

FORCED LOAN-RECOVERY TECHNIQUE OF THE MICROFINANCE INSTITUTES IN BANGLADESH AND ITS IMPACT ON THE BORROWERS: AN EMPIRICAL STUDY ON GRAMEEN BANK, BRAC AND ASA

*Técnica de Recuperação Forçada de Empréstimos dos Institutos de Microfinanças em Bangladesh e
seu Impacto Negativo nos Empreendedores:*

Um Estudo Empírico Sobre o Grameen Bank, Brac e Asa

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Abstract: : This paper presents the consequences of ‘forced loan-recovery’, which is an unconstitutional technique allegedly practiced by most of the microfinance institutes (MFIs) in Bangladesh. An empirical study was carried out on the borrowers of three leading microfinance institutes namely, Grameen Bank (GB), BRAC and ASA. Data were collected from two poverty-plagued villages namely, Uttar Islampur and Ruhitpur of Munshiganj district. The mixed research methods were applied. Findings of this study demonstrate that most of the borrowers experience assorted problems on the day of loan repayment. If they fail to pay back the debt aright loan officers and their allies treat them raucously. In order to avoid such unpleasant situations, insolvent borrowers tend to make multiple auxiliary loans and payback the previous ones. As a result, they fall into the decoy of a borrowing-repaying cycle. Sometimes, over-indebtedness compels them to sell out their tangible assets. Thus, they become even poorer. Furthermore, borrowers use to experience discontented domestic and social lives due to such loan-collection techniques of the microfinance institutes.

Key words: Microfinance, Forced Loan Recovery, Default Penalty, Poverty

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Resumo: Este artigo apresenta as consequências da “recuperação forçada de empréstimos”, que é uma técnica inconstitucional supostamente praticada pela maioria dos institutos de microfinanças (MFIs) em Bangladesh. Realizou-se um estudo empírico sobre os mutuários dos três principais institutos de microfinanciamento, nomeadamente o Grameen Bank (GB), o BRAC e o ASA. Os dados foram coletados de duas aldeias pobres, como Uttar Islampur e Ruhitpur, no distrito de Munshiganj. Os métodos de pesquisa mista foram aplicados. Os resultados deste estudo demonstram que a maioria dos mutuários experimenta vários problemas no dia do reembolso do empréstimo. Se eles falharem em pagar a dívida, os agentes de crédito e seus aliados os tratarão de maneira turbulenta. Para evitar tais situações desagradáveis, os tomadores insolventes tendem a fazer múltiplos empréstimos auxiliares e pagar os empréstimos anteriores. Como resultado, eles caem no engodo de um ciclo de pagamento de empréstimos. Às vezes, o superendividamento os compele a vender seus ativos tangíveis. Assim, eles se tornam ainda mais pobres. Além disso, os mutuários costumam experimentar vidas domésticas e sociais descontentes devido a essas técnicas de cobrança de empréstimos dos institutos de microfinanças.

Palavras-chave: Micro finanças, Recuperação forçada de Empréstimos, Penalidades pela falta; Pobreza

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INTRODUCTION

Over the past thirty years, microfinance (MF) has emerged as a viable development programme by providing small loans¹ to the underprivileged people, who are written off by the commercial banks as being uncreditworthy and unprofitable (Armendáriz & Morduch, 2005; Yunus, 2017). Microfinance mainly assists the destitute rural women to scale up their economic conditions by creating self-employment (Yunus, 2007). This provisional financing system is proven to have positive impacts on the poverty reduction, household wellbeing as well as sustainable development (Agbola, Acupan, & Mahmood, 2017; Doocy, Teferra, Norell, & Burnham, 2005). Because, it deals with three specific issues, such as poverty, labour mobility and repayment (Armendáriz & Morduch, 2005). Including micro-loans, some microfinance institutes (MFIs) offer a range of financial services, such as micro-insurance, micro-savings, micro-pension and money transfer. Some institutes also provide pieces of trainings to improve borrowers' knowledge of health, nutrition, business management and building social bondage (MkNelly & Kevane, 2002; Weber, 2004). Nonetheless, microfinance seems coherent with the World Bank's (WB) initiatives of promoting labour-intensive economic development, rendering basic social services, extending opportunities, enhancing empowerment, and strengthening security (Boer, 2001). Theoretically, this system works based on the principle of 'diminishing marginal returns to capital' that suggests, the percentage of return from the low investment is comparably higher than the high investment (Armendáriz & Morduch, 2005).

Borrowers of microfinance are mostly rural poor women (Yunus, 2007, 2017). However, microfinance envisages that women are more trustworthy as well as willing to repay the loan than men (Kropp, Turvey, Just, Kong, & Guo, 2009). But, these assumptions seem contravening some other hypotheses, such as poor women generally lack business skills and market information. Since they are mostly deprived of formal education, they usually possess low or no knowledge of accounting. Besides, they have less control over the borrowed money once they hand it over to the male members of their family and remain detached from the business operations (Hassan, 2010). So, the conjecture on women's repayment performance deems void. Furthermore, income depends on individual's physical and intellectual capabilities (Chowdhury & Mukhopadhaya, 2012). Male members may fail to generate enough income due to lack of skills in running businesses. Therefore, the rate of repayment is supposed to be very low in microfinance. But, the practical scenario is just opposite. Repayment rate in microfinance is as high as 98 percent (Aydin, 2015; Yunus, 2017). This lucrative achievement has been possible due to installing a hybrid mechanism that combines, women-focused lending, group guarantee, peer monitoring, peer pressure, weekly-meeting and strict supervision of the loan officers. Notwithstanding, most of the microfinance institutes (MFIs) reportedly exert some kind of 'pressure' or 'force' on the borrowers in order to optimise repayment (Kassim, Salina, & Rahman, 2008). This non-statutory malpractice of MFIs compels the borrowers seeking for auxiliary loans from various other sources² while pushing them into hardly escapable 'loan-trap' (Diop, Hillenkamp, & Servet, 2007; Jain & Mansuri, 2003; Karim, 2011). Multiple borrowings, consequently increase the size of weekly-installment or the frequency of repayment dates. Hence, it becomes burdensome to the poor borrowers. Reportedly, in most of the cases if any borrower fails to maintain the due repayment is forced by the loan officers and group members to sell out their tangible assets or household belongings (Kassim et al., 2008). As a result, they turn into impecunious poor.

Loan officers are assigned for loan disbursement, business proposal evaluation, performance monitoring and loan collection. But, allegedly they behave with the unsuccessful borrowers like tyrannous debt collectors. They use unconventional and seemingly obnoxious methods, such as scolding or verbally abusing, insulting in front of other members and even compelling them to sell out their tangible assets to repay the loans (I. Ali, Hatta, Azman, & Islam, 2017; Dixon, Ritchie, & Siwale, 2007).

1 The loan size ranges from USD 50.00 to several hundred (BRAC, 2016; Rosenberg, 2010)

2 They seek loan from formal (such as other microfinance institutes) or informal (pawn shops, or loan sharks) sources. Sometimes from the same MFI but different loan schemes.

Group-guarantee³ is a commonly used lending technique in the microfinance industry. This technique complements the collateral while acting as an effective tool to attain optimum repayment (de Quidt, Fetzer, & Ghatak, 2016). This mechanism also addresses the problem of information asymmetry, adverse selection and moral hazard. Group members usually encourage each other to invest the money wisely as well as discourage to take excessive risks. Furthermore, group pressure works as an effective device for due repayment (Armendáriz & Morduch, 2005). Arguably, microfinance institutes utilize the peer-group as their ‘pressure-group’ (Siwale & Ritchie, 2012) and most of the time this method turns into an obsessive enforcement that works for ensuring regular repayment (Besley & Coate, 1995; Churchill, 1999; de Quidt et al., 2016; Velasco & Marconi, 2004). Overall, by means of aforesaid practices, MFIs tend to maximise loan repayment, profit and growth while staying far behind the objective of poverty alleviation. But, these types of demeaning treatments presumably bring about adverse realities to the borrowers’ lives. So, investigating borrowers’ consequences because of ‘forced loan recovery’ technique has a practical importance.

OBJECTIVES

The main objective of this study is to investigate the consequences of forced loan recovery technique synonymously loan repayment pressure exerted by the microfinance institutes. Above discussion suggests that some specific factors, such as the uses of the loans, repayment strategies of the borrowers, roles of the loan officers, roles of the group-members are intertwined with the forced loan recovery issue. In that light, five specific objectives can be formulated as mentioned below:

- 1) To explore the divergent usages of loans by the borrowers
- 2) To explore the repayment strategies of the borrowers
- 3) To investigate the roles of the loan officers
- 4) To investigate the roles of the group members
- 5) To explore the impacts of forced loan recovery on the borrowers’ lives.

Organization

This paper comprises five different sections. Section one briefs the background of this study; section two presents the relevant literature; section three delineates the research design and methodology; section four narrates the findings and discussion; and section five makes a conclusion with recommendations and remarks.

LITERATURE REVIEW

With the view to clarifying microfinance and repayment issues, this section imparts the relevant literature on poverty and microfinance. It also includes the current scenario of poverty in Bangladesh while briefly presenting three major microfinance institutes namely, Grameen Bank, ASA and BRAC.

Poverty and Microfinance

The most recent estimates (by the year 2013) suggest that about 10.7% of world population are extremely poor. That implies, based on current the poverty line index⁴, 767 million poor humanity are living across the globe. Notably, half of them are residing in Sub-Saharan Africa. Countries in East Asia and Pacific region namely China and Indonesia; and India in South Asia are immensely poverty ridden. The major portion of those poor is living in the rural area (WB, 2016). Shockingly, more than half of them are below 18 years of age. This scenario was even worse decades ago. In 1990, this planet was laden with 35% absolute poor (WB, 2016). However, a significant level of poverty reduction has been possible due to numerous anti-poverty measures. Microfinance (MF) is considered one of the most effective initiatives, which was introduced in the 70s as an alternative banking system to extend financial assistance to the destitute poor in a participatory ‘bottom-up’ manner (Barry, 2012; Siwale & Ritchie, 2012). Since then, MF is considered replenishing the gap in supply and demand of money in the rural economy (Tsai, 2004).

³ Some MFIs don’t emphasize on group guarantee (Bateman, 2010)

⁴ The World Bank (WB) usages as a benchmark for poverty measurement, which is US\$1.9 per day household income. This criterion was set based on the purchasing power parity (PPP) of 2011 (WB, 2016).

Microfinance and Market Orientation

At the beginning, microfinance was practised by the not-for-profit organisations. But, by the nineties, policymakers recommended microfinance institutes (MFIs) to be ‘financially sustainable’ in order to be unleashed from the subsidies and donation (Barry, 2012). Alike policy makers donor community also suggested MFIs be self-sustained⁵ by adopting cost recovery approach (Goetz & Gupta, 1996). Then, microfinance institutes (MFIs) embraced market orientation in order to function self-dependently with no aid budget (Armendáriz & Morduch, 2005). But, market-orientation microfinance brought about dynamic market exposures such as new entrances, competitors with more products and services etc. In order to cope with the market forces, MFIs have become utterly business focused as well as profit-oriented which is seemingly reflected in the higher rate of interest (Nanayakkara & Stewart, 2015; Roberts, 2013). Most of the MFIs consider poverty as a ‘market gap’ and they seek for a better return on the investments. This approach has presumably deviated microfinance from its prime mission of poverty alleviation. As a result, microfinance is becoming less effective in poverty alleviation (Sultan, 2012). However, market orientation and commercialization approaches envisage enormous controversy (Armendáriz & Morduch, 2005). On the other hand, the operational efficacy of microfinance institutes (MFIs) is generally measured based on the number of clients, amount of disbursed loan and organizational sustainability (Chowdhury & Mukhopadhaya, 2012). Among these criteria, repayment rate plays the most crucial role. For this reason, microfinance institutes (MFIs) emphasise on maximising repayment (Godquin, 2004). MFIs pay utmost attention to optimize repayment barely considering if the borrowers can pay back the debts from their surplus income generated from the loan-based projects (Chowdhury & Mukhopadhaya, 2012). Simultaneously, MFIs put stresses on minimising their operational costs (Blanco, Pino-Mejias, Lara, & Rayo, 2013). Therefore, MFIs avoid paying attention to borrowers’ activities as well as monitoring their progress.

Repayment Issues

The weekly repayment schedule is a common norm in the microfinance industry. The frequent instalment is believed enhancing clients’ diligence as well as saving-habit. Besides, regular meeting with the loan officers improves bilateral relationship and trust while increasing the rate of repayment (Field & Pande, 2008). But, borrowers sometimes behave undesirable manners and thus, the questions of moral hazard come forward (Feroz & Goud, 2008). Factors, such as adverse borrower selection, low numerical skills of the borrowers and asymmetric information about the uses of landed money badly affect repayment (Ahmad, 2012). In this case, moral hazard is the most crucial causative factor that works behind loan default. Arguably, high-interest rates potentially influence borrowers to be morally degraded and that lead them to default. On the other hand, higher default rate pursues MFIs to increase interest rate in order to cover the cost. So, the higher the interest rate charged the higher the probability that a borrower will not repay. Hence, either she undertakes riskier projects that may lead to failure or she may intend to bear the costs associated with default (Guo & Jo, 2017). However, these uneven riddling factors yield negative externalities and backpaddle the repayment process (Godquin, 2004; Khalil, A.A., Rickwood, & Muride, 2000)

Poverty in Bangladesh

Bangladesh is a poverty-plagued country due to small GDP and huge population. It is worth mentioning, by 2016 the GDP of Bangladesh was USD 221.42 billion, population 162.9 million and population density 1251.8/ square km (WB, 2017). According to Bangladesh Bureau of Statistics (BBS), 24.3% people in this country are poor and 12.9% are living below the poverty line. The degree of poverty is higher in the rural areas than the urban areas (BBS, 2017). The government has taken several anty poverty initiatives. In last two decades, from 1991 and 2010 about 20.5 million people in Bangladesh escaped from poverty. As a result, the poverty rate declined from 44.2% in 1991 to 18.5% in 2010 (WB, 2017). Nevertheless, poverty incidence in Bangladesh is still high. The above statics suggest that about 13 million poor people are living in absolute poverty in Bangladesh.

⁵ The sustainability equation was figured out as: Coverage of Financial Expenses (incl. cost of funds + inflation) + Loan Loss + Operating Expenses (incl. personnel and administrative expenses) + Capitalization for Growth (CGAP, 2009).

A Brief Overview on GB, ASA and BRAC

Since 1971 (after the liberation war), nongovernmental organisations (NGOs) have been conducting numerous anti-poverty programmes in Bangladesh (Chowdhury & Mukhopadhaya, 2012). According to MRA⁶ report, by December 2016, a total 689 licenced microfinance institutions (MFIs) were functioning across the country (MRA, 2017). However, this industry is majorly assumed by three gigantic organizations, namely BRAC, Grameen Bank (GB) and ASA. BRAC and Grameen Bank (GB) account for 77% of the total loan-disbursement in the microcredit market (Salim, 2013). ASA positions the third place in term of outreaching borrowers as well as credit distribution [Mohammed, (2012) in (S. N. Ali, 2013)].

Grameen Bank (GB)

Grameen Bank (GB), the largest microfinance institution in Bangladesh has been dispensing collateral free microloan to the poor since 1986. This institute embraced market-based approaches by 2001 and started lending money both poor and non-poor segments while giving importance on savings mobilization (Hulme, 2009). As of September 2017, through its 2,568 branches, GB extended micro-loans to about 8.92 million rural poor, who are living in 81,399 villages (GB, 2017).

ASA

The Bengali meaning of ASA is ‘hope’ and its acronym is ‘Association for Social Advancement’. This nongovernmental organisation (NGO) was incorporated in 1978. It packs on an average US \$415 for each loan and mostly offers to the wives and mothers of the landless labourers and small-scale farmers. As of 2017, ASA reached 7,550,968 clientele in 64,295 villages through its 2,952 branches all over Bangladesh (ASA, 2017). ASA confines its activities to provide micro-loans and savings mobilisation only [Mohammed, (2012) in (S. N. Ali, 2013)].

BRAC

Building Resources Across Communities (BRAC), which was formerly known as Bangladesh Rural Advancement Committee, the oldest microfinance institute has been working since 1974. This NGO is recognized as the world largest development organization. However, BRAC has so far extended USD1.6 billion to about 5 million borrowers in Bangladesh. This organization operates 2000 branches in all 64 districts across the country (BRAC, 2017a). BRAC is also providing antipoverty solutions in 6 other developing countries, namely Uganda, Tanzania, Sierra Leone, Liberia, Pakistan and Myanmar (BRAC, 2017b).

Munshiganj District

Munshiganj is one of the most economically flourished districts in Bangladesh. This district is surrounded by four rivers namely the Padma, the Meghna, the Dhaleshwari and the Ichamati. Total Population of this district is about 1,293,972 including 655,585 males and 638,387 females. One-third (38.64%) of the population is agrarian, 23.17% are engaged with business and the rest of them are in various other services (Banglapedia, 2015a⁷). In Munshiganj district, Munshiganj Sadar Upazila is about 160.79 Sq. km. comprising 187 villages with 327,015 people (Banglapedia, 2015b). Uttar Islampur and Ruhitpur, two poverty-ridden villages (that were surveyed as part of this study) are situated in Munshiganj Sadar Upazila⁸. The population of Uttar Islampur and Ruhitpur is 4,095 and 2,686 respectively⁹.

6 MRA: Microfinance Regulatory Authority

7 Banglapedia: National Encyclopaedia of Bangladesh

8 Upazila: The districts of Bangladesh are divided into sub-districts called Upazila or Thana.

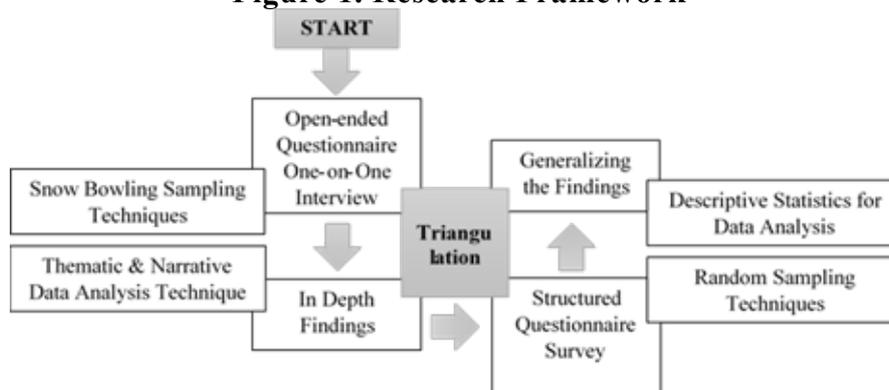
9 Source: Information regarding population of the two villages, Uttar Islampur and Ruhitpur was collected from the municipality office of Munshiganj Sadar Upazila. Title: Porisongkhan (Population Statistics), Year: 2012,

Volume: 01, Page: 34.

METHODOLOGY

This study adopted mixed methods to achieve its objectives. Snow bowling sampling technique was applied in qualitative approach (Morgan, 2008).

Figure 1. Research Framework



Based on the information given by the local journals and neighbourhoods, ‘suffering’ and ‘progressive’ borrowers were identified from two villages, namely Uttar Islampur and Ruhitpur in Munshiganj Sadar Upazila¹⁰ of Munshiganj district. By the year 2012, qualitative data were collected by interviewing 20 borrowers of Grameen Bank, ASA and BRAC. Reportedly, fourteen interviewees were extremely suffering and the rest six were progressing well. In order to determine suffering and progressive borrowers, at first ‘eye surveys/ visual inspection’ were conducted. Outward conditions of the houses were considered as the primary visual indicators of the respondents’ living quality (Field & Pande, 2008; Hatch & Frederick, 1998). Some other indicators such as, indebtedness, low-income, fewer assets, and cheapened livelihoods were also counted to understand their penury. On the other hand, ‘progressive borrowers’ were primarily selected based on the information of their neighbourhoods and group members as well as the visual indicators (Cramer, 2004). Economic condition of this kind of borrowers was assessed taking into account their income growth, increasing assets and well-off living condition. A semi-structured questionnaire comprising open-ended questions was used to get the narrative statement from them (Llewellyn, 2001; Maykut, Morehouse, & Morehouse, 1994). Purpose of this study was clearly explained to them at the beginning of the interview session and upon their verbal consent, the entire conversation was recorded by a digital voice recorder¹¹ (Cohen, 2010). Each interview session lasted about half an hour. Since, snow bowling sampling is only useful for deep exploration of a social phenomenon (Atkinson & Flint, 2004) and representativeness of the population can hardly be achieved (Morgan, 2008); triangulation is necessary to generalize the findings (Lemm, 2010; Marston, 2010). Therefore, a survey was carried out in the same villages by adopting stratified random sampling technique. Data were collected by using a self-generated structured questionnaire developed with the multiple-choice questions. Items of the questionnaire were constructed based on the findings of the qualitative study. A total 192 (n) data were collected from the equal number of respondents, who were the clients of any one of the three microfinance institutes (Grameen Bank, BRAC, and ASA). Both questionnaires were translated into the vernacular, Bengali language so that respondents could better understand the questions. Two enumerators were employed to assist the respondents in filling up the questionnaire.

Population and Sampling

This study follows the widely used ‘sample size chart’ developed by (Krejcie & Morgan, 1970) Krejcie & Morgan, (1970) in order to define the sample-size.

¹⁰ Upazila: The districts of Bangladesh are divided into sub-districts called Upazila or Thana.

¹¹ Audio-visual recording methodology is considerably effective as well as efficient from the standpoints of raw data collection. But, audio-visual recording for case studies requires time for data collection and subsequent coding and transcription, choice of coding standards. Besides, privacy and other ethical issues take place on collaboration, data backup systems, and questions of validity (Cohen, 2010)

Table 1. Sample Size Chart

No	Population	Sample Size
1	360	186
2	380	191
3	400	196

(Partial Sample Size Chart Developed by Kerjcie & Morgan, 1970)

Every respondent was a member of at least one of the three microfinance institutes (GB, BRAC & ASA). One respondent was recruited from each household. The number of this kind of household was about 390 to 400 in two villages¹². Therefore, 192 respondents can be considered as representative of the population.

FINDINGS

Respondents' Demography (Qualitative Approach)

All the 20 respondents were female, 15 of them were in the childbearing¹³ age and the rest five were in the menopausal age¹⁴. All of them were married but three were widowed. Four respondents had post-primary education, seven had primary education and eight had no formal education. These eight respondents had the ability to draw their signature and the rest one used thumbprint for formal needs because she didn't even know how to draw her signature. Excepting one respondent others' occupational status was housewives. Household income of eight borrowers was less than TK 3,000.00 (below USD 38.00) per month while four interviewees reported their income about TK 5,000.00 (about USD 63.00) and the rest two mentioned their income was about TK 7,000.00 (about USD 88.00).

Repayment Issues

Finding of this study showed that most of the underprivileged borrowers were entrapped in multiple borrowing and repaying cycles. They were engaged in the several loan schemes. Seventeen out of 20 respondents were engaged with more than one loan scheme in the same or different MFIs. Major causes behind multiple borrowings were the insufficient loan size, frequent repayment schedules and extreme loan 'repayment pressure'. Fourteen borrowers reported that they had undergone extreme mental stress due to the unfriendly and unbecoming behaviour of the loan officers and peer members. Inflammatory and abusive verbal attacks on the group members created exhaustive social and family tension. Borrowers met miserable consequences when the loan officers and the group members sold out or auctioned their belongings. Fourteen respondents univocally stated that loan officers' behaviour was unsympathetic, humiliating and abusive. Nine respondents mentioned that on the day of paying loan instalment they experienced troublesome social or family lives. Ten respondents said that they had experienced harsh behaviour from their neighbours, group members and social elites. Seven respondents reported that they looked for financial support, which was like dowry, from their parents or siblings as they were directly or indirectly forced by their husbands to do so. One interviewee reported that she had been physically assaulted several times by her husband due to loan related conflicts over the period of repayment¹⁵. Two respondents reported that they were threatened of being divorced by their husbands.

12 Researchers of this study figured out the number of household linked with Grameen, ASA and BRAC based on their instant observation.

13 Year 18 is the legal age for marriage in Bangladesh (Bangladesh-Government-Press, 2017)

14 The age bracket of natural menopausal women in Bangladesh is 50-60 years (Kabir, Jahan, Sultana, & Akter, 2011; Shahedur, Faizus, & Asif, 2011).

15 It's a common phenomenon in Bangladesh that women have the risk of experiencing domestic violence. In this case, a husband is more likely to assault his wife if she fails to meet his demands for dowry or performing household work (Khatun & Rahman, 2012).

The other four remorsefully stated that in order to save money for the repayment purpose they eat less or even starved on the day of paying instalment. On the other hand, six successful borrowers said that by utilising the money for income generating activities, they could ensure higher income and better living. According to their statement, loan officers were supportive as well as encouraging and their behaviour was friendly and fair.

FINDINGS OF THE QUANTITATIVE STUDY

Demographic Information

Out of 192 respondents, about 54% of the interviewees were the residents of Ruhitpur village and 46% were of Islampur village in Munshiganj district. Most of the respondents were belong to ASA (52.6%), followed by Grameen Bank (41.7%) and BRAC (27.1%). A greater percentage (57.8%) of the borrowers were engaged with the MFIs for 1-5 years but 26% of them were for 6-10 years and 10.4% for 11-15 years. Only 4.2% borrowers were involved with the MFIs for more than 15 years. In term of age, 89.1% of them were in the child-bearing age while 21% in menopausal age. Most of the respondents (88.0%) were married, only 0.5% unmarried, 9.9% widowed and 1.5% were divorced or separated. More than three-fourths (76.6%) of the participants were housewives. About, 23.4% were directly involved in income-generating activities. In this case, 20.3% were reported doing informal jobs (such as; maidservant, and spice grinder for the events ¹⁶). Only 2.6% respondents had small businesses. Most of the respondents (83.9%) were dealing with one NGO. But, 7.3% borrowers related to two and 5.7% with three NGOs at a time. Very few of them (1%) were found dealing with more than three NGOs simultaneously.

Respondents were reportedly involved with other microfinance institutes (MFIs), such as Polli Mangal¹⁷, BURO Bangladesh¹⁸, POPI¹⁹, and Islamic Bank Bangladesh Limited (IBBL)²⁰

16 Some of the borrowers sometimes work in festival or social occasions as dish cleaner, spicy grainer and cooking assistant.

17 A local cooperative society

18 BURO Bangladesh: Basic Unit for Resources and Opportunities of Bangladesh

19 POPI: Peoples Oriented Program Implementation

20 Islamic Bank Bangladesh Limited is a commercial bank. Since 1995 this bank has adapted Islamic Microfinance under "Rural Development Scheme" (RDS) (UNDP, 2012).

Table 2. Demographic Information

Age	Frequency	Percentage
18-49	171	89.1
more than 50	21	10.9
Total	192	100.0
Marital Status		
Married	169	88.0
Unmarried	1	.5
Widowed	19	9.9
Separated	2	1.0
Divorced	1	.5
Total	192	100.0
Occupation		
Housewife	147	76.6
Informal job	39	20.3
Business	5	2.6
Farming	1	.5
Total	192	100.0
Education		
Illiterate	18	9.4
Informal Learning	100	52.1
Primary	47	24.5
Junior	20	10.4
SSC	7	3.6
Total	192	100.0

Only, 13.5% respondents reported that they used the loan by themselves. But, 85.4 % of them handed over the borrowings the male members. Majority of the households (65.1%) was financially supported by one earning member and 26.0% were by two earning members. A few (6.3%) households had three financial contributors and fewer (2.6%) got four earners. The income level of the 60% households was below TK²¹ 3000 (US \$38.58) per month while 25.5% households earning TK 3000-5000 (US \$38.00 to \$63.00). Only 9.4% of the households' income level was within TK 5000-7000 (US \$63.00 to \$ 88.50) and 3.6% households' earning was more than TK 7000 (US \$88.50) per month. About 11% of the respondents used the loan in non-income generating purposes while 33.3% respondents reported that they utilised the loan for income generating purposes in the informal job sectors. For example, a rickshaw puller, who previously drove a rented rickshaw, could own a rickshaw by using the borrowing. On the other hand, 33.3% borrowers invested the total amount of borrowed money in small businesses and 2.6% invested in farming. However, about 50.5% of the respondents reported that before joining the credit programme they were living in their own houses but after joining NGOs 46.9% were living in their own houses and the rest 53.1% were living in the rented houses. More than one-third (38.5%) of

21 TK= Taka, Bangladeshi Monetary Unit; 79.06 TK = 1 USD/ Inter-Bank Exchange rates as on Feb 2, 2017 (Bangladesh-Bank, 2017)

the respondents said that they were completely illiterate before joining the credit program and 22.9% had informal literacy²². After joining the program, the percentage of illiteracy decreased to 9.4% while the informal learning rate rose up to 52.1%. Percentage of primary education before and after joining the program found almost unchanged, which was 24.5%. Only the percentage of participation in Junior and Secondary School Certificate (SSC) changed to a small scale, such as from 10.9% and 3.1% to 10.4% and 3.6% respectively. Most of the borrowers (91.7%) were housewives and only 8.3% of them were household heads. Before joining the credit programme, a majority (60.4%) of the respondents said their husbands were involved with the informal jobs like rickshaw pulling, tempo-driving²³, day labouring, fishing, boat rowing etc; 31.4 % were found running small businesses and 5.7% were firming. Very few of them (1.6%) reported that their husbands were employed in the low-rank in formal job sector (like office peon, or clerical position etc.). After joining the credit programme, 54.7% respondents remain with the informal job²⁴, 1% with the formal²⁵ sector, 39.1% in business and 5.2 % in farming.

Table 3. Borrowers' Status before and after Joining the Credit Programmes

Issues	Before (%)	After (%)
Living in Own House	50.5	46.9
Education		
Illiterate	38.5	9.4
Informal Literate	22.9	52.1
Primary	24.5	24.6
Junior	10.9	10.4
Secondary School Certificate	3.1	3.6
Occupation		
Informal Job	60.4	57.7
Low Level Formal Job	1.6	1
Firming	5.7	5.2
Business	31.4	39.1

About 73% of the respondents affirmatively reported that they used to experience financial hardship during repayment. Only 26.6% of them said, they never met penury in paying back the loan. About 39.0% respondents mentioned income constraint as the main cause of troublesome repayment while 27.1% mentioned the family problem²⁶ and 10.0% reported that natural calamity badly affected their income and so did to loan repayment. On the other hand, a small percentage (8.7%) mentioned some other reasons, such as diseases and casualties.

Repayment Strategies

About 19% of the borrowers said they borrowed money from other MFIs to repay the loans but 2.2% tried to escape from the NGO and 8.2% preferred not to attend weekly group meeting. Another 3.2% respondents said, they sold out their household belongings; 16.8 % sought for help to other family members; 16.6% looked for additional income opportunities; 11% borrowed money from the pawn shops to pay back the loan. More than 8% of the borrowers stated that they decreased their daily

22 They could make autograph only

23 Tempo: An engine driven three-wheeler/ Auto-rickshaw

24 Jobs that are physical labour intensive

25 Office job under the regular payroll

26 Family members/ husbands were not so well intended to pay the loan.

expenditure and cut off some basic items from their regular meals. Only 8.2% borrowers reported that they could pay regularly by generating income from their loan-based projects.

Roles of the Group-Members

Among the respondents, only 9.7% said they received sympathy and cooperation from the group members during repayment; 5.8% sought for borrowing from the peer-members without interest while 4.1% paid interest for that borrowing. About 14% respondents reported that they were humiliated by the group members due to irregular repayment and 3.2% were excluded from the group for being defaulted. More than 18% of the borrowers experienced mental stress because of the oppressive behaviour of the peers. Another 10.6% reported that group members complained against them to other members of the group while 5.8% told that complaint was made to the social elites. Repayment issues also created conflicts among the members. When some of the borrowers failed to be due-diligent they get into conflicts with other members, as reported by 5% respondents. Only, 11.9% respondents said that they never met any trouble with the group members during the repayment period.

Roles of the Loan officer

Some of the borrowers reported that they were scolded, verbally abused, insulted and even threatened of police by the loan officers. They felt the extreme tension and psychological distress during the time of repayment. Findings of this study suggest that 12.6% of the borrowers were scolded by the loan officers when they were late in repayment; 13.3% were verbally abused and 6.2% were threatened of police. More than 17 % borrowers said loan officers used to behave very rude to them and insult in front of others; 15.6% of them went through extreme tension and psychological distress for being afraid of loan officers' demeaning behaviour. On the other hand, 3.7% stated that they got sympathetic favour and friendly response from the loan officers; 10.3% got extended time to pay back while 17.8% didn't encounter any of the aforementioned troubles.

Social and Family Life

About 19% respondents mentioned that during the repayment period, tension emerged among the family members. More than 16% of them mentioned that repayment pressure caused disharmonious couple life; 3.3% said, it catalysed their divorce/ separation. Besides, 3.5% said, because of this repayment pressure they were forced by their husband to ask for dowry from their parental families. This pressure induced domestic violence too. About 12% of the respondents mentioned that it forced them to be involved with the undesirable odd job. Surprisingly, 9.8% mentioned about degradation of their morals²⁷. Only 23.8% respondents said repayment didn't negatively affect their family lives. In term of social life, 20.1% respondents said that repayment problem tarnished their fame in the society while 18.5% mentioned about their adverse relationship with the group members, neighbourhoods and relatives. Furthermore, 6% mentioned that repayment issues destabilised their social status and 16.1% said, it defamed them in the religious society as well. On the other hand, 28.7% mentioned that it doesn't cause any harm to their family and social lives.

DISCUSSION

Findings of the qualitative study have explored the condition of borrowers' indebtedness as well as entrapment in a vicious cycle of borrowing and repaying loans. Forced loan-recovery process seems pushed them into sorrowful personal, social and family lives. Findings also indicate that borrowers' reluctance, misuse of the loans, unskillfulness, degraded morals fail themselves to repay the loans diligently. These phenomena presumably pursue the loan offices to follow unusual methods in order to ensure repayment, which is also their professional obligation. On the other hand, quantitative findings cross-justify as well as generalise the results of the qualitative study. Outcomes of the quantitative study show that microfinance doesn't bring significant improvement in the household economy. According to Table (3), the living status of the borrows seems degraded after joining the microfinance programme. Some of them lost their own houses. It also suggests that microfinancing has no significant contribution

²⁷ They practiced falsehood, broke commitment etc.

in improving the level of borrowers' formal education. Trivial changes have appeared in borrowers' education level before and after joining the programme. But, microfinance exposes significant impact on the informal literacy. Furthermore, it has slightly positive impacts on the entrepreneurial practices of the borrowers. After joining credit programmes 7.7% of the borrowers changed their occupation to business. Only, 8.2% respondents could pay out their debts from the surplus income generating from the loan based projects. Rest of them were found following several unusual methods for making in-time repayment and experiencing economic adversities. Some respondents were found living afflicted social life. Findings also reflect some positive externalities of microfinance. For instance, 23.8% and 28.7% respondents respectively mentioned that they never met the distressed family and social lives due to loan repayment issues. About 18% respondents said that they were treated well by the loan officers and 11.9% never met trouble with the group members.

From the overall findings, it can be concluded that repayment problem begins from the household. Because, most of the women do not control the loan-based businesses. They depend on the income of the male members in order to make repayment. Such dependence literally pushes them to assorted problems and adversities. So, microfinance institutes can't be solely responsible for the sufferings of the borrowers since some other socioeconomic and cultural issues are incorporated into the irregular repayment.

Repayment pressure can be considered as one of the catalysts that cause disharmonious family relationship. But, family violence is a long-prevailed social problem in Bangladesh. Marital violence against women is also linked to women's individual attributes like age, education, economic autonomy, empowerment and history of violence in the parental family. In addition, men from low socioeconomic levels have a greater probability of perpetrating violence against their wives (Khatun & Rahman, 2012). Hypothetically, proper practices of microfinance may positively contribute to empower women by enhancing their participation in income generating activities, involving in family decision making process and improving education. Thus, family violence can be reduced.

Research Contribution

This study focuses on some specific issues related to loan payment, those are repayment strategies of the borrowers, nature of forced-recovery technique and its effects on the borrowers' lives. Findings of the qualitative study are triangulated by the quantitative study and thus, the overall result has been generalized. As per 'Google Scholar', to date, no study has been carried out on this issue in Munshiganj district of Bangladesh. In that sense, this study can be considered as the first attempt. Since the socio-economic condition is almost same across the country; these findings can be considered as a miniaturised presentation of the microfinance practice in Bangladesh.

Limitations

This study was carried out on a small population that may not exactly represent the total scenario of Bangladesh. It only investigated borrowers' condition but the operational limitations of the microfinance institutes were not empirically scrutinized.

Similarities with Others Researches

Professor Lamia Karim conducted an ethnographic study on Grameen Bank, BRAC, ASA and Proshika. Her findings affirmed that the poor women are highly indebted and facing numerous adversities in their socioeconomic lives. She also reported the demining behaviour of the field officers (Karim, 2011). Ali et al., (2017) carried out another extensive research on the borrowers of BRAC, ASA and Proshika in Bogra district of Bangladesh. They found ineffective performances of these organizations. They pointed out high-interest rates, unproductive uses of loan, insufficient size of the loans, frequent repayment schedule and physical and mental harassment by the loan officers. Besides, lack of education, healthcare, social safety nets, employment opportunities, natural catastrophe, rising cost of basic needs and persistence of dowry system were underscored as the causative factors of ineffectiveness of microfinance. In some cases, mismanagement, unskilled and corrupted field staffs were held responsible for mistreating the poor beneficiaries (I. Ali et al., 2017). Another empirical study recently carried out in Satkhira district of Bangladesh. Findings of that study unveiled that over-

indebtedness occurs due to unprecedented natural calamities and previous debts. Burdensome debt pursues poor borrowers to sell out their tangible assets (Fenton, Paavola, & Tallontire, 2017). Hence, the findings of this study seem consistent with the similar studies that were previously carried out in other districts of Bangladesh.

CONCLUSION AND RECOMMENDATION

Microfinance was institutionalised to scale up the livelihoods of the underprivileged people. In the course of time, it has become an important part of the neo-liberal economic policy. By commoditizing as well as democratising credit for the poor this system can effectively fight against poverty. But, recently microfinance is exhibiting some operational flaws and shortcomings. This study unveiled that only a small segment of the borrowers could improve their educational qualification after joining microfinance institutes (MFIs). This could be one of the reasons why women are unattached to the income-generating activities. They can't help depending on the male members to run the loan-based project as well as repay the loan. In this regard, MFIs can provide training to develop women's entrepreneurial qualities and numerical skills so that they can involve themselves with the income generating activities. This study also suggests that the unusual behaviour of the loan officers and group-members disharmonises defaulters' social and family lives. In order to resolve this issue, loan officers and peer-members need to follow certain codes of behavioural conducts.

In term of the repayment schedule, a previous study suggested that switching to the lower frequency of repayment schedules can ease repayment burden of the borrowers while saving transaction costs for the MFIs (Field & Pande, 2008). So, MFIs may introduce flexible repayment strategy by adopting low frequent repayment schedule according to the types of loan schemes. Besides, microfinance institutes need pay attention to the social harmony. Because, it would be very harmful to the society if microfinance disbands social and family unity. Based on the overall findings it can be concluded that forced loan-recovery technique backpaddles the poverty alleviation programme as well as attenuate the potentials of microfinance system. So, microfinance needs to redesign its goals balancing mission and market orientation. It is also important to define the success criteria of the MFIs as household wellbeing and poverty alleviation.

However, microfinance shouldn't be considered as a panacea or a magic bullet. It cannot be expected to work viably in everywhere or for everyone (Armendáriz & Morduch, 2005). Six factors usually invite inefficiency in the microfinance practice, those are: (i) methodological flaws in credit technology, (ii) systematic fraud, (iii) uncontrolled growth, (iv) loss of focus, (v) weak institutional design and (vi) suffocating government intervention (Marulanda, Fajury, Paredes, & Gomez, 2010). So, the policymakers and practitioners need to address the debilitations persisting in the organizational context. In the same vein, the government can contribute in enhancing the performances of microfinance institutes by providing technical support as well as monitoring their activities.

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