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A STUDY ON

**Member Dropouts of SAJIDA Foundation
Microfinance Program**

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Abstract

Dropping out of members is a problem common to all microfinance organizations with damaging effects on program efficiency and stability as well as overall organizational sustainability. SAJIDA Foundation sought to investigate this phenomenon with the intent to turn-around its 53% dropout rate recorded last year. A survey research was launched in this regard where, through a structured questionnaire, 400 dropped-out members were interviewed starting April 16, 2009. The survey that ended on the first week of July, aimed to study the level of existing customer relationship, the views of the clientele regarding the organization and the existing products, measure the attitude and performance of the team members of the branches and, most importantly, identify the key reasons for such a high rate of member drop-out. In the long-run, this study will serve as a basis for the formation and modification of policies at SAJIDA Foundation regarding clients and products, forging sustainable relationships with clients, developing better products and services and fostering long-term unity of members towards SAJIDA Foundation's mission implementation.

Some of the key reasons behind member drop-out that have been identified through this study include: inability to repay loans, wrongly selected clientele, inadequate marketing and loose customer relations, group responsibility of loan payment, multiple membership, misconduct with members, guarantor system and a few rigid trendy service facilities. The survey research revealed that 82% of dropouts had voluntarily terminated their memberships while 15% did not leave organization voluntarily. The remaining 3% of members interviewed did not give a clear response regarding dropping out. The percentage whose memberships had been involuntarily terminated included troublesome members whom the organization had chosen to 'weed out' typically due to bad attitude and behavior, tendency to deviate from timely payments on loan installments and other behavior-related issues. Such members are expelled from the member group at the discretion of concerned officials of the organization once their loans have been realized. On the other hand, the survey found that the main factors leading to voluntary withdrawal of membership included: inability to make regular loan payments, no longer needing a loan, mandatory attendance requirements, barriers imposed by family, having to make payments on behalf of escaped members, failure to ensure a guarantor, misconduct, larger loan expectations, advanced payment and early loan receiving option, lack of a monthly installment option, not being able to withdraw from savings and issues with SAJIDA Foundation's HELP services.

SAJIDA's analysis of the survey results also revealed that the drop-out rate was highest among first-year clientele, indicating greater choice diversification when it came to products and services. Yet another significant finding of the study is that most dropped out members had utilized their loans properly and a good majority had invested their loans in small businesses. 65% of those who had invested their loans in businesses affirmed through the survey that their business/project was running well, while the remaining 33% had failed in their ventures.

When it came to dealings with other NGOs, the study found that nearly 43% of dropped out members were members of other big NGOs, with ASA holding the largest percentage of SAJIDA Foundation dropouts. Majority of respondents who had joined other NGOs after dropping out opined that greater flexibility when it came to attendance at the centre meetings was the primary reason for joining a different NGO. Others pointed to bigger loan sizes, loan adjustment facility with savings, monthly installment facility and health services as reasons for opting for another NGO. This implies that improved products and services as well as more effective marketing may improve the drop-out scenario for SAJIDA Foundation.

While SAJIDA Foundation's high drop-out rate is unquestionably a cause of concern, this study provides significant insights into some of its key causes, thereby suggesting ways of improving member participation. The willingness of more than half of the dropped out members to readmit to SAJIDA Foundation is a positive indication in this regard of the significant possibility of improvement in the future. It also suggests that while adequate focus must be maintained on proper member selection, the organization must also pay close attention to addressing the apparent deficiencies within its microfinance program.

Acknowledgement

SAJIDA Foundation's study on clientele drop-outs is an initiative that has yielded valuable insights that 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 the study.

Our heartfelt thanks go out to all our colleagues who have been generous in rendering all-out cooperation at all times. Thanks also go to **Md. Monerul Islam Khan, Program Head, Microfinance**, for his valuable suggestions and spontaneous cooperation.

We are 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 quite impossible to collect data from the respondents. Their commitment to providing valuable time and efforts to the study in assisting data collection despite their daily engagements is much appreciated.

Thanks are also due to the **data collectors** connected to this work for their untiring labor in collecting data and compiling the same afterwards. Good wishes are also conferred to the **beneficiaries** who gave their valuable time for interviews.

Last but not least, we are grateful to our **unit colleagues** who extended their wholehearted cooperation which was vital to the timely completion of the study.

A Glimpse of SAJIDA Foundation

A major national NGO today, SAJIDA Foundation's modest beginnings date back to the year 1987 when it started providing primary education to underprivileged children. In a span of two decades, SAJIDA has emerged as a leading national NGO with integrated development programs in Microfinance, Health and Education, fighting poverty to ensure a better quality of life for the marginalized and disadvantaged members of the society. SAJIDA's Microfinance program introduced in 1993 with the mission to improve the quality of lives of the poor by facilitating access resources currently provides services to 0.1 million poor member borrowers.

SAJIDA's mission imbibes the core values of its development approaches that include focusing on empowerment of the mother as the primary caregiver in the family, gender equity and exercising transparency and democracy. Since its inception, SAJIDA has dedicated itself to tailoring its services to best meet the overall needs of the community and keeping in line with its mission. In this context, this study aims to identify the key reasons behind the dropping out of its members with the intent to improve the quality of its services.

SAJIDA currently provides a diverse range of services to families living in parts of the Greater Dhaka, Narayangang, Gazipur, Chittagong, Jamalpur and Sunamgang district.

Introduction and Background of Study

Bangladesh is considered to be the ‘motherland’ of microfinance, spanning more than three decades and engaging directly or indirectly nearly 90% of the poor. With nearly 30 million people receiving services or taking loans from NGOs, and a good portion even taking loans from different NGOs at the same time, microfinance plays a vital role at the grassroots level of the economy as well as in the national socio-economic arena.

Although widely in practice for such an extended period of time and involving such a vast majority of the poor, few studies have been conducted with regards to the multi-dimensional impact of microfinance on human life. Some studies that can be found in this context focus mainly on the role of micro-credit in development which still remains a much debated topic. Thus, numerous issues pertinent to the MFI and its stakeholders are yet to be studied. One such issue that is a major setback for MFIs and that deserves particular investigation is that of member drop-outs. In this regard, SAJIDA Foundation is keen to identify the causes behind member drop-outs with the intent to control the phenomenon in the future. Alongside the practices of the standard MF model, SAJIDA Foundation puts equal emphasis on academic as well as institutional approaches and strives to synthesize and apply all three in a rational way in all its development initiatives.

Objectives

The study comprehensively approaches and inspects different dimensions of the program with immediate and wider objectives that are as follows:

a. Immediate Objectives

- Know the level of customer relationship
- Know the clientele views regarding existing products
- Understand the attitude of the clientele regarding the organization and its services
- Measure the attitude and performance of team members of branches
- Find out the overall reasons for member drop-outs

b. Wider/Long-term Objectives

- Modify policies and provide clientele-friendly and demand-driven products
- Develop sustainable customer relationship
- Develop better services for the customers and effective marketing
- Incorporate cost-effective policies
- Foster long-term unity of members towards the organization’s mission Implementation

Research Methodology and Data Collection Procedure

Study Design:

a. Selection of branches and clientele for the survey

Clientele for the study was selected from the entire working area of SAJIDA Foundation, including Dhaka, Narayanganj, Gazipur and Chittagong. Twenty (20) branches (almost one-third of total branches) from new and old operational areas were included in the survey for data collection. Both urban and rural operations as well as branches demonstrating low and high dropout trends and clients have been integrated in this survey.

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	Rahamatpur	1	25	11	Fatullah	29	20
2	Lalbag	4	25	12	Konabari	32	20
3	Baddah	6	25	13	Nababpur	33	20
4	Chunkutia	7	25	14	Madanpur	40	20
5	Sanir Akhara	8	25	15	Ruggang	42	20
6	Uttara	10	25	16	Malibag	44	20
7	Panchabati	12	25	17	ME (EDP)	01	10
8	Shiddhiringong	20	20	18	ME (EDP)	02	10
9	Nababgang	26	20	19	Khulshi	51	13
10	Komargang	28	20	20	Halisohor	53	12
Subtotal			235	Subtotal			165

Total Respondent = 400

To cover all sorts of products, data was collected from Dhaka, Narayangong, Gazipur and Chittagong comprising RMC, UMC and ME (EDP) branches. Dropped-out respondents were selected from the period between November 2008 and March 2009. To ensure required number of respondents 1,200 were enlisted primarily. Subsequently 400 members were selected through the systematic random sampling technique. By this method every third person was selected as a respondent and 400 dropouts were interviewed. In the event of absence of respective members, every fourth person was selected for interview. 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 interviews with all 400 respondents using a structured questionnaire.

b. Data Collection Procedure

Five professional and trained data collectors, all possessing post-graduate qualifications were appointed for data collection. They also received an extensive day-long training on data collection, especially in the context of microfinance. It is noteworthy that the structured questionnaire was finalized after an extensive field test. Respective Branch Managers and Field Officers provided the necessary assistance to identify randomly selected dropped out members. The interviews began on April 16, 2009 and ended on the first week of July, 2009. On an average, 8 respondents were interviewed on each working day by each data collector. The collected data was verified by the members of the SAJIDA Foundation training unit. Some data - such as the number of dropouts of relevant branches - was collected from secondary MIS sources.

Dropping Out Perspective and Impact

All microfinance organizations must face challenges that emerge due to intrinsic conflicts between its policies and practices. This is because policies that are designed to cater to the targeted poor very often falter when it comes to practice or execution at the grassroots level. Even when the organization does reach the marginalized poor it has to step back to maintain professional performance. For instance, when members fail to make timely repayments on loans, the organization must take measures to exclude such members to ensure successful running of the program. These members are tactfully coerced into withdrawing from the program. As such, the drop-out phenomenon is deeply related to the paradoxes within the microfinance program.

In this regard, with the intent to 'weed out' problematic members, SAJIDA Foundation let go of nearly 34% of its members from 20 of its branches over the last five months. Thus, through this 'weed out' practice, a substantial number of clients who are somehow deviant are 'pushed out' by the program staff on a regular basis. Synthesis between policies and practices therefore remain a big challenge that the organization must overcome in order to reduce its member drop-out rate.

While it is important to maintain a healthy client base to ensure optimum program performance, high exclusion rates increase multisided operational expenses including training, orientation, administrative and marketing cost. High and immature exclusion also weakens the organizational structure and indirectly diverts the organization from its mission, while its clientele are unable to evaluate the services of the organization designed for their socio-economic development and overall betterment. Brief member attachments make it difficult to assess the impact of the program which is why a high dropout rate particularly interrupts effective implementation of the organizational mission. Unexpected dropping out of members not only creates instability within the program, but is a threat to the organization in the context of loan disbursement, portfolio target, income of service charges and overall sustainability.

Limitations of the Study

A degree of limitations and obstacles are common to all studies, particularly those conducted at the grassroots level. A common problem faced in conducting this particular study was the lack of professional and skilled data collectors in the microfinance field. Indoor training to collect quality data, in this case, was not sufficient due to the complex nature of the microfinance program itself as well as the issue of member drop-outs. Thus it proved difficult for data collectors who do not have sufficient experience in the field of Microfinance to gather the required information through multiple cross questionnaires. This, along with other challenges and limitations faced in this study are as follows:

- Lack of professional experience in the microfinance field
- Data collectors from different fields
- Members' change of address
- Inconsistency in members' response
- Time management difficulties faced by staff in finding the respondents

Additionally, the present study emphasizes particular factors such as voluntary and involuntary exclusion and other related issues from the perspectives of both the MFI and the clientele. However, wider perspectives – such as geographical phenomenon, age and other socio-economical factors which might influence the dropping out of members – have not received adequate emphasis.

Chapter I : Summary of Findings

Dropping out of Members and Causes

The issue of member drop-out in the microfinance industry is a complex and multifaceted phenomenon with no singular cause or motive. Comprehensive internal and external factors play an almost equally important role leading to the phenomenon of dropping out. The purpose of this study is to identify some of the basic causes associated with dropping out, focusing primarily on major trends.

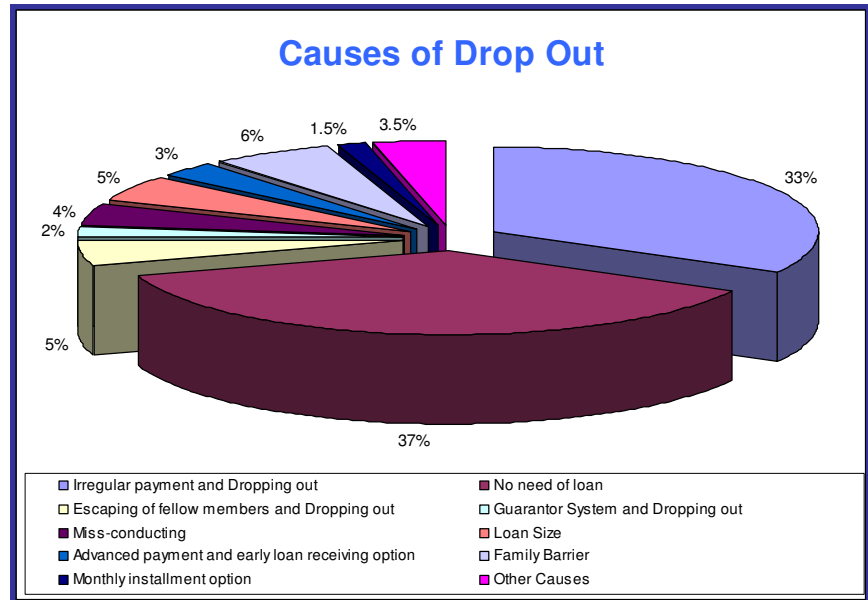


Figure 2: Causes behind dropping out

The study found that some of the major causes behind member drop-out include inability to repay loans, wrongly selected clientele, inadequate marketing and loose customer relations, group responsibility of loan payment, multiple membership, misconduct with members, guarantor system and a few rigid trendy service facilities, as illustrated in the figure above.

These findings are further elaborated as follows:

Appropriate clientele targeting

In the initial year, 65% of the members leave or are expelled from the program. This trend underscores the importance of careful and accurate targeting of clientele which is a basic, yet vital requirement of the microfinance program corresponding to member selection and criteria. Flaws in the member-selection process is likely to lead to the occurrence of dropouts in the program.

Mission sharing gap

Effective integration between the organization's mission and the goal of the members is important for the success of a program. When the organizational mission is not communicated properly with the clientele, it is not possible to maintain a lasting and stable relationship with the members during the

course of which both the organization and the member can be benefitted equally. Lack of such effective integration is one of the factors leading to member drop-out.

Customer relationship and marketing

A strong and positive relationship with the clientele is very important for long-term cohesion of members in the microfinance program. Only 35% of the members continue their membership towards the second year and fewer beyond second year. The remaining 65% maintain relationship with the organization only for one year or less and a significant number of members leave the organization voluntarily. The data provides a poor picture of inadequate customer care especially in the induction year. Only competitive customer care, especially in the induction years can alter the drop-out scenario in the future. Inadequate marketing of

facilities and rigid policies may also cause a good number of members to drop out.

Different service providers, multiple memberships and choice diversification

A correlation seems to exist between dropping out and multiple memberships as well as competitive service providing system. Nearly 43% of the exited members are availing services from different NGOs resulting in greater choice diversification. Members prefer testing and short-listing existing service providers before settling on one to obtain services from. This is a continuous process where members are motivated to select an organization by the pattern and various characteristics of products and services that the organization offers. Bigger loan sizes, flexible attendance at the center meetings, savings and loan installment adjustments etc. are facilities that typically influence the client's decision in choosing between different competitors in the field. As such, clientele-friendly services and products can improve the exclusion situation.

Irregular payment

Irregular payment is one of the main reasons behind member drop-outs in the Microfinance program. The data collected reveals that almost 33% of the members were unable to regularly pay their installments. This culture of irregular payment leads to the eventual divide between the member and the organization.

Individually irregular payment culture is the most significant reason of dropping out of clientele. The MIS data - 'Savings Refund Register' - also supports the fact that 34% members were 'pushed out' directly or indirectly by the organization due to their failure to make payments on their loans within the established time frame. In some instances the members were unaware that their membership with the organization had been revoked after their loans had been adjusted with their savings. Mutual discussions can reduce such type of unexpected exclusion.

No need of loan

A significant 37% of the respondents discontinued their membership on the grounds that they are no longer in need of loans. This figure is not an absolute indication of less demand for loan. Since a good number of members have multiple

memberships it might be assumed that a portion of them are receiving loans elsewhere. The fact remains however, that they have discontinued membership on the basis of this claim. Other factors such as weak customer relations, loan size, misconduct, area changing etc. are also connected with this indicator.

Escaping of fellow members

Escaping of fellow members from the center plays a major role in member drop-outs. The system of group mechanism and group responsibility obligates fellow members to pay the unpaid amount of escaped members and thus, unwilling to bear the escapee's loan liabilities, many members drop out of the centre. According to the study, this has been a reason for the dropping out of nearly 5% of the members.

Guarantor System

Interestingly, the guarantor system has emerged as one of the factors leading to member drop-out and around 2% of the members have departed due to their inability to ensure their guarantor. The vulnerable poor are faced with this difficulty since their acquaintances are usually reluctant to step forward and take responsibility for their loans.

Misconduct

Misconduct with members, however trivial or slight, is also one of the reasons that have been identified for member drop-out. 4% of total members claim to have suffered some form of misconduct and thus left the program.

Loan Size

The study indicates that in some cases it is the size of the loan that leads members to discontinue their membership. The disappearance of nearly 5% of the members is connected to their loan expectations. In most cases members left the organization when their expectation for bigger amounts of loan was met with disappointment.

Advance payment and early loan receiving option

Although members are usually given loans for one year, they have the option of making advance payments up to five weeks earlier than their

scheduled date. This option often poses as a problem when some members in need of funds try to make payments ahead of the five-week early payment timeframe and then try to compel loan officers to provide larger loans. So while members push for early loans through advance payments, loan officers are reluctant to accept advance payments made earlier than five weeks as per policy. This mismatch eventually results in the dropping out of members. The study found that 3% of the total members left the organization because of issues related to advance payment and early loan receiving option.

Mandatory attendance and family barriers

In total around 6% of the members were unable to continue their membership because of the mandatory attendance rule and family barriers. It is evident from the study that a few members do not receive loan with family consent and, as a result, the heads of their families or income earners later

impose barriers to the members' receipt of loan. In a few other cases, working members find it inconvenient to regularly attend center meetings due their job schedules.

Monthly installment option

1.5% of members have withdrawn their memberships for want of a monthly installment option in place of the weekly installment option. These members usually want monthly or extended time for installments due to their income patterns, time constraints or other similar issues.

Other Causes

Other less significant events that lead to member drop-out include illness, project failure, death of husband, getting no HELP facility etc.

Around 3.5% members have terminated their memberships because of such issues

Table 1.1 : Causes behind dropping out

Sl. No	Cause	Person	%
1	Irregular payment	132	33
2	No need of loan	147	37
3	Escaping of fellow members	20	5
4	Guarantor System	8	2
5	Misconduct	16	4
6	Loan size	21	5
7	Advance payment and early loan receiving option	12	3
8	Mandatory attendance and family barrier	24	6
9	Monthly installment option	6	1.50
10	Other Causes	14	3.50
Total		400	100

Chapter II : A Closer Look at Dropout Study Findings

Membership

Among the dropouts 65% were members for just one year, 14% had two-year memberships, and 9% had three-year memberships. The remaining 12% had been members for four years or more.

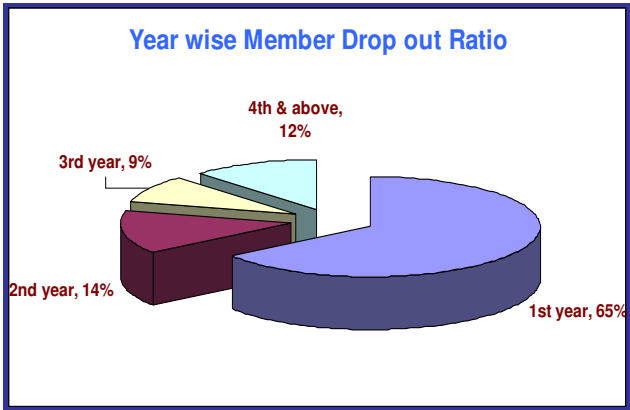


Figure 2: Year-wise Member Drop-out Ratio

This indicates that drop-out rate is highest among first year clientele and that among the newly admitted members 65% do not continue their relationship onto the following year with the organization. This trend implies that the clients are "testing" the MFI. The phenomenon also indicates the possibility of reducing the drop-out rate by strengthening relationship with the clientele. For microfinance organizations high drop-out rates are potential threats in terms of loan disbursement, portfolio target, income of service charges and overall sustainability.

Use of loan (last loan)

A significant finding of the study is that 71% of total dropped out members used their loans for small businesses. This trend of proper utilization of loan among dropped out members is apparently very good. Of the rest, 7% of the respondents used their loans to buy rickshaws, 2.5% used their loans to buy sewing machines and 6% of the respondents spent their loans on family consumption. It is noteworthy that very few spent the loans on consumption.

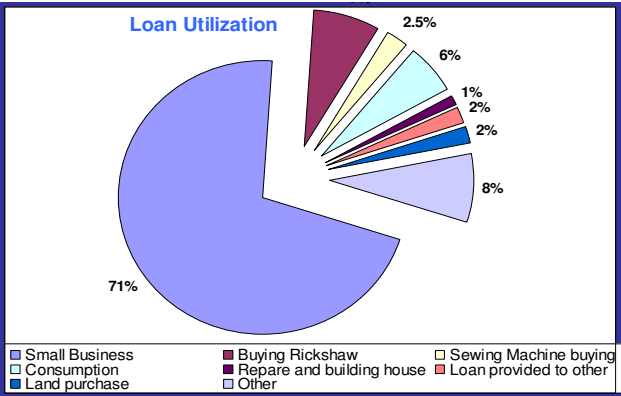


Figure 3: Loan Utilization

Present Status of Business/Project

66.5% of the total respondents surveyed affirmed that their business/project is running properly. On the other hand 33.5% said that their business is not running at all.

The fact that a good percentage of respondents are successfully running their businesses is a very good indicator contradicting the commonly held misconception that microcredit tends to pauperize the clientele.

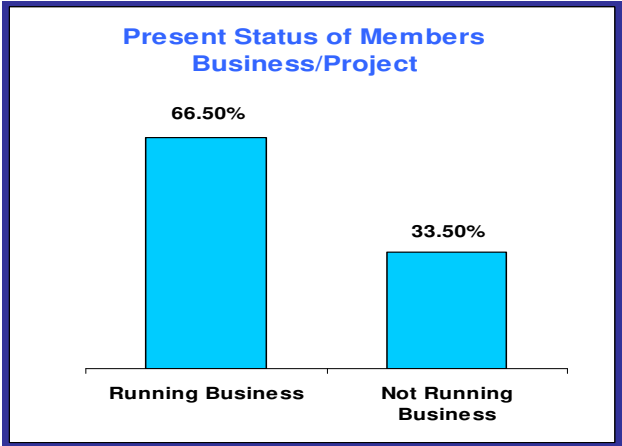


Figure 4: Present Status of Members' Business/Project

Voluntary Member Drop-out

Almost 82% of dropouts admitted to have voluntarily terminated their memberships while 15% maintained that they did not leave organization voluntarily at all. The rest of the members (3%) did not give a clear response regarding dropping out.

These statistics point to the growing freedom of choice exercised by the clientele today. It also suggests that with better service the organization can appeal to the clientele's preference, thereby reducing the drop-out rate.

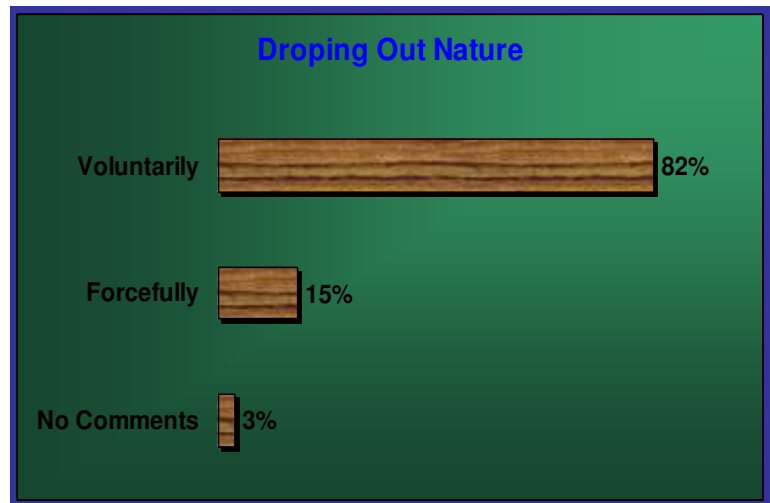


Figure 5: The Nature of Dropping Out

Involuntary Member Drop-Out

Of the total respondents, 11% stated that the organization had rescinded their memberships after loan repayment. Most members who had been 'weeded out' as such by the staff members were willing to maintain their relationship with the organization. These members were not in control of their exclusion themselves to the extent that in some instances they were not even aware that they had been excluded.

Other Causes

Other less significant events such as illness, project failure, death of husband, getting no HELP facility etc. also played a role in member's exclusion. Around 3.5% members broke off from the organization due to such issues.

Causes behind Voluntary Drop-out

Of the respondents who voluntarily withdrew their memberships, 33% decided to do so because they were unable to pay loan installments regularly. Interestingly, 37% claimed that they were no longer in need of loan. 6% had discontinued their membership because they had lost their businesses and 5% had decided to rescind their membership as the size of loan did not meet their expectations. Besides these issues, misconduct, advance payment and instant loan demand, family barrier, lack of monthly installment option, HELP claim etc emerged as factors leading to voluntary drop-out of

members. In most cases individual and/or multiple issues persisted over the general voluntary exit issues.

Repayment rate of loan installment by the exited members

83.5% of the dropped out members claimed to have regularly paid their loan installments. On the other hand 16.5% members were unable to pay their loan installments on a regular basis. However, this claim regarding regular payment by the members is a bit inconsistent since nearly 33% of the respondents had previously admitted that they could not pay the loan installments on a regular basis. This indicates a possible gap between the members' and MFI's 'regularity' conception. 45% of members who were unable to make regular payments on their loan had surrendered their memberships due to irregular payments.

Attendance at the center

Of the total respondents, 65% of the members attended the weekly center meetings during their membership while 33.5% were not regular at the center meetings.

Mandatory Attendance and Family Barrier

Because of the compulsory attendance system and due to the imposition of family barriers, around 6% of the respondents cut off their relationships with the organization. It appears that some members did not receive loans with family consent as a result of

which the family heads or income-earners later imposed barriers against loan receipt of the members.

Escaping of the members and installment payment

Of the total respondents, 81% stated that during their membership one or more than one member had escaped from their center. 69% of these respondents had made payments for the escaped members. 20% of those who had to bear the escaped members' loan liabilities commented that they had terminated their memberships because of this hassle.

In total 5% of the members dropped out because they had to pay on behalf of the escaped members. Often the long-term impact of the system of making payments for fellow members can be unfair on both the members and organization.

Guarantor/Collateral

Although the guarantor/collateral system is an important feature for the operational success of the organization, it poses as an impediment towards member sustainability. As the data reveals, around 2% of the members departed as they were unable to ensure their guarantor/collateral.

Misconduct

Only 4% of the members claim to have been victim to misconduct and leaving the organization for that particular reason. The rest of the members have no such complaints.

Loan Expectations

73% of the total respondents stated that they received expected amount of loan. On the contrary 27% complained that they did not receive expected amount of loan. Of those whose expectations of loan amount were not met, (often this amount was bigger) 5% discontinued their memberships because of this disappointment.

Advance payment and early loan receiving option

Beside loan size, sometimes advance loan payment and the hassle of early loan receipt emerges as a problem. Mismatch on the above issues ultimately

ends with the dropping out of members. 3% of the total members left the organization because of related issues.

Monthly installment option

1.5% of the members detached from the organization due to their preference for a monthly installment option over the existing weekly installment system. Reason for this preference for a monthly or extended time for installment includes income patterns, time restraints and other similar issues.

Savings withdrawal

About 7% of members wanted to withdraw their savings during their membership. (The rate is a bit low since 65% respondents had only one-year membership. Usually members are not permitted to withdraw their savings during the first year). A small percentage of members (1.5%) stated that less opportunity to withdraw savings had contributed towards their decision to eventually break their ties with the organization.

HELP Services

HELP is a service provided by SAJIDA where members contribute a very low premium amount towards an insurance package to ensure social protection and security for member families. At a modest annual premium amount of Tk. 250, this insurance provides coverage against various risks such as, sickness, death, asset loss and accidents.

The study found that 84% of the respondents were in favor of the provided services while 16% said that they did not like the services at all.

When asked whether they thought the Tk. 250 yearly HELP premium added extra pressure, 18% of the members held that it did, while the remaining 82% did not think so. It is noteworthy that only 1% of the total member drop-out is linked with HELP. Holistic marketing, availability and increased awareness of more information regarding HELP can change the negative attitudes of members and help them to better understand the objectives and goal of HELP, which is basically intended for the betterment of the clientele.

Dealings of Dropouts with other NGOs

Currently almost 43% of dropouts are availing services from other NGOs or service providers. Departed members have dealings with all the major existing NGOs such as ASA, Grameen Bank, BRAC, MANABIK, SSS, TMSS. Among these NGOs ASA individually is ahead in all contexts engaging 9% of SAJIDA Foundation's dropouts. 5.5% now have memberships with Grameen Bank, 4.1% with BRAC, 1.2% with Manabik and 1% with SSS. A remarkable number of members receive loan from different local NGOs, multipurpose cooperatives or from other national NGOs. It can be assumed that some services of these NGOs are better and in some cases they are greater risk-takers as well. Inadequate or a less aggressive marketing strategy can also be reasons for the members to be less inclined to maintain long-term cohesion with SAJIDA Foundation. A good portion of members are also unaware of many folded services delivery of SAJIDA Foundation.

Opinions of dropouts regarding services of other NGOs

Members differed on their opinions regarding the delivery of services. 30% - the majority – opined that greater flexibility of attendance at the center meetings was their reason for taking loans from other NGOs. 15% stated that bigger loan size attracted them to a different NGO. Around 11% believe that a loan installment adjusting facility with savings is a better service pattern for them. 6% think that a monthly installment facility is good one and another 6% consider health services as a valuable service. It is evident that in response to greater diversity of service members are increasingly exercising greater freedom of choice.

Option of Readmission to SAJIDA Foundation

Other less significant events such as illness, project failure, death of husband, getting no HELP facility

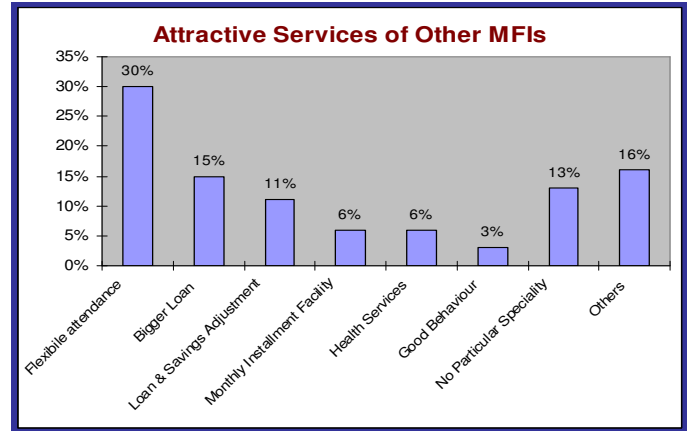


Figure 6: Attractive Services of other MFIs

etc. also played a role in member's exclusion. Around 3.5% of the members broke off from the organization due to such issues.

Despite the dropping out of members over the last couple of months almost 56% of the members expressed interest in readmitting to SAJIDA Foundation. Conversely, 44% lost their interest to come back again. Though the percentage of those willing to readmit is relatively lower than readmission rate, the loss of interest in readmission demonstrated by 44% of dropped out members is undoubtedly disappointing. An analysis of the number of dropped out members over the last five months reveal that every year nearly 53% of members withdrew their memberships. So it is of concern that after a certain period a small number of new members will persist.

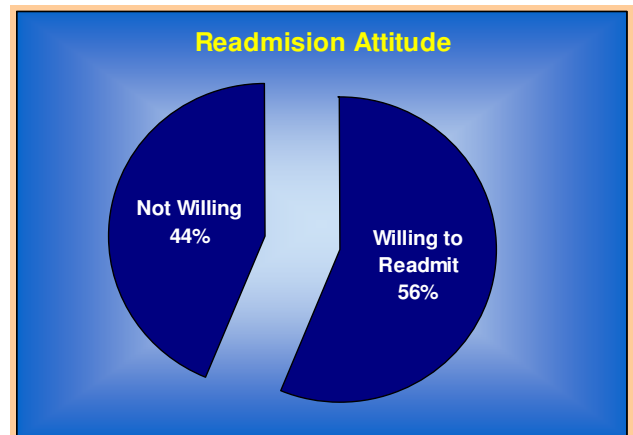


Figure 7: Readmission Attitude

Conclusion

Exceptions aside, dropping-out of members from the MFI presents a significant problem for SAJIDA Foundation, as well as other microfinance organizations, frequently increasing the organization's cost structure, discouraging other clients and gradually reducing prospects of sustainability. Not only is it detrimental with respect to clients and individual microfinance organizations, but is equally damaging to the entire microfinance industry. SAJIDA Foundation's study of this phenomenon has successfully fulfilled its overall objectives of analyzing the organization's relationship with its target clientele, understanding their opinions regarding products as well as the organization and identifying some of the key causes of member drop-out with the ultimate goal to bring down high drop-out rates.

The findings of this study suggests that overcoming this problem entails close and systematic monitoring of dropouts and moving away from rigid credit driven policies and approaches. The tendency of field staff to implement rigid models of the MFIs, while aware that this is unsuited to the clientele, must be corrected. It is also important for the organization to be alert and responsive to the needs of the clientele which may involve loans for emergency medical and health bills, inevitable and emergency social and family programs, mortgage to build house, necessary consumption and so on. Addressing such needs calls for innovation and diversity in products which would help both the organization and clientele in the long-run in meeting individual objectives as well as the organizational mission.

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. and so field staff must be careful regarding these issues. Local management should be responsible for selecting the right members and may follow some of the approaches discussed.
- The organization's mission should parallel the clients' goal to reduce member drop-out. In this regard, a formal and systematic mission-sharing process should be incorporated into the program.
- Since dropping out is closely linked with loan payment, particular attention and efficient conduct of payments is vital. Regular formal and informal interaction with all counterparts including members, guardians and guarantors can improve the situation.
- More clientele-friendly loans and products, policies and conventions can also improve the drop-out scenario. Very short-term loans, long-term (more than one-year) loans and an effective rescheduling system can safeguard against member drop-outs 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.

- Continual and aggressive marketing as well as improved customer care can produce a significant decline in the member drop-out rate. Technical and integrated approaches of marketing which can be incorporated at center meetings, daily disbursement meetings, HELP claim payment meetings and other formal meetings might improve customer relations and consequently cut down the number of dropouts.
- Nurturing strong customer relations by maintaining warm and amiable demeanor in dealings with the clientele can assure reduction in the drop-out rate of members. Pleasant and professional conduct should be imbibed within the culture of the organization. While it may often be necessary to deal firmly with deviant or troublesome clients, it is important for the staff to exercise maximum professionalism in their conduct.
- 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 survey shows that a significant number of members are willing to readmit and take loans, which suggests that the member screening was not thorough enough to retain members who, with proper handling, may have been sustained.
- The size of loan has been a factor leading to the dropping out of members. The organization can consider offering bigger loans for eligible members following a thorough assessment of members' projects and assets.
- More flexible policies on savings adjustment, center meeting attendance and practice by the field staff can somewhat alter the drop-out rate.

Annexure -1

SAJIDA Foundation Member Drop Out Scenario of Microfinance Program November 2008 to March 2009

Branch	Dropout Nov'08	Dropout Dec'08	Dropout Jan'09	Dropout Feb'09	Dropout Mar'09	Total Dropout
RMC						
Branch-01	179	95	145	180	157	756
Branch-02	198	128	202	144	146	818
Branch-03	66	39	50	56	57	268
Branch-07	113	59	108	107	101	488
Branch-09	202	149	161	138	192	842
Branch-11	144	72	118	249	124	707
Branch-12	110	82	101	113	129	535
Branch-13	135	67	93	101	89	485
Branch-15	159	73	99	93	94	518
Branch-21	10	7	37	44	26	124
Branch-22	113	79	114	118	133	557
Branch-23	23	27	40	36	36	162
Branch-26	33	11	43	130	89	306
Branch-27	28	1	41	53	89	212
Branch-28	26	8	28	46	57	165
Branch-29	110	58	87	98	124	477
Branch-32	29	15	35	32	21	132
Branch-34	19	11	27	35	30	122
Branch-35	8	6	33	17	30	94
Branch-38	36	15	28	28	23	130
Branch-39	28	24	57	65	62	236
Branch-40	27	20	54	49	54	204
Branch-41	13	8	32	47	35	135
Branch-42	7	12	15	59	49	142
Branch-43	5	14	37	32	40	128
Subtotal	1,821	1,080	1,785	2,070	1,987	8,743
UMC						
Branch- 04	172	89	102	84	89	536
Branch- 05	95	67	99	93	74	428
Branch- 06	88	47	67	58	74	334
Branch 08	121	74	121	110	123	549
Branch-10	40	26	49	65	43	223
Branch-14	182	89	147	113	140	671
Branch-16	123	87	95	115	118	538
Branch-17	131	85	64	55	75	410
Branch-18	145	72	89	80	112	498
Branch-19	138	111	127	107	122	605
Branch-20	156	64	123	124	123	590

Branch -24	50	32	42	54	48	226
Branch-25	72	46	71	74	101	364
Branch-30	102	82	92	132	121	529
Branch- 31	89	63	80	68	96	396
Branch- 33	50	26	56	30	32	194
Branch- 36	40	24	71	71	79	285
Branch- 37	45	25	33	46	46	195
Branch- 44	24	19	45	27	38	153
Subtotal	1,863	1,128	1,573	1,506	1,654	7,724
ME						-
ME-1	11	4	31	31	18	95
ME-2	4	8	20	14	30	76
Subtotal	15	12	51	45	48	171
RNPPO				-		-
Branch-47	51	32	54	67	101	305
Branch-48	29	45	69	72	68	283
Branch 49	92	52	81	48	51	324
Branch 50	41	19	25	28	33	146
Branch-5				-	1	1
Branch-6				3	4	7
Branch-10				-	1	1
Branch-14				3	1	4
Subtotal	213	148	229	221	260	1,071
CTG: UMC			-			-
Branch-51	63	39	78	77	57	314
Branch-52	104	42	74	37	30	287
Branch-53	132	62	91	84	64	433
Branch-54	82	37	35	66	78	298
Branch-55	87	43	76	61	44	311
Branch-56	75	66	79	68	50	338
Branch-57	58	67	61	31	45	262
Branch-58	34	31	35	28	25	153
Branch-61	11	11	8	20	49	99
Branch-62	15	8	26	23	30	102
Subtotal	661	406	563	495	472	2,597
CTG: RMC						
Branch-59	4	3	23	14	23	67
Branch-60	11	5	8	16	26	66
Subtotal	15	8	31	30	49	133
Grand Total	4,588	2,782	4,232	4,367	4,470	20,439

Annexure-2

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। আপনি কতদিন সাজেদা ফাউন্ডেশনের সদস্য ছিলেন ? বছর মাস
- ২। কতদিন আগে সদস্যপদ বাতিল করেছেন ? মাস
- ৩। কতবার এবং সর্বশেষ কত টাকা ঋণ গ্রহণ করেছিলেন ?বারটাকা
- ৪। ঋণের টাকা (সর্বশেষ) কি কাজে ব্যবহার করেছেন ?
- ৫। 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। ঋণ পরিশোধের পর কি কৌশলে আপনাকে বাদ দেয়া হয়েছিল ?
 হ্যাঁ না
- ১২। সদস্য থাকাকালে আপনি কি নিয়মিত কেন্দ্রে আসতেন ?
 হ্যাঁ না
- ১৩। [হ্যাঁ হলে] কেন্দ্রে বাধ্যতামূলক উপস্থিত থাকার চাপের কারণে কি আপনি সদস্যপদ ছেড়েছিলেন ?
 হ্যাঁ না
- ১৪। সদস্য থাকাকালীন সময়ে আপনার কেন্দ্র হতে অন্য কোন সদস্য কি পালিয়ে গিয়েছিল?
 হ্যাঁ না
- ১৫। [হ্যাঁ হলে] পলাতক সদস্যের কিস্তি কি আপনাকে পরিশোধ করতে হয়েছিল ?
 হ্যাঁ না
- ১৬। অন্যের কিস্তি পরিশোধের ঝামেলা কি আপনার সদস্যপদ ছেড়ে দেওয়ার কারণ ?
 হ্যাঁ না
- ১৭। **সঠিক জামিনদার দিতে না পারার কারণে কি আপনার সদস্যপদ বাতিল হয়েছিল ?**
 হ্যাঁ না
- ১৮। সদস্য থাকাকালীন সময়ে অফিসের কেউ কি কখনো আপনার সাথে খারাপ ব্যবহার করত ?

- হ্যাঁ না
 ১৯। [হ্যাঁ হলে] সেটা কি আপনার সদস্যপদ ত্যাগের কারণ ?
- হ্যাঁ না
 ২০। সদস্য থাকাকালীন সময়ে আপনি যে পরিমাণ ঋণ পাওয়ার আশা করতেন তা কি পেয়েছেন ?
- হ্যাঁ না
 ২১। [না হলে] সেটা কি আপনার সদস্যপদ ত্যাগের কারণ ?
- হ্যাঁ না
 ২২। সদস্য থাকাকালীন সময়ে আপনি কি মাঝে মাঝে সঞ্চয় উত্তোলন করতে চাইতেন ?
- হ্যাঁ না
 ২৩। প্রয়োজনে সঞ্চয় উত্তোলন করতে না পারার কারণে কি আপনি সদস্যপদ ছেড়েছেন ?
- হ্যাঁ না
 ২৪। হেল্প সার্ভিস কি আপনার পছন্দ হয়েছিল ?
- হ্যাঁ না
 ২৫। হেল্প সার্ভিস পাওয়ার জন্য যে প্রিমিয়াম (২৫০ টাকা) দিতে হয় এটাকে কি আপনি বাড়তি চাপ মনে করেন ?
- হ্যাঁ না
 ২৬। [হ্যাঁ হলে] সেটা কি আপনার সদস্যপদ ত্যাগের কারণ ?
- হ্যাঁ না
 ২৭। বর্তমানে আর কোন কোন সংস্থার সাথে জড়িত আছেন ?
- (ক) (খ) (গ)
- ২৮। অন্য কোন সংস্থার সদস্য থাকলে বর্তমান সংস্থার কোন কোন সেবা আপনার ভাল লাগে ?
- (ক) (খ) (গ)
- ২৯। আপনি কি পুনরায় সাজেদার সদস্য হতে চান ?
- হ্যাঁ না
- সময় দেয়ার জন্য এবং আপনার সহযোগিতার জন্য ধন্যবাদ

মন্তব্য:

তথ্য সংগ্রহকারীর স্বাক্ষর: