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**The Current Situation of Microfinance in  
Bangladesh: A Growing Concern about  
Overlapping Loan Problems – From a Field  
Visit to Rajshahi and Comilla**

Yasuhiko Yuge



THE FLETCHER SCHOOL  
TUFTS UNIVERSITY

## Introduction

Since its inception, microfinance has evolved as an economic development approach to benefit low-income people in rural and urban areas. Bangladesh has one of the longest histories with microfinance. Since various pilot programs and experiments were conducted by Grameen Bank and BRAC, microfinance has undergone continuous improvement in the country.

Now, Bangladesh boasts a large number of well-known microfinance institutions (MFIs) including Grameen Bank, BRAC, and the Association of Social Advancement (ASA). Simultaneously, many smaller MFIs have started operations throughout Bangladesh. As of December 2008, 402 MFIs possess a license from the Microcredit Regulatory Authority (MRA) and 4,236 MFIs have applied for a license.<sup>i</sup> Considering how many MFIs operate in Bangladesh, the microfinance market seems to have become saturated.

As the microfinance market has matured in recent years, competition has increased among major MFIs. Against this backdrop of intense competition, overlapping loan problems among major MFIs and borrowers has emerged as a problem in Bangladesh. While poor people have more choices from which MFIs to borrow money, the number of people who use multiple loans from various MFIs has been increasing. As a result, there are ever more heavily indebted people in Bangladesh, and this is beginning to pose a threat to MFIs and the microfinance industry.

The object of this study is to analyze the overlapping loan problems based on previous research and interviews the author conducted with ASA borrowers and ASA field staff in Rajshahi and Comilla, Bangladesh in 2009. It will then describe issues caused by those overlapping loan problems. In conclusion, it will recommend measures that the whole microfinance industry in Bangladesh should take to prevent this problem from worsening.

## Methodology

The data for this analysis comes from the interviews the author conducted with ASA microfinance borrowers at 15 branches in Rajshahi, one of the metropolitan cities located in the northwestern part of Bangladesh, and 12 branches in Comilla, a medium-size city located in the southeastern part of Bangladesh. The data also includes interviews with 19 ASA Comilla District branch staff. ASA is a non-profit organization known as one of the leading MFIs in Bangladesh with 7.5 million members throughout Bangladesh as of October 2009.<sup>ii</sup> In Rajshahi and Comilla, the author conducted group interviews. A total of 28 groups and 569 borrowers were covered by these group interviews. During group interviews, the author asked the interviewees if they were borrowing from multiple financial institutions. Further, the author conducted in-depth individual interviews with 85 “on-time overlapping borrowers” and 28 “overdue overlapping borrowers” in two cities. The author defines “on-time overlapping borrowers” as microfinance borrowers who use loans from at least two financial institutions (including ASA and other lenders such as informal money lenders) at the household level, but are not late for the payment for each lender. Also, “overdue overlapping borrowers” are



defined as microfinance borrowers who use loans from at least two financial institutions at the household level, and are late for the payment for at least one lender.<sup>iii</sup> During the in-depth interviews with ASA borrowers, the author asked them various questions (See Appendix 1) which included their balance of household and use of the money they borrowed from financial institutions.<sup>iv</sup> In addition, the author asked “overdue overlapping borrowers” the reasons as to why they were late for the payment. Also, the author conducted interviews with ASA branch staff in Comilla regarding their attitude toward the overlapping loans problem. (See Appendix 2).

## **Analysis of the Current situation of overlapping borrowers**

### *Percentage of overlapping borrowers*

Some researchers have already mentioned that overlapping loan problems are prevalent in Bangladesh.<sup>v</sup> According to a survey conducted by the Palli Karma-Sahayak Foundation (PKSF), an apex funding institution for MFIs in Bangladesh, 12.6% of sample individuals were found to have multiple-participation in various MFIs in 2000.<sup>vi</sup> According to the author’s survey, the percentage of “overlapping borrowers / Total group members who attended the group meeting” was 20% in Rajshahi. The result of Comilla was 33%, which is significantly higher than that of Rajshahi.

Considering that borrowing from multiple MFIs is basically prohibited in major MFIs, both the figures of 20% (Rajshahi) and 33% (Comilla) are remarkably high. Additionally, it is highly possible that some of the borrowers interviewed did not accurately reveal or remained silent on their status during the interview and, therefore, might not have been counted as overlapping members even though they may have been.

### *MFIs or other lenders from which they borrowed*

Although borrowers’ tendency to use MFIs seems to be different between Rajshahi and Comilla, it is possible to argue that there is an intense competition among various MFIs in both areas. In Rajshahi, competition seems to be severe among major MFIs including Grameen Bank, BRAC, ASA, Thengamara Mohila Sabuj Sangha (TMSS) and others (See Bar graph 1a and 1b-Appendix 3). On the other hand, regional MFIs such as Page and Development Initiative for Social Advancement (DISA) have been actively expanding operations in Comilla (See Bar Graph 1c and 1d-Appendix 3). It is also noteworthy that Grameen Bank has been actively providing loans to borrowers in both cities.

It is also ironic to find local money lenders as financing institutions (See Bar Graph 1a, 1b and 1d-Appendix 3), since microfinance was originally supposed to unfetter poor people from the burden of high interest rates imposed by local money lenders. It might reflect a reality that microfinance does not necessarily satisfy the financial demand of its borrowers despite a booming microfinance market.



### *The number of MFIs or other lenders each borrower used*

According to the survey, there seems to be a connection between delinquency of borrowers and the number of financial institutions they use (See Bar Graph 2a~2d-Appendix 3). It should be noted that most of the “on-time overlapping borrowers” use only two financial institutions both in Rajshahi and Comilla. During the interviews, a majority of borrowers using only two financial institutions told the author that they could improve their standard of living by utilizing a minimal amount of credit effectively in IGAs (Income Generating Activities).<sup>vii</sup> In addition, some of them are borrowing a second loan to use as hedging risk for their business. Some scholars have also found this aspect of overlapping borrowing in their research.<sup>viii</sup>

Summarizing these borrowers’ stories, it could be argued that if borrowers are able to control their cash management with an adequate amount of credit they can handle, overlapping borrowing does not necessarily cause harm to the borrowers. On the other hand, the more loans the borrowers use, the more likely they will become delinquent. It is striking that there are many overdue members using more than three loans from MFIs or other lenders in both the cities (See Bar Graph 2b and 2d-Appendix 3). It indicates the seriousness of the overlapping problems when borrowers rely on excessive loans from multiple financial institutions.

### *Land ownership*

Land ownership is one of the indices with which we could measure a degree of poverty among borrowers. Generally, people with land ownership are wealthier and are less vulnerable to shifting economic winds. Farmers owning land are wealthier than peasants without landownership in that they can keep a majority of harvests in their hands while peasants are required to give away a substantial amount of harvest to landowners. Also, if people own land, they can mobilize the necessary funding during times of crisis by taking out a mortgage on their land or selling it.

According to the survey, there is a significant difference in the percentage of land ownership between the two groups. The percentage of the “on-time overlapping borrowers” with land ownership out of total “on-time overlapping borrowers” in Rajshahi (90%) is considerably higher than that of the “overdue overlapping borrowers” with land ownership out of total “overdue overlapping borrowers” (56%). A similar result was found in the survey of Comilla. The percentage of the “on-time overlapping borrowers” with land ownership out of total “on-time overlapping borrowers” in Comilla (40%) is substantially higher than that of the “overdue overlapping borrowers” with land ownership out of total “overdue overlapping borrowers” (33%).

Although it is not certain why the percentage of land ownership in Rajshahi is considerably higher than that of Comilla in this research, it seems to indicate that more vulnerable borrowers without land ownership tend to be trapped into tight cash-flow situations due to certain reasons (most likely a failure in business, sickness, and other problems, which will be explained later in this study), and rely on multiple financial institutions. While many borrow from multiple MFIs



and other financial institutions in an attempt to manage a tight household economy, they become heavily indebted and eventually face difficulty in the payment. This is one of the important factors which produces overdue overlapping borrowers.

### *Characteristics of overdue overlapping borrowers*

According to Graphs 3a~3d (See Appendix 3), there is a clear difference between the two groups of “on-time overlapping borrowers” and “overdue overlapping borrowers” regarding their reasons (use of money) to borrow from multiple financial institutions both in Rajshahi and Comilla. While many borrowers invested the money they borrowed on their IGAs in the groups of “on-time overlapping members,” fewer people invested on such activities in the groups of “overdue overlapping members.”

Instead, many of them spent the money on personal expenses, including treating sickness of other family members and spending on a daughter’s marriage.

It seems to indicate that if borrowers do not spend money effectively on IGAs, they are likely to face severe financial hardship in which they have to control a tight cash-flow and manage to implement regular repayment. They are required to make payment for the additional loans without increasing their revenues of IGAs. Consequently, they face difficulty in the payment and become overdue borrowers as a result of an unmanageable burden of payment.

According to Graphs 3e and 3f (See Appendix3), there are two patterns of the delay in the payment of “overdue overlapping borrowers.” The first pattern is business-related: this pattern describes the scenarios in which overlapping borrowers face cash flow problems due to suffering from various business-related risks, including failure in business and irregular income from IGAs. The second pattern is non business-related. This pattern indicates scenarios in which overlapping borrowers face cash flow problems by suffering from various risks related to their daily lifecycle events, such as sickness/injury of family members and death of borrower’s spouse. In the second scenario, borrowers often lose a source of income suddenly when crises strike their primary breadwinners (usually a husband in Bangladesh) who are engaged in IGAs.

The important point here is that microfinance borrowers, who are usually poorer than ordinary people, are subject to a number of risks or dangers in their personal life as well as their business. Thus, if borrowers are saturated with more loans than they can handle, this increases their vulnerability, particularly when coupled with those risks mentioned above. As a result, they are likely to be caught in a trap of default instantly when an unexpected hardship befalls them. The evidence suggests that an environment in which borrowers appear to have many opportunities to borrow money from multiple MFIs is not necessarily beneficial to borrower’s welfare.



The results of the survey (See Graphs 4a~4d-Appendix 3) show the reality of the “overdue overlapping borrowers” managing a tight household economy. While a majority of the “on-time overlapping borrowers” achieve a surplus or break even in the balance of the household, most of the “overdue overlapping borrowers” are facing a deficit. This reflects the severe household economy that has been partly created by the heavy burden of the excessive (multiple) loans.

### *Problem of overlapping loans*

Examining the overlapping issue from various angles reveals that all the aspects of overlapping are not necessarily detrimental to the borrowers and MFIs. According to the findings of the research, a number of borrowers thought that multiple borrowing from the second financial institutions was beneficial to their management of IGAs and household economy. Other borrowers used second loans as hedging risks for their IGAs. They keep these surplus funds for contingency situations surrounding their business and household economy. However, overlapping starts to cause a serious harm to the borrowers and MFIs when borrowers are caught in a trap with excessive loans.

There are two major problems regarding overlapping loan issues which are closely related to each other. To begin with, growing numbers of overlapping borrowers might destroy sustainable development among themselves in the long run. MFIs have been competing for acquiring new customers in order to expand their scale and maintain their operations. The irony is that by seeking to achieve sustainability in their own organizations, MFIs have brought about an excessive competition among them and created overlapping loan issues in Bangladesh. While these MFIs are engaged in competition for clients, they lend multiple loans to a number of borrowers and drive them heavily in debt. Borrowers in a huge amount of debt face difficulty in the payment of a large amount of loans, which could destroy their household economy.

Secondly, a growing number of “overdue overlapping borrowers” might increase a systemic risk among major MFIs, which could undermine the basis of the microfinance industry in Bangladesh as a whole. As is indicated in the research, many people are using multiple major MFIs. If the number of “overdue overlapping borrowers” increases, it could have a negative impact on the management of these major MFIs by increasing the amount of non-performing microfinance loans in their balance sheet. Currently, there is very little eventual default among borrowers. Repayment among overlapping borrowers, however, has become more and more irregular.<sup>ix</sup> It requires MFIs to increase loan-loss reserves in their account reserves.<sup>x</sup> If the situation deteriorates further, MFIs could suffer a significant amount of loss by accumulating non-performing loans.

It should be noted that a large number of poor people in Bangladesh rely on these major MFIs for their livelihood. As of June 2008, there were approximately 24 million active microfinance borrowers and 28 million members in Bangladesh.<sup>xi</sup> Considering that the population of



Bangladesh is 136.7 million as of 2004,<sup>xii</sup> almost 18% of the entire population uses microfinance. This is indicative of how deeply rooted microfinance has become in Bangladeshi society.

Although it is difficult to predict if overlapping would cause serious damage to microfinance borrowers and MFIs in Bangladesh, it may be possible to infer what might happen in Bangladesh in the future, based on the experience of other countries which have had a similar social and economic environment surrounding microfinance. For example, Bolivia has suffered from overlapping problems because of intense competition among MFIs in the 1990s. Coupled with economic crisis, microfinance borrowers and MFIs had suffered heavily during 1998-2001. The quality of portfolios held by MFIs deteriorated. Microfinance and consumer credit faced social upheaval and protests by borrowers who sought for debt forgiveness.<sup>xiii</sup> Currently, Bolivia has been trying to mitigate overlapping problems by introducing an effective credit information system (a credit bureau). A similar fate may await Bangladesh if the problem of overlapping loans worsens.

#### *Attitude of loan officers toward overlapping loan problems*

To address the overlapping loans problem, ASA's loan officer and branch managers have made various efforts to date. The author conducted interviews with 19 ASA staff in the field, consisting of loan officers (Los), assistant branch managers (ABMs) and branch managers (BMs) in the Comilla District (see Appendix 2 interview questionnaire). According to the interviews, most of the ASA staff (18 staff out of 19) replied that the overlapping loan problems were serious in Bangladesh. They also recommended various measures to prevent overlapping loan problems.

The main examples of their efforts are included: "Acquiring information from other group members to make sure that she/he is not borrowing from other MFIs"; "Checking borrowers' source of income to determine if they are solvent borrowers;" and "Visiting individual borrower's house." As for the measures to be taken in the future, some of them proposed that ASA should introduce larger sized loans to satisfy borrowers' financial demands. There were other suggestions which include: "Enacting a group regulation to prevent overlapping loans"; "Consulting with other MFIs before disbursing loans"; and "Forcing borrowers to choose just one MFI at some point."

At the same time, however, some field staff (6 out of 19) provide borrowers with loans although they are cognizant of the fact that he/she is currently borrowing loans from other MFIs. According to them, it is necessary to lend money to these borrowers to get ahead of the competition against other MFIs. Some of them also insisted that there was no problem relating to the overlapping loan issue as long as borrowers use just two or three MFIs.

Although most of the field staff in ASA recognizes that overlapping is an emerging problem, it appears that they have not developed a strong sense of risk against it. They seem to think that

overlapping might not cause a problem, at least for now. Thus, their various efforts to prevent overlapping are somewhat perfunctory or inadequate. Many loan officers implement credit analysis and interviews with borrowers without taking adequate time. Given this situation, it is crucial to introduce more intensive and comprehensive measures to prevent the overlapping loans problem.

## Solutions for overlapping borrowing problems

### *Necessity of information sharing among MFIs*

As some of the South American countries did in the 1990s and 2000s, establishing an effective information sharing system is an important step to prevent overlapping borrowing among microfinance borrowers.<sup>xiv</sup> Above all, creating a “Credit Bureau” is one of the most effective measures to prevent overlapping. With an introduction of a credit bureau, it is possible to establish an efficient information system which would create a screening effect that improves risk assessment of loan applicants. This would raise portfolio quality, which in turn would reduce rates of arrears.<sup>xv</sup> In addition, the very existence of such an information system would act as a deterrent that may prevent borrowers from taking a risk of borrowing excessive loans, particularly if they know the information available and the risks involved.

It is a good sign that PKSF has been trying to introduce a credit bureau in the microfinance sector in Bangladesh.<sup>xvi</sup> Although Bangladesh has much work to do in the fields of legal systems and the information technology, an introduction of “National Identity Card”<sup>xvii</sup> in 2008 would accelerate the movement toward establishing a credit bureau. It would enable a credit bureau to manage credit histories of microfinance borrowers effectively through the distributed “National Identity Cards.”

It should be noted, however, that creating a credit bureau is not sufficient to prevent overlapping in Bangladesh. First, collecting individual level information does not provide enough information to MFIs in terms of borrower’s household level money transactions.<sup>xviii</sup> In Bangladesh, multiple family members in the same household (such as a borrower’s husband and daughters) often borrow from other MFIs.<sup>xix</sup> The collection of individual-level information, then, may miss the more critical information regarding the entire household. One research paper has discovered that poor Bangladeshi households were active managers of their financial resources.<sup>xx</sup> One of the households in this study was using 16 ways of managing money which included multiple uses of microfinance loans and informal financial services. Microfinance loans were borrowed by the mother and her daughter. This example indicates another challenge which a credit bureau would face. It is difficult for formal institutions like credit bureaus to manage credit information in the informal sector because they do not record informal transactions between people.



To address this problem, it is crucial for MFIs in Bangladesh to be engaged in informal information sharing activities which includes sharing a list of overlapping borrowers or households. The advantage of this activity is that they could cover in-depth information including borrowers' informal transactions based on what loan officers hear and see through the interactions with borrowers. The downside of this activity is that it is extremely difficult to cover all the financial transactions between borrowers and other actors. One of the practical solutions to this problem is to collect and manage borrowers' information by introducing a credit bureau and implementing informal information sharing activities concurrently.

### *Introduction of flexible financial services*

An introduction of flexible financial services is also crucial for MFIs in Bangladesh to maintain their borrower's satisfaction and prevent them from overlapping. The increasing number of overlapping borrowers indicates that their demand is not necessarily fulfilled by the financial services of each single MFI in Bangladesh. Above all, weekly repayment schedule and loan sizes are the seeds of discontent among microfinance borrowers. Indeed, many overlapping ASA borrowers told the author during the interviews that a one year loan with weekly payments and small loan sizes do not match with dynamics of their household economy.<sup>xxi</sup>

As for the repayment schedule, it is necessary for MFIs to make it more flexible. Currently, a one-year working capital group loan made to poor women with weekly installments and little or no grace period is the bread and butter product for most Bangladeshi MFIs.<sup>xxii</sup> Many clients, however, do not have IGAs that produce a regular pattern of income that nearly matches this weekly repayment schedule.<sup>xxiii</sup> Also, weekly repayment decreases a borrower's financial options to cope with unexpected problems and emergencies. This reality makes it difficult for borrowers to continue their payments on a regular schedule. Because borrowers are afraid of becoming delinquent, they rely on multiple loans or local money lenders.

Flexibility in loan sizes would also act as a strong deterrent to prevent overlapping, and that would be especially beneficial to borrowers whose enterprises are entering an expansionary phase. When the business is growing, borrowers need more money to satisfy their financial demands of working capital. A majority of MFIs in Bangladesh cannot satisfy such a financial requirement, which drives these clients to borrow from multiple MFIs. The problem is that this inflexibility incurs the costs of multiple memberships among dynamic clients with good repayment capacity.<sup>xxiv</sup>

Some major MFIs in Bangladesh have been in the process of filling the gap between borrowers' demand and the quality of their financial services. One of the most prominent examples is "Grameen" a renewed line-up of Grameen Bank's financial services. Originally, Grameen Bank introduced "Grameen II" to help the victims of 1998 devastating flood to rehabilitate their household economy. The plan, however, also had the goal of meeting more diverse demand of



its microfinance members with a new financial system.<sup>xxv</sup> With respect to overlapping, the most important feature of “Grameen II” is that Grameen Bank allows clients to choose their payment duration and timing of the installment as their needs require.<sup>xxvi</sup> With this flexibility, terms of loans can be varied and the payments of installments can be more relaxed. Borrowers can avoid weekly payment if they need, affording them the flexibility their lives requires.

Merely changing a lending scheme, however, is insufficient to prevent overlapping. It is important to understand that larger number of poor people have greater demands for savings and insurances.<sup>xxvii</sup> While loan provision serves as a way to generate income, savings and insurance help poor people smoothen consumption, reduce vulnerability, and deal with risks such as disease and accidents. Although savings and insurance would not directly mitigate overlapping, they would provide poor people with more options to cope with their risks and eventually enable them to avoid borrowing an additional loan. It should also be noted that mobilizing funds through savings and insurance would strengthen the financial sustainability of MFIs themselves as well.

Although there is room for improvement in the financial services of MFIs, it is not easy for them to change their products quickly. The current line-up of their financial services is based on a certain sort of rationality. One-year working capital group loans with weekly installments, a typical product of microfinance in Bangladesh, play an important role in the MFIs’ efficient administration. Group meetings are used primarily as a method to reduce the cost of collecting savings and loan payments.<sup>xxviii</sup> If MFIs try to introduce more flexible financial products, they are required to undertake a fundamental review of their entire management.

### *Financial education for microfinance clients*

As a growing number of poor people have access to financial market through microfinance, it is necessary to introduce financial education to these people. In terms of overlapping problems, it is vital for microfinance borrowers to know that excessive loans might cause serious damage to their household economies. MFIs in the world have also started to recognize the necessity of improving the financial literacy of clients to maintain the quality of their portfolios. The purpose of financial education is to teach people concepts of money and how to manage it wisely.<sup>xxix</sup> Few MFIs, however, have provided financial education services to clients up to the present date. One of the exceptional examples is SEWA Bank’s “Project Tomorrow” in India, which provides counseling service for poor self-employed women. This project was started in collaboration with Freedom from Hunger.<sup>xxx</sup> The goal of this project is to build the capacity of SEWA members as better financial planners.<sup>xxxi</sup>

No comparable comprehensive financial education programs exist in Bangladesh. However, BRAC has provided financial education to clients as part of “IGVGD” and “CFPRP/TUP”<sup>xxxii</sup> programs which has targeted extremely poor people since 1985.<sup>xxxiii</sup> The distinctive feature of



these programs is that BRAC and other development agencies (such as the World Food Program) provide them with a comprehensive assistance (which includes food supply and saving schemes) until they graduate into the mainstream development stage.<sup>xxxiv</sup> This service's efficacy is constrained, however, as it is limited to extremely poor people at the moment.

The major challenge of introducing financial education is cost. As competition among MFIs has become intense, many MFIs have started to adopt a minimalist microfinance approach. As a result, many additional services that go beyond financial services have been dropped.<sup>xxxv</sup> But given that improvement of a client's financial literacy would contribute to the improvement of MFIs' portfolios in the long run, it would make sense for them to introduce financial education. To make financial education effective, it is important to develop financial education tools which consider the current financial options and strategies of poor individuals and households.<sup>xxxvi</sup>

## Conclusion-The Future of Microfinance

Microfinance has developed in Bangladesh since the 1970s, and Bangladesh is one of the most advanced countries in the field of microfinance today. MFIs in Bangladesh have created innovative financial products and services to deal with various challenges and attract clients. Nowadays, overlapping loan problems have started to present new challenges to the microfinance industry in Bangladesh. Although overlapping loan problems have not yet posed an imminent threat to microfinance industry, some scholars warn that it would cause a serious damage to microfinance borrowers and MFIs in the future unless countermeasures are taken immediately<sup>xxxvii</sup>.

Today, many observers are keeping their eyes on how MFIs in Bangladesh try to solve this difficult problem and become role models for other MFIs in the world. Since its inception in 1970s, microfinance in Bangladesh has made an important transition with various innovations. It is in the process of these innovations that MFIs may find solutions for overlapping and other issues. Their endeavors and innovations will continue to attract attention from all over the world, and it is in their interest—and in the interest of those they serve—to correct the problem before it is too late.

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## Appendix 1

### Questionnaires on Branch Visit to Rajshahi/Comilla District Office Conducted by Yasuhiko Yuge

(From June 16<sup>th</sup> to July 24<sup>th</sup> in 2009)

#### <Qualitative Information>

- 1: Name of the District and Branch (District \_\_\_\_\_ Branch \_\_\_\_\_)
- 2: Name of the borrower (\_\_\_\_\_) Age (\_\_\_\_\_)
- 3: Name of the Guarantor (\_\_\_\_\_)
   
Relationship with the Borrower (\_\_\_\_\_)
- 4: Period of Membership in ASA (\_\_\_\_) years
- 5: Main Occupation or Income Generating Activities (\_\_\_\_\_)
   
Duration of engagement in these activities (\_\_\_\_\_) years
- 6: Other Income Generating Activities (\_\_\_\_\_)
- 7: Spouse's Occupation or Income Generation Activities (\_\_\_\_\_)
   
Duration of engagement in these activities (\_\_\_\_\_) years
- 8: Number of Family Members (\_\_\_\_\_)
   
[Spouse (\_\_\_\_) Parents (\_\_\_\_) Siblings (\_\_\_\_) Children (\_\_\_\_) ]
- 9: Number of Children who go to school (\_\_\_\_)
   
The Grade of Children (\_\_\_\_\_)
- 10: Do you or your spouse own land? (Yes \_\_\_ No \_\_\_)
- 11: Kinds of loan/saving/ Insurance service he or she uses
   
Loan (\_\_\_\_\_)
   
Saving (\_\_\_\_\_) Insurance (\_\_\_\_\_)
   
What did you use the loan for?
   
(\_\_\_\_\_)
- 12: Loan Repayment Performance
   
(Regular \_\_\_\_\_ Sometimes Irregular \_\_\_\_\_ Stop Repayment \_\_\_\_\_)
- 13: Main Source of Loan Repayment (\_\_\_\_\_)
- 14: Husbandry (Always Deficit \_\_\_\_\_ Sometimes Deficit \_\_\_\_\_)
   
(Breakeven \_\_\_\_\_ Surplus \_\_\_\_\_)



**<Quantitative Information>**

- 15: Weekly Income of Borrower (\_\_\_\_\_)Tks
- 16: Weekly Income of Spouse and Other family members  
 Spouse (\_\_\_\_\_)Tks Other family members (\_\_\_\_\_)Tks
- 17: Amount of Weekly Payment/Saving/Insurance  
 Payment (\_\_\_\_\_) Tks  
 Saving (\_\_\_\_\_)Tks Insurance (\_\_\_\_\_)Tks
- 18: Outstanding Amount of Loan (\_\_\_\_\_)Tks  
 Deposit Balance (\_\_\_\_) TKs Amount of Insurance Premium (\_\_\_\_)Tks
- 19: Weekly living expenses (Except for loan payment) (\_\_\_\_\_)Tks

**<Information of Overlapping Loans>**

20: Borrowing from other MFIs, NGOs or moneylenders? (Yes No )  
 (\*\*Required to ask this question carefully or indirectly.)

21: Organizations or persons from which you borrowed money  
 (1 \_\_\_\_\_) (2 \_\_\_\_\_)  
 (3 \_\_\_\_\_) (4 \_\_\_\_\_)

The Whole Amount of money borrowed (\_\_\_\_\_)Tks  
 (1 \_\_\_\_\_) Tks (2 \_\_\_\_\_)Tks  
 (3 \_\_\_\_\_) Tks (4 \_\_\_\_\_)Tks

Annual Interest Rate  
 (1 \_\_\_\_\_) % (2 \_\_\_\_\_)%  
 (3 \_\_\_\_\_) % (4 \_\_\_\_\_)%

The Whole Amount of Weekly Payment (\_\_\_\_\_)Tks  
 (1 \_\_\_\_\_) Tks (2 \_\_\_\_\_)Tks  
 (3 \_\_\_\_\_) Tks (4 \_\_\_\_\_)Tks

The Whole Amount of Loan Outstanding (\_\_\_\_\_)Tks  
 (1 \_\_\_\_\_) Tks (2 \_\_\_\_\_)Tks  
 (3 \_\_\_\_\_) Tks (4 \_\_\_\_\_)Tks

Loan Repayment Performance  
 (1Regular Sometimes Irregular Stop Repayment )  
 (2Regular Sometimes Irregular Stop Repayment )  
 (3Regular Sometimes Irregular Stop Repayment )



(4Regular Sometimes Irregular Stop Repayment )

The reasons of borrowing money from these organizations or persons

(1 \_\_\_\_\_)

(2 \_\_\_\_\_)

(3 \_\_\_\_\_)

(4 \_\_\_\_\_)

22: What did you spend the money on?

(\_\_\_\_\_)

23: Did that money improve your life? If yes, how did it help you?

(\_\_\_\_\_)

24: If no, how did it affect on your life?

(\_\_\_\_\_)

25: Did you know that you were not allowed to borrow from other organizations/persons? (Yes No )

26: Are you satisfied with ASA's service? (Yes No )

What do you like/dislike about ASA's Service?

(Like \_\_\_\_\_)

(Dislike \_\_\_\_\_)

## Appendix 2

### Questionnaires for branch staffs on Branch Visit to Comilla District Office Conducted by Yasuhiko Yuge

(From July 11<sup>th</sup> to 24<sup>th</sup> in 2009)

1: Name of the District and Branch (District Branch )

2: Title (Loan Officer / Assistant Branch Manager /Branch Manager)

3: Period of working experience in ASA (\_\_\_\_) years

4: The number of groups and borrowers you are currently in charge of (\_\_\_\_) groups (\_\_\_\_) borrowers

5: How much do you feel pressured while you are working?

(Always feel pressured / Sometimes / No pressure at all)

6: Do you think you have enough time to communicate with borrowers? (Yes No )

7: Do you think that overlapping loan problem is serious in Bangladesh? (Yes No )

8: What do you focus on when you disburse loan to the clients, regarding overlapping loan problem?

(\_\_\_\_\_)



9: Have you ever recognized that the group member you are about to lend money is currently borrowing from other MFIs or entities? (Yes No )

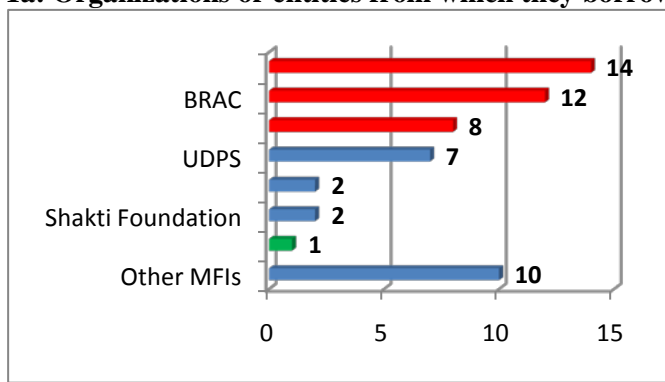
10: Do you have any idea to prevent overlapping loan problems? (\_\_\_\_\_)

11: Name of MFIs you think is the most competitive against ASA in this region(\_\_\_\_\_)

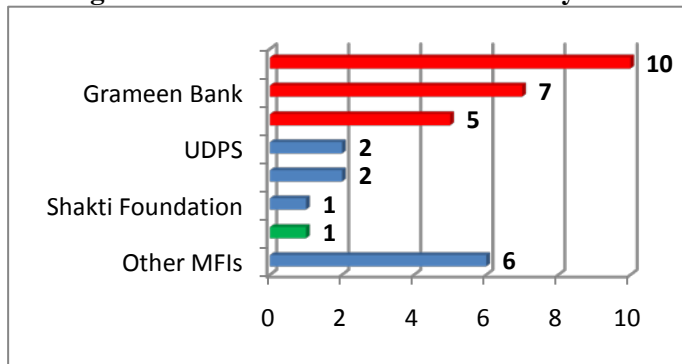
### Appendix 3

#### Results of interviews with ASA overlapping borrowers

##### 1a: Organizations or entities from which they borrowed - Rajshahi (On-time borrowers)

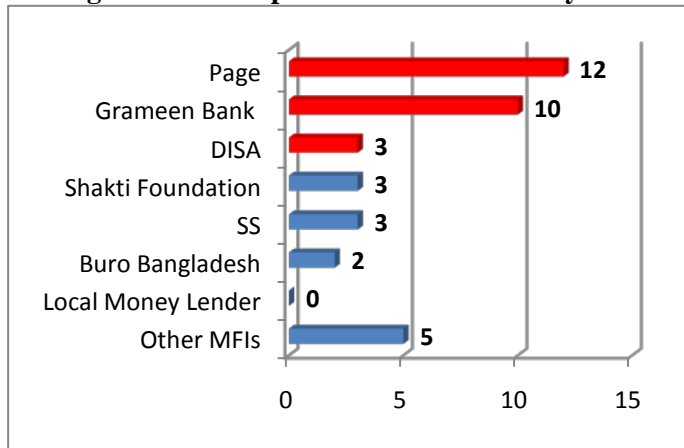


##### 1b: Organizations or entities from which they borrowed-Rajshahi (Overdue borrowers)

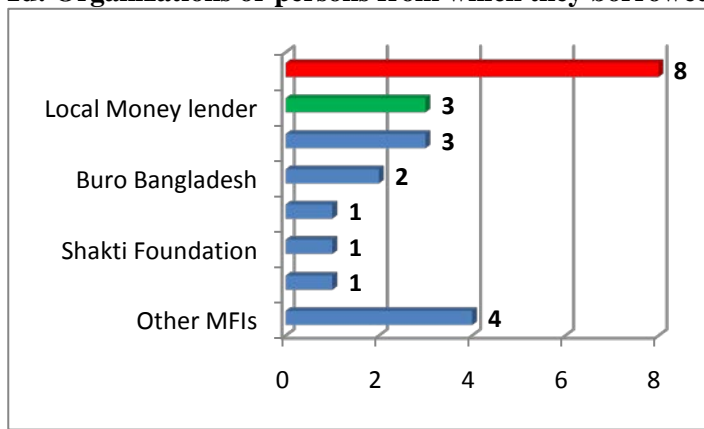




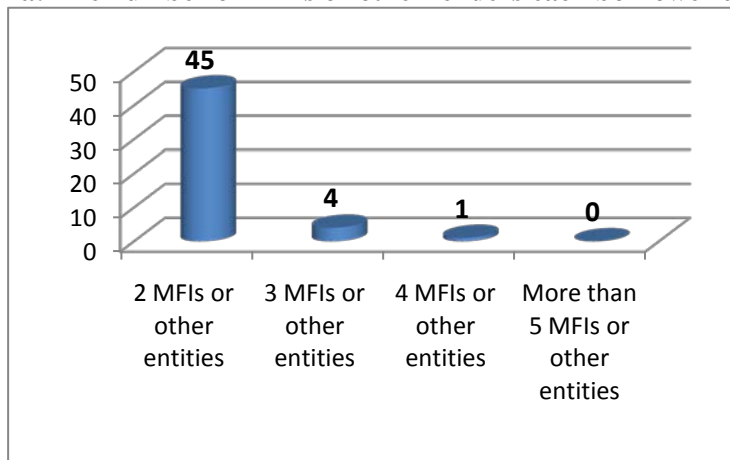
**1c: Organizations or persons from which they borrowed –Comilla (On-time borrowers)**



**1d: Organizations or persons from which they borrowed -Comilla<sup>xxxviii</sup> (Overdue borrowers)**

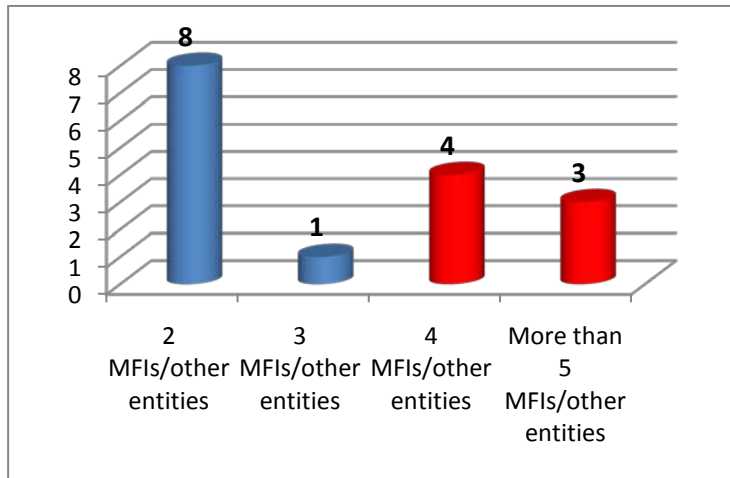


**2a: The number of MFIs or other lenders each borrower used-Rajshahi(On-time borrowers)**

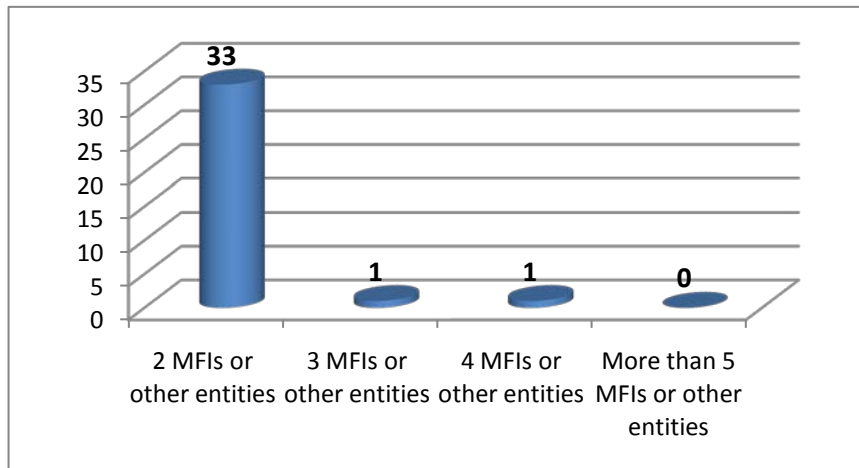




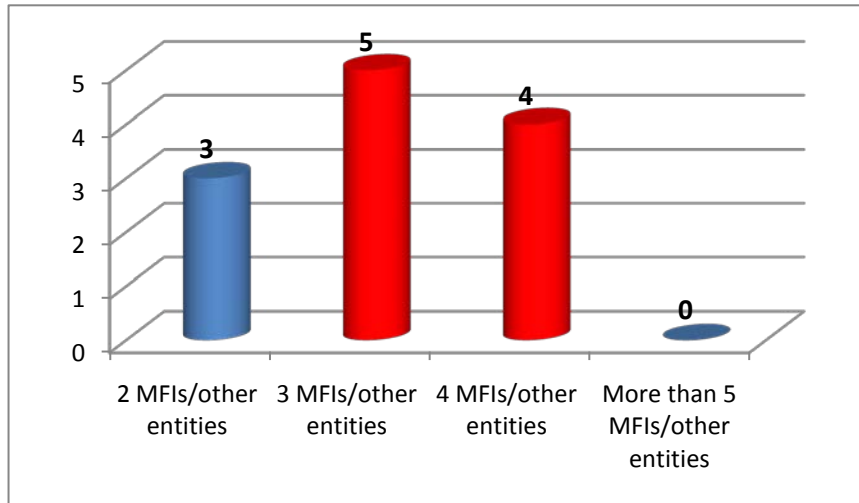
**2b: The number of MFIs or other lenders each borrower used- Rajshahi (Overdue borrowers)**



**2c: The number of MFIs or other lenders each borrowers used- Comilla(On-time borrowers)**



**2d: The number of MFIs or other lenders each borrower used- Comilla (Overdue borrowers)**



**3a: Reasons why they borrowed from multiple MFIs or other lenders-Rajshahi  
(On-time borrowers)**

<b>Need money for business (IGAs)</b>	<b>30</b>
To purchase or repair real estate(Excluding business purpose)	10
Personal reasons	9
Need money to treat sickness of family members	3
Need money to give or lend money to other family members, relatives or friends	3
Other personal reasons (Such as spending money on daughter's marriage etc...)	3
4:Expense on education	1
Other reasons (Except for the reasons 1-4)	0
<b>Total</b>	<b>50</b>

**3b: Reasons why they borrowed from multiple MFIs or other lenders-Rajshahi  
(Overdue borrowers)**

<b>Need money for business (IGAs)</b>	<b>6</b>
To purchase or repair real estate(Excluding business purpose)	3
Personal reasons	6
Need money to treat sickness of family members	2
Need money to give or lend money to other family members, relatives or friends	3
Other personal reasons (Such as spending money on daughter's marriage etc..)	1
4:Expense on education	0
Other reasons (Except for the reasons 1-4)	1
<b>Total</b>	<b>16</b>

**3c: Reasons why they borrowed from multiple MFIs or other lenders-Comilla  
(On-time borrowers)**

<b>Need money for business (IGAs)</b>	<b>25</b>
To purchase or repair real estate(Excluding business purpose)	3
Personal reasons	7
Need money to treat sickness of family members	0
Need money to give or lend money to other family members, relatives or friends	3
Other personal reasons (Such as spending money on daughter's marriage etc..)	4
4:Expense on education	0
Other reasons (Except for the reasons 1-4)	0
<b>Total</b>	<b>35</b>

**3d: Reasons why they borrowed from multiple MFIs or other lenders-Comilla  
(Overdue borrowers)**

<b>Need money for business (IGAs)</b>	<b>6</b>
To purchase or repair real estate(Excluding business purpose)	0
Personal reasons	6
Need money to treat sickness of family members	4



Need money to give or lend money to other family members, relatives or friends	0
Other personal reasons (Such as spending money on daughter's marriage etc..)	2
4:Expense on education	0
Other reasons (Except for the reasons 1-4)	0
<b>Total</b>	<b>12</b>

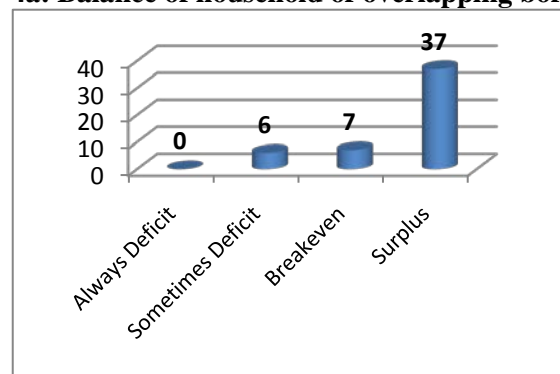
### 3e: Reasons of the delay in the payment-Rajshahi ( Out of 16 Overdue borrowers)

<b>Reasons related to Business</b>	<b>11</b>
<b>Other reasons</b>	<b>7</b>
Sickness and injury	2
Death of husband/Wife	1
Other reasons	4
<b>Total</b>	<b>18</b>

### 3f: Reasons of the delay in the payment-Comilla (Out of 12 Overdue borrowers)

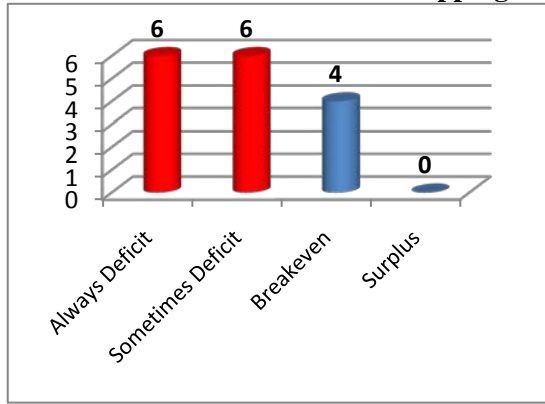
<b>Reasons related to Business</b>	<b>6</b>
<b>Other reasons</b>	<b>10</b>
Sickness and injury	7
Death of husband/Wife	2
Other reasons	1
<b>Total</b>	<b>16</b>

### 4a: Balance of household of overlapping borrowers-Rajshahi (On-time borrowers)

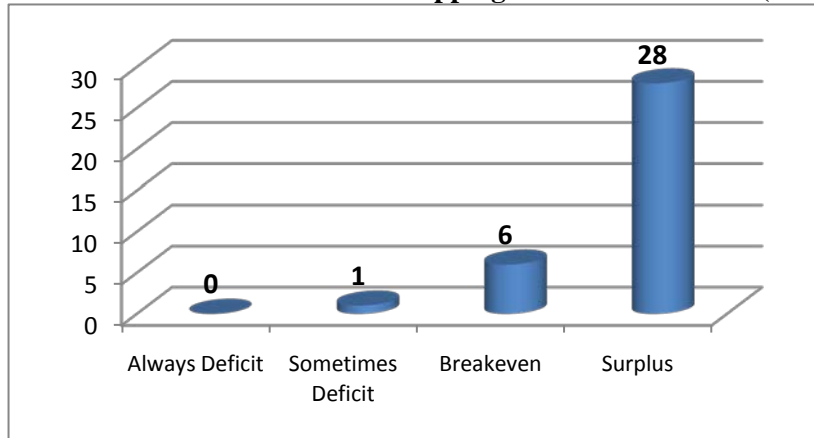




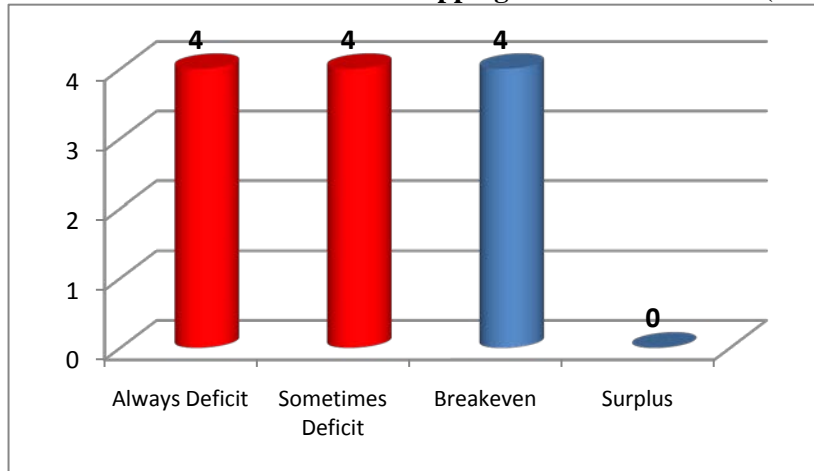
**4b: Balance of household of overlapping borrowers- Rajshahi(Overdue borrowers)**



**4c: Balance of household of overlapping borrowers-Comilla (On-time borrowers)**



**4d: Balance of household of overlapping borrowers-Comilla (Overdue borrowers)**



## Endnotes

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- <sup>i</sup> Microcredit in Bangladesh (accessed November 11<sup>th</sup>,2009);Available from [http://www.mra.gov.bd/index.php?option=com\\_content&view=category&layout=blog&id=29&Itemid=80](http://www.mra.gov.bd/index.php?option=com_content&view=category&layout=blog&id=29&Itemid=80)
- <sup>ii</sup> ASA at a glance up to October, 2009 (Accessed November 12, 2009); available from <http://www.asa.org.bd/ata glance.html>
- <sup>iii</sup> The author regards the payment overdue when borrowers were late for the payment more than one week.
- <sup>iv</sup> Although there were 26 questions in the questionnaire, the author skipped quantitative questions part ( Questions 15-19) for “on-time borrowers” due to the time restriction.
- <sup>v</sup> Such as IA Chaudhury and I. Matin. "Dimensions and Dynamics of Microfinance Membership Overlap-a Micro Study from Bangladesh." Small Enterprise Development 13.2(2002): 46-55.
- <sup>vi</sup> Chapter 3;Understanding the Nature of MFI Participation :Evidence from Rural Bangladesh (Accessed December 1, 2009); available from [http://www.pksf-bd.org/bids\\_chapter3.htm](http://www.pksf-bd.org/bids_chapter3.htm)
- <sup>vii</sup> According to the interviews, 72% of overlapping borrowers who were just using two loans answered that their standard of living had improved. On the other hand, 63.3% of borrowers who were using three loans and 46% of borrowers who were using more than four loans told the author that their standard of living had improved. It seems to support the argument that microfinance borrowers may improve their standard of living with an adequate amount of credit.
- <sup>viii</sup> Chaudhury and Matin, 54
- <sup>ix</sup> Ibid.,54
- <sup>x</sup> ASA Annual Report 2008. (Accessed December 10<sup>th</sup>); available from [http://www.asa.org.bd/annual\\_report\\_2008.pdf](http://www.asa.org.bd/annual_report_2008.pdf). In fact, ASA’s Reserve ratio rose from 3.45% (2005) to 4.40% (2008) and Ratio of Portfolio at risk rose from 1.22% to 4.99% in the same period.
- <sup>xi</sup> Microcredit in Bangladesh, Microcredit Regulatory Authority (accessed November 11<sup>th</sup>,2009); Available from [http://www.mra.gov.bd/index.php?option=com\\_content&view=category&layout=blog&id=29&Itemid=80](http://www.mra.gov.bd/index.php?option=com_content&view=category&layout=blog&id=29&Itemid=80)
- <sup>xii</sup> Bangladesh Data Sheet; Bangladesh Bureau of Statistics (accessed December 3, 2009); Available from <http://www.bbs.gov.bd/>
- <sup>xiii</sup> A. de Janvry, A., et al. "Credit Bureaus and the Rural Microfinance Sector: Peru, Guatemala, and Bolivia." FAO, Dezembro (2003),99-106
- <sup>xiv</sup> See such as J. Luoto, C. McIntosh, and B. Wydick. "Credit Information Systems in Less Developed Countries: A Test with Microfinance in Guatemala." Economic Development and Cultural Change 55.2 (2007): 313-34.
- <sup>xv</sup> Ibid., 317
- <sup>xvi</sup> I. Matin "Dimensions and Dynamics of MFI Competition in Bangladesh." CGAP Note (2001).



- <sup>xvii</sup> National Web Portal of Bangladesh, (Accessed December 2, 2009); Available from <http://www.bangladesh.gov.bd/>
- <sup>xviii</sup> Chaudhury and Matin ,54.
- <sup>xix</sup> No such cases were discovered from the interviews the author had conducted.
- <sup>xx</sup> S. Rutherford, Money Talks: Conversations with Poor Households in Bangladesh about Managing Money. Institute for Development Policy and Management, University of Manchester, 2002,3
- <sup>xxi</sup> When the author asked ASA borrowers what they disliked about ASA's services during the interviews, 27 (out of 113) borrowers replied that they were not satisfied with loan sizes and payment period.
- <sup>xxii</sup> R. L. Meyer. "The Demand for Flexible Microfinance Products: Lessons from Bangladesh." Journal of International development 14.3 (2002): 351-68.,358
- <sup>xxiii</sup> Ibid.,358
- <sup>xxiv</sup> Ibid.,360
- <sup>xxv</sup> Abdul Hai Khan and Md. Abdul Wahab Hai Khan, A.,and Wahab. Md. A. "Introduction to Grameen II". Grameen Bank, Bangladesh (2003)
- <sup>xxvi</sup> Ibid., 10
- <sup>xxvii</sup> R. L. Meyer 361
- <sup>xxviii</sup> R. L. Meyer, 360
- <sup>xxix</sup> Jennifer Sebstad, and Monique Cohen. "Financial Education for the Poor." Financial Literacy Project, Working Paper 1.,8
- <sup>xxx</sup> Ibid.,11
- <sup>xxxi</sup> Financial Education for SEWA Bank Members, A Facilitator's guide SEWA Bank, India (2003) p6
- <sup>xxxii</sup> IGVDG program stands for "The Income Generation for Vulnerable Group" program and CFPRP/TUP program stands for "Challenging the Frontiers of Poverty Reduction: Targeting the Ultra Poor" program.
- <sup>xxxiii</sup> I. Matin, M. Sulaiman, and MA Saleque. "Imagining Microfinance More Boldly: Unleashing the True Potential of Microfinance." What's wrong with microfinance? (2007): 23.
- <sup>xxxiv</sup> Ibid., 29
- <sup>xxxv</sup> Jennifer Sebstad, and Monique Cohen ,2
- <sup>xxxvi</sup> Ibid.,13
- <sup>xxxvii</sup> See I. Chaudhury and I. Matin (2002) and R. Meyer (2002)
- <sup>xxxviii</sup> Other MFIs(3a~3d) include UDPS, Proshika, Caritas, ZISA, Rose, SDC, Uddipon and other small regional MFIs.