

Microfinance Loan and Causes of Dropping Out of Women Borrower: An Empirical Study on Chattogram Urban Area

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Abstract

Dropping out from any NGO does not always indicate the defaulter borrowers. Sometimes for economic solvency, the borrowers may not take a further loan. The other group expelling from any NGO should indeed be the big concern of society. Undoubtedly, they are losing their assets and becoming poor and poor again. This study investigates why women borrowers drop out from the loan of different Microfinance NGOs. It will also focus on the expelled dropout and find out the influencing factors behind this status. This research is based on survey data considering the dropout women borrower in two groups as willingly dropped and expelled dropped out. After consulting with different NGOs, the dropped out borrower has identified and sorted with different tables and found the natural causes. Here, different statistical tools like charts, ANOVA table with chi-square test have been used for this analysis.

JEL Classification G21· G23· G53

Keywords Microfinance · Willingly Dropped Out Borrower · Expelled Borrower · NGOs in Chattogram

1. Introduction

Women workers throughout the world contribute to the economic growth and sustainable livelihoods of their families and communities. Microfinance helps

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empower women from poor households to make this contribution. Microfinance—the provision of financial services to the poor in a sustainable manner—utilizes credit, savings, and other products such as micro-insurance to help families take advantage of income-generating activities and better cope with risk. Women particularly benefit from microfinance as many microfinance institutions (MFIs) target female clients. Over 3,300 microfinance institutions reached 133 million clients with a microloan in 2006. Need to be mentioned that 93 million of the clients were among the poorest when they took their first loan, and 85 percent of these poorest clients were women. (Microcredit Summit Campaign Report 2007). Microfinance usually targets people who are below the national income average line. The term micro is used here because the amount of financial assistance generated to the poor is in a small amount loan. It helps different from formal banking, which disburses the loan in large quantities, mainly to rich people. Because of the global recession, governments in many developing countries are encouraging micro-financing as it is believed that it is the most effective method to reduce poverty while empowering individuals. More than three lac people are taking this facility and 697 NGOs in Bangladesh whom micro financing institutions are serving. In Chattogram, there are more than 1 lac people, and 229 registered NGOs are being served. (MRA-MIS Database-2014) As the women are the main clients of this program, this article discusses their dropping out and the causes behind this status. By this, we can go for the remedial measures and promote the capacity building of women.

2. Objectives

As we know, dropped out borrowers are divided into two groups as willingly and expelled; therefore, this study will sort them and analyse the following aspects based on Chattogram City:

- a) The comparative scenario of using of the loan in different purpose by women borrower
- b) Occupational Status of the dropping out women members
- c) Causes of this dropping out.

3. Definition of Keywords

- a) **Microfinance:** Microfinance, also called microcredit, is a banking service provided to unemployed or low-income individuals or groups who otherwise have no other financial services. Ultimately the goal of microfinance is to give impoverished people an opportunity to become self-sufficient.

- b) **Willingly dropout:** If any member reimburses their loan and does not want to borrow a loan again or thinks she does not need a loan that call willingly dropped out member.
- c) **Expelled dropout:** If any member could not continue his instalment loan given by a timeframe by a particular NGO. As a result, that NGO authority may declare him as a defaulter. Thereby they are called an expelled borrower.
- d) **Chattogram** is a major coastal seaport city and financial centre in south-eastern Bangladesh. The city has a population of more than 2.5 million, while the metropolitan area has a population of 4,009,423 at the 2011 Census, making it the second-largest city in the country. It is the capital of an eponymous district and division. The city is located on the banks of the Karnaphuli River between the Chittagong Hill Tracts and the Bay of Bengal. Much of the Chittagong Division is located within the ecological Indo-Burma zone on the India Plate and Burma Plate boundary. It makes Chittagong the crossroads of the Indian subcontinent and Southeast Asia. Various names have known the port city in history, including Chatigaon, Chatigam, Chattagrama, Islamabad, Chattala, Chaityabhumi, Porto Grande De Bengala, Baro Auliya Jaiga (Wikipedia).

4. Methodology

The concerning point of this study is to find out the causes of the dropping and making the relationship between who and why. We have consulted with a few NGOs to know who left this type of institute recently. That is how a total of 85 credit receivers who had already left the microfinance programme have been interviewed using a well-designed questionnaire. Samples were taken from four areas in Chattogram city. During data collection we found some NGOs took the facilities of loan. We also took them as a reference to get other defaulters. The Microcredit institutes are BRAC, ASA, TMSS, UDDIPON, YPSA, ISD.

An organized questionnaire was used for the sample borrowers belonging to all the above institutes. The data has been collected randomly considering dropout members of different NGOs. This interview was taken from January 2018 to March 2018, and the distribution is shown in Table 1 below.

Name of the Area	No of Respondents
Kolonelhut	24
Aman Bazar	28
Firingibazar	23
Panchlaish	10
Total	85

Source: Field Survey

4.1 Limitations

The study is based on non-probability sampling, where identifying and reaching the dropout borrower was a big challenge. Most of the respondents were less educated. Likewise, they did not want to share their authentic information.

5. Data Analysis

This section will analyze every dropped woman individual borrower of the microfinance program and the dropout cause. Besides this, we will find out the comparative scenario of using of loan. In this pursuit, field survey data has been used.

5.1 Nature of the dropped out borrower

The nature of the dropped out borrower has shown in Table 2.

Table 2: Nature of the dropped out borrower

Nature	No.of Dropout	Percentage
Willingly	11	12.9
Expelled	74	87.1
Total	85	100

Source: Field Survey

Table 2 shows that 12.9% is willingly dropped, and 87.1% is expelled from the Micro Finance Loan. As the willingly dropped out persons leave the MF because of their economic solvency, our primary focus will be on the rest of the portion, where the respondents failed to continue the loan.

5.2 Respondents age pattern

The age structure of the respondents is shown in Table 3.

Table 3: Age level of the borrower

Age	Dropped out		Total	%
	Willingly	Expelled		
Below 20-30	5	31	36	42.35
31-40	4	21	28	32.95
41-50	2	12	14	16.47
51 Above	--	7	7	8.23
Total	11	74	85	100

Source: Field Survey

Table 3 reveals that the expelled young age group of women borrower is the highest no of dropping out. Because of a lack of experience and management, they could not continue the loan for the long term.

H1 = No. of Dropout depends on the age of the borrower.

As the Computed value of χ^2 is less than the tabulated value, we will accept the null hypothesis. Hence, we can say different ages of the borrower's influence on the number of dropping out borrowers.

5.3 Occupational status of the Respondents

The occupational status of the respondents is shown in Table 4.

Table 4: Occupation of the borrower

Occupation	Dropped out		Total	%
	Willingly	Expelled		
Business	2	15	17	20
Housewife	6	38	44	51.77
Job	3	17	20	23.53
Maid	0	3	3	3.53
Other	0	1	1	1.17
Total	11	74	85	100

Source: Field Survey

Table 4 proves that the housewife group percentage dominates other occupations. It was found that when the women are involved in any earning source, the husband becomes dependent on her and tries to ignore his own earning. Besides this, the expelled dropped group is 51% of the total number. It speaks that this group did not use their loan with their own decision.

O	E	(O-E) ²	(O-E) ² /N
5	4.65	0.122	0.026
4	3.62	0.144	0.039
2	1.81	0.0361	0.019
0	0.90	0.81	0.9
31	31.3	0.09	.0028
21	24.4	11.54	.47
12	12.18	0.0324	.0026
7	6.09	0.8281	5.04
			$\sum(O-E)^2/N=6.4994$

H_2 = No of dropout borrowers depends on their occupation

0	E	(O-E) ²	(O-E) ² /E
2	2.2	0.04	0.01
6	5.69	0.09	0.015
3	2.6	0.16	0.06
0	0.39	0.15	2.6
0	0.13	0.016	0.12
15	14.8	0.04	0.002
38	38.3	0.09	0.002
17	17.41	0.16	0.009
3	2.61	0.15	0.057
1	0.87	0.016	0.018
$\Sigma(O-E)^2/N = 2.9$			

$\chi^2_{4, 0.05} = 9.49$

As the Computed value of χ^2 is less than the tabulated value; as a result, we accept the Null Hypothesis and which reflects that the number of dropping out borrowers depends on their occupation. We can also say that the borrowers do not have their own income source; they depend on others. This borrower group did not use microfinance loans properly. As a result, they were dropped.

5.4 Household members of respondent's family

Household members of the respondent's family are shown in Table 5.

Table 5: Household members of the respondent's family

Family Member	Dropped Borrower		Total	%
	Willingly	Expelled		
Below- 4	4	56	60	70.59
5-7	6	11	17	20
8 -10	1	7	8	9.41
Total	11	74	85	100

Source: Field Survey

Table 5 shows that the less number of household family members group is more defaulter. Here 75% of expelled borrowers are coming from a lower number of the family members group.

$H_3 =$ No of dropout borrower depends on their household number.

0	E	(O-E) ²	(O-E) ² /N
4	7.76	14.13	0.166
6	2.2	14.44	0.17
1	1.03	0.0009	1.05
56	52.23	14.21	0.17
11	14.8	14.44	0.16
7	6.96	0.2010	1.88
			$\Sigma(O-E)^2/N = 3.596$

$$\chi^2_{2,0.05} = 5.99$$

Due to the calculated value of χ^2 being less than the tabulated value. Consequently, the null hypothesis is accepted. Hence, we conclude that the dropout borrower depends on their household members.

5.5 Number of earning members of Respondents family

Table 6: The number of earning members of respondents

Earning Members	Dropped out		Total	%
	Willingly	Expelled		
1	5	39	44	51.77
2	4	25	29	34.12
3	1	9	10	11.76
Above -3	1	1	2	2.35
Total	11	74	85	100

Source: Field Survey

Table 6 reveals that the household that has more working hands are less expelled. That means others sources of income influence the respondents to make them stable in the MF loan.

$H_4 =$ No of dropout borrower depends on the earning members.

0	E	(O-E) ²	(O-E) ² /E
5	5.69	0.47	0.08
4	3.75	0.06	0.016
1	1.29	0.08	0.06
1	0.26	0.54	2.07
39	38.30	0.49	0.01
25	25.24	0.05	0.001
9	8.70	0.09	0.010
1	1.74	0.54	0.31
			$\Sigma(O-E)^2/N = 2.557$

$$\chi^2_{3,0.05} = 7.81$$

They are the computed value of χ^2 and the tabulated. So, we accept the null hypothesis. It means that the number of dropout borrowers depends on the earning member. In other words, which family has more earning members, they would drop less from the microfinance loan, and also they can achieve their targeted goal of development or change their social status.

5.6 Economic status of respondents

Table 7: The economic status of respondents

Monthly Income '000	At the Time of Joining in MF Programme		At the Time of Leaving in MF Programme	
	Willingly	Expelled	Willingly	Expelled
5 -10	--	21	--	20
11- 20	7	28	1	35
21-30	3	17	6	15
31- 40	2	8	2	2
41-Above	--	--	2	2
Total	11	74	11	74

Source: Field Survey

Table 5.6 reveals that the lower income group has no changed in at the time of joining the MF program and at the time of leaving this program. Besides this, few expelled groups' incomes have been reduced during the departing of NGOs. In this Table, we find that higher-income groups are dropped willingly less because inflation has influenced their income level.

Table 8: The saving amount scheme of the respondent

Savings Amount	Dropped out		Total	%
	Willingly	Expelled		
Below10K	2	26	28	
11-20K	2	24	26	
21-30K	2	9	11	
31-40K	3	8	11	
41-50K	1	6	7	
51K-Above	1	1	2	
Total	11	74	85	

Source: Field Survey

5.7 Saving amount scheme of Respondents in the Microfinance programme

The saving amount scheme of the respondent is shown in Table 8.

Source: Field Survey

Table 8 shows that the highest saving amount scheme growth is the lowest expelled borrower group. This savings scheme is played the insurance for the loan here.

H_3 = No of dropout borrower depends on savings amount in microfinance programme.

O	E	(O-E) ²	(O-E) ² /N
2	1.74	0.0676	0.0008
2	0.29	2.924	0.0344
2	1.16	0.7086	0.0083
3	1.03	3.88	0.04
1	0.77	0.0529	0.0006
1	0.13	0.7569	0.38
26	22.63	11.35	0.13
24	20.89	9.67	1.48
9	7.83	1.36	0.49
8	6.96	1.08	0.40
6	5.22	0.60	0.25
1	1.74	0.64	0.01
		$\Sigma(O-E)^2/N=3.22$	

$$\chi^2_{3,0.05} = 11.1$$

The tabulated value is 11.1, and the computed value of χ^2 is 3.22. Therefore, we accept the null hypothesis. The savings amount of borrowers are another factor of leaving the MF program. Which borrowers have massive amounts of savings, they live a long time in MF and have a small amount of savings they did not survive a long time in the MF programme, and those borrowers have been dropping out.

5.8 Maturity of Loan

Table 9: The maturity of the loan

Year	Dropped out		Total	%
	Willingly	Expelled		
New	--	11	11	
One Year	1	8	9	
2---5	4	23	27	
6 ---7	2	14	16	
8 ---9	2	8	10	
10 -- Above	2	10	12	
Total	11	74	85	

Source: Field Survey

Table 9 reveals that borrowers who took new loans are less experienced. That is why 100% of borrowers were expelled. We find that 11 persons do not have previous income, so they could not continue the loan. Those expelled dropped show that after many years of the loan, they had a previous income source.

H₆ - No of dropout borrower who has been leaving MF programme before the mature of their loan.

0	E	(O-E) ²	(O-E) ² /N
0	1.42	2.01	0.02
1	1.16	0.0256	0.0003
4	3.49	0.2601	0.00306
2	2.07	0.0049	0.00005
2	1.29	0.50	0.0058
2	1.55	0.20	0.0023
11	9.57	2.04	0.024
8	7.83	0.0289	0.00034
23	23.5	0.25	0.0029
14	13.9	0.01	0.0001
8	8.7	0.49	0.0057
10	10.44	0.1936	0.0022
		$\Sigma(O-E)^2/N=0.066$	

$\chi^2_{5,0.05} = 11.1$

Being the computed value of χ^2 is less than the tabulated value. So, we accept the Null Hypothesis. We can say that no dropout borrower has been leaving the MF programme before the mature of their loan.

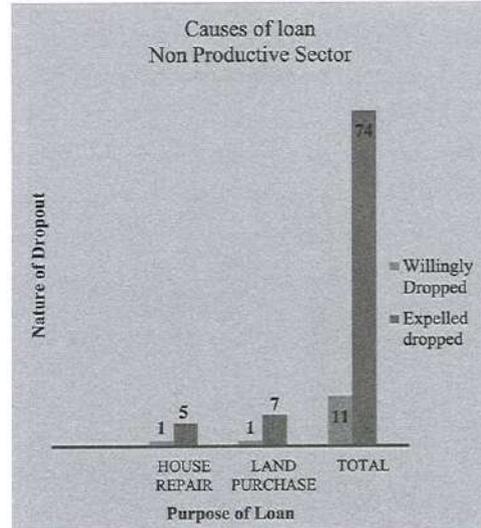
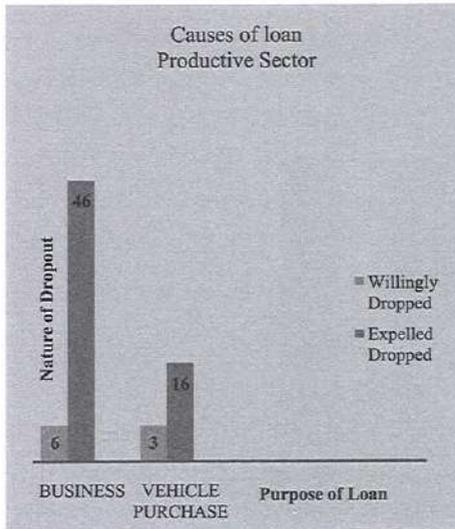
5.9 Causes of loan

In this Table, we can say that willing borrowers got more success in the productive sector. Table 10 proves that most of them dropped the loan for business, and within this, 62% of borrowers were expelled for many reasons.

Table 10: The causes of taking loans

Purpose of Loan	Productive Sector	
	Willingly Dropped	Expelled dropped
Business	6	46
Vehicle Purchase	3	16
Non Productive Sector		
House Repair	1	5
Land Purchase	1	7
Total	11	74

Source: Field Survey



Decide this the expelled borrower got less success in the productive sector because they use their loan for other purposes.

5.10 Comparative scenario of using of Loan

5.10.1 Willing dropped Respondents

5.10.2 Expelled dropped out Respondents

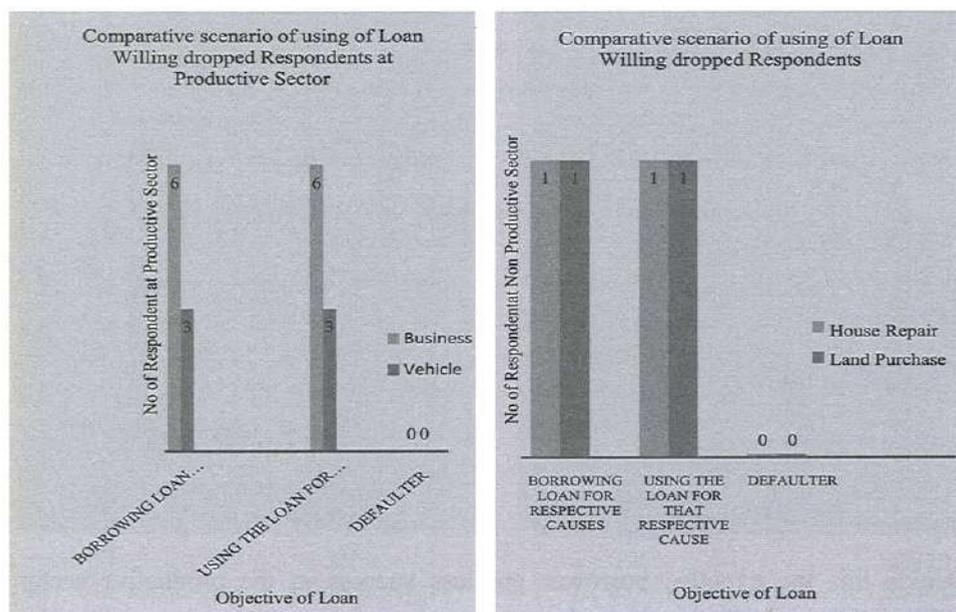
Figures in the above Table reveal that there is no defaulter in case of willingly dropped.

Here 74% of the expelled borrower did not use their loan judiciously. A 74% use their loan for different purposes. On the other hand, 50% of borrowers did not use their loans for respective reasons.

5.10.3 Distribution of 58 defaulters

Objective of Loan	Productive Sector		Non Productive Sector		Total
	Business	Vehicle	House Repair	Land Purchase	
Borrowing loan for respective causes	6	3	1	1	11
Using the loan for that respective cause	6	3	1	1	11
Defaulter	0	0	0	0	0

Source: Field Survey



Objective	Productive		Non Productive		Total
	Business	Vehicle	House Repair	Land Purchase	
Borrowing loan for respective causes	46	16	5	7	74
Using the loan for that respective cause	06	1	2	7	16
Defaulter	40	15	3	58	58

Source: Field Survey

5.11 No of instalments failed to pay

The number of instalments failed to pay is shown in the following Table:

As shown above, most of the expelled borrowers become defaulters in the very early stage.

5.12 Distribution of reasons for expelling

The distribution of reasons for expelling from the MF programme is shown in

Using of Loan	No of Borrower	Remarks
Meet the daily need	13	
Extra Marriage, Dowry, Gambler, Loan to other	45	
Total	58	

Source: Field Survey

The number of instalments failed to pay is shown in the following Table:

No. of Instalments	Borrowers Failed to Pay	%
1-3	33	44.59
4-6	31	41.89
7 or Above	10	13.52
Total	74	100

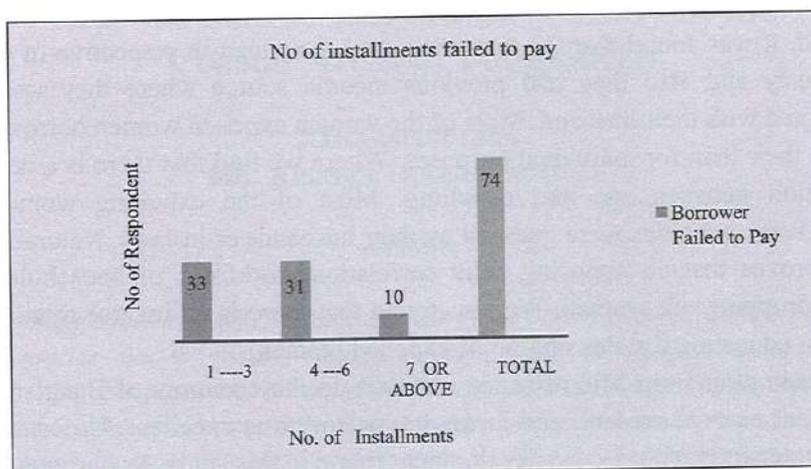


Table below:

The above Table gives the comparative scenario of caucuses expelled from the program. Most of the expelled women bower lost their tempo because their

Cause of Failed to Pay	No. of Forced Drop out.	%
Husband was fugitive with loan & got Extra Marriage	18	24
Dowry	17	23
Gambling	10	13
Over Loaded Loan	10	14
Meet the Daily need	13	18
Wrong Dealing	6	8
Total	74	100

Source: Field Survey

husbands became nefarious and got extramarital affairs. That is how the income was divided into two families, and the probability of becoming a defaulter increased. It also proves that in most cases, husbands and laws families push them to give dowry. Here sometimes, women give the money to their husbands for

business, but their husbands use this loan for gambling. In this Table, we find that few loans are overloaded, and they cannot afford them. Again many defaulters use their loans for their daily needs.

6. Summary and Conclusions

The findings of this study have several main implications for the academic, microfinance institutions, and policymakers. Here we find that most of them dropped out are forced from different types of NGOs. In case of willingly dropped, it was found that the borrower used their loan in respective of causes judiciously and also they had previous income source where they were not interrupted with their husband. Most of the women expelled women borrower did not use their loan for individual purposes. Where we find that there is a negative correlation between age and expelling. Most of the expelling women are housewives, and loans were grabbed by their husbands or in-laws. Naturally, this study proves that an opposing solid correlation workforce of households and forced dropping out women. We also found that there is an inverse relationship between educational status and no of expelled women.

Contribution from Microfinance institutes to the economy of Bangladesh is significant even at present, and in the future, too, it is excellent. Unfortunately, various constraints hinder the development found in this study. As our women are the main clients of Microfinance, therefore Government has many things to do to reduce the shortcomings. Besides this, the NGO bureau as a guardian should play a vital role here because the main focus of microfinance is to reduce poverty and uphold women's rights. If the women are expelled from the scheme, they will be economically looser and again neglected by society.

7. Recommendations

This study has produced several credential findings that need to be dealt with by borrowers to improve their status. Also, few recommendations for the stockholder which has given below:

- (a) NGO bureau should maintain a central database of borrowers where necessary information can be accessed officially.
- (b) Every MF institute must have a web-based list of dropped borrowers defined with their status.
- (c) MF institute should consider the age and educational status more in giving the enormous loan size.
- (d) MF institute should have specific intelligence to monitor the use of loans by the borrowers.