

# Household Interviews in Bangladesh, 2013

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*This collection of interviews complements CGAP Focus Note 87, “A Microcredit Crisis Averted: The Case of Bangladesh,” by Greg Chen and Stuart Rutherford (July 2013).*



*In early 2013, as part of research for the CGAP Focus Note Averting a Microcredit Crisis: Lessons from Bangladesh, by Greg Chen and Stuart Rutherford, Rutherford and S. K. Sinha interviewed 43 low-income rural Bangladeshi households. The following are summaries and insights gleaned from these interviews.*

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#### *Purpose*

We conducted the interviews to get current information on the state of microfinance in Bangladeshi villages and to bring a client-level perspective to the data we were collecting from MFIs and others.

#### *Type of interview*

Each household was interviewed only once, for one to more than three hours. There was no fixed questionnaire, but each interview followed a similar sequence: we talked first about the composition of the household, then about their homes and assets, and then about their income sources. Finally we turned to their financial transactions, and in this part of the interview we tried to understand as much of their “portfolio” as possible (including their use of formal, semi-formal, and informal financial tools), and, where they were using or had used MFIs (as was almost always the case), exactly how microfinance fits into their overall financial lives and whether or how that has changed over time.

#### *Selection of households*

**Geographical area:** For the purposes of the Focus Note we interviewed rural households in areas with a high density of MFI branches and other areas with moderate MFI coverage. We tried to include a range of other variables we thought might have an important bearing on poor people’s lives, such as the relative proximity to roads, factories, and markets; the proportion of households with remittance income from family members overseas; and the extent to which the MFI head offices regarded the area as well-performing (in terms of repayment rates and profitability).

**Individual households:** In any given area we drove to neighborhoods at varying distances from local markets and roads, left the car at the side of the road, and walked into the neighborhood. We ignored obviously rich households, but other than that we allowed our choice of individual household to be determined by whoever was at home and willing to talk to us. As we approached each house we did *not* say that we were researching microfinance: we said that we wanted to ask some questions about how people made their living and managed their economic lives. Where possible (not always the case), we interviewed the male and female heads of household and any available adults of the older and younger generation. All interviews were conducted in Bengali (or Bangla). With two exceptions, we interviewed only one household in each neighborhood: the exceptions came about when we followed up on cases that sounded interesting during the initial interview.

#### *Quality of data*

We recorded what we were told. We used our experience as interviewers to ask testing questions if we felt that what we were hearing was unlikely to be true. Since respondents were mostly talking from recall, they will have misremembered many facts. Because finances are personal they will have glossed over some embarrassing facts. Where documentation was available we consulted it: we saw many MFI passbooks and several insurance receipts, for example. We did not verify statements with

the financial service providers. Unless otherwise specified, all currency values are in Bangaldeshi *taka*. At the time of writing, one U.S. dollar is equivalent to about 78 taka.

*Respondent privacy, consent, and reward*

During the interview we explained that we were working for an overseas research body that had asked us to find out how people manage and finance their livelihoods. We obtained their oral but not written consent to being interviewed. We promised that although we might use the information in a written report their identity would be kept anonymous. We always asked permission before taking photographs. In the summaries that follow names and locations have been made up. Where the household was obviously very poor, we said at the start that we valued their time and would be happy to reward them for our use of it: in such cases (around half of all interviews) we made a small cash payment. We also brought sweets and other snacks with us into the compound.

*Presentation of the material*

This document organizes the interviews according to three themes. The first theme illuminates the experience Bangladeshi clients bring to their use of financial services. Savings is the second theme, which demonstrates that clients are becoming more open to using savings products offered by MFIs, and that these products are getting better overall. The third theme weighs the stress of borrowing with the potential benefits.

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### **Theme 1: Experience**

Our first theme is the **experience** that Bangladeshi MFI clients bring to their use of microfinance and other financial services. This experience was built up over more than three decades of MFI work in Bangladesh. In some cases (such as interview 026) this experience shows in the way that the household skillfully interweaves formal bank services, MFI services, and informal practices into their portfolio. In the second case we present (006), an MFI borrower explains exactly why she is confident of being able to repay a very large MFI loan. Many of our interviewees talk of becoming “more conscious” over time of how to handle loans and savings, a comment that was echoed by several MFI field staff.

## Interview 026

A farming household that included a son in higher education. They use a variety of financial tools, including MFIs, carefully. The housewife thinks people are becoming “more conscious” in their use of MFI loans.

**Location:** A mainly Hindu village on an interior road of a southwestern district: MFIs are here but not at very great density

**Respondents:** Mr. SB and his wife Mrs. LRB

**Household:** SB is about 55, and studied to class 10. His wife, LRB, is 10 years younger and 10 times as talkative; she studied to class 5. They have two sons. First is PT, 30, who studied to class 10. Second is PB, 25, a BA honors student. LRB’s parents have emigrated to India, but her mother-in-law, SB’s mother, lives with them, in a five-person *chula*.

**Home:** They have their own homestead land, half of the *bari* land—his brother owns the other half. On it they have a very neatly made house (photo) of woven-leaf walls supported by timber and bamboo poles and a nicely thatched roof (it needs redoing every three years, though). The whole house stands high up on a mud base as it can flood deeply here. The boys live in this house, and the parents in a simpler tin-shed house. There is electricity so there’s a TV (black and white), fans, and basic furniture. There are mobile phones for her and the boys. There is a kitchen shed and a small pond. They have a few ducks; just the other day they lost 17 chicks at night to a wild cat. They own three-fourths of an acre of land, but they farm both that and an equal amount owned by the brother, since he is in India, and has become a doctor.



**Income:** They get two rice crops and a vegetable crop from their land each year—just enough to supply them through the year, but with no or only little surplus to sell. SB also has traded in *shupari* (betel) nuts. He has not done it recently as he has been in poor health, but he is going to resume soon; that should bring in a few thousand in the year. They get about 5,000 a year from preparing and selling the bitter *teetul* fruit that grows on their land. Elder son PT is training to be a motor mechanic and gets a very small wage, some of which he gives to his mother. When he is trained he hopes to get 500 a day. His younger brother PB is a student—and that costs a lot. They think of themselves as lower-middle: so do we.

**Portfolio:** We begin with NGOs (rather than MFIs) as that is what the talkative LRB wants to tell us about. Long ago she was involved in a health project run by **Bachte Sheka**, for a fixed term, connected with health, where LRB was a temporary employee. She **saved** some money there (2,000, useful in those days), and then the project ended. Her husband SB was also in a group organized by Bachte Sheka around fish farming. It ran as a form of **ASCA**. For six years he saved 10 a week, and members took **loans**, including him (he took 2,000). But about a year ago some members brought in

a few new members, illicitly—they took loans and the group fell into disarray. Some of the fund still sits in the bank and is looked after by the Chair, but it is not clear how things will turn out.

LRB joined local MFI **ADDIN** more than 12 years ago. She took **loans** but never more than 5,000, as she wanted to be sure to avoid repayment problems, which “everyone knows can be problematic” in MFIs. The loans mostly went into farming or trading coconuts, or into education costs. She **saved** just 10 a week. She is still in, with a small savings balance of 500, after some withdrawals, which she says were for education expenses. She has no loan at present, having repaid the last one six weeks ago. She has no plans to take another until she really needs to—probably again for son PB’s degree course. The ADDIN staff urge her to borrow but don’t insist as they know she is a good long-term member and the group meets in this courtyard (and LRB has a strong personality, too). The ADDIN worker is a local woman, and her behavior is excellent, says LRB. LRB likes ADDIN.

When **BURU** arrived in the village a few years ago (maybe five) LRB joined. The group has had its problems: right now the members have decided that they are going to lodge a complaint with BURU’s “higher authority” because of what they see as bad behavior by a worker. LRB has never taken a loan from BURU. She gets the loans she needs from ADDIN, and she wants to avoid repayment problems. The BURU worker urges her to borrow, but BURU does listen when she tells them she has no intention to borrow and tells them why. So she **saves**, and then withdraws when she needs money. The passbook shows 667 withdrawn late last year for education costs, leaving a balance of 242 in general savings and 195 in security savings. Despite the problem with the worker, LRB says she has no complaint in general against BURU, but isn’t very enthusiastic about it either.

Some 10 years ago SB opened a **loan** account at **Agrani Bank**, a formal bank. This is a loan scheme using land as collateral. SB’s classmate and close friend is the bank manager so he paid no bribes (he says he paid 700 in bribes for a 2,000 loan of a similar kind from Bangladesh Farmers Bank, BKB, years ago). With these loans, as long as you pay interest annually the bank doesn’t press you for repayment of principal. SB has been borrowing, and repaying as he likes, for 10 years now. He last took fresh capital last year, 15,000, for farming and household use.

They are active in local **howlat** borrowing and lending. It is, says LRB, a “social duty” to participate. They borrow in sums such as 500 or 1,000 for things like school admission. Just recently LRB took 10,000 for college fees for son PB. She boasts that “I got it in just 20 minutes, from just one person.”



You have to pay these bigger *howlats* according to the timetable the lender requests, but if you are very close to the person it doesn’t matter if you are late. In this case she hopes to repay within a few weeks. They give *howlats* often, in sums up to about 500. She says they have never lost money giving *howlats* locally.

They avoid taking private loans on interest. They don’t use or act as a moneyguard.

We discussed her opinion of MFIs generally. LRB (photo) says there’s a lot of “tension” (she uses the English word) over repayments. She knows that MFI staff visit members who are behind on payments at their homes and that this causes severe embarrassment and loss of prestige. She isn’t aware of

other serious harm resulting from MFI borrowing. She thinks that people are becoming more careful of borrowing as time goes by. This opinion came after we observed to her that many years ago members pressed MFIs to *lend* more and bigger loans, but now we hear of cases like hers where the MFI is pressing the member to *borrow* more and bigger loans. She says that that is also her observation and it is happening because “people are becoming more conscious.”

## Interview 006

A long-term and very loyal MFI client now holding MFI loans that require monthly repayments that exceed the household's income: she tells us why this has come about, and how she plans to manage this apparent over-indebtedness through interest-free loans and remittances.

**Location:** A village not far from a major market in a district about two hours out of the capital, Dhaka. There are many MFI branches and a large amount of overseas remittances here.

**Respondent: Mrs. MA**

**Household:** DH is 42 years old and illiterate. His wife MA is 38, and studied to class 3 (photo, with assistant researcher S. K. Sinha). They have three children: a son, AS, 16, schooled to class 5; a daughter TA, 12, in class 5; and a daughter SA, 5, in a community-run preschool. This is a five-person *chula*.



**Home:** They have a one-room, mud-walled, tin-roof house, quite small, that they own, but it stands on homestead belonging to MA's father (that is, DH is *ghar-jamai*—a man living with his in-laws, usually because he has no family land of his own). DH's father sold the family land many years ago so he's totally landless. They share a kitchen shed (in the background in the photo) with relations from another house on the same plot. There is a black-and-white TV, a *chowki*, a table and two chairs, a mobile phone, and some gold jewelry worn by MA worth about 20,000. They own a new ferry boat, which cost 80,000. They have no livestock or poultry. There is a little basic cooking equipment.

**Income:** DH is a boatman with his own ferry boat and nets 300 to 600 daily, up to six days a week. He is also a cook, and prepares food five or six days a month at festivals: he gets 1,000 a day when he does this. His wife MA has been employed at a mosquito coil factory locally for the last 18 months, and gets a monthly wage of 4,000 for her eight-hour daily or nightly shifts. Son AS is a driver (maybe of a *tempu*, a kind of bus-like auto-rickshaw), and he gives around 1,200 a month to his parents for his food and lodging. No other income. They are a middle-class family, she thinks.

**Portfolio:** MA used to save in a **mud bank** but stopped last year and retrieved 800, used in the Bengali New Year fair. Since then she uses a small local MFI, **Shohoz Shonchoy**, because it allows her to save and withdraw at will: she has a savings balance there of 7,562, says the passbook, and a loan balance of 6,760. The loan was used to help pay a bigger debt (see below). She is also in a second Shohoz Shonchoy scheme, opened in daughter TA's name, and there she has a 5,000 loan (balance 2,240) and savings of 3,666. All this is for her "daughter's future."

She joined **Grameen Bank** in 1988, before her marriage, as a teenager. She remembers the big flood of that year and that Grameen gave food relief to their household. Her mother worked as a cook for the Grameen branch, and MA has in the past been the *Kendra* chief. This is someone who is very loyal to Grameen. She has general savings there of about 1,500, a 10-year term Grameen Pension

Savings (GPS) commitment savings account of 200 per month, now four years old, and another of 400 a month for 10 years, three years old. These GPSs are again for her children's futures.

She has taken many **loans** from Grameen. Her current one is a general loan of 50,000 disbursed value, received eight months ago (so two-thirds repaid) and a very large "**special loan**" of 200,000 taken just two months ago (also weekly repayments for a one-year term). The first was used to buy a ready-made boat but the timber quality was poor so after a couple of months her husband couldn't use it for ferrying, and he invested another 80,000 to repair it (taken from the special loan). Most of the rest (i.e., 100,000) of the special loan was stored with her elder sister RA whose two sons are in Malaysia. The plan is to use the money through this family to get son AS to Malaysia.

MA's current Grameen repayments exceed the total household income, so we asked how she intends to repay. First she said that she used the Shohoz Shonchoy loan for the first few payments. Then she said she hopes her son AS will get to Malaysia within the next few months and start remitting soon after that. Then she admitted that in the meantime she is using the loan principal to make repayments. Then she said that if she gets into trouble with the repayments she has plenty of relatives nearby (including the older sister) who would provide her with **howlats**. And finally she said she'd ask to go onto *chukti* (rescheduled) terms for her loan. She is aware of these Grameen arrangements and is also very much aware of Grameen's interest rate and other product details. She says she has always paid her Grameen loans on time in the past. We asked her why she hadn't simply asked for *howlats* in the first place to finance her son's trip abroad. She said that she couldn't amass such a big amount at a time from *howlats*, so getting the Grameen loan was preferable (at some time soon they will make a big payment to a broker for the plane fare, fees, and so on).

She says her Grameen *kendra* is a very old and a very big one (she says "about 100" members—we have observed that some Grameen groups have grown very large). At the weekly meeting about half the members come and sit for a bit, others just come to pay and leave. Some four years ago the *kendra* cleaned itself up: defaulting or overdue members left, mostly balancing their loans against savings. As a result, most people now repay on time, she thinks. She likes Grameen. She likes the big loans and the top-ups. She notes that if a Grameen member fails to repay on time then her next loan can't rise in value. When there are repayment problems in her *kendra* they are usually quickly solved by the borrower taking a *howlat* or loan from private sources.

She says that she and her husband have managed to avoid private loans on interest. She takes and gives small everyday *howlats*, in sums of 500 to 2,000. Just yesterday she gave 2,000 to a neighbor and confidently expects to get it back in a day or two. She is in her parental *bari* (homestead), and the room she stays in was there when she was born (photo). She is rich in local contacts.



## Interview 015

A moderately poor farming and laboring household that has managed to keep its finances under control: they use ASCAs and MFIs to form the sums they need. MFIs provide bigger sums but can be hard to handle.

**Location:** A fairly remote corner of a busy central district full of MFI branches; factories are not far away.

**Respondents:** Mrs. KA and her adult married son Mr. JW

**Household:** AL, the household head, is about 55 and unschooled. His wife, KA, (photos) is about 45 and also unschooled. Their eldest son, JW, (photo) is 28 and unschooled; JW's wife studied to class 5, and they have a son in class 5 and a daughter in class 3. The old couple's second son SH and his wife and their two small children also live here. So altogether there are 10 mouths in the *chula* (i.e., eating jointly from the same kitchen). JW assesses themselves as "middle class," we'd estimate

"upper poor."



**Home:** Home is a small homestead plot that AL bought many years ago, by the side of a metaled road. There are three separate mud-walled, tin-roofed rooms in fair condition for the three couples. No farm land is owned, but a little is share-cropped. There is a cow house with three cows. There's an electric line, and three fans, one color TV, two mobile phones, and *chowkis* (no beds). They don't have a table so they eat on mats. They have an old rickshaw van and a tube well.

**Income:** AL drives his own rickshaw van locally most days, earning 200–300 per day (he's in good health); second son SH drives a rented CNG (auto-rickshaw) locally most days, and nets 200–400. Elder son JW lives most of the time in Dhaka and drives a rented rickshaw van there, not more than four days a week, and nets 400–500 per day. He sleeps at the rickshaw shed in Tejgaon (central Dhaka), eats at food stands, and comes home occasionally (like today) to see his wife and children. KA works at a local egg production enterprise (photo), cleaning and feeding, on a monthly salary of 3,000 (no food or extras, but she can buy eggs at a discount). They get a little rice from the sharecropping, but no milk from the cows at present. There is no one overseas, so no remittances.



**Portfolio:** Sons JW and SH have both been in a local annual **ASCA** for several years that they say runs well. JW has five "names" (that is, shares) in it and puts in 100 each week (20 for each name) for a year (5,200) and gets out 9,000. He does it to **save** and as a form of insurance. He sometimes **borrow**s sums from this ASCA of about 1,500 for unexpected needs (e.g., the children's health). To borrow he must give a week's notice to the managers but is fairly sure of

getting it. JW's most recent ASCA loan was 9,000 and was spent on the family's Eid festival expenses. His younger brother uses the ASCA in a similar way. They say they have no reserves in the home of any size. They have never used any form of fully formal service such as a commercial bank or insurance company. They think such things are not for people like them.

KA has been in (and out) of the MFI **ASA** for many years. Long ago one ASA loan of 4,000 or 5,000 was used to buy her husband's rickshaw. About six years ago she had trouble repaying her loan because of limited income. ASA staff were "tough" on her (verbally) but she said that since she borrowed they had the right to demand their money. After a struggle she repaid the loan and left (maybe gently pushed out, it sounds like). But later (perhaps around 2008) she rejoined the same ASA *samity* and borrowed again. For the past two years she has taken no loan and stays in ASA for the general **savings** (no deposit pension savings or DPS). She says that other women in loan difficulties in her ASA *samity* had a tougher time than she did—i.e., were more strongly spoken to. Several of them closed their accounts or were forced to do so. She also has some money in the ASA **loan insurance** scheme.

KA was also in **BRAC** for seven or eight years. With BRAC loans she bought a tube well for the homestead, bought one of the cows, improved the cow house, and made other small improvements to the home. In BRAC she says she had no repayment problems, but the VO (Village Organization—the BRAC group) fell into a mess—some members didn't pay well, and the staff (who were irregular in attendance and kept changing) "made a muddle," and there were many disputes about the passbooks and savings—though she doesn't know the details. Finally about three or four years ago the VO collapsed and no longer exists.

We asked KA if she would recommend MFI membership to her daughters-in-law and her grandchildren. She politely tried to avoid the question ("well, it's up to their guardians") but it may be significant that neither of the daughters-in-law is using MFIs and that, as KA put it, "MFIs are OK if you can be sure of using them well."

We also took the views of the men present. They, too, said that "if you think you can repay them, MFIs are OK; if not you may get into trouble, and they can be quite rough." But they were also critical of many men whose mothers or wives join MFIs. Some (they actually said "a lot") of these men gamble away their money (and sure enough in the field behind where we were sitting a card game was going on involving half a dozen men—though of course there was no evidence they were using MFI money). We asked JW if he valued his ASCA more or less than the ASA membership of his mother. He said that since volumes were higher in ASA naturally that was "more important" to them (the biggest MFI loan KA has ever taken is 20,000).

## Interview 020

*A quick-witted poor woman cleverly maximizing her use of the financial tools available to her*

**Location:** A village several miles from the main road in a southwestern district. This is not a high-density MFI area though the majors one are all here.

**Respondent: Mrs. TB**

**Household:** TB is 30 with a class 10 school pass. She is married to JB, 35 and illiterate. They have three daughters: P, 10, in class 4; ChR, 9, in the same class; and R, 3. A five-person *chula* (though JB is currently away from home working at a brick field).

**Home:** They live on land belonging to TB's sister's husband—a very small cramped *bari*. They have their own small house of jute sticks with a tin roof, facing her sister's bigger but still quite poor house. The tube well and so on all belong to the brother-in-law. TB and JB have no security of tenure here, which makes her nervous. They own almost nothing: very basic furniture, no electricity, no land at all, and no vehicles. She has a gold nose-stud worth a few hundred. There is one goat (sometimes they hold more livestock: they sold two cows a while ago for 12,000 and 5,000). They sharecrop out a little land that they have leased in (see below). They are poor—but maybe not so poor as one would think at first glance (see below).



**Income:** TB declares that her husband JB is "lazy." It is very hard to get him to work. She is clearly the effective head of their household, and she uses much ingenuity to bring up her three daughters in the face of JB's recalcitrance. Right now JB is away living at a brick field where he labors. In theory he earns 8,000 a month, uses 3,000 for himself and brings 5,000 home each month, but in practice this regime is often unsuccessful. In any case, brickfield work is seasonal, so in the wet season he is at home, and TB has to "push him out of the house" to do day laboring, for which he gets 200 to 300 for a five-hour day (8 to 1, no food). She also sometimes does day labor and gets the women's rate, 150 to 250, but work is available to women in peak seasons only (the vegetable harvest, the jute soaking and stripping, the main rice crop weeding, and so on). There is some rice and cash from the sharecropped land. They also get some help from her brothers—some rice, sometimes some cash.

**Portfolio:** We began by asking about **savings**, and learned the following: about three years ago they sold their former homestead land (i.e., his, in his native village). This sale became necessary because of mild but persistent communal tension between them and their Muslim neighbors. They got 80,000 for the land and spent 10,000 settling old debts. Of the remaining 70,000, TB spent 40,000 to negotiate a **kot contract** on some farm land. This is a common Bangladeshi land deal under which the lender (in this case TB) enjoys the full use of the land unless and until the borrower (in this case a relative) returns the cash loan (in this case 40,000) in full. All this, in TB's mind, serves two purposes: access to some land to farm, and a store of wealth for the future (it is in effect a safe way of saving

40,000 with her relative). They don't actually farm this land themselves. They have put it out to a cousin on a sharecropping basis, and this produces a bit of in-kind income.

TB is a natural saver. Over the years she **saved at home** 15,000 taken in small amounts from sales of paddy and livestock. To get it out of the house and to keep her husband's hands off it (she has three daughters whose marriages she will eventually have to finance), she lent it to a wealthy relative in return for interest of 10 *mon* of rice a year (about 10 cwt). Again, this will keep the cash safe (she hopes) and contribute to income.

More recently, just a few weeks ago, she found a more modern way to deal with the problem of getting savings out of the house. She sold two cows for a total of 17,000. To store this money safely she has just opened a Fixed Deposit account in a daughter's name at **Agrani Bank**, a formal bank.

She does not take **howlats** very often, but occasionally gives small ones, up to 500, to neighbors and relatives. They are not in any ASCAs or similar savings clubs. She does, however, act as a **moneyguard** to a local young relative who drives an improvised motorized van and is saving up day-by-day to buy a proper vehicle. He doesn't trust his own family to keep his savings for him so he hands it to his "aunt," TB, who has so far kept it in a locked box at home. Now that it is building up she will transfer it to Agrani Bank, she says (this story was confirmed by the young man).



TB was in the local MFI **ADDIN** for three years, but left three years ago. She took three loans, the biggest 15,000, used to buy a motorized van for JB to drive. But this scheme to get JB working finally failed—he showed little interest in driving it, and in the end they sold it. At ADDIN, she traded her outstanding balance off against her savings and left. It seems her ADDIN group fell into disarray. There was a lot of quarrelling among the members, and it looked as if it might break up entirely at any moment, so she thought it better to quit, she says. Besides that, she feared repayment problems. She knew that if you fall behind, then the workers come to your home and bully you verbally (*ora boka dibe*); she wanted to avoid that. She has no complaint against ADDIN as such nor against MFIs in general: but she knows they can be hard to manage and that people do get into trouble with them. She hasn't joined another one and has no plans to do so.

## Interview 001

A joint sharecropping household that has nonfarm income as well, where the older generation no longer uses microcredit and the better-educated younger generation uses it in moderation.

**Location:** A farming village in a southern district with relatively light MFI coverage and not much overseas remittance, and where MFI performance is generally good

**Respondents:** Mrs. SA and her sister-in-law Mrs. RA

**Household:** This is a joint household of three brothers, two of them married (to our respondents). They are Hindus. Our respondents' mother-in-law lives with them, and the two younger women have one small preschool child each. So there are eight people altogether in the *chula* (eat together from one kitchen). SA is about 28, with a class 9 pass, and RA a bit younger and similarly educated. The men have little or no schooling, but have some skills. They rate themselves as upper-poor: we might assess them as lower-middle. The photo shows SA, left, and RA, right, with a neighbor.



**Home:** They all live in a brick-walled, tin-roof row of three rooms—old but serviceable. There is a separate kitchen room of jute stick walls and thatched roof. They own the homestead but no farm land, but they sharecrop in a bit more than an acre of rice land. There is electricity and the rooms are furnished with three table fans (but no TV), beds, chairs, and tables. There are two cows not giving milk, eight to nine ducks, and two chickens. There are two bicycles, a sewing machine, and mobile phones.

**Income:** The three brothers all earn. One is a carpenter and earns 200–300 a day most days. Another is a motor mechanic in a garage in the District town, who earns the same or more on good days. The third is SA's husband NA who farms the sharecropped land, which produces enough rice for all eight of them to eat year round (sometimes there's even surplus to sell, though not this year after such a cold winter). When he is not busy on their sharecropped land, he day labors and gets 200 or more a day.

**Portfolio:** They keep some **money at home** in various places, including under the floor, in a box, and in a locked cupboard. Both women are active in the local informal swapping of **howlats** (interest-free loans) and small (interest-bearing) **loans**, usually for small-scale household needs in sums not usually exceeding 500. They both give and take.

They have no commercial bank accounts and no insurance. RA had a life insurance policy (probably a 10-year endowment) at **Golden Life**, and claims she paid in 400 a month for seven or eight years, but at that point the agent told her she probably wouldn't earn any interest (maybe it was a profits-related endowment) so she stopped paying in, something she now realizes may not have been a good idea. The money is still with Golden and she seems unsure how to proceed. There are 10 to 12 people she knows of in this village in a similar situation.

Both the women are in a **local co-op** with more than a 100 members that started about two years ago. It sounds like a BRDB (Bangladesh Rural Development Board, i.e., government-run) project (maybe with a foreign aid component—RA talked about a foreigner being involved). Each member pays in 30 a month. The fund will in due course circulate as loans but that hasn't started yet. The women seem confident of it.

The mother-in-law was, some years ago, a member of two MFIs, **ASA** and **Grameen Bank**, for three or four years. However when she was widowed she "had to leave" (we are not sure of the exact circumstances, but our respondents think these MFIs didn't allow her to stay). Both younger women chose not to use ASA nor GB, and instead joined a local MFI called **Srijany Bangladesh** in mid-2009. They showed us their passbooks. RA's current loan is 10,000 (she will repay 11,306 including interest). The loan was used "for our household affairs" (this usually means for farming and consumption). She has general savings of 1,692 and loan security savings of 555 (so the MFI follows ASA-type rules). SA's involvement with Srijany is similar; they are in the same group.

RA, but not SA, has also joined the MFI **Astha** ("confidence"). She explains that the main festival (*puja*—this is a Hindu household) came around when she was only part way through repaying her Srijany loan, so she couldn't get extra cash from Srijany and therefore joined a second NGO in April 2012 and spent the first small loan (3,000 only) on clothes for the *puja*. She is just about to complete payment of that loan, and she also has 822 in savings in Astha.

RA is in a position to compare her two MFIs and says that Astha is "very strict," whereas Srijany is much softer. In Srijany you don't have to borrow all the time, and they don't mind if you miss a loan repayment and make it up the following week. Both women are very much aware of the strict repayment discipline of most NGOs (MFIs are universally known as NGOs or "NGO banks" or "NGO *samities*" in Bangladesh) and have seen how it can be stressful for other women in the village. They say that "in our case as our loans are quite small so we have little tension" and that they intend to be "careful" using NGOs.

## Interview 007

A very poor woman with health problems, well aware of the limits of her ability to manage MFI loans and now opting for very small-scale savings.

**Location:** A settlement not far from a busy road, rail, and water junction in a prosperous central district. There are many factories nearby. Many people use the transport links to work or trade in the capital and elsewhere.

**Respondent: Mrs. KA**

**Household:** This is large *chula* feeding seven or sometimes more mouths. The nominal head of household, AH (45 years old, an electrical mechanic with two years of schooling) is rarely present, since he has more or less deserted his wife KA and now lives with another woman and their child in another village. That leaves KA, 40, unschooled, as the *de facto* head of household. She has five children (all by AH). The eldest daughter, HA, is married but her husband is “mad” so the couple’s two children live here in KA’s care, and HA herself is mostly present as a member of the *chula*. The second daughter is married and living away. The third daughter LA is an adult but unmarried. The fourth daughter, SA (photo—KA herself is conservative and declined to be photographed), is 12 years old and in school in class 4. The fifth child is a son, AQ; he is nine and in school in class 2.



**Home:** Home is a one-room tin-shed in somewhat run-down condition (photo) on 0.02 acres of homestead bought by AH soon after they married: so the land and the shed are his, not hers. There’s a fan and an electric meter and an old black-and-white TV, but no tables or chairs. There’s a big *chowki* that must sleep a host of people. There’s a tube well in the compound. KA has a little gold stored in her ears and nose but otherwise there are no assets. No farm land, no livestock, no vehicles, no poultry.

**Income:** The nominal head of household, AH, doesn’t contribute any money (he claims he’s too poor). But every now and again he comes bringing some basic food (and shares in the consequent meal). He came last week, for example. KA herself gets some income. She does day labor in the fields, and a bit of maid-serving, but payment is always in kind, not cash. She also begs, especially at Eid time, and once a year she gleans the main harvest—last year she picked up 40kg of rice. So the cash income comes from her first and third daughters, HA and LA, each of whom has a six-days-a-week garment factory job, each earning 3,000 a month, and a bit more when they do overtime. On this they can’t always eat three meals a day, and even when they do it is very plain food, we hear.

**Portfolio:** KA was looking weak and complaining of a headache so we didn’t press for her complete portfolio, which includes local *howlats* and **loans**. We moved on to her interesting involvement with MFIs, which she seemed happier to talk about.

She is now in just one MFI, a local one called **Samajik Sheba** (social service). She joined recently, in August 2012. So far she has been making small savings into a general savings account. The passbook shows a balance of 192, and a “security savings” balance of 51; no withdrawals so far. She says she is eligible for a loan but she doesn’t want one—she just wants to save, having in mind her own and her children’s and grandchildren’s futures. Happily, Samajik Sheba has so far not pressed her to borrow. Her reluctance to borrow comes from her previous experience in two MFIs, Grameen and BRAC.

She joined **Grameen Bank** first, about six years ago, before her husband left her, and was in for about three or four years. She left after her husband deserted her. The biggest and last loan she took was 15,000, used mainly to install a drinking-water tube well (still there and working OK) but also for some consumption. While AH was providing the repayments from his income all went fairly smoothly, but after he left she fell quickly into arrears. Grameen staff treated her fairly kindly, and in the end she swapped her savings for the remainder of the loan and came away without debts. She says it was a time of great tension, when her health deteriorated quickly. She was tense over AH’s leaving her and over the future of her family, but worrying about MFI repayments added another layer of deep tension, she says.

She also had brief exposure to **BRAC**. She joined after her husband left her, with the intention to save a bit. But after only a few months the staff saw that she was unable to save regularly—she was saving 10 or 20 a week but sometimes nothing at all. The BRAC loan officer told her (quite kindly) that “since it seems you can’t save, you’d better leave,” so she did.

**Discussion:** Neither of the two working daughters is using MFIs, but they were not at the interview, and KA was not able to tell us clearly why. Were MFIs and MFI loans good for her, we ask. Yes, she says, nodding toward the tube well. There were no problems except the tension caused by worrying about repayment. As long as there was income available—AH’s—it was OK. But when income fails, then it becomes unbearably difficult—so she left, she says.

We asked if she had any knowledge about multiple borrowing among her fellow MFI members. She believes that “most people” around here are in two or three or even more NGOs, and that this dates from “several years ago.” She can’t say if the number is rising or falling. Some of them do well, some badly.

We asked her whose idea it was to join the first NGO, Grameen—hers or her husband’s? It was her idea, which she got from other women; she discussed it with her husband and they agreed she should try.

There were some local women in the next door *bari*, so we did a straw poll among three of them, asking a similar question: Do men send their wives to MFIs to get money, or do the women initiate the membership? The first woman said, “It was my decision—I didn’t even tell my husband. I did it to buy paddy for processing into rice for our consumption.” The second said, “It was my idea and I asked my husband to approve. He said I could try it, and if they gave loans I could continue, since he needed cash.” The third woman gave an ambiguous answer, but she offered another observation: she is in Grameen Bank (in another village) and says that recently Grameen has become “softer” in repayment discipline. If she’s late in paying they now say, “OK, pay next week.”

## Interview 012

A poor household that is using MFI loans very judiciously and with some success if with some stress. They think that people in general are “more conscious” now and borrow less and save more.

**Location:** A poor corner of an otherwise quite prosperous part of a central district.

**Respondents:** Mrs. NB, widow, and her son MK

**Household:** NB’s husband died two years ago. He had been a waged worker of a bookbinding company in Dhaka, earning 7,000 a month. NB is about 35 and unschooled. She is in reasonable health apart from low blood pressure. Her son MK is 18 and is studying in class 11. He is a good student but as she can’t afford any private tuition it is tough going for him. There are just the two of them in the *chula*.

**Home:** They have a *bari* to themselves, of a tenth of an acre. It is still registered in her deceased father’s name as her husband lived there as a *ghor jamai* [a husband living with his in-laws], but NB thinks she is secure as her brothers will make sure she can remain there. They have a one-room tin-shed house (photo: NB squatting, center, son in the rear), with a wooden bed, showcase, no table, no current or fan. There’s a store room with some paddy, and two cows, one of which is giving milk (3 kg a day), three sheep, but no poultry. They have no farmland of their own but they sharecrop in about half an acre (the landlord is a cousin). There are some fruit trees (the fruit is eaten, not sold). She has no gold. They are lower-middle people now in some hardship.



**Income:** They get some milk from the cow, usually sold for 100 to 150 a day. They get the sharecropped paddy by the son’s labor, which produces their half share of 4.5 *mon* before input costs—enough to last them five months most years. They grow some mustard in the dry season, maybe their share is 80 kg, or 7,000, a year, when sold. MK also day labors sometimes, at 200 a day, say once or twice a week. NB works on her own land. There is no pension from her deceased husband’s employers.

**Portfolio:** They have no formal banks or insurance.

NB has been in **Grameen Bank** for some 10 years or so. Her passbook shows a general **savings** balance of only 604; loan security savings of 750; and a “red” (compulsory) GPS with a balance of 7,000 (these red GPS deposits are transferred from general savings, keeping the general savings balance low). NB says she values her Grameen savings and loans equally. Her most recent **loan** was 15,000 taken in November 2012, and the passbook shows she has been repaying regularly. She has been using her GB loans to build her house, finished (more or less) six months ago, and this 15,000 loan was used in the same way. This leaves her struggling to make the repayments, but she thinks it’s worth it. To repay she has had to give up drinking her own milk. They eat mostly only twice a day

and sometimes her brothers (next door) invite her to eat with them (the brothers also subsidize son MK's education to some extent).

She takes small **howlats** from her brothers or from neighbors when she is short of Grameen repayment money. If she is late paying—and it happens sometimes—then GB will take it from her savings or they might visit her in the afternoon (and once at 10 at night) and politely upbraid her while making it clear she *must* pay. So she has a quite a lot of repayment stress the day before the meeting. But she likes Grameen. She has been able to move up from a straw-roofed hut to a proper tin-shed house. She plans to continue in Grameen. Her next project will be her son's education, now at a critical stage.

She has also been in **BRAC** for eight years. She has taken only two very small **loans** (2,000 and 3,000), also used in the house construction. Now she has no loan. This is her decision, not BRAC's. She makes general **savings** but has a balance of only 950. BRAC is her "reserve" MFI—she may borrow in the future for her son's education. The son supports this plan. BRAC doesn't press her to borrow any longer. This is a BRAC group that has gone over to monthly meetings (for the last year or so), so NB makes her savings only once a month. She says this is very good, but if she had a loan she thinks she'd find the bigger monthly repayment hard. That's another reason why she's not borrowing at the moment.

**Discussion:** She notes that every member in her GB *kendro* borrows (as far as she knows) but that in BRAC there are quite a few like her who don't. She thinks poor people are "more conscious than before" and borrow less. Also, she says, the BRAC group includes "quite a few" quite rich people, and they are mostly more interested in saving than borrowing (at first they took loans, she says, now they have shifted to saving). She's quite firm in this view, and her son also believes it to be true.

**Note:** On the way out of the *bari*, we met neighbor SA, also widowed. She is poor but has a homestead and a bit of land. She wants an MFI membership but can't get one. She says GB and BRAC have refused her. She'd like to borrow to raise goats, something that she is already doing. At one time she would have been a classic MFI target. Photo: respondent NB, left, with SA.



## Interview 014

A poor farming household using MFI loans carefully, knowing that they can be hard to manage.

**Location:** A rural part of a southwestern district. MFI density is not high and there are few people working abroad.

**Respondents:** Mr. SB and his wife Mrs. LB

**Household:** SB is about 40, unschooled, in good health. His wife LB is about 28, educated to class 8, also in good health. They have a son, SB, 10, in class 5, and a girl ST, 7, in class 2. This is a four-person chula.



**Home:** They are *okreit* (living rent free on someone else's land). SB is from a village in the neighboring district but was landless. They came here, to a village not far from his wife's, a few years ago. But they own the house they then built, of jute-stick walls and tin roof; there is also a kitchen made of the same materials. They have very



little furniture besides a big tin trunk and a *chowki*. There is electricity, and they have one table fan, but no TV or radio. There is no vehicle. There's a cow in milk with a calf. There are half a dozen ducks, a chicken, and several pigeons. LB has a gold nose-pin worth maybe 500. They are utterly landless but share crop in an acre of paddy land. They are poor. Still, they pay 300 a month for a tutor to come an hour a day to teach the children Bengali, math, and English.

**Income:** They get enough rice for the year in a good year from sharecropping (they get a 50-50 share but bear all the costs including hiring labor for the harvest—they do the rest of the farming themselves). Most days the cow gives 1 kg of milk, which they mostly sell, worth 30. Then they both day labor when there's work available, usually a part-day, from 8 am to 1 pm, for which he gets paid 150–200 (depending on season and work) but she only 100–120. There is no remittance income and no charity except that her brother may buy them clothes at festival time.

**Portfolio:** They have no formal and no insurance accounts (they are aware that some better off people in this small village have life insurance policies). They sometimes try but usually fail to save at home. They don't usually use moneyguards. They borrow both **howlats** and **interest-bearing loans** from the neighborhood. For example, they currently have four or five such debts, the biggest 2,000, on 5 percent pm interest, taken for fertilizer for their sharecropping. They reciprocate by giving small *howlats* when they have cash, not usually bigger than 200.

LB joined **Grameen Bank** in December 2010, shortly after they moved to this area. She had never been in an MFI before. Her first loan was 6,000, used for general household purposes, including consumption, and the present **loan** was 9,000, taken last October and now with 5,437 left to repay—she is on time with repayments. It was used to buy the big tin trunk and to repair the jute walls. Her **savings** in GB are now 1,577, but she says she wouldn't save there if it were not compulsory. She has

never withdrawn any savings and says that the loan officers discourage them from doing so. She says she likes GB loans—you get a good sum of money and can pay little by little. It is, however, hard to pay when work is short. She has to take *howlats* from other members and neighbors those weeks—these *howlats* are available but need a lot of persuasion to secure. So repayment sometimes causes anxiety, but she thinks it's worth it. She supposes that she might take another loan when this one is done. The biggest loan she has seen in her GB *kendra* is 30,000. Most members go to the meeting place each but don't stay—they just hand over their dues to the *Kendra Prodhan* (the center chief).

She says that other MFIs work here. She knows of ASA and Jagarani Chakra. But she says she is not considering joining a second MFI because, on their income, they'd be sure to be in trouble with repayments. We ask if that is her decision and if it is based on observation. She says she has seen other people get into arrears and then the staff come from the MFI and “use harsh words.” She wants to avoid that.

As we are leaving, a neighbor appears and starts complaining bitterly that MFIs force their members to take too many loans, of too big a size, “just for their profit.” He says that happened to his wife, who left (or was maybe forced to leave). We check with LB if she has seen this, and she says yes. She says you have to be careful with MFIs not to take too much debt. That is her reason for not joining a second one. She says that in Grameen the staff make it clear you *have* to borrow or you can't remain a member.

## Interview 008

*A comparison of MFI loans, private loans, and savings, by a poor unskilled uneducated couple and their daughters.*

**Location:** A village in a central district. It is quite rural but not far from a main road where there are garments factories.

**Respondents:** Mr. RM and his wife Mrs. FA

**Household:** RM is about 55, unschooled, unskilled, and in poor health (partly lame after a road accident). His wife FA is about 50, unskilled but with a bit of schooling (class 2). RM is from a neighboring district and came here about 40 years ago looking for work because his family was totally landless. He began living as an *okreit* (living free of rent in someone else's *bari*, sometimes with obligations to labor for the landlord). He then met his wife FA. They have two daughters, both married. The younger daughter RA (about 28) is married to LN and has a 10-year-old son and a daughter, one year. So RM and FA, with their younger daughter and her husband and their two children, make up the six-person *chula*.



**Home:** Home for the old couple (photo: RM and FA in the middle ground, the two daughters behind) is a tin-shed house built by their elder daughter ZA and her husband ZH on a small plot they managed to buy some years ago. So RM is still *okreit*—but now his landlord is his daughter. ZA and ZH both have about three years schooling and both have garments jobs on the nearby highway. There is not much in the way of furniture. There is a tube well for drinking water.

**Income:** RM buys and sells vegetables in the nearby small market. He nets 100 to 150 a day but not every day because of health problems and lack of capital. FA works on the Road Maintenance Program, a semi-charitable scheme for poor women who maintain rural dirt roads. She may earn around 800 a week. She supplements this (or substitutes for it, out of season) with some maid servant work in local homes. Younger daughter RA is a housewife, and her husband LN serves in a cheap restaurant in the market and gets 200 a day more or less regularly. No other income. These are poor people, as they themselves say.

**Portfolio:** They want to talk about MFIs (NGOs as they call them). FA has joined three **MFIs** and taken **private loans** as well.

She joined **Grameen** 22 years ago, soon after the girls were born. She is still a member. For about 10 years she took **loans** and repaid them more or less on time. They brought up the children, but the loans didn't transform their lives or their income pattern. Then about 10 years ago FA had to go into hospital for an operation for an unspecified condition that leaves her still quite weak. After the operation, the Grameen manager suggested she take a 5,000 loan for the medicine she needed. They took it and were able to repay out of husband RN's vegetable business. After that she took small loans only, until recently daughter ZA suggested she take a 15,000 loan to install a tube well in the home (owned by ZA and her husband but lived in by her parents and her sister). They did this

and the tube well is fine. They have a small amount to repay on the loan but meanwhile they used the GB2 “top-up” system to get a little more cash.

Just before her operation (about 10 years ago) FA also joined **ASA**. The ASA experience was a struggle. After her operation, she took a job as a sweeper in a garments factory, but they couldn’t manage their debts well. They prioritized Grameen, fell behind in ASA, and ASA pushed her out. She took a **private loan** of 2,000 on interest from a garments worker (she says she paid 3,000) to settle the ASA debt but ASA wouldn’t let her continue.

Then four years ago husband RN was in a road accident and needed hospital treatment. The accident left him lame and weak. To raise money for the treatment FA joined **BRAC**. She borrowed just once, 4,000, fell behind in payments and sold the cow she was share-rearing to settle the debt. BRAC offered her a follow-up loan but she declined, fearing repayment difficulties. She is still technically a BRAC member.

Though we couldn’t get details, we found that the couple (RN and FA) also have some outstanding **private debt** still, contracted in the market. There is one loan of 6,000 and another of 8,000, and maybe more. They are on “high” interest but they aren’t paying (one is a loan charged at 20 per 1,000 per week—about 9 percent a month). The lenders include quite poor people. As a result they get verbal abuse in the bazar. Daughter ZA remarks that one way or another these loans will eventually have to be repaid.

**Discussion:** We had a lively discussion about MFIs with FA and her two daughters. Elder daughter ZA is the most pro-MFI. She says there’s clearly benefits in them, and points to the tube well. She mentioned that weekly payment is good as it breaks up a debt into small manageable bits so you can usually manage it. Her mother FA nods but says she was always in tension when she held MFI loans. She claims the tension made her ill. She clearly wants to say she wishes she had never joined MFIs but she doesn’t want to offend her daughter. But her comments get bolder. She reminds us she had to borrow privately to repay her MFI loans, and this made them costly and stressful. When she is late on a private debt, local lenders get “furious” with her, which scares her. Daughter ZA restates her pro-MFI views but concedes that in her parents’ case “it may not have been good.” In her turn, her mother concedes that private loans produce more tension than MFI ones. In the market, lenders shout to FA, “I’ll take you to the *shalish* (local arbitration meeting) if you don’t pay.” Both she and RN feel like hiding.

We ask, so would savings have been better had they been able to make them? They all say yes, but savings are hard. They are hard to make, and who do you save with? “Everyone knows about false MFIs that cheat people of their savings”—at least with a proper MFI loan you don’t face that risk. LA, a neighbor who has joined us, says she and others saved 100 pm for some months at a false MFI that told them they’d get “10 lakh (100,000) after 10 years.” But the MFI disappeared along with their money. FA says she has tried running a **mud bank** but can never keep it long enough to build up anything worthwhile.

Daughter ZA has been thoughtful for a while. Now she offers, “Yes, taking MFI loans didn’t really help my mother much.” We ask, for the first time, if ZA and her sister are in NGOs. They aren’t. Why is that? They both say, “We don’t have the skills” (meaning they don’t have something worthwhile to

invest in). A job (like the garments ones of ZA and her husband) is much better. On the other hand neither of the two daughters is saving regularly. "We'd like to but we have no money to save."

## Interview 022

An uneducated poor young couple exploring the various financial tools open to them: moneylenders, shop credit, and MFI loans and savings, and doing “so far so good.”

**Location:** The most remote sub-district of a southwestern district, separated from the main town by a long road and a river ferry. Most major MFIs are here, though less densely than elsewhere. This is not an area with much overseas migration.

**Respondent:** Mr. DW and his wife Mrs. HN

**Household:** DW is about 32, and unschooled. His wife HN is a bit younger, also unschooled. They have a son HD, eight, in class 2, and a daughter SB, three. HN is pregnant. It is a four-person *chula*.

**Home:** DW is from a landless family from a remote part of this remote sub-district. He moved here, nearer to the sub-district town, for work, and found someone who lets him live as *okreit* (rent free on another's land). But on it he has built, with his own hands, their own tin-shed house, quite well made. Inside there's a table, a big tin box, a cupboard, and two chairs. There is no electricity so they do not have a TV or fan, etc. He owns a second-hand rickshaw van—it's old but in reasonable condition (photo, with DW). HN has a little gold jewelry. There's no poultry or other livestock. DW has a cellphone to keep in touch with his family. DW agrees they are “poor.”



**Income:** DW drives his own rickshaw van and makes between 200 and 400 (average 250) for a seven- or eight-hour day. He can do this three to five days a week. On the other days he rests or does light laboring work in the market, earning 80 to 200. HN is a housewife. There is no other income.

**Portfolio:** They have no formal bank accounts nor do they have insurance. Because they are away from their home villages they are not yet involved in informal *howlats* and so on. When they are short of supplies he relies mainly on **shopkeeper credit**. They say they do not save in the home.

HN became a client of **Grameen Bank** soon after they moved here, two to three years ago. The idea, says DW, was not so much to take loans as to get a financial partner they could turn to at low cost in an emergency. Unfortunately for them it didn't take long before they were testing this idea, because HN fell ill with a respiratory problem. They needed money in a hurry, so DW went to one of the more-or-less professional **moneylenders** in the market and borrowed 10,000 at 10 percent a month. As soon as the next Grameen loan cycle arrived, HN borrowed 14,000 and they spent most of it to pay off the moneylender. She also has just over 1,000 in regular **savings** and 840 in security savings at Grameen.

So their involvement with Grameen worked “not bad,” says the rather laconic DW, protecting them from the higher cost of the moneylender loan. He now has to pay 380 a week for the Grameen loan plus savings (of 50 a week). He is paying OK so far and thinks he'll manage. He assumes they'll go on borrowing at Grameen, since one never knows what may turn up.

## Interview 024

A middle-income couple with good income sources using two MFIs sparingly to raise a bit more business capital, to maintain a back-up source of loans, and to be able to call on the savings at one MFI to make loan repayments at another.

**Location:** A village in a poor part of an otherwise prosperous district.

**Respondents:** Mr. BA, and his wife Mrs. MK

**Household:** BA, 32, has a class 10 pass and his young wife MK, about 25, studied to class 5. Both are in good health. They have a daughter S, eight, in class 3 and a two-year-old son SH. So this is a nuclear four-person *chula*.

**Home:** BA inherited a large homestead (a third of an acre) that has been in his family for at least three generations. On it are their tin-shed room and rooms for his mother, nephew, and younger brother. There is an electric connection, fans, a color TV attached to a “dish” line, table, chair, bed, etc. They consider themselves a middleclass household. There is some farmland (about an acre and a half). BA has an old but still serviceable *tempu* (see photo) worth about 40,000. There is no livestock, but they do have some fruit trees and a pond with fish and some geese.



**Income:** They have several sources of income. Farming (using his own and hired labor) gives them 50 *mon* of paddy a year (worth 800 a *mon*) and some mustard (2 or 3 *mon* at 1,600 a *mon*). They eat and sell some fruit and some fish each year (fish sales may earn them 6,000 a year). He uses his *tempu* in a contract with a company whose goods he distributes: this is his biggest earning activity, and he does it four days a week, netting him about 8,000 a month.

**Portfolio:** They became more reticent when we turned to their financial transactions, especially MK who was unwilling to talk much. For example, she wouldn't let us see her MFI passbook nor would she say what her balances are.

Anyway, she is in **SETU**, a prominent local MFI and has been there three years. She **saves** 25 a week in general savings but has declined to open a DPS partly because (she says) she doesn't think she could maintain the deposits and partly because (we think) she's not very savings-minded. Her most recent SETU **loan** was for 25,000 used to maintain the *tempu* and equip it with the boxes, etc., needed for the delivery business. Taking this loan was a joint decision of husband and wife. They are repaying on time, though the weekly schedule isn't convenient for his business so sometimes they borrow **howlats** locally, interest free (usually from fellow MFI members), to make the repayments.

MK is also in **Grameen Bank**. She joined shortly after she joined SETU. We ask, “Why do they use two MFIs?” It is partly because they needed more capital but also because she can use the **savings** of one MFI to make **loan** repayments when in repayment difficulty with the second MFI. She puts 30 a week into general savings at GB (no GPS for same reason as no DPS at SETU). Because Grameen is her “reserve” MFI she borrows modestly—her last loan was only 5,000 (the first was only 4,000). She’s cautious and concerned to avoid repayment problems.

She was also in **Samajik Seva**, a local MFI, but for a very short period. She joined to borrow but then had second thoughts (she doesn’t say of what kind), and left.

She also borrows **howlats** (other than those used to make MFI repayments), most notably from her older brother who works in a bank in Dhaka. She didn’t want to give us details of why or for how much. BA was in a bazar-based *tempu samity* (**ASCA**) but, he withdrew when he got the company delivery work.

**Discussion:** Why is she so cautious in her borrowing from MFIs? Is it because she has seen others get into trouble? Not really, she says, it is “her own nature.” Though, she adds, it is frequently true that others do get into problems with their loans. She notes that several neighbors are in two or three MFIs, and she guesses that the tendency may be on the increase, as more MFIs expand into the area.

We asked her if she would advise her own daughter to join an MFI but she says: “My daughter and her husband will make up their own minds.”

## Interview 027

*A part-interview only with a woman who wanted us to hear her opinion of what it's like using MFIs and what it's like being a private moneylender in a small way.*

**Location:** A village in a central district with many MFI branches, industry, and considerable remittance income.

**Respondent: Mrs. HH**

**Household:** HH (who has seven or eight years of schooling) is around 35. Her husband is a low-grade government officer in a town far away. There are two sons, 11 and 4, both in school. Hers is four-person *chula* (we think: we were not at her home). Note that this interview is incomplete. HH burst in on us when we were interviewing someone else, and insisted on our recording her views. In the photo she is on the left, interviewee 036 on the right.



**Home:** We collected no details. It is fairly clear that HH comes from a middle-class *bari*.

**Income:** Her husband earns 5,000 to 6,000 per month, and we believe there is no other income.

**Portfolio:** When another interviewee (interview 036) said that she was happy with **BURO's** service HH, who is a neighbor, burst in saying, "What service? They just give and take money, there's no service." So we diverted briefly to her story to find out what she means by that. HH has trouble managing her family on her husband's low income, and she has no time to run a business. She volunteered, "I know that in such a condition it is a mistake to borrow for consumption but I felt I had no choice." Actually, as she went on to say, she did have a choice—between an MFI and the local moneylenders. She chose the MFI **BURO** because with an MFI the interest rate is lower and, more importantly, you get a chance to repay the principal and exit the loan. With a moneylender the "advantage" is you don't have to repay principal and they don't harass you for it, but then you never escape the loan, the interest rate is higher—and they are local people who "know how to make life hard for me" if she fails to pay.

Ironically, when she joined BURO, the only "income generating project" she knew of was to on-lend part of the loan at interest, using the rest for consumption. After she had taken and repaid several BURO loans in this way, the people she on-lent to failed to repay her (they had consumption problems similar to hers). As a consequence she fell into arrears at BURO and "the whole office staff came to my house" embarrassing her severely, and she felt she had to borrow locally to catch up. When she finished paying the BURO loan she used the next one, in part, to pay off her creditor.

She was getting into a vicious circle and was aware of it. So her next move was to join another MFI, **SSS**. Right now she has **loans** of 20,000 from each of the two MFIs, and this needs about 1,000 a week to service, absorbing almost all her husband's income, so she is ever more reliant on the people she lent to to repay her. They are people of her own standing, and she is sure that she'll get all her loans eventually, but she isn't sure when.

She has some general **savings** in both BURO (about 2,000) and SSS (about 3,500)—and she is just about managing to repay the two MFIs.

Both HH and interviewee 036 are in the same BURO, *kendro*. They both think that multiple borrowing is increasing, partly because of several local new start-up MFIs who are keen to get any clients. They see no lessening in the propensity to borrow of MFI clients.

## Interview 028

A household that has gone from being quite modest to quite affluent, partly by getting one resourceful son a job in Saudi Arabia. Finance, including MFIs, plays a part in their success.

**Location:** Near the sub-district main town of a remote sub-district in southwest; MFI penetration is not high, though all the major MFIs are here.

**Respondent:** Mr. HD and his sister MN

**Household:** This is a large joint family. It is headed nominally by IAS, about 60, educated to class 5, and his wife MJ, 55, illiterate. But effectively it is run by two of their sons: the eldest, DD, who completed high school and has been in Saudi Arabia working as a driver for about 14 years, while his wife and two small children live here, and his brother HD, 32, schooled to class 10, who lives here in the *bari* with his wife (no children yet) (in photo with a nephew). Then there is a third son, PL, 26, also with a class 10 pass, and fourth son OF, 25, a BA student. Their sisters are MN (present for our interview), 24, with a BA, unmarried; AA, 19, in college; and a third sister who lives away, studying in Khulna. A grandmother and a cousin complete the 13-person *chula*.



**Home:** They have a brick-built *pucca* house, old but spacious (three large rooms and some smaller ones) and well-furnished with hardwood chairs and tables and beds, lots of modern fittings and accessories (photo). As well as the house, they have enough land to feed all of them rice for part of the year (they say 1.2 acres); they also sharecrop-in more land (maybe another acre). They lease a big pond (7.5 acres) for fish cultivation. They own a jewelry shop in the *upazilla* (sub-district) market. But they have no vehicles other than a bicycle, and they have no pump set and no power tiller. They are from a modest background but are now an upper-middle income family.

**Income:** Their main source is remittances from Saudi, which come regularly. DD, the eldest son there, seems to be the driving force behind the development this household has managed, including the big investment in education. He comes home on leave every year. The jewelry business is at a low ebb right now. (We heard ambiguous remarks about pawn broking; we think they run a lending business based on pawns but then they went out of their way to deny it). The pond produces fish and the land produces enough rice for most of the year. Second son HD manages most of this, with help from his younger brothers.

**Portfolio:** They have a current account at **Sonali**, a commercial bank, used to receive the remittances from Saudi. Each month they take it all out in cash as soon as it arrives. Two thousand of it goes each month into a **DPS** at **BKB** (Bangladesh Farmers Bank), another formal bank. This DPS is in DD's name and is now two or three years old. But they have no formal insurance. HD says that "our big family is our insurance—we all help each other."

They **borrow from Sonali** Bank, using their land as collateral. Right now they have a 1 million taka loan, which has been outstanding for seven years—they just pay the interest annually. It was taken originally for the jewelry shop (which they opened after they had sold a silver smiths they previously owned to part-finance getting DD to Saudi). They also **borrowed privately on interest** for this purpose.

The family also uses an **MFI**. Many years ago the mother of the family, MJ, joined an **ASA** group. At that time they hadn't made the breakthrough that now makes them appear quite well off, and MJ joined to get ASA microcredit for all sorts of household purposes. She was a good ASA client. At times she served as the group chief and for a long time now the group has been meeting in their courtyard. MJ no longer borrows from ASA, but runs a **DPS** there of 100 per month. ASA is happy with this arrangement, because her son HD has a **SEL (small enterprise loan)** from ASA, of 150,000. He has been taking these loans for three years now, using them for the jewelry shop, for consumption, and for education costs. They are repaid monthly and have a term of one year. He is required to run a DPS-type **savings plan** at ASA while he holds the SELs, which he doesn't mind. At present he puts in 500 a month.

We took HD's views on MFIs. He is satisfied with the service he gets from ASA. He says that ASA staff's behavior is good and that the branch's "culture" (he used the English work) is disciplined—he seems very impressed that ASA has not only banned smoking in the branch but actually enforces the ban. He is aware that some poor people get into trouble with their MFI loans but he thinks this is simply because they don't invest properly. He says, "those that complain are only those who didn't use the money properly." He says his family doesn't usually offer **howlats** to their (many) poorer relatives. They prefer to give outright cash gifts, or to pay for things like medical treatment.

## Interview 029

A household that used loans from many MFIs to repay private loans taken to pay for a failed business and for marriages. They believe this strategy worked well, and they still like MFIs.

**Location:** A large village in a central district with many MFI branches, some industry, and good remittance income.

**Respondents:** Mrs. MRS and her son GS

**Household:** MRS is 50 and unschooled. Her husband JS is 55 or 60 and also unschooled. Their eldest son GS (photo, with his mother) is 35 and reached class 5. Another son, JB is 30: he also reached class 5. GS's wife NRS is 28, and finished class 5. Their children are 7 and 2. JB's wife and their four-month old son are also in the nine-person *chula*.



**Home:** They have 0.02 acres of homestead land (they used to have 0.045 but JS sold some land to open a clothing shop). There is a good-sized tin-shed house divided into three cells. There is an electric connection, a ceiling fan, one bed, a *chowki*, an old black-and-white TV, table, and chairs. The separate kitchen is dilapidated. They have no farmland, no livestock, no poultry, and no vehicle. There's a stock of timber worth 3,000 (they belong to a Hindu carpenter caste). There is not much gold—what there was has been mostly sold for the recent marriage of another daughter. And now there is no shop—the one that JS opened has failed (his son blames his father's illiteracy; there were few accounts and his father often sold goods for less than he had paid for them because he couldn't read the prices). They describe themselves as "lower middle" class.

**Income:** There are three strong income streams, represented by the three men—father JS and sons GS and JB. All three are skilled carpenters and make furniture on a bespoke basis, sometimes in the *bari* (hence the stock of timber) but more often on contract on a building site. JS and JB do theirs around Dhaka, and they each earn 600 a day, reliably and regularly, and they often work seven days a week. GS does his locally and gets a little less—around 400–500 a day, also regularly, also seven days a week if needed.



**Portfolio:** This is a case of a portfolio being shaped by an attempt to pay off expensive **private debt** (and some more patient **howlat** debt) through the strategic use of **MFIs**. There have been three chunks of private debt, spread out over time. First, to set up his failed shop, JS borrowed 350,000 from 10 or so local villagers, much of it on interest of up to 8 percent a month. The second and third debts have been to help pay for the marriages of two daughters.

MRS joined **BRAC** before all that happened, maybe as much as 11 years ago. She left about three years ago. She took many **loans** starting at 4,000 and ending at 15,000. Early on they were used for “general purposes” and also for making timber spinning wheels (for weaving). Then the shop failed, and the subsequent BRAC loans were all used to repay debt. At BRAC she also made some general **savings**, of course.

The failure of the shop also pushed MRS into joining another MFI, **SSS**, and where she’s still a member. The most recent **loan** there was for 25,000, and it paid off the last of the debts from the shop. At SSS in addition to general **savings** MRS also opened a **DPS** of 100 pm for 10 years, now 12 months old and going OK. The DPS is for general future security—you never know what might happen next! In general, because of the strong incomes of the three men, and because they can claim these incomes when they need to, they haven’t had much difficulty repaying the MFI loans, and even though they sometimes have to take **howlats** locally, the **howlats** seem fairly easy to get, perhaps because they reciprocate by lending **howlats** to others.

Around the same time she joined SSS, MRS also joined **Grameen Bank**. It is a similar story to SSS, and she’s still in Grameen. Here the biggest **loan** so far is for 12,000, used to part-finance the first marriage. MRS has general **savings** and a “red” (compulsory 50 per month) GPS (commitment savings plan). Grameen knows that her husband GS gets paid in the afternoon so it doesn’t mind if MRS takes along the repayments in the evening instead of the morning.

A little later MRS joined **PDBE** (Polli Daridhro Birmachon Foundation—an offshoot of PKSF, the government-owned wholesaler of funds to MFIs). She is still a member, and her biggest **loan** is 30,000, used in the financing of the marriage. (The marriage cost 115,000 of which they borrowed 80,000 privately on interest).

To accelerate the process, GS’s wife NRS also joined **Grameen Bank** last year. She borrowed 10,000 and then 14,000, spent on repaying the marriage debts.

They appear now to be winding down a bit. MRS has already left BRAC. Their choice of BRAC was made simply because after they made the decision to leave one of their MFIs the next one where the loan balance came down to meet the savings balance was BRAC. She is thinking of leaving another one.

**Discussion:** We asked them whether they think their strategy—borrowing heavily on the expensive private market where they can amass big sums quickly, then repaying the debt gradually from the slow-release MFI loans—is a good one. They do, even if they recognize its weaknesses (e.g., two lots of interest). There is certainly stress—like others we have spoken to, MRS speaks of sleepless nights before MFI repayment days, and her son nods at this and his expression acknowledges the pain his mum has gone through. But their overall verdict is “MFIs have been good for us.”

We total their current MFI loans and find they come to 81,000, so that must mean, with savings and so on, a “bill” (they use the English word to describe MFI weekly payments) of around 1,750 each week, paid into four accounts (MRS’s three and Nirmala’s one). Still, in a week working flat out the men can earn, between them more than 10,000—so it seems manageable as long as they keep working.

We asked about multiple membership, and they say it is very common here: “Most people are in three or more MFIs.” MRS adds, “But they are finding them hard to manage so they are dropping out again.” We ask MRS if she has seen MFI members getting into severe trouble. She says the worst she’s seen is a family that fled suddenly to Dhaka, leaving their house and homestead behind them, to escape debt (mostly MFI debt she thinks).

## Interview 030

A woman living with her brothers after being deserted by her husband. She brought up and arranged the marriage of her daughter, though. She is a member of an MFI, but only as a proxy on behalf of one of her brothers.

**Location:** A quiet village in the more prosperous sub-district of a southwestern district. MFIs are here, though not in great numbers. There is little remittance income and almost no industry.

**Respondent: Mrs. SB**

**Household:** SB is illiterate, about 40, and her husband deserted her many years ago. They have one daughter, who was brought up by SB. The daughter studied to class 11 and is now married and living separately. So this is a one-person *chula*. The photo shows SB talking to assistant S. K. Sinha, in her one-room home.



**Home:** After her husband married for a second time, SB came to her parental home. Her parents are now dead, and the *bari* is headed by the eldest of her four brothers, all of whom still live in the *bari*. They are all married, so SB lives among four sisters-in-law and their various offspring. She herself owns nothing except the simple one-room bamboo and tin shed house she lives in. She has a big tin box for storage and some very basic furniture. There is electricity but she has no fan and no TV. She has a pregnant cow and a calf, two goats with three kids, but no poultry.

**Income:** She used to sell labor but no longer does, now that she has recently successfully married off her daughter. She now raises cows and goats, and she would like to expand this. She sold a goat for 3,000 a few days ago to buy food and other necessities for herself. Her brothers help from time to time by inviting her to eat with them or giving her small amounts of cash (100 or 200). They are not rich: they work as truck driver, truck driver's helper, oil mill worker, and farmer (of land that they sharecrop), and they all have wives and children to look after.

**Portfolio:** She has no home savings at present—no mud-bank, no *musti chal* (the handful of rice that many women save each time they prepare a meal). She says she has “invested everything in my daughter,” getting her married last year to a boy with a BA who “doesn't look very handsome but is good.” But she saved hard for the marriage, which cost 50,000, by putting into the tin trunk what she could save from her laboring work and from selling goats and cows.

She has been in **Grameen Bank** for 11 years, but all her transactions there have been in proxy for one of her brothers—**savings** and **loans**, both. This included a 10-year DPS for her brother who was saving to get married: it was 100 each month, and at maturity he got 15,999. He bought a driver's license and set himself up with a job. He didn't reward SB with much for 11 years of running his GB account—just a 2,000 sari for SB's daughter at her marriage. But she says she didn't actually have to

do much as most weeks he sent the money directly to the loan office via another member. The *kendro* doesn't have full compulsory meetings. Her sisters-in-law do not use MFIs.

In her *kendro* some members have done well, others not so well, but she hasn't seen any of them in very severe difficulties. However, when she goes to the branch building (to fetch a loan or take a withdrawal) she hears stories of people who have had to sell land to repay debt, etc. As a result, if her daughter asked about joining MFIs she'd say, "Better not to. You may have problems repaying. It is better to eat one meal less a day than to get into MFI debt."

### Interview 035

A shopkeeper in a rather remote market who uses various financial tools, including MFIs, in his life and business. He thinks that MFIs have substituted, somewhat, for the howlats that used to be easier to get in the old days.

**Location:** Just outside a small market in a very remote part of an otherwise busy central district. The district is full of MFIs but not many of them have branches this far out.

**Respondent: Mr. TM**

**Household:** We wanted to look at MFI lending from the point of view of a male shopkeeper, and in this remote market we found, by chance, a clothing and general store run by TM, 55, who can read and write. We interviewed him both in the shop and in his nearby home just outside the market. His six-person *chula* consists of himself, his unschooled wife, his mother, two grown sons (30 and 28), and one daughter (26)—there is another daughter but she is married and living with her husband's family.



**Home:** TM is the head of a fairly big *bari* just outside the market where his shop is. He lives in a substantial tin-shed house (photo, with TM in the foreground) and is building two new sets of rooms: one for his two sons (seen on the left in the photo) and another one which will be rented out to the MFI BRAC to use as a branch. He has about a half-acre of land that includes his share of the homestead plus a little farmland (his younger brother is a policeman and has somehow acquired a lot more land). TM runs two

shops. One is in the district town and is run by his eldest son (who commutes there each day) and the other is in the local market (photo, with the younger son minding the shop). Both are in rented buildings. He pays 500 a month rent for the local shop. The total capital invested in stock in the local shop is about 100,000.

**Income:** The average net income in the local shop may be about 5,000 (possibly an underestimate). We didn't get a good estimate of income from the district town shop but we assume it is larger. There is a little income from the farmland. We didn't press him on other sources of income but there may well be some. BRAC will pay 2,000 a month for the new building when it is finished.

**Portfolio:** We began by asking about saving, and he mentioned a membership he has in a BRDB (government-run co-operative) *samity*, which he inherited from his father. He has about 2,600 there in savings, and he also has a loan of 16,000 at a low interest rate, which he thinks is 8 percent a year.



That loan was used mainly for one form of consumption or other. Repayment is not strict. He regularly takes these low-cost loans.

He has no accounts of any kind in formal banks. This perhaps suggests that his business in the district town is not on a large scale.

But his wife joined **Grameen Bank** five or six years ago. Loans have been used for consumption and, more recently, for the new tin-shed rooms in the *bari*. The current GB **loan** is 32,000 and was used in that way. This is a GB general loan, repaid weekly sourced from the shop. TM's comments on the weekly repayment system are amusingly contradictory. On the one hand, he says, rolling his eyes, "You just *have* to pay, whether you eat or starve." On the other hand, if you don't pay, well, you just pay double next week. But the GB staff do in that case "get cross" with his wife and sometimes with him. They may threaten a *shalish* (informal arbitration court). TM's wife is nearly always an on-time payer, and this is managed by taking small-scale *howlats* from relatives and neighbors. His wife pays 20 a week into GB general **savings**. They haven't opened a GPS. He says (maybe mistakenly) that GB doesn't allow clients to withdraw from general savings if they have a loan in hand.

His wife is also in the MFI **SSS** (called "Society," locally). She joined a year ago. The current **loan** of 20,000 (her first) was used for consumption and business. She makes small general **savings** there (20 a week) and has a balance of 1,200. Repayments and savings come from shop income.

At one time, five years ago now, his wife was also in **BRAC**. But it proved too difficult to run BRAC and Grameen together so she left (we don't know whether it was her decision or if BRAC eased her out).

They have no home savings, he says, and no private on-interest loans. Of course as a Bangladeshi shopkeeper he has to give **baki** (goods on credit to customers). "Without *baki* you can't keep your customers." He estimates his outstanding *baki* at 50,000. Managing it is his biggest business headache: "You can't keep on asking people for it because then they say, 'OK but I'll never buy anything in your shop again,'" and in a small society like this one that represents a real threat. So TM says he suffers "a lot of tension" over *baki*, and admits that his wife also has tension over MFI repayments (wondering whether he'll come up with the money on time).

**Discussion:** TM's view on MFIs is that, in the past, it used to be fairly easy for people like him to put together quite large sums in the form of **howlats** (interest-free loans from relatives and neighbors). Society has changed, and that is no longer possible. To a great extent MFIs have come in to fill the gap. So he now takes from MFIs what he would previously have taken as *howlat*. As always, no system is perfect, and each has its advantages and disadvantages. Taking *howlats* was cheap but if not handled well can get you into social problems; taking MFIs loans is more anonymous but you have to face the strict repayment schedule and the consequent stress.

There is also a religious element to all this. The giving of *howlat* was a social duty much approved by the mosque. But when we asked TM if he would advise his daughter to join an MFI, his first response was "from an Islamic point of view it wouldn't be good for her" (this is a rather conservative area). Then he said, "And it is a big botheration—she'd be better off without it." Neither of his daughters (35 and 26) is in MFIs.

He thinks that on the whole MFIs are good for richer people and not so good for the poor, who tend to get into trouble with repayments because they lack reliable income.

## Interview 041

*A multiple-borrower using MFI loans in a complicated interweaving with private loans and howlats, to try to finance a work migration to Malaysia.*

**Location:** A house by the side of a minor road not far from a large market in a busy central district. There are many MFI branches round here, and many households have members working abroad.



**Respondent: Mrs. SB, wife of Mr. MS**

**Household:** MS (in his 30s) is a bricklayer, with a little education. He is from Bogra (a district some distance from here). His father arranged for him to go to work in Saudi Arabia, and he was there for several years (his wife SB says about 10 years). His father called MS home, used all the savings MS brought to build a home in Bogra and to send a younger brother abroad, and then quarreled with MS. MS came here looking for work (the area has many factories); he brought no wealth with him but he met his wife respondent SB (27, a bit of schooling), and they have one daughter, 18 months. This is a three-person chula. Theirs is a lower-middle-class household striving to do better.

**Home:** They rent a room in a brick-built row of rooms owned by a relative of SB's. They pay 600 pm rent. There's a color TV, a fan, a *chowki* (no proper bed), no table, and no chairs. Otherwise there are no assets to speak of. There are no livestock, no machinery, etc. The photo shows SB and her daughter in the verandah of the row of rooms.

**Income:** MS earns 300–350 a day net when he gets work as a bricklayer, but that isn't every day. No other income.

**Portfolio:** Their portfolio is almost wholly dominated by their one big driving ambition: to get MS abroad again so he can build wealth and bring it home. As part of this, SB has joined four MFIs, three of them simultaneously.

She joined **IDB** (a local MFI) first, about four or five years ago. The first **loan** was for 7,000, and it was used to repay her sister-in-law (her brother's wife) who had advanced them money for the application to go abroad (at that time MS had settled on Dubai as his desired destination). The loan went OK—MS repaid from his earnings. They went on to a second **IDB** loan, of 12,000; this went to their migration broker to pay for the passport renewal.

This 12,000, however, turned out to be part of an estimated total of 200,000 that they completely lost to this broker who cheated them. They fell into arrears at IDB, struggled for a bit, and finally her **savings** there eclipsed her loan outstanding, so she swapped one for the other and even managed to come away with a bit of savings in hand. That was the end of IDB for her.

Next came **ASA**, which she joined three years ago, and she is still in ASA. This started in the same way with a 7,000 loan used to repay private debt taken for the migration, and repaid OK from MS's daily income. But then something else intervened: SB's baby was due, and it was a complicated

birth. So the second ASA **loan** of 12,000 was spent on medical treatment. That was successful and once again they repaid the loan with not many gaps from MS's income. The third loan at ASA was for 21,000 and this one was used to reclaim gold that had been **pawned** to raise money for migration. The story here is that the pawnbroker had advanced them 60,000, for which the gold was part of the security—and in turn that 60,000 from the pawnbroker had repaid a 60,000 **howlat** (interest free loan) from SB's own older sister. Her sister was having her own problems and put family pressure on SB to repay the *howlat* as soon as possible. So they are still paying off the ASA loan, but not without difficulty and arrears, of course.

The next move was to join **BURU**, about a year after she went into ASA. She's still in BURU. This move came at a time of rising hope. MS got "listed" for the government-approved scheme to get more migrants into Malaysia. The first 20,000 BURU loan went to the expenses connected with that. Then SB suggested they take advantage of the fact that BURU is the one MFI that doesn't force you to borrow all the time, so they have not taken any more loans from BURU but she is **saving** a little there. She has a 5,000 or 6,000 balance in general savings, and they are paying into a DPS at 100 pm.

The opening of a membership at **BRAC**, about a year later (that is, less than a year ago) was suggested by MS who needed money to lend to his sister, as part of a drive to restore relations with at least one of his close family. So the 10,000 BRAC loan was on-lent to the sister-in-law. She will repay "at a time" sometime later, and meanwhile MS is covering the weekly BRAC payments from his income.

**Discussion:** The couple is now waiting for the Malaysia papers to come through. In general, SB is pleased with her MFI experience. They helped her, she says. The loans were useful, and the MFIs did "nothing bad to me"; they were never even rude to her.

This is an area of high density of MFIs so we weren't surprised when she said that "everyone" here is in several MFIs: two or three or four or five even. She didn't want to be drawn into details or names, but she is aware that members, especially poor ones, often get into trouble. A neighbor who had joined us offered a recent example: Someone took an MFI loan to raise bananas, lost the bananas in a storm, and was then in a fix with the MFI loan. Prompted, they agree that nothing in that story is the MFI's "fault"—though the MFI's steady refusal to share any part of the losses and to continue to press hard for repayment grates on minds here.

We told them that another respondent [interview 003] had said that multiple membership was on the decline because people were learning that it was just too hard to manage several MFIs at once. That caused a good deal of nodding of heads in agreement, so we tried to elucidate whether they agree that "many MFIs are hard to manage" or that "for that reason multiple membership is declining." Both, they said.

We mentioned BRAC's migration loans to SB. She hadn't heard of it but was eager for details. We advised her to ask BRAC.

## Interview 042

A farming household with a son remitting regularly from Saudi. They use MFIs in a small way and find that useful and not stressful—though they are planning to reduce from two to just one MFI. They have resisted linking large expenditures (a daughter's recent marriage) to MFI borrowing. They borrowed privately instead.

**Location:** A village in a central district with many MFIs, many households (like this one) with members overseas, and good road communications.

**Respondents:** Mr. ARM and his wife Mrs. KB

**Household:** ARM is 55 or 60 with a class 5 pass and KB is 40 or 45 and unschooled. This is the current two-person *chula*. A son, SM, 24, class 10, is working in Saudi Arabia. They had three daughters, now all married. The oldest was married long ago. The second is “very beautiful” and secured a well-off husband without costing her parents much money for dowry. The third was married just weeks ago, to a boy who runs a shop. This marriage cost them 210,000.



**Home:** They have a homestead of a tenth of an acre bought six years ago after his family separated and he left his younger brother in the bigger ancestral *bari*, selling his own share there to finance his son's migration to Saudi. There is a long, well-built tin shed with two cells, well-furnished (bed, showcase, current, fan, color TV, and a mobile phone [for calls from Saudi]). Opposite is a new tin-shed room for guests, used now as a cow shed and store. There is a jute-stick wall kitchen (photo). There are three cows (none of them milking yet), no goats, and some poultry. They have no farmland (his father lost a lot of land in a court case) but they sharecrop in 1.3 acres. He has no power tiller: “I'm a simple old-fashioned farmer.” They think of themselves as lower-middle class and we agree.

**Income:** He takes in 30 *mon* of paddy a year from his half-share of the share-cropped farming, enough to feed them for eight or nine months. They have no other business, no other local income. From Saudi, son SM remits OK: anything from 15,000 to 25,000 a month, averaging 15,000. They collect it in cash from Western Union.

**Portfolio:** As we have seen many times in these studies, current portfolio is dominated by one big expense—the 210,000 taka he spent to marry off his third daughter a while ago. Some of this came direct from Saudi, some was borrowed as *howlat*, but 150,000 had to be **borrowed on interest** of half a *mon* of paddy (20 kg approximately), worth about 350 taka, per 1,000 taka per year (an old-fashioned paddy loan of the sort that used to dominate rural private lending before the MFIs came along). So he has to find 75 *mon* of paddy a year just to pay the interest. There are several lenders, all well-off farmers, many of them themselves with sons abroad. ARM's plan is to buy paddy in May when prices are at their cheapest to pay interest, and then pay off principal steadily from his son's

**remittances.** The Saudi son was in on this plan and approves, and says he can send enough in one year to pay off all the principal.

Meanwhile KB has been in **Grameen Bank** for the past 15 years or so. She has taken a **loan** each year, starting small and never more than 25,000. That 25,000 was taken for fruit trading but it wasn't very successful and the son-in-law advised them to stop it (which they did) as it was disturbing ARM's regular farming. Her current loan is only 5,000, taken a few weeks ago for farm inputs, and she plans to take 10,000 later in the year for the next season's inputs. Her passbook shows general **savings** around 500, security savings 300, loan balance 2,800 (and she's paying on time). There are also two **GPSs**: the compulsory small "red" one with a balance of 7,700 and a newer voluntary bigger one of 200 pm with a balance of 3,900 so far. She says she sometimes finds it difficult to assemble the money each week for her GB dues, and then she swaps *howlats* with other members. It sounds like it isn't very stressful.

She has also been in **SSS** for three years. She has taken three loans of which the most recent is the smallest, at 10,000. It was used to ease consumption and to buy a calf. She didn't have a strong motive for joining—it happened because some friends asked her to join their SSS group. She now thinks she doesn't need it and will close it fairly soon. "One MFI is enough," she says, and she thinks GB is the best. It is a "government" bank, and interest rates are good.

ARM has no formal instruments, nor insurance. But his wealthy son-in-law has strongly recommended him to take out **life insurance** so they are thinking about it.

**Discussion:** ARM (like others in this study) says that it is much harder these days to get big *howlats* and that's why he had to borrow on interest. Short-term small *howlats* though are still easy to give and take for someone like him, so he does, quite often.

They both think that MFIs have been good for them. But then he says, "If you don't have income you can get into trouble." Even so, "everyone" uses MFIs—they have become part of life. If you spend MFI loans on consumption without having the income to repay, the MFIs can be not good for poor people.

## Interview 043

A family struggling to survive after a son came home from Dubai with little to show for his trip. They are not using MFIs right now but think they may need to—to get the son overseas again, or just to get money to survive.

**Location:** A home on a narrow road leading to a rather isolated part of a southwestern district. This is not an area of dense MFIs or of industry. Some households have members overseas.

**Respondent:** Mr. LS and his wife Mrs. SH

**Household:** LS is about 50, illiterate, and SH is younger (maybe 40), also unschooled. They have two daughters and three sons. The elder daughter is married and living separately. The eldest son is SH, 22, who studied to class 4. Next is the younger daughter, MH, 16, at school in class 6, then sons R, 11, in class 4, and M, 9, in class 2. So this is a six-person *chula*.



**Home:** This is a modest family with their own homestead (a tenth of an acre) but no farmland and no pond. However, they managed to get the oldest son, SB, to Dubai and he remitted enough for them to start building a *pucca* house of plastered brick and a tin roof. It remains incomplete (photo—and see below) but there are three rooms where the family now lives. It has basic furniture—nothing fancy. The dilapidated remains of their old house survive, and there's a kitchen shed and a cow house with two calves. There are three ducks and three chickens. SH has a little gold (maybe 4,000 or 5,000 worth). Their main working asset is a rickshaw van, in reasonable condition.

**Income:** Eldest son SB is now home from Dubai. He and his father use the rickshaw van in a local brick field, carting bricks and clay. Between them they do this most days a week and earn 150 to 200 a day. The work is seasonal so in the wet season they have to use the van for other work, and income is considerably lower. There is no other income. SH is a housewife. She recently had a tumor removed and can't do physical labor.

**Portfolio:** Almost four years ago son SB went to Dubai and worked in a Samsung factory. To begin with all went well and he remitted 8,000 to 10,000 a month regularly. The family opened an account at **Sonali Bank** to receive this money. They still have that account, but it is dormant, with a token balance of 500 in it.

In Dubai SB lived in a factory dormitory that was heavily air-conditioned, and he thinks this made him ill. Anyway he became very sick; Samsung paid two-thirds of the medical costs but he paid the rest. He went to work, and remitted cash much less regularly. Finally he gave up and came home. He now regrets that. Some weeks ago SH negotiated a **private loan** locally, of 2,000 at 10 percent a month to send SB to Dhaka to look for work. He failed to find any. The loan is still fully unpaid and adds to her worries.

SH opened an **insurance** account offered by an agent some years ago and paid into it for two years. Then she fell ill and stopped paying. She doesn't know if she can reclaim what she has paid. She can't start paying again, for lack of income.

SH would like to send son SB back to Dubai—or anywhere else overseas—but can't see a way to assemble the funds to do this. She doesn't think she could raise it through **howlats**—her family and neighbors wouldn't be able to give her enough. She is wondering if she should join an MFI and if that would produce enough money quickly enough. She is somewhat reluctant to join an MFI because of previous experience.

About 11 years ago SH was in the MFI **Bachte Sheka** for a couple of years. She took a 2,000 loan and then a 3,000 **loan** and repaid them. But it was a struggle because she was rearing small children at the time, and she gave up before she got into serious repayment problems. The strict weekly repayment was tough (she claims that the worker told her “you can be on the point of death but still you have to make your repayment”). She has never joined an MFI since because of a continuing worry about their low income and potential repayment problems. There are several MFIs around and many of her neighbors are, or have been, in them.

SH is worried about the coming rainy season, when rickshaw van income is low. Last year they took some land on a sharecropping basis, but this year they haven't been able to raise enough money for inputs. That could be another reason to push her into joining an MFI. She says, “Well, Allah put us on this earth so somehow he will manage to look after us.”

## **Theme 2: Savings**

Our second theme is **savings**. Throughout the history of microfinance work in Bangladesh, three trends have become evident: rising incomes and living standards have made poor people keener to save; microfinance clients have become bolder in demanding better savings services from the MFIs; and the MFIs have responded with more and better savings products. This is reflected in our interviews in several ways. An older couple in the first interview we present (003) chides his MFIs for not letting him use their savings services without having to borrow. In our second, (036) a woman with years of experience of microfinance explains why she now values MFI savings services above their loans. In another interview (016) a farming family explains how their main use of MFI loans is to finance their annual payments into a life insurance policy.

### Interview 003

*The prudent use of banks and MFIs by an older, educated, though still quite poor, couple. Savings have primacy in their thinking. They think MFIs are clumsier to use than banks—though it is good to have access to MFI loans as a back-up in case of need. They think that some MFI borrowers end up worse off.*

**Location:** A Hindu neighborhood not far from the center of a prosperous small town in a central district. The area is dense with MFIs, who mostly do quite well here. The town is on a main highway, and many people go to Dhaka to find work, permanently or seasonally. Others go abroad.

**Respondents:** Mr. AChS and his wife Mrs. ChS

**Household:** The household consists of just the couple. He is about 55, with a class 10 pass, now suffering a skin disease but still active. He is from this *para* (neighborhood). His wife is about 45, with a class 10 pass, originally from Narayanganj (it was an arranged marriage); she looks healthy. They had two daughters now both married and living elsewhere with their husbands. We interviewed the couple together, they seem to have a very good relationship and he is unusually well-informed about the MFI transactions of his wife.

**Home:** They live on a homestead plot owned by AChS's older brother. The brother has three rooms of mixed mud and brick construction round a small courtyard (photo shows the couple sitting there) and to the rear of this AChS has one large subdivided room, made of tin walls and roof, in fair if old condition. There are two beds, a table, a steel cupboard, a TV, a tape recorder, a fan, etc. He says he is middle class—we say perhaps lower middle. They have no land of their own of any kind.



**Income:** AChS has a very small confectionary shop in the local market, rented at 400 pm, the total capital of which he estimates at only 20,000. The shop turns over about 15,000 to 20,000 a month of which net profit is about 5,000. That's their main income apart from a little earned from their home-based paper-bag making work (the bags are sold to other confectioners who use them to wrap sweets).

**Portfolio:** These days they keep their **savings** mostly in two MFIs, **Grameen Bank** and **ASA**,

where ChS has membership. Previously they saved at home, and he has been in an **ASCA**. In Grameen they have a GPS (Grameen Pension Savings, a monthly commitment savings device) of 200 pm with a 10-year term, now in its eighth year; in ASA a DPS (Deposit Pension Scheme—a similar device) also of 200 pm, now in its fourth year. In addition, at Grameen they have a "red GPS" (the more or less compulsory one) of 50 pm, with a balance of 5,000. They also make weekly general savings at both MFIs, of 30 taka: the balance at ASA is about 7,000, somewhat less at GB. They rarely withdraw anything from general savings because with just the couple at home they are rarely in need, and in any case savings is what motivates them to stay in the MFIs.

They also had a DPS at a commercial bank, **BKB** (Bangladesh Farmers Bank) and broke it before maturity two years ago to help marry off the second daughter. Otherwise they have no accounts at formal banks—though they may later (see below). They say the BKB DPS was easier to use than the MFI ones, which are “complicated” to manage (because MFIs insist on meetings and on their holding a loan—see next paragraph).

They don't want to **borrow** from MFIs but both ASA and Grameen insist that they do, so she has a cut a minimum deal—she has a 3,000 loan at Grameen (where she claims the loan officer told her that the interest rate in their GPS would go down if she didn't borrow—this is not in the rules) and a 2,000 one at ASA. He put these loans into the shop and repays them from the shop, 80 to ASA and 120 to GB weekly. They certainly don't want a big loan (“a big loan feels like a burden”), but they quite like the idea that they can borrow from these MFIs if any need arises. For example, they took 20,000 from GB more than two years ago to help marry the second daughter. That loan was successfully repaid in full without any trouble (it had a two-year term).

Their plan is to take the proceeds of the DPSs and put them into fixed deposit (FDs) accounts at a commercial bank (**Agrani** or **BKB**—he has a distance link with an Agrani Bank staff member). In this they are thinking of their own old age and of any other eventuality that may arise.



**Discussion:** We asked ChS if she would advise her two daughters to use MFIs. It turns out the question has already arisen and she advised against it, on the grounds that MFIs are “too much botheration (*jamala*)” and should be avoided if possible. As an example, they say that both GB and ASA in their local *samities* still try to practice a form of joint liability, asking members to pay up if someone at the meeting can't pay that week. This is getting harder for the MFIs, however, because proper meetings are now rare. People come and just pay and go away, or send money through children. They think—from what they've seen—that there is a lot of multiple borrowing, but they are inclined to believe it is reducing, because borrowers find it “just too hard to manage.” If you don't pay, then these days a whole bunch of people turn up from the MFI office and embarrass you into finding a way to pay. “Whether you eat or not, you still have to pay.”

ChS strongly believes that some members are hurt by MFI borrowing. By this she means she has seen cases where people have borrowed, set up flimsy businesses which soon fail, and then fall into arrears and end up having to sell the invested assets (and maybe other assets) to repay. She knows of examples of this sort where the household has ended up going to day laboring. In the process there may be shame and loss of prestige and even loss of credit-worthiness. It is for this kind of reasons that she'd prefer her daughters not join. She would like to help them by financing any business ideas they may have from her own savings. We then find out that the both daughters have now opened DPSs in commercial banks, rather than in NGOs—and their parents strongly approve of this. Photo shows AChS in his room with his grandchild by his first daughter.

## **Interview 036**

*A middle class widow in straightened circumstances, and not entrepreneurial, trying to get value from an MFI. She has retreated to using mainly the savings services, taking very small loans.*

**Location:** A village in a central district with many MFI branches, industry, and considerable remittance income.

**Respondents:** **Mrs. RH** and her daughter-in-law (the interview was aborted before completion because we got distracted by a neighbor, interview 027)

**Household:** RH is about 60, schooled to class 10, and widow of a railway booking clerk who died around 2005. Her household includes her eldest son and his wife (both schooled to class 10) and their small son; a younger unmarried son is studying at a college. Altogether she runs a five-person *chula*.

**Home:** They have a *pucca* building, quite large, on a fair-sized homestead plot, with some trimmings (e.g., a high-level water tank) but the building is a bit the worse for wear. They used to have enough land to feed them all the year, but much has been sold off to pay for two unsuccessful attempts to send the older son abroad—the money was lost to two cheating brokers. Some remaining land is sharecropped out, and they get a few months' worth of rice.

**Income:** RH gets a railway pension each month, only 4,000, paid in cash reasonably reliably, and there's the few months of rice. She also gets a quarterly welfare payment (connected to her late husband's employment) of 5,000 but has to go to Chittagong to collect it in cash from **Sonali Bank**. The older son is unemployed—he is waiting to go abroad (and maybe is too proud to do menial work). As well as losing money to the brokers, RH invested some of her remaining inheritance from her husband unwisely and lost much of it in businesses that failed. This is a middle-class family in hard times.

**Portfolio:** RH is the center chief (*kendro prodhan*) of a **BURO** *kendro* that meets at her house. It is the only MFI account in the home. She has been a member for 10 years. In her husband's time she borrowed, modestly, and repaid OK. Now, she ranks the first benefit as the general **savings**, into which she saves small amounts regularly and from which she withdraws for consumption and small emergencies. She has a small **loan** of 5,000 right now, which she took for the second's son's college costs. She repays this monthly, not weekly—a special concession she won from BURO, out of sympathy, perhaps because just now she is using crutches after a fall that broke her leg. She had a **GPS** at BURO, which she withdrew prematurely partly to pay for the treatment to her leg and partly to make up loan arrears incurred when she was in hospital. She says she's happy enough with BURO.

She has no formal bank or insurance accounts, and we didn't get round to asking about her informal activity, because we got diverted by interviewee 027. (Both RH and 027 are in the same BURO *kendro*. They both think that multiple borrowing is increasing, partly because of several local new start-up MFIs who are keen to get any clients. They see no lessening in the propensity to borrow of MFI clients).

## Interview 016

*A farm household with a younger generation doing nonfarm jobs. They prefer to save rather than borrow, and have come to use MFIs loans mainly as a way of managing big annual insurance policy premiums designed to protect their old age.*

**Location:** A village near a market in the more developed sub-district of a rural southwestern district. MFI density is not particularly high but all the majors and some others are there, and their branches are mostly profitable. There is not much remittance income.

**Respondents:** Mr. ABS and his wife Mrs. MB

**Household:** ABS is about 60, with a class 2 pass; his wife is about 15 years younger, and unschooled. They have a daughter, now married and living away, and three sons. The eldest son is in Dhaka, 25, with a class 11 pass, and unmarried; the second is at home, 20, studied to class 5, and married; the third is 18, but unschooled. So this is a six-person *chula* since they count in the eldest son who remits cash and comes when he can.

**Home:** This is basically a farming household. There are two tin-shed buildings, for the old couple and the sons, and there's a big cow-house. Their share of the homestead land is quite small, and they own no farmland. Instead, they sharecrop-in five acres and grow rice and jute. There is a tube-well, three cows for traction (no milk), a power tiller, and two engine/pump sets for irrigation. In the homes are two fans, a color TV, and a good set of furniture. They lease in (jointly with others) part of the canal that runs behind the house, and they have a long fish net. There is no poultry just now, though there usually is. They are an upper poor farm family, led by the hard-working and kindly ABS (photo, with wife and grandson).



**Income:** Most years they grow just enough rice for the whole year, and this is the major income along with sales of jute. A little more comes from selling fish (but only 5,000 in 2011, and none in 2012). The Dhaka son sends a bit of money from his 8,000 a month salary at his office job—last year he sent 7,000 around the Eid festival time. The second son is a truck driver and provides most of his income to the joint household, about 800 or 900 a week. The youngest son helps his father with the farming and also day-labors at 200 to 250 a day: when he does that he provides cash, again of about 800 or 900 a week.

**Portfolio:** MB seems to be in charge of the family's finances. We ask if they save at home, and she brushes that aside and starts telling us about her two accounts with **Popular Life**, an insurance company. An agent came and sold her a 15-year annual-premium policy. We saw the receipt for the second year's payment of 5,077. We ask how she saved up to pay such a large sum at a time and she tells us that's why she joined the MFI ASA (see below). In other words, she borrows from **ASA** to make the annual Popular insurance premium and then she can pay ASA week-by-week. She also bought from the Popular agent their 10-year version of the DPS (an **endowment life policy**). Into this she pays 100 a month, built from selling eggs and saving on housekeeping. The agent calls

monthly to collect and she is up to date, according to the passbook, and in the seventh of 10 years. This big investment in Popular is for the couple's old age. She bluntly says that though her sons are "good," these days as soon as one's sons marry they don't want to stay at home and end up looking after their wife's family more than their own. ABS and MB don't want to be left stranded when they are too old to work.

MB was in **ASA** once before, took several loans, and then left when she fell ill. But she left in good stead and liked ASA. Her biggest loan there was 15,000 except for one she took of 30,000 as a favor to a relative. This relative, a man, wanted to save up for his impending marriage, and he saw an MFI loan as a good way of doing so. Luckily he paid on time each week so MB faced no problems. So when she wanted to rejoin an MFI in 2012 to get cash for her annual insurance premium, she chose ASA again. She took a loan of 10,000 (she'll repay 1,150 including interest) and has paid regularly so her balance is now 5,203. She also has regular savings of 484 and loan security savings of 220.

Many years ago when her first child was small she was in **another MFI** whose name she now forgets. She remembers it being "good" but she left because she found her income too small and irregular for the weekly system.

We get to the couple's informal finance. They give and take **howlats** of up to 5,000—e.g., one recently to repair their pump-set. But they avoid taking or giving money on interest. ABS is a long-term member of the Fisherman's Co-op, an **ASCA** with 81 members but says it is badly run and like many others he no longer saves there—so it is falling into inactivity. They each save only 5 taka a month, but the fund is lent out to nonmembers who fail to repay because management is poor.

We talk generally about ASA and MFIs. MB says her ASA group doesn't have a proper **meeting** unless a "big" officer or guest is visiting. Normally she just walks over and drops off her dues with the loan officer and leaves immediately. She says there are many MFIs around here, and several people have **multiple memberships**. Other women who have now joined us agree, and one says managing more than one is tough. She is still in ASA and Grameen but at Grameen she is saving only, and holding out against taking another loan because of fear of repayment problems. She says that she has had Grameen staff come and sit on her doorstep refusing to go until she pays something, but she says their language remains polite and there is no overt threat, just embarrassment and loss of prestige. We ask, "Is that the worst that can happen if you don't repay?" MB says that there is a distant relative of her husband who took far too many MFI loans and ended up having to sell her property. We identified that person as MB and her story is told as interview 004.

## Interview 019

A cautious household that opts for savings over borrowing, with some success. They have not used MFIs partly because they don't like to take interest-bearing loans and partly because of the failure of an MFI more than a decade ago, in which the family lost money.

**Location:** A Hindu neighborhood in a central district village where there are many MFI branches.

**Respondents:** Mr. RChP and his son and daughter-in-law

**Household:** RChP is a traditional potter who hasn't worked for many years because of an undisclosed complaint aggravated recently by a road accident. He is about 65 and unschooled. His wife RRP is 50 and also unschooled. A son and a daughter are married and living separately (the son in the same *bari*) but another son, GChP (28, class 5 pass) and his new wife SRP (18, class 8 pass) eat in the same *chula* of four people. Photo shows RChP with his daughter-in-law and son.



**Home:** They have a tin-shed, two-cell house in a big *bari* devoted to pottery. RChP owns 0.035 acre of the homestead. There are new good quality furnishings (bed, cupboard, TV) that came recently as part of the marriage settlement from the bride SRP's parents (another quite poor potter living near the district town). In return she was given about 30,000 in gold ornaments. Otherwise the home is quite poor. They say they are "working class—we work to eat." There's no livestock, no vehicles, and no farmland.

**Income:** Because of his illness, RChP earns nothing, and this has been the case for 15 years. Before that he was a potter. His wife still helps other potters and earns a bit—1,200 to 1,500 in a good month but very little recently. The main income is from son GChP who works in a goldsmith's shop in distant Chittagong making ornaments to order (he is thus only intermittently part of the consumption side of the *chula*). His average monthly take is 5,000 to 8,000, but recently it has been lower than that because gold price fluctuations have made people nervous about buying gold. GChP's wife stays here as the main housewife. They usually manage three meals a day, but the meals can be very sparse, with fish not more than twice a week and meat not more than once a month. Sometimes the old couple eats with their other son, next door. Daughter-in-law SRP sometimes goes to her parental home and eats there to relieve the pressure.

**Portfolio:** The natural tendency of this family is to **save** rather than borrow. Some things succeed better than others. RRP (RChP's wife) has a **mud bank** but it rarely produces much. But ahead of his marriage and on the advice of a friend, son GChP opened a **DPS in a commercial bank** (National) in Chittagong and put in 2,000 a month for three years and came away with 80,000—all spent on the marriage (including the 30,000 of gold that now adorns his wife). He has not opened another one since, though, partly because his income has become less reliable. He would open another one if he could. His shy wife SRP chimes in to say, "It was very important for our future."

They don't have any insurance, and the agents don't come here though they do go to the Chittagong shop trying to recruit clients—GChP's boss bought a life policy. They have no **loans** from any bank or MFI. But they give and take **howlats**: GChP gives and takes in sums of 1,000 or 2,000 with friends and family both here and in Chittagong; these are used to support the family. He tells us he suspects he will eventually have to approach his in-laws for bigger *howlats*, though he didn't say why—maybe his wife is already pregnant?

We saw son GChP's passbook for the **Bangladesh Potters Cooperative Samity**. This is an **ASCA** that his mother opened in GChP's name. It has a three-year term, and he saves 20 a week; his current balance is 996. He could borrow but doesn't want to—he dislikes the idea of paying interest. He can withdraw cash if he wants to but he doesn't. His brother is also in this scheme.

**Discussion:** They don't use MFIs and never have, and they give a particular reason for this. Many years ago an MFI called **SDS** failed, and many people lost their savings. SDS started in this part of Bangladesh, and the villages around here were especially badly affected. Wife RRP says she lost 5,000 or 6,000—a lot of money in those days. One of GChP's uncles was an employee of SDS and lost not just 10,000 but his employment as well, and suffered scowls from other people who lost money. They have therefore totally lost confidence in anything like an MFI and avoid them entirely (even though they know they could reduce risk by borrowing from an MFI rather than saving with it).

This isn't true of others in the area. MFIs are thick on the ground, and many people have joined them, often several at a time, the family notes.

Another factor is GChP's resistance to the idea of paying interest on loans. It just grates with him, and he does his best to avoid it. In the shop in Chittagong, ironically, he gets involved in **pawning**—the lending activity practiced by most goldsmiths in Bangladesh, but he says it's on a small scale—2,000 or 3,000 at a time.

## Interview 009

A well-educated, middle-income household with a strong income stream using MFI loans modestly and to their advantage and beginning to use MFI savings for their future. They like their MFIs and think they are good for them—though not necessarily for everyone.

**Location:** The suburban outskirts of a prosperous small town in a central district.

Respondents: **Mrs. MRCh** and her son **ACh**

**Household:** MRCh's husband, AMCh, died four years ago. He was, by caste and by trade, a traditional jeweler but he also ran a passport and visa processing business from a small shop in the market (visas mostly for fellow Hindus to visit India, not for migration). That shop is now closed. MRCh is 45, and studied to class 6. Her two sons, ACh (35, class 10) and ASM (22, class 5), live with her. ACh is married to SA (26, class 9), and they have a son, 7. Also eating in the *chula* is MRCh's mother, for a total of six people. Photo shows MRCh with her son and daughter-in-law, on their front verandah.



**Home:** They live in a very dense neighborhood that is virtually a suburb of the nearby town. They have a well-built brick house with a tin roof (recently repaired). The two main rooms are quite well furnished with a fridge, color TV, timber beds, chairs, and a table. The household has four cellphones. There is no farmland and no livestock except two or three geese. There are no vehicles. But there is a separate room where AMCh works up faux-gold ('City Gold') ornaments (photo). He has tools and machinery worth around 25,000.

**Income:** Income comes mainly from the jewelry business, which both sons work at: it produces around 12,000 to 15,000 net a month. There are no employees. They take the goods to a wholesaler in Dhaka (or sometimes he comes to them to buy). ACh also keeps up his father's work of helping people with passports and visas, mainly for trips to India, but he has given up the shop and now does it all online (he uses a public computer for this, not having one of his own). This produces on average another 7,000 a month.

**Portfolio:** They have no accounts at formal banks and no formal insurance.

MRCh has been in **ASA** for five years. She joined to get more capital for the jewelry business, and her current **loan**, taken only last week, of 28,000, was spent in that way. She's very matter-of-fact about it: the ASA meeting place is next door, so she just walks over, hands her dues to the worker, and is back in no time. She hasn't had repayment problems of any severity as the boys' income is steady. But she suddenly says, "It is better if I don't borrow." Why? Because she doesn't like paying interest—though she doesn't think ASA's rate is unreasonable, saying, "Well, they have to charge

otherwise how could they run their business?" She saves a bit in general **savings** (passbook shows a balance of 3,000) and in security savings (1,700), but she doesn't have a DPS and doesn't at first appear very savings-oriented. When we quiz her about savings, she says, "Yes, of course savings are important for one's future, so in the long-term they are maybe more important than loans."

Shortly after joining ASA, about four years ago, she joined **BURO**. The group meets in front of her house, and she is the Center Chief. Her current loan is 20,000, and it is used partly for the jewelry trade (they just stock up on materials and the boys work gradually through it) and partly in the visa business. Her BURO passbook shows general **savings** of 474, security savings of 751, **loan** balance of 5,100 (and it looks like it has been paid very regularly). She has a BURO **DPS** of 200 a month, opened with her grandson in mind.

She says, "These two—ASA and BURO—are good." She has no complaint. Staff behavior is good. Her fellow members are also good—almost everyone pays each week on time.

MRCh's daughter-in-law SA duplicates her mother-in-law's MFI membership. She is also in both **ASA** and **BURO**. But she is distinctly more savings-minded. She's saving for her son, and she says that savings are more important than loans because savings "are for the future" whereas loans "just come and go." Her BURO **DPS** is of 500 a month, and she also pays into weekly general savings.

ACh and his brother give and take **howlats**; sometimes he takes low-value, short-term private **loans on interest**—5,000 or at the most 10,000—to cover the occasional unexpected need or opportunity. When they ran the shop in the bazar, they used the bazar samity (an **ASCA**).

**Discussion:** They say, "Almost everyone round here is in an MFI, most in more than one." They have seen the long-term trend. They think MFIs started proliferating from about 10 years ago and reached a peak in more recent years; they are not aware of any pull-back. ACh does comment, "In the early days when there were fewer MFIs and fewer smaller loans, it felt better. Now it's not so good because everyone has lots of loans, and it makes their lives complicated and worrisome." But he says that for his household MFI borrowing is quite good—probably the best option available to them to get capital easily for their business.

He notes that there are a good number of men who gamble or drink or are otherwise addicted and he thinks that when MFI loans get into their hands they are inevitably wasted and their families are harmed. He says it's not the MFIs' fault because they probably didn't realize the men were addicted. More generally, he says, for poor people with weak incomes MFIs are probably more bad than good.

## Interview 031

A farming family using an insurance company to save for future needs, and howlats and—at one time—MFIs for borrowing. MFIs are hard to manage—but then so is any form of borrowing.

**Location:** A remote corner of a southwestern district, with poor road connections. MFIs have been here for some time, though the density of branches is low relative to other areas.

Respondent: **Mrs. JH**

**Household:** FS, about 60, illiterate, and his wife JH, 42, also unschooled (photo). They had three daughters; two are married and living away. The third, RM, 12, is in class 5. They also have two sons, both at home: SJ, 17, studying in class 8, and TM, 10, in class 3. So it is a five-person *chula*.



**Home:** They own their homestead on which stands an older tin-shed house for the couple and their daughter and another smaller one for their sons. There is an electricity line so there's a TV (black and white) and a fan but not much furniture. There is no kitchen; they cook in the open. They have no farmland but sharecrop-in 1.5 acres. They have three cows (one in milk), a cow shed, and some ducks and chickens. There is a bicycle but no other vehicles. They have an irrigation pump set. There is a fish pond and some fruit trees.

**Income:** Farming supplies rice for the whole year (two shared crops: for the input-intensive IRRI rice their share is two-thirds, for the less intensive *aman* it is 50–50; they supply all inputs). They also grow pulses (photo); they sell a little of this produce (maybe 5,000 to 10,000 a year). As well as doing his own farming, FS sometimes day labors and gets 200 a day. SJ helps his father when he's not in school. They don't sell the milk, and there is no other income.

**Portfolio:** They have no formal bank accounts. JH has an endowment savings plan with **Islami Bima**, a formal **insurance** company. She pays 100 a month to their agent who calls at the home, and she is in the sixth year. The agent is a local woman, and JH trusts her. JH opened this plan “for any future use” but with the marriage of her third daughter in mind. They also keep a little **savings** in a steel box in the house.

Recently they borrowed 70,000 as a **howlat** from their older daughter, who is married to a migrant worker in Saudi Arabia. They took this money to complete the registration of their homestead land, and they would like to pay it as soon as possible because JH feels embarrassed to have such a big loan from her own son-in-law. She is thinking how to raise the money and is considering joining an MFI. However, because of her previous experience with MFIs (below) she is cautious and hasn't approached an MFI yet.

JH joined **Grameen Bank** about 10 years ago and was there for about four years. She took **loans** (some used to dig their pond) and ran a **DPS** of 200 a month for that time. But with a low and irregular income stream they found it very hard to make all the repayments on time, and in the end she swapped her savings against her outstanding loan and left. This was also the time of the Sidr cyclone, which reached this area, and also the year she married her daughter to the man now in

Saudi. She says, though, that she gave no dowry and the marriage wasn't very expensive—it was financed by selling cows and getting gifts from her brothers. She has no complaints against Grameen.

Not long after leaving GB, she joined **BRAC** and went through a similar cycle. She took two loans (of 3,000 and 6,000, used for fish cultivation and consumption) and then left because repaying became difficult—though she claims she was never late in paying as she always found some way to get the money together.

We talked generally about MFIs. JH thinks they are a bit expensive—she doesn't like the idea of having to give them more than 1,000 for a 10,000 loan. MFIs are very strict—you have to pay according to their schedule in which you have no say, and this makes them difficult to manage. But MFIs are better than private moneylenders, who are more expensive. MFIs may even be better than *howlats* (interest-free loans from relatives and neighbors) sometimes, since when you take a *howlat* you are under social obligation to repay as soon as possible and it is extremely shaming if you fail. All in all, MFIs are “more or less OK” because “after all, everyone has to borrow.” She quotes a local saying: all borrowing is like hot oil—it burns you when you touch it. JH isn't aware of any local cases of people being seriously harmed by MFI borrowing.

## Interview 040

An educated widow managing limited resources. Careful use of just one MFI has helped her, in both loans and savings. She makes many detailed observations on how things are at her Grameen meeting.

**Location:** A village in a busy central district.

**Respondent:** Mrs. SH, widow of Mr. SI

**Household:** SI (schooled to class 10) was a small businessman who acted as a broker for leasing land (he had some connections in the railways) and dabbled in construction. He had a stroke three years ago which left him in extreme mental disturbance ("he went mad," says his wife), and he died 18 months ago, leaving respondent SH (also educated to class 10) and their three sons, 14, 13, and 5, all of them in school. It is now a four-person *chula*. Before the stroke, SI's family would have been described as middle class, now they are in decline.

**Home:** When he died SI left his wife the homestead land and a good-size home, now somewhat dilapidated, of mixed mud and *pucca* and tin construction, with tin roofs. There is also some farm land (about 0.45 acres), which SH now lets out on sharecropping terms. Her husband had also bought a homestead plot elsewhere that may be worth around 250,000 to 300,000. Inside the home we find modest furniture: bed, table and chairs, cupboard and so on, and ceiling fans. There is no livestock. There is a small shop in the local market, rented out. When SI "went mad," he became violent. They had to sell a cow before he killed it. He failed to look after their chickens and a fox took them. He once set fire to the house. SH says she lived in fear.

**Income:** SH has no income-generating work and is busy with looking after her three sons. She gets some rice, enough for a few months each year, from the land. From the shop she gets 1,000 a month in rent. But SH's big problem is that because of SI's sudden stroke, she doesn't know much about what she has inherited from him—it's all a muddle. For example, she knows that there were **loans out**, in quite high values (she estimates a total of 300,000), to several local shopkeepers and businessmen (probably five of them), but she doesn't have the details. So none of them is paying any interest and only some of them pay her any principal, irregularly. Last month she got 5,000 of capital. She knows she is being taken advantage of but can't do anything about it. She gets a little income annually from a bank account (see below). She has no other income, but she knows that in great difficulty she can count on loans or gifts from her own family: her brothers, living in her home district of Mymensingh (not too far away) are doing OK, one owning a CNG (motorized auto-rickshaw), for example.

**Portfolio:** SI used to be a member of the bazar *samity* (an ASCA), but SH no longer has any dealings there. She runs a **mud-bank** (a piggy bank) used mainly by her sons to store coins—it yielded 1,500 last time it was broken. One of her assets dating from her husband's time is a sum of about 500,000 or 600,000 of **savings** sitting in a fixed account at **Grameen Bank**, fortunately in her own name. Although she is a Grameen member, this is a public account of the sort that Grameen set up after the shift to GB2, not a member account. She knows her husband also had savings in an ordinary savings account at **Agrani** commercial bank, but since his death she has been unable to sort out the details and claim possession. There may be up to 500,000 there, she thinks. If she can establish her right to the 200,000 or 300,000 worth of homestead land that SI bought she would sell it and invest

it in a bank, probably Agrani. She thinks that in her situation regular, dependable income from deposits in scheduled banks is the most prudent way to secure the future of her children.

SH has been a member at **Grameen Bank** for 10 years—the branch and the *kendro* are very close at hand and at one time the Grameen branch manager was their tenant, though he quickly moved out when SI “went mad.” SH’s sister-in-law is the *kendro prodhan* (center chief). SH used to take loans from Grameen and pass them to her husband to use in his business. The last loan, of 20,000, was repaid before he died. This means that she has no debts to Grameen, but it also means there was no life insurance pay-out from the Grameen scheme, as far as she understands. She hasn’t borrowed since his death because the only income-generating activity she can think of is on-lending to others, and she thinks that in her situation that would be too risky (“I don’t know reliable people to lend to”). Knowing her situation, Grameen does *not* press her to borrow. So she **saves** 20 a week, and her general savings now total about 3,000. She uses this as a current account, withdrawing sums of up to 1,500 for consumption from time to time. She has no trouble making these withdrawals—Grameen gives them promptly. Her Grameen savings have always been “hers”: SI paid the loans and the interest on the loans, but it was always her job to make the savings, which she did from egg sales and the like.

Her experience with the **GPS** at Grameen is of interest. Some years ago she opened the compulsory “red” one of 50 per month, and an optional one of 100 pm. When her husband had his stroke she stopped paying in. She regrets this but says everything was such a muddle at that time she was distracted. Then she got round to closing the 100 pm GPS prematurely and took out 8,500, which she lent as a **howlat** (interest free) to her brother (who had some big family crisis of his own at the time) but of which he has so far only repaid 5,000. Now she is thinking to restart the smaller 50pm GPS if the bank will let her. The intention behind the bigger (100 pm) GPS had always been to bring it to maturity and place the proceeds in a **FD** at Grameen in the name of one of her sons, to help secure their futures.

**Discussion:** Her view of Grameen is favorable. Happily she had few repayment problems. She thinks GB staff behaved reasonably with her savings and her difficulties (perhaps the tenancy of the branch manager helped build an unusually good relationship). She thinks her passbook was pretty well maintained—partly because the couple was well-enough educated and interested enough to check it regularly. BUT she thinks that this level of service was not experienced by everyone. She has seen members failing to persuade Grameen to correct poorly maintained passbooks, leading to resentment and sometimes open quarrelling. She thinks some members may have lost savings in this way. She says much depended on the personnel. At one time, for example, a sympathetic Second Officer tried his best to make up for the negligence of an especially lazy branch manager.

We asked about repayment problems that she has seen in her *kendro*. There were many, and they sometimes led to members exiting the group. Often this was accompanied by a “hue and cry” and much bitterness and resentment, especially if other members berated poorly paying ones for their failures. It seems GB goes on trying to get remaining members to make up arrears left by overdue or fleeing colleagues. Still, most often, in the end, some way is found to balance savings against outstanding loans, so a good number of members left without debt and with some of their dignity preserved. Most of these troubled members were poor (much poorer than her). They are “harmed” she says (prompted by our question) in the sense that they take a loan and use it for consumption

without having enough income to cover the repayments, or place the loan in trivial businesses that quickly fail. Then they fall behind in repayments, have to go through the strained relations at the *kendro*, and then exit, not so much with any loss of assets but probably with some loss of creditworthiness—they may now find it harder to get local loans and *howlats*.

She has a view that she volunteered on the trends in Grameen recruiting. She thinks that Grameen is now more careful than before (she can't specify dates) to avoid recruiting poor people, certainly very poor people. Loan officers now check much more carefully on the homes and other assets and will take on only people who can show some evidence of reliable income.

She also offered a view on multiple borrowing. She says people join second and third MFIs not so much because they need more capital for a business but because they need money several times each year, not just once. She says this trend may be increasing as the need for money seems never to stop growing. She has seen that when Grameen staff find out that a member is in another MFI they try to get them to drop either Grameen or the other MFI, and then the members concerned in turn try to persuade Grameen to keep them via the *prodhan* (SH's sister-in-law, so she sees this at first hand). However, her views on all of this are not as sharp as they could be because the "meeting" as such doesn't really take place in the way it used to. Often members send money by their children or their friends. The *prodhan* does a bit of chasing of payers for the bank, but the loan officer usually has to go door-to-door as well.

We asked, "Would you recommend your future daughters in law to join Grameen?" She evades the question and says, "I would advise them to open a DPS in any bank as soon as they can." If her sons make a good income this will be by far the best plan. If they don't, but are able to run a business properly, then an MFI membership can help.

## Interview 017

*An extremely well-organized young man with a small but regular government salary is shrewd in his use of financial services, making them all—including an MFI—work well for him.*

**Location:** A settlement of homes built on government-owned land near a government facility in a southwestern district. Most of the people living here have government jobs.

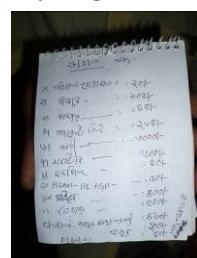
**Respondents:** Mrs. SB and her son Mr. UM

**Household:** SB is a widow, about 65 and illiterate. The effective head of the household is her educated and sharp-witted if somewhat deferential son, UM, 36. He studied up to class 10. He is married to ES, 30, who also studied to class 10. They have a son, BD, 11 (in class 5) and two daughters HF, 7, (in class 1) and HB, 3. This is a six-person *chula*.

**Home:** UM has a job as a government cook. He is currently posted to the nearby facility and rents a piece of government-owned land for 150 a month (he gets no receipt for this and is unwilling to say whether he thinks it is official or whether someone pockets it—it seems extraordinarily low if it is official). The plot is about 0.4 of an acre so he has room to grow vegetables and has built a house of woven bamboo and tin walls and tin roof. He has a color TV, a fan, two wooden bedsteads, a meat safe, a mobile phone, and a bicycle. His wife has about 4,000 worth of gold jewelry. They keep one goat. In his home in an adjacent district he still has a share in the family homestead and owns a recently built house there that is vacant. He has also just bought a piece of land here, nearer the facility, of 0.045 of an acre, but is undecided what to do with it. This is a middle-income family.



**Income:** UM has been a class 4 government employee for nine years and gets a monthly wage of 8,500 and in addition buys heavily subsidized food rations: 43 kg of rice, 11 kg of flour, 5 kg of sugar, and 5kg of oil all for just 421 taka each month. UM is a very well-organized person and showed us his receipts for these goods and also his personal monthly accounts (photo). His wife and mother are housewives. His brother, also a salaried employee, sends a bit of cash help to his mother from time to time (sometimes via *bKash*, Bangladeshi's fledgling mobile money service, majority-owned by BRAC).



**Portfolio:** UM is enrolled in the government provident fund, so effectively he **saves** 500 a month from his salary, with the government adding a contribution. He thinks his current balance is around 30,000. He says he can **borrow** from this balance if he wants to but has not yet done so.



He ran for 30 months a **DPS** at a Dhaka branch of **Islami Bank** of 500 pm: he broke it at 16,000, and the money was put toward the land bought locally (see below).

At a more modest level the family has a **piggy bank** made from a spray canister (photo, held by his mother SB) that everyone drops coins into. They break it every couple of

years. Last year they got 2,000 out, though that was more than average. UM says the can is better than a traditional clay bank, which the children are prone to break open.

They have used no commercial bank accounts other than the Islami Bank DPS and have no formal private insurance. They have never taken a private loan on interest. There are ASCAs in the village and also among his workmates, but he hasn't joined them.

Before they came here, UM was serving in Dhaka, and his wife was in the family home in the adjacent district. At that time (about three or four years ago) his wife joined **BRAC**. She took three **loans**—of 30,000 then 50,000 and finally 80,000. Though this was microcredit (BRAC's *dabi* program) UM arranged with the BRAC manager to send from Dhaka a month's worth of weekly repayments in advance each month. He says finding the repayments was tough at first but then he got a pay rise and after that it wasn't so difficult. BRAC was happy with the arrangement. UM says he paid up each month and though his wife stopped borrowing when she moved here, she still has about 1,000 **savings** in BRAC, and BRAC still hopes she'll borrow again. The first two of these loans (30,000 and 50,000) were used to construct a new house on the family plot. The third loan was put toward the land he has bought here. The total cost of that land (including registration fees) was 193,000, and he raised the rest from selling 50,000 worth of mahogany trees from the family homestead, cashing in the DPS he was running at Islami Bank, and borrowing a **howlat** of 48,000 from an uncle (also serving here, and present at the interview—the money came from the uncle's bank savings from trading livestock). UM has just finished repaying his uncle—he was paying between 1,000 and 2,000 a month, from his salary.

We try to get some opinions from UM about his various financial partners. He says that the Islami Bank DPs was good because the monthly deposits went straight from his wage into the bank so it *gai lage na* (didn't touch my body—i.e., I didn't feel any pain). We ask if he thinks MFI loans are useful, and he says for him of course they were useful, and for others, “if they weren't useful why would people take them?” He says staff from various MFIs come round to his home here and try to recruit his wife into membership. We ask if he'd advise his daughters to take an MFI loan, and he says he'd tell them: “Take one if you have a clear use and a clear plan: but don't take one just to get by.”

## Interview 034

A retired government worker and how he handles his finances. His wife uses an MFI as a back-up as long as she doesn't have to go to any meetings. Mostly they use savings instruments, but not insurance.

**Location:** A village in a quiet area some miles outside the main town in a busy district. There are fewer MFIs here than in other parts of the district.

**Respondent: Mr. AD**

**Household:** AD, 59, with an HSC (11 years of schooling) is rural, upper-middle class. He recently retired from government service (head assistant in the district agricultural department). He lives in his ancestral *bari* with his wife RA (46, class 8 pass) and his third daughter JG (23) a degree student in the district town married to a salaried man who lives in Dhaka. AD also has a son with an engineering degree who lives in Swansea, U.K., with an illegal job as a guard while he waits for a work permit there. This son's wife and their child live here. So the *chula* is five persons.

**Home:** AD is the head of his inherited *bari*, which is a comfortably large one (a quarter of an acre). There's also 1.5 acres of farmland (sharecropped out) and a pond. AD lives in a well-built tin house, and he has a sitting room (where we sat—photo) which is well fixed-up with hardwood furniture, a modern TV, a big modern refrigerator, and so on. Two cows provide milk, and there are chicken and geese. He thinks he is middle class, and we agree.



**Income:** He gets his government occupational pension, which is 6,000 a month (paid in cash so he goes to the district town each month to get it). There is rice from the land and fish from the pond and eggs and poultry from the homestead. So it's not a large income, but enough for them in retirement. There is interest income from various accounts (see below).

**Portfolio:** When AD retired he took his gratuity in cash—900,000. This was mostly used to shrink his balance sheet: he used 700,000 of it to repay various **howlats** and private on-interest **loans** (mostly at 4 percent a month—not so expensive) that had accumulated as he helped pay for his son's education and trip to the United Kingdom. He has tried to preserve the rest of the gratuity: e.g., he has a **savings** account in BKB (Bangladesh Farmers Bank) in the district town with about 40,000 in it. There are two accounts in his wife's name at **BRAC Bank** (not the MFI): an ordinary savings account with 15,000 in it and a **DPS** in the making, with a 10-year term and deposits of 2,000 per month.

They have no insurance accounts. An agent has visited the *bari*, but not recently nor frequently. It was found that there wasn't a policy suitable for AD so he didn't buy in; had there been, he would, he says.

Perhaps surprisingly (for such a well-to-do household) his wife RA is a member of an **MFI**. She joined **SSS** about five years ago. She **saves** 100 a week in general savings and has a balance of 20,000. No

DPS. She wants only to save but SSS would like her to borrow so she took one **loan** only, 10,000, two years, used it in the home and repaid in the year. That seems to have satisfied SSS, and it no longer presses her to borrow. This is her “back-up” account: SSS is close at hand and she can withdraw or borrow fairly quickly if she ever needs money suddenly. She wouldn’t join an MFI under the old rules, when you had to attend a weekly meeting. But these days she can send her savings via a neighbor so she never has to be seen in public to be associated with what is still seen as a “poor person’s bank.”

**Discussion:** They don’t know much about MFIs but have an opinion. They are OK for poor to join if they can invest nicely or have income enough to cover the repayments. He has no objection in principle to them. He believes that some MFI borrowers on-lend their loans to others, but he doesn’t say whether he thinks that’s a good idea or not. RA says that since she doesn’t attend meetings, she can’t say much about multiple membership and other aspects of MFI membership.

### **Theme 3: Stress**

The **stress** or tension associated with borrowing, including MFI borrowing, is our third theme. It can be worth making sacrifices to pay off loans if the reward is large enough, as our first example (interview 005) shows. But when borrowing goes badly wrong, as in our second example (004), stress combines with lost property and diminished self-esteem to produce an almost unbearable situation. Some, like H in interview 002, admit they borrowed without thinking carefully enough and are now paying the price in high levels of stress. For some MFI borrowers, the stress is heightened by the very tenacious loan-collection practices followed by MFIs: a farming family (038) tells us how that inhibits them from borrowing from MFIs, and another family that doesn't use MFI loans (033) explain why people fear falling into arrears with MFIs.

## Interview 005

A very poor household using hard work and a long string of MFI loans to repay private debt incurred to buy homestead land.

**Location:** A village in a poor, conservative, and remote part of an otherwise vibrant central district. Though there are many MFIs in the district, they have few branches here. This is not an area with much remittance income.

**Respondents:** Mrs. RM and her son ML

**Household:** RM is 55 and unschooled and her husband MM is 10 years older and also illiterate. Their son ML is 24 and reached class 5. He lives with them along with his wife FA (20, she also reached class 5) and their four-month-old son, IL. Also in the *chula* is a granddaughter by another son. She is 6 and in class 1. Altogether this is a six-person *chula*. This is a very conservative area, and son ML, seeing a foreigner, made sure we were not going to try to convert them to Christianity before he would allow us to talk to them. Outside on the road when we came out was a large group of *madrassa* students, very concerned about what we are doing here.

**Home:** Their house is probably the poorest we have seen so far this trip. It is a single jute-stick-wall tin-roof room that has the cow-shed inside it along with the living accommodation, and with no furniture other than one cheap *chowki*. We saw the granddaughter asleep on a mat on the earth floor, just inches from the cow (no milk). This hut sits on 0.11 acres of homestead land bought 15 years ago and registered in RM's name (see below). They used to live with her parents-in-law. They have no farmland.



Son ML has a second-hand rickshaw (a gift from his father-in-law some years ago), and RM owns an old spinning wheel and frame. There is an electric connection (maybe illegal), but no fan and just one bulb. They have no gold. They think of themselves as very poor, and they are. The photo shows RM with son ML in front of their hut.

**Income:** RM has been a spinner most of her life and still earns about 500 or 600 a month spinning and passing the thread on to a middleman. Her husband, MM, is a beggar, working a full day every day and getting anything from 100 to as much as 350 each day (or sometimes he gets rice—maybe 5 kg). Sometimes he takes a day off from begging and does day-labor in the fields. Son ML drives his rickshaw five or six times a week to the district town (more than an hour away) and works it there, earning 300 to 400 a day. His wife FA is the main housewife.

**Portfolio:** Much of their activity revolves around the purchase of the homestead land 15 years ago. The couple—above all RM herself—thought it essential to get their own land. Otherwise where would they build a home and "live a proper life"? The land cost them 80,000 (it is, of course, worth much more now). They had nothing saved up, so they borrowed the whole amount locally, some as *howlat* from family and friends, but most as **loans on interest** (at the rate of 20 per 1,000 per week, mostly, they say). Altogether there were 20 to 25 creditors. What then followed was complex, but in

brief, they paid the interest on these loans out of current income (MM was a weaver in those days) and sought other ways to pay the principal. To do the latter, they turned to MFIs.

RM first joined **BRAC** at the time of the land purchase, or a little after. MFI **loans** back then were smaller: she took 1,000, then 3,000, then 5,000, and so on—her most recent loan was 20,000. All of these loans were used to repay the private lenders; the most recent BRAC loan saw them finally repay those private creditors in full. She also **saves** 20 or so each week at BRAC. She says they don't allow withdrawals so some balance is building up but she doesn't have her passbook handy so we don't know how much.

She joined **Grameen** about seven years ago. In this case not all the loans went to private loan repayment. Some did, but some went to education costs, house construction and repair, and consumption. She saves 20 a week (or so) in Grameen regular savings and withdraws from it to make up loan repayment shortfalls, leaving a small balance. At neither Grameen nor BRAC does she have a commitment savings device (a DPS or GPS). She is open to the idea but says she couldn't pay regularly.

Their current debts are the balance of current loans from BRAC and Grameen and about 10,000 to four private lenders.

**Discussion:** The whole project has been a huge struggle, but they all think it worthwhile. They kept up to date on MFI repayments “eating and not eating” as RM puts it (they sometimes ate only once a day, and mostly just twice a day), and having to take yet more *howlats* and private on-interest loans to fund repayments in difficult weeks. When they were late paying, BRAC staff “would get angry with me,” and sometimes they would come to the house to make her promise to pay up as soon as possible. The stress associated with the private loans was, however, greater than that associated with the MFI loans. Sometimes she would “hide away” behind the house, and creditors would be told that she was out of the area. Her final verdict is that “the MFIs were useful to us.”

She thinks that some other MFI clients did worse than she did. Not only did they suffer from reduced eating (as she did) but they also had to sell important assets to repay, including land. Son ML's attitude is interesting. Since his father stopped weaving, he has assumed the main role of repaying the MFIs, from his rickshaw income that punishes him with five or six days of rickshaw driving plus a two-hour commute to the district town. He seems wholly committed to the project and appears uncomplaining.

## Interview 004

*A small-time vegetable trader falls deeper and deeper into debt with both private lenders and multiple MFIs. In the end he and his wife sell their assets to settle the debts.*

**Location:** A village near a market in the more developed sub-district of a rural southwestern district. MFI density is not particularly high, but all the major ones and some others are there, and their branches are mostly profitable. There is not much remittance income.

**Respondents:** Mrs. MB and (later) her husband Mr. SS

**Household:** SS is in his late 40s, illiterate. His wife, MB (photo, in front of her home) is 10 years his junior, also unschooled. They have three daughters and a son. One daughter is married, the other two are at home: one is 12 and in class 6 and the other 5 and in class 1. The son is 19 and in class 10 at college. So this is a five-person *chula*.



**Home:** They now live as *okreit* (living rent free on someone else's land) in a tin shed house they recently built (photo).

This land was theirs until very recently. They sold land, buildings, furnishings, and many other assets to settle debt. They sold the land (0.19 of an acre) to a relative who now allows them to live there rent free. They have very few remaining assets: a few fairly basic bits of furniture and a surprisingly large number of cooking pots is all we saw in the home. They are lower-middle folk now fallen on hard times.



**Income:** SS is a vegetable trader. Right now he has a patch to sit on at the nearby market (photo, seated, back to camera). But in the past he had a rented a covered shop in the same market and traded in a bigger way. Income is now small (we didn't get exactly how small). MB is a housewife, though she was working as a maid servant for a bit when times were tough recently.

**Portfolio:** There is a complex interweaving of private and MFI debt behind this couple's present situation. Here we try to tell the story in time order.

We begin with SS some years ago as an ambitious vegetable trader. He managed to build up his business, but he did that on the basis of debt from the wholesalers who supplied him. When they started putting pressure on him to pay up (by threatening to stop supplying him), he went to one of the more-or-less professional moneylenders in the market who lent to him at a high rate (maybe as high as 10 percent a month according to SS). He next bet on making progress by importing vegetables (especially garlic) on the black market from India, but this failed spectacularly, mainly because of loss of goods to theft *en route* from the border. SS then got into deeper debt on two fronts: the private moneylenders and MFIs.

His wife MB recounts the MFI side of the story as follows:

She got to know MFIs when she joined **Ansar VDB** some 15 years ago. She took several loans and repaid OK, then left. Then she rejoined when SS's cash-flow problems started, and borrowed again. Soon after that (maybe five years ago) she joined **BRAC**, and took four loans, the last being the biggest, at 50,000. Very soon after joining BRAC she joined **ASA**, and took four successive loans, the last being the biggest at 40,000. A year after joining ASA she joined **Grameen Bank**, and her biggest loan there was her third, at 15,000. About this time her husband joined an MFI called **Jonokalyan Samity** (maybe a government-controlled BRDB ASCA) where loans are repaid monthly: his biggest loan was 24,000. Then MB joined **Jagarani Chakra**, and soon built up to a 40,000 loan. Finally 18 months ago, MB joined her last MFI, **BURU**, and took one loan of 10,000. By this time, as she says, she joined new MFIs simply to repay debt from the previous ones.

Meanwhile, according to husband SS's account (we found him in the market with the help of a local rickshaw driver), he had taken yet more money from the **professional moneylenders**, again at 10 percent per month. He was by then 110,000 in debt, which was growing quickly because of compounding.

Around this time (later 2011 or early 2012) pressure from both the private and MFI lenders got to the point that SS simply fled for three months, during which time he worked as a laborer on a cargo boat on the Dhaka-Khulna run. He says he did this because it became impossible for him to walk from his home to the market. Both private and MFI creditors would see him and verbally challenge him, and the private lenders even hinted at violence ("you'd better be careful how you go, you never know what might happen...", and so on). He was scared. His wife MB left home with the children and went to her parents, in a village a few miles away. But she was shocked when, at dinner one night, she says, two lots of MFI staff (Jagarani and BRAC, she thinks) turned up at her parents' house and started pressing her to repay.

The couple decided enough was enough. SS came back, and they decided to sell everything they had. MB tells the story as follows: the **ASA** debt was paid off by selling furnishings (a cupboard, the fan and TV, and so forth), and she quit ASA. The **BURU** debt was paid off from selling one of their smaller buildings (the kitchen shed), and she then quit **BURU**. The private debts were settled by selling all their land. She is still a member of the remaining MFIs: **Ansar**, **Grameen**, and **Jagarani**, and for these MFIs she is paying token amounts each week with the idea of paying off fully over time. Amazingly, she has recently rejoined **ASA**, and has a 20,000 loan used to restart the vegetable business. We don't know what has happened to SS's membership in **Jonokalyan** (we forgot to ask).

We reviewed this story with MB and SS, separately. We asked her who suffered most, her or her husband. She thinks she did, because the pressure from the MFIs was incessant. She had to work as a housemaid, a huge loss of prestige; this was at AB's house (interview 016): AB also helped feed the children at that time. Whose fault was it that they got into this situation, we asked. Theirs alone, she replied: her husband's for getting into private debt and hers for the situation with the MFIs. She is not inclined to blame the MFIs for anything except for encouraging her to join and borrow at a time when it only made things worse. She told the MFI staff, when they came to see her home at the time of recruitment, that she was already a member of several other MFIs but she did not disclose to them that she was already in deep repayment problems with the other MFIs.

We asked her what the final trigger was that made them decide to sell up their land to repay. She says that for her it was the fear of police involvement, since the MFI staff had mentioned that possibility; the police never came, but she was scared. When we asked SS the same question, he said it was because of fear of what the private lenders might do to him if he failed to pay their interest.

We asked her about future involvement in MFIs. She said, with emotion, that she'll leave them all and never join again. She says, "My family is destroyed," and says that neighbors say things like "MB has been finished by MFIs." Yet, she says, the MFIs still come to her on recruitment visits. She will advise her daughter not to join MFIs.

Their current situation is that they took a 50,000 **howlat** from sympathetic relatives to build the house they now live in. SS is running his business on zero capital. He borrows 12,000 worth of vegetables each day and pays for them or returns them at the end of the day. He earns just about enough for them to live on and make some token repayments to the MFIs. He says he no longer feels stress. MB, judging from her behavior during our interview, still finds it painful.

## Interview 002

A poor elderly couple with a son in Dubai, making a big bet on his ability to remit them enough money to pay off MFI loans taken to send a son-in-law to join the son in Dubai. The situation is especially stressful for the wife, who is the household manager and prone to worry much more than her carefree husband.

**Location:** A prosperous district in central Bangladesh that has been densely populated by MFI branches for many years. There is much overseas remittance income. MFIs have had a mixed history here, with many successes but also some reverses entailing the restructuring of groups.

**Respondents:** Mrs. H, her husband, Mr. K, and her son-in-law AN

**Household:** K is 65 and his wife H (photo) is 55; both are unschooled. They had three daughters, all now married—the youngest very recently. They also have a son, IH, 25 (with a class 9 pass) who has been working in Dubai for the past three years (K and H don't know what job he has). So the *chula* is just the old couple. H is the manager of the household; her husband K is "simple" and accepts anything she says. She's a worrier, he's serene, she says.

**Home:** They have their own quite large *bari* (homestead) of a tenth of an acre. The couple lives and sleeps in a small tin-shed house (photo), rather dilapidated, with a chair, a table, and a bed, but no electricity, so no TV or fan. There's a broken down small shed where the son slept before he went to Dubai, and a jute-stick walled kitchen. There is a tube well for drinking water. They have no farmland but sharecrop in 1.5 acres of paddy fields. There is no livestock save for a few chickens. There are no vehicles or other working assets. H wears a tiny bit of gold (worth maybe 500). They have a cell phone bought by the son for them to keep in touch with him. They say they are poor and we agree, though we wonder what having a son in Dubai will do to their poverty.



**Income:** K works the sharecropped land himself, and they get 12 *mon* of irrigated rice and 8 *mon* of *aman* (main crop) rice, which lasts them just about all year, and they don't sell any of it (a *mon* is about a hundredweight). There's no other local income. From Dubai the son remits: in his first year he sent 50,000 in four months, then 1 lakh (100,000) in the second semester. This helped them finance the marriage of their daughters and pay off the costs of sending him overseas. In the second and third year he had been sending anything from 5,000 to 20,000 a month—averaging 7,000. But he stopped in August 2012, and there's been none since then. It is something to do with the accounts at the firm he works for, he told his mother. They remain confident he'll start sending again sometime soon, but they don't know when. The money comes through Western Union via BRAC; they collect it in cash.

**Portfolio:** The second of their three married daughters married a poor day laborer, AN. To improve his and her position, the family hatched a plan to send AN to Dubai, since their son already there seems confident he can get him a work permit, a job, and transport costs. That is what currently dominates their transactions (as opposed to past adventures, such as the marriages of the three

daughters and the sending of the son abroad). They are using a large loan from an MFI to help the son-in-law on his way to Dubai. It is a big gamble that the family has embarked on.

H joined **Grameen Bank** more than 20 years ago and has taken a loan each year ever since. Now she puts 50 each week into general **savings**, and her passbook shows a balance of 424 (much depleted by withdrawals). There is another 500 in her loan security savings. She has the usual “red” (compulsory) GPS (a commitment savings plan) of 50 pm and another “voluntary” GPS of 500 pm, which Grameen insisted on when it agreed to give her an especially big loan. That GPS now has a balance of 11,500. Her new **loan** is of 75,000, issued on 27 December 2012. It requires a weekly payment (principal plus interest) of 1,650, massively out of scale with their farm income and therefore entirely dependent on son IH’s remittances.

The loan will pay for “processing” AN’s papers in Dubai. For some reason not clear to the couple, son IH has told them to send the money to him in Dubai, rather than his amassing it from his income there. This request, plus his failure to remit since mid-2012, makes one wonder what the boy is up to, but his mother has complete confidence in him. Anyway, they sent the 75,000 via **Rupali**, a commercial bank in the district town to son IH in Dubai. Just yesterday the son rang his mother to say there will be some further delay (but that she “wasn’t to worry”) so now H must figure out how to meet the upcoming weekly loan repayments. She says she may sell the household paddy stocks, or try to get *howlats*, or (most likely, since big *howlats* are hard to come by) borrow privately on interest (expensive but available, for example from other MFI clients looking for something to do with their loans).

She has been in such situations before (though the sums are bigger this time), and she says, “It is making me age.” She says, “All the worry is mine—my husband (photo, right) is very innocent and as long as I put a bowl of rice in front of him he is happy, he never worries.” Son-in-law AN is present (photo, left) and when we remark to them that AN also doesn’t have to worry much since he just has to sit and wait, he nods and smiles broadly. Then H tells us, “I got into all this without thinking deeply enough. Now I will have to accept whatever happens.”



She joined **BRAC** five years ago and took three loans of 10,000, 20,000, and 30,000. The 30,000 went to farm inputs, consumption, and medicine for her husband. She repaid each week on time—not without difficulties—and cleared the last loan a year ago. Now she is just saving into general **savings**, but has a small balance of only a few hundred (we didn’t see the passbook—H tells us that BRAC is holding her passbook just now, presumably for reconciliation). BRAC wants her to borrow, and she “supposes” that she’ll borrow soon, especially in view of the Dubai situation.

She joined **SSS** two weeks ago (paying a 50 taka admission fee). She joined in anticipation of difficulties with the Dubai scheme and to get a loan cheaper than she could get on the private market. There is another important reason for her choice of SSS: she heard that it gives loans that can be repaid after six months (we haven’t verified this but it is of interest), and she thinks this

would suit son IH's remittances much better than weekly payments. SSS told her it'll lend her 20,000 but only after three months of membership.

Her current **private loan** debts are modest, at just 10,000, taken to make Grameen repayments since the 75,000 loan was issued at the end of last year. She is being asked to pay 10 percent a month for this loan. She has no formal instruments, no insurance.

**Discussion:** We ask H if there are other people in her Grameen *kendro* (Center) in situations like hers and she says yes. We ask, what is the worst that happens to them? The staff go to their homes in a group on a *honda* (motorbike) in the afternoon or evening and won't go away until they pay something and promise to pay more. It hasn't happened to her, mainly because on days when she can't pay in the morning she tells the Grameen staff and promises to go to the branch (nearby) later in the day to pay.

She very much liked Grameen loans in the early days. Loans were smaller, she was young and healthy. Right now is the worst ever in her Grameen life. But she is struggling in her own mind about what she thinks of NGOs—she sees the good and the bad sides equally vividly. "If you are strong and if you can pay they are very good." She would like to be in a position to give them up, perhaps keeping just SSS with its six-month balloon-repayment loans until the Dubai situation is resolved. Her last words to us mirror her ambiguity: "I like Grameen. But I am in such a mental state I can't sleep at night. If I had a TV I might get some relief from constant worrying, but we don't have one. Tomorrow is Grameen meeting day. Already I am turning over in my mind what to do to make sure I can pay."

We ask her if she'd advise her daughter to join an NGO. "Certainly not; too much tension. I don't know where else she'd get loans if she needed them, but if possible she should avoid NGOs."

### Interview 038

*One of only two households we have come across where they don't have and never have had an MFI membership. The head of the household "fears MFIs," and his wife thinks going overdue at an MFI could have consequences that would be "totally undesirable."*

**Location:** A quiet farming village not far from a small rural market in a southwestern district. There are MFIs all around but not very many in this small neighborhood.

**Respondents:** Mr. BM and his wife Mrs. JA

**Household:** BM is about 55, and his wife, JA, about 46; both are illiterate. They have five daughters. Three are married and living away. A fourth, RN, 22, is married but the marriage has broken down. and she is with her parents. She has a six-year-old daughter in class 1. The fifth daughter, RM, 15, is unmarried and in class 8. So this is a five-person *chula*.

**Home:** This is a farming household. They have a large homestead of about 0.14 acres, and farmland of about 1.2 acres (they used to have more—see below). They do not have any land sharecropped in. The house is an old tin-shed building with three interior rooms where they all live. They have electricity and a black-and-white TV, but no fans. Furniture is basic: two chairs, a table, *chowkis*, plus a storage bin. They own one mobile phone. There is a thatched kitchen room and a large cowshed. There is one cow giving milk but no goats and one chicken. They think they are old-fashioned, lower-middle class farmers, and we agree.



**Income:** They get one rice crop a year from their land, which provides them rice for about seven months a year. One jute crop contributes net about 20,000 a year. Then in winter they grow pulses (net income around 10,000) and wheat (similar net income). They sell all the milk and get around 1,500 a month. When he is not working his own land BM does day labor, getting 200 a day; on average he gets 1,000 a month from this. JA is not strong enough to labor anymore; she is the housewife.

**Portfolio:** They say they don't **save**, so we asked them how they managed to marry four daughters without saving. They sold land: altogether they have sold 0.21 acres, and he expects to sell yet more for his fifth daughter (since he has no sons maybe he doesn't much mind disposing of his land in this way).

The alternative to selling land for the fifth marriage would be to **borrow on interest** since, although they are active in taking and giving **howlats**, they don't think they could raise enough for a marriage from *howlats*. The loan would come from richer neighbors, not from a professional moneylender. They know the terms: last year, for example, youngest daughter RM had to have her appendix removed so they **borrowed** 5,000 to help pay for the operation and paid interest of 5 *mon* (about 5 cwt) of paddy per season; this is the classic Bangladeshi **paddy loan**. They took care to repay quickly.

They are also very careful about repaying *howlats* within the agreed period: if you don't, people will "talk a lot" (*beshi kotha bolbe*) and that person, and even others, may not lend to you again. They don't take big *howlats*—usually up to 1,000; they reciprocate with similarly quite small sums.

They have no commercial bank accounts and no insurance.

They have **no MFI** memberships, and never did. This is a rare household with zero formal or semiformal financial partners. We ask why. JA says that sometimes MFI staff call on her offering her membership and that a lot (though maybe not much more than half) of her neighbors in the *para* use MFIs. (We are within walking distance of an ASA and a BRAC branch but this *para* is quite small so maybe MFIs have somewhat overlooked it). JA's reason for not joining is clear: "Our income is small, and if I took a loan I may not be able to repay each week and then people would come to our house and that would be totally undesirable." She would not recommend her daughters to join MFIs and none of them has. We ask her why people are more worried about being overdue to an MFI



than to a private lender. She (and some other people who have now gathered) says it is because the MFI staff *boke kore* (speak in a harassing way) and "once they come they won't go. One says BRAC is the fiercest, another says no, ASA is, then they agree that "they are all the same." Household head BM, who hasn't said much up to now, says in a quiet voice, "I fear them." Someone recites the "dead-body" story: "With an MFI you have to pay even if you have a dead body in the house that day" (we have heard this all over Bangladesh so some of what these people say may be folklore rather than observation). We ask, "So, are MFIs still popular?" But no one wants to say yes. We prompt, saying that we think they were very popular some years ago, and an inconclusive conversation takes place about the reason for the change.

### Interview 033

A rare household that hasn't used MFIs for many years. That may in part be because the household head is in poor health, and their living costs are taken care of by his father-in-law.

**Location:** Close to a main road in a quiet southwestern district.

**Respondents:** Mr. RP and his wife, DL

**Household:** RP is 35 and studied to class 8; DL is 28 and has a high school final pass. They have two daughters and a son. Elder daughter is R, 11, in class 5; daughter M, 7, in class 1; and son M, 4, in a playgroup. A five-person *chula*.

**Home:** They live as *okreit* on homestead land of 0.05 of an acre belonging to DL's brother-in-law. They have no land of their own. There's no poultry or livestock. Their small house (which they own) has walls of timber and tin, and a tin roof. There is no current, so no TV, etc. There's a tin box, a cupboard, a clothes rack, and a bed. There are no vehicles. He has a mobile phone. They have a tube well. They have lived here for only eight months—before that they rented a place in the district town. They think of themselves as poor.



**Income:** Most of their income comes as gifts from her wealthy father who owns a thriving business in Khulna (a major town) and owns land in the market there. He sends (or she collects) food and cash worth on average 5,000 a month, sometimes more. He sends "as much vegetables as I can eat," says DL (she is his youngest daughter, maybe his favorite). RP and his brother used to own a shop, but it failed. Both brothers then became bus drivers. The brother did well and is now a bus company supervisor, but RP has asthma and hasn't worked regularly for seven years. He sometimes sells labor, but not more than once or twice a week, and gets 150 a day. His own family is poor.

**Portfolio:** There are no commercial bank accounts or formal insurance policies. They say they don't save at home.

Before his marriage, when he was running his grocery shop with his brother, RP joined a male **ASA** group in the nearby market. He took four or five **loans**, the biggest 24,000, and used them for the shop. But the shop failed, and he left ASA, though he says he always repaid loans on time. His view of ASA is that it was "not bad."

We asked why, then, they no longer use MFIs. DL says, "I have nothing to invest in, and our income is so weak where would I get the cash to repay?" She also thinks that MFIs don't give more than 5,000 for a first loan and that "that isn't enough to start a business." We tell her they give more than that now, and she tells us that she has been thinking of trading in bamboo, which would need about 10,000 or 15,000 to get going. But it doesn't look as if she'll follow up on this.

They use **howlats** quite a lot. For example, she just now took 1,000 from a local man, for consumption. We asked her about the ethics of *howlats*. She says that sums of around 1,000 are

expected to be repaid within a week—if you take longer people will think badly of you. Smaller sums must be repaid within a few days. Bigger sums can be held for longer. She says people try to respect these unwritten rules, or the system would not work well.

They don't now take **loans on interest**, though he did before their marriage. For example, he remembers taking 10,000 from a market-based moneylender in the district town, at 10 percent a month, when he was short of money. This was before he joined ASA. He says MFIs are better than moneylenders in respect of price, and ease of repaying; the only advantage of a moneylender is that you can get the loan on demand and privately.



DL mentioned that many of the people in the row of houses opposite us as we sat talking are in MFIs and many are having repayment problems. They are mostly poor. She says she sees the MFI staff visiting them in the afternoon or evening to follow up on overdues. Since DL is well-educated, observant, and articulate, and is not herself involved in MFIs, we asked her what is so bad about that? Why, we asked, do people so often tell us they dislike and fear it happening? She said that it is because of wagging tongues of neighbors—it causes the

borrower to lose respect in the village, and neighbors feel free to gossip about you. You may as a result lose access to *howlats*. Your reputation goes down, and to live in a village you really need at all costs to keep up your reputation. Your reputation controls many aspects of your relationships with others.

Her own advice to her children about money management, she says, can be summed up in the old proverb: "Cut your coat according to your cloth." She would tell them to borrow only if they are certain of being able to repay.

## Interview 025

A middle-income family that has two young men bringing in quite good income. They use MFI loans to buy land and other assets. This is successful, and they say that MFIs are good. But in a heartfelt soliloquy the mother reveals the tension that repayment stress brings her. Her daughter wanted to join an MFI just to save—and was refused.

**Location:** A village just off the busy main road between Dhaka and a large town in central Bangladesh. There are many MFI branches serving this village.

**Respondents:** Mrs. AK and her son AH

**Household:** AK is 55 and unschooled, and the widow since 2001 of TA, who was a laborer in a jute mill in a nearby town. She lives with her son AH (30, class 7), AH's wife SU (25, class 5), and the couple's young son (7, in class 1). Then there is AH's younger brother AB, 20, class 8, unmarried, and their sister SN, 18, in college in class 11. So this is a six-person *chula*. There are another two daughters of AK and TA who are married and living elsewhere (one present during the interview, at far right in the photo).



**Home:** They live in a small, mud-walled, tin-roofed house, and they have furnished it with a bed, table, chairs, color TV, fan, and two mobile phones. The home sits on 0.12 of an acre of homestead land. They also have 0.4 acres of farmland, all that's left after they sold off the rest of their land in a bid to send AH to Singapore. AH did in fact get to Singapore (in the late 1990s) and was there two years, but the firm he worked for was in trouble, and he ended up making a loss, unable to bring any savings home. They have a cow (no milk) and some chickens. There are no vehicles or machinery and very little gold ornaments. They label themselves lower-middle, and we agree.

**Income:** They get half-a-year of rice from their farming—they farm the land themselves (mostly AH's labor). In winter they get 3 to 4 *mon* of mustard, worth 2,000 to 2,500 per *mon*. More regular income comes from both sons' work as *rod mistris* (bending reinforcement steel on building sites). This is regular work and plentiful around here except in the rainy season. AH can get 300 a day, his brother only 220 because he is still an apprentice. There is no other income.

**Portfolio:** There are no formal bank accounts, no insurance. The conversation quickly turns to MFIs.

AK has been in **Grameen Bank** since the great flood of 1988 (especially deep and especially memorable in this area). She's remained in Grameen all that time without a break. Her passbook shows that her general **savings** balance is only 900, her security savings 4,800, but she has **GPS** commitment savings (at the rate of 200 pm) with a balance of over 31,000. Her current **loan** is a large 80,000, with a two-year term. It was spent on buying land. They are trying to recover some of the land that was sold off when AH went to Singapore and this piece—only 0.03 of an acre so not very significant in terms of farm yield—is very close to the old land that was lost. AK says Grameen knows the loan was spent on land and doesn't mind—it thinks she can repay from the boys'

earnings. The land actually cost them 1 lakh, and they found the extra 20,000 from selling a milk cow. The weekly Grameen repayments are manageable except in the rainy season, when the boys can't work so regularly and it's hard. At that time they take ***howlats***, and sell chickens or other small assets.

But AK has also been in **SSS** (a mid-size MFI and a rival of BURO's) for 12 years. Her passbook shows general **savings** of 3,200, and security savings of 300. She had a DPS for a bit and then stopped as she couldn't manage that as well as the loan repayments. Her current **loan** is 30,000, and it has a balance of 27,900. It was used to buy a second-hand battery-rickshaw for her daughter's husband to drive. The idea is that he gives the repayments and interest, and so far he has, but AK knows that it's still early days.

AH's wife SU joined **Grameen Bank** about 18 months ago. She wanted to **save** for her son's future, and AH encouraged her. But Grameen told her that the rule is you have to borrow. She took a 10,000 **loan**, repaid it, didn't like the experience (of course she was competing with her mother-in-law for repayment money from her husband's income) and quit.

**Discussion:** AH's view is that MFIs are good: currently they are the best way to get hold of a usefully large sum. AK, like other women in this study, is of two minds about her MFI borrowing. She firmly states that "the MFIs have been good for me." She couldn't have bought many things, notably the land, without them. They plan to buy more land this way. "I have unquestionably benefited."

But... she suddenly bursts out, "the more MFIs the bigger the botheration—two of them is *more* than enough." She worries about whether the boys are earning enough (today, for example, AH is at home because he doesn't feel very well). She says, "You see, *I* am the one that has to think; the bank manager approaches *me*, not anyone else—he knows *me*, he doesn't know my sons. If my sons don't earn enough, *I* have to manage somehow. All this is *my* headache." In what is perhaps a bit of resentment against her daughter, sitting there listening, she says, "Relatives come to *me* expecting all sorts of help just because they know I have MFI money."

### Interview 013

A household that is using MFI loans to repay private loans taken for a daughter's marriage. They were in three MFIs at once but have quit two of them because of repayment problems. They think MFIs are tough, but remain positive about them and believe Grameen to be the cheapest.

**Location:** A farming village in a central district with many MFI branches and where MFIs have generally done quite well.

**Respondents:** Mr. AA and his wife, Mrs. RA

**Household:** The couple is both unschooled. He is 50–55; she is 40–45. Two sons live at home. Older son SM (25, class 10) has a wife SH (19, class 8) and a son, three. Younger son RB is unmarried. One daughter was recently married to a man who has a job in Saudi; she lives nearby with her in-laws. So this is six-person *chula*.

**Home:** It is a modest *bari* of which they are the sole occupants. There is about 0.09 acre of homestead land, and they have 0.2 acres of farmland. There are three, tin-shed buildings on the homestead land: one where the old couple live and another for SM and his wife. The third is a Grameen Bank *kendro* meeting house (photo, behind RA and SM). The rooms are sparsely furnished. There is no current nor TV. There is a simple *chowki*, a table, and some plastic chairs. They have no mobile phone. There is no livestock of any kind. There is a rickshaw van owned by AA and used in his work. They think, and we agree, that they are "upper poor."



**Income:** They get a little rice (say 5 *mon*, worth 3,500 less costs) from the land that they farm themselves. AA uses his rickshaw van to buy and sell jute sticks and timber round the villages (a so-called ferry business). He does this three to four days a week and nets 200 to 250 a day. Sometimes he takes passengers on his van instead. SM drives a hired motorized rickshaw (called a CNG because it runs on compressed natural gas); he hires it for 500 a day and nets on average 250 a day, five to six days a week. RB is a mason's helper and gets 120 to 150 a day right now, six days a week, but the work is seasonal so at other times of the year he works less often. RA and SH tend the home.

**Portfolio:** This household has little savings and are heavy borrowers in the informal and the semi-formal (MFI) markets. They have no **formal** instruments (though insurance salesmen do call from time to time). They don't use a piggy bank (she says, "Everything goes into my tummy-bank"). There are no ASCAs in the portfolio. The conversation turns quickly to **MFIs**, above all MFI borrowing. RA is clear and firm in her opinions and offers them without hesitation. AA is more reticent, and SM clarifies his mother's views. They are good respondents for this kind of interview.

RA has been in **Grameen Bank** since 1988 (with one break of five years when GB transferred the meeting place to another *bari* some distance away—maybe she was offended). Despite years of general **savings** her balance is very low (250) because of many withdrawals for consumption, for jute sticks for AA's business, and for loan repayment. She didn't start a **GPS** until two months ago—200

pm, 10-year term. Previous loans helped her build their current house (when she started at Grameen she had just a straw-thatch hut) and make other improvements. Her current **loan** is 20,000, used for the marriage expenses of her daughter, just a few months ago. Her new son-in-law works in Saudi. Their total expenses for the marriage came to 115,000, funded from the 20,000 GB loan plus **howlats** from many local relatives—they claim that they managed to avoid loans on interest. Some of the *howlats* were in kind. From now on the plan is that they will steadily repay these informal lenders from MFI loans. The son-in-law in Saudi will probably remit to his own parents to offset their share of the marriage costs (and probably the costs of getting him to Saudi—our respondents don't say they contributed to those costs), and then some will trickle down to his bride, so their daughter may come out of all this reasonably well.

RA is the associate centre chief of her GB *kendro*, and proud that the *kendro* house is in her *bari*. They seem to use it between meetings for storage (photo). GB pays no rent to them—the assumption is that our respondents will eventually claim the building (which the members themselves funded) for themselves. Her *kendro* has 60 members (GB shifted to bigger groups around 2004–2005).

She was also in **SSS** for three loan cycles. She left three or four years ago, adjusting savings against her last loan, which was 12,000 and used mainly to buy jute sticks. She had many repayment difficulties and took both *howlats* and small **loans on interest** to cover on weeks when she was short.

More recently RA was in **BURO**, but she left after taking three loans. One reason for leaving was that the interest rate was too high (she is well aware that Grameen's is relatively low). She had severe repayment problems at BURO and at one time (she claims) BURO staff threatened (indirectly, by innuendo) to claim her house from her. She criticizes herself, too, "If I can't pay I shouldn't borrow." She had to take *howlats* and small loans on interest to extricate herself, bringing her loan outstanding down to the level of her savings.

**Discussion:** RA thinks that on the whole MFIs are good institutions and have been good for her, despite her difficulties, and that GB is the best. But when MFI people come to her home recruiting she won't allow her daughter-in-law to join, on the grounds that her income is too low, she doesn't have an obvious way of using loans profitably, and she'd soon be in trouble.

The worst harm that she has seen happen to MFI members is having to sell assets to settle MFI debts. Such people will have to take loans on high interest to repay the MFIs, so that's also a kind of harm. This all involves considerable loss of standing in the village.

She says that "many people" are learning that MFI borrowing can fail, and many are leaving MFIs, just as she has (this view is strongly held and is confirmed by her son and her mother). She is sure that multiple memberships have been declining for three or four years. When we say, "But your Grameen *kendro* has 60 members now!" she replies that people these days are much more conscious about interest rates, and everyone knows Grameen is the cheapest.

She denies that Grameen has got “softer” on loan collection discipline. She says all three of her MFIs (Grameen, BURO, SSS) are equally “tough.” If you don’t pay in the morning they will come in the afternoon, and if you don’t pay then, they’ll come *en masse* in the evening. They usually remain polite but make it clear they don’t want to go away until you pay at least something, and they suggest that you sell some minor asset or other (chickens, pots) to make up the shortfall. It has happened to her.

## Interview 032

A very poor household using MFI loans cautiously: They get angry if you don't pay on time

**Location:** A rather remote village in the poorest part of an otherwise prosperous central district.

**Respondent:** Mrs. KM

**Household:** KM is 28 and almost wholly uneducated; her husband, AU, is 35 and also unschooled. They have a son, RS, 13, who lives in the district town where he works in a food stall, but who counts as part of the *chula* because he pays his mother much of his wages; daughter AY, 12, in class 4; son SD, 10, in class 5, and twin daughters H and K, 8, in class 3. AU's mother also eats with them, making an eight-person *chula*.

**Home:** They live in a flimsy, jute-walled, tin-roof hut with no furniture except a *chowki*. However, the *bari* that this hut sits in is a big and prosperous one, owned by a village doctor who is a relative of AU's, and our respondent appears to get considerable patronage and support from the doctor and his wife. AU's share of the homestead land is just 0.01 acre. There are no livestock and no other assets. No farmland. KM describes herself as "poor," and we would agree—maybe she's very poor. (Photo shows KM with the family's patron, the doctor. In the background is AU and KM's jute-stick hut).



**Income:** AU day-labors and gets work most days (except in the rainy season). He earns 150–180 a day plus one meal. His employer is often the doctor, who has farmland. KM is a housewife, but she sometimes does small tasks for others, such as drying paddy, and may earn a kilo or two of rice. She takes alms at the two Eid festivals (say, 10 kg of rice) but she doesn't beg—she's too shy. RS, the son, gets 1,500 a month (plus food) for being a server in a cheap restaurant in the district town, and he always brings some of this money, sometimes almost all of it, home to his mother. They just about manage to eat three times a day, but often very meagerly. They can't afford fish or vegetables, let alone meat.

**Portfolio:** They have no home savings to speak of. Their saving is done in MFIs. They often take **shop-credit** (this is probably true of many other respondents: we have not been asking regularly). They mostly avoid private loans on interest and manage to get **howlats** when they need a bit of money.

KM has been in **Grameen Bank** for five years. She **saves** 20 a week in general savings. She withdrew 500 once for her son's education, and at other times to make up loan repayments. She has a balance of around 1,200. She would run a GPS if she thought she could be regular with the deposits—but she doesn't think that would happen. The key Grameen service for her is the **loans**. Her current loan is 12,000, spent treating husband AU's stomach ulcer and on consumption while he was ill. Earlier loans have also mainly gone on consumption. She quite often has trouble finding the full loan

repayments, and has to borrow *howlats* (often from the doctor) to make up. When she's late, GB staff "get angry with me," but "if I can't pay then I can't pay." All this is stressful, but on balance she thinks her exposure to GB has been worthwhile. She says, "If it were not for GB then I'd have to borrow even more expensively (i.e., privately) to treat my husband's ulcer."

She has been in MFI **SETU** for a year or more. In SETU, she **saves** only. Usually she saves 10 per week, into general savings (again, no DPS, for the same reason as at Grameen). With some extras, her balance has built to 800, and she has never withdrawn. SETU staff keep suggesting that she borrow but she resists (with AU's agreement): she is determined not to borrow and she thinks SETU will accept that and let her stay in the MFI. So why is she in SETU? She sees it as a back-up in case Grameen should ever stop giving her a loan every six months (and from this comment we see that she is using the GB2 top-up system).

A little over a year ago she joined **Sonali Bobbishot** (Golden Future), a local MFI. She stayed in for seven months, built up about 500 in savings, then exited along with her savings. She did this because she could see that she wasn't able to save a decent amount regularly. She insists that it was her decision, not the MFI's, and that the MFI staff tried to persuade her to stay.

**Discussion:** KM's cautious approach to MFI borrowing is partly because she is naturally cautious (she says) but is also influenced by what she has seen in the past in the MFIs (though not so much now). She has seen a lot of quarrelling and harsh words. Workers sometimes used very harsh language (and even sexual innuendo) when they were trying to put pressure on a member to pay. She says she has also seen MFI workers confiscate a rickshaw from a household in repayment difficulty. We ask her if it is true that GB staff have got "softer" lately in their treatment of overdues. She says it is hard to say because her GB *kendro* is, these days, a well-performing one, with few overdues (she says she's the only really poor one in it now). The change she *has* noticed is that they simply don't take poor members any more.

This is a very poor, rather conservative area. Although it is in a sub-district mapped by PKSF as having a very high density of MFIs, here in the extreme low-lying part of the sub-district, near a major river, there aren't that many MFIs (we hear no mention of ASA, nor of BURO, and scarce mention of BRAC). It is also an area of very low international migration, adding to the poverty. No one seems to have been approached by insurance salesmen. There are no branches of commercial banks.

## Interview 039

A multiple-borrower (in four MFIs, with loans from each of them, right now) using MFI loans in a growing business. They think it's worth it despite the tension.

**Location:** A large village in a busy central district with lots of MFI activity, some industry, and good communications

**Respondent:** Mrs. SS



**Household:** The household head is JA, 45, class 5, and in good health (but not present at the interview), and his wife SS, 40, class 9 pass, suffering from a stomach ailment and some mental problems (but perfectly OK to sit our interview). Their son JK, 21, left school after class 6, and daughters FH, 15, and ST, 14, are both studying in class 8. So SS runs a five-person *chula*. They are middle class and maybe rising (the couple was much poorer when young, from humble grounds—his father a small famer, hers a labor gang leader in a factory).

When they married, JA was driving a hired rickshaw. This is the story of a self-made family.

**Home:** They rent for 3,200 pm a four-room, tin-shed, medium-condition home in a big *bari* where there are 14 rented homes. They have beds, tables, a sewing machine, color TV, DVD, carved wood cupboard, fans, mobile phones, and so on. JA also owns, elsewhere, a very small (0.03 acre) inherited homestead plot, but other than that they own no land. He owns a cement mixer and some other construction tools, and his son has a motorbike. There is business stock (see below).

**Income:** JA has turned himself into a successful *tikadar* (construction materials contractor). Net income is hard to disentangle, but it may be around 30,000 to 35,000 a month. The son helps the father, so his income is subsumed in this sum. SS has earned around 5,000 or 6,000 a month from sewing, though she's much less active right now because of illness. There is no remittance money from any source—she sometimes wonders if they should send the son abroad, but her maternal instincts hold her back.

**Portfolio:** They hold two current accounts at commercial **banks (Sonali and Rupali)**, both in her name, not used for much except to process payments made in checks from clients or MFIs. Right now there's 3,000 in Sonali and 800 in Rupali.

Much of their financial lives revolve around MFIs, where SS is a **multiple borrower**. She joined **CEDAR** about 15 years ago, worked her way through many small but growing loans without, she claims, ever being late on payments—mainly through astute use of her sewing machine when times were tough. Her current passbook shows that she took her latest **loan** just last Wednesday (mid-January 2013), of 80,000, on which she'll pay 10,480 in interest if she repays on time, which is monthly for one year. This is the biggest CEDAR loan so far, by far. The loan was paid by check, processed through the bank into cash, and went straight into building materials, transport costs, and labor wages. Her general **savings** are 16,000, built up over many weeks with very few or no withdrawals. She is now required to save 200 per week, since savings are tied to loan sizes in CEDAR.

She next joined **ASA** about seven years ago. The reason was simple—they needed more money to grow the construction work, and they couldn't persuade CEDAR to accelerate their loan value increments. She received her most recent ASA **loan** of 100,000 yesterday (she will pay 13,925 in interest over the one-year term with weekly repayments). It is being put to the same use as the recent CEDAR loan. Her passbook shows general **savings** of 18,000, security savings of 500, and a DPS with 11,000 paid in at 200 per month. Again she claims never to have been in loan arrears at ASA. She says she sees the **savings** primarily as a hedge against any problems repaying the loans but the secondary benefit—general reserves for the future—is also very important to her.

Three or four years ago she joined **Polli Mongol**. This was for the same reason—the construction business was still growing. Her passbook shows a 100,000 **loan** taken in September 2012, balance now 74,000, so she's paying OK. There are general **savings** of 15,400 and "associate" savings of 7,600, and a DPS of 200 per month with a current paid-in balance of 7,000 (so it's three years old).

She says that she told all these MFIs (CEDAR, ASA, and Polli Mongol) about her involvement in rival organizations but they "didn't mind," in view of her husband's business.

At about the same time or perhaps a little later she joined **DSK**. Her passbook shows her current **loan** to be 48,000 of which the current balance is 20,500, and the passbook shows regular repayments. General **savings** balance is 13,300, special or *shecha* savings (we didn't ask what they are) of 900 and a DPS with a balance of 5,000. Again there is no sign of any withdrawals from savings.

Finally, more recently, she joined **Shakti Foundation**, but closed this account last week after about 15 weeks of membership. She took a 10,000 **loan**, then paid it off early and exited. Why? She was beginning to feel that enough was enough. "More than four may be just too much to manage."

**Informal** transactions do not feature large. They don't save at home (e.g., in a piggy bank or whatever) though they keep some reserves there. JA sometimes gives **howlats** to his laborers. SS quite often gives or takes **howlats** to and from fellow MFI members as they struggle to manage their repayments. Such **howlats** are usually of short duration and not of high value. They are not involved in village ASCAs or bazar *samities*.

**Discussion:** Several of her MFIs hold their weekly meetings in the *bari* courtyard where her home is. But she doesn't spend much time at them—she just hands over her dues and goes back to work. So she doesn't know much about what other members are up to. Thus, on the question of multiple borrowing, she is aware that lots of other members use several MFIs but she can't say whether the trend for this is increasing or decreasing. Similar, she thinks that quite a few members don't do well with their loans and get into all sorts of trouble, but she declined to give any examples or to name names.

We asked her if she would advise her daughter to join MFIs, but she said she hoped her daughter would find a "solvent" husband so that she won't need to borrow from MFIs. The reason is that MFI membership involves "a lot of tension." So much so that SS often can't sleep at night, wondering whether her husband will be able to give her the cash for the next day's MFI payment. It makes her feel ill (but she doesn't attribute her stomach problems to it—that's something else). She

generalizes, saying she's sure that MFI involvement creates stress for all female members. In her case, she says she's lucky that she has a "good understanding" with her husband, implying that other women are much less blessed. Even so, she sometimes quarrels with her husband over MFI repayments. And, of course, "the bigger the loan, the bigger the tension." For this reason she abandoned Shakti and may try to close another of her MFI accounts, despite the obvious dilemma involved—where then would they get more capital?

She is involved somewhat in her husband's business. She often arranges dispatch of materials or labor when he is away at a site, or looks after payments. One never knows in the construction business if one's customers are going to pay on time or whether there'll be some problem in the work. We asked her if it would be better if her husband could go directly to a commercial bank and get loans for his business. Her positive answer took the form of her saying that unfortunately that isn't possible.

We asked what would happen if she were late with an MFI repayment? She hopes they would take good note of her high level of savings and be considerate with her. If needed, they could tap her savings for a repayment.

MFIs have been unquestionably useful to them, she says. Without them they would not have been able to build the business as quickly as they have. In general she thinks well of them. She volunteered the opinion that life has gotten better for most people in Bangladesh and that MFIs have played a role in that.

## Interview 010

A poor household struck with a family tragedy and a recent costly operation are using MFI loans to pay down the loans they took from private lenders to deal with the emergencies.

**Location:** A village in the central sub-district of a southwestern district. Many households in the village have jobs in a nearby government facility.

**Respondents:** Mr. IK and his wife, Mrs. AB

**Household:** IK is about 60, illiterate, and his wife, AB, about 50, is also unschooled (the photo shows the couple in front of their house). They have three daughters and two sons. Two of the daughters got married (but see below). One daughter remains at home, KA, in class 8. The two sons, SA (35) and RL (30), are illiterate, too. SA is married, and his two children (10 and 7) are in school. This is then a nine-person *chula*.



**Home:** IK is originally from Bhola, a southern district a long way from here, and came here years ago with his parents. He lives as *okreit* on a homestead plot owned by his younger brother who is educated and has a salaried job in the distant port city of Chittagong. The homestead land is quite valuable—about 0.075 acres worth about 100,000. IK has his own house, though it is old and a bit dilapidated, of woven bamboo and tin. There is only basic furniture. They have electricity and a fan, but no TV. There is a kitchen shed. He has an old, but serviceable, rickshaw van. There is also a tube well, two goats, and one chicken. The trees belong to the brother. We assess them as poor.

**Income:** IK cannot ride his rickshaw van every day—that would be too tiring for a man of his age. He does it about three to five days a week and gets 200 to 300 a day. SA is a house painter and finds work maybe four or five days a week (though much less in the rainy season), earning net 300 a day. Younger son RL does day labor or sometimes—like today—gets work as a casual laborer in a nearby biscuit factory, at 150 a day. The three adult women are housewives. There is no other income (the brother doesn't sound very generous).

**Portfolio:** RL keeps a clay **piggy bank** but fails to build up much savings in it. They have no insurance, though the agents do call here to sell policies. The family thinks they can't afford insurance. They have no accounts at commercial banks.

They take **private loans** on interest sometimes, when they really have to. When we asked for details IK became quite emotional and said he wouldn't tell us. But he then relented. Many years ago their second daughter's parents-in-law bullied her so much about her family's (i.e., IK's) failure to pay dowry that had been promised that she jumped from a fifth-floor window in an attempted suicide and broke her back and legs. The family borrowed heavily and expensively to have her treated in hospital but to no avail—she died. More recently AB had to have a tumor removed from her neck (or maybe throat) and for that they borrowed 70,000 at 10 percent a month from someone in the village known to be willing to lend on interest. They have now cleared most but not all of this debt.

In addition to that, they also take traditional **paddy loans**, paying a *mon* (about 1 cwt) of paddy to one lender for each 1,000 borrowed, and half a *mon* per 1,000 to another such lender. Although we couldn't clarify the exact state of these loans, nor exactly why they were taken (probably for consumption) they say they are still in debt to private lenders for about 3,500.

They take **howlats** when they can get them but they say it is hard—they couldn't explain why it was hard for them so we guess that maybe their creditworthiness in the village is low because of their difficulties.

They have also used **MFI**s. AB joined **Shishuniloy Foundation** (a local MFI) a “long time” ago and took two or three **loans**, found the repayment hard, adjusted her last loan against her savings, and left. She doesn't remember the details.

More recently she rejoined **Shishuniloy**, borrowed 10,000 and repaid it (not without difficulty) and then just in the last couple of months took 15,000. She has a **savings** balance there of 1,665 (according to the passbook) and has so far just about paid off the interest element on the loan, with her passbook showing a loan outstanding of 15,090 (the MFI follows the ASA method of simply adding a full term's interest to the principal amount).

Also in the last few weeks she joined another local MFI, **Srijony**, and borrowed 15,000. Her passbook shows savings of 1,525. She was required to put up 10 percent of her loan amount as savings, and took an overnight *howlat* of 1,500 to raise this sum the day before she took the loan (otherwise she couldn't have got such a big *howlat*). Her loan balance is 15,495—she has only just taken the loan. These two MFI loans were taken to repay the private lenders. The family is now facing a long haul of about a year to repay these MFIs loans week-by-week. They know it will be hard but IK says, “Of course it is better than being in debt to an expensive private lender,” and mentions that the weekly repayment system, tough though it is, at least allows you to gradually pay down the principal whereas with a private lender it is very hard to repay principal. His wife says, though, that as soon as they have cleared these loans she hopes to be able to quit the MFIs again.

The two daughters-in-law are not using MFIs. When we ask why, they first say that the MFIs won't allow more than one membership per household. We reply that there are plenty of other MFIs in the area, and then they say that's true but their husbands (IK and AB's sons) won't allow them to join MFIs, because helping to pay off their mother's MFIs loans is already almost more than their incomes can support.

## Interview 011

A trading household that used loans from three MFIs to repay private loans taken to pay for the development of new homestead land and housing. The strategy proved successful, but neither the husband nor the wife enjoyed the experience much and as soon as they could they quit the MFIs. They offer many insights into finances, from stress levels to alternative borrowing systems.

**Location:** A village in a central district where there are a lot of MFI branches and some thriving local homestead-based industries.

**Respondents:** Mr. DChD and his wife, Mrs. RBD

**Household:** DChD is 49 and was in school up to class 7. His wife, RBD, 40, is unschooled. Their son, PA, 20, has a class 9 pass. He works in a pharmacy in the main town of a neighboring district, where he lives with his uncle and so he isn't counted as part of this *chula*. Daughter, MI, is 12 and in class 6 (a bright student). DChD's parents also live in the neighboring district, with his elder brother. So this is a three-person *chula*. Photo shows DChD, right, with interviewer Sinha.



**Home:** Some years ago, DChD lived with relatives in a family *bari* not far away, in this village. Suddenly, one of his relatives sold his portion of the *bari* to a Muslim family (our respondents are Hindu). It didn't work. There were arguments and even the threat of a court case. DChD decided he had to leave, so he sold his share of the *bari* and bought the small plot (0.06 acre) where his house is now situated. The house is a tin shed with two good-sized rooms with basic furniture (one bed, one simple *chowki*, a table and chairs, a color TV, and two ceiling fans). The plot is fenced in with tin, and there's a separate kitchen room opposite the house. It is neatly organized. There is a tube well. They have no farmland nor vehicles nor livestock of any kind. RBD has about 60,000 worth of gold ornaments, considered as her major hedge against her own old age. They think of themselves as middle class; we agree.



**Income:** DChD runs a *lungi* (loin cloth) business. He buys from a wholesale market (Korotia), then sells in six local weekly markets where he has bought the right to sit in a particular spot to sell his *lungis* each *hat* (weekly market) day. The spots each cost him 30 a day after paying a subscription for the year of 500. He also pays 100 pm for space in a shop to store his bundles of *lungis*, which he carries round on buses and rickshaw vans. He's been doing this for 35 years so he knows a thing or two about it ("I'm a first-class trader," he says). His stock is worth about 50,000. In a good month (e.g., festival months) he can net 15,000 or even 20,000; in a poor month as little as 3,000. The average month would be 7,000 to 8,000. There's no other substantial income. RBD doesn't earn anything. The son living with the uncle contributes a bit—usually

text books for his sister and, once, the TV.

**Portfolio:** The history of the move from the ancestral *bari* onto a newly bought piece of land strongly influences the development of their portfolio. It was a struggle. The new land was low-lying, and it cost a lot to raise it above the flood plain. For this they took large-scale **howlats** from family and about 60,000 in private **loans on interest** (some of it not too expensive—one lender charged only 3 percent a month). To repay this debt they decided that RBD should join **MFIs**.

She joined **ASA** and stayed in for about five years. Her mother-in-law had been in ASA and when she left to live with her other son, RBD took over her place in the *samity*. ASA lent gladly to the wife of a trader. Most of the loans were used to directly repay the private creditors, with some going into the *lungi* business. The biggest loan they took was 16,000, used to repay debt. She made general and security **savings** and paid into a **DPS** for a year. Then she left.

A year or more after she joined ASA she also joined **Grameen Bank**, where she stayed for two to three years. She took a 5,000, then a 7,000 loan, and used them to repay the private creditors. While in Grameen she made some general savings. Then she left Grameen, too.

Around the same time or a little later she joined **BRAC**, and stayed in for not much more than one loan cycle. She made some general savings, took one loan of 4,000, repaid it and quit.

So now she is no longer in any MFIs. Why? The main reason is simply that they completed repaying the private creditors so their need for MFIs declined. But they mentioned various other reasons. One sounds trivial but may be important. In those days, the MFIs insisted quite strongly on attendance at the weekly meeting. This made it very difficult for her to visit her relatives in the neighboring district. Another reason is her husband's frustration with the strict weekly repayment system, which clashed with his business cash-flow, which is subject to a lot of variation. Another reason is that, as he put it, "I saw we were in danger of turning into *reenees*" (constantly indebted people). Another reason is that his business doesn't offer much opportunity for expansion as long as it remains a one-man business, which, at his age, is bound to be the case, so there's no real need for much fresh capital for the *lungi* business. A final important reason is that RBD thoroughly disliked the experience of the MFIs. "So many sleepless nights worrying if my husband will have the money ready for the meeting tomorrow. So much scurrying round getting **howlats** on days when we didn't have the money ready." She is adamant that she will not join again. She will advise her daughter not to join MFIs.

Both DChD and RBD claim they were always good payers at the MFIs (even if they had to take **howlats**) and that it wasn't that the MFIs pushed them out. She left each MFI by balancing loans against savings and always came away with a little savings, she says. RBD says that even now BRAC still invites her to rejoin.

So without the MFIs, what does their portfolio look like? They have no formal bank accounts and no insurance (though agents have come by once or twice). They no longer take private loans on interest. In his *lungi* business DChD frequently gives and takes **howlats** among his fellow traders, usually in the range of 5,000 to 10,000. This cooperation among traders in the same line of business is formalized in the **Banajik Samity** (Trader's Co-op) of which DChD is a member. It is a three-year **ASCA**. In his particular *samity* there are about 25 members, and they each **save** 30 taka *daily*. The

*samity* will last for three years and then be fully distributed with the profits that come from turning the savings into loans to members at 3 percent a month. DChD has so far taken a 10,000 **loan**. Interest on the loan must be paid each month, but he can keep the principal as long as he likes. If it is still outstanding at the end of the three-year term, it is simply subtracted from the accumulated savings in his name. DChD says that this combination of small-scale regularity (saving 30 a day, and paying loan interest monthly) and large-scale flexibility (holding the principal as long as you like) exactly suits his cash-flow patterns in a way that MFI borrowing exactly doesn't.

**Discussion:** We asked RBD about what she had seen during her years in three MFIs. She confirmed that there was a lot of multiple-membership and of multiple-borrowing, though she couldn't comment on trends. She thinks that virtually every MFI member finds MFI loans stressful. She saw many people leave the MFIs, either of their own will or eased out by the MFIs, and she notes that some of them subsequently rejoined MFIs. She says that some members were clearly worse off after MFI membership than before—they sold assets to repay loans that weren't successful, for example. But she puts some blame for things going wrong on husbands who were bad eggs—addicted to *ganja* or alcohol, for example, and hungry for MFI money. In one case she reports MFI staff confiscating roof-sheets from a stubborn nonpayer's home.

## Interview 018

A very poor, terminally ill widow struggling to find the best way to borrow and save. She has observations on people's borrowing and savings behaviors.

**Location:** A village in a district east of Dhaka. The area has many MFI branches and is close to main communication lines and factories.



**Respondent: Mrs. SR, widow of Mr. SR**

**Household:** SR's husband died about 18 months ago when he was 58. SR (photo) is about 45. Both could sign their name but were otherwise uneducated. There is a daughter KL, 21, schooled up to tenth class, unmarried, and a son, AH, 17, in school in class 8. SR is a heart patient and clearly in very poor health. She also appears to be lame in one leg—she moves extremely slowly. Hers is a three-person *chula*. She is very poor and knows it. But despite her poverty and lack of schooling she comes over as thoughtful and observant and gave our questions serious thought before answering.

**Home:** SR lives along with her two grown children in a tin-shed, single room on a tiny plot of homestead land (.02 acre). They have a wooden bed, table and chairs and a fan, but not much else apart from some pigeons.

**Income:** Her husband had a low-grade job, part-time, as a caretaker in a fishing project: he earned only 3,000 a month there. He also rode a rickshaw part-time. He left no income-earning assets behind him when he died (the rickshaw had long since decayed away). SR is too ill to work. KL has had a job in a textile mill in a nearby town for six years, and gets 4,000 a month. There is no other income.

**Portfolio:** SR has tried **MFIs** several times. In 2009 (before her husband died) she joined a local organization, **Probhati** (we couldn't tell for sure if this is an MFI or some other system, maybe a co-operative; in any case its rules sound MFI-like). She **saved** a little there in their regular savings account (sourced in a curious way—AH would get a little pocket money from his father and big sister, and then would pass on a few taka to his mother to save at the MFI). She took two **loans**, first 3,000, then 4,000. The 3,000 loan was used to help buy the used rickshaw, which her husband pushed. The loan was repaid more or less on time via his and daughter KL's income. The 4,000 loan, went to consumption and medical treatment—by this time the couple were both sick. They managed to repay about half of it, then fell into arrears. The Probhati staff, however, did not put excessive pressure on SR and were never rude to her. They waited until her loan outstanding came down to the level of her savings and then balanced them off against each other, and she left.

In 2010 she joined **BRAC**. Again she made some small weekly **savings** (never more than 20 a week). To take a BRAC loan of 6,000 she needed 1,200 in savings at BRAC, so she borrowed this sum in one single **howlat** from a neighbor. She took a 6,000 BRAC **loan** and used it partly to improve the home environment for her son's studying (a table, chairs, a ceiling fan, and electric meter) and partly on medical treatment for her husband. Again she got through the first half of the loan without much difficulty then, because of low income aggravated by illness, she fell into arrears during the second

half of the year (she says that one reason was that her husband's old rickshaw could not compete with the incoming electric-powered rickshaws so his income fell off sharply). BRAC workers did not put much pressure on her nor were they rude to her. But she wanted out of a difficult situation so she took yet more *howlats* from neighbors to bring the BRAC loan outstanding down to the level of her savings, and then exited the MFI. That left her with two lots of *howlats* to repay—the initial 1,200 and then an unknown sum to complete the BRAC loan. These were gradually paid off out of KL's wage.

Her husband died in the second half of 2011. SR then joined an organization called **Ekti Bari Ekti Kamar** (One Homestead One Farmstead—we don't know exactly what this is; it may be a publicly funded MFI-type scheme). There she started a DPS-like periodic **deposit** scheme at 200 pm for a five-year term, sourced from KL's income. One can borrow against one's deposits, but they have not exercised this option—SR says she would be concerned about repayment problems if she borrowed. She claims she is up-to-date with deposits (we didn't see the passbook).

Four to five years ago daughter KL bought from a peripatetic agent a **life policy** with **Megna Life** with a 10-year term (so this would probably have been an “endowment” scheme), at 300 pm but stopped depositing when her father died. She now regrets that and would like either to restart it or get her money back. But the agent says that her irregularity means that she may not get all her money back and that in any case she'd have to wait until the end of the full 10-year term. SR has concluded that the money is lost.

**Discussion:** Were the MFI loans useful? No, she says. When we remind her that they bought the rickshaw with an MFI loan she says that although that's true, the rickshaw was old and was never much of an income-earner (the machine is now a write-off). It wasn't worth the tension and trouble. The loans, she says, “Ended up a burden on us,” and didn't bring us any lasting benefit. Will she encourage KL to join an MFI? If KL can find a husband with a good income, joining an MFI will be OK, but if not then it's better not to. She volunteers that her experience has taught her that “MFIs are not good for very poor people like me.”

She thinks that multiple borrowing from MFIs is decreasing and that people are getting more interested in saving, especially in insurance companies, which have become much more widespread recently.

## Interview 021

*A poor couple managing life with not much attention to savings but a mix of formal, semi-formal, and informal borrowing. They take a very cautious approach to MFI borrowing.*

**Location:** The poorest part of an otherwise prosperous central district. There are not as many MFI branches here as in the rest of the district, though all the major ones are represented, and some local ones.

**Respondent:** Mr. JL, and wife, Mrs. SK



**Household:** JL is an unschooled rickshaw driver, 45. His wife is SK, 30, also unschooled. They have four children: son SM, 18, in class 10; daughter SA, 13, in class 6; son SN, 7, in class 1; and son SB, 4. Also eating in the *chula* is JL's mother, SA (all shown in the photos except the mother). So SK cooks for seven people every day.

**Home:** JL's grandfather sold the eight acres of family farmland and migrated to Assam, leaving JL's father with a relative. But at least JL has inherited from his father the large (0.2 acre)

homestead plot where they live. It has one large tin shed for JL, his wife, and children and a smaller one for his mother. There's a bamboo-and-straw kitchen shed and a lean-to for cows with one cow (not milking). There are no other assets of any value (though we didn't look to see what is inside the rooms).

**Income:** Mostly JL drives a hired rickshaw (rent is 40 a day) and says he can (and needs to) do it five or even six days a week, from 6 am to 6 pm, netting on average 200 a day. At peak labor demand periods he day labors in the fields. There he gets 200 a day plus lunch and dinner for a long day. His wife SK looks after the home and children: she has seven or eight chickens (and lots of chicks) but they don't sell the eggs or meat—they consume it.



**Portfolio:** They have an interlocking set of formal, semi-formal (MFI), and informal transactions. A couple of years ago JL had a spell of poor health: he was so weak he couldn't work well for some months on end. He took **private loans** totaling around 13,000 to pay for treatment, which was, happily, successful. The lenders were local people: one lent him a sum at 50 percent a year expecting a balloon repayment. The others were members of local MFIs who were on-lending their MFI loans at profit (quite a common practice, they say). These lenders required JL to repay weekly, and they were charging 2 percent per week: he faced a payment of around 500 a week to them.

Then a neighbor who had successfully negotiated a loan from a formal bank suggested that JL should do the same. Because of the unusually large homestead plot he was able to take a **loan** of 25,000 from **Bangladesh Farmers Bank** (BKB), taken about a year ago and secured against the plot. He says it wasn't particularly difficult to get this loan because he had help from the wealthier neighbor who was familiar with the bank officers, and he didn't have to wait too long or pay too much in bribes. The loan was used to repay the private lenders. The advantage of this swap, says JL, is that as long as he pays interest each year (he says interest is 2,500 a year, though that sounds low) and pays just a little principal (as little as 500, he says), the bank will "leave me alone." He says he has now made one interest payment and is up to date. He seems serene about the deal.

Meanwhile they have themselves been using **MFI** services, but cautiously. SK joined **SETU**, a local MFI, six years ago. The loans she has taken have been mostly for one form of consumption or other (often related to the children's education—clothes, books, and so on), and she has kept them small. Her current **loan**, for example, is only 6,000, which keeps the repayments affordable out of JL's income. She also **saves** in the regular savings, at just 10 a week, and has a small balance because from time to time they withdraw from this account for sudden household needs.

They don't save at home nor do they belong to any ASCAs or ROSCAs.

**Discussion:** Why does SK keep her MFI borrowings so low, and why is she in only one MFI? She agrees that multiple membership is common—some (but by no means all) of her neighbors are in several MFIs and borrow from all of them (though there are also several like her, in just one or even in no MFIs at all). It is simply because she knows she'd struggle with the weekly repayment system if she took more. She has seen it happen to others, in her own and also in other MFIs. She plainly says, "If I join more than one I am bound to fall behind at some point. Then what will happen? The MFI people will come here in a group and abuse me. I couldn't tolerate that." What kind of abuse, we asked? Not physical, not snatching of assets, but mainly just the presence of these men and their "angry words"—scornful, belittling words.

So was the MFI experience good? SK shrugs and says, "Not good, not bad. I took taka and gave back taka, that's all. Not bad since I was always up to date so I got into no trouble. Not good because of the tension." JL chimes in, "We have four children—we don't really have any option except to borrow where we can." At that, SK repeats that she is adamant that she won't join another MFI: "Managing one is hard enough." They tell us that they jointly decided on her joining SETU.

Then what would she advise daughter SA, now 13 years old, about MFI membership? Again SK's answer is straightforward: "I would tell her to avoid them if she can, because there's so much stress. This couple hasn't said much about savings, nor has it explored savings options much. They know that SETU has a DPS product, but they don't think they could keep up-to-date with deposits. SK's hope is to build up her general savings in SETU and then take them out and convert them into **gold**, a traditional store of reserves in rural Bangladesh.

## Interview 023

*A mix of private and MFI loans and gifts in a household taking care of medical expenses and trying to expand a goat-rearing business.*

**Location:** A quiet village a few miles outside a major town in a southwestern district.

**Respondents:** Mr. KB, his wife, Mrs. SRB, and their daughter, Mrs. CRD

**Household:** KB was born a Hindu but converted to Christianity, with his wife SRB, under the influence of a local mission. He is over 70 and his wife about 60, and both are illiterate. His children, however, have chosen to remain Hindu. His son NCD (not present), about 40, who studied to class 5, is the effective head of the household in which his parents eat. NCD's wife, CRD (photo, next to her mother-in-law) is about 35, educated to class 6, and the couple have a son and four daughters. The son is the baby, two years old. The daughters are N, 19, in class 11; L, 17, class 10; I, 14, class 8; and B, 11, class 5. A 10-person *chula*.



**Home:** KB is still the nominal head of household, and the homestead land, about one-third of an acre, is registered in his name. They have no farm land and don't sharecrop. The old couple lives in a single-cell, bamboo-wall, leaf-thatch small house. The younger family lives in an old, part-brick built, tin-roof house opposite. There is electricity, a color TV, wooden beds, but no tables or chairs. There are two mobile phones, but very little jewelry. There's a calf, a goat, three geese, and a chicken. There's a tube well and 10 coconut trees. They have one bicycle. They consider themselves lower-middle class.



**Income:** NCD trades in goats, between markets and between farm and market. Income is uncertain, but may average 8,000 to 10,000 a month. Old KB used to do the same, at which time their income was almost double what it is now. But he has been ill lately and had an operation (he showed off a huge scar on his chest and belly) that cost 40,000. This was funded via gifts from the extended family and neighbors, so has happily left no debt. KB hopes to start work again soon. The women do housework and earn no cash. They don't normally sell

coconuts or poultry or eggs. (Today they generously gave us fresh coconut milk). Photo, left to right: Mr. KB; Stuart Rutherford; S K Sinha; Steve Rasmussen from CGAP.

**Portfolio:** They haven't run a **piggy bank** since before CRD joined an MFI, years ago. The last one they broke yielded less than 300. They have no insurance, though agents do call on them. They say they don't have enough money for insurance.

Daughter-in-law, CRD, joined the MFI **BRAC** a decade ago. She **saves** 50 a week and has a balance of about 10,000. She hasn't withdrawn savings in all that time. She says she didn't want to, then she says that BRAC officers don't allow her to, then says maybe they don't allow her to when she is holding a loan, which is most of the time. There is no DPS. The biggest of the eight or 10 loans she has taken was 20,000, used, like most of her BRAC loans, she says, for goat trading (but see below). But she says "some" of the 20,000 loan went into medical costs, for her. Right now she has no BRAC **loan**, having completed her last loan four or five months ago. She says the BRAC officer is "a bit unhappy with her" for not borrowing, but she has told him that she will borrow when she really needs to.

More recently she joined the local MFI **RRF**, but left after taking two loans (12,000 and 15,000). She balanced off her savings against her remaining outstanding loan and quit because, she says, she found running two MFIs at once too difficult, especially finding the repayments each week. Nevertheless she says she still thinks MFIs are useful: they allow you to repay bit-by-bit, which is much harder with a private loan.

This led us on to a conversation about **private borrowing on interest**. It turns out that NCD persuaded the family some 18 months ago to develop the goat trading business ahead of the Eid festival (when Muslims slaughter sacrificial animals, such as goats) by taking a big private loan of 100,000 from a lender in a nearby village who was willing to lend at the low rate of 3 percent a month. His father KB now thinks it was a mistake, for the business has not grown much, and the loan has become burdensome. They would like to clear this loan, and their planning now focuses on that. It is not clear why CRD hasn't taken another BRAC loan to help clear this debt (she says simply she doesn't want another debt while they are clearing the private loan). But there was a lot of eye contact between CRD and her father-in-law during this part of the conversation so we guess that we are missing some important element of their story.

In this village as in many others, **howlats** are regularly exchanged, especially between women, in fairly modest values. CRD and SRB join in, both giving and taking, in sums of 200 to 500 or so. CRD sys she may exchange **howlats** two to three times a month. There are weekly ASCAs running in the village here but they don't join in.

They say "almost everyone" in the village uses MFIs. Most of the big names are here—they mention BRAC, ASA, Grameen, BURO, RFF. They are good "in that they provide money, which is always needed." CRD isn't sure (or is unwilling to say) whether she'd advise her daughters to use MFIs. She says both she and her husband plan their finances together and "worry" about debt. He was good about providing the money for their BRAC repayments but still there were some gaps. Not paying regularly is bad: MFI staff come to your home and sit there and won't go away until you pay up. That is the bad side of MFI borrowing.



### Interview 037

A woman who is using MFIs for the first time—three at a time—and wants to borrow more. Her daughter strongly disapproves, saying that MFIs get you into trouble.

**Location:** A very rural part of a fairly prosperous sub-district in a southwestern district, with medium density coverage by MFIs, little industry, and not much remittance income.

Respondents: **Mrs. BB** and her daughter **Mrs. SH**

**Household:** BB is about 40, unschooled. She is the wife of GK who has a low-grade temporary government job in Dhaka. He is about 55 and educated to class 10. They have two sons and three daughters. The three daughters are all married and living with their husbands (one, SH, is here, on holiday). The older boy, AA, is 15 and at school, and the younger, KD, is 8 and in class 2 (in the photo with his mother). BB's mother-in-law lives with them, in a six-person *chula*.

**Home:** They have their own bit of homestead land, 0.09 acres, given them by the mother-in-law. There is one main tin shed house, a second one for guests with a tin roof and jute-stick walls, and a cow shed and a kitchen. They have no farmland but sharecrop-in 1.35 acres and get three crops a year (rice, jute, and vegetables). As usual round here, their share is 50 percent of the crop, and they pay for all inputs (these days one can hire in a mechanized plough quickly and efficiently, so it doesn't need much of their own labor). There is no electricity, but they run a TV and fans from a battery. There is a fair set of furniture. They have two cows (one in milk), two kids, and a chicken. There is a bicycle. They think of themselves as middle-class farmers (we might say upper poor).



**Income:** The sharecropping provides less than a year's worth of rice and some income. GK sends half of his 7,000 a month salary home. BB sells milk worth 60 most days.

**Portfolio:** BB discovered MFIs last year and has quickly joined three of them. She didn't do it before because she was busy bringing up the children and hadn't at that time devised her current plan of making a living from rearing livestock. She was also wary of getting into repayment difficulty because everyone now knows that can happen. She joined three because she couldn't get the loan amount she wanted from just one.

She joined **Srijony Bangladesh** nine months ago. She took a 12,000 **loan** and bought a calf. She **saves** 20 or 30 each week. So far she is running this account with only minor difficulties.

Then she joined **BURO** in October 2012. She took a 12,000 **loan** and bought inputs for the farming. She **saves** 30 a week and also has a DPS of 500 a month, which she was required to open as a condition of borrowing. This account is also running OK, though it is a bit of a struggle.

Then two months ago she joined **PDBF** (government run sister organization to PKSF). She took another 12,000 **loan** and bought her second calf. She **saves** 20 a week there. So far, so good for this account too.

So now her total weekly repayment dues come to about 600 a week, which she is just about managing. She has already discovered that Srijony is the softest of the three MFIs, because she has already fallen three weeks behind with it but it tolerates it without complaining. The other two are tougher, so she struggles to keep up to date with them, by taking **howlats** from neighbors, etc. (she also reciprocates sometimes).

She “doesn’t and won’t” take or give money **privately on interest**. They have no commercial bank accounts. She paid into a **Sandani** insurance scheme for some years at 440 a month, but the agent has disappeared so she thinks she’s lost it all. She showed us the passbook (a 12,800 balance) and all the receipts for her monthly payments, which seem in order: we advised her to get her husband to follow this up at the Dhaka Sandani HQ.

BB seems to be determined to borrow more from MFIs. She thinks BURO might give her 60,000 when she completes the first 12,000 loan. She can then expand the livestock business. This is despite the fact that she already finds repayments difficult. And it is despite what her daughter SH says, very loudly. SH (a mother of three small children) says, “I will never ever join an MFI; there is far too much tension. You can see examples all over the village.” She says there are multiple problems with MFIs:

1. they cause huge tension (mental anxiety)
2. they cause prestige problems when the MFIs staff put pressure on you in various ways
3. in the end some people have to flee or sell their possessions

SH is here on holiday with her friend (photo, SH on the left), who seems to agree strongly with her. We wonder if there is a generational difference emerging, and ask.

“Yes,” they say, “lots of younger people have seen what MFIs result in and they don’t want to join.”

