

## **Chapter 6**

### **Conclusion**

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Seasonal migration after natural disasters is a common phenomenon in developing countries, especially in Bangladesh. During such agricultural downturns, a large share of the labor force becomes temporary unemployed and suffers with lack of food consumption. A considerable amount of eligible individuals temporarily migrates to nearby urban areas for survival. After the shock's effects abate, most people return to their villages. However, through strict weekly loan repayment rules, micro-credit institutions can hamper this process, reducing the ability of participating people to react to a shock.

In an attempt to enhance the welfare level of the ultrapoor, this study project aims at understanding the impact of flexible micro-credit repayment to the poor and seasonality affected vulnerable people of northern Bangladesh. We combine a panel data survey with a randomized experiment to test the impact of relaxing these payment rules on seasonal migration, loan repayment and micro-credit participation rates.

The emergence of micro-credit institutions has been a recent policy development in poverty alleviation in developing countries. Those institutions have improved access of the poor to the informal credit market. However, the interactions and side-effects of this policy instrument have not been studied extensively yet, but this is of tremendous importance for their evaluation.

Based on anecdotic and survey evidence we find that strict micro-credit can actually hamper temporary migration during lean seasons and also lowering the welfare of rural people during the time of seasonal hardship and temporary unemployment. We are not aware that this problem has been studied appropriately in the literature, even though it has direct implications for development policy. This establishes the need, importance, and relevance of a comprehensive and methodologically sound study of the problem, such as this study is pursuing.

Results from this project will help Microfinance institutions to optimize their credit schemes, and will help other interested parties including governmental institutions to either advocate a relaxation of micro-credit rules or to search for alternative policy instruments.

In this interim report we have documented the overall scenario and progress of our ongoing study at the northern Bangladesh. Though our dataset is primarily incomplete and unclear, it was not possible for us to produce rigorous and sensible estimation during the time of the interim report submission. Most of the analysis done in the chapters is by and large preliminary and most likely to be changed once a cleaner and complete dataset will be available.