

SAJIDA FOUNDATION

Microfinance Program

A Study on First Year Members Drop-out

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Background and Abstract

The first drop-out study, which was conducted during April - July 2009, showed the drop-out rate in the initial year of membership to be alarmingly high and almost two third (65%) of total number of drop outs. While SAJIDA Foundation's high drop-out rate is unquestionably a cause of concern, the first year recorded the highest drop-out rate. To investigate the issue, a survey was launched and 62 dropped out members were interviewed using a thorough and structured questionnaire (from May 6 to May 11, 2010). In addition, the research team interviewed the loan officers, accounts officers and managers concerned regarding this issue.

This study aims to identify the key reasons for such a high rate of members drop-out, especially among first year members. This study may serve as a basis for the formation and modification of policies and strategies regarding clientele selection as well as give ideas as to how to create sustainable relationships with clients and develop better products and services. The study also highlights the significance of fostering long-term unity with members.

From the perspective of the members, some of the key reasons, behind 1st year members drop-out that have been identified through this study include (1) inability to repay loans, (2) no need of loan, (3) larger loan expectations, (4) temporary migration, (5) handing over the loan to other person, (6) sickness and (7) policy problems.

From the prospective of SAJIDA Foundation, the reasons behind 1st year members drop-out that have been identified through this study are as follows: (1) wrongly selected clientele, (2) inadequate marketing and slack customer relations, (3) multiple memberships, (4) misuse of loan, (5) loan project collapse, (6) lack of a monthly installment option and (7) a few rigid service facilities.

SAJIDA Foundation is keen to identify the causes behind members drop-out with the intent to control this problem in the future. Problems such as high exclusion rates, significantly in case of opening year increase multisided operational expenses including training, orientation, administrative and marketing cost, as well as in the long run the trend need to be curtailed.

At the same time, it is also essential to remove uncooperative members for effective functioning of the Microfinance program. The study reveals that rational exclusion of problematic members is healthy practice for the organization since it reduces potential hindrances and consequently, program risk, contributing towards overall program sustainability.

Acknowledgement

SAJIDA Foundation's study on members drop-out is an initiative that has yielded valuable insights which will, no doubt, prove greatly beneficial in improving the effectiveness and quality of services of the Microfinance program. We would like to convey our sincere thanks to the management of SAJIDA Foundation, especially the **Executive Director, Zahida Fizza Kabir**, whose keen interest, vision, enthusiasm and wisdom helped give shape to this study and **Md. Monerul Islam Khan, Program Head, Microfinance**, for his valuable suggestions and spontaneous cooperation.

Our heartfelt thanks go out to all our colleagues who have been generous in rendering all-out cooperation at all times. We are also very grateful to the **staff of the concerned branches** who were a direct part of the study, for their ardent cooperation without which it would have been impossible to collect data for the survey. Their commitment to providing their valuable time and effort to the study in assisting in the collection of data despite their daily engagements is much appreciated.

Objectives

The study comprehensively approaches and inspects different dimensions of the program in line with the following immediate and long term objectives:

a. Immediate Objectives

- Know the level of satisfaction of members in the initial year
- Find out the overall reasons for members drop-out especially in the first year
- Recognize views of members regarding existing products
- Understand the attitude of members regarding the organization and its services
- Measure the attitude and performance of team members of branches

b. Long-term Objectives

- Develop sustainable customer relationship from the very beginning
- Foster long-term unity of members towards the organization's mission Implementation
- If necessary, modify policies and provide member-friendly and demand-driven products
- Ensure better services for the customers
- Develop new marketing techniques and improve existing techniques
- Develop effective mechanism to select clientele
- Take measures to prevent drop outs from the initial year

Research Methodology and Data Collection Procedure

Study Design:

a. Selection of branches and clientele for the survey

Clientele for the study were selected from those 20(twenty) branches on random basis which were included in first drop out research survey (carried out during April 2009- July 2009) in Dhaka, Narayanganj, and Gazipur. For the present study 8(eight) branches were randomly selected from the 20(twenty) branches used in the previous study, encompassing both urban and rural operations as well as branches demonstrating low and high dropout trends.

Table 1.0: Details of Branches

SL	Name of the Branch	Branch no.	Number of Respondent	SL	Name of the Branch	Branch no	Number of Respondent
1	Lalbag	4	6	5	Konabari	32	12
2	Baddah	6	9	6	Shiddhirgong	20	11
3	Chunkutia	7	5	7	Malibag	44	5
4	Sanir Akhara	8	4	8	Fatullah	29	10
Subtotal			24	Subtotal			38

Total Respondent = 62

Dropped-out members were selected during the period commencing March, 2010 to the 1st week of May, 2010 using a random sampling technique. Members who in the meantime had left their previous addresses were automatically eliminated from the study. The final analysis was based on the information gathered through interview with members and concern officers using a structured questionnaire. **A copy of the questionnaire used for the purposes of this study is attached to this report.**

b. Data Collection Procedure

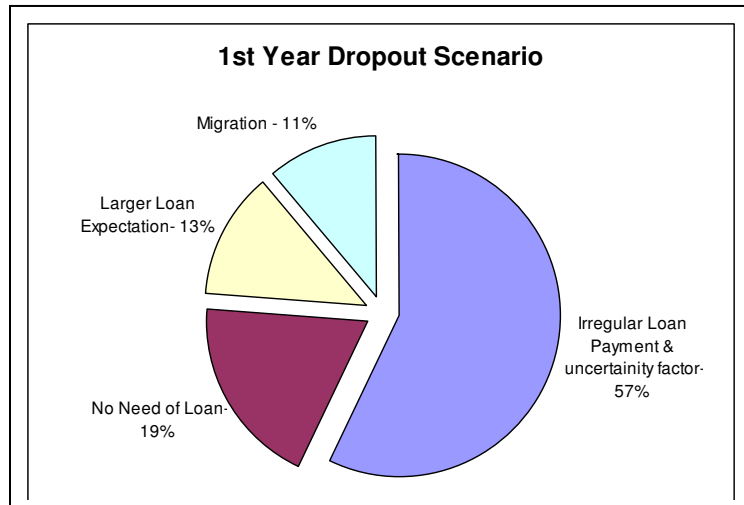
A questionnaire was finalized upon consultation with SAJIDA Foundation's Micro-finance Program Head, based on the drop-out study previously conducted (April 2009- July 2009), but with certain amendments. Branch Managers and Field Officers provided the necessary assistance to identify randomly selected dropped out members. The interviews began on 6 May, 2010 and ended on 11 May, 2010. Interview was conducted by the Training and Research team of SAJIDA Foundation.

Limitations of the Study

- Data collectors from different fields
- Members' change of address
- Inconsistency in members' response
- Small sample size

Summary of Findings of the 1st Year Drop out Study:

Irregular payments and uncertain Payments factors:



General Reasons: The study indicates that irregular payment is one of the main reasons behind member drop-out among 1st year members, accounting for 37% of the total number of drop-outs. In addition, factors such as sickness, loan project failure, misuse and handover of loan to other persons, multiple membership etc play a vital role, resulting in drop-out of members in the 1st year. Due to the factors mentioned above, 57% members dropped out in the initial year.

Specific Reasons:

No need for loan:

The study found that 19% 1st year members dropped out as they did not require a loan. Basically two types of common phenomenon are seen among this group. A portion of this group somehow became self dependent and the rest of the people did not take loan mostly because their business or projects did not run well.

Larger loan expectation

Larger loan expectations are one of the significant reasons of drop out among the 1st year members. Around 13% of first year members dropped out when they did not receive the anticipated amount of loan. This segment of dropouts have potential in terms of business capacity and can use larger loans which will be ultimately beneficial to the organization in terms of increasing portfolio as well as income. Hence, if the organization is able to retain this group, the dropout scenario is likely to change positively.

Migration:

Migration is another notable reason, contributing to 1st year drop outs. This study found that around 11% members dropped out due to migration.

Analysis of Overall Findings:

Irregularity of loan repayment is unquestioningly the most dominating cause of members drop out (contributing to 37% of the total number of drop-outs). Initial year loan repayment behavior

of members depends on further relationship with them. Even uncertainty of loan repayment in the following year is also one of the fundamental reasons for drop outs. Loan officers remain under pressure to realize loans within a specific time frame (as per loan products – within 3 months to 1 year) and on-time realization is to a large extent, a measure of their overall performance. As such, they are inclined to weed out members who are not entirely reliable in terms of making timely loan payments. Thus, in cases where they felt there was a risk that the member would not make a timely payment they have managed to exclude the member entirely. The study has found that including the uncertainty factors (20%) with the existing irregular payment (37%) raises the dropout rate to 57% among 1st year members. Other factors - such as demise of husband, divorce or separation, lack of cooperation from husband and family members, collapse of loan project, loan handover to somebody else, involvement with other organizations, sickness, Micro-finance Institution's (MFI's) inbuilt loan policies such as year-wise loan size, obligatory signature of husband etc - are also responsible for member drop out in the initial year and play a vital role in determining member durability.

Besides, both MFI and members go through an experimental phase in the first year. From the perspective of the MFI, the 1st year is a screening period and for the members, the initial year is selection time of MFIs. So after completion of the 1st year loan both parties make their selections based on whether or not they are compatible.

Internal migration became a considerable factor in the first year drop out phenomenon. It has been noticed during data collection that the group of people who were interviewed are a low income group and seasonally stay in Dhaka or in the nearby city. Pendulum migratory people who don't live in a city for a long period of time due to their temporary employment (agricultural sector, building construction, pulling rickshaws in other areas of the city or other temporary jobs) tend to shift their family from place to place and is an additional cause of member drop out. They are, however, familiar with the local people and manage to retain their memberships with NGOs. It is important to keep this factor in mind while selecting members for the program.

The study indicates that in some cases it is the size of the loan that leads members to discontinue their memberships in the first year. The disappearance of nearly 13% of the members is connected to their loan expectations. In most cases members leave the organization when their expectations for bigger amounts of loan are not met.

Conclusion

Dropping out of members, especially first year drop outs is no doubt a significant problem, which impacts a number of operational and sustainability factors. Unexpected dropping out of members not only creates instability within the program, but is also a threat to the organization in the context of loan disbursement, portfolio target, income from service charges and overall sustainability of the Program.

On the basis of findings of the study, SAJIDA Foundation may take some new initiatives to ensure that such problems can be avoided in the future.

The findings of this study suggests that overcoming this problem entails close and systematic monitoring of dropouts and moving away from rigid credit policies and approaches.

Recommendations

- To minimize unexpected dropping out of members, appropriate clientele selection and accurate targeting is most essential. Selecting appropriate members to ensure better clientele involve keen observation, gathering more information, behavior analyzing, on-site monitoring etc. Field staffs need to be enlightened regarding the importance of these issues. Local management should be responsible for selecting the right members and may follow some of the approaches suggested.
- Since dropping out is closely linked with loan repayment, particular attention should be given to ensure that payments are made on time. Regular formal and informal interaction with all counterparts including members, guardians and guarantors help to counter this problem.
- More clientele-friendly loans and products, policies and conventions can also improve the drop-out problem. Very short-term loans, long-term (more than one-year) loans and an effective rescheduling system can safeguard against members drop-out to some extent. Easing the pressures of 'on time realization,' maintaining unity and avoiding conflict is also likely to bring about positive changes in the drop-out picture.
- Careful observation and attention should be applied to the 'pruning' or 'weeding out' process so as to prevent accidental exclusion of potentially good members.
- The size of loan has been a factor leading to the dropping out of members. The organization can consider offering bigger loans to eligible members following a thorough assessment of the prospective members' projects and assets.

সাজেদা ফাউন্ডেশন
বাড়ী নং- ০৮, সড়ক নং- ১৩৮
গুলশান- ০১, ঢাকা- ১২১২

সদস্য ড্রপ আউট বিষয়ক প্রশ্নমালা

নাম :	পিতা/স্বামী/স্ত্রীর নাম :
বর্তমান ঠিকানা :	
পেশা :	
শাখার নাম :	কেন্দ্র নং :

১. কতদিন আগে সদস্যপদ বাতিল করেছেন?মাস
২. কত টাকা ঋণ গ্রহণ করেছিলেন ?টাকা
৩. ঋণের টাকা কি কাজে ব্যবহার করেছেন ?
৪. প্রকল্প/ ব্যবসা/ কাজটি চলছে কি ? হ্যাঁ না
৬. না হলে] প্রকল্প/ ব্যবসা/ কাজটি সঠিকভাবে না চলার কারণে কি সদস্যপদ ছেড়েছেন ?
 হ্যাঁ না
- ০৭। সাজেদা ফাউন্ডেশনের সদস্যপদ আপনি কি স্বেচ্ছায় ছেড়ে দিয়েছেন ?
 হ্যাঁ না
- ০৮। স্বেচ্ছায় ছেড়ে দিলে, ছাড়ার কারণটি কি ?
- ০৯। গৃহীত ঋণের কিস্তির টাকা কি ঠিকভাবে পরিশোধ করতে পেরেছিলেন ?
 হ্যাঁ না
- ১০। [না হলে] কিস্তি পরিশোধ করতে না পারার কারণে কি সদস্যপদ ছেড়েছেন?
 হ্যাঁ না
- *১১. আপনার ঋণের টাকা কি কেন্দ্রের অন্য কোন সদস্যকে দিয়েছিলেন?
 হ্যাঁ না

১২। ঋণ পরিশোধের পর কি কৌশলে আপনাকে বাদ দেয়া হয়েছিল ?

হ্যাঁ না

১৩। সদস্য থাকাকালে আপনি কি নিয়মিত কেন্দ্রে আসতেন ?

হ্যাঁ না

১৪। [হ্যাঁ হলে] কেন্দ্রে বাধ্যতামূলক উপস্থিত থাকার চাপের কারণে কি আপনি সদস্যপদ ছেড়েছিলেন ?

হ্যাঁ না

১৫। সদস্য থাকাকালীন সময়ে আপনার কেন্দ্র হতে অন্য কোন সদস্য কি পালিয়ে গিয়েছিল ?

হ্যাঁ না

১৬। [হ্যাঁ হলে] পলাতক সদস্যর কিস্তি কি আপনাকে পরিশোধ করতে হয়েছিল ?

হ্যাঁ না

১৭। অন্যের কিস্তি পরিশোধের ঝামেলা কি আপনার সদস্যপদ ছেড়ে দেওয়ার কারণ ?

হ্যাঁ না

১৮। সঠিক জামিনদার দিতে না পারার কারণে কি আপনার সদস্যপদ বাতিল হয়েছিল ?

হ্যাঁ না

১৯। সদস্য থাকাকালীন সময়ে অফিসের কেউ কি কখনো আপনার সাথে খারাপ ব্যবহার করত ?

হ্যাঁ না

২০। [হ্যাঁ হলে] সেটা কি আপনার সদস্যপদ ত্যাগের কারণ ?

হ্যাঁ না

২১। সদস্য থাকাকালীন সময়ে আপনি যে পরিমাণ ঋণ পাওয়ার আশা করতেন তা কি পেয়েছেন ?

হ্যাঁ না

২৩। [না হলে] সেটা কি আপনার সদস্যপদ ত্যাগের কারণ ?

হ্যাঁ না

২৪। সদস্য থাকাকালীন সময়ে আপনি কি মাঝে মাঝে সঞ্চয় উত্তোলন করতে চাইতেন ?

হ্যাঁ না

২৫। প্রয়োজনে সঞ্চয় উত্তোলন করতে না পারার কারণে কি আপনি সদস্যপদ ছেড়েছেন ?

হ্যাঁ না

২৬। হেল্প সার্ভিস কি আপনার পছন্দ হয়েছিল ?

হ্যাঁ না

২৭। হেল্প সার্ভিস পাওয়ার জন্য যে প্রিমিয়াম (২৫০ টাকা) দিতে হয় এটাকে কি আপনি বাড়তি চাপ মনে করেন ?

হ্যাঁ না

২৮। [হ্যাঁ হলে] সেটা কি আপনার সদস্যপদ ত্যাগের কারন ?

হ্যাঁ না

২৯। বর্তমানে আর কোন কোন সংস্থার সাথে জড়িত আছেন ?

(ক)

(খ)

(গ)

৩০. কত বছর ধরে উক্ত সংস্থার সদস্য

(ক)

(খ)

(গ)

সময় দেয়ার জন্য এবং আপনার সহযোগিতার জন্য ধন্যবাদ

মন্তব্য:

তথ্য সংগ্রহকারীর স্বাক্ষর: