

**A Study on Membership Overlap Among
Different NGOs in Selected Villages:
Its Impact on Micro-credit Programmes and Rural Poor**

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Executive Summary

For several decades BRAC and many other NGOs have been working with micro credit for alleviating rural poverty. The growth of micro credit has therefore been phenomenal, and so has the number of smaller NGOs working along this line. According to one estimate, Grameen Bank together with other NGOs account for 65 percent of total rural credit disbursement annually, a figure surpassing the combined total of GOs and Banks.

The present study looked into the phenomenon of membership overlapping in some villages of Tangail. The study was exploratory in nature and the findings suggest that a majority of the sample borrowers have benefited from multiple borrowings, while others have not been so successful and some even ended up as paupers. Incidence of membership overlapping is high and its prevalence is likely to be found in other parts of the country as well. These have wide ranging implications for the provider of funds.

The objective of the study has been to identify the nature and causes of the incidence of membership overlap between different NGOs in selected villages and evaluate its impact on micro-credit programmes and rural poor.

The database for the present study came from field level investigations which were conducted in 10 BRAC village organizations (VOs) under three thanas of Tangail. Out of a total of 326 members in the 10 VOs, Focus Group Discussions were held with 115 members. In-depth interviews of 39 multiple members along with nine case studies were taken from this sample. Besides BRAC, these borrowers also have membership in several other NGOs such as Grameen Bank, Proshika, ASA, Society for Social Services (SSS), Social Development Sangshad (SDS), Swanirvar Bangladesh and BURO Tangail.

The major findings of the study indicate that:

- There is a high incidence of membership overlap. Its prevalence has been found to be very widespread in the study area.
- A majority of the multiple borrowers are landless, illiterate and enjoy relatively good networking privileges.
- The motivating factor, behind membership overlapping, revolves around the inadequacy of loans obtained from their parent organization to meet one or any combination of the following categories of loans: (i) credit required to carry on and expand agriculture, cottage industry and business (ii) credit needed to meet long standing problems such as house construction or repair or meet social obligations such as marriage, etc. (iii) credit needed to cope crisis such as unemployment, accident, etc.
- Data show that 69.73 percent of the loan has been utilized by the multiple borrowers for productive uses and 30.27 percent for unproductive uses. The end use of the loan have been traced to housing (5.40 percent), purchase of cow (6.30 percent), marriage (5.19 percent), medical treatment due to sickness/accident (3.20 percent) and paying loan installment of another NGO (4.04 percent). Two percent of the loan has been used for re-lending at an exorbitant rate of interest.
- The study found repayment performance of the major multiple borrowers to be regular. Out of a total of 326 borrowers, 210 (64.42 percent) have been regular in repaying loan installments, 63 (19.33 percent) have been irregular and 53 (16.26 percent) defaulted.

- The study found that most of the multiple borrowers do not approve of overlapping. According to them, there should be no more than one NGO in a village. Borrowers pointed out that NGOs are charging high interest rates that should be lowered. They are also unhappy with BRAC and Grameen Bank, who do not allow members to withdraw savings any time.
- Out of the total borrowers, 117 (35.89 percent) thought that they were better-off, 125 (38.34 percent) said their improvements have been moderate and 84 (25.77 percent) suggested that no improvement has occurred in their lives.
- Multiple borrowers have invested 21.89 percent of the total cumulative loan in building up productive assets and 8.35 percent in unproductive assets.
- Access to health-care facilities, safe drinking water and sanitation has showed marked improvement.
- The force of competition has also resulted in bigger NGOs offering attractive and innovative credit and savings schemes. On the other hand, the smaller NGOs are mostly disadvantaged and borrowers have little reliance on them particularly regarding their sustainability.
- Records of fraudulent practices of several NGOs have also been documented. Though these NGOs did not last for long, it has greatly tarnished the image of the NGOs in the locality.
- Multiple loans have rejuvenated, to some extent, trading and marketing activity in the local economy. In some areas they have invigorated certain sectors of the local economy (paddy and rice-making business, mustard oil production and distribution, puffed rice business, manufacture of earthen-pot for curd, among others).

With a view to reducing membership overlap, the study recommends the following :

- initiating steps to streamline the differences among NGOs regarding loan ceiling, interest rate, borrowers' access to their savings, provisions for contingency loans, allowance for supplementary loans and refinancing options, and initiating discussion meeting among the NGOs to avoid overlapping and to allocate areas of operation
- devising and developing an effective mechanism for supervision and monitoring of borrowers' credit use activities
- proposing to the government to issue registration of new NGOs with proper care so that spurious NGOs do not crop up.

A host of interesting issues and concerns have been raised by the study. They mainly relate to the success and sustainability of the lending programmes, the dynamics of default and their overall impact on poverty situation. Time and resource constraints have, however, forced the present study to narrow down many areas of interest related to the inquiry. Future researchers could dig deeper into these areas through follow-up and in-depth studies.

Acronyms

Antara	A local NGO
Apa	A female NGO staff/field worker
ASA	Association for Social Advancement
ASUP	Adarsha Samaj Unnayan Prokolpo
BRAC	Bangladesh Rural Advancement Committee
BRDB	Bangladesh Rural Development Board
BURO Tangail	Bangladesh Unemployed Rehabilitation Organization Tangail
Chira	A variety of puffed rice
Doi	Curd
GO	Government Organization
Grameen Bank	A micro finance institution
Kendra	Centre/Society
Mahajan	An informal village money-lender
MFI	Micro Finance Institutions
Muri	Puffed rice
NFPE	Non Formal Primary Education programme of BRAC
NGO	Non Government Organization
Pati	Mat made of cane
PO	Programme Organizer
Proshika	A national NGO
PSSKP	Polli Shamannay Sikha Kalyan Porshad
RDP	Rural Development Programme of BRAC
RED	Research and Evaluation Division of BRAC
Robi	Winter crop
SB	Swanirvar Bangladesh
SDS	Social Development Sangshad
Shamiti	Society, Group
SSS	Society for Social Services
Taranga	A local NGO
Thana	Sub-district

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Chapter 1

INTRODUCTION

1.1 General Overview

It has been several decades since BRAC and other leading NGOs have begun working with the expressed objective of alleviating rural poverty. Credit programme provided the wherewithal for such endeavours. It is not surprising therefore to find credit disbursement increasing in leaps and bounds. Along with this trend there has also been a proliferation of smaller NGOs seeking to get a piece of this action. According to one estimate, Grameen Bank together with other NGOs account for 65% of total rural credit disbursement annually, a figure surpassing the combined total of GOs and Banks.¹

However much of this initial growth spurt in credit disbursement has been blunted in recent times, despite the huge reservoir of unmet credit demand. A number of reasons are cited for this apparent slow-down. One of the major reasons is membership overlap, a phenomena where one member borrower belonging to one NGO takes loans from other NGOs. Although there has been noticeable progress in the ability of borrowers to enhance their income earning capacities through the use and investment of funds borrowed from multiple sources. there have been costs as well. There have been increasing instances of funds being diverted to other unintended uses and for coping with crises and other family contingencies. One increasing symptom, and a cause of concern for many leading NGOs, is a relatively heavier burden placed on the unsuspecting borrowers with loan default as an obvious consequence.

Such overlapping is perhaps inevitable in a situation where NGOs respond competitively to a large unmet demand. However, as overlapping develops rapidly, micro-credit instead of reaching newer and prospective borrowers, is most likely to go into the hands of the old borrowers. As a result a vast number of new and yet prospective borrowers are deprived of accessing credit. On the other hand, increasing amount of loans start to pile

¹ / Kamal, Ahmed: Poor and the NGO Process: adjustment and complications, in Rahman, H.Z and Sen, Binayek (Ed): Dynamics of Rural Poverty in Bangladesh, BIDS, Apr. '96.

up with the old borrowers. The repayment behaviour of Grameen Bank borrowers², for example, suggests that while most members have been accustomed to accessing large sizes of loans and utilizing these loans in meeting specific economic and other contingent needs, some have been found to do quite well, but for the majority of these multiple borrowers, the result has not been good. Many of them used their money to meet crises or contingent needs. Repayments in their cases have been irregular and some have become so pauperized that they have lost all abilities to repay the remaining installments.

The present study has had a close look into this phenomenon of membership overlapping in three thanas of Tangail : Sadar, Kalihati and Basail. This was in the nature of an exploratory probe and the findings suggest that a majority of the sample borrowers have benefited from multiple borrowings, while others have not been so successful and some even ended up as paupers. The findings also point to the fact that incidence of membership overlapping is high and is not just restricted to a district or region of the country. Its prevalence is likely to be found in other parts of the country as well. These have wide ranging implications for the provider of funds and suggest that while legislation will not be enough to check the phenomenon, the NGOs should re-think their strategies on those areas where borrowers have sought multiple loans in large numbers.

1.2 Study Objectives

The broad objective of the study is to identify the nature and causes of the incidence of membership overlap between different NGOs in selected villages and evaluate its impact on the micro-credit programmes and the rural poor.

The specific objectives of the study include the following:

- i. To identify the nature and magnitude of multiple borrowing
- ii. To identify the socio-economic characteristics of the multiple borrowers
- iii. To analyze the end-use and utilization pattern of the multiple loans
- iv. To examine repayments and incidence of default related to multiple loans
- v. To evaluate the impact of membership overlap on the borrowers, lending institutions and the local economy

² / Borrowers and staff of several NGOs in the study area pointed out that Grameen Bank provides the largest amounts of loan to the borrowers compared to other NGOs and MFIs.

- vi. To bring out the major policy implications and suggest remedial actions

1.3 Study Methodology

Exploratory Nature of the Study:

The nature of the study was primarily exploratory and looked into the phenomenon of membership overlap with a focus on the nature and cause of overlapping, utilization of loan, repayment of loan and other important aspects of the phenomenon. Since it was an exploratory probe and time allocated for conducting the study was two months only, there was little opportunity for an in-depth study. The present study therefore had to be done in some haste. The scope of the study had to be narrowed down considerably and the fieldwork adjusted correspondingly to cover a smaller number of areas.

Purposive Sampling:

On suggestions from the programme personnel to choose the study site from Tangail and Manikganj, considered as areas of high concentration for membership overlap, Tangail was selected purposively and three BRAC-RDP Area Offices covering three thanas, Sadar, Kalihati and Basail, were picked up for investigation.

In order to conduct field investigations, the following steps were carried out sequentially:

- (a) Pre-study field observations
- (b) Research proposal
- (c) Detailed checklist
- (d) Field-testing and revision of checklist
- (e) Actual field study

For making some initial field observations, a pre-study visit was carried out on 7-8 August 1999 in two VOs of Tangail Sadar thana. Besides discussions with the BRAC VO members, information were also collected following detailed discussions with the Tangail Regional Manager and Tangail Sadar Area Office staff of BRAC-RDP. Following this visit a research proposal was developed and submitted to RED. After the proposal was accepted in early September 1999, a detailed checklist was prepared to launch a qualitative study. A field-testing of the checklist was conducted on 28-29 September 1999 in one VO of Tangail Sadar thana where besides discussions with VO members,

two short discussions were also held with two local NGOs. Based on feedback from the field test, the checklist was revised. Finally, the actual field study was carried out between October 2 – 11, 1999 in seven VOs of two BRAC-RDP Area Offices, Kalihati and Basail. As shown in table 1 below, in-depth interviews and Focus Group Discussions (FGD) were carried out among the VO members of BRAC-RDP and officials of a number of NGOs.

Perception Survey:

The major respondents of the perception survey were:

- (1) Target group
- (2) NGO staff/field worker

Table 1

Number of Interviews and Focus Group Discussions held with Multiple Borrowers

Sl. No.	Methods of Investigation	Sadar	Kalihati	Basail	Total
1.	In-depth Interviews with VO Members	0	2	37	39
2.	Focus Group Discussions (FGD) with VO Members	3	3	4	10
3.	Interviews/FGD with NGO staff	3	3	5	11

The study made investigations in 10 VOs under the three thanas. Out of a total of 326 members in these VOs, 115 multiple members participated in 10 Focus Group Discussions (FGDs). A total of 39 in-depth interviews were taken from this sample and separate case studies on nine multiple borrowers were prepared. Eleven discussion meetings were held with five national, two district and four local based NGOs.

Validation Survey:

Investigations were focused on areas where borrowers thought the incidence of overlapping was significantly high. However, consideration of time and resources allowed one village in Kalihati thana to be investigated in some detail. Thus, to validate the earlier views and opinions of the respondents regarding magnitude of overlapping and to find out intra-household magnitude of overlapping, an in-depth investigation in the form of a validation survey was carried out on 7-9 December 1999 in Kalihati. As it was

necessary for the field study to ascertain the exact number of NGOs working in the village, a number of borrowers and NGO staff were asked to provide the numbers and their names. By inquiring with other NGOs located in Kalihati town, the actual number of NGOs³ operating in the village was obtained.

In order to verify the opinion of the borrower-members with actual information, data was collected from the offices of the above mentioned NGOs. Names of all the VO/Shamiti members in the village along with their husband/father's names were collected from these NGOs. However, names of the husband/father of the GB Shamiti members could not be collected as the GB staff were hesitant to provide their names. After the names of the group members were collected, these were cross-checked and verified, one by one, with the names of members of all the 5 BRAC VOs. In the case where the name of a BRAC VO member was found in the names listed in the Shamitis of other NGOs, the BRAC member was identified as a multiple member. In this manner the multiple members of BRAC were identified.

For further proof, one BRAC VO was selected and investigated as a test case. In this VO all the BRAC members were interviewed individually. During interviews each member was asked to declare the number and names of NGOs they were involved in and to display their passbooks. All the VO members were interviewed except five members, who were not available during the interview. As confirmed by the other BRAC members, three of them had recently settled in distant villages and could not be informed, one was in Tangail town visiting a relative there and the other was confined at home due to maternity reasons. BRAC members including the VO President and Secretary reported that these five members were all non multiple and had no membership in any other NGO.

When the names of members of the other NGOs were cross-checked and verified with the

³ Presently, there are seven NGOs carrying out credit and savings programmes in the village. These are BRAC, Grameen Bank (GB), ASA, Social Development Sangshad (SDS), Society for Social Services (SSS), Adarsha Samaj Unnayan Prokolpo (ISDP) and Taranga. The first four NGOs operate on a national scale. SSS is active in almost all the unions and thanas of Tangail district. The last two are local NGOs. BRAC, GB, ASA and SSS provide credit to the target female population by organizing them into local associations or groups called Village Organizations (VO) or Shamities. But SDS, ISDP and Taranga, on the other hand, do not organize the poor women into such groups. The staff of these NGOs directly maintain contact with individual members. BRAC and GB, each have five, while ASA and SSS have two VO/Shamites each in the village.

names of the BRAC members and matched with the results of the interviews, no discrepancy was found between them.

1.4 Organization of the Report

The rest of the study is organized as follows :

Chapter 2 presents a brief literature review of this emerging phenomenon of membership overlap. **Chapter 3** describes the membership overlap syndrome in terms of its nature, magnitude and trends. **Chapter 4** catalogs the major socio-economic characteristics of the multiple borrowers. **Chapter 5** analyses the end-use and utilization pattern of the multiple loans. **Chapter 6** dwells on the payments and incidence of default related to multiple loans. **Chapter 7** delineates the overall impact of membership overlap and multiple borrowing. Finally, **Chapter 8** wraps up the deliberations of the study by reflecting on the major findings of the study, the key issues and concerns raised by it, and offers several important policy guidelines in this challenging area of concern.

Chapter 2

LITERATURE REVIEW

While the phenomenon of membership overlap is not completely new, and has probably been in existence for quite some time, it is only in recent years that it has attracted the concern of many lending institutions involved in micro-credit. The practice of members of a particular society, organization or even cooperative to seek out new membership elsewhere in response to their felt needs or because of frustration with their old organization (or from a combination of other *pull and push* factors), could be the result of a rational choice undertaken wholly or partly by the participating members. These, in turn, could be conditioned by the nature of the information set available to them.

The rural poor comprising the marginal, impoverished and the landless poor, and a large segment of the poor and destitute women have been known to chronically suffer from indebtedness, a feature of life that is associated with their journey from the *cradle to the grave*. In such circumstances, it is but natural for them to seek out assistance in cash or in kind from whatever source they can access. Traditionally, friends and relatives (and occasionally, the village *mahajan*) provided their much needed succor in their effort to cope with the life's stresses and strains. Even the not-so-poor and the farmers targeted for innovative programmes have been known to solicit other sources of funds.

Rahman and Alam (1987), found, for example, that member loanees of almost every institution, except Grameen Bank⁴, had indebtedness with other institutions. Their study showed that the highest incidence of borrowers indebted to other institutions occurred with BRDB (44%), followed by BRAC (24%), Proshika (20%) and BKB (2%). Where have these multiple loans gone? The same study revealed that the end use varied according to the institution from which the loan was funded. On average, capital expenditure figured prominently (75%), followed by crop production (12.8%), family consumption (9.4%), and repayment of old debt (2.8%). However, none of the loanees

⁴ / Only GB samples were found to have no indebtedness with other institutions or money-lenders or friends and relatives. It was observed that the average size of GB loan was significantly higher than that of other concerned institutions and the GB loanees were allowed to use the loan money for any purpose they liked. These might be the reasons for which GB loanees did not require to contract other non-institutional or institutional sources for additional fund (*Rahman and Alam 1987*).

deemed the loan obtained from their parent organization as adequate, the inadequacy rate being the highest for BKB (88%), followed by BRDB (84%), CCDB (70%), BRAC (68%), and GB (50%).

Although the **BIDS Poverty Study** of 1996 (Ed.. Rahman and Sen) did not specifically address the problems and consequences of this emerging syndrome of membership overlapping, one particular component (**Kamal, 1996**) alluded to this phenomenon and suggested that multiple membership was quite widespread (50% of GB loanees, for example, had borrowed from other NGOs). He attributed this to the under-utilized credit capacity in the households that results when NGOs impose restriction on the accessing of credit by the households. Loan diversion is another unintended fall out and the study argued that it is an outcome of a pragmatic approach to credit utilization. Such loan diversion persists because there is solidarity among household groups and because there is an urgency and a need by the NGOs to recover funds loaned out.

Most of the existing studies on micro-credit or on the performance of the micro finance institutions (MFIs) allude to membership overlapping either by way of passing remark and/or concern. Others acknowledge or presume its existence in ways that do not convey the notion of an emerging problem. Some studies use this particular terminology to connote jurisdictional overlapping on the part of lending institutions when they attempt to respond to and service a large unmet demand for credit.⁵

There have been several BRAC studies that looked into some dimensions related to the membership overlapping phenomena (drop-outs, for example) in the process of evaluating one or other components of its field programmes. A study by **Evans, T et al (1995)** while highlighting the barriers to participation in BRAC-RDP activities found that membership overlapping was most frequent among RDP eligible non-members and former RDP members. Together they account for half the households' responses. Among BRAC-RDP members, overlapping was found out to be surprisingly smaller (16%).

Halder (1996) looking into the present status of Impact Assessment Survey (IAS)-I sample population found interesting new evidence on the interface between drop-outs and multiple memberships. Her survey found that 58% of total respondent households having

⁵ / Rahman, May 1999 (forthcoming)

multiple membership (20%) had dropped out. On the other hand, out of the total for drop-out members (whose proportion comes to 56.4%), 26% had multiple memberships within which exactly half were female members. Among the reasons cited by VO members for drop-outs, the major ones relate to irregular weekly installment payments, irregularity in maintaining VO disciplines and norms, marriage and migration of members, failure of rising expectations, better facilities offered by other NGOs and misbehaviour of BRAC staff.

Husain (Ed. 1998) found evidence of BRAC members receiving significantly higher amount of loans from different institutions but suggested that around 10% of the BRAC member households had multiple memberships with other development agencies. These households have been identified as those with higher household education level and bigger household size compared to households with only BRAC memberships.

An earlier study by **Khan and Chowdhury (1995)** traced the identity of multiple memberships to a cohort of discontinued members within which a quarter was involved with other NGOs. Among the “pull” factors that were at work to draw out BRAC members, “extra facilities” was singled out. These included, among others, fewer deductions from loans, higher loan ceiling, low interest rates, and quick disbursement. A later study by **Banu and Amin (1997)** found the participation rate of BRAC members with other NGOs to be 27%, with an equivalent proportion coming from the cohort of ex-members of the “dissolved” VOs.

Chapter 3

THE PHENOMENON OF MEMBERSHIP OVERLAP : NATURE, MAGNITUDE AND TRENDS

3.1 Characteristics of the Study Area

Tangail appears to be flooded with signboards exhibiting names of various NGOs. The thana towns and *bazaars/haats* (market-places) in the study area are humming with area/head offices of various national, district-based and local NGOs. When asked why is it that Tangail has a high concentration of NGOs, most respondents emphasized the following reasons:

- a large number of people are engaged in business and trading
- a large section of young and educated people is unemployed many of them have joined the working staff of NGOs
- several national and Tangail-based NGOs such as BRAC, Grameen Bank, ASA, Proshika, Social Development Sangshad (SDS), Society for Social Services (SSS), BURO Tangail and Adarey Alo Polli Unnayan Sangstha had set up their earliest organizations in Tangail and gradually developed a network of branches all over Tangail
- those who had money and time opened NGOs
- most NGO officials engaged in micro-credit programmes found the activity to be profitable
- economic vibrancy due to good communication and proximity with Dhaka

According to a local wisdom, when a person manages to get into a crowded bus he thinks that there is no space left for another person and therefore resists the next person from getting into the bus. This experience holds for the NGOs in Tangail as well. Almost all NGOs operating in Tangail have loudly expressed that the number of NGOs has become over saturated. Despite this, new NGOs are being opened routinely.

Although most of the NGOs in Tangail are engaged in micro-credit operations, there is a growing concern that newly found NGOs base their activities on business motives and profit-making. Top officials of these organizations call themselves “Maliks” or owners.

In some cases, the business of making profit through micro-credit operations is tempered with fraudulent practices. As shown in the box below, poor people are being deceived in the name of NGOs or in the name of micro-credit operation (ostensibly for poverty alleviation) and thus become worse-off than before. Such fraudulent practices have continued unabated. The result has been that the NGOs become socially stigmatized and associated with cheating, exploitation and fraudulent practices.

Box A : Organization rendering people homeless

A local NGO, carrying out micro credit activities in several villages of Tangail Sadar thana, has been enrolling poor people of the locality. When the borrowers approach for loan, the organization provides them with loans instantly. However, they charge a high rate of interest, 10 percent per month. Since getting loan instantly from BRAC or Grameen Bank is not possible, many poor men and women, requiring cash to meet urgent needs and contingent demands, have been lured by this NGO. However, at a later stage problems began to emerge with their loan repayment. Due to the high interest rate, some of the borrowers began to default. In a number of reported cases, the organization forced the defaulting borrowers to sell their land, house or other assets. As a result, a number of people who sold their houses became homeless. It has also been reported that confinement rooms/ or torture chambers have been opened by the same organization to deal with delinquent borrowers.

3.2 Magnitude of Membership Overlapping

Earlier, attempts have been made to seek opinions of the borrowers and staff of different

Box B : Profile of Shimulpur Village and NGOs

Kalihati :

Total number of NGOs : 45

Shimulpur :

Total population : 3,326
 Total number of households : 731
 Total number of males : 1,729
 Total number of females : 1,597
 No. of NGOs : 7

	BRAC	GB	ASA	SDS	SSS	ISDP	Taranga
Year established	1997	1979	1992	1991	1996	1996	1999
No. of VOs	5	5	2	-	2	-	-
No. of VO members	162	163	48	153	45	113	110

NGOs on magnitude of membership overlapping. These views and opinions, however, were based on notional assessment and the associated magnitudes and numbers were largely a matter of educated guess. In order to provide a more informative basis, the present study has undertaken a brief follow-up exercise in the nature of a validation survey.

However, due to time and resource constraints, one village could be investigated in some details. Shimulpur (not the real name), the study area, is a large village, about 3 kilometres from the Kalihati thana town. When Grameen Bank first started its micro credit programme 20 years back by establishing a few branches, Shimulpur was chosen as its area of operation. Since then, other NGOs gradually came in. A brief profile of Shimulpur and the above mentioned NGOs are provided in the box above.

Findings: Magnitude of Membership Overlapping

The findings of this follow up study, shown below, seem to vindicate much of the results of the earlier opinions. The findings are summarized in the tables, shown below. Table 3 shows that 69.14 percent of the BRAC VO members of Shimulpur have membership with other NGOs.

Table 2
Magnitude of Membership Overlap of BRAC VO Members (in %)

Sl. No.	VOs	Single	Multiple	Total
1.	VO-1	7.41	15.43	22.84
2.	VO-2	4.94	14.81	19.75
3.	VO-3	6.17	11.11	17.28
4.	VO-4	5.56	14.81	20.37
5.	VO-5	6.79	12.96	19.75
Total		30.86	69.14	100.00

The table also shows a pattern of the magnitude of overlapping of the BRAC VO members. The highest concentration of overlapping has been found in the second VO (VO-2), three-fourth of the entire VO members overlapping, and the lowest in the third VO (VO-3), two-third.

One probable reason for this high magnitude of overlapping could be the presence of a good number of VO members engaged in mat-making and cane business.

Table 4 depicts a pattern of membership overlap for each of the VO members involved with other NGOs. In all the five VOs, 30.86 percent of the entire VO members are non multiple, having no membership with any other NGO except BRAC. 40.74 percent of BRAC members are concurrently members of one other NGO. Besides BRAC, 20.37 percent are concurrently members of two other NGOs, 7.41 percent in three other NGOs and only 0.62 percent in four other NGOs.

Table 3
Pattern of Membership Overlapping of BRAC VO Members (in %)

Sl. No.	Membership in	VO-1	VO-2	VO-3	VO-4	VO-5	Total
1.	BRAC only	7.41	4.94	6.17	5.56	6.79	30.86
2.	BRAC+1 NGO	11.11	7.41	6.79	8.02	7.41	40.74
3.	BRAC+2 NGOs	1.85	6.79	3.70	4.32	3.70	20.37
4.	BRAC+3 NGOs	2.47	0.62	0.62	1.85	1.85	7.41
5.	BRAC+4 NGOs	0.00	0.00	0.00	0.62	0.00	0.62
Total		22.84	19.75	17.28	20.37	19.75	100.00

It is significant to note that overlapping has been quite widespread among NGOs/micro-finance institutions at the national level as well as at local level where many small NGOs coexist with bigger ones. Overlapping between BRAC and SDS and between BRAC and GB are existent in all the five BRAC VOs and the percentage figures are quite high. Interestingly, Taranga, a comparatively new local NGO, has a high degree of overlapping with BRAC. Another local NGO, ISDP, has a large number of members in the village. Compared to ASA and SSS, a significant percent of BRAC members are members of this organization. Since the number of local NGOs has been increasing regularly and the total number of existing NGOs in Tangail are already very high, it is very likely that overlapping, already high, will increase further in the future.

Intra-household Magnitude of Membership Overlapping

Table 5 shows the intra-household magnitude of membership overlapping. The purpose of this exercise has been to compare the magnitude of membership overlapping within the household between a BRAC VO member and other members of the household and to draw relevant policy options.

Households involved in overlapping have been divided into three groups: In Group-A, the households consist of BRAC VO members who are involved in BRAC only, while other member (s) of the household are involved in one or several other NGOs. In Group-B, the households consist of BRAC members who are involved in other NGOs and other members of the household are not involved in any NGO. Finally, in Group-C, the households consist of BRAC members who are involved in other NGOs and other members of the household are also involved in other NGOs.

Table 4
Intra-household Magnitude of Membership Overlapping (in %)

Sl. No.	Grouping of Households	VO-1	VO-2	VO-3	VO-4	VO-5	Total
A.	VO member is involved in BRAC only and household members are involved in other NGOs	8.93	15.18	8.04	5.36	13.39	50.89
B.	VO member is involved in BRAC and other NGO (s) only and no household member is involved in any other NGO	9.82	1.79	3.57	9.82	0.00	25.00
C.	VO member is involved in BRAC and other NGO (s) and household members are also involved in other NGOs	3.57	4.46	4.46	6.25	5.36	24.11
Total		22.32	21.43	16.07	21.43	18.75	100.00

The percentage of each group of households for all the five VOs under survey is given. The table shows that on an average 50.89 percent of BRAC VO members are involved in BRAC only while other members of BRAC households are involved in one or several

NGOs. Rest of the BRAC members (49.11 percent) are involved in other NGOs, in which 25 percent of the household members are not involved in any NGO while 24.11 percent are involved in other NGOs.

The table shows interesting results. Half of the total BRAC members are non multiple, although other members of the household are members of other NGOs, and the other half are multiple. Compared to the multiple BRAC members, the non multiple BRAC members have less workload, have more time to devote to VO activities (attendance in VO meetings, participation in training, etc.) and get more time to carry out household chores. From this perspective, the multiple members are burdened with additional workload. They have to participate in the weekly meetings of the different NGOs to which they belong and attend frequent collection dates where they have to make their loan installment repayment besides looking after household chores. They routinely complain about being weary. They have less potential or productive initiative/output than the non multiple members. Eventually at one stage, repayment problems and loan default set in. The concern remains, however, that a high percentage (50%) of BRAC members have multiple membership.

3.3 Push and Pull Factors

It has been found that members of one NGO seek membership of other NGOs, not only for the money that they require, they also evaluate the merits and demerits and the advantages and disadvantages of different NGOs. This mobility of the borrowers to move from one NGO to another is not propelled by immediate crisis, needs and urgencies alone but also by their choice and preference. In what follows, we give some glimpses of the causative factors at work.

A borrower is attracted to an NGO for several reasons. A list of such reasons is given below :

- Large size and financial solvency that pull borrowers from local NGOs
- Variety and depth in sectoral programmes offered by the larger NGOs
- Education, health-care, legal, cultural facilities and other features
- Good behaviour and ability to strike rapport with the borrowers

- Large loan size, relatively lower interest rate on lending and higher rates on deposits
- Flexibility in savings withdrawal
- Provisions of refinancing, supplementary and multiple loans
- Flexibility in installment payment
- Commitment of the NGOs

There are, however, factors that force borrowers either to leave their parent organization and join another or, if they continue with the existing organization, induce them to join other organizations at the same time. A list of such factors is given below:

- Small size of loans from parent organization
- Absence of education, health-care, legal, cultural and other facilities
- Small office and inadequate personnel
- Rude and misbehaviour of NGO staff and workers
- Pressure for realization of installment payments
- High interest rate on lending and low interest rate on deposits
- No/or restricted access to savings withdrawal
- No provisions of refinancing, fixed deposit and supplementary loans
- No flexibility in installment payment

Table 6 provides a glimpse of the different credit and savings products offered by the NGOs, mentioned below, as perceived by the borrowers. As these products vary from one NGO to another, borrowers switch between different NGOs. Thus product differentiation creates membership overlapping.

Earlier, members of different NGOs would join Grameen Bank, because it had been providing more than one loan at a time, giving larger amount of loan compared to other NGOs and also provided loan for house construction. As a result membership overlapping had been increasing. But its deduction of 5 percent from the loan amount and not allowing its members to withdraw their savings before 10 years of membership became problems for the borrowers. As a result these disgruntled members, at one stage,

Table 5
Perception of Borrowers on Benefits Provided by Different NGOs

SI No	Benefits provided by NGOs	BRAC	GB	PMUK	ASA	SDS	SSS	BT
1.	Multiple loans	No	Yes	Yes	No	No	No	Yes
2.	Housing loan	No	Yes	No	No	No	No	No
3.	Savings withdrawal	No	No	Yes	Yes	Yes	Yes	Yes
4.	Training	Yes	No	Yes	No	No	No	Lim
5.	Education	Yes	No	Yes	No	Lim	No	No
6.	Health	Yes	No	Yes	No	Lim	Lim	No
7.	Installment period	Bi-Wk	Wk	Month	Wk	Wk	Wk	Wk
8.	Other benefits	Sector loan	NA	NA	NA	Fix Dep	NA	Supl loan

joined Proshika, ASA, SDS, SSS and BURO Tangail. These organizations do not make deduction from the loan amount and practice flexibility in savings withdrawal. Borrowers have been facing a perennial problem in repaying loan installments. GB, ASA, SDS, SSS and BURO realize loan installments from the borrowers every week. The repayment system has led a large number of borrowers to become irregular and default. They have been complaining about the system. On the other hand BRAC realizes installments in 15 days and Proshika once in a month. As a result many members of the above mentioned NGOs joined BRAC and Proshika. SDS provides attractive remuneration to borrowers for keeping long term deposits. Many borrowers belonging to different NGOs have become its members. Training, education, health, legal and other support services and programmes provided by BRAC and Proshika have been highly evaluated by the borrowers. BRAC schools have been playing a major role in motivating the parents and guardians of the students who eventually joined BRAC.

Findings from the field provide valuable information on pull and push factors that have prompted members to seek membership in other NGOs.

1. Commitments by NGOs:

Various facilities offered by NGOs attract the poor who flock to such NGOs. Many VO members said that initially they were associated with Grameen Bank. Later, “apas” (female staff) from BRAC came and promised them that if they could organize and form BRAC VOs, they would get additional facilities (including earth digging and roadside work, tree plantation on both sides of the road and their supervision for which each would receive 30 kg of wheat or rice, etc.). These promises inspired them to join BRAC.

2. Training:

NGOs provide a variety of training. Considering that the training would be useful, members of different NGOs participated in these and eventually joined the NGOs. BRAC provides training on poultry, livestock, agriculture, fisheries, sericulture, nursery, sewing, education, health, gender, legal affairs, etc. BURO Tangail provides training on human development, micro initiative development, primary school, gender awareness, poultry, etc. Proshika also organizes training on a host of issues. In order to receive training, a number of beneficiaries joined NGOs which provided such training.

3. Education:

Efforts by the NGOs, particularly BRAC, in establishing non formal primary schools and the quality of education being imparted there have received wide appreciation from all quarters. The President of a VO reported that before joining BRAC she observed teaching at the BRAC school and was impressed at its high quality.

4. Medical support:

Health-care services provided by NGOs often help the NGO staff to strike a good rapport with the beneficiaries. BRAC's extensive health-care services have attracted a large number of rural poor and many of them later became its VO members.

5. Credit ceiling:

Grameen Bank, earlier used to provide large amounts of loan to the borrowers and attracted a considerable number of them. Borrowers confirmed that Grameen, after studying the situation where members were taking loans from other NGOs (because of inadequacy of their loan amounts or had to pay installments of other NGOs), used to increase the loan ceiling.

A practice pursued by both Grameen Bank and BRAC has been a matter of serious concern to the borrowers. BRAC does not give as much loan as required by a member if she had a repayment problem earlier. In case of borrowers who have defaulted in repaying some installments, both BRAC & Grameen Bank reduce borrowers' next loan amount. These practices have compelled borrowers to take loans from other NGOs.

6. Multiple loans:

Borrowers are attracted to NGOs which provide more than one loan at a time or multiple loans. Grameen gives 2 to 3 types of loans. It does not give a second loan if 50 percent of the previous loan is not paid. Proshika also follows a similar line of action. Borrowers also pointed out that Grameen adjusts a borrower's defaulted loan with a fresh loan. They say that Grameen does not give loan to a borrower for her daughter's marriage directly but provides the loan by showing that the loan has been given for another purpose. These opportunities have induced many borrowers to join Grameen Bank and Proshika.

BURO Tangail monitors a loan given to a borrower for six months and then provides the borrower with an additional 50 percent of the loan amount as supplementary loan. In times of disaster, it provides loans to its borrower-members at 5 percent interest repayable in 100 installments. BURO's success in increasing its membership lies in its diversified credit products.

7. Housing loan:

Grameen Bank earlier used to give 25,000 taka as house loan to a borrower to build a new house. The interest rate was low and the loan was given for a longer duration and the weekly installment was 60 taka. The incentive to build a house and own it had encouraged many borrowers to join Grameen.

8. Other loans:

BRAC provides sectoral loans for poultry, livestock, fishing, etc. Grameen Bank used to provide beef-fattening loans. These loans were given six months before Eid. Grameen has discontinued giving this loan. It has also stopped giving its contingency loans. SSS once used to give loan for tube-well which they don't give now. However, it provides loan for sanitary latrine. BURO Tangail gives loan for land mortgaging. It provides contingency fund to its borrowers. The organization also provides emergency loan after assessing the

emergency need and family conditions of the borrower and gives an interest-free loan that ranges between 2,000 to 4,000 taka. These loans have encouraged many borrowers to join these NGOs.

9. Installment gap:

Grameen Bank, SSS, BURO Tangail and SDS realize loan installments every week. This has proved in most cases to create problems for the borrowers. Since the borrowers get only six days between two consecutive installments, they are often faced with difficulties in raising and collecting the installment money. In a number of cases, the loan money that has been utilized does not give immediate returns. This forces the borrowers to look elsewhere for loans and in many cases they end up with multiple borrowing. The borrowers found BRAC's installment period to be quite satisfactory and were also satisfied with Proshika's monthly installment system. Many borrowers joined BRAC and Proshika because of the advantage of getting more time to pay installment.

10. Interest rate:

Borrowers have expressed the opinion that BRAC's rate of interest is higher than rates of other shamitees. As they found that they have to pay more to BRAC for the same amount of loan given by other NGOs, they became members of these NGOs.

11. Forced savings:

At the time when a fresh loan is issued to a borrower, a number of NGOs including BRAC and Grameen Bank deduct 5 percent of the loan which are then kept in the account of the borrower as savings. However, Proshika, SSS and BURO Tangail do not make such deductions from the loan amount. The provision of not deducting an amount from the loan has induced many BRAC and Grameen members to join these NGOs.

12. Withdrawal of savings:

Withdrawal of savings is a major concern of the borrowers. Grameen Bank does not allow withdrawal of savings before 10 years. BRAC allows its borrowers to withdraw their savings after 5 years. However, BURO Tangail, SDS, SSS, ISDP and Taranga allow borrower-members to withdraw savings any time. Inflexibility regarding withdrawal of savings have made many borrowers to turn to other NGOs including local ones.

13. Savings facilities:

Several NGOs offer attractive remuneration to the borrowers for depositing savings with them. SDS offers 24 percent interest on savings to a borrower after 5 years. For borrowers who wish to open a long term fixed deposit account, it offers double the amount after 5 years. BURO Tangail offers 7.5 percent interest on savings. The organization also has a fixed deposit scheme and the rates of interest vary with the period of deposit being kept. Interest rates on fixed deposits offered by it are: (a) 9 percent for 3 years, (b) 12 percent for 5 years and (c) 14 percent for 10 years. A large number of BRAC and Grameen Bank members has joined these NGOs, particularly SDS.

14. Repayment:

Due to the wide prevalence of poverty, weak socio-economic conditions and a high degree of vulnerability associated to their livelihoods, borrowers often fail to repay regularly. Pressure created by the NGOs are often resented by the borrowers. According to some VO members, Proshika does not create pressure upon the borrowers if they fail to pay an installment. In such cases its field staff visit the members' houses to see the actual situation and help them with counseling. BRAC, Grameen Bank, ASA and SSS, according to the borrowers, are extremely strict regarding realization of installments and in most cases create pressure on the borrowers. A number of borrowers, receiving tremendous pressure from these NGOs, were forced to take loans from other NGOs.

3.4 **Reasons for VO Members Going Multiple**

One of the reasons for wide prevalence of multiple membership, as cited by most NGOs in Tangail, is the presence of a large number of NGOs disbursing credit. But, this could not have been possible without a large demand for credit by the borrowers. Bulk of the rural poor require credit for improving their living standard. However, actual credit requirement of a borrower and the inadequate credit provided by an NGO often do not match. The following case histories explain some of the major reasons for membership overlap:

3.5.1 Some Real Life Examples:

1. Abida (not her real name), age 27, lives with her husband and two daughters. They don't have any cultivable land. Her husband is a day-labourer. Although the income of her

husband is not steady and regular, Abida manages to run the family quite well. Last year their house, which was not in a good condition, was badly damaged during the monsoon. When it rained heavily it was difficult for the inmates to remain dry. It needed urgent repairing. Abida and her husband decided to rebuild the house. As a member of the Grameen Bank, she took a loan of 12,000 taka from it and immediately started rebuilding the house. Finally they had a good house with tin-sheeted roof. She was paying 60 taka per week as installment and was depositing 10 taka as savings. After five months their problems began. Her husband's income became very irregular as the lean season had set in and there was not much work available. Abida could not pay her installments. She started looking for alternative sources of money. She then joined BRAC and took a loan of 4,000 taka. From that amount of loan she started paying both Grameen and BRAC's installments, spent a part of the money for consumption and with the rest started paddy business. But their income was not adequate to cover the installments. At one stage she became incapable of continuing both the installments and stopped paying one.

2. Kabita (not her real name), age 34, is a mother of three sons. Her husband is a small businessman dealing with cane and mats. Several years ago when her husband started the business, there was no NGO in her village. Since his business required a lot of money, he used to lend money from the village *mahajans*, paying an interest of 5 percent per month. Besides, the repayment condition was such that the entire money had to be returned at a time. She took a loan from the Grameen Bank which was used by her husband for business. Her eldest son used to work in a shop. He was telling her mother that if she could give him money he would be able to start a business. He would go to Sylhet, buy cane from there and sell them in Kalihati market. Since she already had a loan from the Grameen and knew that she would not get a second loan as the previous one had not been completely repaid, she decided to take a loan for her son from BRAC. Today her husband along with two of her sons are successfully carrying out the cane business and she makes mats out of cane at home.

3. Sultana (not her real name), age 40, is currently the President of a VO. She has a son and two daughters. Her husband is a teacher of the local madrasah. She has read up to class V. She is a member of BRAC and Grameen Bank. She had six sister-in-laws all of whom were given marriage by her. Last time she took three loans from Grameen: housing loan - 8,000 taka, seasonal loan - 7,500 and general loan - 7,000 taka, a total of 22,500 taka. With these loans she built a house, gave marriage to her last sister-in-law and released a land which her father-in-law had earlier mortgaged out. Besides she had to meet family expenses. As the total amount of loan was large she had problems in repaying the installments. Her husband was not getting any salary from the madrasah as it till then did not receive the government's recognition. As the family was large and income being inadequate, she and her husband decided to go to Dhaka to work in a garments factory. After some years when the madrasah was recognized by the government they came back. She paid, out of her entire savings, a large part of her previous loan with Grameen and became penniless. She badly needed a house but she had no money. Encouraged by her

younger sister she joined BRAC and took a loan of 4,000 taka, which she then used for building a house. She still owes 3,000 taka to Grameen Bank.

4. Fazila (not her real name), age 27, has a son. Her husband works as a day-labourer in other's land and helps Fazila in selling her sewed clothes. Fazila is a tailor. She works at home making blouses for women, shirts and pants for children of the village. When she has more money she makes shirts and pants which are then sold in the market by her husband. She is a member of the Grameen Bank and BRAC. She took loans from Grameen and used them for purchasing cows and for repairing her house. During the 1998 flood, she had to sell her cows. The money she received she bought a sewing machine. She started sewing clothes. She needed money but because of her earlier loan which was not repaid she could not get the second loan. She joined BRAC and took a loan of 3,000 taka. Now she has a steady source of income and has no problem in repayment.

5. Shahina (not her real name), age 32, is a member of BRAC, Grameen Bank, Proshika, SSS and Antara (a local NGO). Both she and her husband are day-labourers and work in earth digging and pond excavation. When they do not have any earth work, she knits fishing net at home and her husband catches fish and sell them in the market. Both of them are illiterate. They have three children. Initially she was a member of the Grameen Bank. At that time they were landless. She took loans from Grameen and started paddy business. With subsequent loans she purchased 12 decimals of land for building a house. She then opened a savings account in SSS because it offered to give 24 percent interest after five years. She hopes to have her daughters get married with this savings. She had also opened a savings account in Antara but discontinued as she feared, like many others, that someday it would disappear with their money. At that time her younger sister got married. Unfortunately the couple while travelling was seriously injured in a road accident. For their treatment she had to make a loan. Afterwards for repaying the loan she joined BRAC and took a loan of 2,000 taka.

6. The Case of a Village Organization (VO) President

Moral: NGO committment not honoured (pull factor not materializing and push factors probably building up)

She (Nasima, not her real name) is the President of a BRAC VO. There are several NGOs in her village which include BRAC, Proshika, Grameen Bank, Society for Social Services (SSS) and Social Development Sangshad (SDS). Besides BRAC, she is concurrently a member of Proshika, Grameen Bank, SSS and SDS. She is 45.

Initially she has been a member of Proshika and so far has taken four loans from the organization. With these loans she started paddy business, bought a milch cow, paid 14,000 taka for medical expenses when her son was grievously injured in a road accident, and paid rent for releasing her mortgaged land. Belonging to a large family with 10 members, she was doing well with her loans until she was confronted with the accident of her son. Two days after she received her third loan of 14,000 taka from Proshika, the accident occurred. Her son was admitted to the Mymensingh Medical Hospital where he was treated for 45 days. She spent her entire loan of 14,000 taka for her son's treatment. In addition to that,

she had to sell her cow for 7,000 taka. She also received 5,000 taka from a courier service organization where her son was working. All these were spent to pay for the medical expenses. She became impoverished. She was haunted by debts. Moreover, the cow which provided her with some income from the sale of its milk, was gone. She was desperately looking for financial assistance.

At that time, she was approached by the BRAC staff. Earlier, a close rapport had developed between her and BRAC as two of her daughters were studying in a BRAC school. Now the BRAC staff told her that if she would organize a BRAC VO, she would be given 30 kg. of wheat per month, ducks and chicken, and that she would be given a job in road construction work. She joined BRAC and soon organized a VO. So far, she has taken three loans from BRAC with which she maintained the education expenses of her children, bought some poultry birds, and invested the rest in paddy business. She had managed to repay Proshika's loan with assistance from her family. But after serving for three years as President of the VO she received none of the benefits that were promised her by the BRAC staff.

7. The Case of an Ordinary VO Member

Moral: The unintended costs that micro-credit programmes are unable to handle and address. Have multiple borrowings accentuated her misery ?

She (Parvin, not her real name) is a member of BRAC and Grameen Bank. There are several NGOs in her village that, besides BRAC and Grameen Bank, includes BURO Tangail, Swanirvar Bangladesh and Proshika.

She has a family of five members, her husband and three sons. By profession, her husband is a rickshaw-van puller and occasionally works as a day-labourer and a paddy businessman. She took two loans from Grameen Bank. With the first loan her husband started paddy business and with the second loan bought a rickshaw-van. Suddenly her husband became sick. For his treatment she spent 10,000 taka from her second loan. She had exhausted all her loan money and was left with nothing to maintain her family. There was no other bread earner. Besides, she had to pay Grameen Bank's loan installments. Where would she get all the money?

She joined BRAC and took a loan of 6,000 taka. With this money she began to maintain her family and pay loan installments of both the NGOs. At one stage, she became unable to pay any loan installment. She became a defaulter. Both Grameen Bank and BRAC began to pressurize her to pay the loan installments. But her situation did not improve and her husband was unable to do any work. Grameen Bank and BRAC used to come to her almost daily and were rebuking her using abusive language. She lamented and thought that after hearing all these abuses it was better for her to die. Unable to continue with this situation she at one point sold a small piece of land that belonged to her and cleared the loans. Now she is a pauper. She said in disgust, "By joining NGO shamities I have gained absolutely nothing".

8. Head of a Female-headed Household

Moral: When micro-credit and multiple membership come in handy in meeting family contingencies

She (Marjina, not her real name) is 32 years old and has three daughters. Her eldest daughter stays with her aunt. The other two daughters are studying in a local madrasah. Her husband died recently from a prolong illness of tuberculosis (TB). She has no land. Her main occupation is paddy business. She buys paddy either from the market or from the farmers and processes rice from paddy. She has membership in four NGOs: BRAC, Grameen Bank, Proshika and SDS. However, she deposits savings only in the last two NGOs.

Initially, she was a member of the Grameen Bank. She first took a loan of 2,000 taka from Grameen Bank and started a grocery shop. The shop business was profitable. She spent the Bank's second loan of 4,000 taka for releasing a mortgaged land belonging to her father-in-law. After getting back the land, she started cultivating rice. At that time her husband was struck with TB. A lot of money was spent for his treatment. In the meantime, her sister-in-law claimed share of ownership over the land (belonging to her father-in-law) which was ultimately sold and the money was proportionately divided among the brother and sisters. The money her husband received as share from the sale of land was also spent for his treatment. But unfortunately, her husband did not survive. After her husband died, she sold the grocery shop as it was not possible for her as a young widow to run the shop. She tried to maintain her family with the money she received from selling the shop and paid Grameen's installments. She realized that by sitting idle she would soon exhaust her money and it would then be difficult for her to maintain her family and continue the education of her daughters. She felt she had to do something to ensure a steady source of income.

She joined BRAC and took a loan of 3,000 taka. By selling her cow for 12,000 taka, and with BRAC's loan money, she started paddy business. Now she has a modest income. Besides, she has been able to rear some poultry birds and has a monthly earning of 150 taka from sale of eggs. She has succeeded in maintaining her family and has continued to pay BRAC's loan installments.

9. The Case of an Ordinary VO Member

Moral: When rigid and inflexible NGO loan provisions force borrowers to go for desperate alternatives (going for multiple sources of funding)

She (Kalpana, not her real name) lived in a small community of Hindus. Her husband had inherited land that provided the family with rice throughout the year. But the piece of her husband's land had a problem. A portion of land, about 29 decimals, situated in the middle of his land belonged to a Muslim landowner. The problem was a sensitive one as each of the landowners belonged to different religious communities. She and her family always felt that they had a shoe with a pricking pin. They decided to buy the piece of land whenever the opportunity arrived. But when the opportunity arrived they had no money.

Being a member of the Grameen Bank for a long time and receiving larger and larger

amounts of loan in every consecutive year, why did her husband persuade her to join BRAC and apply for a loan? She and her husband could wait for a little longer to repay the existing Grameen loans and then apply for a fresh loan with which they could sign the agreement for earnest money. The reason she had to promptly apply for the BRAC loan was that they needed the money urgently to perform the signing of the agreement for earnest money as the landowner informed them that he would wait no longer and wanted money immediately.

One alternative could have been to utilize Grameen's re-financing process. As she had till then not repaid half of her loan, she could not apply for a fresh loan. So her membership in BRAC provided her the opportunity to access the loan she needed so badly.

Her husband is also a member the Social Development Sangshad (SDS), where he has opened several savings accounts. In one of the savings he had been depositing 100 taka every week. After saving for four years he received Tk 25,000. He did not withdraw the money, but invested it in a separate 7-year fixed deposit scheme called Mudareba from where he has been receiving a monthly allowance of 375 taka. In addition, he would get almost double the principal amount after 7 years. He has opened this scheme to use the money during his daughter's marriage. However, the allowance he is receiving is being spent to meet his family's grocery bill and other needs.

She went on to say that after receiving Tk 4,000 from BRAC she paid the earnest money for land. She now needed Tk 56,000 to buy the land. She knew she would not get a second loan from BRAC. Eventually she raised the money by mortgaging her husband's land and by taking loans from the Grameen Bank and relatives.

3.5.2 Results of in-depth interviews:

In order to find out the causative factors that compel VO members to seek membership in other NGOs, in-depth interviews were carried out among BRAC VO members in 6 VOs of two thanas. A total of 39 BRAC members, each having membership in other NGOs, have been interviewed. The results of these interviews are summarized in table 7.

As shown in the table below, there are several reasons which compel borrowers to seek loan from other NGOs. The list of reasons will become longer if more samples are taken for study. The reasons have been classified under seven major groups.

Nearly 18 percent of the borrowers sought multiple loans from different NGOs for carrying out business in paddy-rice processing, fabric cloth and jute. More than 25 percent of the borrowers went for multiple borrowings for purchase of productive assets. These included purchase of land, cow, shallow machine, sewing machine, poultry birds, tube-wells and release of mortgaged land. For carrying out cane mat production and

Table 6
Reasons for Multiple Membership

Sl. No.	Reasons for Membership Overlapping	% of Borrowers
1.	For business	17.95
2.	For agricultural activities	2.56
3.	For other productive activities (a) Cane mat making (b) Tailoring	2.56 2.56 5.13
4.	For building productive assets (a) Purchase of cow (b) Release of mortgaged land (c) Purchase of shallow machine (d) Purchase of sewing machine (e) Purchase of land (f) Purchase of poultry birds (g) Purchase of tube-wells	5.13 5.13 5.13 2.56 2.56 2.56 2.56 25.64
5.	For unproductive assets and expenditures (a) House construction (b) Purchase of jewelry (c) Repayment of old debts (d) Consumption (e) Repayment of money-lender's debts (f) Money-lending (g) Marriage (h) Repayment of loan installments	5.13 2.56 2.56 2.56 2.56 2.56 2.56 2.56 23.08
6.	For belief in commitments of NGOs	17.95
7.	For other reasons (a) Savings (b) Installment gap	5.13 2.56 7.69
Total		100.00

tailoring activities, slightly over 5 percent of the borrowers sought multiple loans. Only 2.56 percent of the borrowers have been found seeking multiple loans for agricultural activities. Nearly 18 percent of the borrowers sought multiple loans for unproductive activities. These included such activities as construction of houses, repayment of old debts, usury debts and loan installments of other NGOs, re-lending, family consumption, marriage and purchase of jewelry. Almost 8 percent of the borrowers joined other NGOs for depositing savings and for enjoying advantage of longer time gap in installment payment. Interestingly, 17.95 percent of the borrower joined other NGOs for their commitments to provide food and job to the borrowers.

From the table it can be observed that a majority of the borrowers (56.41 percent) have sought multiple membership for carrying out various productive activities and for acquiring different productive assets. However, the number of borrowers who sought multiple loans for unproductive activities is not small (23.08 percent).

A deeper insight on the reasons for membership overlapping could be obtained in chapter 5, where actual utilization of multiple loans by the borrowers as been discussed in greater details. The primary reason for borrowers in seeking multiple membership is constrained, in most cases, to a single factor. However, actual utilization of loans, for almost all the borrowers, shows a variety of end-uses (or reasons). Each of the loans has been put to a number of uses by the borrowers.

3.5.3 Beneficiary perspectives:

Reasons for multiple borrowings as perceived by the borrowers are traceable to one or several of the following:

1. Credit ceiling

The amount of loan given by an NGO to a borrower is determined by the credit ceiling of the concerned NGO. Borrowers often find the loan amount to be inadequate. In times of need when a particular NGO does not provide the required amount of loan, borrowers are forced to raise the additional money by borrowing from other NGOs. As long as the credit ceiling of the NGOs remain low and inflexible, overlapping will persist.

2. Single loan provision

Since most NGOs, except Grameen Bank, Proshika and BURO Tangail, do not provide a second loan if the previous loan has not been repaid, borrowers seek loans from other NGOs. This has been observed in several cases. In October-November, farmers require credit for *robi* cultivation. However, those who had earlier taken loans for other purposes are now faced with serious credit problem. Since NGOs do not issue a second loan if the first one has not been repaid, the borrowers have no other option but to go to another NGO. For enterprising borrowers, particularly those who are engaged in two or more income-earning activities, the provision of single loan by the NGO seems inadequate. Credit provision of NGOs is not sensitive to the frequency of loans requirements of borrowers.

3. Repayment

After providing borrowers with credit, NGOs start collecting loan installments from the borrowers from the following week. However, for various reasons, some of which may be beyond their control (inclement weather, floods, erosion, accident, sickness, etc), borrowers fail to repay. Since there is no provision of deferring or postponing installment payment, borrowers in such situations seek loan from other NGOs. Lack of flexibility in repayment compel borrowers to overlap.

4. Housing loan

Grameen Bank earlier provided loans to borrowers for construction of houses. BRAC has provision for housing loan, but has withheld its application. Presently none of the NGOs provide housing loan. As there is a great urge from the borrowers for construction or repair of house, they either divert the loan money from its intended purpose or take loan from another NGO.

5. Push and pull factors

Benefits and facilities provided by NGOs vary with each other. Borrowers are attracted to different NGOs for these benefits and facilities. A large number of borrowers of different NGOs joined SDS because of its lucrative dividends on long term deposits. Unless the benefits and facilities, which vary from one NGO to another, are streamlined, pull and push factors will continue to induce borrowers to overlap.

6. Lean period difficulties

During lean periods borrowers or their husbands find no work and their income shrinks rapidly. They face difficulties in earning a livelihood and in repaying the loan installments. These difficulties compel the borrowers to take loans from other NGOs. Rigidity and inflexibility of the NGOs regarding repayment in such times compel borrowers to overlap.

7. Savings facilities

Borrowers tend to save money for meeting unforeseen contingencies or for marriage of their daughters. They have a particular preference for long term savings. It has been found that borrowers of different NGOs have membership in those NGOs that provide

remunerative returns on their savings. Variation in the credit and savings products of NGOs is a major source of membership overlap.

8. Commitments of NGOs

Members of several VOs mentioned that they were initially attracted to BRAC after it promised to give them work, provide wheat or rice, allow withdrawal of 50 percent of their savings any time, provide free education, etc. Attracted by these commitments, members of different NGOs joined BRAC.

9. Borrower's unplanned investment

For various reasons (including lack of skill, knowledge, etc.), a number of borrowers failed to utilize their loans properly. They faced difficulties in repaying. Eventually the borrowers were forced to take loans from other NGOs. Lack of monitoring and supervision by the NGOs often produce such consequences.

10. Project gestation period

There are investments that take time to give returns. But borrowers have to start payment of installment almost instantly. The borrowers are faced with difficulties and are eventually led to overlap.

11. Marriage

Marriage involves a lot of money which the poor are unable to mobilize at times of need. They either mobilize the money by diverting their existing loans or take loans from other NGOs. Since NGOs do not have a provision for marriage, the borrowers are compelled to take loans from other NGOs.

12. Installment period

Borrowers face problems with weekly payment of installments. Since they get only six days between two consecutive installments (for weekly installment), they often fail to collect the installment money. A number of borrowers joined other NGOs that collected installments bi-weekly or monthly. Variation in installment time period among the NGOs also contribute to overlapping.

3.5.4 NGO perspectives:

The reasons for membership overlap as seen from the perspectives of the NGOs are

discussed below:

1. Target achievement

Targets set by NGOs for loan disbursement, loan realization and recruitment of new members have often led to indiscriminate practices that eventually increased overlapping. Since performance of the staff is evaluated on the basis of target achievement, they often give little thought to whom they are giving loans or whom they are recruiting. Emphasis on target fulfillment contributes toward overlapping.

2. Lack of monitoring and supervision

Most NGOs have no proper mechanism for monitoring or supervision of loans being utilized by the borrower-members. Absence of such a mechanism has led to loan diversion, misuse of loan and consequently, serious repayment problem. The ultimate result has been incidence of overlapping. A monitoring and supervisory mechanism is a prerequisite for curbing overlapping.

3. BRAC's late entry

In the study area, other NGOs had been working for quite a long time prior to the arrival of BRAC. When BRAC had set up its office and started its micro credit programme in this area, overlapping occurred.

4. Competition

Growth of numerous NGOs and a variety in their loan products have intensified the pull and push factors. The result has been an increase in the mobility of the borrowers between different NGOs. Thus a keen competition persists between different NGOs who, in the pursuit of disbursing more loan, increased the frequency of loan. This has caused overlapping to multiply. Growth of NGOs has led to competition that contributes in creating a favourable ground for overlapping.

5. Small/local NGOs

In many places it has been observed that the small and local NGOs resent the larger NGOs. They point out that the bigger NGOs have been taking away all the borrowers and making most of the profits. Thus for sake of survival, the small and local NGOs began expanding their credit and savings programmes. The results have boosted overlapping.

Chapter 4

SOCIO-ECONOMIC CHARACTERISTICS OF THE MULTIPLE BORROWERS

To many observers, multiple borrowers have special characteristics that differentiate them from non-multiple borrowers and help explain why they seek out multiple sources of credit. The present chapter attempts to highlight some of these distinguishing features: land ownership pattern of multiple borrowers, number of total, earning and dependent members in their household, their educational level and length of their membership with BRAC and other NGOs. There is, however, a caveat here. The data and analysis on the socio-economic characteristics of the multiple borrowers could not be compared with the socio-economic data of non multiple members. Time and resource constraints have not permitted collection of data on the non multiple borrowers. Despite this limitation, the data and analysis presented here on the multiple borrowers will serve as a benchmark for future research.

4.1 Initial Endowment

Table 7

Major Socio-economic Characteristics of the Multiple Borrowers

Sl. No.	Socio-economic Characteristics	Average
1.	Respondent's age (in years)	31.10
2.	Membership age (in years)	2-3
3.	Literacy rate (in %)	30.77
4.	Land ownership (in %)	46.16
5.	Average number of family members	5.44
6.	Earning members (in %)	28.77
7.	Number of dependents (in %)	71.23

Data presented in table 8 depict some of the major socio-economic characteristics of the multiple borrowers. Data have been collected on 39 borrowers from 6 VOs. The average age of the multiple borrowers is 31.10 years. Their average membership age with BRAC ranges between 2-3 years. Data on their literacy level show that 30.77 percent are literate and 69.23 percent illiterate. The average number of members in their households has been found to be 5.44, out of which 28.77 percent are earning and 71.23 percent are dependents.

Table 8
Pattern of Land Ownership of the Multiple Borrowers

Sl.No.	Land classification (in dec.)	% of borrowers
1.	Landless	53.84
2.	0 – 50	15.38
3.	51 – 100	10.26
4.	101 – 200	10.26
5.	201 & above	10.26

Table 9 shows a pattern of land ownership of the multiple borrowers. Majority of the multiple borrowers are landless (53.84 percent). Borrowers who own less than 50 decimals of land comprise 15.38 percent. Borrowers who own land between 51 to 100 decimals are 10.26 percent. Those who own land between 101 to 200 decimals and between 201 and above decimals each comprise 10.26 percent of the borrowers. The data also reveal that three out of every ten multiple borrowers do not fall into the target group. It will be interesting to observe how majority of the multiple borrowers who are landless or have a few decimals of land perform with loans received from several NGOs and how they repay.

4.2 Educational Background

Table 9
Literacy Rate of the Multiple Borrowers

Sl.No.	Literacy	% of borrowers
1.	Illiterate	69.23
2.	Class I – V	25.64
3.	Class VI & above	5.13
Total		100.00

As shown in table 10, an overwhelming majority of the multiple borrowers are illiterate (69.23 percent). Those who have read up to class V are 25.64 percent. Borrowers who have read beyond class V comprise only 5.13 percent. The data show that out of the total samples, the highest level of education was attained by a borrower who had read up to class IX. However, seven out of every ten multiple borrowers are illiterate. The level of

education as it appears seems not to have played any significant role in influencing the borrowers to become multiple.

4.3 Occupational Background

Table 10
Occupational Pattern of the Multiple Borrowers (in %)

Sl.No.	Occupation	Total
1.	Paddy-rice processing	25.65
2.	Cane mat making	5.14
3.	Day-labour	2.57
4.	Tailoring	2.56
5.	Cow rearing	2.56
6.	Poultry rearing	2.56
7.	Household utensils making	2.56
8.	Homestead gardening	2.56
9.	House-maid service	2.56
10.	House-wife	51.28
Total		100.00

Table 11 presents the occupational pattern of the multiple borrowers. The borrowers are engaged in a number of occupations that include day-labour (2.57 percent), paddy-rice processing business (25.65 percent), cane mat-making (5.14 percent), tailoring (2.56 percent), cow rearing (2.56 percent), poultry rearing (2.56 percent), household utensils making (2.56 percent), homestead gardening (2.56 percent) and house-maid service (2.56 percent). Interestingly, 51.28 percent of the multiple borrowers are not engaged in any particular income-earning activities and stay at home doing house-keeping.

Chapter 5

END-USE AND UTILIZATION PATTERN OF THE MULTIPLE LOANS

The sample of multiple borrowers selected for the purpose of this study have been taken from areas with high overlapping. Due to this, the number of NGOs and volume of credit disbursement are high. Also, due to rigidity and inflexibility of NGOs, some of the major reasons for high overlapping are low credit ceiling and lack of provision for meeting social obligations and crises. In sum, no NGO is alone capable of meeting the demands of the borrowers. On the other hand, many borrowers are becoming members of different NGOs (and taking loans and various other benefits) because of product differentiation,.

For meeting various requirements and problems, borrowers are accessing loans from different NGOs. They will have to return these loans at one time. Good returns from these loans depend on proper investment and favourable market situations. However, if borrowers utilize their loans for meeting some specific requirements not related to production, they will not get any return. For example, borrowers will not receive any return if they spend their loans in house construction or marriage. By utilizing the loan money in these sectors, borrowers may meet temporary requirements, but gradually they become more indebted. As a result, they will face more problems in repaying loans. The present chapter has attempted to highlight loan utilization pattern of the borrowers, particularly those sectors where the borrowers are spending more of their loan money and compare and analyze those sectors that are productive and that are not.

In order to focus an elaborate picture on loan utilization, 18 multiple borrowers have been selected for study. Each of them, on the one hand, are members of different NGOs and on the other have a record of loans being accessed continuously for the last three years from at least one NGO.

5.1 Pattern of Loan Utilization

5.1.1 Volume and size of loan:

Table 12 below, shows the amount of loan taken and utilized by the multiple borrowers for the last three years. Sizes of loan accessed by the borrowers have also been calculated. In 1998-99, the volume of loan utilized has been 57.40 percent of the total

cumulative loan. This is more than the combined volume of loan utilized in 1997-98 and 1996-97 (42.60 percent). From this it can be observed that borrowers took huge amounts of loan and overlapping has also been high.

Size of loan per borrower has also increased in each successive year. In 1996-97, loan size per borrower was Tk. 4,661.11. In 1997-98 it was Tk. 8,806.94 and in 1998-99, Tk. 18,144.44.

Table 11
Pattern of Loan Utilization (in %)

Sl. No.	Sectoral loan utilization	1998-99	1997-98	1996-97	Cumulative Total
I.	Investment:				
	1. Business	28.65	11.83	5.25	45.73
	2. Agriculture	0.00	0.53	0.35	0.88
	3. Education	0.69	0.46	0.08	1.23
		29.34	12.82	5.68	47.84
II.	Productive Assets:				
	4. Cow	5.25	0.00	1.05	6.30
	5. Mortgaged land	4.39	1.67	0.00	6.06
	6. Land	1.67	0.00	1.17	2.84
	7. Rickshaw	1.41	1.20	0.00	2.61
	8. Shallow machine	1.93	0.00	0.00	1.93
	9. Fishing net	0.00	1.13	0.00	1.13
	10. Poultry	0.18	0.00	0.25	0.43
	11. Sewing machine	0.00	0.00	0.33	0.33
	12. Fish fry	0.26	0.00	0.00	0.26
		15.09	4.00	2.80	21.89
III.	Unproductive Assets:				
	13. House	0.18	2.14	3.08	5.40
	14. Jewelry	0.70	0.50	0.33	1.54
	15. Television	0.88	0.00	0.00	0.88
	16. Household furniture	0.00	0.53	0.00	0.53
		1.76	3.17	3.41	8.35
IV.	Consumption:				
	17. Family consumption	3.56	1.45	1.63	6.65
	18. Marriage	2.77	2.06	0.37	5.19
	19. Installment payment	2.81	1.23	0.00	4.04
	20. Medical treatment	0.74	2.46	0.00	3.20
	21. Money-lending	1.34	0.67	0.00	2.00
	22. Debt payment	0.00	0.00	0.83	0.83
		11.22	7.87	2.83	21.91
	Total	57.40	27.86	14.74	100.00

5.2.2 End-use of Diverted Loans

Table 13
End-uses of Diverted Loans (in %)

Sectors	1998-99			1997-98			1996-97			Total
	1 st use	2 nd use	3 rd use	1 st use	2 nd use	3 rd use	1 st use	2 nd use	3 rd use	
<i>Investment</i>	24.92	4.42	0.00	12.16	0.00	0.65	5.03	0.66	0.00	47.84
<i>Productive Assets</i>	14.00	1.08	0.00	3.87	0.13	0.00	1.75	1.05	0.00	21.89
<i>Unproductive Assets</i>	1.58	0.18	0.00	2.03	1.14	0.00	3.41	0.00	0.00	8.35
<i>Consumption</i>	8.27	2.18	0.76	6.92	0.95	0.00	2.01	0.83	0.00	21.91
Total	48.77	7.86	0.76	24.98	2.22	0.65	12.20	2.54	0.00	100.00

Table 14 depicts a summary of loan diversion. More details are provided in a fuller table shown in Annex D. The above table shows the areas where borrowers have diverted their loans during the last three years. Loans have been diverted to cater to a variety of end-uses. Loan diversion can be traced to education (0.63 percent), cow (1.60 percent), family consumption (3.61 percent), marriage (0.37 percent), debt payment (4.72 percent), agriculture (5.61 percent), fishing net (0.13 percent), construction of house (1.32 percent), medical treatment (0.74 percent), other business activities (4.57 percent), poultry (0.18 percent) and household furniture (1.32 percent). The list of end-uses show that NGOs do not provide loans to these areas (See Annex D).

5.3 **NGO Credit**

During the last three years multiple borrowers have been accessing credit from a number of NGOs. Table 15 shows the number of NGOs that have been the major suppliers of credit to the borrowers. It also shows the number of loan proposals approved by these NGOs and the amount of loans disbursed.

In the last three years, 18 multiple borrowers received credit from 6 NGOs mentioned in table 15. In 1998-99, these multiple borrowers received 57.40 percent of the total cumula-

Table 14
Distribution of NGO Credit

Sl. No.	Name of NGO	1998-99		1997-98		1996-97		Total
		No. of loan	% of amount	No. of loan	% of amount	No. of loan	% of amount	
1.	BRAC	18	19.87	17	13.02	14	5.34	38.23
2.	GB	13	24.88	7	6.93	7	4.66	36.46
3.	SSS	5	5.10	5	3.51	4	2.11	10.72
4.	PMUK	2	4.92	1	2.46	1	1.76	9.14
5.	BT	1	1.23	1	1.93	1	0.88	4.04
6.	SB	2	1.41	0	0.00	0	0.00	1.41
Total		41	57.41	31	27.85	27	14.74	100.00

tive loan. The same number of borrowers received 27.86 percent of the total cumulative loan in 1997-98 and 14.74 percent of the total cumulative loan in 1996-97. It shows that the multiple borrowers have been accessing increasing amounts of loan in each successive year. Compared to 1996-97, increase in the amount of loans accessed by the multiple borrowers in 1997-98 has been 89 percent. In 1998-99, these borrowers accessed more than double the loan amount compared to the previous year.

A comparison of the average amount of loan received by the multiple borrowers in the last 3 years shows that average amount of loan has been increasing. In 1996-97, the average loan a multiple borrower received from different NGOs was Tk. 4,661.11. In 1997-98, it was Tk. 8,806.94 and in 1998-99, Tk. 18,144.44. The data indicate that with the increase in average loan size, overlapping has been increasing.

The number of loan proposals approved by the NGOs and loans received by these 18 borrowers indicate a clear case of overlapping. The same number of borrowers received approval for 27 loan proposals in 1996-97, 31 proposals in 1997-98 and 41 in 1998-99. Average loan proposals per borrower has been 1.5 in 1996-97, 1.72 in 1997-98 and 2.28 in 1998-99.

5.4 Crisis and Contingencies

Crises and contingent needs often compel the borrowers to seek loans from different NGOs. Besides, the borrowers often resort to loan diversion. Data collected from the field have shown that borrowers utilize a part or the entire amount of loan for consumption

needs, for construction or repair of houses, for medical treatment, for marriage, for repaying loan installment of other NGOs and for various other purposes. However, none of the NGO have any provision for addressing the problems of the poor, compelling the borrowers to seek loans from other NGOs. Utilization of loan in unproductive expenditures and assets building has serious consequences for the borrowers. Loan utilization in unproductive sectors does not give any return to the borrowers. On the other hand, the borrowers become more indebted. The credit burden and the pressure of loan installment repayment seriously undermine the repayment capability of the borrowers. Thus membership overlapping jeopardizes attainment of poverty alleviation.

Chapter 6

LOAN REPAYMENT AND INCIDENCE OF DEFAULT RELATED TO MULTIPLE LOANS

It is a commonly held belief that membership overlapping has been causing an increase in the repayment problems of the borrowers, an increase in irregularities and an increase in rate of default. Many think that due to membership overlapping, loan repayment problem is not so serious in areas that are economically vibrant. The main reason for this is that borrowers are able to participate in multiple income-earning activities. On the other hand, loan repayment problems are acute in areas that are stagnant and have little scope for job opportunities. The present study has tried to examine these common views and perceptions. However, it needs to be mentioned here that the study has attempted to focus the loan repayment pattern of the multiple borrowers based on interviews and focus group discussions of some VO members. It would, therefore, be hazardous to generalize from these smaller samples. For this a more in-depth study is required. Despite such limitations, the present study has attempted to provide some insights.

6.1 Repayment Pattern

Data collected through field investigation is shown in table 16 below. These data have been collected from BRAC members of 10 VOs in 3 thanas. The total number of members in these 10 VOs is 326. One focus group discussion (FGD) meeting was held in each of the VOs where one-third to half of the VO members participated randomly. The total number of participants in these FGDs was 115. Here 3 terms have been used that are explained below: (a) regular borrowers are those who do not miss repaying any single loan installment, though occasionally there are delays, (b) irregular borrowers are those who miss paying loan installments from time to time and often face difficulties in repayments and (c) defaulting borrowers are those who have lost all capability of repaying.

Table 16 shows that 70 percent of the borrowers (68 out of 97) are repaying regularly in Kalihati thana, 65 percent (57 out of 88) in Sadar thana and 60 (84 out of 141) percent in Basail thana. The situation in Kalihati is best compared to the other two thanas. This can

be attributed to the fact that a large number of borrowers are engaged in the profitable cane and mat-making business. The situation in Sadar thana is slightly behind Kalihati. Here the husbands of the VO members including some of them are involved in various kinds of business and trade. As income from businesses in fertilizer, hides, paddy, etc. is quite steady, they are able to repay the loan installments regularly. Basail lags behind the other two thanas. Here most of the borrowers are not engaged in any such income-earning activity that generates steady income. However, the more enterprising borrowers, engaged in businesses related to puffed rice, paddy-rice processing, mustard oilseed, earthen pot, etc have been repaying regularly.

Table 15
Loan Repayment Pattern

Thanas	Regular Borrowers (in %)	Irregular Borrowers (in %)	Defaulting Borrowers (in %)
Sadar	65	20	15
Kalihati	70	18	12
Basail	60	20	20
Total	64.42	19.33	16.26

The table also provides information on the irregular borrowers. The percentages of borrowers repaying irregularly for Sadar, Kalihati and Basail are 20 percent (18 out of 88), 18 percent (17 out of 97) and 20 percent (28 out of 141) respectively. Regarding the borrowers who have defaulted, the percentages of such borrowers for Sadar, Kalihati and Basail are 15 percent (13 out of 88), 12 percent (12 out of 97) and 20 percent (28 out of 141) respectively. The average percentages for each of the three categories of borrowers for all the three thanas are 64.42 (210 out of 326) percent for the case of regular borrowers, 19.33 (63 out of 326) percent for irregular borrowers and 16.26 percent (53 out of 326) for defaulting borrowers.

6.2 Incidence of Loan Repayment Default

A collection of detailed information and a more in-depth study on those multiple borrowers who have defaulted would have produced a correlation between membership overlap and loan default, that could provide useful insights on the causes of incidence of

loan repayment default and sustainability of NGOs. However, the study could not collect detailed information due to time and resource constraints. While discussing with the multiple borrowers in different VOs, some interesting information have been collected on default. Besides, staff of several NGOs provided important comments on it. These have been highlighted in this section.

During field investigations, the multiple borrowers informed that the rate of loan default has been high. Data collected through in-depth interviews and FGDs point to some of the major reasons for loan default: (a) role of Grameen Bank, (b) improper utilization of loans due to lack of skill, knowledge and time, (c) easy accessibility of loan, (d) lack of supervision by the NGO staff, (e) loans used for coping with crises and meeting family contingent needs, (f) loan diversion, (g) sickness and inability of the borrowers, (h) lean period difficulties, etc.

In one VO, the members made the following observations:

Seeing that members were taking loans from other NGOs for various reasons Grameen Bank increased its loan ceiling. Ultimately this has not benefited the members, rather default has increased. This has forced the borrowers to sell land in order to repay. Grameen Bank provides three loans to a borrower at a time: general loan is 20,000 taka, seasonal loan is 20,000 taka and housing loan is 25,000 taka. But to build a house about 40 to 45,000 taka is required. Faced with this reality borrowers are then forced to draw the other two loans. Since the house does not fetch income the borrowers are haunted by loan installment repayment. The borrowers are left with no alternative but to take loans from other NGOs. Thus they are more burdened with loans and subsequently default. At one stage they sell their land to repay.

Large amounts of loan and big amounts of housing loans provided by Grameen Bank to the borrowers have indebted them.

In another VO, the borrowers said:

Some people took more loan than required and could not use the money. They had to pay a large amount of interests. At one point they became defaulters. Warned with police action they became afraid and subsequently sold off their houses to repay. They became paupers. We are concerned that the number of defaulters is increasing. Grameen Bank has recently reduced the loan ceiling. This has not been good for many, because the stomach has already become large due to bigger loans being received earlier. Now no one is satisfied with smaller loans, they want larger loans. But they do not

know how to repay. Since NGOs are plenty in number, loans can be accessed easily. This has made the people lazy. They have developed a tendency of not repaying loans.

The President of a VO lamented:

In this village some borrowers after taking loans from the NGOs failed to repay. NGOs lent pressure on them. Unable to bear the pressure they went and loaned from other NGOs. Again they defaulted and again they sought loans. In the end they could get no loan. They were then forced to mortgage out their land and sell their cows and houses. Poor people are now getting loans from 4 to 5 places but cannot invest their money properly. As a consequence they fail to repay. Finally to repay loans they sell their houses and become impoverished. There are many people in this village who could not invest their loans properly and could not repay the loans. About 50 percent of the borrowers are in this condition.

Anjana (not her real name), a VO member, said that NGOs do not listen to the problems of the VO members even when they have genuine problems. She has been a member of both BRAC and Grameen Bank. Once her husband was seriously injured in a road accident. At that time she was paying installments of BRAC and Grameen. Since the medical treatment of her husband required a huge amount of money she could not repay the installments. Despite her difficulties, BRAC and Grameen Bank created pressure on her to repay.

Sabiha (not her real name) has been a member of BRAC and BURO Tangail. She has been regularly paying her installments till she gave marriage to her daughter. During her daughter's marriage she incurred a lot of expenditures. Later she could not manage to repay the installments of BRAC and BURO Tangail. She sold one bicycle to repay the installments. But that was not enough. The NGOs said they would demolish her house. They went on to pressurize the Shamitee head who in turn began to exert pressure on her.

According to the NGO staff, lean periods are the most difficult times for the borrowers. Since husbands of most VO members are without work and business is dull, it becomes extremely difficult for the VO members to sustain their livelihood and repay loan installments.

According to the opinion of the NGO staff, there are several factors that are responsible for loan default. BRAC staff pointed out that achievement of targets, particularly recruitment of new members, loan disbursement and loan realization have been the major

factors for increase in loan default. High loan default have been due to recruitment of VO members and disbursement of loans to borrowers without obtaining full information about them and not conducting proper survey work among the beneficiaries. Besides, sickness or inability of the husband or the family earner has contributed in increasing loan default. Default has also increased due to diversion of loans. Lack of staff follow-up and supervision has been a major factor behind this.

6.3 Inflexibility of Micro-credit

There are certain inflexibility in the micro credit programmes of the NGOs that give rise to loan default. Some of these are discussed below:

6.3.1 Installment time period:

Grameen Bank, ASA, SSS, BURO Tangail and many other NGOs collect loan installments from the borrowers every week. The borrowers admit that the time gap is short and does not allow them to get return from their investments. Due to the weekly installment payment, many borrowers face difficulties and cannot repay.

6.3.2 Project gestation period:

NGOs start realizing loan installments from the subsequent week following loan disbursement. Borrowers who have invested their loans in projects that do not give quick returns such as poultry, fisheries, milch cow, beef-fattening, etc. are the worst affected. In many cases, the borrowers after paying some installments become irregular.

6.3.3 Refinancing of loan:

Loans invested sometimes get used up or stuck. In such cases borrowers cannot continue with their activities. Borrowers engaged in mat-making often complain about lack of capital for smooth continuation of their production and business. As soon as their capital dry up they are faced with the problem of shutting down their production and business. Borrowers engaged in tailoring, puffed rice, paddy-rice processing business, etc. often run short of money. However, most NGOs do not have any provision for providing additional loan to the borrower. As a consequence, the borrowers are faced with difficulties.

6.4 Supervision and Monitoring

Borrowers are often confronted with various problems and unless they can overcome these problems repayment becomes difficult. Monitoring and supervision by NGO staff could resolve many of these problems. But the real picture is very different. Observation and opinion of borrowers and NGO staff collected during field investigation reveal lack of monitoring and supervision on the part of the NGOs. In one focus group discussion session with 12 borrowers in a VO, the borrowers made the following comments:

NGOs gave us loan but did not think how we are going to repay the installments. If a member fails to repay, NGOs never think why she has failed and what is her problem. They do not come forward to help her by giving her good advice and encourage her. NGOs come only in due time to collect installment from her. They do not think how she will repay.

Every NGO should supervise whether its members are utilizing their loans for the intended purposes. If a member falls in problem after utilizing the loan she could be given proper advice. Based on these NGOs can assess whether a member is really a defaulter.

One BRAC staff had this to say: “NGOs do not think much while disbursing loan. The situation of micro credit is not good. Borrowers often fail to repay and one of the reasons is that they are not properly utilizing the loan money. NGOs do not supervise what borrowers are doing with the money and provide required advice and guidance as they don't have time.”

Discussions with the borrowers have shown that loan repayment is a problem. One of the main reasons for this is lack of monitoring and supervision by the NGOs. Neglect of work by the NGOs in this direction has boosted loan diversion. As a result, loan is being utilized in unproductive sectors or in sectors that do not give returns. Thus repayment becomes difficult for the borrowers.

Chapter 7

OVERALL IMPACT OF MEMBERSHIP OVERLAP AND MULTIPLE BORROWING

The exploratory nature of the present study permitted us to undertake no more than an attempt to capture the views and opinions of the beneficiaries and NGOs regarding the impact of membership overlap on both the rural poor and on the micro credit programmes run by the NGOs. Also attempted is a brief assessment of the impact that membership overlap has had over the local economy.

7.1 Impact on the Borrowers

Several aspects of membership overlap have impacted favourably upon the borrowers. It has enabled the multiple borrowers to access cheap micro credit in large numbers. Access to micro credit has largely been meeting their unmet demands. Increased demand for credit there has boosted growth of NGOs and micro credit organizations. Along with the increase in numbers, NGOs have come up with a wide variety of credit and savings products. This has made possible for the borrowers to choose the required product mix.

However, there are some negative features of membership overlap. One major and distressing feature is that indebtedness of the rural poor has increased. Access to large amounts of credit obtained from different NGOs, coupled with lack of monitoring and supervision by the NGOs, have induced the borrowers to divert loans to various unproductive sectors. Lack of return from these sectors has been seriously undermining their performance.

Table 17 documents the impact of membership overlap based on the opinion of the borrowers of 10 BRAC VOs in three thanas. According to the borrowers their opinion been grouped into three separate categories: (a) borrowers falling into the good category recognized that they have benefited from overlapping, have been able to make proper investments and build productive assets, have been regularly paying loan installments and have also been able to cope with lean seasons. (b) those in the moderate category confirmed that though they have not experienced big improvements in their lives, membership overlap and access to large loans have eased their living, have been able to

carry on productive activities, have been repaying loan installments without great difficulties, have been able to accumulate some assets, etc. (c) those in the worse category mentioned that they faced serious difficulties in production, repayment and in various other cases.

Table 17 shows that 30 percent (26 out of 88) of the borrowers in Sadar thana, 65 percent (63 out of 97) in Kalihati and 20 percent (28 out of 141) in Basail have benefited from overlapping. Kalihati is in a position far better than the other two thanas. This is because most of the borrowers here are engaged in such a production process that is labour-intensive, where almost all members of the household including children and elders are involved in it, and that provides a steady income. Traditionally the borrowers are mat-makers and that it enables them to acquire a high level of skill. The figure for Sadar is slightly higher than Basail where the responding borrowers are mostly engaged in trade and business. The comparatively low figure for Basail is due to the fact that a large number of the respondents are day-labourers. Their incomes are not steady and are prone to all sorts of vulnerabilities particularly during the lean seasons.

According to the perceptions of the borrowers, the figures for the moderately improved category of borrowers are 50 percent (44 out of 88) for Sadar, 25 percent (24 out of 97) for Kalihati and 40 percent (56 out of 141) for Basail. The figures for the worse off category of borrowers are 20 percent (18 out of 88) for Sadar, 10 percent (10 out of 97) for Kalihati and 40 percent (56 out of 141) for Basail.

An average of the borrowers who have benefited most and those who have benefited moderately for all the three thanas is 73.93 percent (241 out of 326). Membership overlapping has thus impacted positively on the well-being of majority of borrowers.

Table 16
Opinion of the Borrowers on the Impact of Membership Overlap

Sl. No.	Areas	Good (in %)	Moderate (in %)	Worse (in %)
1.	Sadar	30	50	20
2.	Kalihati	65	25	10
3.	Basail	20	40	40
Average		35.89	38.34	25.77

7.1.1 Accumulation of assets:

An assessment of the amount of assets accumulated by a borrower depends not on the amount of loan utilized by the borrower for assets building but on the actual amount of the assets being retained. It has been found that to repay loan, many borrowers were compelled to sell their productive assets. Despite this difficulty, investment of multiple loans in both productive and unproductive assets over several years may provide some insights on assets building.

Table 17
Investment of Multiple Loans in Various Assets

Sl. No.	Sectors	1998-99	1997-98	1996-97	Total
I.	<i>Productive Assets:</i>				
	1. Cow	5.25	0.00	1.05	6.30
	2. Mortgaged land	4.39	1.67	0.00	6.06
	3. Land	1.67	0.00	1.17	2.84
	4. Rickshaw	1.41	1.20	0.00	2.61
	5. Shallow machine	1.93	0.00	0.00	1.93
	6. Fishing net	0.00	1.13	0.00	1.13
	7. Poultry	0.18	0.00	0.25	0.43
	8. Sewing machine	0.00	0.00	0.33	0.33
	9. Fish fry	0.26	0.00	0.00	0.26
		15.09	4.00	2.80	21.89
II.	<i>Unproductive Assets:</i>				
	10. House	0.18	2.14	3.08	5.40
	11. Jewelry	0.70	0.50	0.33	1.54
	12. Television	0.88	0.00	0.00	0.88
	13. Household furniture	0.00	0.53	0.00	0.53
		1.76	3.17	3.41	8.35
Total		57.40	27.86	14.74	100.00

Table 18 provides the opinion of the borrowers that summarizes their investments of multiple loans in productive and unproductive assets over a period of three years. Compared to unproductive assets (8.35 percent of the total cumulative loan), borrowers invested 21.89 percent of the total cumulative loan in productive assets. In the productive assets sector, borrowers have been investing more and more loans in each successive year, while the reverse has been taking place in the unproductive assets sector. The declining trend in the unproductive assets sector is largely due to the lower amount of investment in house construction following postponing of housing loan by Grameen Bank.

Investment in productive assets can be traced to purchase of cow (6.30 percent), release of mortgaged land (6.06 percent), purchase of land (2.84 percent), purchase of rickshaw (2.61 percent), purchase of shallow machine (1.93 percent), making of fishing net (1.13 percent), rearing of poultry (0.43 percent), purchase of sewing machine (0.33 percent) and cultivation of fish fry (0.26 percent). Investment in unproductive assets can be traced to construction of house (5.40 percent), purchase of jewelry (1.54 percent), purchase of television (0.88 percent) and purchase of household furniture (0.53 percent).

7.1.2 Access to health-care, safe drinking water and sanitation:

Although the standard of living of the multiple borrowers have improved considerably compared to the past, it is difficult to assess the contribution of membership overlap in it. Also the lack of data on non multiple borrowers have inhibited in making a comparison of important impact issues with the multiple borrowers. Despite these limitations, benefits and advantages contributing to improved living and facilitated by membership overlap cannot be denied. Some of these issues are discussed below:

(a) *Treatment of illnesses and access to health-care facilities:*

Previously, a large proportion of the poor, even when they were seriously ill, could not afford to go to a doctor or buy medicine. Now it is different. If they get sick they go to a doctor and buy medicine. Membership overlap has made significant impact on borrowers' treatment of illness and has increased their access to health-care facilities. A number of borrowers spent a large sum of money for treatment of illness of their household members. In several cases borrowers went to different NGOs for money to meet medical expenses of their household members.

(b) *Access to safe drinking water and sanitation:*

Nearly all the multiple borrowers have their own tube-wells. Discussions with the multiple borrowers revealed that after they began accessing loans from different NGOs they bought their own tube-wells and installed them. Many borrowers have hygienic sanitary latrines.

7.2 **Impact on the Lending Institutions**

Membership overlap has played a major role leading to the emergence of a credit market. The rural poor who have become members of different NGOs are regularly accessing

credit. In turn, this increased accessibility has given rise to increased demand for credit. Thus, numerous NGOs with micro credit programmes are proliferating. This has led, in some instances, to erosion of the domination of some bigger NGOs.

However, in many cases, practices of NGOs have run counter to their avowed principles. The declared policy of the NGOs to avoid membership overlap has not worked. In fact, it has been observed that NGOs are perfectly aware of this symptom and to a large extent are tolerant of this. In some places, the small and local NGOs have assumed a hostile attitude towards the bigger NGOs. As a result, these will in the long run have serious consequences on the micro credit programme

7.2.1 Credit coverage:

Due to various reasons including membership overlap, disbursement of credit has increased manifold. There is no doubt that multiple borrowers gained tremendously. But what about the other rural poor who have never had access to micro credit so far? The question is, are the NGOs targeting those poor or is the micro credit programme trapped in the circle of multiple members?

Field observations reveal that except for BRAC, all the other NGOs had little or no recruitment of fresh members. One obvious reason that worked behind BRAC's increase in membership is the goal of target achievement. It is too early to say what percentage of fresh members has been recruited who have never taken any loan from any NGO before. A pertinent question that readily comes to mind is: where has all the money gone? It is difficult to provide an answer without conducting an investigation. A thorough investigation is necessary. But there is no doubt that a part of the disbursed credit has been accessed by the multiple members.

7.2.2 Overdue loan:

Most NGO staff think that overdue loan has increased. They ascribe this increase to membership overlapping. They have pointed out that Grameen used to provide loans to the borrowers generously which later forced many borrowers to default. As a result, overdue loan has increased. One branch manager of Grameen Bank lamented that the rural economy is on the verge of destruction and problems of repayment are increasing. NGO staff allude to several reasons for occurrence of overdue. According to them,

reasons for increase in overdue loans of the NGOs including BRAC are: prevalence of a high degree of overlapping among the member-borrowers, recruitment of members without careful selection and scrutiny, poor staff performance, issuance of loans without collecting necessary and detailed information about the borrowers, migration of borrowers, illness or disability of husbands of the borrowers, lack of follow up by NGO staff, diversion of loan by the borrowers, not holding VO meetings properly, etc.

7.2.3 Sustainability:

Sustainability has become an issue of concern since there are already early indications of borrowers going into default in large numbers. We have already alluded to the proliferation of the NGOs who competitively seek out borrowers, sometimes in complete disregard of their declared policy objectives. We also pointed out an apparent lack of appreciation on the part of the lending institutions to provide and allow for contingent needs of the borrowers in times of family crisis and natural calamities. All of these induce default on the part of borrowers in one way or the other. Eventually, of course, lending institutions would find their lending programmes jeopardized and unsustainable.

7.2.4 Monitoring and supervision

Borrowers have pointed out that NGOs do not monitor or supervise what they are doing with the loans, whether they are diverting the loans, whether they are having problems after utilization of the loans, whether they need advice which NGO staff can and should provide, etc. Borrowers feel that NGOs have changed their attitude significantly. Now they are more interested in disbursing loan, realizing them and ensuring their profit. They do not bother from where the borrowers will be making their repayments. So long as borrowers are able to repay they are satisfied, and when the borrowers fail, they create tremendous pressure on them.

7.2.5 Overall effect on the NGOs:

It cannot be denied that membership overlap has helped to increase the number of NGOs providing credit competitively and offering innovative products. All these have strengthened the push and pull factors among the borrowers. Borrowers have shown a tendency to compare the various benefits, facilities and incentives being offered by

different NGOs. Borrowers are thus being attracted to different NGOs through these facilities.

The proliferation of NGOs has already created a competitive atmosphere. The new and the small NGOs are scrambling for a place in the credit market and are working to obtain a share of the market. The big and the old NGOs are complaining that emergence of numerous NGOs are destroying the credit market and diminishing the credit culture. Despite the declared policy of not taking members of other NGOs into one's own organizational fold, all are silently doing the opposite. Increase in membership to them implies increase in loan disbursement, which eventually brings in more profit.

The pressure of membership overlap has increased the volume of credit disbursement. The big NGOs are showing an increasing attitude towards commercialization and profit motives. This has led to a situation where the NGOs are alienating themselves from their goal of poverty alleviation. Also, financial constraint, rumours of various kinds and the pressure of push and pull factors often inhibit the growth and sustainability of NGOs' credit programmes. Small NGOs perform best where big NGOs are absent. In areas where BRAC, Grameen Bank and other big NGOs are operating, small and local NGOs are being virtually driven out.

7.3 Impact on the Local Economy

Any modest attempt to delineate the impact of membership overlapping on the local economy would in itself be an ambitious exercise since such ramifications are the result of several complex factors impinging on the region: the role of local government and its functionaries, the activities of other development agencies including the NGOs, community leaders and other votaries, the extent of integration of the local markets with the national ones, and the like. In such situations, isolating and analyzing the impact of one factor (membership overlap) becomes a rather challenging task requiring time and resources. Despite these limitations, the present study has attempted to highlight some of the insights obtained from discussions with multiple borrowers and NGO staff.

Although membership overlap has enabled the borrowers to invest more money in any venture that they had undertaken, no tangible change in the traditional production structures could be observed. Investment of multiple loans has been heavy in areas where

the borrowers are predominantly mat producers. Multiple borrowers engaged in cane and mat-making cottage-based production generally invest the entire amount of their loan. Production is usually carried out by the household members including males and children. Such a home based production system, however, has one apparent limitation. This relates to the fact that production cannot be upscaled to a level that would envisage hiring of labourers. The resultant impact via the multiplier effect is therefore greatly diminished.

Use of shallow machine for irrigation and rice milling has increased more than before and multiple borrowers are coming into this sector in increasing numbers. However, the contribution of such multiple members have been very marginal. Many have bought tractors for cultivation. Some borrowers have been rearing poultry.

The consumption pattern of these multiple borrowers has changed to some extent. They are now enabled to enjoy three meals a day and have a better and more secure access to safe drinking water, sanitation and hygiene.

Trading and marketing activity in some sectors, particularly rice processing (from paddy), puffed rice, and mat-making has shown significant upsurge.

Chapter 8

CONCLUDING OBSERVATIONS

The present study has focused primarily on the phenomenon of membership overlapping where admittedly, very sketchy information is available. Considerations of time and resources permitted no more than a penetrative look into three thanas of Tangail. Although it is too hazardous to venture any definitive conclusion and to draw ready inference from it, the study reveals a fascinating variety of details on the nature, magnitude and the consequences of membership overlapping. It also raises important issues of concern not only for the recipient of loanable funds, but for the lenders as well.

So long as the poor people's demand for credit remain unmet and NGOs continue to remain as the principal supplier of this credit, overlapping will probably continue to exist. Indeed, poverty itself is the major driving force for borrowers to seek out multiple source of their credit. Although micro credit has lessened the intensity of poverty it has produced unintended results elsewhere. The phenomenon of membership overlapping has not only overrun the credit discipline of the NGOs but continues to escalate by capitalizing on the weaknesses of the NGOs. It is time therefore that NGOs pay more attention to this emerging problem than they have given in the past, address it by asking the right kind of questions, and involve all other stakeholders so that a concerted action is brought to bear on this important issue.

The major findings of the study are being presented below based on an analysis of data collected at the field level. For ease of reporting, their structuring follows the order in which the main sections are organized.

8.1 Summary of Major Findings

□ *Incidence, magnitude and trend*

There is a high incidence of membership overlap. Its prevalence has been found to be very widespread in the study area.

□ *Socio-economic characteristics of the multiple borrowers*

A majority of the multiple borrowers are landless, illiterate and enjoy relatively good networking privileges.

□ *Causes of membership overlapping*

The low standard of living and various problems associated with poverty pushes the rural poor to demand cheap credit from the NGOs. The motivating factor revolves around the inadequacy of loans obtained from their parent organization to meet one or any combination of the following categories of loans:

- (i) credit required to carry on and expand agriculture, cottage industry and business
- (ii) credit needed to meet long standing problems such as house construction or repair or meet social problems and obligations such as marriage, etc.
- (iii) credit needed to cope crisis such as unemployment, accident, etc.

The borrowers also pointed to various push and pull factors centering around the facilities and incentives being offered by the NGOs, which have influenced them to join one NGO or leave another.

□ *Utilization*

Data generated by the study show that 69.73 percent of the total cumulative loan has been utilized for productive uses and 30.27 percent for unproductive purposes. The variety of end use of the loan have been traced to housing (5.40 percent), purchase of cow (6.30 percent), marriage (5.19 percent), medical treatment due to sickness/accident (3.20 percent) and paying loan installment of another NGO (4.04 percent). 2 percent of the loan has been used for re-lending at an exorbitant rate of interest.

□ *Repayment*

The study found repayment performance of major multiple borrowers to be regular. Out of a total of 326 borrowers, 210 have been regular in repaying loan installments, 63 have been irregular and 53 defaulted.

□ *Opinion on NGOs*

The study found that most multiple borrowers do not approve of overlapping. According to them there should be no more than one NGO in a village. Borrowers pointed out that NGOs were charging high interest rates which should be lowered.

They were also unhappy with BRAC and Grameen Bank who do not allow members to withdraw savings any time.

□ *Impact on borrowers*

Out of 326 borrowers, 117 (35.89 percent) thought that they were better-off, 125 (38.34 percent) said their improvements have been moderate and 84 (25.77 percent) replied that no improvement has occurred in their lives.

Multiple borrowers have invested 21.89 percent of the total cumulative loan in building productive assets and 8.35 percent in unproductive assets.

Access to health-care facilities, safe drinking water and sanitation has showed marked improvement.

□ *Impact on lending institutions*

The study found that while membership overlapping led to an appreciable increase in loan disbursement by the lending institutions and a proliferation in the number of NGOs serving a particular area, there has also been a high incidence of non payment and irregularities in the repayments of loan. The NGOs are increasingly under tremendous pressure from the borrowers to exercise flexibility in loan realization.

The force of competition has also resulted in bigger NGOs offering attractive and innovative credit and savings schemes. On the other hand, the smaller NGOs are mostly disadvantaged and borrowers have little reliance on them particularly regarding their sustainability.

Records of fraudulent practices of several NGOs have also been documented. Though these NGOs did not last for long, it has greatly tarnished the image of the NGOs in the localilty.

The study also reveals that although the NGO staff are generally very busy and work hard, particularly in operating the credit and savings programmes, they have very little time to supervise and monitor activities of the borrowers. The consequence has been that there were loan diversions, loss in investment and ultimate failure in loan recovery.

□ Impact on local economy

Multiple loans have rejuvenated, to some extent, trading and marketing activity in the local economy. In some areas, they have invigorated certain sectors of the local economy (cane mat-making, paddy-rice processing business, mustard oil production and distribution, puffed rice business, manufacture of earthen-pot for curd, among others).

8.2 Policy Recommendations

The study recommends the following :

1. initiating steps to streamline the differences among NGOs regarding loan ceiling, interest rate, borrowers' access to their savings, provisions for contingency loans, allowance for supplementary loans and refinancing options. In particular, these would imply that
 - 1.1. loan ceilings have to be raised
 - 1.2. reductions in the interest effected
 - 1.3. restrictions on the withdrawal of borrowers' savings have to be withdrawn, and provisions made for making longer period deposit schemes more attractive for the borrowers
 - 1.4. special loans for unforeseen family and social/national contingencies be provided
 - 1.5. provision of supplementary loans and refinancing options provided for investments that have incurred problems
 - 1.6. the current installment payment system has to be made more flexible to allow for adjustment during lean period contingencies
2. devising and developing an effective mechanism for supervision and monitoring of borrowers' credit use activities
3. initiating discussion meeting among the NGOs to avoid overlapping and allocating areas of operation. Operating guidelines must be scrupulously followed and all temptations to choke off other NGOs' sphere of influence be checked

4. proposing to the government to issue registration of new NGOs with proper care so that spurious NGOs do not crop up

8.3 Issues and Concerns Raised by the Study

A host of issues and concerns have been raised by the study. These are in the form of asking some pertinent questions. There are, of course, no quick and easy answers to these questions, but addressing them at the right time and place with people that matter could be a good beginning.

Has the micro credit programme been really successful ? Is it sustainable over the long run ? Is it making a positive impact on poverty ? Does credit alone can alleviate poverty ?

In many cases, multiple loans appeared to make borrowers worse off. NGOs have a right to proliferate and offer various incentives and facilities to the clients. The borrowers right to access other loans have to be recognized too. How are these apparent contradictions to be resolved ?

How important are the reported rates on default ? Do high default rates signify problems, or do low rates convey good performance in the real sense ? Do we need to have a fresh or newer ways of looking at default? For example, how well do we know about the dynamics of default ? How do borrowers respond to continuing default ? Do they become impoverished in the process of resolving default ?

Do the data on utilization pattern and end use of multiple loans justify special provisioning of these loans by the lending institutions ?

Husbands of the female borrowers are annoyed with their wives regarding loan being reduced after deducting the savings percentage from the principal amount. They say that they have to pay interest for the deducted amount which the NGOs set aside for the borrower. They pay much higher interest than the interest they receive on their savings. This according to many borrowers is exploitation by the NGOs. To what extent these practices of NGOs can be adjudged to be fair ?

There are important lessons to be learnt from BRAC's RDP operations. There are targets set for most of the sectoral programmes of RDP. Performance of Managers and Programme Organizers (PO) are evaluated on the basis of this target achievement. Many

RDP personnel have been either sacked or transferred due to failure in achieving these targets. In many cases, the NGO staff, for purposes of achieving target, hardly screen borrowers. Similarly, in the case of loan disbursement loans are given to members without regard to their ability to repay. The main consideration is target achievement. It is true that without fixing a target no goal can be achieved. But these targets instead of being discussed thoroughly at the field level are imposed from above. Thus these targets in many cases are devoid of reality and often end up in failures.

There is a nagging fear that NGOs have become commercialized in their approach to micro credit programmes. Things look very good in paper with regard to recovery performance, but behind these happy numbers lie a deeper malaise. For a number of members who sought and obtained multiple loans and apparently are doing fine, there have been some visible signs of affluence. But at what costs ? For many of these borrowers, these signs of affluence are much too superficial. A small failure on their part to secure rescheduling and refinancing of their loans could spell great disaster.

There appears to be some apprehensions on the part of bigger NGOs about the possibility that donors are changing their policies and are now more inclined to giving funds to small NGOs. Although, this certainly is good news for the smaller NGOs (because that will relieve them of the credit crunch), the national and bigger NGOs must respond to this development in a positive way.

The poverty-stricken poor are vulnerable to all sorts of crises and social problems which haunt them from the cradle to the grave. Although the NGOs are working for poverty alleviation, they have no provision for addressing these crisis situations. NGOs may come forward with loans to cope with these crises. But the question remains whether there is any chance of recovering these loans. These loans can be recovered only when the borrower regains the ability to earn and thus pay off the loans that have fallen due. The question is whether the NGOs can afford to wait until such time when borrowers regain that ability, and even if they do so, how many of such borrowers can they serve. Unless the NGOs come forward with some solutions, the poor are forced to look for alternative ways : and the one simple solution they always find is multiple borrowing.

8.4 Limitations of the present study and direction of future research

As the study was time bound and had to be completed in a short period of time many important aspects and issues related to the study theme could not be investigated. The study could be improved upon or new studies could be initiated along the following lines.

- *Actual repayment rate and overdue loans*

The issue of assessing actual repayment rate is quite major to the study. A thorough collection of data and study on it would reveal the true picture prevailing on the performance of the borrowers and the lenders. These could have major implications for the lending institutions and the borrowers. Due to limitations, the study could not collect detailed information on the overdue loans of NGOs. Information on it would provide an assessment on the performance of multiple borrowers and sustainability of the lending institutions.

- *Information on husbands*

Since in majority of the cases, husbands of the female borrowers are the major actors and decision-makers in loan utilization, information and data on the spouses of the borrowers could offer valuable insights.

- *Additional samples*

The study was inhibited by time constraint and therefore, could not go for large samples and conduct a quantitative study. However, a bigger sample would provide a better measure of generalization of the phenomenon of membership overlap. This could draw a realistic inference on the nature, magnitude and consequences of overlapping and provide important implications.

- *Control group for comparison*

The study did not have any scope to gather data from a control group of samples. However, there is no doubt that the study could be enriched further by comparing the study samples with the control group samples.

- *Personal loan history*

Detailed information on the amount of loans taken by the multiple borrowers at various times from different NGOs could not be collected due to time constraint. This

information would provide insights into the reasons for incidence of multiple membership and for joining and leaving NGOs.

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Annex - A

Checklist for Qualitative Investigations

1. Phenomenon of membership overlap

- Nature
- Magnitude
- Trends
- Economic vibrancy
- Proliferation of NGOs
- Push and pull factors
- Reasons for overlapping
- Case studies on selected multiple members
- Beneficiary perspectives
- NGO perspectives

2. Socio-economic characteristics of the multiple borrowers

- Initial endowment
- Educational background
- Occupational background
- Earning members in the household
- NGO membership age

3. Loan utilization pattern

- Pattern of loan utilization
- Volume of loan accessed
- Loan size
- Borrowers capability
- Loan diversion
- NGO credit
- Sources of credit
- Volume of credit
- Average loan amount
- Crises and contingencies

4. Repayments and incidence of default

- Repayment pattern
- Incidence of default
- Inflexibility of micro credit
- Installment time period
- Project gestation period
- Refinancing of loan
- Supervision and monitoring

5. Overall Impact of Membership Overlap

- Impact on the borrowers
- Accumulation of assets
- Impact on the quality of life
- School enrollment
- Treatment of illnesses and access to health-care facilities
- Access to safe drinking water and sanitation
- Impact on the lending institutions
- Credit coverage
- Overdue
- Sustainability
- Monitoring and supervision
- Overall effect on the NGOs
- Competition
- Profit motivation
- Small NGOs
- Impact on the local economy
- Production structures
- Consumption pattern
- Trading and marketing activity
- Sectoral dynamism

Annex - B

List of Senior NGO Personnel Interviewed/Contacted

- Adarey Alo:** 1. Manager, Kalihati Area Office
- ASA:** 1. Regional Manager, Tangail Region
2. Manager, Kalihati Unit
- BRAC:** 1. Regional Manager, Tangail BRAC-RDP Region
2. Area Manager, Tangail Sadar BRAC-RDP Area Office
3. Area Manager, Kalihati BRAC-RDP Area Office
4. Area Manager, Basail BRAC-RDP Area Office
- BURO Tangail:** 1. Area Manager, Basail Area Office
- Grameen Bank:** 1. Branch Manager, Basail Branch
2. Branch Manager, Kalihati Branch
- ISDP:** 1. Chairman, Adarsha Samaj Unnayan Prokolpo, Kalihati
- Proshika:** 1. Area Coordinator, Basail Area Development Centre
- PSSKP:** 1. Executive Director, Polli Shamannay Sikkha Kalyan Porshad, Tangail
- RASDO:** 1. Executive Director, RASDO, Tangail
- SDS:** 1. Area Manager, Kalihati Field Office
- SSS:** 1. Area Manager, Basail Area Office
2. Area Manager, Kalihati Area Office
- Taranga:** 1. Executive Director, Taranga, Kalihati

Annex - C
List of NGOs

Kalihati thana, Tangail

1. Adarsha Samaj Unnayan Prokolpo
2. Adharey Alo
3. Amra Kojon
4. ASA
5. Ashar Alo
6. Bangra Udayan Mohila Shamiti Haldia
7. BDMC
8. BRAC
9. BURO Tangail
10. CDM
11. Desh Gori Dhaka
12. Ahsania Mission
13. Grameen Bank
14. Grameen Samaj Unnayan
15. Jono Kalyan
16. Jono Kalyan Polli Sangstha
17. Nagorik Uddyog
18. MCDS
19. Nijera Sikhi
20. Nobo Katha
21. PKS
22. Polli Kalyan Sangstha
23. Polli Unnayan Foundation
24. Protiti
25. Pugli Yoger Alo Mohila Kalyan Shamiti
26. RDRS
27. Samaj Unnayan Prochesta
28. Samaj Unnayan Sangstha
28. SDS
29. Shabolombi
30. Sheba
31. SSS
32. Taranga
33. TMSS
34. Uday Shriti Manob Kalyan
35. Unnayan Projukti

Basail thana, Tangail

1. Agrani Samaj Kalyan Sangstha
2. Anirban
3. Antara
4. ASA
5. BRAC
6. BURO Tangail
7. DAMCO
8. EDAS
9. Grameen Bank
10. IPWO
11. Jowtho Uddyog
12. LDP
13. Probashi
14. Proshika
15. Rupayan
16. SDS
17. Shabuj Bangla
18. Shabuj Kalyan
19. Shishu Kalyan
20. SSS
21. Swanirvar Bangladesh
22. Usha

Annex - D

Table: End-uses of Diverted Loans (in %)

Sectors	1998-99			1997-98			1996-97			Total
	1 st use	2 nd use	3 rd use	1 st use	2 nd use	3 rd use	1 st use	2 nd use	3 rd use	
Investment:										
1. Business	24.66	3.99	0.00	11.83	0.00	0.00	4.68	0.58	0.00	45.73
2. Agri	0.00	0.00	0.00	0.00	0.00	0.53	0.35	0.00	0.00	0.88
3. Educ	0.26	0.43	0.00	0.33	0.00	0.12	0.00	0.08	0.00	1.23
	24.92	4.42	0.00	12.16	0.00	0.65	5.03	0.66	0.00	47.84
Productive Assets:										
4. Cow	4.69	0.55	0.00	0.00	0.00	0.00	0.00	1.05	0.00	6.30
5. Mortgaged land	4.04	0.35	0.00	1.67	0.00	0.00	0.00	0.00	0.00	6.06
6. Land	1.67	0.00	0.00	0.00	0.00	0.00	1.17	0.00	0.00	2.84
7. Rick	1.41	0.00	0.00	1.20	0.00	0.00	0.00	0.00	0.00	2.61
8. Shallow	1.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.93
9. Fish-net	0.00	0.00	0.00	1.00	0.13	0.00	0.00	0.00	0.00	1.13
10. Poultry	0.00	0.18	0.00	0.00	0.00	0.00	0.25	0.00	0.00	0.43
11. Sewing	0.00	0.00	0.00	0.00	0.00	0.00	0.33	0.00	0.00	0.33
12. Fish fry	0.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.26
	14.00	1.08	0.00	3.87	0.13	0.00	1.75	1.05	0.00	21.89
Unproductive Assets:										
13. House	0.00	0.18	0.00	1.00	1.14	0.00	3.08	0.00	0.00	5.40
14. Jewelry	0.70	0.00	0.00	0.50	0.00	0.00	0.33	0.00	0.00	1.54
15. TV	0.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.88
16. Furniture	0.00	0.00	0.00	0.53	0.00	0.00	0.00	0.00	0.00	0.53
	1.58	0.18	0.00	2.03	1.14	0.00	3.41	0.00	0.00	8.35
Consumption										
17. Consume	1.35	2.07	0.13	0.50	0.95	0.00	1.18	0.46	0.00	6.65
18. Marriage	2.77	0.00	0.00	2.06	0.00	0.00	0.00	0.37	0.00	5.19
19. Instalpay	2.81	0.00	0.00	1.23	0.00	0.00	0.00	0.00	0.00	4.04
Medtreat	0.00	0.11	0.63	2.46	0.00	0.00	0.00	0.00	0.00	3.20
20. Monlend	1.34	0.00	0.00	0.67	0.00	0.00	0.00	0.00	0.00	2.00
21. Debtpay	0.00	0.00	0.00	0.00	0.00	0.00	0.83	0.00	0.00	0.83
	8.27	2.18	0.76	6.92	0.95	0.00	2.01	0.83	0.00	21.91
Total	48.77	7.86	0.76	24.98	2.22	0.65	12.20	2.54	0.00	100.00