

**IMPROVING MICROCREDIT PROGRAMS:
LISTENING TO RECIPIENTS**

A SUMMARY OF THE PILOT PHASE

MAY-AUGUST, 2007



Experiences from work conducted in Joyrampur-Anwar, Rangpur District, Bangladesh
RESEARCH CONDUCTED JOINTLY WITH NIJERA KORI AND UNNAYAN ONNESHAN

Listening to Recipient Voices

In the contemporary debate on microcredit, the voices of those whose lives it affects on a daily basis are conspicuously absent. The goal of our project is to change that—to bring recipients' experiences and opinions into the global debates on microcredit. The following outlines our approach to and preliminary results of a pilot phase of a larger project aimed at meeting this goal.

A Unique Method

Our strategy for bringing the voices of microcredit recipients back into the discussion was simple: we decided to ask them. We adopted a strategy known as “*oral testimony*” which relies on extended semi-structured and unstructured interviews to let recipients tell their own stories in their own words, share their opinions and experiences and convey their own understandings of how microcredit has transformed the history of their lives and their village. This approach, long employed by anthropologists and sociologists, is currently gaining traction among a number of NGOs interested in community development and participatory action research.

We wanted to take this approach a step farther. Often oral testimony research is colored by implicit power-dynamics between researchers and subjects. Within these dynamics, answers to questions are often pre-determined by what each party *expects* to get or hear from the other. We decided we would address this by using a *community-based approach*, where recipients would interview each other about their experiences. In such a context we hoped the content of the interviews would be shaped by mutual dialogue, rather than by top-down agendas and expectations about what we, as researchers, wanted to hear.

In order to do this, we trained a group of villagers from a village in Northern Bangladesh, Joyrampur-Anwar, to interview their neighbors about their experiences with microcredit. The result was open-ended, conversation-style interviews in which the interviewee participated in directing the discussion by framing conversations through stories, life experiences and their own personal histories with microcredit lending organizations. Using this approach, we heard what people had to say about microcredit on their own terms.



Data collectors participate in cooperative seminars at the Nijera Kori training center at Bogra



Goldin Institute staff discuss the research with other local NGOs in Dhaka, Bangladesh



Data collectors practice interviewing each other



Listening to data collectors' experiences with microcredit at our first training session

Training

In order to conduct this research, we needed to provide a group of data collectors with in-depth training in qualitative research methods and interview techniques. To do this, we held two separate training sessions, each spanning three days, in which we covered a range of topics central to the research. These training sessions started with questions as basic as “what is research and why do it” and moved on to the goals of this project. The trainings were a dynamic, two-way dialogue where we discussed our methodology and the objectives of the research, and, more importantly, learned from data collectors’ own thoughts and experiences, their understandings and critiques of our proposed approach and their interpretations and feedback on the questions we wanted to ask and answer. We discussed goals and outcomes and benefited from detailed discussions about the data collectors’ own experiences with microcredit in the village and what they had heard other people say about it.

Through a mixture of discussions and hands-on activities, we developed a broader understanding of the changing dynamics of Joyrampur-Anwar. The training both gave the data collectors the tools to fully explore people’s stories about microcredit from their own perspectives and helped us to develop a context for understanding these stories and experiences. Describing the process, one of our data collectors observed, *“There are lots of things hidden there that nobody knows, not everyone feels comfortable about saying everything any place. There are so many secrets to know, so many strange events that have happened, I never heard of anything like these stories before. There are so many kinds of people in this world! Even I myself have a long history which cannot be told in one sitting.”* Through this cooperative training process, we worked with the data collectors to determine the best way to hear and learn from these hidden stories.



Keshob participated as one of the data collectors during our research. While he was perhaps the poorest member of the group, he was also one of the most enthusiastic about the research. Keshob has worked as a day laborer his whole life, usually farming other people’s land as he owns no land of his own. Keshob has positive things to say about microcredit. Keshob is pictured with his two children and his mother in front of the home he built with a loan from the Grameen Bank.

Partnering for Effective Community-Based Research

A cornerstone of both the Goldin Institute’s approach and of the success of this project is partnership. We worked closely with two organizations to complete our work this summer and are continuing to work with an advisory board of organizations throughout the **Dhaka Partner City Network** as we begin to analyze the data gathered during our pilot phase. Most directly, we worked with **Unnayan Onneshan (UO)**, an independent progressive think tank based in Dhaka. It aims to contribute to innovation in development through research, advocacy, solidarity and action. UO’s philosophy, ideas and actions focus on pluralistic, participatory and sustainable development. UO has played an active role in the debate over microcredit in Bangladesh. They pioneered the use of non-hierarchical oral testimony in 2003 to explore the lives of slum dwellers in Dhaka and their access to municipal and other governmental services.

UO shared their expertise working in Bangladesh and their experience implementing innovative research and assessment approaches. A UO staff member worked closely with Goldin Institute staff on the day-to-day implementation of the project and UO’s training expert, Monower Mustapha, organized and ran the training sessions. Monower continues to work with Goldin Institute staff as we begin data analysis and plan our next phases of this research.

Our other key partner in this summer’s work was **Nijera Kori (NK)**. NK is a Bangladeshi NGO which seeks to organize and mobilize the landless population of Bangladesh. Translated from Bengali, their name means “We do it ourselves.” Nijera Kori works extensively in rural areas, facilitating landless empowerment that is democratic, sustain-

able and innovative. Through hands-on work with landless groups, NK has developed an extensive presence in communities throughout Bangladesh.

Since their inception in 1980, they have developed an extensive network of grassroots organizers in many communities across Bangladesh and have an intimate knowledge of the operations of these communities. Their work has been the subject of extensive academic research projects, which have consistently determined that the work NK is doing in Bangladesh is unparalleled in its empowerment of landless groups.

NK staff used their grassroots network to identify the research site and select village members as data collectors. They provided use of their training facilities to host the training workshop for data collectors and valuable insight into village life and dynamics. We will continue to work with NK as we share the results of the summer's work.



Every one had so many things to tell! I loved hearing people's stories, their sorrows, and their history. It is always interesting to know how people live. I wish I could do this work in my village my whole life, so I could get to know all their history, all they have kept hidden in the bottom of their heart.

---Kohinoor Begum, data collector

Conducting the Interviews

The ultimate goal of the interview process was to explore in-depth life histories of our respondents. The interviews often lasted for several hours over the course of two to three days, allowing data collectors and respondents to explore a wide range of issues and focus on in-depth life histories and experiences with microcredit.

Interviews were conducted with women as well as men and recipients as well as non-recipients. In this way, we were able to gain an understanding of the dynamics of microcredit in the village through a holistic approach to learning about people's lives. As one respondent pointed out, microcredit has radically transformed village and household dynamics. *"We did not have so many loans in the past; our children and wives could lead a comfortable life; they did only household chores under Purdah. But now they have to work out in the field to collect money for repaying installment."* Our research aimed to capture these transformations and dynamics in a way that other studies on microcredit have not.

Our data collectors' conducted over 150 interviews during the months of July and August. We met with them every day and discussed challenges that emerged as they worked. Through this process, we had the opportunity to hear many stories directly after they had been told and to see how the data collectors connected with their respondents and struggled with their stories. As Hasnera Begum, one of the data collectors observed, *"This was all very hard work, but I think it was worth it. I gained a real understanding of the hardships and sorrows that the people have experienced in their lives. I came to know about many things I was not aware of before. In that way, I came to realize the real changes happening in people's lives, the progress they have made. I have many more things to know, and I hope I will get to know more in the future."*

The State of Microcredit

In Bangladesh, microcredit is often regarded as a, if not the, central tool in many projects related to poverty alleviation, income mobility and rural development. Numerous organizations—governmental, non-governmental and private sector—have begun to shift emphasis away from other projects with the intention of entering the microcredit arena. Indeed, in rural Bangladesh, the term "microcredit" and "NGO" are all but synonymous. In a recent NGO registration drive in Bangladesh, no fewer than 5,000 NGOs applied for approval to become microcredit lenders. There is such marked increase in the number of microcredit organizations that the Interim Government in Bangladesh has recently declared that organizations with portfolios of fewer than 1,000 lenders currently need not register their organizations or seek special government permission to begin lending operations. The proliferation of micro-

credit in rural areas has also crowded out other services that used to be provided by NGOs. Whereas in the past, an NGO might have provided healthcare, grants, or other services, now many have converted exclusively to loans.

Our research gave us an opportunity to see what the effects of this proliferation of microcredit are at the village level. In Joyrampur-Anwar, there are ten different microcredit lending organizations for approximately 1000 households. While all of these organizations seek to provide poverty alleviating loans to the rural poor, our research found that the climate of saturation, competition and the ready access to loans have produced mixed results. While we are still in the process of interpreting our data with our local partners, some clear trends have already emerged from our findings. These results highlight some of the paradoxes of the microcredit system in rural Bangladesh.



One of the more positive stories we heard about an experience with microcredit was from one of our data collectors, **Hasnera**. When she decided to run for election to her village council, she realized that she didn't have enough money to stage a successful campaign. So she joined a microcredit group took out a loan of 5,000 taka (roughly \$75 USD). With the help of her loan, Hasnera won the election and held a seat on the village council for two consecutive terms.

It is a widely held perception of microcredit that micro-loans are given only to entrepreneurs to start small businesses, thereby generating productive assets which the entrepreneur will use to make money to repay their loan. Our research showed that in Bangladesh, this is frequently not the case, as loans are used for consumption purposes, such as food, shelter, medical expenses and other non-productive assets. Hasnera's story is an interesting example of the use of loans for purposes other than traditional asset acquisition.

Credit Dependency and Cyclical Debt

One of the most consistent arguments about microcredit is that it helps people escape cycles of debt by providing them with ways to accumulate assets that will serve as the foundation for entrepreneurial activity. However, many respondents described an extreme sense of dependency on microcredit agencies. They also described an inability to use their loans for any productive purpose and a consequent desire to stop taking loans. As one respondent observed, *"If I had some land, I would use it to plant trees and crops or graze cattle. But I have nothing. I don't want to take loans but we cannot survive without them. We the poor face trouble from everywhere."* However, they explained, after taking loans, many people are caught in a cycle of debt from which they are unable to escape, taking new loans from other agencies and village moneylenders to repay the original loans. One respondent explained, *"I could not use the money in doing anything. I simply used it up paying my debts or for personal expenditure."* Another shared a story with us, *"Thanda's wife takes two or three loans at a time. But she cannot build even the roof of her house. She has to go here and there to collect the installment money in time and consequently borrow the money from another source which gets her in a vicious circle of loans. Sometimes she has to spend all her earnings to pay her [weekly] installments. What happened to the money?"*

While many microcredit agencies express a desire to subvert the often exploitative traditional moneylending systems, evidence from our research shows that in many cases microcredit has achieved exactly the opposite. Numerous respondents reported being forced to take loans from traditional moneylenders in order to make their microcredit loan payments on time. Indeed, some respondents even suggest that these loans are preferable to microcredit loans because they are more flexible. As one observed, *"I think taking loan from local money lender is better than an NGO. Because there is no obligation to pay a weekly installment. It is easy system. They excuse us in times of crisis. They don't insult us. But NGOs never excuse us in any situation. We are tortured both physically and mentally. We remain bound to pay installment in time at any cost."* In this way, the traditional moneylending systems have actually been bolstered by the development of microcredit in the village due to a growing dependence on credit from all sources.

Consumption

The central idea behind microcredit is that providing small loans for asset purchases will allow impoverished people and families to break cycles of poverty. Using microcredit, families that normally are forced to spend all of their income for consumption will be able to generate new and more sustainable income streams. As one said, *“Well, we are poor people. We take loans to cope with the poverty. We don’t have many other options.”* While some respondents reported that this was how they were using their loans, many reported that they were using, and needed to use, loans for consumption. *“I don’t want to take microcredit loans any more,” one respondent observed, “but at times of serious food problems we have no other way.”* Respondents explained that many loans are taken in the *monga* season, a period of seasonal food insecurity between harvests that is particularly severe in North Bengal where we conducted our research. Deprived of food or farmwork to generate an income to support their families, many people take loans and use the cash solely to buy food to feed their families. As one recipient described, *“During the monga, for the three months, we maintain our need for food with a loan. Becoming indebted to microcredit loan program we go struggle through these disasters. But if any member of this loan program is not able to pay an installment in time, just after the dead line NGO workers come to her house and ask for that very inhumanly. They force us to pay at any cost.”*

It is not uncommon for families to carry as many as five loans, most used to cover old debts, rather than purchase new assets.

While loans for consumption, as such, can sustain families in difficult periods, frequently, this leads to cyclical debt entrapment where families take out new loans from different agencies or local money lenders to cover previous loans. One respondent shared a story with us: *“One day my wife felt a dangerous pain in her appendix. I took her to doctor. The doctor demanded Tk 8,000 for the operation and said the operation should be done immediately, otherwise the patient would die. Finding no way out, I borrow the money from a moneylender and made the doctor perform the operation. Later I took a loan from to repay that Tk 8,000. One NGO did not give enough money to cover the cost. So I got my wife admitted in another NGO lending group. Taking loans from two NGOs I repaid to usurer. Then I had a problem. Would I repay the loan to the NGO, or manage our feeding, or continue my wife’s medical treatment? What could I do? Finding no way out I had to take a loan again from the moneylender.”* We found that it was not uncommon for families to carry as many as five or more loans, most of which are used to cover old debts, rather than purchase new assets. As one frustrated respondent observed, *“Taking microcredit from NGOs, we have to repay installments every week at any cost. We have to borrow money from moneylenders to repay installments when we have no money in pocket. Taking further loans from NGOs, we pay back the loan taken from money-lender. For this reason it is very bad to take microcredit. Rather if we could evict the NGOs, it would be very good.”*



Respondents in Joyrampur-Anwar

Dowry and Empowerment of Women

Early studies of microcredit found that providing loans to women allowed them to play more central roles in a range of household decisions: from family budgeting to family planning. By providing loans exclusively to women, many microcredit lenders thus argue that they are helping to achieve gender empowerment. However, we found that frequently, in Joyrampur-Anwar, women are used as conduits to credit. As one respondent told us, *“Women take micro-credit as their husband order them to do so. When their husbands fail to pay the installment, then NGO workers abuse the*

women a lot. Women have to bear the pressure coming from both sides." Respondents reported that they were forced to take out loans by male family members that they then were held financially responsible for.

One of the more alarming discoveries made during the course of our research was that microcredit is strengthening the dowry system in the village. Numerous respondents reported that they had used their loans to pay for their daughter's dowries, often requiring multiple loans from different microcredit NGOs to cover the costs. We heard stories about women who, after spending a year or more in their in-laws' homes after their marriage, were sent back to their parents' homes with demands of taking another microcredit loan as additional dowry. One woman who earns 100 taka (approximately \$1.50) per day took a loan for 25,000 (over \$360) taka to pay for her daughter's marriage. Another woman who took a loan to pay for her daughter's dowry was forced to give up her home when she had no way to repay the loan after the loan money had been given for dowry. As one woman explained the situation, *"My daughter is coming of age. How will we get her married? So many things needed to be given, such as costume jewelry for her, a bicycle for my son-in-law, 30,000 taka (approximately \$430) in cash, furniture, effects. Everything needed to set up a house a house. In some cases 50,000 taka (approximately \$720) is not enough. I expect I will need to take a loan again."*

Gap between the Goals of NGOs and Realities in the Field

While microfinance organizations operating in the village all have goals linked to empowerment and poverty alleviation, performance metrics are often based on client repayment rates and the ability of NGO fieldworkers to source new loans. Since many of the fieldworkers are as impoverished as loan recipients, this regularly leads to abusive relationships with recipients. As one respondent observed, *"The field workers were never considerate of our situation. Might it be storm, flood or any other disaster, they always tried to collect the loan installments from us. They were very harsh with us."* To ensure job security, fieldworkers pursue draconian measures--including unauthorized repossession of assets, destruction of property and even violence and sexual abuse--to secure regular and timely loan repayment. Measuring the situation, one of our respondents observed, *"The good ones listen to our problems, but there are bad one who have no consideration for our conditions. They are here for money and they will go away taking the money. It doesn't matter to them whether we can eat that day or die starving."*

Performance metrics are based on repayment rates and the ability to source new loans. This leads to abusive relationships between fieldworkers and recipients

People's Insights on Improving Microcredit

One of the topics we asked data collectors to cover was people's own ideas about how to improve microcredit programs. This was also a topic that people were excited to discuss. The results of these conversations were insightful and diverse. Many borrowers discussed an inability to generate a profit within only one week of taking a loan, particularly for borrowers who take loans to plant crops – not uncommon in largely agrarian communities like Joyrampur-Anwar. Yet, it is common practice in Bangladesh for loan repayments to begin one week after a borrower takes a loan. Many respondents suggested that they would have a much easier time repaying their loan – and, in fact, would invest it more wisely – if they didn't have to start making payments until after they had harvested their crops.

A further common suggestion was the observation that NGOs need to provide more diverse services than simply microcredit. A repeated difficulty we heard throughout the interviews was that often recipients were forced to use their loans for day-to-day survival, educational costs for their children and healthcare. Many of these services were previously provided by NGOs who have now switched over to microcredit. As one respondent explained, *"If they provide some facilities such as medical treatment, monetary help for the education of children, and become more liberal about the weekly collection of payments, I think, it would be better for us."* These simple and straightforward proposals come out of direct lived experience with what does and does not work for microcredit borrowers themselves.

Significance of Telling Stories

On our last day of research, our team invited us to their village. We had the opportunity to see their homes, meet their families, and to talk with many respondents. We were honored by the warm welcome. The interviewees said they had become heroes in their village because they showed that people's stories actually mean something.

Of the respondents interviewed, the experiences with microcredit we heard about were incredibly complex and diverse. As people in Joyrampur-Anwar shared their stories, they were invigorated to learn that their thoughts, experiences, ideas, and opinions would be shared not just with people outside of their village in Bangladesh, but with individuals and institutions around the world. Many expressed their hopes that their stories would be taken seriously and valued by people with the power to make institutional changes, policy decisions, and programmatic choices. The transcripts of the interviews show their hopes, dreams, challenges, struggles, and the strength people muster on a daily basis to survive in the midst of extreme poverty.



Respondents in Joyrampur-Anwar

Next Steps

We strongly believe that our work this summer provides new insight into the community-level impacts of microcredit in Bangladesh. However, in order to make an impact in the global debate on microcredit and develop robust recommendations for implementing new grassroots microcredit projects, it is critical that we understand the experiences, stories and ideas of people living in different regions, in countries at different stages of microcredit adoption and in areas where different approaches to microcredit are being employed. By exploring the ideas of recipients across a range of areas, we can develop approaches to microcredit that truly incorporate the experiences of the diverse group of recipients worldwide. As such, we have a unique opportunity to significantly influence international microfinance policy and program development.

Over the next year, we will launch parallel projects with partners throughout our network using the same methodology. This will provide rich comparative data from around the world on the needs, challenges and benefits of microcredit from the perspective of loan recipients. We will incorporate these voices into the broader microfinance debate so as to improve the design, implementation and outcomes of these programs. Then, we will work intimately with organizations within our Partner Cities Network to implement new or improve existing microcredit projects based on the findings and recommendations of our research. At the same time, we will develop a distance learning course on conducting community-based oral testimony research that will be available to all members of our broader network and begin planning an event in Dhaka, Bangladesh in 2008/2009 focusing on new directions in poverty alleviation.

Among our Partner Cities, we have begun to develop relationships with organizations in countries such as Haiti, Bolivia, India, Sri Lanka, Israel/Palestine, Egypt, and Uganda to conduct similar studies. We hope to also expand this project into areas such as Northern Africa and Central and Southeast Asia. By doing so, we will capture the ideas and opinions of recipients both in countries that have long been exploring the potential of microcredit as a poverty alle-

viation tool and in regions where microcredit has only recently been adopted. In moving beyond the pilot phase, we will the experiences of recipients in Bangladesh with those in other places around the world to better understand the ways microcredit does and can impact the lives of those living in poverty.

The Research Team

In addition to the data collectors, we had the pleasure of working with a diverse team of project leaders in this summer work. Key individuals who contributed to the success of the pilot phase of this research include:

Anders Bjornberg - *Goldin Institute Intern*

Between June and December, 2006, Anders Bjornberg lived in Dhaka, Bangladesh, working to develop an alternative microcredit project. This project focused on the creation of a model which incorporates workers' cooperatives, intensive entrepreneurship training and low interest rates as an approach to the problems which have emerged in the microcredit movement. Anders is a graduate of Beloit College, with a major in History. His focus is on subaltern historiographies and the intersections between history and sociology.

Jason Cons M.S. - *Goldin Institute Director of Research and Project Design*

Jason is a doctoral candidate in Development Sociology at Cornell University. In 2006-7, he was a Social Science Research Council International Dissertation Research Fellow while conducting dissertation fieldwork in both India and Bangladesh. Jason's academic expertise includes qualitative methods and the sociology of development. Jason has a background in instructional design and worked on projects for clients in non-profits, educational institutions, and businesses.

Peter Finn M.S. - *Director of the Goldin Institute Online and Education*

Peter has six years of experience designing and developing e-learning courses and learning management systems. Some of the organizations Peter has worked with include McKinsey & Co., Cardean University, the American Academy of Pediatrics, Johnson & Johnson Pediatric Institute, Food & Drug Administration (FDA), Centers for Disease Control (CDC), and Cognitive Arts. Peter holds a Masters in Learning and Organizational Change from Northwestern University.

Erin Lentz M.S. - *Independent Researcher and Unnayan Onneshan Affiliate*

Erin is a graduate student in Applied Economics and Management at Cornell University and a 2006 Fulbright recipient for Bangladesh. She is currently engaged in research on the secondary effects of food aid in rural Bangladesh. She has worked as an independent consultant and author for the United Nations World Food Programme and for CARE. She has a background in economic consulting—where she worked with, among others, the Department of Justice.

Xulhaz Mannan, M.A. - *Goldin Institute Translation Coordinator*

Xulhaz graduated from Dhaka University with a Masters degree in International Relations. He has worked with a number of NGOs in Dhaka, including the Bangladesh Youth Enteriprize and Help Center. Xulhaz has also worked as a translator and research assistant on research projects employing oral testimony approaches to understand the complications of living in the Bangladesh border region.

Monower Mostafa MA - *Goldin Institute Research Coordinator in Bangladesh & Unnayan Onneshan Director of Perspective Building and Policy Literacy*

Monower holds a Masters with a specialization in non-profit sectorwork from Cleveland State University. He has wide experience in the field of mobilization, training and advocacy and has served in senior management positions in the Hunger Project, Bangladesh and GSS. He has developed a series of open-learning modules for building perspectives of the social change for civil society members, young researchers, development professionals and grassroots organizations.

Kasia Paprocki - *Goldin Institute Research Affiliate*

Kasia graduated from Hampshire College with a Degree in Development in the Global South in 2007. As part of her studies, she designed an alternative microcredit model responding problems that have arisen in the field of microcredit and spent six months in Dhaka, Bangladesh working to implement this program. She has worked with various local, national and international organizations, including the United Nations on issues of peace, youth activism, human rights and international labor rights.

Travis Rejman - *Goldin Institute Executive Director*

Travis worked with Diane Goldin to design and create the Partner Cities Network and the Goldin Institute. Prior to creating the Goldin Institute, Travis served as Director for the Council for a Parliament of the World's Religions, leading the Council's grassroots initiatives as well as serving as Program Chair. Travis has conducted consultative site visits and worked on location in over 20 Partner Cities in Asia, Europe, Africa, the Middle-East and South and North America.