

**Focusing on Clients:**  
**A Satisfaction Survey of ASA *Small Loan* Members' Groups**

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**Translation of Survey Materials and Results**

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## Executive Summary

Despite recent economic progress, 36% of Bangladesh's 135.7 million people live on less than the internationally recognized absolute income poverty line (UNDP 2003). Less than 17% of the population accesses the formal banking sector (CDF 2002).

An impressive array of non-traditional financial service providers has developed to fill the gap left by the formal banking sector. Bangladesh's network of microfinance service providers, the Credit and Development Forum (CDF), has a membership of 656 institutions that serve over 12 million clients and have total loans outstanding of Tk.29.9 billion (CDF 2003).<sup>1</sup>

ASA is one of the largest players in this field, with the largest Revolving Loan Fund (RLF) at Tk.13.15 billion.<sup>2</sup> ASA offers its clients a range of financial products, each targeted to a different population.

This client satisfaction survey was designed in order to give ASA management a glimpse into the needs and impressions of its current *Small Loan* clients. The *Small Loan* program provides individual loans exclusively to poor women, and is the core of ASA's operations. Twelve focus groups were conducted on 322 of ASA's 2.34 million *Small Loan* clients. The sample includes members' groups from all six of Bangladesh's administrative divisions, and represents a range of ASA clients.

### Findings and Recommendations

In general, the women surveyed were satisfied with ASA's *Small Loan* program, stating frequently that its features are more attractive than those provided by competitors. The most popular feature was the ability to withdraw savings on demand. Clients were also impressed with the ease with which new loans are disbursed after the previous loan is repaid.

When asked to describe what they dislike about ASA's program, clients mentioned frequent policy and procedural changes, stating that repeated changes in criteria and the rotation of Loan Officers cause them problems. Although a few members were unhappy with ASA's current service charge of 15% annually calculated flat on the loan principal, the majority did not raise this as a major issue.

In making recommendations, I have tried to balance client responses with the institutional reality of providing microfinance services on a wide-scale basis. ASA's strength is its ability to reach a larger number of clients with very little cost, and the institution should not consider any change that would put its financial self-sufficiency in danger. However, I believe that ASA has reached a level of institutional development and financial self-sufficiency where the institution can begin to concentrate on ensuring that its products are client-centred. Recommendations are grouped into four categories: Meetings and Branch Offices, Information and Marketing, Research, and Introducing Flexibility.

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<sup>1</sup> It should be noted that Grameen Bank, with its unique charter, is not a member of the CDF and its over 2 million clients are not included in these figures.

<sup>2</sup> As of December 2003. Source: ASA MIS

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## 1. Meetings and Branch Offices

- Although they enjoy the social aspect, clients complained that group meetings are time consuming and poorly run. I recommend that ASA undertake action to build its Loan Officers' capacity to conduct meetings and select meeting locations effectively.
- In many cases clients were unhappy with the facilities available at their branch, complaining that lack of facilities impedes effective and confidential operations. I recommend that ASA ensure that all branches have sufficient space to enable effective and confidential operations.

## 2. Information and Marketing

- Responses suggest that a different existing ASA product may better serve some ASA *Small Loan* clients' needs. I recommend that ASA undertake a campaign to market its range of products to existing clients. In addition, staff should be encouraged and trained to assess clients' needs and direct them to the appropriate ASA product.
- ASA's requirement that clients keep 10% of their current loan's value as locked-in savings is extremely unpopular. I recommend that ASA undertake a marketing campaign to ensure that both its staff and its clients understand the conditions under which these mandatory savings can be withdrawn.
- Based on the inability of clients to accurately describe the mandatory *Security Fund* product, action is needed urgently. I recommend that ASA undertake a campaign to explain its *Security Fund* to clients.

## 3. Research

- Although clients liked that loan payments are suspended in the case of their own illness, they expressed concern that the same is not true in the case of a husband's illness. I recommend that ASA undertake a loan usage pattern study to determine how clients are using their loans. This study will give valuable information to ASA Management and help it to design products and policies that effectively meet clients' needs.

## 4. Introducing Flexibility into Existing Products

- Although clients were generally pleased with ASA's products, they described changes that would improve the products. Having achieved one of the lowest cost-per-money-lent ratios of any microfinance institution in the world,<sup>3</sup> ASA has the opportunity to explore making its products more client-centred. I recommend that ASA further explore the operational feasibility of introducing variable terms and repayment schedules into its core *Small Loan* program.

ASA is among the most efficient and low-cost microfinance institutions in the world. The institution has a history of making bold decisions, and offering new innovations to its clients. By continuing to focus on clients, ASA can ensure that it maintains its place as a leader in Bangladesh's microfinance market.

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<sup>3</sup> As of December 2003, cost-per-money lent is 0.033. Source: ASA MIS

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## Chapter I: Context of the Study

### 1. Introduction

Upon its independence in 1971, Bangladesh was faced with one of the highest rural population densities in the world, an annual population growth rate of between 2.5 and 3%, chronic malnutrition of the majority of the population, and the return of 8 to 10 million people who had fled to India during the war (Library of Congress 1988). Despite recent progress, including the reduction of the population growth rate to 1.7% per annum (World Bank 2004), and a respectable average economic growth rate of 3.1% per annum over the past 10 years (UNDP 2003), Bangladesh's population of 135.7 million continues to struggle with poverty. 36% of the population lives on under \$1/day, with 33.7% below the national poverty line (UNDP 2003).

Less than 17% of the population accesses Bangladesh's formal banking sector (CDF 2002). Professor Muhammad Yunus' well documented action research project in the mid 1970s proved that despite their lack of collateral, the poor can and do repay small loans. In October 1983, the Government passed legislation transforming Yunus' project into the Grameen Bank. Since then, a vibrant sector of non-traditional finance providers has emerged in Bangladesh. The Credit and Development Forum (CDF), Bangladesh's network of NGO microfinance providers, boasts a membership of 656 institutions that serve over 12 million clients and have total loans outstanding of Tk.29.9 billion (CDF 2003).<sup>4,5</sup>

The CDF estimates that its largest five members (BRAC, ASA, Proshika, TMSS, and Swanirvar Bangladesh) account for 81% of total disbursement. ASA itself boasts the largest Revolving Loan Fund (RLF) at Tk.13.15 billion.<sup>6</sup>

### 2. ASA's Financial Services

The Association for Social Advancement (ASA) is a non-governmental institution offering microfinance services to poor people in Bangladesh. Although originally founded in 1978 to encourage consciousness-raising among the poor, by the early 1990s ASA had begun to specialize in the provision of microfinance services. Over the next 10 years ASA developed and refined its microfinance delivery methodology, and is currently recognized internationally as one of the world's most efficient and low-cost microfinance service providers. As of December 2003, ASA serves a clientele of 2.34 million, with a Revolving Loan Fund (RLF) of Tk. 13.15 billion and outstanding loans of Tk.10 billion.

ASA offers a range of financial services including loans, savings, and insurance to its primarily female clientele.

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<sup>4</sup> US \$1= 58 BDT

<sup>5</sup> It should be noted that Grameen Bank, with its unique charter, is not a member of the CDF and its over 2 million clients are not included in these figures.

<sup>6</sup> As of December 2003. Source: ASA MIS

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## 1. Loans

ASA's four loan products have distinct characteristics and are designed to meet the needs of a range of clients.

### *a. Flexible Loan*

ASA introduced the *Flexible Loan* in December 2003. This program offers loans of as little as Tk.1,000 to very poor risk-averse clients. The term and the repayment schedule are variable and depend on the specific project undertaken by the client. The term of the *Flexible Loan* may be one, six or twelve months, and repayment may be bi-monthly, monthly, or a one-time payment at the end of the loan's term. The service charge for this product is 1% per month flat on the principal. *Flexible Loans* are administered both individually and in a group setting, with some *Flexible Loan* clients joining *Small Loan* members' groups.

As of December 2003, ASA has 4,526 *Flexible Loan* clients.

### *b. Small Loan*

ASA's *Small Loan* product is the core of its operations. The program offers loans of between Tk. 4,000 and Tk. 20,000 exclusively to female clients whose monthly income is less than Tk. 3,000 and who own less than 0.5 acres of cultivatable land. The *Small Loan* product is highly standardized, with a fixed term of one year and a weekly repayment schedule. The service charge for the *Small Loan* is 15% per year, calculated flat on the principal at the time of disbursement. *Small Loan* clients form members' groups of approximately 30 clients that meet weekly. Although the group plays an important role in the delivery of this product, loans are made to individuals with no group liability component.

As of December 2003, ASA has 2,253,592 *Small Loan* clients with total loans outstanding of Tk. 9.07 billion.

### *c. Small Business Loan*

The *Small Business Loan* program offers loans starting at Tk. 15,000 to established business people. The service charge for this product is 15% annually flat on the principal.

As of the end of 2003, ASA has 80,862 clients in this program with Tk. 772 million in loans outstanding.

### *d. Small Entrepreneur Lending (SEL)*

The *SEL* program offers larger loans to established male and female entrepreneurs. Initial loans under this program range from Tk. 30,000 to Tk. 150,000. The term of the loan may be 1, 1.5, or 2 years, and instalments are repaid monthly. The service charge for the *SEL* program is 15% annually flat on the principal.

As of December 2003 ASA has 2,839 *SEL* clients with Tk. 174 million in loans outstanding.



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## 2. Savings

ASA was among the first institutions in Bangladesh to offer its clients open access to their savings. ASA's current savings program has both mandatory and voluntary components, with both earning annual interest of 4%.

### *a. Mandatory*

ASA's *Small Loan* and *Small Business Loan* clients are required to weekly save Tk. 10 and Tk. 20 respectively, while *Flexible Loan* clients must save Tk. 10 monthly. There is no mandatory savings requirement for *SEL* clients.

### *b. Voluntary*

In addition to their mandatory savings contribution, ASA members can save as much as they like. Group members may withdraw up to Tk. 1,000 (urban) and Tk. 500 (rural) at their weekly meetings. Clients who wish to withdraw more than this amount can do so simply by going to their ASA branch.

As of the end of 2003, ASA's clients have a savings balance of Tk. 2.8 billion.

## 3. Insurance

ASA currently offers its clients both loan and life insurance products.

### *a. Loan Insurance*

ASA's loan insurance has two purposes: to ensure that the family of a deceased client is not burdened by debt, and to mitigate institutional loss. The premium is Tk. 3 per thousand loaned, and is mandatory for *Flexible*, *Small* and *Small Business Loan* clients. ASA loan insurance pays a benefit equal to the amount of principal repaid.

### *b. Member's Security Fund (Life Insurance)*

ASA's security fund provides the families of clients with a lump sum benefit in the case of the client's untimely death. The premium for this product is Tk. 10 per week for *Small* and *Small Business Loan* clients, Tk. 10 per month for *Flexible Loan* clients, and Tk. 500 per year for *SEL* clients. In the case of a client's death, the *Security Fund* will pay an amount equal to six times the total premium paid-in. If a client chooses to leave ASA within 50 weeks of beginning to contribute to her security fund, she will be refunded the total premium paid-in without interest. If she leaves within 51-399 weeks, she will be refunded the total premium paid-in plus 3%, and if she leaves ASA after more than 400 weeks of contributing to her security fund, she will receive her total premium paid-in plus 4% interest.

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## Chapter II: Study Methodology

### 1. Objectives of the Study

The study was undertaken with three objectives in mind:

1. To assess clients' understanding of ASA products and policies
2. To understand clients' needs in terms of products, and
3. To gauge clients' current level of satisfaction with ASA products.

This study focuses on ASA's *Small Loan* clients and aims to provide the institution with a snapshot of their needs and impressions. The focus group methodology used in this study is based on the AIMS Tool 4 (SEEP Network 2000). In effect, this study serves as a "reality check" to determine if ASA's clients understand the products offered by the institution, and to determine if the program is meeting their needs.

The data collection process used in this study is described in detail below. Clients were asked for their comments on various elements, or components, of ASA products and programs. The list of eight elements discussed was developed in consultation with ASA senior management.

### 2. Sampling

#### *a. Sample Selection*

Twelve focus groups were conducted on existing *Small Loan* members' groups, representing a total of 322 clients. The aim in choosing the sample was to ensure that the clients sampled included representatives of all of ASA's different types of clients. The sampling procedure was developed taking the limitations of data availability into account. As ASA's MIS is entirely manual at the branch level, group-level data is not maintained at the Head Office, making it impossible to obtain group-level characteristics directly. To overcome this difficulty, a two-stage stratified sampling procedure was developed. In the first stage, two branches were selected from each of Bangladesh's six administrative divisions. The branches were chosen based on their geographic location (a mix of urban and rural branches) and their age. In the second stage, Branch Managers were instructed to pick one group based on one of several key criteria: age of group, composition of group (all new members, a mix of new and long-term members, or all long-term members), weekly savings rate, and annual drop-out rate. A complete list of groups included in the sample, and the criteria used to select them, is given in Appendix A.

#### *b. Administration of the Survey*

The focus groups were conducted between December 28<sup>th</sup>, 2003 and January 2<sup>nd</sup>, 2004. Two ASA staff conducted each focus group, with Branch Managers acting as facilitators and Loan Officers as recorders. Existing ASA staff were used in order to reduce time and cost. Branch Managers were chosen to facilitate the focus groups based on the assumption that their experience and higher average level of education would give them the skills necessary to perform this task effectively. Branch Managers were instructed to use a staff member other than the group's regular Loan Officer as recorder in order to encourage clients to express their true views. Although the presence of their

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Branch Manager likely biased client responses, the information gained in these sessions still provides some insight into clients' understanding and impressions of ASA's products.

A detailed instruction sheet outlining the purpose of the study and the focus group procedure was developed and distributed to the Branch Managers. In addition, the Branch Managers were given an orientation at meetings in Dhaka on December 22<sup>nd</sup> and 24<sup>th</sup>, 2003.

*c. Focus Group Procedure*

The focus group methodology has several key strengths:

- It allows clients with different experiences to interact, and
- It makes no prior assumptions or hypotheses, but instead encourages spontaneous responses.

A warm-up exercise was designed to familiarize clients with the focus group procedure, providing them with a short, entertaining demonstration. Firstly, the facilitator asked the recorder to describe a particular *misti* (a Bangladeshi sweet). The facilitator then asked the recorder to describe what he or she liked and disliked about the *misti*. The recorder then suggested changes to the *misti*'s recipe that were then discussed and voted on by the group.

Once the facilitator and the recorder were confident that the participants understood the procedure, the focus group proceeded in three stages:

1. Firstly, clients were asked to describe the product element (an element is a specific component of a product: for example, ASA's *Small Loan* product has several elements including *loan size*, *loan term*, and *repayment*). The purpose of this stage was to determine if participants have an accurate understanding of the element. This step in effect assesses the effectiveness of ASA's information dissemination and marketing strategies.
2. Secondly, clients were asked to describe what they like and dislike about the element.
3. Lastly, clients were asked what they would change to improve the element. Participants were asked to vote on all suggested changes.

This process was followed for each of the eight product and program elements.

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## Chapter III: Results

The survey results are presented in two sections. The first section highlights clients' spontaneous responses to the questions *What do you like best about ASA?* and *What do you dislike most about ASA?* The second section gives an itemized discussion of each element discussed.

### 1. Best and Worst

In general, the women surveyed were satisfied with ASA's *Small Loan* program, stating frequently that its features are more attractive than those offered by competitors. The overwhelmingly most popular feature is the ability to withdraw savings on demand, which was mentioned by eleven of the twelve groups. Clients were also pleased with the ease of obtaining subsequent loans, with seven groups mentioning this.

Table I: Program Likes

<i>What do you like best about ASA?</i>	Number of groups
Savings withdrawal on demand	11
Subsequent loans disbursed quickly	7
Voluntary savings deposit	3
Pleasant staff	3
Instalment stopped if client is ill	2
Quick disbursement of first loan	2
No money deducted when loan is disbursed	1
Insurance	1

Clients were unhappy with regular changes in the program, stating that frequent changes in criteria and Loan Officers caused them problems. Clients explained that frequent changes in criteria make the program hard to explain to their husbands. Members of two groups felt that the service charge charged by ASA is too high, while two groups were unhappy that instalments are not suspended during Eid (a three-day Muslim holiday in which considerable expense is generally incurred).

Table II: Program Dislikes

<i>What do you dislike most about ASA?</i>	Number of Groups
Frequent change of criteria	4
Frequent changes of Loan Officer	3
High Service Charge	2
Instalment not suspended during Eid	2
Not able to pre-pay instalments	1
10% savings requirement	1
Fixed term	1
Loan ceiling	1
Pressure applied by staff to collect loan	1

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## 2. Individual Program Elements

Each focus group was asked to discuss eight ASA product or program elements:

- a. Group meetings
- b. Branch Office
- c. Loan size
- d. Loan term
- e. Loan repayment
- f. Savings
- g. Security Fund
- h. Loan Officer

### *a. Group Meetings*

ASA *Small Loan* clients meet once per week in a member's home. The location of the meeting is rotated on average once per year.

When asked what they liked about group meetings, one quarter of groups responded that they enjoy the social aspect. As one respondent stated, the group meeting provides an opportunity for "sincerity to grow among us."<sup>7</sup> Clients welcome the opportunity to interact with one another and to tackle problems within the group setting.

Clients were, however, concerned with the amount of time taken up by meetings, explaining that lost time negatively affects their businesses. Members of five groups felt that the meetings consume too much time, while three groups commented on delays caused by late members and one group on late attendance of the Loan Officer. One group stated that the organizational structure of the meetings is weak, and that the Loan Officer is not able to control it.

Some members suggested that the time management problems are related to holding the meetings in a member's home, which places that member in a position of power that may be abused. When asked to suggest changes, three groups suggested that meetings should be held in a centre owned by the organization.

The suggestion to hold meetings in a centre owned by the organization is unrealistic, as using basic, rented space keeps ASA's costs manageable. However, the institution could face serious problems if a large number of clients become dissatisfied with the group process. Based on the comments made by clients, I recommend that ASA take action to ensure that its staff are adequately trained to conduct meetings efficiently and to select an appropriate client to host the meeting.

Members of ASA's Shapla group in Rajshahi expressed an interest in receiving legal assistance at meetings. ASA's *Community Assistance Initiative*, to be implemented this year, will help address this need. The program aims to provide linkages between ASA clients and members of civil society, and will include a fund that will help finance social initiatives.<sup>8</sup>

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<sup>7</sup> Translated from the original Bangla.

<sup>8</sup> See the November 2003 edition of ASA's in-house newsletter *New Vision* for more information on ASA's *Community Assistance Initiative*.

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*b. Branch Office*

Although all respondents were aware of the location of their branch, approximately half of groups were not able to give the hours that Loan Officers are available there. ASA Loan Officers complete their rounds of lending groups in the mornings and are available in the branches in the afternoon. Members of one group complained that the limited hours of the branch are inconvenient, and suggested that one Loan Officer should stay in the office at all times.

Many of the clients' comments appear to be specific to individual branches. Branch operation was described as efficient by two groups, while one group specifically mentioned the positive treatment they receive from ASA staff.

Clients in several groups were unhappy with the lack of facilities available at their branch, explaining that this makes visits uncomfortable. Four groups mentioned insufficient seating generally, while two groups were concerned with the lack of separate seating areas for men and women. In several cases, clients expressed concern that the lack of adequate seating and meeting areas makes confidential consultation with ASA staff impossible.

Members of two groups thought that ASA should own its own building, suggesting that a permanent structure lends credibility and an impression of permanence to an organization. In the case of ASA's Sonali Landless Woman's Group in Barishal, clients were unhappy that their branch lacks a permanent address and has moved occasionally.

Renting low-cost office space, however, is an important component of ASA's low-cost delivery methodology. I recommend that ASA balance the need to keep costs low with clients needs for adequate facilities and ensure that rented offices have sufficient space to effectively and confidentially conduct business.

*c. Loan Size*

ASA's *Small Loan* program provides exclusively female clients with first loans of Tk. 4,000 to Tk. 6,000 in rural and Tk. 6,000 to Tk. 20,000 in urban areas. Subsequent loans increase by jumps of Tk. 1,000 to Tk. 5,000.

Although five groups were satisfied with the present size of ASA's loans, half of respondents felt that capable members in good stranding would be able to handle larger amounts. Five groups felt that the jump between subsequent loans is too small, while five were unhappy with the loan ceiling.

Respondents suggested that the loan ceiling should be lifted and individual projects monitored more closely. Interestingly, two groups suggested that removing the ceiling and allowing larger loans would prevent clients from taking loans from multiple institutions.

Choosing the size of loans that it offers is an important balancing act for any institution. On the one hand, an institution must ensure that it offers large enough loans to ensure the loyalty of its successful clients, while on the other, it must be aware that large loan size may either discourage poorer segments of its target population from taking loans, or lead them to take loans that are too large for them to repay. ASA's development of a range of loan products targeted at different

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populations is a good way of addressing this issue. The *Flexible Loan*, which offers loans as small as Tk. 1,000 with a variable term and repayment schedule, is targeted at the extremely risk-averse. The *Small Loan*, ASA's core product, is a low-cost and effective way to meet the credit needs of a large number of women, while the *Small Business Loan* and *Small Entrepreneur Lending (SEL)* programs provide larger loans to established businesses.

In order to ensure that clients' needs are met effectively, both clients themselves and ASA staff must understand the range of products offered. Many of the clients who expressed dissatisfaction with the current size of their loans may be suitable candidates for the *SEL* program. I recommend that ASA place particular emphasis on marketing its products to existing clients, and on training staff to effectively evaluate client needs and direct them towards the appropriate ASA product.

#### *d. Loan Term*

The majority of members of all of the groups were able to describe ASA's standard loan term of one year and 46 instalments correctly. Respondents thought that the standardized term is simple to understand, and liked that subsequent loans are disbursed quickly, often the same day that the previous loan is paid off.

Although easy to understand, some clients felt that the standardized term is not meeting their needs. Half of the groups were unhappy that they are not given the option of repaying their loan early and taking out a new loan, as ASA limits instalment prepayments to the final three. Clients complained that the inability to take a new loan left them unable to take advantage of business opportunities. In particular, clients who engage in agricultural activities indicated that they would prefer seasonal loans that coincide with agricultural planting seasons. Members of Sonali Landless Women's Group in Barishal and Antar Group in Sylhet said that they use their loans to buy seeds and fertilizer, and therefore need a lump sum several times a year.

Offering a flexible product to clients poses several challenges to institutions. Currently, ASA operates entirely manually, with no computerization at the branch level. Standardization is an important component of both its internal control mechanism and its low-cost methodology. One of the reasons that ASA is able to operate manually is because standardization of loan terms and repayment schedules allows management to accurately predict cash flows and discrepancies are easily noticed. Its notably low cost-per-money-lent ratio of 3%<sup>9</sup> has been achieved through 10 years of refining and streamlining standardised operations.

Now that the organization has reached a high level of institutional capacity, ASA is experimenting with a new flexible product. Its *Flexible Loan*, introduced in December 2003, offers small loans with variable terms and repayment schedules to extremely risk-averse clients. ASA is also pilot-testing a six-month loan term for *Small Loan* clients in two branches, although the implementation decision for this test has been left to the branch staff and uptake has been negligible. The results of this survey demonstrate clearly that there is demand among existing ASA *Small Loan* clients for loans of variable terms. I recommend that after evaluating the results of the pilot-test and the introduction of the *Flexible Loan*, ASA consider a wide-scale introduction of flexibility into its core *Small Loan* product.

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<sup>9</sup> As of December 2003. Source: ASA MIS

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*e. Loan Repayment*

Clients were generally content with ASA's repayment process, with the majority of them satisfied with the mandatory weekly repayment schedule. Members of two groups were in favour of introducing bi-monthly or monthly repayment options, suggesting that this would better fit their income flows.

Clients' concerns about repayment were related to ASA's response when they face a crisis in their households. Although clients were happy that instalments are suspended when the client herself becomes ill, four groups were unhappy that this is not the same in the case of a husband's illness. These clients explained that the husband is the earning member of the family, and therefore when he is ill they have no income. This comment has interesting implications and suggests that in many cases ASA's clients are not using their loans to engage in income generating activities themselves.

Stuart Rutherford has written extensively on the subject of loan usage in Bangladesh (and other places),<sup>10</sup> providing evidence that the poor use their loans in varied and complex ways. The idea that a woman takes a loan, starts an income generating activity, and pays her loan instalments with income from this activity is a gross oversimplification. The reality of the situation is that economic decisions are made at the household level, and that loans are used for a variety of purposes, including income generating activities by the client herself, income generating activities by the client's husband, or straight consumption.<sup>11</sup> Indeed, one loan is often used for multiple purposes, and when deciding to take a loan, households evaluate their current income streams and determine if they can afford the loan repayments.

This observation has important implications for product design. If loan instalments are paid from the client's husband's income, then requiring the client to pay her instalment in the case of his illness may lead her to sell off assets, thereby eroding the gains that her family has made through her participation in a microfinance program. I recommend that ASA undertake a study of the loan usage patterns of its clients. This will allow the institution to better understand how clients manage their money, and to determine if its policy of suspending instalment payment in the case of the client's illness should be extended to her husband or another earning member of the household.

Understanding clients' needs and loan usage patterns is particularly important in the increasingly competitive Bangladeshi microfinance market. Client comments during these focus group sessions suggest an awareness of microfinance products offered by other institutions. One group suggested that in some cases, members who default should be given a new loan and their defaulted loan renegotiated. They argued that this would allow the client to salvage a failing business and prevent her from slipping into more serious poverty. This, in effect, describes the Grameen Bank's Grameen Generalized System (GGS), which offers clients the option of renegotiating their repayment schedule and allows them to re-borrow the amount of their loan that they have repaid.<sup>12</sup> Given the level of competition in Bangladesh's microfinance market, ASA risks losing established clients if it does not ensure that its products continue to meet clients' needs.

*f. Savings*

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<sup>10</sup> See, for example: Rutherford, Stuart, 2000. *The Poor and their Money*. Oxford University Press: Oxford

<sup>11</sup> A recent unpublished ASA impact assessment shows that of clients who invested in their homes in the past 5 years, 51% used loans from ASA directly.

<sup>12</sup> See [www.grameen-info.org](http://www.grameen-info.org) for details of the GGS.



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The majority of groups were able to correctly describe ASA's mandatory and voluntary savings programs. ASA requires that *Small Loan* clients make a mandatory deposit of Tk. 10 per week, and allows them to deposit any amount in addition to this base requirement. Clients must maintain a savings balance equal to 10% of the value of their current loan, but may withdraw any savings in excess of this amount. Withdrawals of up to Tk. 500 (rural) and Tk. 1000 (urban) can be made at weekly group meetings, and clients can make larger withdrawals at any time simply by visiting their branch.

The ability to deposit and withdraw savings on demand was in clients' eyes by far the most popular feature of ASA. Clients also liked that they are able to withdraw savings at group meetings, explaining that this was very convenient for them.

Clients did not like that ASA requires them to keep 10% of their current loan's value as locked-in savings, explaining that their savings play an important role in helping them to manage financial crises. They complained that 10% was too high, suggesting that 5% would be more reasonable.

ASA was among the first institutions in Bangladesh to offer its clients open access to savings. The institution currently capitalizes a portion of its members' savings and on-lends this amount. The 10% locked-in savings requirement plays an important role in ensuring that ASA has adequate liquidity, and any changes to this requirement must be carefully examined. ASA does allow clients to withdraw all of their savings in the event of catastrophic crises. For example, clients affected by flood in 1998 were allowed to withdraw all of their savings. Clients, however, do not seem to be aware of this. I recommend that ASA take action to ensure that both its clients and its staff understand the conditions under which mandatory savings can be accessed.

#### *g. Security Fund*

Introduced in August 2003, ASA's *Security Fund* life insurance product provides the client's family with a lump-sum benefit in the case of her death. Clients pay a mandatory weekly premium of Tk. 10, and upon a client's death, the program pays a benefit equal to six times the premium paid-in. If the client leaves ASA, she will be refunded the total premium paid-in plus a variable interest rate that depends on the number of weeks that she has contributed to her fund.

Half of respondents could not correctly describe the security fund. Some of the clients' spontaneous suggestions, including that the program should pay two times the amount paid-in if member does not die, and that term of the program should be varied, indicate a lack of understanding of the concept of insurance.

Once the *Security Fund* program was explained to them, clients were enthusiastic about the product, saying that the benefit would be extremely useful to their families. Clients were concerned, however, with the rigidity of the program. Clients were unhappy that the program is mandatory and that the premium they must pay is fixed. Indeed, several clients stated that if given the option, they would contribute more than Tk. 10 per week to their fund. Several clients were unhappy that they cannot keep their *Security Fund* if they have no active loan for a period of greater than three months.

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Clients suggested several changes that would make the product more appealing to them, including allowing variable premium payments, and monthly instalments. One group suggested that the interest rate for this program should match that offered by banks on fixed deposits, suggesting that although they may not access it, clients have an awareness of the formal banking sector.

Given these responses, I recommend that ASA undertake a campaign to ensure that both its staff and clients understand the nature of a life insurance product. Once clients have a greater understanding of the *Security Fund*, ASA could explore the option of introducing a flexible composite premium and instalment schedule similar to that offered under its savings program.

#### *h. Loan Officers*

The majority of clients indicated that their Loan Officer is friendly and knowledgeable, with only one group stating that they did not like their Loan Officer. Despite their positive comments, most groups said that they would not consult with their Loan Officer about repayment problems under any circumstance. Clients clearly felt that their Loan Officer would not be sympathetic in the case that they are not able to make their loan repayments. When asked what advice they would give to ASA's Head Office to make the work of their Loan Officer more effective, several groups said that staff should be rotated less frequently so that clients can develop a relationship with their Loan Officers.

ASA currently rotates Loan Officers among groups once a year. Although disliked by clients, this procedure has provided an effective and low-cost means of checking records and deterring fraudulent behaviour by Loan Officers. ASA must weigh the desire to keep policy client-centred with the need to keep costs low.

### **3. Conclusion**

The *Small Loan* clients surveyed in this study are generally happy with ASA, and believe that the institution offers more appealing products and services than its competitors. ASA has developed an impressive institutional capacity, and is now in an excellent position to explore introducing the flexibility desired by its clients into its core products. As one of the first major institutions to offer open-access to its clients' savings, ASA has experience with bold new initiatives. By continuing to listen to its clients and offer innovative products, ASA can ensure that it maintains its place as a leader in Bangladesh's microfinance market.

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## Appendix A

Name of Groups and Selection Instructions					
Division	Branch	Opening Date	Name of Group	Number of Members	Selection Instructions
Barishal	Barishal-2	1/6/00	Chamely Landless Women's Group	30	Please choose your newest group
Barishal	Gouronodi Sadar	10/2/96	Sonali Landless Women's Group	24	Please choose the group with the least savings (lowest savings rate)
Chittagong	Changraghona	1/1/02	Suchana	27	Please choose the group with the most repayment problems (worst group)
Chittagong	Bahaddarhat-01	15/07/97	Kamini	30	Please choose the group with the least savings (lowest savings rate)
Dhaka	Mirpur 11/2	1/6/00	Shatadal	30	Please choose the group with the most repayment problems (worst group)
Dhaka	Zinzira-2	1/6/01	Sanchita	30	Please choose the group with the most savings (highest savings rate)
Khulna	Daulatpur Sadar-01	13/01/96	Bashanty ASA Landless Group	30	Please choose the group with the most savings (highest savings rate)
Khulna	Batiaghata	9/12/95	Akata Landless Group	20	Please choose a well-established group with only long-time members
Rajshahi	Premtola	1/1/95	Rajanigandha	30	Please choose a well-established group with a mix of new and long-time members
Rajshahi	Rajshahi Sadar	1/1/95	Shapla	19	Please choose the group with the highest drop-out rate
Sylhet	Sylhet Sadar-02	1/2/03	Antar Landless Group	30	Please choose the group with the least repayment problems (Best group)
Sylhet	Sunamgonj Sadar-01	2/8/97	Shiuly Landless Women's Group	22	Please choose the group with the least repayment problems (Best group)