



Risks and Challenges of Microcredit Officials: An Explorative Study in Bangladesh

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Abstract

Every microcredit organization has a team of field officials to disburse loans and collect repayment installments. They are the key actors of microcredit organizations. The objective of this paper was to find out the socioeconomic conditions of the nongovernmental organizations (NGOs) officials who are involved in the loan processes. Simultaneously, it attempted to explore the risks and challenges of the NGOs officials. This study used the qualitative approach to find how these officials cope with the terms and conditions of these organizations. The study relied on both primary and secondary sources for collecting data. The secondary data were gathered from the published and unpublished research reports, journals, books, records and documents of relevant agencies, and newspaper articles. The primary data were collected from interviews and focused group discussion. The study was conducted among 55 loan officials with the purposive sampling. The study area was in Dhaka-Mirpur, Mohammadpur, Vashantek, and Korail slums. The collected data were analyzed thematically to understand socioeconomic conditions and the risk and challenges of the field level officials of microcredit organizations. Finally, the paper concluded with the findings that microcredit organizations need to change their policies regarding their officials who are involved with loan processes to make them effective organizations.

Keywords: Microcredit; Loan Officials; Loanees; Risk; Challenges

1. Introduction

Microcredit organization, through loan officers, delivers services that can be life changing for the poor people (Canales, 2014). Thus, loan officers are the key actors of microfinance organizations that enable microfinance to touch the grassroots (Siwale, 2016). The factors which contribute to their effectiveness as key actors in the field of microcredit does have implications for delivery of financial services at the 'bottom of the pyramid' (Prahald, 2005). These frontline workers through direct communication and relational ties with clients are able to see, hear, and even experience the social needs of the poor clients (Gray, 2013; Kar, 2013; Sarker, 2013). However, these microcredit organizations employees face challenges during their works in their fields. Like other organizations, these microcredit organizations follow some rules for their employees and officials. They work in these organizations to develop themselves socially and economically. Thus, these micro-credit officials are the key individuals to explaining the disparity between expectations of microcredit program and its reality (Hsu, 2014). However, in many cases; the theory and practices are quite different. There are various irregularities in many local microcredit organizations through the leading microcredit organizations are providing reasonable supports to their officials. In most of the local microcredit organizations, the employees and officials-both man and woman face some risks and challenges in doing their jobs. They are deprived and discriminated by the microcredit organizations. Their sufferings are not available in any existing

literature. This paper has uniquely dealt with the untold and unseen sufferings of these officials and employees.

The microcredit program officials face various challenges in working with the local microcredit organizations. In most of the local microcredit organizations, the officials need to pay a handsome amount of security money in case of failure of collecting installments from the loanees. Even in rough weather such as heavy rainfall and flood they need to go to the loanees' houses to collect the installments. Sometimes the officials have to be very strict and technical to the loanees in getting back the loans. Moreover, they have huge pressure on them to collect a certain amount of loanees and members of microcredit loans. Sometimes, the microcredit program officials are brought under pressure by influential local political leaders in case of providing and not providing a loan to women who are asking for loans. Furthermore, sometimes it is also very risky for them carrying a huge amount of money during their collection of installments in the fields. Often they are attacked by the local criminals and snatched away money from them. These nongovernmental organizations (NGOs') officials and employees are deprived by the organizations in terms of amenities and privileges to lead a minimum standard of life.

Loan officers are the strong connecting bridge between microcredit organization and their poor clients and are central for efficient service delivery to its stakeholders (Ahmad, 2002; Goetz, 2001). They are thought to implement policies of microcredit organizations in ways that imply an in-depth understanding of clients and empathy for successful loaning (Ahmad, 2002; Chua, 1998; Goetz, 2001; Holcombe, 1995; Jain and Moore, 2003; Pawlak, 2002). It has been argued that "the heart of Microcredit Finance lies with its fieldworkers" (Chua, 1998), yet very few literature has been found to explore their roles. This paper has framed the discussion on the risks and challenges of microcredit officials to confront in their services illustrating the existing socioeconomic conditions of the field officials involved in the loan processes. Finally, the paper has landed on the conclusion that the local microcredit organizations need to amend their existing rules and regulations for their officials and employees to make their organizations effective and efficient to make microcredit program success.

2. Methodology

The study was a qualitative approach using both primary and secondary sources for data collection. The secondary data were gathered from the research journals, books, and newspaper articles. But for the primary sources of data, fifty-five (55) loan sanction officials were selected from Grameen Bank, BRAC, ASA and TMSS through purposive sampling. The study conducted in-depth interviews and focused group discussion (FGD) to collect information about the experiences of the officials from different micro-credit organizations. The study area was in Dhaka-Mirpur, Mohammadpur, Vashantek, and Korail slums.

3. Discussion and Findings

3.1 Socioeconomic conditions: The employees are having

The socioeconomic conditions of the local microcredit organizations are deplorable in most cases. Most of the local microcredit organizations hire local men and women who are not highly educated. They offer a very small salary with less amenities and privileges. However, they impose strict terms and conditions to collect interests from the loanees in time. Thus, this creates a psychological pressure on them. They have no incentives for their hard work even though they reach at the door to door to disburse and collect loans. Since the officials are poorly paid they cannot coup up with the present market price; thus, they lead a very hard life with their family members. The scarcity of job does not allow them to quite the jobs or to shift the job. Their salary is fixed and not regularly revised, despite their dedicated services to their organizations. Dissatisfaction of the employees arises from the exploitations of the microcredit organizations which eventually impact the microcredit activities.

Almost all the respondents put their voices in the same manners. They work for organizations without seeing their benefits. They take a lot of pains for their organizations. They work from dawn to

dusk. They do not even care for the bad weather to reach the doorsteps of the loanees. The organizations should come forward to see their interests. However, the microcredit organizations are indifferent to them. They do not provide any incentive for their employees. They do not even revise their salary structures for their employees. Their mental agony and sufferings are meaningless to the higher authority. Although they work for the poverty alleviation and women empowerment, they live from hand to mouth and they are not empowered in society. Sometimes, they are exploited by the capitalistic attitude of the microcredit organizations they work for.

However, there are some employees who have different views about their organizations. The loan officials enjoy their works since they provide loans to the doorstep of the poor people. Their small efforts and hard labor change the lives of the poor people and empower poor women changing the socioeconomic condition of the people. They become happy when they see that poor people become solvent using their loans. The field officials and loan officers sometimes have a good tie with the people and the organizations. There are a few numbers of employees who have mixed experience about the microcredit organizations they work for. Although they are exploited by the organizations regarding salary and incentives and they have mental sufferings, they enjoy their work for the rootless and poor people who cannot reach the door-step of the formal banking. Hence, it has been argued that the still microcredit organizations except few do not care for their employees. They put psychological pressure on them, and these field officials lead a very disgraceful life.

Microcredit officials sometimes consider their job not glorifying to them or even to the people for dealing with the poor people and for their working environment. As Siwale (2016) pointed out that the informality of working environments of the loan officials, especially in the field is exhausting, hectic, and boring. One of the young loan officials with a good education background who have good said;

Working in the field is “degrading” for them. It creates a discrepancy between their expectations of their role and the realities of the job. Working in dirty environments does not glorify their job in the eyes of others –especially their peers.

Furthermore, the relatively young and educated loan officials consider this profession as a low-status work. They dislike particular aspects of the job that takes them to doorstep collections, effectively turn them into “debt” collectors. These activities make them look less important, “invisible” and intellectually unchallenged in comparison to office workers. As observed by others (Baumann, 2004; Holtmann and Grammling, 2005; Kar, 2013; Canales, 2014), this is a low-status profession with low salary and without incentives and amenities. The loan officers feel they are stigmatized and lack professional recognition. Another young and energetic loan officials noted that-

They are graduated recently from the local college. Now they are working as loan officers. But there is no job security. Since there is scarcity of job, we are bound to do this work. With the poor amount of salary, they cannot maintain our family properly. Furthermore, people around consider us as “debt” collector and “interest grabber” etc. Sometimes, socially they are humiliated.

The socioeconomic condition of the microcredit field officials imposes a lot of burdens on them. The entire loan process is a complex one with lot of activities. The loan officials have to go through this process to secure organizational benefits as well as the client's benefits. This makes them dependable not only for the clients but also for the managers. The success of microcredit organizations; thus, highly depends on those field officials. As Siwale (2016) rightly pointed that the sustainability and performance of microcredit depends heavily on the efficiency of loan officers, who take much of the burden involved but operate in difficult work environments and they encounter huge pressures such as responding to clients' needs, rule enforcement and having to deliver against targets that will secure their jobs: Large numbers of borrowers and high repayments. However, Siwale (2016) focused on the discussion that in the process of delivering financial services, managers, and clients not only come to depend on loan officers to maintain the quality of services provided but also place varied and often conflicting expectations on them.

3.2 Risks: Confronted by the employees

Natural disasters in Bangladesh are a risk for microcredit stakeholders. Both the field level officials and loanees face difficulties during disasters. Since installment collection solely depends on the field

officials, it is very difficult to collect the money after any natural disaster. Their jobs are always in threat and they feel insured about their livelihood.

There is always a possibility of failure of the loanees in repayment of money. If anyone fails to repay the money, the field official is sometimes fired from the job. Uncertainty and insecurity go hand in hand with this field official of the local microcredit organizations.

The local officials are always put under pressure to collect interests from the loanees. Sometimes that psychological pressure transferred onto the loanees. The field officials sometimes become rude and use abusive language to the loanees which create conflict between stakeholders. This “pressure tactics” brings terrible results for the loan officials if the loanees commit suicide. A report of the DhakaTribune says, “A woman committed suicide in Chuadanga district after having been verbally harassed by a NGO worker for failing to pay the installments of the loan and a police case was filed against that micro-credit loan official (The Dhaka Tribune, 2017).” The suicidal incidents always put local officials under tremendous pressure with losing jobs and filing police case against them.

3.3 Challenges: Faced by the employees

Loan officers are almost like street bureaucrats (Lipsky, 1980) because they mediate the distribution of microloans and can exercise a relatively high degree of discretion over who accesses financial services. Although some studies have attempted to explore how these “street bureaucrats” affect outreach of microcredit organizations (Nissanke, 2002; Volschenk and Biekpe, 2003; Baumann, 2004; Mukama et al., 2005; Siwale and Ritchie, 2012), limited research has focused on the grassroots experiences that make their work more challenging. As Canales (2014) observes, loan officers spend the vast majority of their time in the field interacting with clients and building relationships. Unlike in the office, work conditions in the field can be very challenging to loan officers.

The lack of uniformity among the microcredit activities of different organizations causes sufferings among the employees who are involved in the loan processes. The different organizations are run by different rules and regulations which create an anomaly in the field of microcredit programs. Some microcredit institutions prefer weekly repayment of loans. Some likes to go for monthly repayment and some go for half monthly repayment. Moreover, some microcredit institutions allow the group members to take new loans when all the group members repay the previous loans. However, on the other hand, some microcredit institutions also offer new loans to any group members who repay the previous loans. The interest rates, repayment modes, and repayment durations vary from one organization to another. These lack uniformity among the microcredit programs in various organizations which lead to a conflict among the stakeholders. Thus, the employees of different organizations face challenges in the loan disbursements and loan collection activities.

Although the loan officer is a key actor within the microcredit organizations and determines the success of microfinance, both in terms of social missions and financial performance (Shchetinin and Wollbrant, 2013), they are not kept far from the decision making process. However, loan officers manage every element of a loan’s process and are expected to produce and control as many loans as possible, build up large portfolios and to maintain excellent portfolio quality (Canales, 2014). Canales (2014) pointed out that the role involves spending the vast majority of their time in the field, interacting with clients and building relationships; and thereby creating a “high level” of “localism” yet the “field” is often an open space in which loan officers and clients can informally reshape lending policy as well as negotiate microfinance practice. In the literature, loan officers are reported to usually work with insufficient resources and in excessively harsh conditions (Holtmann and Grammling, 2005). Nevertheless, there is a credible consensus among scholars that loan officers remain by far the dominant decision-makers in microloan granting (Rahman, 1999b; Siwale, 2006; Agier and Szafarz, 2010; Kar, 2013; Canales, 2014).

As microcredit is considered as a profit-making tool, so there are a lot of local microcredit institutions which take loans from the traditional banks. These organizations want to make money with the high interest rate. Their aim is not to empower poor women by reducing poverty; rather they want to make a profit with microcredit business. The field level officials are given a target to collect loanees

from the fields. They are put under pressure to fulfill their targets. Those microcredit organizations exploit their employees as well as loanees to make a profit in the name of social development with their capitalistic attitude. Almost (100%) respondents put it this way;

About 75% of the NGO officials are not happy with the salary structure and other facilities provided by the micro-credit organizations. Their work loads, risks and challenges do not suit with the salary.

The bitter exploitation of the microcredit organizations has been reflected in the words of one of the NGO officials, who are working as a branch manager,

"I have been working in this branch for last 5 years. As a branch manager, I have every information about the loan disbursement, repayment and interest rate. So I know better how much profit the organization gains from this branch. But the authority never makes us benefitted."

Apart from leading microcredit organizations, almost all other microcredit organizations demand security money as a "security deposit" from the NGOs officials who are involved in loan disbursing process. If any woman loanee continuously fails to repay the money, sometimes loan sanction officials have to take responsibility for that. He or she has to pay that money borrowed. According to one of my respondents,

"I have working in this organization for last 4 years. When I joined, I was told that I would get 6000 taka with 10% of this amount. But I have not yet got it. Moreover, when we try to raise voice to increase salary, the authority put pressure on us by saying that we are not efficient enough to collect repayment money from the loanees on regular basis and we are failed to achieve our targets to collect money from the loanees. We know that this is their excuses because they do not want give us our rightful salary. They can easily exploit us because of serious job scarcity. At one hand; they make money by imposing huge interest on the loanees and on the other hand; they exploit us severely"

The profit-oriented business of microcredit organizations creates an extra burden among the employees working in the fields. To expand this business, many microcredit organizations take different policies and strategies. They give a target to every field staff. To save one's job, everybody runs after his/her target. Thus, all staff becomes overburdened with target fulfillment. This creates a heavy mental pressure on the field staff. According to one of the respondents;

"We are 30 field staff. Target has given to us. Each of us has to collect 30 members. Because some members only deposit savings and others apply for loans. In order to maintain good balance fixed target is given to us."

Microcredit organizations are very strict about their repayment installments. They strictly maintain weekly or monthly or half-yearly repayment activities. Thus, field staff has to go to the house of the loanees. The field staff mainly arranges the meetings in the group leader's house and they have to group leader's house. Even in the rough weather, the loan officials need to go to their fields to collect installments. During flood time, the loan officials have to use boat to chase the loanees in the flood shelters. According to one of my respondents,

"We have to work hard to collect installment from the loanees. We have to go to collect the instalments even in rough weather. Moreover, we have to use harsh and bad words to them; though we do not have any personal enmity with them."

Although there is no personal relationship between the loan officials and loanees, sometimes they gain bitter experience due to the rigid repayment systems of the loans. Both of them need to go through a system which put them a face to face stands.

Field level officials have to work hard to collect installments from the loanees. Although individual official has their own working area, for some exceptional cases they have to move collectively. Even some times officials have to go to loanees house out of their official times. Group-based microcredit programs, for example, usually rely on work practices such as "regular" visits by loan officers and frequent contact with borrowers through group meetings, making the client-loan officer interface critical to realizing the developmental goals of microcredits (Siwale, 2016). Micro-credit loan officials are accountable for screening of potential clients, managing the elements of a loan's process, providing training to women loanees, following up repayments (Dixon et al., 2007; Labie et al., 2009; Tomaselli et al., 2013). Likewise, loan officers are also responsible for recruiting and screening of potential clients,

managing every element of a loan's process, training of clients, following up repayments (Dixon et al., 2007; Labie et al., 2009; Tomaselli et al., 2013). Furthermore, the field level officials and loan sanction officials must have to maintain the portfolio quality of the micro-credit organizations to make them an effective organization with strong corporate governance avoiding mission drifts (Ross and Denzer, 2011).

Local NGOs officials face humiliation and political pressure in their operational works. Sometimes the loan officials have to disburse loan under local political pressure. The local political leaders put pressure on them to give loans to selective individuals. Besides, some of the loanees are not well aware of paying installments on time. In that case, officials need to create pressure on them which sometimes create embarrassing and unwanted situations. However, they have to do this for their professional purpose not for their personal gain. They also express their helplessness when some loanees come to them to take emergency loans. However, they have no authority to issue loans for them. These create some mental agony for them. A report of the Daily Star (May 14, 2018) revealed that;

Recently the risk has been accelerate when a loan officials of ASA NGO's has been brutally murdered by one of the loaners of this organization.

4. Conclusion and Recommendations

Loan officers are the people who mediate and facilitate the delivery of microfinance services to the poor. The work of loan officers at the bottom of the pyramid is difficult, and as agents of social change, it is necessary to take into account their personal, organizational and external social factors, as all these dimensions actively interact to influence how they then perform and relate with the poor at the grassroots (Siwale, 2016). Their efficiency and dedication both will bring the success of microcredit organizations as well as reduce poverty in real sense empowering women in the society. This paper attempted to highlight the actual socioeconomic condition of the loan officials and their risk and challenges in working with the microcredit organizations. Since the loan officials are the frontline workers who maintain direct communication and relational ties with clients, they are able to see, hear, and even experience the social needs of the clients. Therefore, all microcredit organizations need to think about their employment policies and welfare of their employees. All microcredit organizations need to stand under the same umbrella for poverty alleviation. The study brought some recommendations from the loan officials of the various microcredit organizations. Those were:

- Salary and other financial benefit should be similar among all the microcredit organizations
- Specific working hour including a financial benefit for overtime work
- Provide necessary job-related training, conflict negotiation, and customer care service training to a new employee
- Promotion and salary increment policy should be transparent and revised regularly
- Provide necessary leave and facility of leave encashment
- Provision of financial support for an employee at the time of emergency
- Fix up a rational target in overdue loan collection and loan disbursement
- Increase social respect of the job by informing general mass about the social welfare activities of the microcredit organizations

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