

Drop Out in the Microfinance Programs: A Study on Ultra Poor Program and Programmed Initiatives for Monga Eradication of PKSf

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Abstract

The ultra-poor is the poorest section among the population with a few or no asset base, highly vulnerable to any shocks and mainly depending on wage labor. The main causes of their poverty are few income earners, unwillingness to work, poor capacity to handle loan money and ill health. PKSf launched Ultra Poor (UP) Program in 2004 and Programmed Initiatives for Monga Eradication (PRIME) in 2006 along with other programs for reducing poverty. But sometimes members do not continue with the programs for different reasons. Keeping these issues in view, this study has been conducted with the objectives to: (i) investigate the causes of drop out from UPP and PRIME interventions of POs of PKSf ; (ii) identify the reasons, both from demand and supply sides, for the drop out and (iii) develop feasible solutions to reduce the incidence of drop out of members from the microfinance programs. This paper is based mainly on primary information collected from 300 sample households --150 from UP Program and 150 from PRIME. Primary information was collected through a questionnaire survey, Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs) during August 2012 to September 2012 in 10 districts in the northern part of Bangladesh. Major causes of drop out from demand side are: inability to repay loan installments, no demand of credit at one point and conflict among the group members; while the supply side causes of drop out as perceived by the respondents are rigid terms and conditions of loan, more facilities provided by other organizations, unfavorable loan services of POs, dissolution of group, POs' failure to provide facilities as per their commitment, etc. Causes arise from shocks type of reasons of drop out are sickness or death of the main earning member and natural disaster like flash floods. To reduce drop out of the members from UPP and PRIME, the study recommended increasing loan size considering the ability of the households, execution of flexibilities offered by PKSf to POs in loan disbursement and repayment schedule, skill development of members through need based and follow up training by the POs, proper monitoring of loan utilization by the Pos linking UPP and PRIME households with safety net programs and providing seasonal and emergency loan.

1. Introduction

Microfinance program, among many other development programs, has attracted attention of different stakeholders. Initially, there was an understanding that it could reach all types of the poor. Overtime, microfinance has been criticized for not including the ultra poor. However, Microfinance Institutes (MFIs) have gradually started to take this in cognizance. Considering the varied needs of the ultra poor, MFIs offer a wide range of financial services along with other non-financial services. In this context, Palli Karma-Sahayak Foundation (PKSf) has

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launched Financial Services for the Poorest (FSP), Microcredit for the Ultra Poor (UP), Programmed Initiatives for Monga Eradication (PRIME), Microfinance Support Intervention for Food Security for Vulnerable Group Development (FSVGD) and Ultra Poor (UP) program. This study deals with the drop out from two of these programs -- UPP and PRIME.

To cater to the needs of the vulnerable groups, PKSf started a pilot program named Financial Services for the Poorest (FSP) in 2002, where it tried to bring in flexibilities in operational mode. Financial flexibilities -- size and frequency of depositing savings -- were offered under this project. FSP came out successful as a model. Inspired by the success of FSP, PKSf started a regular program on microcredit for the ultra poor known as UP Program (UPP) in 2004. Towards bringing ultra poor into microcredit program in a large scale PKSf included more flexibilities. These include lower service charge, waiver of various fees and charges, flexibility in deposit and withdrawal of savings and attendance in group meetings. This program is now being implemented across the country. In 2006, PKSf launched Programmed Initiatives for Monga Eradication (PRIME) in the greater Rangpur to tackle chronic poverty in that specific region. It is for the first time PKSf took a program for a specific poverty-stricken pocket. It should be mentioned, monga is a seasonal famine type situation in the northern Bangladesh mostly owing to lack of employment in the last quarter of a calendar year --mid-September to November and again from mid-February to late April. Under PRIME the ultra poor are provided financial and non-financial services. The non-financial services include capacity building and technical supports, such as primary health care, education, market linkage, etc.

The objective of undertaking all these initiatives under UPP and PRIME are to include ultra poor and to retain them till their poverty is reduced to an expected level. But sometimes members do not continue with the programs for different reasons. In a gross sense this is drop out from the programs. It should be mentioned, once a member household goes out of a program it may indicate three situations: going out as poverty is reduced to the expected level, become excluded by the implementing agency and a member's inability to retain membership and going out. Theoretically, the third category of exclusion from a program is 'drop out'. But in this study, drop out is used in broader sense i.e. a member's going out of a program by any way.

Despite above mentioned initiatives, the rate of drop out of the ultra poor households from the microfinance especially designed for the ultra poor is phenomenal. For instance, up to June 2012, cumulative enrollment of ultra poor households including PRIME was 2.793 million, of which 5.5 percent dropped out annually. Similarly, a total of 0.567 million ultra poor households were enrolled under PRIME up to June 2012, of which 4.38 percent left the program annually. The incidence of drop out has a tremendous pressure on the sustainability of a MFI and also creates less impact of microfinance on the livelihoods of the ultra poor. It is a valid question to ask why does this drop out occur? What are the factors that play a significant role in drop out? Therefore, it is necessary to investigate the nature of drop out and identify their causes. In order to find answers to these questions, PKSf decided to conduct this study. In this study the drop out households are considered as the ultra poor households dropped out from the POs only. The ultra poor households are defined through three proxy indicators -- having a monthly income of up to Tk 3000; one member earning as day laborer and/or land-ownership of maximum 50 decimals.

1.2 Objectives

The general objective of this study is to investigate the causes behind the drop out of members from UPP and PRIME. The specific objectives of the study are to:

- i. investigate the causes of drop out from UPP and PRIME interventions of POs of PKSF;
- ii. identify the reasons, both from demand and supply sides, for the drop out;
- iii. find out the facilities expected by the drop out members for retaining with POs;
- iv. develop feasible solutions to reduce the incidence of drop out of members from the microfinance programs.

1.3 Study Methods

The study is based mainly on primary information. A multistage stratified systematic random sampling technique was used to select the sample households. It was done through the selection of districts, Upazilas, partner organisations, branches and drop out households. At the first stage, a total of 10 districts from the northern part of Bangladesh were selected on the basis of the working area and high concentration of drop out households of UPP and PRIME. Among these 10 districts, Gaibandha, Rangpur, Lalmonirhat, Kurigram and Nilphamari were selected for the PRIME and the rest five districts namely, Bogra, Shirajganj, Noagaon, Mymensingh and Jamalpur were selected for the UP Program. A total of 20 Upazilas, two from each of the five selected districts of PRIME and UPP areas, were selected on the basis of high incidence of poverty as reflected in the poverty map developed in 2005 as per HIES data of BBS.

To select POs, initially a list of all the POs along with the total number of drop out members working in the selected Upazilas under both UPP and PRIME was prepared. Thereafter, one PO from each selected Upazila having largest drop out members was selected. However, some POs were working in more than one Upazilas. As a result, total number of POs from 20 selected Upazilas was 13. A total of 20 branches under 13 POs were selected following the similar procedure that was used to select POs. In this case, all the branches of the selected POs from each selected Upazila were arranged in descending order according to the number of drop out members. Then one branch from each selected Upazila having largest number of drop out members was selected.

A total of 300 sample households --150 from UP Program and 150 from PRIME -- have been selected using a standard statistical formula considering eight percent error with 95 percent confidence level. The main respondents of the study were the drop out households of UPP and PRIME. The first sample type of drop out households has been selected on the following criteria:

- i. The ultra poor households enrolled in the UPP and/or PRIME but eventually dropped from the program during 01 January 2011 to 31 December 2011; and
- ii. The households receiving at least one cycle of loan from the enrolled organisation and repaid the full amount before getting dropped out.

Following the above criteria, the entire drop out households were listed according to the selected Upazilas and POs. Finally, a total of 300 households, 15 from each of the 20 selected

Upazilas, were selected by using systematic random sampling technique as the first type of sample.

The second type of sample concerns with MFIs' staff. They were selected on the basis of their length of involvement with the ultra poor program. Those who had minimum three years of experience were included in the sampling frame of this category of sample. From this frame, 20 staff were interviewed with a guideline to get further explanations about the causes of drop out.

2. Demographic Characteristics of Drop Out Households

Demographic characteristics are important to analyse performance of different programs. Important demographic indicators of the drop out households under UPP and PRIME are presented in Table 2.1.

Table 2.1: Demographic Indicators of UPP and PRIME Drop Out Households

Indicators	UPP	PRIME	Difference
1. Average household size	4.77	4.04	0.73
2. Sex ratio (%)	103.29	96.88	6.41
3. Demographic dependency ratio (%)	69.27	79.19	9.92
4. Percentage of female-headed households	8.7	12.0	3.30
5. Percentage of ever married household members	52.2	51.2	1.00
6. Literacy rate of the household members (%)	62.2	51.6	10.60
7. Average years of schooling of the household heads	1.67	1.12	0.55

Source: Field Survey 2012

It reveals that most of the demographic indicators vary notably between UPP and PRIME member households. Little variation is observed in case of percentage of ever married members of the households under study. Remarkable difference is observed in average years of schooling, literacy rate and demographic dependency ratio of the household members. Literacy rate of the household members and average years of schooling of the household heads of UPP are significantly higher than that of PRIME, while the demographic dependency ratio of PRIME households is about 10 percentage points higher than that of UPP households. One of the reasons for higher demographic dependency ratio of PRIME households is that younger age population under PRIME is higher than that under UPP. Female-headed households are about 3.3 percentage points higher for PRIME than that for UPP. As the female headed households are more vulnerable than the male headed households, the findings indicate that PRIME drop out members are more vulnerable than those in UPP. Sex ratio indicates that male population is 3.29 percent higher than female under UPP, while the same is 3.12 percent lower under PRIME.

3. Economic Characteristics

Economic characteristics are important to analyse the reasons for drop out of the members from the microfinance program. It helps identify the economic factors related to the drop out of the members. In this section, occupational pattern and earning members of the drop out households have been analysed. Distribution of households according to the number of day laborers is given below:

Table 3.1: Percentage Distribution of Drop Out Households Having Day Laborers

Households with number of day laborer	UPP		PRIME	
	At the time of becoming member	At Present	At the time of becoming member	At Present
Households having no day laborer	26.7	24.7	19.4	17.4
Households having one day laborer	50.0	51.3	69.3	67.3
Households having more than one day laborer	23.3	24.0	11.3	15.3
Total	100.00	100.00	100.00	100.00

Source: Field Survey 2012

Table 3.1 shows that day labor is the major occupation of the drop out households under both UPP and PRIME. It has been found that about 73 percent of UPP and 81 percent of PRIME drop out households have at least one-day laborer at the time of becoming member and currently it has increased about two percentage points for both the programs indicating that the day laborer households have more tendency to drop out. It also implies that after dropping out ultra poor households have adopted vulnerable occupation for their livelihoods. It also shows that PRIME has more households with day laborers than UPP for both the periods. At the time of becoming a member, 50 percent of UPP households had one day laborer and for PRIME households it was about 69 percent. This implies that PRIME had 19 percentage points higher number of households with day laborer than UPP during the membership. Similarly, at present it is about 16 percentage points higher for PRIME than UPP. This implies that in terms of targeting the participating households on the basis of households having at least one day labourer, PRIME is more efficient than UPP. PRIME covered around four-fifths of the participant households having at least one day laborer, while the same is three-fourths for UPP. One of the reasons for better targeting of PRIME than UPP is that PRIME followed a more intensive and systematic process during the household selection.

Table 3.2: Percentage Distribution of Earning Members of the Drop Out Households

Number of earning members	UPP			PRIME		
	At the time of becoming member	At present	Change	At the time of becoming member	At present	Change
None	2.7	0.7	- 2.0	0.7	0.7	0.0
One	58.6	55.4	- 3.2	78.6	73.3	-5.3
Two	23.3	27.3	+4.0	18.0	22.0	+4.0
More than two	15.3	16.7	+1.4	2.7	4.0	+1.3
Total:	100.0	100.0	-	100.0	100.0	-
Respondents (n)	150	150	-	150	150	-

Source: Field Survey 2012.

Table 3.2 indicates the increasing trend of number of earning members of the drop out households of both UPP and PRIME. Percentage of households having none or one earning member has decreased, while the same has increased for two and above number of earning members under UPP. Except where there is no earning member, similar trend is also observed for PRIME. This implies that overall employment situation of the drop out member households has not worsened, rather it has improved. As a result, income of the participant households has also increased.

4. Reasons for Drop Out from UPP and PRIME

In this section, reasons for drop out from UPP and PRIME have been analysed based both on multiple responses and single response on the first priority of respondents. The responses of all the respondents under study are classified into three categories namely demand, supply and shock. Based on multiple responses important reasons for drop out of UPP and PRIME members are presented in Table 4.1.

Table 4.1: Reasons for Drop Out of UPP and PRIME Members

Causes of drop out		UPP		PRIME	
		Number of responses	Percentage of respondents	Number of responses	Percentage of respondents
A. Demand/Member side					
1.	Inability to repay loan installments	84	56.00	130	86.67
2.	No need for credit any longer	21	14.00	3	2.00
3.	Membership in other organisations	12	8.00	5	3.33
4.	Conflict among the members	12	8.00	7	4.67
B. Supply side reasons					
1	Rigid terms and conditions	40	26.67	34	22.67
2	More facilities offered by other organisations	39	26.00	6	4.00
3	Unfavorable loan service	28	18.67	17	11.33
4	Dissolved/dismantled group	23	15.33	2	1.33
5	Facilities not as per commitment	22	14.67	11	7.33
6	Conflict between the beneficiaries and the PO staff	11	7.33	13	8.67
7	Requirement of bank account to take loan	9	6.00	0	0.00
8	Cancellation of membership by the POs	7	4.67	7	4.67
9	Long distance between home and the place of group meeting	4	2.67	2	1.33

10	Restrictions on savings withdrawal at the time of emergency	3	2.00	6	4.00
C Crisis/Shocks					
1	Sickness of the main earning member of the household	13	8.67	24	16.00
2	Affected by natural disaster	7	4.67	2	1.33
3	Death of the main earning member of the household	2	1.33	3	2.00
Total:		150	-	150	-

Inability to Repay Loan Installment: Among the demand, supply and shocks types of reasons, the highest number of respondents cited inability to repay loan installments as a demand side reason for drop out from both UPP and PRIME. This is cited by 56 percent respondents of UPP and 87 percent of PRIME. One of the reasons for citing this reason by the higher percentage of PRIME respondents than UPP is that after transferring UPP members into PRIME, a large number of members, unable to repay loan, were dropped by managing committee of the society of PRIME. The important causes of inability to repay loan installment by the drop out members have been mentioned on the basis of multiple responses of the respondents (Fig-4.1).

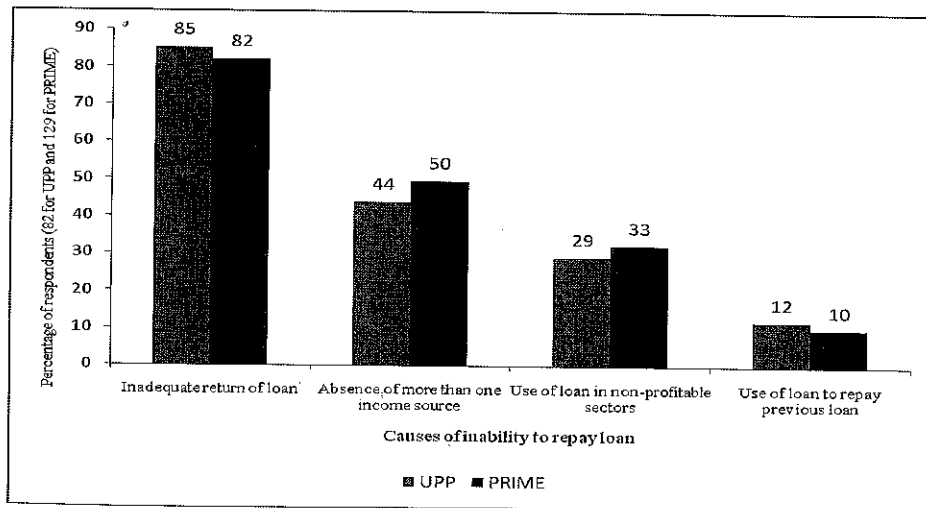


Fig-4.1: Causes of Inability to Repay Loan Installment

The main cause of inability to repay loan installment is the inadequate return of the project undertaken with the loan money. About 85 percent of UPP and 82 percent of PRIME respondents who are unable to repay loan cited this reason. Inadequate return of loan is mainly caused by the use of loan in non-profitable sectors, repayment of previous loan from the current loan, crop damage due to flood and laziness of loanee's husband. Moreover, the qualitative

survey identified some more causes of inadequate return of loan like inadequate loan size, sickness of household members and lack of training.

Rigid Terms and Conditions: According to the respondents, the second important reason for drop out from both the programs is connected with the supply side. Of the total respondents, around 27 percent of UPP and 23 percent of PRIME cite that terms and conditions of loan delivery systems of the programs are very rigid.

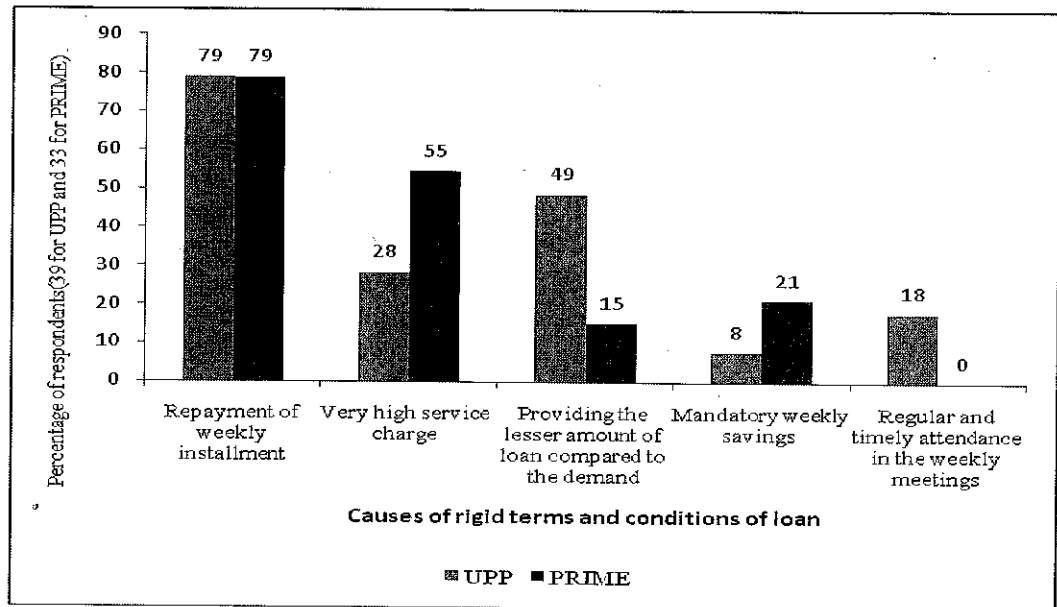


Fig-4.2: Percentage Distribution of Respondents Pointing Out Different Causes of Rigid Terms and Conditions of Loan Disbursement

They pointed out that the terms and conditions like repayment of weekly installment, very high rate of service charge, providing lesser amount of loan than demand, mandatory weekly savings, and regular and timely attendance in the weekly meetings create severe constraints for them to participate in the programs. Among these, repayment of weekly installment is the major problem for the members of both the programs.

Providing More Facilities by Other Organisations and Sickness of Earning Members: The third important reason, given by 26 percent respondents of UPP, is better facilities offered by other organisations. Types of facilities offered by other organisations are mentioned in Fig-4.3.

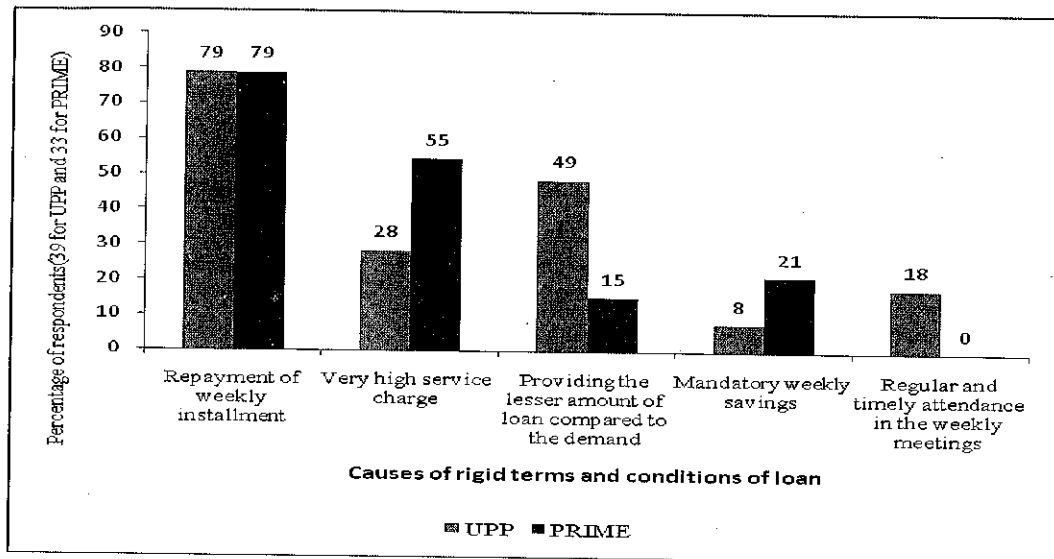


Fig 4.3: Types of Facilities Offered by Non-POs

The major facilities provided by other than partner organisations are acceptance of overdue loan installments, simple procedures to sanction loan, provision of higher amount of loan and disbursement of loan within a short time. The third important reason for PRIME respondents is the sickness of the main earning members of the households (24%). Due to this, the loan money could not be utilised for productive purposes and the members get dropped out from the program. It is to be noted that these members had not been eligible to health facilities introduced under PRIME since they had been dropped out before the introduction of these facilities.

Unfavorable Loan Service: The fourth important reason, cited by 19 percent respondents of UPP and 11 percent of PRIME, is that the loan service is not in favor of the drop out members. They pointed out that the loan amount is disbursed neither as per their demand nor on time. As a result, the drop out members do not find suitable credit services from the program. The majority of the respondents, especially under PRIME program, mentioned this reason belong to the category of day laborer. After dropping out from UPP and PRIME, majority of them got involved with other microfinance organisations and obtain better credit services.

Dissolution of Group and Conflict of Members with POs: The fifth important reason for drop out, mentioned by 15 percent respondents of UPP, is the dissolution of group by the POs due to the inability of members to pay installment on time, irregular attendance in weekly meetings and inability to deposit weekly savings. The same rank of important reason for drop out has been cited by 11 percent respondents of PRIME. They referred to the conflict between the beneficiaries and the PO staff, mainly due to the inability of members to repay loan installments.

5. Causal Factors of Drop Out from UPP and PRIME

Causal analysis helps in identifying the causes of a problem and also suggests means for solution. This analysis has been done on the basis of information obtained through Focus Group Discussions (FGDs), Key Informants Interviews (KIIs) and Case Studies along with the questionnaire survey. Causes of drop out at different levels have been identified through FGDs with both the drop out and existing members of UPP and PRIME. Case studies have been conducted with the drop out members who mentioned different causes during the questionnaire survey. Moreover, key informants of different POs have also been interviewed to know the causes of drop out.

It is revealed that the drop out of the participant households is caused by supply, demand and shocks types of reasons. The important supply side causes of drop out as cited by the respondents are rigid terms and conditions of loan delivery system, some other microfinance organisations providing more facilities than POs of PKSF, loan services of POs are not favorable to some of the participant members, dissolution of group by POs and some of the POs do not provide facilities as per their commitment. The respondents opined rigid terms and conditions of loan delivery system because of mandatory weekly installment and attendance in weekly meeting and precondition of 5-10 percent savings of loan amount. These have happened mainly for the lack of compliance at field level on flexibilities given by PKSF to POs. The reasons for citing the better facilities offered by other organisations are providing more loans at a time and loan installments are adjusted from the special savings of the members of the group. In this case, respondents of the study suggested repayment in monthly installments instead of weekly.

However, most of the field workers of POs do not want to introduce monthly installment system in view of achieving the target of recovery rate and ensure regular savings. This implies that POs do not execute the flexibilities provided by PKSF for the participating households. In some cases, POs do not provide loan as per demand of the participant members and take longer time to process the loan.

Dissolution of group or cancellation of membership by POs is mainly caused by the inability of repayment of loan by the members and in some cases migration of members to other places. Moreover, due to lack of transparency, some POs are not in a position to provide facilities as per their commitment. During the FGDs, some members mentioned that during their enrolment in the group, field workers committed providing different facilities to the members. But in reality, members did not receive the facilities as per the commitment made.

In demand side, the major causes of drop out are inability to repay loan installments, do not need credit any longer and conflict among the group members. Inability to repay loan installment is mainly caused by return of loan of inadequate amount, lack of alternative sources of income, use of loan in non-profitable sectors and repayment of previous loans. Inadequate return of loan is the effect of inadequate loan size, crop damage due to flash food and lack of training on appropriate IGAs and knowledge of loan utilisation. Most of the respondents feel that repayment of loan installment necessitates alternative source of income. The main reason for

this could be that most of the IGAs do not fetch income immediately after its inception. Therefore, weekly installments need to be paid from other sources of income particularly in the early weeks.

Use of loan in non-profitable initiative is a common phenomenon. This is mainly caused by household consumption and inadequate monitoring of loan utilisation as against loan collection by the field workers. The field workers insist on collection of loan rather than its proper utilisation since fulfilling their loan recovery target ensures their jobs. On the other hand, a field worker has to supervise around 400 members per week. So they cannot pay due attention on the utilisation of loan money by the members. In order to take proper care on loan utilisation number of members per field worker should be reduced to 150-200. In that case, more field workers need to be recruited by the POs.

Another important reason for drop out is that some of the members do not need credit any longer because of their economic self-sufficiency. Some are unable to utilise loan due to lack of any enterprising member in the household or sometimes the husband does not want to utilise loan due to his laziness or sickness. Conflict among the group members also leads to drop out from the group.

Shocks or crises types of causes of drop out of UPP and PRIME members are mainly occurred in the areas of this study due to death or sickness of the main earning member of the household or death of livestock or natural disasters like flash flood that damage crops.

6. Facilities Expected by the Drop Out Members for Retaining with the POs

In order to control the drop out of the members and sustain the program benefits, expectations of the drop out members from the program need to be taken into account and met accordingly. In this regard, drop out members under study were asked during the field survey about their expected facilities for retaining in the previous program. Multiple responses of each respondent against this question have been mentioned in Table-6.1. It has been found that almost all the facilities expected by the drop out members for retention with the previous organisations are supply related.

Table-6.1: Distribution of Respondents According to the Types of Facilities Expected from the POs for Retention

Expected facilities/services	UPP		PRIME	
	Response	%	Response	%
1. Acceptance of few overdue loan installments	55	36.7	71	47.3
2. Higher amount of loan	53	35.3	19	12.7
3. Provision of monthly loan repayment	36	24.0	30	20.0
4. Flexible terms and conditions of loan	27	18.0	13	8.7
5. Provision of livestock loan	25	16.7	40	26.7
6. Provision of loan with grant	14	9.3	4	2.7
7. Lesser time for loan processing	12	8.0	7	4.7
8. Short distance of the organisation from the members' house	10	6.7	0	0.0
9. Loan with training on IGAs	7	4.7	14	9.3
10. Provision of fortnightly loan repayment	6	4.0	5	3.3
11. Reduction of service charges	3	2.0	2	1.3
12. Repayment of loan in one installment	3	2.0	0	0.0
13. Self employment with a view to repayment from the income	3	2.0	38	25.3
14. Provision of food for work	3	2.0	1	0.7
15. Provision for DPS	2	1.3	0	0.0
16. Provision for disaster management loan	2	1.3	0	0.0
17. Repayment of loan installment from the savings	2	1.3	3	2.0
18. Others (new loan before full repayment of previous loan, withdrawal of savings, house building loan, agriculture loan, etc.)	13	8.6	15	10.00
Respondents (n)	150	-	150	-

Source: Field Survey 2012.

Acceptance of Overdue Loan: The highest number of respondents of both UPP (37%) and PRIME (47%) expected acceptance of few overdue loan installments to provide new loan.

Higher Amount of Loan: The second choice for the UPP members is the provision of higher amount of loan, while the same rank of choice for PRIME members is providing loan for livestock rearing. Providing loan for livestock rearing is the fifth priority of UPP members.

Flexible Loan Repayment Schedule: The third priority area of the drop out members of UPP is related to loan repayment schedule. They usually expect provision of monthly loan repayment. This is also the fourth priority for the PRIME members. It will help borrowers generating income from the loan invested and repay loan installment from the income generated. The third priority of PRIME drop out members is creation of self-employment for

the borrowers with the loan money so that they can repay loan from the income generated.

Flexible Terms and Conditions of Loan: The fourth priority of UPP drop out members is the provision of flexible terms and conditions for loan disbursement. This is also related to other expectations like repayment of loan in one installment, repayment of loan installment from the borrowers' savings, etc. But there exists a high risk for repayment of loan in one installment.

7. Involvement of Drop Out Members in Other Financial Organisations

In order to take any corrective measures to help the drop out members, it is important to know their current involvement status in financial sources. The drop out members under this study were asked about their involvement in any other financial sources and receiving of loans after dropping out from UPP and PRIME. Distribution of drop out members according to their present involvement status in different financial sources is presented in the Fig 7.1.

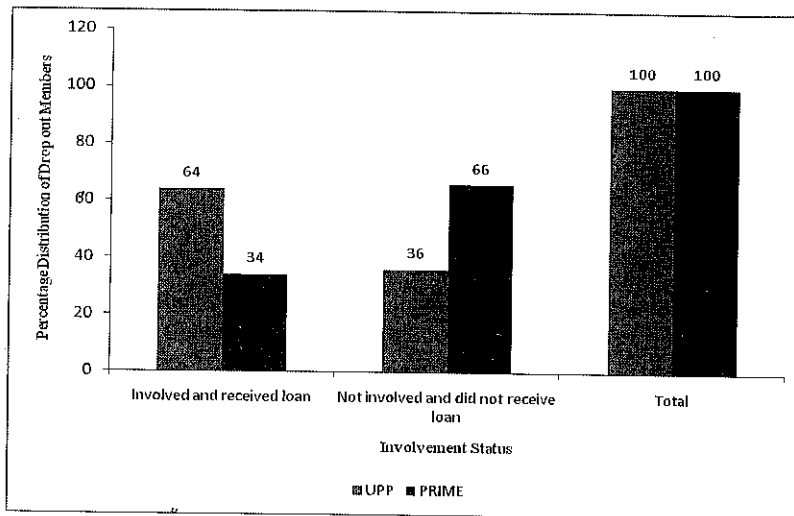


Fig 7.1: Percentage Distribution of Drop Out Members Involved in Different Financial Sources

It has been found that out of every 150 drop out members from UPP and PRIME, nearly two-thirds of UPP and one-third of PRIME are involved in loan from other sources, which indicates that facilities of other organisations influence participant households to drop out from present organisation. Loan sources of drop out members of UPP and PRIME are presented in Fig-7.2 and Fig-7.3 respectively.

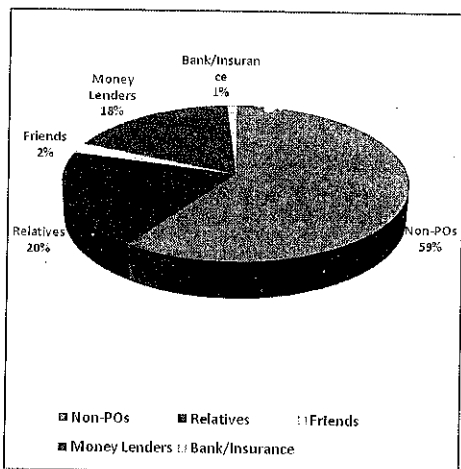


Fig-7.2: Loan Sources of Drop Out Members of UPP

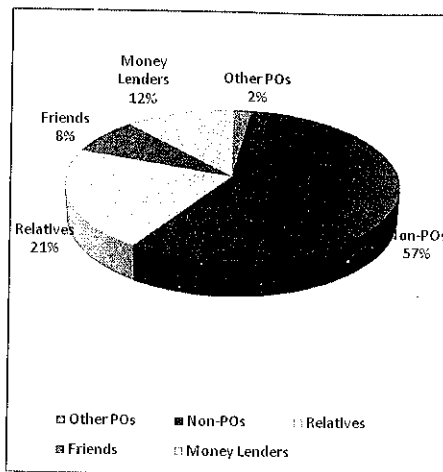


Fig-7.3: Loan Sources of Drop Out Members of PRIME

It has been found that out of 96 drop out members of UPP and 51 of PRIME, who received loan from other sources, nearly three-fifths members of both the programs received loan from non-partner organisations like ASA, Grameen Bank, BRAC, PROSHIKA, Buro Bangladesh, etc. Findings of FGDs reveal that BRAC provides loan up to Taka two lakh for going abroad. In this regard, the members need to show VISA and provide some related information to BRAC. Grameen Bank provides new loan after repayment of half of the previous loan as well as larger amount than PKSf's POs. Buro Bangladesh provides loan as per the demand of the participant members. It also allows withdrawal of savings at any time. Another one-fifth members in both the programmes received loan from relatives. A significant percentage of drop out members (18%) of UPP also received loan from the money lenders. This percentage is slightly lower (12%) for PRIME drop out members.

8. Conclusions and Recommendations

8.1 Conclusions

Drop out from the microfinance program creates constraints for the socio-economic development of the households. However, in most cases, positive changes can be located in the socio-economic status of the drop out members compared to the initial stage of membership under UPP and PRIME. Most of the drop out members are day laborers. However, over the time, the percentage of households with day laborer has slightly declined, especially under PRIME. After drop out from one microfinance program, many of them switched to other microfinance programs to receive loan. According to their opinions they obtained higher amount of loan from other organisations within short time and under flexible terms and conditions like acceptance of overdue loan, flexible repayment schedule, withdrawing savings at any time, etc. The drop out members who did not join other microfinance programs receive loan from money lenders, relatives and friends within short time at higher interest rate. The most important reason for dropping out from UPP and PRIME was the inability to repay loan installments because of inadequate return of loan, absence of more than one income source, use of loan in unproductive sector and repayment of previous loan.

The other important reasons for drop out are rigid terms and conditions of loan programs, no provision of delinquency while providing a fresh loan, sickness of earning member of the household, loan disbursed neither as per demand nor on time, dissolution of group by the POs, conflict among the members, etc.

8.2 Recommendations

To reduce the incidence of drop out of the participant households from UPP and PRIME programs, the following measures may be undertaken:

i. Increase of Loan Size: One of the important reasons for drop out is not getting desired amount of loan from the POs due to the UPP policy. It is to be noted that all the ultra poor households are not homogeneous in terms of socio-economic condition and loan utilisation capacity. Therefore, inconsideration of the ability of the participant households, loan ceiling should be revised.

ii. Execution of Flexibilities in Loan Disbursement and Repayment Schedule: Though there are flexibilities in the UPP policies, in reality it is not duly implemented at the field level. Flexibilities offered by the PKSF to the POs in loan disbursement and repayment schedule need to be executed properly depending on the nature of income generating activities. These may include monthly or fortnightly repayment installments, withdrawing of savings to a certain percent during emergency period and exemption of preconditions of at least 5-10% savings on loan disbursement.

iii. Skill Development of Members: Need-based training for skill development on income generating activities of the members should be imparted by the POs. Loan should be disbursed to the members immediately after imparting training. Follow up training should also be organised for the borrowers to solve the problems that arise during the utilisation of gained knowledge through training.

iv. Proper Monitoring of Loan Utilisation by the POs: More emphasis should be given by the POs on proper monitoring of loan utilisation by the borrowers in productive sectors, because repayment of loan depends on return from loan. Therefore, proper investment of loan by the borrowers needs to be ensured through concerned POs. In this regard, monitoring systems of loan utilisation at field level needs to be strengthened through developing appropriate monitoring mechanism and engaging skilled personnel.

v. Providing Facilities as Per Commitment of POs: POs should provide facilities to the members according to their commitment. Particularly, loan disbursement should be ensured on time as per the demand of the members.

vi. Introduction of Special Treatment for the Day Laborers: Majority of the drop out households is day laborers and they are not able to continue membership because of their inability to comply with the rigid terms and conditions of loan delivery system. Therefore, a special treatment may be introduced for the day laborers and vulnerable female headed households.

vii. Linking UPP and PRIME Households with Safety Net Programs: POs can take initiatives to link UPP and PRIME households with the government's safety net programs to

accelerate the processes of uplifting the socio-economic conditions of the participant households.

viii. Providing Seasonal and Emergency Loan: There is a provision of providing seasonal and emergency loan in the UPP policy and members also demand for this loan, but POs are reluctant to provide this loan as per demand because of uncertainty of its realisation. In this regard, POs should give more attention to disburse seasonal and emergency loan.

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