250	Tk.0	Tk.1,300	Tk.0	Tk.0
42	77	0	0	12	65	Tk.16,250	Tk.0	Tk.1,300	Tk.0	Tk.0
43	77	0	0	12	65	Tk.16,250	Tk.0	Tk.1,300	Tk.6,000	-Tk.800
44	76	6	7	12	64	Tk.16,000	Tk.4,750	Tk.1,280	Tk.0	Tk.0
45	76	0	0	12	64	Tk.16,000	Tk.0	Tk.1,280	Tk.0	Tk.0
46	76	0	0	12	64	Tk.16,000	Tk.0	Tk.1,280	Tk.0	Tk.0
47	76	0	0	12	64	Tk.16,000	Tk.0	Tk.1,280	Tk.6,000	-Tk.880
48	72	6	10	12	60	Tk.15,000	Tk.3,000	Tk.1,200	Tk.0	Tk.0
49	72	0	0	12	60	Tk.15,000	Tk.0	Tk.1,200	Tk.0	Tk.0
50	72	0	0	12	60	Tk.15,000	Tk.0	Tk.1,200	Tk.0	Tk.0
2n	51	72	0	0	12	60	Tk.15,000	Tk.0	Tk.1,200	Tk.0
d	52	78	12	6	18	60	Tk.15,000	Tk.6,000	Tk.1,200	Tk.6,000
<b>Total in 2 (two) years</b>						Tk.1,426,000		Tk.114,080	Tk.194,000	-Tk.79,920