JYU DISSERTATIONS 278

Md. Sher-E Khoda

NGOs' Capacity Building and Mission Drift

Commercialization of Microfinance Programs and Poverty Reduction in Bangladesh

UNIVERSITY OF JYVÄSKYLÄ
FACULTY OF HUMANITIES AND SOCIAL SCIENCES

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ABSTRACT

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The primary focus of this study is to analyze the capacity of non-governmental organizations (NGOs) to reduce poverty in Bangladesh. Due to shrinking of donor funding and emphasis on self-sustainability, NGOs in Bangladesh have moved toward commercialization by adding or shifting to microfinance programs from their development operations. However, there is an increasing debate about the motives of microfinance NGOs regarding profit seeking in the name of organizational sustainability and its possible negative impact on poor people. This study, therefore, investigates the following research questions: 1) Does microfinance reduce poverty? 2) To what extent are microfinance organizations capable of achieving both objectives of poverty reduction and organizational sustainability simultaneously? 3) Does the commercial approach of microfinance lead toward mission drift for NGOs?
This study collected empirical data from three leading NGOs in Bangladesh. The primary method of data collection consisted of in-depth interviews of 50 microcredit clients and 20 credit officials, supplemented by focus group discussions with the microloan recipients. Observation as well as the use of a semi-structured questionnaire provided useful additional data for this study. Data organization and analysis followed primarily an inductive approach.
The findings of this study suggest that microfinance organizations have, to some extent, drifted from their primary organizational mission, that is, from poverty reduction and women's empowerment. The main expressions of this mission drift include high interest rates, many forms of service charges, management pressure on credit officers for achieving disbursement targets, and credit officers' misconduct with credit clients. This study found that current microfinance operational systems have negative effects on people in poverty, leading, for example, them to being trapped in over-indebtedness and in a cycle of poverty. As a result, to get the optimum benefits of microfinance programs, NGOs need to build both their managerial and operational capacities.

Keywords: Microfinance, mission drift, poverty, capacity building, Bangladesh

ABSTRAKTI

Khoda, Md. Sher E
Kehitysjärjestöjen toimintakyvyn kehittäminen ja ydintehtävän hämärtyminen: Bangladeshin mikrorahoitusohjelmien kaupallistuminen ja köyhyyden vähentäminen
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Tutkimuksessa tarkastellaan järjestöjen kykyä vähentää köyhyyttä Bangladeshissa. Koska lahjoitukset Bangladeshin kehitystyöhön ovat vähentyneet viime vuosina ja maan omavaraisuutta on alettu korostaa, järjestöt ovat muokanneet toimintaansa markkinaehtoisemmaksi. Keskeinen keino tähän ovat mikrolainat, joista on tullut merkittävä kehitysyhteistyötä tekevien järjestöjen toimintamuoto. Mikrolainat ovat kuitenkin herättäneet kasvavaa huolta. Niiden taustalla näyttää yhä useammin vaikuttavan voiton tavoitteluun liittyvät motiivit. Sen sijaan, että mikrolainat auttaisivat köyhiä ihmisiä, niillä voikin olla negatiivisia vaikutuksia.
Tässä tutkimuksessa vastataan seuraaviin tutkimuskysymyksiin: 1) Vähentävätkö mikrolainat köyhyyttä? 2) Missä määrin mikrorahoitusta myöntävät järjestöt pystyvät sekä vähentämään köyhyyttä että ylläpitämään järjestön omaa toimintaa? ja 3) Johtaako mikrorahoituksen muodossa tapahtuva kaupallinen toiminta järjestöjen tehtävien muuttumiseen?
Tutkimuksen empiirinen aineisto koskee kolmen suurimman Bangladeshissa toimivan järjestön toimintaa. Aineisto koostuu 50 mikrolainoja saaneen asiakkaan haastattelusta sekä 20 lainoja myöntävän työntekijän haastatteluista. Haastatteluja on täydennetty mikrolainoja saaneiden asiakkaiden fokusryhmähaastatteluilla. Tutkimuksessa hyödynnetään lisäksi tutkijan omia havainnointeja ja puolistrukturoitua kyselyä, jotka tuottivat tutkimukselle hyödyllistä tietoa. Aineiston käsittelyssä ja analyysissa käytettiin induktiivista päättelyä.
Tutkimus osoittaa, että mikrorahoitusta myöntävät järjestöt ovat muuttaneet toimintansa alkuperäisiä tavoitteita eli köyhyyden vähentämistä ja naisten aseman vahvistamista. Näiden tavoitteiden muuttuminen käy ilmi mikrolainoista perittävissä korkeissa koroissa ja rahoituksen palvelumaksuissa. Järjestöjen hallinnossa asetetaan lainoja myöntäville työntekijöille paineita lainojen myöntämisen ehtoihin ja tavoitteita maksujen keräämiseen. Lainoja myöntävien viranhaltijoiden toiminnassa on huomattu väärinkäytöksiä. Tutkimus osoittaa, että nykyinen mikrorahoitus heikentää köyhien ihmisten asemaa ja johtaa ylivelkaantumiseen sekä köyhyyden kierteeseen. Jotta mikrorahoitusohjelmat toimisivat optimaalisesti ja johtaisivat toivottuihin tavoitteisiin, järjestöjen pitäisi parantaa omaa toimintaansa sekä kehittää hallintoaan ja johtamistaan.

Avainsanat: mikrorahoitus, mikrolainat, köyhyys, valmiuksien vahvistaminen, kehitystyö, järjestöjen tehtävien muuttuminen, Bangladesh

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1 BACKGROUND OF THE STUDY

After the period of colonialization, and especially the last few decades, in most of the world's developing countries, non-governmental organizations (NGOs) have been treated as institutions that provide an alternative to the public sector (Zohir, 2004; Bari, 2011; Edwards & Hulme, 2012). This third sector emerged in Bangladesh soon after the country gained independence in 1971 (Zohir, 2004; Davis, 2006; Khanom, 2011). A bloody, nine-month-long war resulted in the killing of three million people, the rapes of thousands of women, and the burning of thousands of homes; the whole country also collapsed, both economically and politically (Saifullah, 2001; Davis, 2006). Poverty in Bangladesh was so extreme that the new government was unable to tackle it successfully. People were struggling to meet basic household needs. Many international NGOs, charity organizations, and local NGOs came to rescue those war-affected people. However, over the course of time, NGOs have shifted from acting as charities to development activities with a commercial orientation (Bari, 2011).

The proliferation of NGOs in Bangladesh is one reason for donor organizations' interest (Edwards & Hulme, 1996; Barr et al., 2005; Mir & Bala, 2014). They find NGOs to be better channels for development aid than the public institutions. They argue that to include the largest number of actors or stakeholders in reaching the poorest of the poor, NGOs are the most effective institution rather than the hegemonic and bureaucratic state structure (Bari, 2011; Mir & Bala, 2014). Not only in Bangladesh but also in many other developing countries, NGOs have been rising dramatically since the 1970s and 1980s due to the pitfalls of state-led development approaches (Banks & Hulme, 2012). It is believed that most efforts of NGOs toward development fall within the purview of governments (Banks et al., 2015). As a result, the prevalence of NGOs has proven them to be better alternatives to international donor organizations (Zohir, 2004).

However, ranking NGOs higher in development activities than governmental sectors may not be based on any verifiable justification (Lewis, 2013). In addition, this bias of donors' thinking has not brought any significant changes; hunger, inequality, malnutrition, gender inequality, and so on are still prevalent in this country (Mir & Bala, 2014). We need to rethink whether, as Hossain and Myllylä (1998), among others, have argued, NGOs have been spreading their development programs without necessarily prioritizing the needs of the community, which they have referred to as "an NGO for everybody." Mir and Bala (2014) argued that, as regards the involvement of NGOs in all spheres of development programs in Bangladesh, their contribution to GDP comes to only 3%–4%, of which the major contributor is microfinance programs. However, the aid share to NGOs increased from 14% in 1990 to 24% in 2000 (World Bank, 2006).

A number of researchers believe that NGOs have some comparative advantages over the public sector (Cernea, 1988; Korten, 1990; Clark, 1991). For example, they can reach the targeted poor more efficiently than the public sectors (Brown & Korten, 1991). However, opponents argue that very little statistical evidence exists that proves such NGO success stories. Rather, they tend more to be hyped by the media instead of being criticized and are given credit more on the assumption than evidence (Hearn, 2007; Fowler, 2011).

However, NGOs have justified their existence by claiming a set of capacities that can be more effective and necessary for addressing poverty and challenging inequality (Bebbington et al., 2008; Lewis & Kanji, 2009). Tendler (1992; p. 2) has described NGOs' common characteristics, which are often offered as "article of faiths" testifying to the value and success of these agencies. These common characteristics include being able to reach the poor, promote people's participation and empowerment, be flexible and experimental, involve local institutions, and minimize operating costs. Thus, despite the taxonomy of NGOs and their diversity of programs, NGOs across the world have been recognized as an alternative development sector of the state (Banks & Hulme, 2012).

Bangladesh is regarded as fertile ground for NGOs, with such agencies proliferating in number and size over the last few decades (Rahman, 2006; Khanom, 2011; Banks & Hulme, 2012; Mir & Bala, 2014). For the last three decades, they have grown not only in number but also in size and diversity of projects and programs. As an example of NGOs' expansion, the Bangladesh Rural Advancement Committee (BRAC) alone had 97,912 employees and coverage in 78% of the villages in Bangladesh with international expansion having begun in 2004 (BRAC, 2004; p. 9). However, the growth in number of NGOs does not necessarily ensure more benefit for the poor. BRAC, the largest NGO in the world, admitted in their annual report in 2004 that "small is good, but big is necessary." This statement indicates that targeting a specific group for development brings more positive results than outreaching for more numbers without knowing their needs.

This trend of expansion is not only the case of big NGOs but also small and medium-size ones in Bangladesh. McMichael (1996; p. 239) has described this NGO boost as "NGOization." In certain cases, NGOs have been receiving even much or more funding than their government counterparts (Brass, 2012), which indicates that they are no longer minor actors on the development stage.

However, the dramatic growth of NGOs' number and size definitely has an impact on the clients. Tvedt (1998; p. 215) argues that rapid growth may turn value-oriented organizations into routine service-delivery institutions and, over time, tends to produce organizations that gradually become more and more similar. There is also a great risk of derailing the organizations from their original mission.

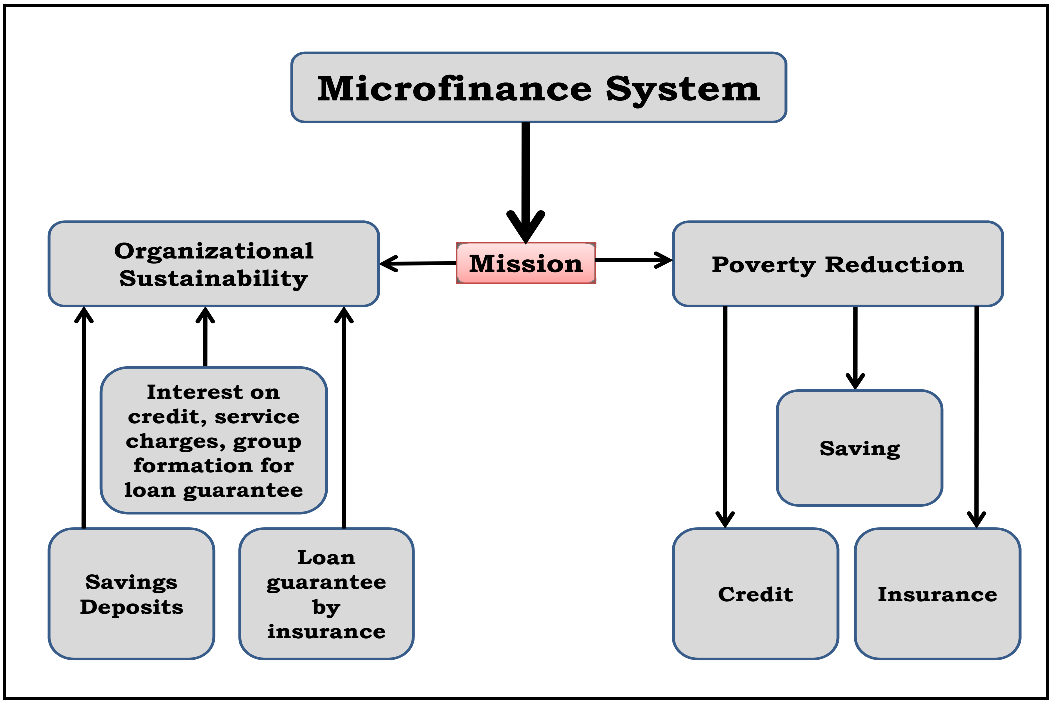
Most of the NGOs in Bangladesh are heavily reliant upon donor agencies due to their small resource bases (Saifullah, 2001; Mir & Bala, 2014). However, over the last few decades, organizations and donor agencies have increasingly been putting the emphasis on self-sustainability when planning development (Bari, 2011). Therefore, NGOs have had to reorganize their operations while keeping two objectives in mind: they must be self-sufficient while continuing to provide services to the targeted populations, as doing so remains their primary mission and vision.

In seeking to meet both objectives, NGOs are moving toward "commercialization" (Saifullah, 2001; Mersland, 2009). However, these organizations are, in practice, shedding some of their most basic characteristics. In many cases, many NGOs have already shifted toward profit seeking, instead of serving the poor as a charity. According to Tvedt (1998; p. 215), "Many NGOs do not have any mission, except for one – they are in it for business." However, shifting priorities from social wellbeing to a commercial orientation is regarded as "mission drift" (Ghosh & Van Tassel, 2008; Mersland & Strøm, 2010; Armendáriz & Szafarz, 2011).

In addition, in the view of many observers, the mushroom growth of NGOs in Bangladesh has been encouraged by tax exemption. Many large NGOs in Bangladesh have been entering into the commercial market with consumer products that are not relevant to NGO's basic identity as non-profit organization (Siafullah, 2001). Microfinance institutions (MFIs) are among the key players in this phenomenon. A large number of NGOs in Bangladesh are adding or shifting microfinance programs within their development operation for commercial gain (Armendáriz & Szafarz, 2011). However, upholding or sticking to the original organizational mission amid the competitive environment is an important capacity of NGOs (Bari, 2011).

In contemporary development discourse, microfinance is considered to be one of the most effective tools for poverty reduction (Banerjee & Jackson, 2016). In general, microfinance organizations advertise that they are operating their program for poverty reduction. On the other hand, a microfinance delivery system ensures the organization's sustainability. The figure below shows the microfinance delivery system and its sustainability approach.

Figure 1: The Microfinance Delivery System



A microfinance organization's primary goals include poverty reduction and organizational sustainability (Khandker & Samad, 2013). The program is operated in such a way that both objectives can be achieved. To achieve the goal of poverty reduction, an MFI provides credit to poor people so that they can start a business or become self-employed. At the same time, MFIs facilitate saving programs. These saving programs include obligatory saving and voluntary saving. Economically disadvantaged people can use these savings when they suddenly fall into poverty or experience a financial crisis. At the same time, MFIs also charge a certain amount as insurance against the loan. This insurance primarily covers the amount due if a credit client suddenly dies or becomes physically unable to work and earn money due to any accidents.

In terms of sustainability, MFIs charge interest against the loan given to the client. At the same time, MFIs accumulate savings from the credit clients and reimburse the accumulated savings as a loan to the credit clients. The insurance also provides loan repayment if the client dies, has health problems, or escapes from the territory. In addition, MFIs earn extra revenue in different forms, for example, a service charge when they receive the loan, penalties imposed on defaulter clients, and so on. In these ways, MFIs ensure organizational sustainability. However, Ghosh (2013; p. 1205) argued that the "MFI has moved very far from the original motivations of poverty alleviation that drove the early manifestations of the model."

The world's poor lack access to the basic financial services provided by conventional financial institutions, which could help them to manage their assets and generate income through entrepreneurship and self-employment (Yunus & Jolis, 1998). Microfinance organizations began their operations with the vision that poverty might be alleviated by providing small loans to poor clients who own small businesses or who become entrepreneurs. One of the most significant functions of microfinance was initiating women's involvement in income-generating activities, thus becoming empowered (Hulme & Mosley, 1997).

However, many researchers argue that microfinance is nothing more than a business that targets the vulnerable segments of society, who often have an extreme need for credit. Researchers for example (Hulme & Mosley, 1997; Karnani, 2007) identified at least two forces that worked significantly to increase the involvement of women in microcredit programs: 1) the financial viability of the lending institutions and 2) the aid donors' desire to provide more assistance to women. Since there is no alternative to microfinance, the poor have to take out loans with high interest.

Professor Muhammad Yunus, the pioneer of microfinance theory, admitted that there some microfinance organizations offer interest rates exceeding 100% in a year (Yunus, 2010; p. 13). The lowest interest charged by a microfinance organization in Bangladesh is Yunus's Grameen Bank. Its rate is 20%, which is 7% higher than that of the commercial banks (Khandker & Samad, 2013).

This profit-seeking approach has led NGOs, which used to focus on the poor to ensure their wellbeing, to now target the poor as the source of revenue for their organizational sustainability (Bari, 2011; Cull et al., 2009; Ghosh, 2013; Banerjee & Jackson, 2016). This is a negative consequence of the competition between NGOs to reach more clients and thereby increase their revenues. Armendáriz and Szafarz (2011; p. 342) stated that "Mission drift can only appear when the announced mission is not aligned with the MFI's actual maximization objective." These authors argue that MFIs currently favor lending larger amount of loans to wealthier clients for more profit and excluding poor clients as much as possible, which is in conflict with an MFI's primary goal. In current microfinance, the priority of MFIs has been argued to have shifted from poverty reduction to market approach (Ghosh, 2013). Bateman and Chang (2012, p. 13) argue that "microfinance actually constitutes a powerful institutional and political barrier to sustainable economic and social development, and so also to poverty reduction."

The proponents of microfinance claim that the microfinance delivery system is designed in a way so that revenues from different programs come steadily to ensure organizational sustainability, and income-generating activities help the poor to escape poverty (Khandker, 1998, 2005; Coleman, 1999, 2006; McKenzie & Woodruff, 2008; Karlan & Zinman, 2011). As evidence, despite high interest rates and service charges, some leading microfinance organizations, like Grameen Bank, have offered evidence that the repayment rate for their loans is much higher than that of conventional banks. In fact, Grameen Bank reports a repayment rate of over 97% (Yunus & Jolis, 1998).

Even if the repayment rate is an indication of organizational sustainability, still, many critics of microfinance say that there is little evidence or measuring system, which proves that those living in poverty have seen their standard of living changed in any meaningful way (Armendáriz & Morduch, 2005, 2010).

Rather, recent microfinance studies have been concerned with borrowers' increasing indebtedness (Schicks, 2012), the overlapping of loans, especially those taken out by women (Yuge, 2011; Garikipati et al., 2014), and the possible poverty traps open to customers (Roodman & Morduch, 2011). According to Roodman (2012), microfinance does not alleviate poverty, despite all of its attendant hype.

Despite the mushroom growth of NGOs in number and size, poverty remains pervasive in Bangladesh (Ghosh, 2013). Although NGOs are not the sole agent to alleviate poverty, the evidence they have produced testifying to their efficiency has been questioned. While poverty in Bangladesh has been reduced compared to previous decades, there is no clear evidence how this is happening, and government and other civil societies are also claiming their contributions to poverty reduction (Mir & Bala, 2014).

However, despite the criticisms, microfinance has become part and parcel of the micro and macro levels of the economy in Bangladesh. Therefore, in practice, it is difficult to ignore the contribution of microfinance services in such a society. Studies on microfinance and its effect on poverty reduction are challenging due to paradoxical statements from microfinance researchers. The main purpose of this study is to assess, along with other research questions, whether microfinance organizations are reducing poverty or have drifted from their primary mission, which consist of poverty reduction and women's empowerment (Edwards & Hulme, 1998). The main research objectives to address the key research questions for this study are the following:

a) To understand the socio-economic environment and the impact of microcredit on clients' income-related activities.
b) To analyze the management capacity of microfinance organizations in relation to organizational sustainability and poverty reduction.
c) To examine microcredit staff members' ability to build credit clients' capacity in terms of the business development process.
d) To examine the impact of social capital in relation to the organizational capacity-building process.
e) To provide policy recommendations for the capacity building of all involved stakeholders in order to promote poverty reduction and organizational sustainability.

Following the main objectives, the main research questions of the study are:

a) Does microfinance reduce poverty?
b) To what extent are microfinance organizations capable of achieving both the objectives of poverty reduction and organizational sustainability simultaneously?
c) Does the commercial approach of microfinance lead toward mission drift for NGOs?

This research will be qualitative in nature, as qualitative research "explores attitudes, behaviours, and experiences" (Dawson, 2002; p. 14) and follow a case study method. Within three branches of three leading microfinance organizations (BRAC, Grameen Bank, & TMSS) of Bangladesh, 50 microcredit clients and 20 microfinance staff members were interviewed using mainly semi-structured questionnaires. The selection process of credit clients was based on their membership duration and loan history (e.g., loan repayment performance or default record). Microfinance officials were selected based on their management position including both upper management and field officers.

From the microfinance clients, the researcher attempted to gather information on the impact of microfinance on their livelihoods both before and after receiving a loan, their expectations from the microfinance organization before and after receiving a loan, organizational staff members' behaviors toward them, their overall thoughts about microfinance, and how they believe the microfinance delivery system can be developed. Microfinance officials were asked about their present management and operation systems, their capacities and shortcomings, the goals and objectives of their organization from a practical point of view, how the management system can be developed, and other relevant questions.

This report is divided into five chapters. The first chapter provides an introduction and overview of the entire study. In the second chapter, a theoretical background will be established. The third and fourth chapters will outline the research methodologies carried out for this study and provide information about the studied case NGOs' geographical and operational details. The fifth chapter presents the findings of this study. The last chapter will provide a summary of the key findings and the researcher's observations and, finally, policy recommendations based on the empirical findings and academic knowledge.

2 NGOS' CAPACITY BUILDING TOWARD POVERTY REDUCTION

2.1 Introduction

This chapter will focus on the theoretical and conceptual part of the thesis. Although there is no specific theory that has been used in this study, multiple interrelated concepts have been defined to understand the phenomena based on critical paradigm of social research. Along with establishing the conceptual framework, this chapter will extensively discuss the previous empirical researches, which are directly or indirectly relevant to poverty research in Bangladesh. Poverty is a multi-dimensional concept. Therefore, this chapter will discuss poverty in general from different perspectives followed by a description of the poverty situation in Bangladesh, causes of poverty, and the impact of NGOs' efforts toward poverty reduction.

The primary concern of this study is NGO's capacity building for poverty reduction in Bangladesh. The study suggests that a number of NGOs in Bangladesh have either shifted or added a microfinance program as one of the main components to achieve their organizational goals, which are organizational sustainability and poverty reduction (Zohir, 2004; Bari, 2011). As a result, in this study, outcomes in the achievement of organizational goals are considered to be the main indicators of capacity. In addition, since the promotion of microfinancing has been regarded as one of the best tools of NGOs in terms of mission achievement, the microfinance program, its operational strategy, and social impact will be discussed comprehensively.

2.2 Definition of poverty from different perspectives

Definition of poverty means distinguishing poverty from non-poverty and describing how the status of the poor differs from the non-poor in a society (Lister, 2004). The final purpose of defining and using the concept of poverty is to help eradicate it from society. However, identifying poverty is a very complex task due to its diversity. So far, there is no consensus among poverty researchers on a clear definition of poverty (Addison et al., 2009). However, poverty researchers agree that, to some extent, poverty needs to be understood in relation to a specific society, its culture, and history (Lister, 2004). Therefore, the definition is greatly influenced by location, politics, social and cultural structure, and history. In the words of Oyen (1996; p. 4), "Poverty is culture-bound and universal."

Another dilemma in defining poverty is the choice of perspective. If the definition gives a narrow perspective, it may be criticized for a lack of broader coverage. For example, focusing on material needs may be criticized for missing a relational/symbolic aspect, such as a lack of voice, disrespect, humiliation, assault on dignity and self-esteem, shame and stigma, powerlessness, denial of rights, and diminishment of citizenship (Lister, 2004). On the contrary, too broad a definition runs the danger of losing sight of the distinctive "core notion of poverty" (Nolan and Whelan, 1996; p. 193).

Despite such controversy, social scientists and poverty researchers have been endeavoring to identify both an implicit and an explicit meaning of poverty. As an example, Atkinson (1989; p. 12) mentioned the related but fundamental distinction between standard of living and a citizen's right to a minimum level of resources. Here, standard of living can be identified explicitly though there might be controversy about setting the standard. A citizen's right to a minimum level of resources is usually conceptualized as a component of poverty, which is considered here as implicit in measuring poverty.

A number of researchers categorize poverty from absolute (Rowntree, 1937; Joseph & Sumpton, 1979) and relative (Townsend, 1993) points of view. Absolute poverty refers to a lack of basic subsistence, for example, food, nutrition, medicine, and such basic needs (UNDP, 2002; Lister, 2004). On the contrary, the concept of relative poverty includes the multi-dimensional aspects of "all of the major spheres of life" (Townsend, 1993; p. 36). Lister (2004; p. 22) stated that to understand relative poverty, it is necessary to understand the "nature of comparison" and "the nature of human needs," with an emphasis on place and history. For example, comparison is possible only among those who live in the same society and time.

A number of researchers define poverty from the point of view of living standard (Lister, 2004). According to Ringen (1987: p. 146), poverty is defined indirectly through the "determinants of way of life," for example, income or other material resources, and "directly by the way of life," that is, the real outcome of life. For example, a low standard of living means deprivation in way of life because of insufficient resources to avoid such deprivation. This definition puts the focus on the living standard, while also emphasizing resources, which include income. A similar definition was provided by Gordon et al. (2000b; p. 91): "put simply, someone is 'poor' when they have both a low standard of living and a low income." However, using the term "the poor" or "poor people" involves the dehumanization of those who are in poverty (Lister, 2004).

Traditionally, poverty has been defined as the lack of material necessities, especially lowness of income. Kempson (1996) states that "life on a low income . . . Is a stressful and debilitating experience." However, identifying poverty only from a material point of view is not enough because "it disfigures and constrains the lives of millions of women, men and children and its persistence diminishes those among the non-poor who acquiesce in or help sustain it" (Lister, 2004; p. 1). Jones and Novak (1999) also argue that poverty has to be understood not just as a disadvantaged and insecure economic condition but also as a shameful and corrosive social relation. For example, Townsend refers to poverty as the inability to participate in society "owing to lack of resources" (1993; p. 188).

Other non-material aspects, such as lack of voice, disrespect, humiliation, and assault on dignity and self-esteem, shame and stigma, powerlessness, denial of rights, and diminished citizenship are considered to be relational/symbolic aspects of poverty (Lister, 2004; p. 7). The United Nations (UN) also considers lack of participation in decision-making, violation of human dignity, powerlessness, and susceptibility to violence as aspects of poverty (Langmore, 2000; p. 37).

In his definition of poverty, Atkinson focuses on standard of living and a citizen's "right" to a minimum level of resources (1989; p. 12). This definition covers a broader aspect of poverty. For example, the right to minimum resources includes a minimum income or subsistence ensured by government to cover someone's basic needs. The absence of this right means a denial of human and citizenship rights. In addition, a feminist conception of poverty can be related here as an individual right to a minimum degree of potential economic independence (Jenkins, 1991; p. 464).

Amartya Sen, one of the leading poverty researchers, defines poverty from a radically different point of view (Sen, 1999). Lister (2004; p. 15) identified Sen's view as a "paradigm shift" in poverty definitions. Sen sees poverty as a denial of choices and opportunities for living a tolerable life (UNDP, 1997; Vizard, 2001). Sen (1992; p. 109) argues that poverty should not be seen according to the income or actual living standards but as a failure of capability: "the failure of basic capabilities to reach certain minimally acceptable levels."

Sen (1999) uses two key terms to express his idea: "functioning and capabilities." Functioning refers to what a person actually manages to do or be; capabilities denote what a person can do or be, that is, the range of choices that are open to her or him (Lister, 2004; p. 16). He believes that both income and living standard are instrumental matters in life. The true matter of someone's life is the kind of life she or he is able to live and the opportunities and choices open to her or him for leading their life.

According to Sen (1999), money is just a means to an end, and the goods and services or "commodities" it purchases are simply particular ways of achieving functionality. The role of money here is as an exchange for commodities. He further added that the exchange between money and functioning/capability is partly determined by the individual; for example, a disabled person's needs are higher than those of a fully abled person. Therefore, the same income level does not lead to the same living standard.

Despite the great contributions to defining poverty, one of the most significant problems in the capability approach is that policy makers might underestimate an income raise even if this is needed for those who are in poverty. This is because it has been argued that the capability approach "requires a change in public policy focus from the reduction of monetary inequalities to the reduction of inequalities in capabilities" (Raveaud & Salais, 2001; p. 61; Williams & Windebank, 2003). However, this definition broadened the concept of poverty and put the emphasis on the role of public policy. For example, by enhancing opportunities through education, health services, and paid work, poverty can be tackled significantly (Lister, 2004).

Following these definitions, poverty resembles a big tree that has many branches and leaves. Thus, a single branch or a few leaves of the tree cannot be considered as a separate tree even though they are part of it. Thus, if we want to remove poverty from society, it has to be eradicated through identifying every aspect of the symptoms of poverty, though the task is difficult. Poverty needs to be seen as a combination of social, political, and global forms of inequality that exists from the individual to the global level (Oyen, 1996). Therefore, the best way to tackle it is through a greater and combined effort at the global, national, and individual levels.

Given that poverty is a naturally diversified phenomenon, some aspects of poverty, for example, basic needs that are considered to be absolute, call for an immediate solution. In addition, to solve this part, material resources, especially income, are among the crucial instruments. Following this idea, it can be said that "income" is one of the most demanding components in poverty definitions. As Sen acknowledges, "the perspective of capability-poverty does not involve any denial of the sensible view that low income is clearly" a major factor in poverty, "since lack of income can be a principal reason for a person's capability deprivation" (1999; p. 87).

Karel Van Den Bosch also proposes a similar definition of poverty "as a situation where people lack the economic resources to realize a set of basic functioning" (2001; p. 1). In this definition, Karel Van Den Bosch focused on capability deprivation as income poverty. Following the above definitions and their arguments, it is clear that by any regards, income is at the top of most aspects of definitions of poverty. In this study, therefore, income poverty is given the highest priority, together with other aspects like inequality, living standard, capability approach, and so forth.

2.2.1 Poverty measurement

As a technique, taking the measurement of poverty employs the various definitions to count those who are under the poverty line and try to assess the depth of their poverty (Lister, 2004; Bloom, 2009). Poverty measurement is one way to identify and count who, according to the definitions, are underprivileged and seek to determine the depth of their poverty (Addison et al., 2009). In order to count the poverty rates through indicators, there is a need to set poverty standards, often called the poverty line, below which people are considered to be poor (Lister, 2004). There are a variety of approaches to setting this line (Farrell & Hill, 2018).

Measuring poverty is a complex task. However, different organizations use a range of indicators to measure poverty, mainly based on the income and/or cost of living of the individual and the household (Santos et al., 2016). Among them, some of the most recognized indicators have been established by certain authoritative world organizations, for instance, the US Poverty Index, the Living Wage Calculator, the Human Need Index, the European Union Indicators, and the United Nations Human Development Index (HDI) (Farrell & Hill, 2018; p. 3).

However, poverty researchers have been very critical about the various measurement systems and their shortcomings or inadequacies. According to Oyen (1996), much poverty is located in the informal economy and on the periphery of major societal institutions, and this calls for an alternative measurement of poverty. Many efforts have been invested to overcome the faults of different measurements to enhance their validity and reliability (Davis, 2006). However, it is clear that the choice of one indicator instead of another leads to different results because of the diverse characteristics and effects of poverty (Farrell & Hill, 2018).

Alkire and Santos (2014) proposed two main methods. They are the direct method, which explores whether people satisfy a set of specified basic needs, rights, or—in line with Sen's capability approach—are functional. The second method is called the indirect or income approach, and it determines whether people's incomes fall below the poverty line—the income level at which some specified basic needs can be satisfied. Both methods cover a broad range of poverty measurement indicators, and they are extensively applied by most leading development organizations, for example, UNDP and the World Bank (Alkire & Santos, 2014). They further state that direct methods are generally used in Europe and other developed parts of the world for measuring relative poverty. On the other hand, income poverty is a popular poverty measurement indicator for many developing countries.

The central issue of measuring poverty through an indicator is income (Alkire & Santos, 2014). However, many researchers criticize measuring poverty through an income indicator (Foster & Szekely, 2008). Their key arguments are whether it should be income, living standard, or expenditure and, whether it includes other material resources or not (Alkire & Santos, 2014). Another critical point in analyzing poverty from the income perspective is that poverty refers to individuals based on the total income of a particular family. Therefore, since the issue of gender is a concern, it may generate a misleading conception of poverty because of the distribution of resources among the family members (Addison et al., 2009).

Alkire and Santos (2014), Sen (1981), and many other researchers have pointed out some basic limitations of measuring poverty through income. Sen (1981) argues that the pattern of consumption behavior may not be uniform or consistent. Therefore, setting the poverty line through the level of income might not ensure everyone is able to fulfill her or his basic needs. Sen (1999) adds that price differences could undermine the poverty line accuracy. Besides this, the conversion of income to "functioning" greatly varies depending on age, gender, health, location, climate, and an individual's condition, for example, experiencing disability. Alkire and Santos (2014) stress that affordable quality services, such as water, health, and education, are frequently not provided through the market. Finally, income measurement cannot always provide accurate information about the distribution of income in the household; for example, research shows that gender discrimination is a common phenomenon in the South and many developing countries (World Bank, 2001).

Recently the Oxford Poverty and Human Development Initiative in collaboration with the United Nations Development Program's Human Development Report office introduced a new measuring system that is called the multidimensional poverty index (MPI) (Alkire & Santos, 2014). The main significance of the MPI is that, though the measuring system consists of following the approach of one dollar a day, it includes a set of other deprivations rather than depending only on income. This approach mainly "intends to complement income poverty analyses in the developing world, by bringing information from a different angle, focused directly on actual deprivation" (Alkire & Santos, 2014).

However, this approach is not without criticism. First, this approach focuses on only three dimensions of poverty due to data availability. These three dimensions are health, education, and living standard. In most measurement systems, the central issue is income, which is missing in the MPI measuring tool. Besides, the MPI did not say anything about the quality of education. Despite these limitations due to data availability, these dimensions are vitally important (Alkire & Santos, 2014) because, for example, they possess intrinsic and instrumental value (Sen, 1999).

2.2.2 Poverty as a concept and its policy implications

Poverty is a vast concept. It is neither purely an economic nor a social problem, but is a multi-faceted one, with economic, social, political, cultural, and demographic ramifications (Samad, 1996). However, as a concept it provides a framework within which definitions and measurements can be developed. Additionally, it provides implicit explanations that underpin policy prescriptions (Lister, 2004).

Rich societies live in a different world from poorer societies. Mentally, the two worlds are kept apart through stereotyping and false images built by tradition and the media (Oyen, 1996). Therefore, the non-poor society has very little knowledge about the world of the poor. They are also kept apart through differential participation in the labor market, the economy, and social and cultural institutions (Lister, 2004). Besides this, since the non-poor society has autonomy in decision-making, its members give incomplete and somewhat erroneous information about poverty (Novak, 1996). Fraser termed these absences of representation, communication, and interpretation as "symbolic injustice" (1997; p. 14). Therefore, measuring poverty from the data sources leads to conflicting statements. As a result, both policymaking and implementation have little impact on poverty alleviation (Samad, 1996; Lister, 2004).

Poverty limits people's options. According to Gans (1973), "poverty forces people to engage in certain activities, because no other options are available." Sen (1999) also argues in his capability approach that lack of opportunities is the primary cause of poverty. This in turn frees the non-poor from those activities. For example, poor people perform dirty and menial jobs, whereas non-poor are remote from those jobs. Since non-poor dominate the existing societies, these jobs are lowly paid. The poor are more likely to buy second-hand goods, foods of low quality, and go to low-rated doctors and teachers, which also undermines their quality of life and ability to contribute fully to the economic life of the society. The wealthier society uses poor people as a mobile, unorganized, and low-income workforce, working as migrant and temporary workers, which allows the wealthier society to keep them under pressure and lowly paid as well (Novak, 1996).

Gans (1973) argued that the non-poor population uses the poor for political purposes as well. To initiate economic and social changes, they use the poor as a trigger. However, it does not help the poor to overcome their present situation. This is evident, for example, in the process of building physical infrastructure to develop transport, industry, trade, and tourism, which primarily benefit the non-poor society (Samad, 1996). The wealthier society does very little to improve the poorer society's development as regards education, economic conditions, health, and so on. Instead, its members maintain a social and economic system, which may guarantee their superiority over the poorer segment in the community (Novak, 1996).

From the above discussion, it seems obvious that if we do research on poverty, we have to study the non-poor and their activities as well. This is because the poor not only cause poverty, but also the non-poor society plays a vital role in keeping a society under poverty for their own interests. Oyen (1996) holds the view that "poverty is such a reality in our society that will never disappear. Because the existence of poverty is not only caused by the poor, the non-poor equally contribute to make the poor live in poverty." Accordingly, a certain amount of poverty in a society is needed in order to secure the smooth functioning of the economy of the non-poor population.

2.2.3 Inequality in a broader scope

Inequality in resource distribution is one of the most important factors causing poverty, which is rooted in our social, economic, and political structure and processes (Lister, 2004). Inequality exists from the individual to the global level in different forms and degrees, for example, socio-economic inequality, social class, gender, race, disability, and life course, especially old age. Power and politics are the main influential aspects that contribute to inequality. Power is exercised from the individual, household level to the macro, global level to exclude individuals or groups from access to adequate resources (Jordan, 1996). Differential power and opportunity allow privileged groups to exclude the public from their special advantages (Scott, 1994; p. 151).

In the countries where families and societies are male dominated, research suggests that inequality is high there as we see that 70% of the world's poor are female (UNDP, 1995). In the discussion of poverty, gender, specifically female deprivation, is common in both the North and South (UNDP, 1997). A study on the EU and US shows that in most countries, except Sweden, women are at higher risk of poverty than men (Bradshaw et al., 2003).

A number of researches show that men are more privileged than women in terms of income distribution and consumption (Pahl, 1989; Daly & Leonard, 2002). World Bank (2001) research also suggests that discrimination between men and women clearly exists in the South in terms of food and basic consumption goods. Lister (2004) called this unequal distribution of both income and consumption "hidden poverty." As a result, the view of what constitutes poverty differs between men and women (Payne & Pantazis, 1997; p. 113).

Hidden female poverty is not only rooted in economic dependence and male power but also the sacrifices women make (Vincent, 1991), especially for their children (Farrell & O'Connor, 2003). In addition, time is not given equal value for the different genders (Payne, 1991; Floro, 1995; Toynbee, 2003). For example, the division of labor—men work outside the home in paid jobs and women work at home unpaid. This case is very common, especially in the South, which gives men economic independence and power over women (Daly & Rake, 2003).

Disability and poverty are in many ways interrelated, especially the way disabled people are treated by the larger society (Lister, 2004). Also, the degree of deprivation increases as the majority of disabled people are women (Lister, 2004; p. 64). There is an estimation that one fifth of the poorest are disabled, among which 50% of disabilities are preventable and directly linked to poverty (DFID, 2001a; p. 13). Besides this, research suggests that education and economic conditions cause disability, which carries a high risk of poverty (Burchardt, 2003). For example, disabilities create additional expenses in many ways, from which other low-income people are free (Sen, 1991, 1999; Barnes & Baldwin, 1999). In addition, their income and job opportunities are much lower than those of the non-disabled (Barnes & Baldwin, 1999; Burchardt, 2000a).

At the community level, persons who hold economic power often discriminate in resource distribution to their poor counterparts. Social class "underpins the distribution of poverty and economic inequality" (Mooney, 2000; p. 156; Savage, 2000). For example, in unequal societies, social class continues to profoundly affect life expectancy, health, education, and employment (Lister, 2004; p. 53). Leisering and Leibfried have said that "the risk of poverty is obviously higher for families in the lower economic classes" (1999; p. 240). As a result, in the decision-making process, the poor have little or no voices that could change their livelihood.

On the national level, inequality of both income and wealth as so-called socio-economic polarization intensified in many countries in the late 20th century (Townsend & Gordon, 2002; Lister, 2004). Research shows that rich countries have lower inequality (UNICEF, 2000; Esping-Andersen, 2002). Researchers argue that poverty cannot be effectively tackled without reducing inequality at both the national and international levels (Lister, 2004; p. 53). However, "Rising inequality is not inevitable" (Atkinson, 2002; p. 45).

Poor countries' public sectors are often corrupted. Politicians try to hold their power by any means (Pogge, 2008), which causes high corruption and violence in a country. Consequently, aid or any kinds of support are often robbed by political and administrative bosses instead of being distributed to the victims of poverty (Walzer, 1977). Referring to the example of a Nigerian military regime since 1966 to 1999, Pogge points out that many military or autocratic governments save huge amounts of currency in foreign banks illegally for their future security (2008; p. 179). He further states that those governments receive huge loans from developed countries, with the stated intention to develop their country's infrastructure. However, the reality behind the scene is that the autocratic government grabs this money illegally, while the developed countries indirectly accept and legitimate those governments by sanctioning loans or aid despite knowing the facts. Developed countries do so for their own global interests. Moreover, it is argued that developed countries channel their development aid according to their global economic and political interests. Rather, they do not hesitate to take any political, economic, or even war action to maintain their own country's interest and unethical power control over other countries (Pogge, 2008; p. 120).

In addition, international inequality exists from economic aspects to a broader political framework (Lister, 2004). International trade monopolies by developed countries, immigration policies, and international aid policies are evidence of how developed countries treat poor countries unequally (Sen, 1999; Townsend & Gordon, 2002; Pogge, 2008). UNDP has argued that 5% of the world's richest population's income is 114 times bigger than 5% of the globe's poorest people, which indicates that despite having arguments about the definition of global income inequality, "there is widespread consensus on its grotesque levels" (UNDP, 2003; p. 39). As a result, to give a clear picture of poverty, one has to discuss relative poverty, the hierarchy, and the causes of poverty from the individual level to global contexts.

In most cases, poverty is seen from the individual level. However, usually it is associated with the household and the overall societal level. Therefore, poverty needs to be discussed in at least three levels: individual, intermediate, and macro. Table 1 below presents a picture of poverty.

Table 1: Levels of Poverty

Individual level	Family and household level	Community level	Regional/State level
• Lack of resources • Education • Food • Health • Access to clean water • Housing	• Education • Gender discrimination • Violence • Mortality • Health insurance	• Exclusion • Class and gender discrimination • Customs • Religion • Economic and political powerlessness.	• Political dominance • Economic inequality • War • Discriminatory trade policy

Source: Khoda (2011)

According to Oyen (1996), poverty on the individual level can be defined as a lack of resources. In a broader sense, resources should include access to clean water, as well as basic education, the opportunity to vote, a guarantee of a basic income, and freedom from hunger and epidemics.

Intermediate level poverty includes family, households, and communities. Disempowerment at both the family and community levels, customary lifestyle, religion, discrimination in the labor market, and living conditions "stressing either a poor way of life or poor consumption standards or attitude towards living in poverty" can be the key attributes of poverty on the intermediate level (Novak, 1996).

Macro level poverty intersects with how international organizations deal with the poorer countries. Poor countries are unable to adjust to the globalization and business cycles of developed countries (Nagel, 1977; Pogge, 2008). The discriminatory trade relations, international politics, and economic structures of any given country make it difficult to adopt any ready-made formula for development (Pogge, 2008).

While poverty alleviation programs are enacted, the beneficiaries are usually the most deprived and those living below the poverty line. However, those who are just above the poverty line often sink back to increased relative poverty because they do not receive the benefits going to the people below the poverty line (Oyen, 1996). When there is poverty in a society, different levels of poverty abound, hence the concept of a hierarchy of poverty. The non-poor in the society adapt to this hierarchy. For example, in their own interest, they keep the custom system and such other dominant mentalities in the society (Novak, 1996).

Following from the various definitions and concepts of poverty, it can be argued that there is no straightforward definition or measurement system of poverty. Rather, poverty is a multi-dimensional concept and it varies in different locations based on living standard, environment and demographic factors. In addition, most of these studies defined poverty in a specific context and location. Therefore, their definitions and measurements might not present universal poverty situation. However, despite having differences, there are some common needs for living used in these studies, considered as basic needs. The poor lack satisfaction of those basic needs especially in developing countries, which many believe can be resolved by adequate income (Yunus, 2007). This study, therefore, focuses mainly on the inadequacy of satisfaction of basic needs and the lack of income as the key indicators of poverty.

2.3 NGOs as an alternative development sector

Following the discussion above, it is understandable that the major causes of poverty consist of the state's inefficiency in terms of social, economic, political, and cultural factors (Lewis, 2013). In most cases, the root causes include public sector officials' inefficiency, corruption, bureaucratic complexity, and political willingness (Banks & Hulme, 2012). Consequently, NGOs have emerged as an alternative development sector that has been working in close relationship with the targeted population (Anheier, 1987). In addition, many observers have argued that NGOs are cost-effective and capable of coping with cultural and political sensitivity (Smith, 1987; Koch et al., 2008; Lewis, 2013). However, the NGOs have recently been under debate concerning their cost effectiveness, emphasizing reporting to donor agencies rather than real outcomes for the recipients, compromising with their project selection in order to attract donor agencies and so on (Banks et al., 2015; Ebrahim, 2003; Elbers & Arts, 2011; Mir & Bala, 2014). The following section will discuss the origin, definition, evolution, growth of NGOs, criticism and their impact on poverty reduction and overall development.

2.3.1 Definition of NGOs

Defining an NGO is as difficult as pointing out their range of activities, especially as concerns the dramatic growth after the end of the Cold War (Banks et al., 2015; p. 707). Their characteristics, goals, and operations are a mishmash containing great diversity and self-contradiction, and they operate with strong alliances with governments and rivalries at the same time (Hall-Jones, 2006). They are widely recognized as non-profit and charitable organizations in order to get tax exemption, but have been widely criticized for competing desperately for profits (Lewis, 2013; p. 113). Some NGOs become involved in the political affairs of a country and some do not even receive money from government and political parties; for example, Lewis (2013; p. 3) has described Oxfam as a charitable and Amnesty International as a political organization. Therefore, arguably, it can be said that the basis of an NGO is more ideological than any other definition. As

Lewis (2013; p. 2) has pointed out, "NGOs are driven by a range of motivations and values."

However, due to their efficiency and active participation in the local communities, most of the development organizations and developed countries' governments in recent decades have been funding their development projects to NGOs (Lewis & Kanji, 2009; Lewis 2013; Banks et al., 2015). By some estimates, millions of NGOs are active, all over the world (Lewis, 2013). One statistic suggests that in 2004, NGOs received approximately US$23 billion, accounting for one third of total official development assistance (ODA) (Riddell, 2007; p. 53). Clearly, the boundaries of NGO activities have been increasing dramatically (Brautigam & Segarra, 2007; AbouAssi, 2012). They have different roles in different societies across the world. The roles of NGOs in recent years have become crucial for addressing environmental, social, economic, and even political challenges (Lewis & Kanji, 2009; Lewis, 2013).

Following the discussion above, it is understandable that identifying NGOs' activities is a difficult task. Lewis (2013; p. 111) has endeavored to categorize NGOs' work from three different but overlapping roles, which also reflect Banks and Hulme's categorization of service delivery, advocacy, and empowerment (2012; p. 3). These act as implementers, catalysts, and partners. However, he further argues that an NGO may occupy all three roles or stick with just one. Korten (1990) categorizes NGOs into four main groups: voluntary organizations (VO), public service contractors (PSC), people's organizations (PO), and government-organized NGOs (GONGOs).

NGOs as implementers mobilize resources to provide goods and services, which include livelihood intervention, healthcare, education, emergency responses, democracy building, conflict resolution, human rights, finance, environmental management, and policy analysis (Lewis & Kanji, 2009; Banks & Hulme, 2012; Lewis, 2013).

As a catalyst, NGOs play the role to "inspire, facilitate or contribute towards developmental changes among other actors at the organizational or the individual level" (Lewis, 2013; p. 111). The primary focus of NGOs as implementer is advocacy and empowerment, for the purpose of influencing wider policy processes (Banks & Hulme, 2012; Lewis, 2013). According to Grant and Crutchfield, "these organizations and the people who lead them want to solve many of the biggest problems plaguing our world . . . they seek to attack and eliminate the root causes of social ills" (2007; p. 40).

The role of NGOs as a partner is a growing trend to work with government, donors, and private sector entities, as NGOs consider these to be "opportunities to influence social issues" (Lewis, 2013). Banks and Hulme described this partnership with government and locally rooted grassroots organizations as "strategic stealth" (2012, p. 708). However, there are views that partnership may bring extra costs for the NGOs. For example, a number of NGOs in Bangladesh had to pay a heavy price for challenging the state (Banks et al., 2015). In addition, NGOs may need to work under certain imposed conditions, which may push them to compromise their principal characteristics (Farrington & Bebbington, 1993; Lewis, 2013). The NGOs could have no option other than the agreed-upon conditions of their donor partners due to their limited resources and dependence on them.

The above discussion refers to NGOs' definition from an operational point of view. However, there are some other distinctions, for example, Northern NGOs (NNGO) and Southern NGOs (SNGO) (Lewis & Kanji, 2009). Northern NGOs are well known as donor NGOs that provide funds for poor countries' development and social changes, while Southern NGOs are recipient NGOs located in less-developed countries whose primary goal is to help the economically and socially vulnerable people of specific communities (Lewis, 2013; p. 2).

However, Anheier (2005) has given a precise definition arguing that most of the current definitions have been focusing on certain specific features. In his view, an NGO should exhibit at least some key characteristics that set them apart from other third sector organizations. They are formal, private, self-governing, and voluntary. According to Vakil, "NGOs are self-governing, private, not-for-profit organizations that are geared to improving the quality of life for disadvantaged people," supporting this definition (1997; p. 206). Following these definitions, we can conclude that, despite growing partnerships with government and private sectors, the distinguishing identity of an NGO is, they are non-governmental (Bebbington et al., 2008), voluntary and operate their programs for the development of disadvantaged groups of people bypassed by the government sector.

2.3.2 Evolution of NGOs

There is no clear evidence for the first establishment of NGOs. However, the "Anti-slavery movement" in 1839, and the humanitarian support of war that affected people on major occasions can be considered the pioneering international NGOs (Lewis, 2013). For example, the establishment of the Red Cross in 1859 after the Franco-Italian war, Save the Children Fund (SCF) founded by Eglantyne Jebb in 1919 after WW1, and the establishment of Oxfam in 1942 to help the populace, first during the Axis population of Greece and later during that country's civil war by providing famine relief, and CARE after WW2. However, the UN Charter, Article 71, formally involved NGOs in their activities in 1945. Since then, other leading organizations have also officially involved NGOs in their development initiatives (Lewis, 2013).

The NGO sector has triumphed in their movement for many reasons. Among others, one of the chief is the incapacity of nation states to meet the public needs, especially in poor countries (Lewis & Kanji, 2009). Most of the poor and developing countries' public sectors have been unsuccessful in their development projects (Banks & Hulme, 2012). There is no clear evidence that NGO sectors are more successful than the public sector (Bebbington et al., 2008; Lewis & Kanji, 2009; Fowler, 2011), but they could at least prove that they are less bureaucratic and less corrupt than the public sector (Banks & Hulme, 2012). As a result, most of the development organizations and developed countries have preferred to fund their development projects in developing countries through NGOs (OECD, 2009).

Arguably, the core strength of NGO activity is people-centered initiative. Cernea (1988; p. 8) acknowledged that NGOs established the philosophy of "centrality of people" in development policy. The NGOs' proximity to the target population and their active participation attracted the donor organizations to provide funding to promote empowerment, gender equality, and overall poverty reduction projects around the world (Koch et al., 2008). However, at the end of the 1990s the international development organizations, through a range of evidence, came to the realization that NGOs lagged behind their high expectations (Houtzager, 2005; Banks et al., 2015). As a result, they began shifting their contribution toward development projects in developing countries through governments using such mechanisms as "budget support" and "sector-wide approach" (Lewis, 2013).

The highest growth of NGOs occurred in the 1980s and 1990s (Lewis & Kanji, 2009; Banks & Hulme, 2012; Lewis, 2013). The growth of NGOs mostly has been promoted by world-leading organizations like the World Bank and International Monetary Fund (IMF). Both organizations have been cutting public services funds and filling the gap by NGOs (Hall-Jones, 2006). In addition, Hall-Jones further argues that these organizations have been encouraging the governments to work with NGOs. One report showed that during the period of 1973 to 1988, NGOs were involved in only around 15% of World Bank projects while the number dramatically increased to 89% by the year 1990 (Makoba, 2002).

Although the NGOs' evolution was concentrated on social welfare as independent institutions, over the last few decades their activities have been largely diversified, for example, working in collaboration with the public sector (Lewis, 2013; Makuwira, 2014). Although governments are often concerned about losing popularity to the citizens for the successes of NGOs, recent decades have seen NGOs cooperating with governments in many ways, especially receiving funds and collaborating with governments in their operation (Hall-Jones, 2006; Lewis & Kanji, 2009; Banks & Hulme, 2012; Lewis, 2013; Banks et al., 2015). For example, in 2001, CARE received almost 70% of their funding from the US government and Oxfam received one quarter of their income from the UK government and the EU (Hall-Jones, 2006). A study focused on six countries by Beloe and Elkington (2003; p. 18) showed that NGOs' primary revenues have in recent years come primarily from service charges. This study found that around 52% of their income came from service charges, 40% from public sector revenues, and only 8% from philanthropic income and charitable activities.

2.3.3 NGOs' legitimacy and accountability

There are no certain reasons for how NGOs evolve in different places. However, it is understandable that an NGO is "legitimized by the existence of poverty" (Fowler, 1997). Thus, one can argue that NGOs have evolved since the start of human civilization based on the realization that everyone needs the help of others to survive. One report suggests that in 1946, only 41 international NGOs were registered at the UN, whereas, now in India alone, by some estimates there are over one million NGOs, and in the Philippines the number exceeds 200,000 (OECD, 2009). Not surprisingly, proponents argue that NGOs are the most important agent in development. Many see NGOs as a magic bullet, which can fire off in any direction and achieve the target of development (Stewart, 1997; Lister, 2003). However, the opponents are loudly vocal about NGOs' lack of accountability and legitimacy (Nyamugasira, 1998; Biekart, 1999; Mir & Bala, 2014; Banks et al., 2015).

The legitimacy of NGOs is poorly theorized in development literature and is usually seen as dependent on accountability, performance, and representativeness (Lister, 2003; p. 1). The comparative advantages of NGOs over the government has not yet been proved with empirical evidence (Tendler, 1982; Biekart, 1999; Nyamugasira, 1998; Lister, 2003, Banks et al., 2015). For example, many argue that NGOs' involvement in policy formulation and implementation as actors in the development process raise questions of legitimacy, because their prior beneficiaries are from the South thereby making it difficult to ensure accountability (Saxby, 1996; Sogge, 1996). According to Edwards, NGOs are widely perceived as "having the right to be and do something in society – a sense that an organization is lawful, proper, admissible and justified in doing what it does and saying what it says, and that it continues to enjoy the support of an identifiable constituency" (1999b; p. 258).

NGOs have been regarded as magic bullets for poverty reduction since the late nineteenth and the beginning of the twentieth centuries (Banks & Hulme, 2012). The NGO sector is now so huge that its economy is the eighth largest, with a value of over US$1 trillion (Hall-Jones, 2006). Around 20 million salaried employees have been working together with a great number of unpaid volunteers (Beloe & Elkington, 2003). In addition, the NGO sector spent around US$20–25 billion per year (OECD, 2009), which is almost the same as the World Bank. In some cases, NGOs receive even more funds than their government (Brass, 2012). However, despite the continuous flow of resources to NGOs, it can be said that as regards the fantasy about NGOs being "magic bullets," the "all good" period is over (Banks et al., 2015). International organizations have realized that by itself, relying on NGOs to solve long-term development problems is not certain (Hulme & Edwards, 1997).

Criticism of NGOs started in the mid-90s. NGOs often highlight their comparative advantages in development operation over governments. However, criticism started about their comparative advantages based on the outcomes of their early activities (Lewis & Kanij, 2009; Fowler, 2011; Banks & Hulme, 2012). Edwards and Hulme (1996) had expressed concern about NGOs closeness and high dependency on donors in the early 1990s. After a decade, Banks and Hulme (2012) still believe that these attitudes of NGOs' results are in conflict with their operation, accountability system, and freedom to innovative, as well as their legitimacy. Atack (1999) thinks that all these undermine the legitimacy of NGOs.

Donor policies in recent times focus more on quantifiable measures of development (Elbers & Arts, 2011). Therefore, donors expect local NGO officials to be highly professionalized to achieve their goals. However, due to the project-based development programs, NGOs have been shifting their focus instead of promoting political change toward poverty reduction (Bebbington, 2005).

In addition, NGOs often prioritize the donors' agenda over the real needs of the community members. In fact, on this issue, a long and persistent debate and hostility has existed between governments and NGOs. This tension also enhances NGOs' dependency on and closeness with donor organizations, which has caused many researchers to see NGOs as "too close to the powerful, and too far from the powerless" (Banks & Hulme, 2012). However, NGOs' claim on grassroots participation in the development process indicates that NGOs are accountable to the grassroots level. In the view of Kilby (2006), this bottom-up accountability increases NGOs' effectiveness in terms of empowerment of the community people for whom NGOs are working.

However, the literature suggests that NGOs' grassroots participation is limited by the location of each (Kilby, 2006; Lang, 2013). When NGOs locate, they consider a number of factors; for example, availability of donors' funds, easy access, political and religious influences, and so on (Brass 2012). When NGOs privilege geographical locations for their own interest, the disadvantaged people are left remote from active participation (Banks et al., 2015). However, proponents strongly argue that grassroots linkage and closeness to the beneficiaries are the primary strength of NGOs (Koch et al., 2008). On the contrary, many argue that, despite the closeness, in many cases, NGOs are forced to make compromises with donor interests and priorities (Ebrahim, 2003; Elbers & Arts, 2011).

The effectiveness of NGOs to reduce poverty and promote development is a persistent and growing concern in development discourse (Banks & Hulme, 2012; Banks et al., 2015). One of the greatest concerns regarding the recent attitude of NGOs is seeking profit in the name of institutionalization (Ghosh, 2013; Lewis, 2013; Sherratt, 2016). Prior studies suggest that NGOs have been putting greater emphasis on organizational sustainability than the welfare of the target population (e.g., Korten, 1990; Clark, 1991; Fowler, 1997). In addition, under the promotion of the concept of economic liberalism, the state power has been facilitating the freedom of individuals and the private sector. Because of market freedom, in many places the private sector has become dominant in the market, which increases poverty (Banks & Hulme, 2012).

While implementing neoliberalism policies, in many countries, especially in developing countries, most of the public services have been shifted to the private sector (Banks & Hulme, 2012). As a result, most of the poor are eventually excluded from the private sector's service provision because of the increased price set by comparison with the existing market. Since NGOs have been focusing more on institution building, they have been reforming their operational strategies in many ways. For instance, NGOs indirectly supported neoliberal policy either by participating in the state sectors' privatization process or by taking initiatives to resolve the problems caused by structural adjustment policies in developing countries (Banks & Hulme, 2012).

Organizational interest often influences people's participation in development projects. Over the last few decades, NGOs have been prioritizing institutional sustainability as their primary objective (Bari, 2011; Ghosh, 2013). As one consequence, organizations retain the sole authority over receiving funds from donors (Banks et al., 2015). As a result, NGOs have made unequal distribution of resources (Mir & Bala, 2014). For example, the funds have been used primarily for institutional sustainability instead of being distributed to the target population. An empirical study conducted by Mir and Bala (2014) in Bangladesh found that the studied NGOs spend 30%-40% of the fund for the beneficiaries and 60%-70% for administration and corruption. As a result, the program over the long run becomes unsustainable and in the end, empowerment becomes impossible (Ghosh, 2009).

Another concern of NGOs is the practice of power. Often NGOs and the state have hostile relations due to the intervention of NGOs into political affairs (Rosenberg et al., 2008). Although donor organizations are reluctant about NGOs becoming directly involved in political affairs, especially because of the fear that such actions might draw the government's hostility, thus harming their project, ideologically they support NGOs' operations toward building democracy (Clark, 1998). Therefore, even if NGOs do not become involved directly, they often work for citizens' right to participate in politics. Consequently, very often both autocratic governments and corrupted democratic governments are hostile toward NGOs (Banks & Hulme, 2012).

During their evolution, NGOs have triumphantly established their missions (Bari, 2011). NGOs have been promoted by all sectors of development organizations and donors all around the world. The primary reason has been indicated as the state's failure to provide necessary services to its citizens. Especially, most of the developing countries featured a highly centralized bureaucratic system (Lewis, 2013). Therefore, planning and implementing development project by the public sector often failed due to corruption, lack of coordination, and other such reasons (Banks & Hulme, 2012). Structural adjustment policy compelled cuts in public welfare services and pushed the market ahead to buy those services (Bari, 2011). In addition, poor countries are deprived of resources and the public sector officials are often inefficient at managing the limited resources (Lewis, 2013). Ultimately, the frustration of donor countries increased and they shifted toward NGOs as development partners (Murray & Overton, 2011). However, there is no clear evidence that the service provision of NGOs is cheaper than the public services. Rather, in many cases NGO services are more expensive as they compete with private sector service providers (Banks & Hulme, 2012; Lewis, 2013).

Even though the NGOs' revenue sources have been increasing along with their working areas, a number of researchers have been criticizing NGOs especially for their performance and accountability (e.g., Joshi & Moore, 2000; Barr et al., 2005; Lewis and Kanji, 2009). In most cases, NGOs just provide their evaluation report to the donor organizations to secure fund continuity but without accountability to the local people (Mohan, 2002). Wood (1997) gives the example of Bangladesh, where most of the key public services have been delegated to NGOs, with little accountability to the citizens. In addition, NGOs in many cases launch such programs that could secure donor funds regardless of the development effect on the poor (Lewis, 2013). However, it is also true that NGOs are highly dependent on donor funds for up to 90% of their income (Fowler, 2000; Tvedt, 2006). Eventually, they are always at risk of collapse as the funding sources can be terminated or discontinued at any time. As a result, even if they have the actual intention to launch development projects depending on the need of the community, they cannot do this because of the fear of financial collapse.

2.3.4 The growth of NGOs and their impacts

Banks and Hulme (2012) argue that due to neoliberalism, the market now plays a central role in development strategies. As a result, many state actors have lost an explicit concern about poverty due to belief in the trickle-down effects of economic growth (Murray & Overton, 2011). However, most of the developing countries have failed to cope with this economic shift as a form of structural adjustment. As a result, the donors have become frustrated and distrustful of the governments of poor countries, leading to dramatic growth for NGOs and confirming their status as the best alternative to the state for development (Banks & Hulme, 2012).

However, in the late 1990s and the beginning of the millennium, good governance was established as a crucial agenda by the UN Millennium Development Goals (MDGs) for sustainable development (Banks & Hulme, 2012). As a result, states have regained the central focus in the development discourse, maintaining poverty alleviation as one of the top priorities (Murray & Overton, 2011). Consequently, the governments of developing countries have become the major recipients of international development aid. At the same time, NGOs lost the attention of international development organizations (Lewis & Kanji, 2009). However, the implication of good governance eventually brought the conditions of democracy, human rights, and such relevant issues, which ultimately brought NGOs back to development operations as key players (Murray & Overton, 2011).

Most of the developing countries frequently struggle due to a lack of domestic resources, good governance, and huge corruption, all of which pull them from providing basic services and development benefits to their citizens, especially those living in remote areas (Pogge, 2008). Bangladesh, for example has around 84,000 villages. In the majority of these rural villages, government, which tends to be centralized, does not have the capacity to be directly involved in development. As a consequence, over the last few decades, NGOs have been filling this gap to ensure secure livelihoods for the deprived citizens through services, advocacy, and raising public awareness of government inefficiency, thereby putting the government under pressure from the citizens and driving them toward good governance. However, for at least these same last few decades, one of the most important criticisms about NGOs is their capacity to make an impact on long-term development (Banks & Hulme, 2012). As a result, most of the development organizations have been emphasizing development collaboration and synergies between NGOs and the government.

The relationship between government and NGOs is heavily dependent on their goals (Rose, 2011). A successive government usually has good relations and close cooperation in development operation. However, autocratic or unpopular governments often have distant relations with NGO sectors, which can lead to confrontation between these two.

Although NGOs are often defined as non-political (e.g., Vakil, 1997; Bebbington et al., 2008), they are somehow involved in political reforms or at least in a position to cause hidden tension in the existing government as often the government fears losing its popularity as a result of actions by the NGO sector (Rosenberg et al., 2008; Lewis, 2013). For example, even if NGOs are not directly involved in the political affairs of the country, their services promoting advocacy and empowerment contribute to democracy building and people's participation, thereby promoting good governance and citizens' rights to participate in the development process (Ghosh, 2009). Thus, it can be said that even if NGOs are reluctant to engage in politics, they have a great influence on the state's political affairs while providing service delivery and welfare provision (Townsend et al., 2004; Banks & Hulme, 2012).

The greatest strength of NGOs is their direct connection with the community (Lewis, 2013). Therefore, they cultivate the ability to design their programs and services promptly according to the needs of disadvantaged people. Although initially NGOs provided different kinds of services, in recent decades a number of leading NGOs have been providing advocacy services (Banks & Hulme, 2012). However, NGOs are still well known as service providers. The limits of NGOs as a service provider are indefinite, ranging from livelihood intervention to more sophisticated areas such as democracy building, conflict resolution, environment management, human rights, and policy analysis (Lewis & Kanij, 2009). However, an absolute focus by NGOs on service delivery could cause them to depoliticize (Kamat, 2004) the social movements, which arguably help generate the preconditions for social and political reform leading to sustainable development (Hudock, 1999; Ghosh, 2009).

Based on the discussion, it is evident that NGOs' reputation and growth are parallel to their growing criticism in many aspects. Literature suggests that the opponents are critical concerning some common characteristics of NGOs. For example, the NGOs' volunteer and non-profit attitudes have been decreasing significantly due to their heavy focus on institutional sustainability and profit aspirations. Many believe that NGOs aspire the status of a non-profit organization in order to get tax exemption as they are emphasizing more on making profit (Lewis; 2013 p 2). However, there is hardly any empirical evidence to prove these arguments. Therefore, it is needed to reassess whether NGOs have been maintaining their volunteer and non-profit characteristics or orienting towards commercial approach. It is also necessary to assess whether NGOs have adopted commercial orientation for the sake of institution building or for profit making. It is not to be ignored that, recently, NGOs have been facing challenges of organizational sustainability due to shrinking funds from donor agencies. Therefore, commercial approach of NGOs is an unavoidable issue. However, at the same time, NGOs have to ensure that they are not compromising with their original mission, which is to promote development in order to support unprivileged people.

2.4 Poverty in Bangladesh and NGOs' intervention

Bangladesh was born as an independent country in 1971 after a bloody nine-month war against Pakistan followed by great suffering caused by a disastrous cyclone in 1970. The government of Bangladesh that took power after the war and cyclone led a country so vulnerable that the then US Secretary of State commented that the country resembled a bottomless basket (Bari, 2011). While struggling to provide basic services to its citizens, national and international NGOs emerged at that time as volunteer organizations to save and aid the poor. Since then, NGOs have played a key role in every aspect of development in Bangladesh.

Table 2: Bangladesh at a glance

Items	Year	Statistics
Area (square kilometers)	2016	147,570
Population (millions)	2017	164.67
Population density per square kilometer	2017	1240
Population growth rate (annual %)	2017	1.00
Life expectancy at birth (years)	2016	72.49
GDP growth rate (%)	2017	7.3
Population below National Poverty Line (%)	2017	24.3
Population with income below US$1.90 @PPP a day (%)	2011	44.2
Literacy rate (%)	2017	72.89
Infant mortality rate (per 1000, at live birth)	2017	28

Source: World Bank (2018)

Bangladesh is one of the most densely populated countries in the world (Table 2). Population density is around 1240 people per square kilometer. Although, according to the HDI, the country has been developing in many sectors , the country still ranked 136 out of 189 countries in 2017 (UNDP, 2018). The country has made remarkable steps in combatting poverty and achieved MDG's goal for poverty reduction in 2013, two years earlier than the targeted year of 2015 (UNDP, 2013; Hossain, 2014). Bangladesh is one of the top countries that has fulfilled five among eight millennium development goals, which 189 countries agreed to achieve by 2015 (BBS, 2019). One of the targets among the eight was halving extreme poverty by 2015. However, despite the progress, reports suggest that 30 million people were still living below the poverty line as of 2018. Among them, more than 10 million are extremely poor (Prothom-alo, 2018; BBS, 2019).

Poverty remains a complex phenomenon in Bangladesh and elsewhere. In its most common sense, poverty is the lack of necessities. Polak states that "Poverty constitutes a denial or non-fulfillment of any kind of human rights" (2008; p. 53). However, the definition of poverty varies remarkably according to the poor people's perception. It varies from country to country, society to society, person to person, and so on. Poverty is best understood as a function of social, economic, and political structures and processes, which create and perpetuate an unequal distribution of resources both within and, in a global context, between societies (Lister, 2004).

The causes of poverty in Bangladesh are not very different from other developing countries. The primary focus of development agencies in the beginning were relief and rehabilitation for the war and people affected by natural calamities. However, after a few years, domestic and international development agencies turned their focus from relief and rehabilitation to long-term sustainable development (Davis, 2006). NGOs on the global level have also moved from small-scale relief and service at the community level to providing advocacy on the international level (Hue, 2017). David Korten (1990) has analyzed the evolution of NGOs in the global level within a "Four Generation" framework (Table 3).

Table 3: Strategies of Development-oriented NGOs: Four Generations

	Generation			
	First	Second	Third	Fourth
	Relief and Welfare	Community Development	Sustainable systems development	People's Movements
Problem definition	Shortage	Local inertia	Institutional and policy constraints	Inadequate mobilizing vision
Time frame	Immediate	Project life	10 to 20 years	Indefinite future
Scope	Individual or family	Neighborhood or village	Regional or national	national or global
Chief actors	NGO	NGO + community	All relevant public and private institutions	Loosely defined networks of people and organizations
NGO Role	Doer	Mobilizer	Catalyst	Activist/educator
Management orientation	Logistics management	Project management	Strategic management	Coalescing and energizing self-managing networks
Development education	Starving children	Community self-help	Constraining policies and institutions	"Spaceship Earth"

Source: Korten (1990; p. 117)

Korten (1990) categorizes these four generations based on the strategies of NGOs for development actions. However, he mentions that not all NGOs necessarily follow the framework of all generations equally (Korten, 1990; p. 118). First generation NGOs put the emphasis on relief and rehabilitation, especially during the year of 1971–72. The other three generations focused on development assistance. The situation of Bangladesh demanded the first generation NGOs to provide immediate help in such areas as food, healthcare, school, and so on. Soon, NGOs realized that people need to develop their own capacity to realize their own needs through self-reliant local action (Swart et al., 2000).

Second generation NGOs primarily worked on community development through different types of projects, for example, agriculture, healthcare, cooperatives, and so on. The basic idea was developing a community's self-capacity so that they can develop their own community. The significance of second generation NGOs consisted of working in partnership with local communities. Their engagement also influenced breaking up the local elite power constraints through educational development (Korten, 1990; p. 120).

The primary focus of third generation NGOs was changing local, national, and global policies and institutions. Though in most cases, the government was hostile to making changes according to NGOs' policy, Korten emphasized that NGOs' strategy of self-reliance would be sustainable if they were supportive of the government development system. In other words, they should work in partnership with the government (Korten, 1990; 123). This approach, also called "sustainable system development," was accomplished through large-scale projects involving many different institutions. Fourth generation NGOs basically depend on the development phase of NGOs and their vision of transforming society through facilitating social movements (Korten, 1990; p. 128, 131). NGOs will facilitate individuals to mobilize for movements through alternative development ideals and consciousness.

2.4.1 Poverty in Bangladesh

Getting accurate data on poverty from Bangladesh is still a great challenge, for many reasons. The General Economics Division (GED) of the Bangladesh Planning Commission recently reported that Bangladesh faces a "considerable" data gap in monitoring Sustainable Development Goals (SDGs) (UNDP, 2017). One of the most important reasons is technological inefficiency in the public sector and a lack of sincere effort. Also, receiving accurate data from households, especially of illiterate people, is equally a major challenge.

In most cases, poverty in Bangladesh is analyzed based on statistics generated by the Bangladesh Bureau of Statistics (BBS). The BBS usually uses the household income and expenditure survey (HIES) method or nutritional surveys to collect data and information on poverty. Traditionally, the income and expenditures approach defines extreme poverty by using three mixed methods. Such studies use calorie consumption as a direct method and income and expenditure as indirect methods and ask the poor directly using a combined participatory/subjective method (Sen & Begum, 2008).

HIES is the major source of socio-economic information at the household level in Bangladesh. It provides valuable data on household expenditures, income, consumption, savings, housing conditions, education, employment, health, sanitation, water supply, electricity usage, and so on (HIES, 2010). However, these data sources mainly provide indirect poverty measurement information. From these data sources it is quite difficult to measure the relative poverty situation in Bangladesh. For example, Hasan (2013) reported that, beyond data, if we measure capability poverty, the population under the poverty line would be much higher than 31.5%.

People in extreme poverty suffer multiple and interlocking deprivations, which are likely to negatively affect their entire lives and, in many cases, the lives of subsequent generations (Sen & Begum, 2008; Asadullah & Chaudhury, 2012). Usually, these people have no productive assets and education. Therefore, in most cases they have to rely on daily labor. Thus, lack of nutrition causes bad health and undermines the labor effort to earn even a minimum wage.

Considering the above-mentioned situation, it is understandable that income is a key issue for other poverty situations. Therefore, most of the poverty alleviation programs predominantly depend on indirect, or more specifically, income and expenditure poverty information. However, there are many individual researchers and leading development organizations doing both qualitative and quantitative research to collect data on relative deprivation (Asadullah & Chaudhury, 2012). Therefore, these sources are also critically important for getting a broader poverty picture in Bangladesh.

According to the Bangladesh Bureau of Statistics 2018 report, since 2008 Bangladesh has achieved a stable GDP growth of over 6.5% within a macroeconomic framework (World Bank, 2018; BBS, 2019). The World Bank (2013) has reported that since 2000 Bangladesh has experienced a steady decline in consumption-based poverty rates of 1.74% per year. However, a recent report shows that the yearly average rate of poverty reduction has dropped from 1.7%, between 2005 and 2010, to 1.2%, between 2010 and 2016 (Daily Star, 2017). It should be noted that poverty reduction occurred especially due to growth in labor income from formal, informal, and demographic changes (World Bank, 2013).

Table 4: Annual rates of poverty reduction in Bangladesh, 1990–2016 (percentage)

Period	National	Urban	Rural
1990–2000	2.65	6.86	1.93
1995–2000	0.82	3.86	1.08
2000–2005	3.64	3.86	3.25
2005–2007	1.63	1.41	1.71
2010–2016	1.2	-	-

Source: UNDP, 2018; World Bank, 2018

The annual poverty reduction rate slowed down during the period of 2010 to 2016 (Table 4). Although the World Bank has shown its concern about the slow poverty reduction rate, they agreed Bangladesh has been on track to achieve SDG's first target, eradication of extreme poverty by 2030 (World Bank, 2018).

Bangladesh is an agriculture-based country. According to the World Bank (2013), despite a significant decline in the agricultural sector, still half of the workforce is employed in the agricultural sector and account for over 45% of household income. However, during the past decade, a significant proportion of revenues has been coming from textiles and remittances (BBS, 2019). According to some indicators, Bangladesh has been developing significantly. For example, according to a 2005 household income and expenditure survey (HIES), 25.1% of households in Bangladesh lived in extreme poverty. By 2010 the figure had fallen to 17.6% (World Bank, 2013). However, even if we consider this ratio of development to be satisfactory, we have to keep in mind that still 28 out of 160 million were living in extreme poverty in 2018 (Prothom-alo, 2018).

In addition, Bangladesh is a densely populated country. Over a thousand residents live per square kilometer (Haq, 1997). Floods and other natural calamities are very common in Bangladesh. The government and third sectors are not sufficiently efficient to tackle them. Deforestation, erosion, global warming, and environmental degradation pose a big threat for the country. More than 63 million people live below the poverty line (UNDP, 2017).

Despite significant improvement in many indicators, Bangladesh is still one of the poorest countries in the world. According to the report of the Bangladesh Bureau of Statistics 2010, 31.5% people are still poor. In 2010, an estimated 38% of the population experienced moderate food deficiency (access to fewer than 2122 kilocalories per person per day) (World Bank, 2013). A large number of the population is excluded from sanitary latrines and electricity. The World Bank's indicators for measuring poverty in Bangladesh 2010 are shown below to give a broader picture of poverty in Bangladesh (Table 5).

Table 5: World Bank Indicators on poverty in Bangladesh

Description of Indicators	2000	2010
Poverty headcount ratio at under US$2 dollar per day (PPP) (% of population) in Bangladesh	84.4	76.5
Poverty headcount ratio at under US$1.25 dollar a day (PPP) (% of population) in Bangladesh	58.6	43.3
Poverty gap at US$2 dollar a day (PPP) (% of population) in Bangladesh	39.4	30.4
Poverty gap at US$1.25 dollar a day (PPP) (% of population) in Bangladesh	18.6	11.2
Poverty gap at national poverty line (%) in Bangladesh	12.8	6.5
Poverty headcount ratio at national poverty line (% of population) in Bangladesh	48.9	31.5
Poverty gap at rural poverty line (%) in Bangladesh	13.7	7.4
Poverty headcount ratio at rural poverty line (% of rural population) in Bangladesh	52.3	35.2
Poverty gap at urban poverty line (%) in Bangladesh	9.1	4.3
Poverty headcount ratio at urban poverty line (% of urban population) in Bangladesh	35.2	21.3

Source: World Bank, 2013

Poverty rates were still extremely high in Bangladesh, at 76.5% in 2010 considering a poverty headcount ratio of US$2 per day (Table 5). It is also noticeable that the poverty gap at the national level was still high at 6.5%. The concept of a poverty gap was initiated by the World Bank to measure the actual poverty by measuring the actual income and how close the income is to the poverty line, for example, US$2 a day (World Bank, 2013). This study suggests that the average incomes of Bangladeshi citizens have increased significantly (World Bank, 2018). Thus, poverty has been reduced substantially. However, in most cases the income of wealthy people has increased more than the poor people (Prothom-Alo, 2018). Consequently, the poverty gap has widened. It is also noteworthy that the poverty head count ratio is much higher in rural areas at 35.2% in 2010 while the national poverty line and urban poverty line is 31.5% and 21.3%, respectively.

Geographical location is a vital aspect of poverty in Bangladesh. For example, the northern part of Bangladesh is more deprived due to floods, cyclones, and droughts as well as the government's failure to initiate development projects for that specific region (Rahman, 2009). A number of researchers have shown evidence that the geographical location of Bangladesh is connected to poverty (Sen, 2005; Deb et al., 2008; World Bank, 2008). Besides this, among the poor, people who reside in rural areas are typically much poorer than those who live in urban areas. The difference ratio is significant considering most of the indicators.

Table 6: Trends of poverty based on national poverty line from 2000 to 2016 (%)

	Poverty				Extreme Poverty			
Year	2000	2005	2010	2016	2000	2005	2010	2016
National	48.9	40.0	31.5	24.3	34.3	25.1	17.6	12.9
Urban	35.2	28.4	21.3		19.9	14.6	7.7	-
Rural	52.3	43.8	35.2		37.9	28.6	21.1	-

Source: World Bank, 2018

Despite significant improvement, poverty in Bangladesh is still high (Table 6). Poverty in rural areas is much higher than urban areas. Furthermore, compared to the previous decade, the poverty reduction rate also has been slowing down. The reduction ratio was 8.9% between the years 2000 to 2005 and only 7.2% between the years 2010 to 2016. Considering extreme poverty reduction, the situation is worse as we can see that extreme poverty fell 9.2% between the years 2000 to 2005 and only 4.7% between the years 2010 to 2016. The World Bank (2018) also has expressed their concern for the slow poverty reduction rates for the last few years in Bangladesh.

Poverty is a critical issue to be discussed because the life of every human being is worthy of dignity (Nussbaum, 2000). In the Millennium development goals, one of the top agendas was poverty alleviation. However, in reality, challenges are not only poverty alleviation but also identifying poverty. Over time, social scientists and economists have been trying to define poverty from different perspectives. However, there is no single accurate definition of poverty.

The Bangladesh Institute of Development Studies (BIDS) has categorized the rural poor (Rahman, 1994; p. 1). They divided the poor into three groups: 1) moderate poor; 2) extreme poor; and 3) vulnerable poor. Moderate poor are the rural poor people who live just below the poverty line set in Bangladeshi currency as 4790 Taka. Extreme poor are the poor who fall significantly below the poverty line income. Vulnerable poor are those who are at great risk of income drop-off. Even though their current situation is a bit better than the moderate poor, they can fall significantly into moderate or extreme poverty due to income erosion from their occupation, which is mostly as a farmer, small businessperson, and so on.

2.4.2 Poverty alleviation programs

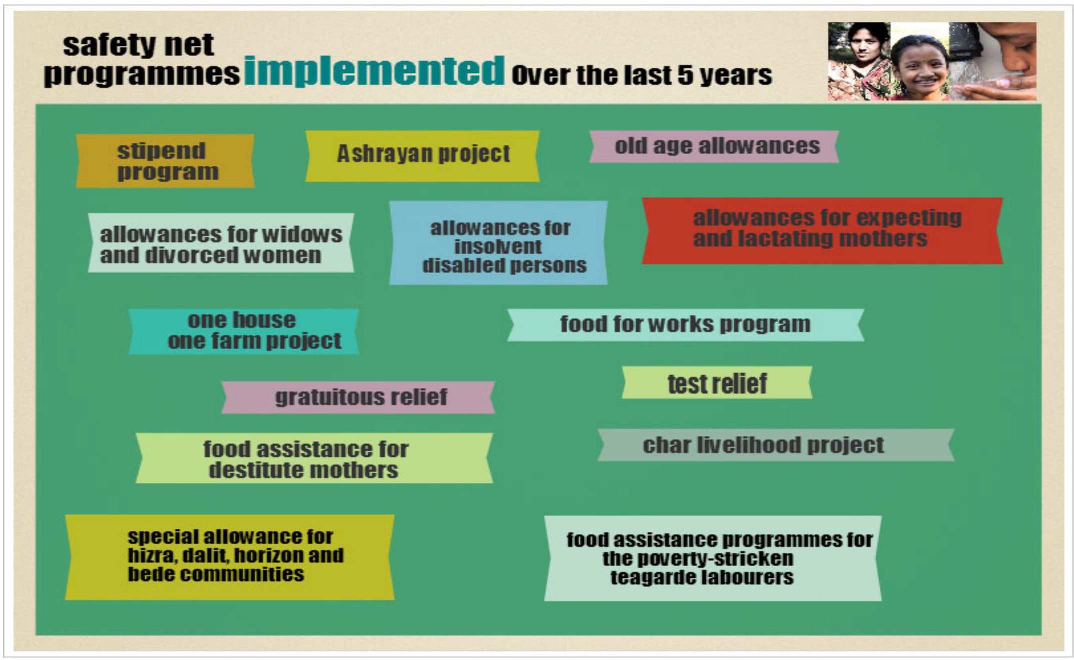
Despite significant progress, Bangladesh is still a poor country. A great number of people in Bangladesh are living below the poverty line. As a result, poverty alleviation has been the priority of development initiatives since its independence. The current government of Bangladesh has set the goal to lift the country to middle income from the early status of a low-income country by 2021, the time to celebrate its 50th independence anniversary. To make the vision reality, the government of Bangladesh has made a long-term development plan named

"Perspective Plan of Bangladesh (2010–2021): Making Vision 2021 a Reality." As the primary focus to achieve this target, the government of Bangladesh has focused on accelerated growth and reduction of the poverty head count to 14% by 2021 and lessening inequality and human deprivation (World Economic Forum, 2014). The government has already made two five-year plans to achieve the goal: a sixth five-year plan (2011–2015) and a seventh (2016–2020) (BBS, 2019).

Poverty has been considered to be the major development challenge for Bangladesh as we can see following the development agendas of the country. The first major poverty alleviation program was launched even before the country achieved independence in 1960 (Khan, 1979). The project, Integrated Rural Development program (IRDP), was founded on the concept of economic growth through agricultural development as the country's economy is predominantly agriculture based. After independence, this program was changed to the Bangladesh Rural Development Program (BRDP). This program was also known as the "Comilla Model" because the idea of this program was developed by the "Bangladesh Academy of Rural Development" institution located in Comilla, a district of Bangladesh. After initiating this project, remarkable agricultural growth was achieved in many crops due to the increased use of chemical fertilizers (Bari, 2011). However, this project could not meet its expectations due to the dominance of village elites and large landowners over the poor (Jones, 1979).

Since the country was established, it has been evident that the primary cause of poverty is lack of income, especially for the poor (Khanom, 2011). Therefore, numerous projects were launched to increase income for the poor. Among them, Rural Works Program (RWP), Food for Work Program (FWP), and Vulnerable Group Development (VGD) are significant. All these programs were initiated so that members of poor and vulnerable groups can work as wage laborers and mitigate seasonal income deficiency. In addition, this program's chief goal was to develop infrastructure that will benefit the citizens over time. For example, to reduce poverty, the government of Bangladesh sanctioned 60% of budget resources for poverty reduction activities through different sectors in the fiscal year 2009–2010 alone (Bangladesh Economic Review, 2010; p. 178). A number of different programs have been implemented for poverty reduction in recent years under the Social Safety Net Program (SSNP) (Figure 2).

Figure 2: Poverty alleviation programs in Bangladesh



Source: Centre for Policy Dialog, 2014

The main causes of poverty in Bangladesh are vulnerability, social exclusion, and lack of assets and income opportunity (CPD, 2014). Considering these facts, the government has been making plans under SSNP to ensure target-oriented development. SSNP has identified food, shelter, education, and health as the basic needs of poor people in Bangladesh. As a result, SSNP programs focus mainly on mitigating such basic needs through the programs of Food for Works (FFW), Vulnerable Group Development (VGD), Vulnerable Group Feeding (VGF), old-age allowances, allowances for insolvent/intellectually disabled/physically disabled persons, allowances for widows and distressed women, and grants for orphanages (Ahmed, 2007; CPD, 2014).

The government of Bangladesh has initiated a number of programs for natural disasters, for example, floods and droughts. The programs include VGD, Cash for Work (CFW), VGF, FFW, Open Market Sales (OMS), Gratuitous Relief (GR) and, recently, the 100 days employment guarantee scheme (CPD, 2014). The government also funds freedom fighters, who sacrificed their life or lost their health as a result of the independence war against Pakistan in 1971 with a significant scheme so that their family can receive continuous support from the government, similar to a pension for public officials.

Along with the government development programs, NGOs have been playing a significant role to eradicate poverty in Bangladesh. For example, BRAC, Grameen Bank, and a number of microfinance NGOs have been providing microcredit for small-scale businesses and entrepreneurship. Apart from microcredit programs, a number of NGOs have been operating diverse social development programs. Many such programs collaborate with government and external development organizations (Khanom, 2011).

2.4.3 NGOs intervention in Bangladesh

From the institutional point of view, NGOs encompass a broad array of organizations. Due to the lack of clear guidelines from the Bangladesh government, many commercially based organizations are also registered as NGOs in order to get exemption from taxation. As a result, data about the number of NGOs in Bangladesh is very unclear. As an example, the Federation of NGOs records 900 members, the Government's NGO Affairs Bureau has registered 6,500 while the Department of Social Services, which includes semi-formal and informal civil society organizations, has listed 23,000 registered organizations (Gauri & Galef, 2005). However, after 1990 the government has established a separate department, the NGO Affairs Bureau (NAB). Since then every NGO has to register in this department especially for qualifying to receive external funds. Generally, NGOs are considered to be organizations, which work voluntarily for specific purposes in relation to the development of certain target sectors of the society.

In a general sense, it can be said that NGOs are those organizations that are not directly controlled by the government and that are led by their own administration (Lewis, 2013). The main objectives of this kind of organizations are providing services, both financial and non-financial, to improve the quality of life of people. Most of the small-scale NGOs work within certain small communities, whereas larger organizations work in the international arena. For example, BRAC has spread their development projects to several Asian and African countries (Davis, 2006).

2.4.4 The genesis and evolution of NGOs in Bangladesh

The evolution of NGOs in Bangladesh started in the early 1970s (Davis, 2006). On the one hand, the country was seriously affected by the nine-month-long independence war. On the other hand, a disastrous flood put the major part of the population in a vulnerable situation with no basic shelter and a shortage of food, clothing, accommodation, and so on. A number of NGOs, mostly international, came in voluntarily to provide rescue services. At the initial stage, most of the NGOs prioritized, on a volunteer basis, to provide basic support, mainly food, medicine, healthcare, and education (Begum et al., 2004). In the later stage, after 1980, most of the NGOs moved forward to different kinds of services. Significant changes appeared in 1990 when most of the NGOs shifted or added financial services due to the organizations' growing popularity on the one hand and for organizational sustainability on the other (Hashemi & Morshed, 1997).

Bangladesh gained independence in 1971 after a nine-month-long battle against Pakistan. Since then the country has experienced a profound transformation in many aspects. Although the country has been constantly dealing with extreme poverty and many forms of natural disasters, the improvements in many indicators are significant (World Bank, 2018). Many development researchers believe that the major contribution to this development came from the intervention of NGOs in the development process (Lewis, 2013;

Davis, 2006). Persistent political and administrative corruption and failure of most of the development projects headed by the government in Bangladesh may also validate the above-mentioned claim for the successes of NGOs over government (Banks & Hulme, 2012).

After independence and up to 1990, many illegitimate and autocratic authorities ruled the country. In addition, during that period a number of donor funds and relief came in the country (Haque, 2002). However, due to corruption, most of the development projects led by the government failed (Zohir, 2004). In the end, the poor remained in the same position. Consequently, development organizations changed their policy for a better outcome. They found NGOs to be more efficient and cost-effective in implementing development projects. According to Zohir (2004), there are two main reasons for instructing donor agencies to route funds to those organizations. First, the engagement of NGOs in projects traditionally led by government agencies in most cases failed and the second reason is, NGOs are largely participatory in their approach, especially in the early phase of development, which enables them to deliver their service directly to the targeted people.

Since the 1990s, some remarkable positive changes have occurred in Bangladesh. The most noticeable improvement has been human development and the empowerment of women through different development projects, especially in rural areas (Khanom, 2011). The country was able to establish democracy with a fair election led by a caretaker government (Asaduzzaman, 2008). During that period, most of the NGOs also made a big change in their approach to running the organization (Lewis & Kaniji, 2009). A number of organizations started reorganizing their development initiatives, keeping two main objectives in mind. First, they initiated their program for sustainable development instead of just relief. Second, many began operating their programs on a commercial basis so that they can sustain the organization without external funds. The main reasons behind these changes were donor pressure and continuous funding shrinkage (Bari, 2011).

In that period, microfinance also came into prominence and most of the domestic and donor organizations found it one of the best ways to sustain the organization (Davis, 2006). At the same time, it was expected that MF would help the targeted poor to improve their livelihoods. Following Korten's (1990) concept of the generational development of NGOs, it can be said that Bangladesh has been passing its fourth generation. Swanirvar Bangladesh (SB) might be the first NGO that worked for self-sufficiency through increasing agricultural production in 1975 (Karim, 1996). In the early stages of the country's development, NGOs used to do certain jobs whereas later those organizations broadened their services. In most cases, the services provided by NGOs now were done before by government agencies. However, currently both government and different NGOs are providing these kinds of services (Khanom, 2011). In many cases, NGOs and government agencies collaborate to run such development projects.

NGOs in Bangladesh have their roots in the liberation struggle for independence. During that period, some people took the initiative to provide medical and other humanitarian services to the war victims in the refugee camps near the Indian borders and in the "underground" (Wood, 1994). After a long, bloody campaign, the country became independent in 1971. After independence, in the post-war reconstruction period, several relief and rehabilitation programs were launched by those freedom fighters who survived the independence war. Some of them were funded by international organizations and others by the country people's support. These were the pioneer initiatives in setting up an alternative development process in Bangladesh (Karim, 1996). Just before the liberation war, in 1970, a disastrous cyclone damaged the region, while in 1974, a devastating flood occurred in Bangladesh. These serial disruptions within a few years eroded the newly born country's economic and social structure. However, this situation opened up intervention by both domestic and international NGOs to rescue the citizens.

From the mid-1970s there was a shift in focus to integrated community development programs, heavily influenced by the Comilla Model. It was assumed that community development would benefit poor people within communities. However, structural constraints prevented the trickle-down of benefits (Hashemi, 1996). Through their own fields of experience, NGOs realized that "poverty was not simply a problem of income differentials but also of the power relations which constitute rural society" (White, 1992). As a result, NGOs started to target specific groups that were excluded from the development "net."

The main proposition of this target group approach was that programs need to be designed in such a way that NGOs could reach the target groups whose members are excluded by the prevailing inequalities in resource endowments, power structures, and kinship systems and gender relations (Karim, 1996). By this move, NGOs in Bangladesh shifted their focus from providing straightforward economic benefits to organizing marginalized sections of the population into self-reliant groups capable of resisting or mitigating structural inequalities. Paulo Freire's "consciousness-raising" concept had a great influence on this move (Hashemi, 1996).

The target group approach had significant successes that were recognized by the international development organizations (Karim, 1996). Consequently, they have been recognizing and accepting NGOs as a more efficient mechanism for reaching the underprivileged group of people in the rural societies (Lewis, 2013). However, the dramatic growth of NGOs in Bangladesh and their activities came under suspicion and criticism by both government departments and development researchers despite their growing popularity (Bari, 2011). Initially, the main issues put forth were conspiracy theories accusing NGOs of large-scale political involvement, religious conversion, and corruption. The government of Bangladesh realized that there were no proper institutions to monitor and control the activities of NGOs. Consequently, the government of Bangladesh established the NAB to regulate NGOs' activities in Bangladesh (Hashemi, 1996).

2.4.5 Rules and regulations for establishing an NGO in Bangladesh

Before the establishment of the NAB in 1990, most of the organizations used to be registered in the Department of Social Welfare as a non-profit organization. In addition, some other organizations registered as a cooperative society. However, many researchers believe that while a large number of NGOs are registered, the real amount is much greater. According to the NAB (1998), there were around 1200 NGOs, of which 997 were domestic and 135 were foreign. However, following different statistics, many researchers assume that if non-registered societies such as small-scale cooperative groups were included, the number would even exceed 22,000 to 24,000 (Bari, 2011). According to Devine (2003; p. 229), over 21,000 NGOs in Bangladesh are not registered with the NAB.

Operating under the Prime Minister's office, the NAB has the authority to control the activities of those organizations that are operating their development programs with foreign funds (NAB, 2018). An NGO can be registered with the Ministry of Social Affairs under the Voluntary Social Affairs Agencies (Registration and Control) Ordinance of 1961 or, alternatively, as a Joint Stock Company, by the Ministry of Commerce. This is under the Societies Registration Act of 1860 or the Companies Act of 1913, which is still valid in independent Bangladesh.

If an NGO receives any foreign funding in cash or any other form, it must be registered with the NAB first. To do this, it must operate under the Foreign Donations (Voluntary Activities) Regulation Ordinance of 1978 and The Foreign Contributions (Regulation) Ordinance of 1982, along with the rules that have been framed to carry out the purpose of these two laws (NAB, 1993). According to these rules and laws, no NGO is allowed to undertake or implement any activity with foreign funds without prior approval of the project and budget by the NAB. Beyond this, a clearance is needed from the NAB to receive the actual amount from the donors. In addition, NGOs have to make a variety of reports and return them to the NAB to keep them updated. Establishment of the NAB has had an diverse impact on NGOs' activity. For example:

- NGOs' activities are controlled by the NAB.
- NGOs' transparency and accountability are monitored by the NAB.
- The risk of corruption increased under the NAB are approving external funds and projects.
- Over-controlling shrinks the activities and new initiatives of NGOs.
- The risk of political bias increased.

The Association of Development Agencies in Bangladesh (ADAB) is an umbrella organization of NGOs, which comprises around 2000 members. This organization adopted a "Code of Ethics" for its member NGOs as a self-regulation in 1983 (ADAB, 2018). The code, entitled "Declaration Regarding Definitions, Statement of Purpose and Code of Ethics," defines NGOs as non-profit organizations committed to the development of the underprivileged and underserved (Karim, 1996; p. 113). The code specifies that the purpose of an NGO is to ensure sustainable development of the poor in Bangladesh through poverty alleviation, building capacity and institutions among poor people, and increasing their participation in productive activities.

One of the main points of this code is, along with their own fund generation, the members can accept resources and services from the public, business community, the Government of Bangladesh, and external development partners. However, all those resources have to be used exclusively for the development of the poor and certainly not for any personal profit (Karim, 1996). The code is intended to establish self-regulatory practices and norms for the member NGOs of ADAB in relation to the people for whom they work, the Government of Bangladesh, other NGOS, development partners, and their own staff. The members of ADAB, for whom this code of ethics is obligatory, commit themselves to work for solidarity among the poor, democratic leadership, and self-reliance, irrespective of caste, creed, religion, and gender. Signatories must also be accountable and transparent to the government with regard to their activities and use of funds.

The code also commits NGOs to enhancing solidarity with other NGOs by avoiding factionalism, divisiveness, and overlapping. They must also promote competence, professionalism, and the highest standards of transparency and honesty. The code makes explicit references to the need to encourage democratic leadership, participatory management, and transparency, including "to the people." However, ADAB has yet to finalize its agreement so that they can ensure upward and downward accountability through a sanction or penalties if any member NGOs do not follow the "codes" (Mir & Bala, 2014).

2.4.6 NGOs' activities and accountability system in Bangladesh

NGOs have many critics in Bangladesh, who have expressed serious doubts about the performance of NGOs, questioned their legitimacy and accountability, and argued strongly against their mode of operation (Muhammad, 1988; Smillie, 2009; Gauri & Galef, 2005; Murtaza, 2012). For example, NGOs often choose projects aligned with donor agencies' choice that may have little or no relevance to the needs of the poor (Aminuzzaman, 2000). Additionally, the leading NGOs in Bangladesh often ignore the need to show public accountability. Instead, they show more obligations to their partners who finance their programs (Buckland, 2000; Focus, 1997). The literature suggests that locally financed NGOs show better accountability to the recipients (Mir & Bala, 2014).

The working areas and scope of coverage of NGOs are diversified. Therefore, identifying an NGO and analyzing its activities is a difficult task. Some NGOs are very small and, as an institution, one may cover only a few people in a certain community with a single specific project. It can be either volunteer basis relief works or a development project. On the other hand, some NGOs are known worldwide, and their functions cover both relief and development initiatives, for example, BRAC (Davis, 2006). If we categorize NGOs in Bangladesh, there are three kinds: local, national, and international. Local and national NGOs are domestic. They are mainly engaged in organizing, mobilizing, and empowering the poor and simultaneously providing various services to the people (Karim, 1996). In most cases, international NGOs provide support in technical or financial areas or both to local and national NGOs.

For many reasons, the accountability systems of Bangladeshi NGOs are not very straightforward. For example, there are many different stakeholders involved in the process—donors, regulatory boards, beneficiaries, and so on. Therefore, NGOs have to maintain their accountability depending on the stakeholders' requirements and their own commitments (Edwards & Hulme, 1996; Ebrahim, 2003; Morais & Ahmad, 2011). However, as mentioned earlier, NGOs often ensure upward accountability to government and donors, but there is no downward accountability system ensured by NGOs to the beneficiaries. However, many researchers argue that upward accountability is sometimes burdensome as it requires writing numerous reports to different bodies according to their specifications (Nelson, 1995; Hashemi, 1996; Davies, 1997; Hilhorst, 2003; Harrison, 2007).

The NAB is the primary department under the Prime Minister's Office. All foreign-funded NGOs must register under the Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978 (NAB, 2018). The Prime Minister's Office administers the rules and the ordinance. However, the NAB does not have any local office. Thereby, the NAB has to rely heavily on Deputy Commissioners (DC) and Upazila Nirbahi Officers (UNO) for monitoring the activities and transparency of NGOs (NAB, 2018). DC is the administrative arm of a district and UNO is another head of a part of a district. In addition, voluntary organizations can register under the Societies Act of 1961 and rules made under that Act. Besides this, microcredit organizations and NGOs that have microcredit programs are supervised by Bangladesh Bank (the Central Bank of Bangladesh) through its Microcredit Regulatory Authority (MRA). The literature suggests that all these rules and regulations set by the government are to make sure that NGOs obey the laws and control any conflicts with government policies (World Bank, 2002; Mir & Bala, 2014).

Although poverty definitions cover diverse perspectives starting from basic needs to global inequality, a developing country like Bangladesh primarily focuses on the fulfillment of basic needs of its citizens. Thus, NGOs in Bangladesh primarily initiate their development programs as service providers. In doing so, they need to face at least two challenges: first, to gain adequate resources to provide services to the unprivileged and second, to sustain their organization. To meet both challenges within high competition of funds from donor organizations, NGOs must develop their capacity. The following text will define capacity building from a theoretical perspective.

2.5 NGOs' capacity building – theoretical perspective

Despite rising debate concerning the legitimacy of NGOs as government's development alternative, NGOs are still popular organizations around the world (Banks et al., 2015; Mir & Bala, 2014). It is believed that through NGOs, the underprivileged have better access to services than the public institutions, especially in developing countries (Lewis, 2013). NGO workers move freely among the poor, meet them, listen to them, learn about their problems and lives, and share and interact with them. This is a common scenario in almost every village in Bangladesh. However, researchers argue that NGOs in Bangladesh, especially foreign-funded NGOs, spend the major proportion of their budgets, as much as 60%–70%, for complex administration and the remaining 30%–40% for the beneficiaries (Mir & Bala, 2014; p. 5). The authors further added that the funder's requirement concerning reporting and evaluation causes higher administrative costs. In addition, funding organizations keep funded NGOs under pressure by threatening to withdraw or disqualify them for further funding if they do not follow the donor's reporting requirements (Ahmad, 2006; Claeye & Jackson; 2012; Chahim & Prakash, 2014). Therefore, NGOs have to face multiple challenges while taking development initiatives. As a result, NGOs need to build their capacity in order to achieve their mission successfully and sustainably.

2.5.1 The definition of capacity from different perspectives

Capacity building is a buzzword in contemporary development discourse that attracts any kind of organization. However, the term has become so all-encompassing that it has been described as "useless" from an analytical and practical point of view (Potter & Brough, 2004). According to the *Oxford English Dictionary* (2013), capacity means the ability, talent, competency, efficiency, and satisfaction of people. Following the definition, it can be said that such qualities may describe an individual's ability to do the job assigned to him or her. However, when it comes to organizational capacity, development researchers and agencies broaden the definition according to their own point of view.

Capacity is multidimensional. According to the Canadian Centre for Philanthropy (2003; p. 20), organizational capacity incorporates financial capacity, human resources capacity, and structural capacity such as relationships with different stakeholders, equipment and facilities, and management systems. They further argued according to their empirical study that despite considerable strength in terms of human capital and relationships with different stakeholders, NGOs still lack human capital capacity, and the most pressing one is financial capacity. Following the definition, it can be said that for an organization to be successful, well-structured management and skilled workers are must-have components together with adequate financial resources.

Stone (1975) emphasizes the institutional capacity of a government to formulate and carry out plans, policies, operations, or other measures to fulfil public purposes. In this definition, the main concern of a government is fulfilling public purposes. Following this definition, an NGO's capacity may be observed if a visible change occurs in their poor clients' lives.

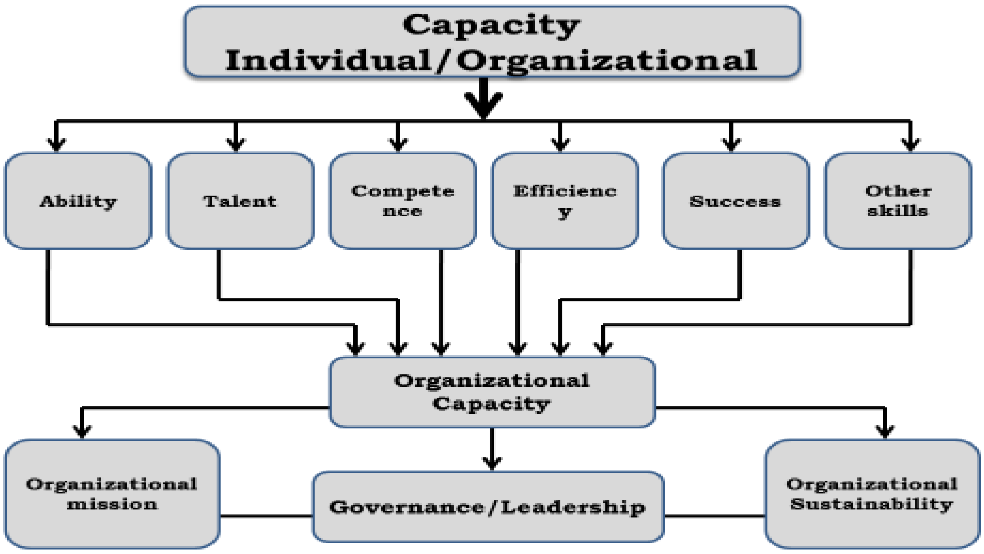
Hilderbrand and Grindle (1994; p. 100) defined capacity as "the ability to perform appropriate tasks effectively, efficiently and sustainably." Here, the authors have put the emphasis on "appropriate task" based on specific contexts of necessity, history, or a situation (Bari, 2011). Therefore, an organizational task will be irrelevant if it does not correspond to necessity, history, or a given situation. For example, in malaria-affected areas, mosquito nets are more essential than HIV awareness. Or, a replication of development projects might not be effective for all citizens in a country for the diversified needs of different localities.

Lenz (1980; p. 226) defines strategic capability as "the capacity of an enterprise to successfully undertake action that is intended to affect its long-term growth and development." The United Nations Development Program (1996) also defined capacity as "the ability of individuals or organizations or societies to perform functions effectively, efficiently and sustainably." In these definitions, the authors used sustainability as the main concern for a capable organization.

It can hardly be expected that scholars will settle on a singular definition for the concept. Bossuyt (1994) says, "this lack of clarity on what capacity development actually means is a major obstacle to effective implementation." It is notable that some researchers termed capacity development as synonymous with capacity building (e.g., North, 1992; Morgan, 1993; Abdul et al., 2014). Following researchers' perception of capacity definitions, Potter and Brough (2004; p. 338) said, "Currently, capacity building and capacity development are being used interchangeably, and sometimes the terms are hyphenated, sometimes not." However, following these definitions, it can be said that a capable organization must have two core features: an effective organizational mission and sustainability.

Though the definition of capacity varies greatly in regards to individual or organizational capacity, there is a positive correlation between individual and organizational capacity. For example, an organization requires every individual to be capable of performing organizational functions efficiently (Figure 3).

Figure 3: The Interrelationships of Organizational Capacity

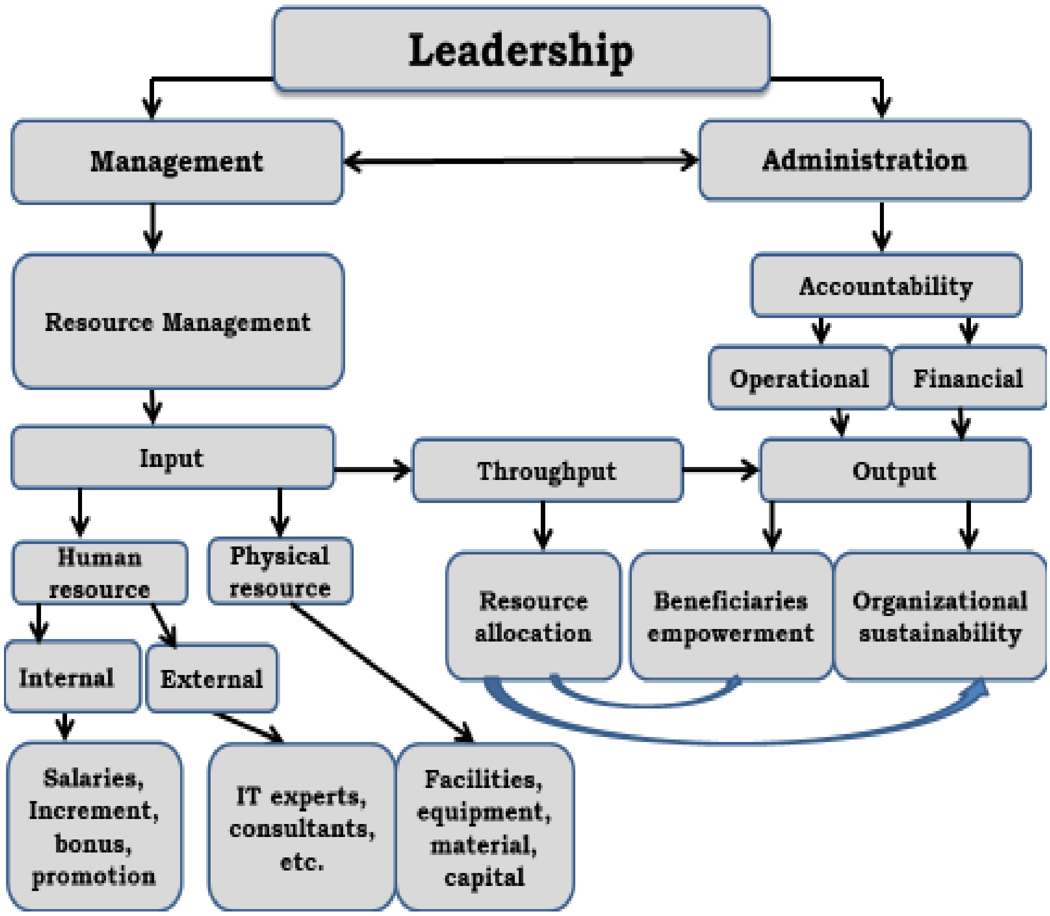


Individual capacity consists of a number of traits an individual obtains through education, training, experience, and social procedures (Figure 3). UNDP (1998) has categorized capacity on three levels: societal, organizational, and individual. However, individual capacity is a must-have aspect for organizational capacity. As Abdul et al. (2014; p. 49) said, "limited physical resources and increasing competition demand enhanced human capital." They further described human capacity building as "building blocks" for organizational capacity building. On the other hand, the organization itself is a key facilitator for the individual's capacity developments through training and relevant skills.

Organizational capacity building refers to strengthening human resources through increasing the individual's ability so that they can perform according to the desired capability. This includes developing management systems so that they can ensure the maximum utilization of individual capacities (Abdul et al., 2014). Following the capacity definitions discussed above, organizational capacity building refers to a number of conditions. For example, organizational mission and sustainability are on top. Honadle (1981) defines capacity building as both means and results. In his view, the activities an organization should be performing can be considered as the means and the result is what an organization should achieve. However, to achieve this mission, the organization needs a well-structured management system, which will be led by an efficient leader.

The interrelationships of a management structure can be discussed according to the system approach. System theory refers to a system as a set of interacting components that operate together to accomplish a purpose (Alter, 2000). Within a system, there will be many sub-systems that are parts of a larger system, even though they can be considered as a system. For example, many parts of the human body work as a sub-system of a larger system.

Figure 4: Management System of NGOs



Source: Adapted from Bari, 2011

A capable organization must have the ability to achieve both objectives: organizational mission and sustainability (Figure 4). Though the structure (Figure, 4) is not universal for all NGOs, to achieve these objectives, organizations must strengthen their capabilities in the areas of administration, finance, human resources, and the overall management system. According to Clarke (1996; p. 8) "management" represents dynamism, progress toward identified goals, and objectives, and thus development.

In many organizations, management and administration are synonymous or have a very close interrelationship. According to McGuire et al. (1994), "the Capacity has long been identified as an important correlation of effective governance." Bossuyt and Laporte (1994; p. 8) emphasized that "poor governance conditions tend also to be a de-capacitating force in which there is little room for professionalism, meritocracy and the effective use of skills." However, in development organizations, administration functions as a sub-system (Bari, 2011) to ensure management's accountability, for example, operationally and financially. It can also evaluate the results and organizational sustainability.

Both the organizational mission and its sustainability depend mainly on managerial efficiency, which will be led by a leader or managerial bodies (Figure

4). Primarily, it is the job of the managerial board to ensure a secured flow of resources. If an organization cannot ensure enough resources, the whole project will be disrupted and survival will be at stake. Therefore, acquiring adequate resources is the main challenge for the organization's managerial bodies. However, on the question of an organization's ability to survive, there is an interesting debate on whether capacity building refers to the ability to attract inputs or the effective functioning of a total system. According to Eade (2007), to achieve the organizational mission keeping in mind the scarcity of resources, the primary objective of an NGO is to help the community build internal resources to carry out its development plans with a minimum of outside assistance.

However, proper uses of resources are another critical aspect of capacity building. In this regard, the human resources—employees and office staff members—have to be efficient in their job. Gbeja (2002) has conceptualized individual capacity building as "all the activities that are geared towards enhancing an individual's disposition to the acquisition of requisite knowledge, development of desired skills and adoption of relevant attitude and aptitudes. All of which enable the individual to have the ability that is invaluable for satisfactory performance of a given task, which cumulatively leads to the attainment of given targets and objects." The employees' capacities can be developed in many ways. First, they need to be educated, trained, and adaptable to the challenges of the work environment. Management can motivate them through bonuses, promotions, pensions, and various increments. Donor organizations can provide technological and advocacy support to adapt the organization to the dynamic changes that occur on the national and global levels.

The above conditions are not so easy to satisfy. Therefore, the management bodies first need to focus the mission clearly according to the target group's priorities (Bossuyt & Laporte, 1994). For example, NGOs can present the local needs so that donor organizations can realize the importance of funding the project. After that, they can make a good plan and design the programs for implementation. The management bodies have to allocate the tasks to the right employees in the right position so that they can perform effectively. If there is a need, they should get proper training beforehand. In light of this discussion, it is understandable that leadership is crucial in development organizations because the leaders' decisions concerning the use of staff, choice of products and services, fundraising and marketing strategies, and even the selection of the board of directors can significantly affect the success or failure of an organization (De Vita et al., 2001).

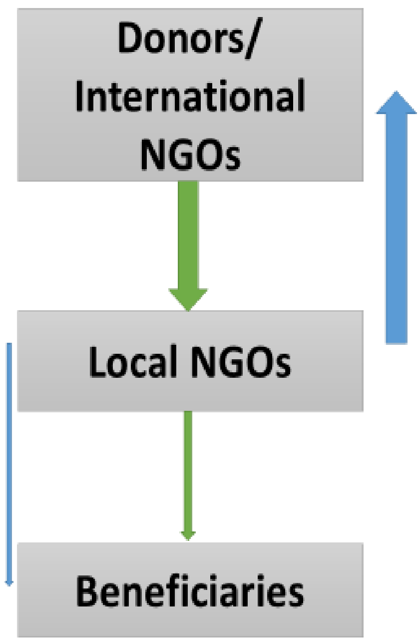
2.5.2 Capacity building of the development organization

As discussed before, organizational capacity building is restricted to the intermediary level. However, organizational capacity building is significantly important because of its great impact on any institution (Abdul et al., 2014). For example, organizations hire skilled individuals to run the organization and it strives and attracts new entrepreneurs. Newland (1981) focuses on two components: increasing the abilities of people and institutions to achieve required goals. In this definition, these two groups are equally and mutually important for sustainable development of any organization. Abdul et al. (2014) emphasize the need for developing capacity within the organization, which indicates human development and management.

Based on this discussion, organizational capacity building primarily focuses on internal development, which includes individual skills, and management structure development to attain the organizational mission in a sustainable way. Eade (2007) stated that NGOs undertake a capacity-building approach to achieve their defined mission. However, from a broader perspective, capacity building is a dynamic and interrelated mechanism engaging different stakeholders. For example, to ensure their intentions are addressed, donor organizations often exert influence over the development programs they fund. Researchers argue that organizations that depend heavily on one or very few resource providers are likely to experience stronger constraining influences from their environment (e.g., Verbruggen et al., 2011; Elbers & Schulpen, 2013).

Therefore, to build capacity, all involved parties need to make a combined effort so that everyone plays their own role to achieve a significant result. For example, if we think about development organizations' capacity building, there are at least three parties directly involved in the process: NGOs, donors, and the target groups. Bossuyt and Laporte (1994) have termed this development cooperation as a "partnership" to tackle development problems. Therefore, to build a sustainable capacity, all stakeholders need to develop their capacity through combined efforts (Figure 5).

Figure 5: Interrelationships of Different Stakeholders in Capacity Building Process



NB. Green arrows indicate resources distribution. Blue arrows indicate upward and downward accountabilities.

In most cases, development organizations in Bangladesh rely heavily upon donor funding (Bari, 2011). However, as stated earlier, NGOs spend 60%–70% of funding only for administrative and reporting purposes, and the remaining 30%–40% for development of the beneficiaries (green arrows in Figure 5). Since donor agencies provide donations, they often require evaluation reports and transparent accountability for the operation. However, only in very rare cases do they ask about the impact on the beneficiaries (Mir & Bala, 2014). As a result, NGOs often put great emphasis on paperwork to ensure continued donor funding instead of strengthening the community's development. Froelich (1999) argued that dependence on donor funding has been associated with the displacement of NGOs' goals as well as structural constraints.

As we have seen, donor organizations provide financial, technical, and advocacy support to NGOs. As a result, local NGOs are heavily dependent on international donor agencies. On the other hand, donor agencies collect funds from public, government, and various private organizations (Bossuyt & Laporte, 1994). Therefore, they have to have some positive stories to tell about the funded projects to legitimize their initiatives. In the same fashion, the local NGOs have to give evidence to their donors why it is important the project is funded. However, after making heavy expenditures on management and fulfilling the donor's requirements, few changes occur in the lives of the target group, in spite of the intentions and efforts of the donors and NGOs.

One of the core reasons for this mismatch between intentions and outcomes is the accountability system. It can be mutual accountability or upward-horizontal-downward accountability. NGOs have the least accountability to the beneficiaries (blue arrows in Figure 5; Bossuyt & Laporte, 1994). As a result, the target groups have almost no influence on decision-making, even though the development initiatives are taken for them. Since the local NGOs are dependent on donor agencies, they are in the same position as the target groups. The donors are not accountable to the local NGOs. Therefore, capacity building is needed not only for NGOs but also for other stakeholders, like donors and beneficiaries. The following sections will focus on different parties' involvement in the development process and the need for capacity building.

2.5.3 NGOs' capacity building

While NGOs' capacity building generally refers to the activities needed to fulfill their mission efficiently and sustainably (McPhee & Bare, 2001), the recent trend is for NGOs to focus more on organizational sustainability than on achieving the organizational mission. However, in practice, literature review show that commercial approach in the name of sustainability may lead the organization toward mission drift (Ghosh & Van Tassel, 2008; Mersland & Strøm, 2010; Armendáriz & Szafarz, 2011). In spite of criticism, NGOs have been working all over the world offering a number of services including social services, advocacy, and much more (Boris, 1999). However, while a number of researches have been done on NGOs' capacity building (De Vita et al., 2001), no certain instrument for this capability exists. For example, many see the employee's skills and management development as the key for NGOs to build capacity. However, there are opposite views. Bossuyt and Laporte (1994: p. 7) argue that "Capacity is not merely a technical problem that can be solved with funds, training, and new management approaches." This study will discuss some general items concerning NGOs' capacity building based on the literature review.

As stated earlier, the most significant debate about NGOs nowadays concerns their attitude toward profit orientation in the name of organizational sustainability. However, research suggests that NGOs need to realize that they are volunteer organizations with the mission of working only for the welfare of the underprivileged segment of the population (Bari, 2011). Therefore, if NGOs adhere strictly to their primary mission, they can negotiate with donor agencies focusing primarily on the needs of the target group. An NGO's volunteer attitude can limit it from compromising a community's needs. Thus, NGOs can ensure their defined mission, which ultimately helps the poor.

Most of the researchers emphasize sustainability in terms of NGOs' capacity building (De Vita et al., 2001). The World Commission on Environment and Development (WCED) defines sustainability as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1987, 43). Since NGOs are working for the development of the community, they have to ensure development will be long lasting without compromising any positive social impact. Roseland (1998) argues that communities seek to improve their quality of life; the concern is for both the current and future generations. Based on this discussion, it can be said that the task of an NGO is not only fixed on an end goal. Rather, it is a process of change for a wide range of social and economic concerns for the community (De Vita et al., 2001).

Engaging the target population of development initiatives and building social capital is another key issue emphasized by many researchers (e.g., Putnam, 1993; Serageldin, 1994; Roseland, 1998; Bari, 2011). Roseland's (1998) empirical studies in communities from San Francisco, California, to Curitiba, Brazil showed that engaging the citizenry in the process of planning for sustainable development achieved remarkable results. Putnam (1993) also put the emphasis on building trust among communities to develop social capital. He further noted that "the stronger a community's social capital and tradition of civic engagement are, the greater is its potential to grow and thrive."

Choosing the right strategy is another key aspect for NGOs to build capacity. Cordes et al. (2000) emphasizes both internal and external strategies for NGOs. According to them, internal strategies focus primarily on various management initiatives to produce greater organizational efficiency, effectiveness, and flexibility. Since NGOs are working as volunteer organizations, internal management can increase the number of volunteers, improve staff training, and boost outreach to the public so that operational costs are reduced. External strategies of NGOs focus primarily on the relationship with donor agencies and coping with the existing political system of the specific region (De Vita et al., 2001). NGOs need to adopt new strategies that will ensure the organization's survival with less dependence on donor agencies by developing internal resources, for example, community development (Pfeffer & Salancik 1978; Twombly & Boris 1999). The literature suggests that shifting toward profit making is an external strategic approach (James, 1983).

Following the discussion above, it is understandable that there are diversified views on NGOs' capacity building. Based on academics' own field of expertise, they have given opinions on how to develop NGOs' ability to build capacity. However, there is agreement that "learning by doing" is the key for any capable organization (Bari, 2011). Capacity building is an ongoing process. Since NGOs are dealing with communities directly, they can learn more about them—their problems, needs, and culture—and redefine their operational strategies accordingly. At the same time, NGOs need to increase internal resources so as to lessen donor dependencies. Meyer and Rowan (1977) argue that organizations in search of external support and stability incorporate many incompatible structural elements, leading to lowered efficiency.

2.5.4 Capacity building for donors and their target groups

The primary vision of international donor agencies is to support underprivileged people through a channel to organize them to get a better life. Following Korten's (1990) fourth generation NGO paradigm, we can say that the current trend of donor agencies is to support local NGOs in a way that they can build their own capacity to sustain the organization and at the same time serve the poor. However, various studies in the literature suggest that donor agencies often require stringent accountability from NGOs due to concerns about corruption and similar reasons (Khan, 2003; Mir & Bala, 2014). However, due to strict reporting requirements, NGOs often have to make efforts and expend major resources to fulfill the requirements of donor agencies. For example, donor-funded NGOs in Bangladesh spend around 75% of expenditures for personnel costs alone (Mir & Bala, 2014).

In addition, NGOs have to provide multiple reports since they are accountable to the government of Bangladesh as well as to donor agencies. Furthermore, the reporting system is not the same for all stakeholders (Mir & Bala, 2014). These reporting systems become even more complex if multiple donors fund development projects, as different donors may have different reporting requirements. A number of researchers argue that NGOs are often afraid that donor agencies may stop funding if they can't satisfy them with proper reporting requirements (e.g., Ahmad, 2006; AbouAssi, 2012; Chahim & Prakash, 2014). These burdensome multiple reporting requirements waste time and are often meaningless. In addition, some donors require an expert reporting system that needs highly skilled IT experts, which will cost huge expenditures that will force the beneficiaries to make cuts in their budget (Mir & Bala, 2014).

In the selection process, DiMaggio and Powell (1991) argue that donors often insist on their own choice. Bossuyt and Laporte (1994) report difficulties for NGOs "to the extent that development agenda is driven by donor priorities instead of recipient realities." As a result, donors often ignore the need of the target group's priorities as well as the NGO's primary goals (Barman, 2008). Education, training, IT experts, or consultancy can be more useful than providing material inputs. The opposite can be the case as well. In most cases, both aspects are necessary to the process. Therefore, the donors have to understand the local political and cultural environment. Based on the needs of the poor, they should deliver their support to the local NGOs regardless of material or expert facilities.

Another problem is the project timeframe. NGOs often require evaluation reports that concern immediate output. However, some projects may need more time to generate results. Therefore, both donors and the NGOs need to be patient and must have a long-term commitment to support the organization for long-term growth and development. AbouAssi (2013) argues that strong ties between donors and NGOs might generate positive effects at the policy level as long as the NGOs do not chase the funding or are overly concerned about operational success. Bossuyt and Laporte focused on implementation capacity. If the organization is unable or slow to implement the project in time, the donor should invest funding in building implementation capacity instead of further funding (Bossuyt & Laporte, 1994; p. 5).

The donor agencies usually have very little knowledge about the community. They also ignore the international policy context within which people, their development organizations, and their governments are functioning. In this context, the donor organizations have to acknowledge the social, cultural, and political contexts of the region and the country. Bossuyt and Laporte (1994) argue that donor agencies should start their development programs based on local values, expressed needs, and their capacity to implement the program. Without understanding the situation, the projects may have very little effect for the target group. Therefore, the donors need to take an intelligent look overall at the embedded social relations.

In light of this discussion, it is perceivable that the beneficiaries also need to build their own capacity for sustainable development. Positive aspects of social capital can play a vital role in the capacity-building process. For example, building trust and social networking can have positive impacts on community development (Putnam, 1993; Paldam, 2000). The target groups have to have trust in their own inherent capacity. They have to cooperate with each other in the development process. They have to ensure the freedom of choice through negotiations with the existing development organizations. A combined effort of these different bodies can bring about significant changes in the community.

In summary, there are many general discussions about the definition of capacity building. However, one feature that is common in most literature about NGOs capacity concerns developing efficiency to achieve organizational mission (Sobeck & Agius, 2007). Literature suggests different strategies to increase NGOs' efficiency as a means of capacity building to achieve organizational mission. This study looks carefully at the strategies NGOs in Bangladesh have been taking as a means to achieve their organizational missions of poverty reduction and organizational sustainability. Most NGOs in Bangladesh have either shifted to or added microfinance program as a means of capacity building (Bari, 2011).

Therefore, it is necessary to assess the capacity of NGOs, especially microfinance NGOs, to achieve both of the objectives: poverty reduction and organizational sustainability. In addition, it is important to study whether microfinance NGOs stay loyal to their original mission or have drifted from it to some extent. In this study, organizational mission achievement is considered as capacity of NGOs following Bari's (2011) argument that upholding or sticking to the original organizational mission amid the competitive environment is an important capacity of the NGO.

2.6 Evolution of microfinance

It is widely acknowledged that the birthplace of current microfinance system is Bangladesh, and the pioneer of the microfinance model is Professor Yunus (Sherratt, 2016; p. 7). The theory of microfinance is simple, but the potentialities are great. In Bangladesh, like in many other developing countries, the poor have very little or no access to the formal banking system. Therefore, the poor have very few chances to change their livelihood through income-generating activities. Yunus realized this through his field visit to a remote village in Bangladesh. Experimentally, he gave some tiny loans to some villagers and found that they were quite able to return the loan within the due time. That was simply his inspiration to launch a universal organization to serve microloans to the poor to start small businesses and create self-entrepreneurs. He established a microfinance organization that he named "Grameen Bank" (bank for the villagers) in the 1980s. The main activities of microfinance organizations are credit delivery and savings mobilization. Microfinance agencies have subsequently expanded their activities, for example, some organizations offer cash payments and insurance services.

Microfinance, especially the "Grameen Model" of microfinance, has received unprecedented acceptance among the world's development organizations, with microfinance having seen significant growth since the 1990s. Dichter (1999, p. 12) refers to this growth as "the microfinance decade." The Grameen Model of microfinance theory is based on "loan without collateral" (Yunus & Jolis, 1998; Mujeri, 2015). The poor have little or no access to formal banks or other financial institutions due to their lack of tangible assets. Therefore, they have very little scope to overcome their financial crisis in hopes of a better life. Microfinance theory focuses on income poverty as the main cause of other poverty. Yunus (2010) argues that householders need cash to buy most of their necessities. Therefore, income supplements through small business or self-entrepreneurship can solve most kinds of poverty. The founders of microfinance, Yunus and Jolis (1998), also believe that everyone has some innate skills. If the poor get credit, they can start some kind of small business and become a self-entrepreneur.

2.6.1 Microcredit and microfinance

Microfinance organizations are regarded as a type of financial institute. A number of development researchers and agencies consider microfinance to be one of the most effective tools for poverty reduction (Sherratt, 2016). As of now, the microfinance industry reaches over two hundred million borrowers (Khandker et al., 2016) According to the Grameen Foundation, "*Microfinance consists of making small loans, usually less than US$200, to individuals, usually women, to establish or expand a small, self-sustaining business.* For example, a woman may borrow US$50 to buy chickens so she can sell eggs. As the chickens multiply, she will have more eggs to sell. Soon she can sell the chicks. Each expansion pulls her further from the devastation of poverty" (Grameen Foundation; 2007). However, due to technological advantages and economic diversities, the amount of loans has increased remarkably.

There are differences between microcredit and microfinance programs. Microcredit occurs when a small amount of money is delivered to a poor person as a loan to establish or expand a small and self-sustaining business. However, over time microcredit organization have launched saving, insurance, and such other financial programs as a sustainable approach for poverty reduction (Fisher & Sriram, 2002). Therefore, scholars have come to call those organizations microfinance instead of microcredit (Rutherford, 2000).

2.6.2 Microfinance clients

The explicit objective of the microfinance initiative is poverty reduction by providing loans of small amounts to the poor to generate self-employment through income-earning activities. Therefore, the primary clients of microfinance services are underprivileged people (Yunus & Jolis, 1998). However, in recent years, microfinance services have been diversifying with different products. For example, some microfinance organizations provide enterprise development services, such as skills training and marketing, and social services including literacy training and healthcare. However, these are not generally included in the definition of microfinance. The basic principles of Grameen Bank, which was initiated during the establishment of the bank in the 1980s, were as follows:

- The clients have to form a group of five people, all from the same economic status.
- Membership is restricted to those with assets worth less than half an acre of land.
- The clients have to save a certain amount as savings to maintain the membership.
- A maximum of two members can take out a loan at the same time. The loan must be repaid in equal amounts of 50 weeks.
- Five percent of the taken loan has to be paid in a group fund.
- The group is ultimately responsible for any defaulter within the group.

- Eight groups, each containing five members, comprise a center. This center is led by a chairperson and a secretary elected by the members. In addition, a microcredit officer assists them and collects installments and savings money openly during the weekly meeting.
- Attendance in weekly group and center meetings is compulsory.
- Each member can purchase a share in the bank. (Khandker et al.; 1995)

Khandker et al. (1995) argued that many microfinance industries do not follow these basic principles of Grameen Bank. Schmidt (2010; p. 102) said that Grameen Bank's reputation does not mean that all MFIs have to organize and follow the Grameen Model. However, the key components of the Grameen Model are still followed by national and international microfinance organizations. In addition, the organizations also changed many rules in the wake of global economic changes (Sharif, 1997). However, NGOs' primary clients remain the poor. Typically, in Bangladesh, most of the credit clients are low-income entrepreneurs, self-employed, small shop owners, street vendors, artisans, barbers, rickshaw pullers, engine-powered three-wheeler owners, and so on. Research suggests that microfinance organizations give loans only to better-off underprivileged persons (Aubert et al., 2009; Khandker, 1998; Wright and Dondo, 2001), even though some microfinance organizations like Grameen Bank claim that they are providing loans to the poorest of the poor, even street beggars. Rather, researchers argue that microfinance organizations focus on targeting the poor especially women as good clients who can be convinced to take out a loan with high interest and repayment assurance (Hulme & Mosely, 1997; Karnani, 2007).

2.6.3 The need of microfinance for the poor

In the financial sector, the most deprived people are the poor who have neither physical assets nor stable income. They are treated as the riskiest for defaulting because they lack collateral against the loan. As a result, the poor often have the least or no access to conventional banks. However, it has been proven that if the poor get loans, they are quite capable of repaying these (Yunus, 2007). In addition, research suggests that credit can promote ambitious people to achieve a better life (Rosenberg, 2010). Besides this, financial services, for example, loans, savings, and cash transfers, can help lift the poor out of poverty (Hudon, 2009).

The poor become especially vulnerable during droughts, floods, and times of other natural disasters. If they get financial support, they can recover quickly. The poor in Bangladesh need small amounts of credit during agricultural plantation time. Without such loans, they are unable to plant their crops. Healthcare is another important aspect that can be promoted by providing loans when the underprivileged need assistance. Yunus (2010; p. 13) appealed to the global development agencies, saying that "I strongly feel that credit should be given the status of a human right" if we think that we have responsibility for the people who are in poverty. However, the opponents think that small credits are not a solution for the poor to get out of poverty (Helms & Reille, 2004 Morduch, 2009; Sorell, 2011).

2.6.4 Microfinance delivery system

The microfinance operating system is very simple but has a big impact (Wood & Sharif, 1997). It has two primary goals: poverty reduction and organizational sustainability. Typically, microfinance has three products to offer to its clients (Nabi & Ahmed, 2001). They are 1) small amounts of credit, 2) savings, and 3) insurance. Interest on the loan, savings accumulation, and insurance against the loan ensure the organization's flow of income and loan repayment. At the same time, the same products are helping the poor to get cash to sustain their livelihood through income-generating activities. The following section will briefly discuss microfinance products and their potentialities.

2.6.4.1 Credit

Microcredit is the main product of microfinance services. Despite many changes in recent times, the microfinance motto is helping the poor through microloans so that they can start income-generating activities (Yunus, 2010). The formation of a group is one of the most important criteria to be a member of a microfinance institution and get a loan (Hulme, 2003). Formal banks and financial institutions are reluctant to give loans to the poor because they do not have any collateral as a security for the loan (Bari, 2011). Microfinance organizations have been giving loans without any capital-based security but leaning on social capital by requiring the formation of groups whose members will be responsible for each other (Dunford, 2003). Usually five members constitute a group. Among them, one or two clients can get a loan at the same time. However, the whole group is responsible for the loan. If the borrower fails to repay the loan, the other members have to take the responsibility. Therefore, when they form a group, they must know each other well and have good relations. Researchers recommend this social relation as a means of social capital, which helps the clients be eligible for getting a microloan without any material collateral (Geleta, 2014).

The pioneer of microfinance believes that low income is the main cause of poverty (Yunus & Jolis, 1998). Therefore, if the poor are facilitated with tiny loans, they can launch small businesses and become self-employed. This loan is typically given on the condition that clients will repay the loan in small installments, weekly, monthly, or quarterly. In this way, the organization ensures that the loan is repaid on time. Thus, the organization can scale up the program to reach the poor and sustain the entire organization.

2.6.4.2 Savings

Saving is one of the most vital elements in microfinance organizations (Armendariz & Morduch, 2010; Cozarenco et al., 2016; Delgado et al., 2014; Garmaise & Natividad, 2010; Robinson, 2001;). The group of clients is required to save one part of the loan they receive from the microfinance organization, which Armendariz (2011) described as hidden collateral, to be eligible for receiving a loan. The organizations also encourage them to save voluntarily as well (Cozarenco et al., 2016). Savings on the individual or the family level is always useful for many purposes. It not only strengthens the poor but also the organizations because the microfinance organization reuses the accumulated revenues as loans to outreach new clients. It is also a guarantee for the loan. For example, if a client fails to repay the loan, he or she can deduct the installment from his or her savings and thus escape defaulting. However, there is a debate about obligatory saving. Otero and Rhyne (1994) emphasized that obligatory saving might change the attitude of the poor to save but, at the same time, it might decrease their standard of living as they continuously struggle to meet their basic needs.

The tradition of saving is not new. However, it is true that income is the key to saving. Those who have increased income are more willing to save. On the other hand, the poor who have less income and struggle constantly to fulfill daily needs are not very interested in saving. Not only this, but they are less informed about the importance of saving. In this regard, microfinance organizations have been playing the important role informing their clients of the importance of saving in many ways. For example, Grameen Bank in Bangladesh offers five- or ten-year pension schemes for its clients. After this period, the clients get almost double the amount of their deposits (Rahman, 2012).

The literature suggests that in developing countries the poor are accustomed to save in informal ways (Rahman, 2001), frequently by constituting informal groups or associations. However, these actions often result in the loss of their money, or, commonly, they get their money back only after a long period and much hassle. Consequently, they feel reluctant to save. In many cases, poor depositors tend to lose their money to a gang of corrupt individuals (Khandker, 1998). They make some kind of organization that receives the money as savings with a promise that the investors will be given returns with a high interest. After a certain period, the organization and those officials disappear. The prevalence of corruption at the administrative level facilitates such crimes with bribes and other forms of dishonesty. Therefore, every country's regulations regarding saving must be based on important requirements that allow credible, well-constituted institutions with sound financial and operational guidelines to participate in this activity (Otero & Rhyne, 1994). In recent times, microfinance organizations have been recognized as the safest places for the poor to save (Khandker, 1998).

Since such organizations will take deposits, reserve requirements, and other regulations, they can prevent the depositors from dealing with questionable institutions that could save their assets. However, sometimes strict rules and regulations restrict saving programs. For example, "in most Latin American countries, private non-profit organizations are prohibited by law from accepting saving deposits" (Otero & Rhyne, 1994). He further stated that in many countries, like Colombia, the programs are permitted to capture savings but these cannot be used for lending activities. There are many other ways various countries face restrictions regarding saving. Therefore, it can be said that if the government changes their approach to private organizations and makes some suitable structures, it can enable private organizations to function more efficiently and smoothly.

By 1990, Grameen Bank had reached 712,000 rural poor in 16,321 villages, over 18% of the nation's villages. With average loans of about US$60 paid back in weekly installments over 52 weeks, the bank has lent over US$184 million at commercial interest rates and has amassed over US$21.4 million in savings. Its repayments rate on loans is 98%, with some branch office reporting 100% repayments (Yunus, 1990).

2.6.4.3 Microinsurance

The term micro insurance has two parts: "insurance" and "micro." Insurance normally means that a group of people deposit a certain amount of money in anticipation of sudden risk. When one of them succumbs to a risk, he or she receives compensation, which is normally greater than the deposit. Micro indicates insurance products designed to be beneficial and affordable to low-income individuals or groups (Brown, 2001). Most of the microfinance NGOs in Bangladesh have initiated micro insurance programs so they can ensure loan repayment if the credit client dies suddenly or becomes unable to work (Nabi & Ahmed, 2001). Microfinance organizations are in the custom of making contracts with local insurance companies for their clients.

Although microfinance clients take out the insurance, the primary beneficiary is the organization itself. The primary reason for this insurance is, if a client suddenly dies, the insurance company will compensate the client's repaid loans (Nabi & Ahmed, 2001). The only benefit for the client is, her or his family are exempted from the liability to repay the loan. However, the loss of losing the breadwinner from the family is not recoverable for the family though the compensation helps MFIs in getting repayment from insurance companies. Besides, neither the insurance company nor the microfinance organizations provide any compensation for a client's sudden death.

The literature suggests that most of the organizations are not very skilled at designing an insurance policy that is affordable for clients and financially viable for the institutions (Brown, 2001). For that reason, most of the microfinance institutions establish a partnership with existing insurance companies to protect especially the organization's interest. However, a microfinance organization can further develop the product to save their clients financially and many other ways. Insurance is always a precarious business. Therefore, microfinance organizations need to determine if there is any better alternative for the clients that can save them from such risk because micro insurance cannot afford to insure against all risks. The literature suggests that unplanned experiments may bring the institutions to bankruptcy (Brown, 2001).

The discussion above demonstrates the importance of micro insurance if it can satisfy both parties. However, Brown (2001) argues that in many developing countries a large number of insurance companies are corrupt. Sometimes these kinds of insurance companies intentionally delay paying the insurance compensation by many ways, for example, by applying "red tape" to the file process. Sometimes they deny the payment of compensation even if that kind of risk protection is included in the policy. Therefore, according to Brown (2001; p. 178), microfinance organizations should consider certain factors before dealing with an insurance provider:

- The national reputation of that company.
- How is this company currently financed?
- What are the claims' experience of the insurer and the history of claims payouts?
- How interested is the insurer in serving the low-income market?
- Will the insurer adjust their products so that they are responsive to the needs and preferences of low-income households?
- Are they willing to make a medium- or long-term commitment to MFIs?

In addition, a microfinance organization should negotiate with the insurance company to give the responsibility for verifying the client's claim to microfinance organizations. Otherwise, if the insurance provider takes this responsibility, they might make the decision in favor of the insurance company (Brown, 2001). Besides this, microfinance organizations have to be conscious of their own interests as well. They have to be aware whether they are getting a commission from the company. Otherwise, programs will be costly from the organizational side. On the insurance provider side, they have to reasonably predict how many claims in the future they may receive. If they fail to predict or the accuracy rate is far from their prediction, it may lead them to bankruptcy. However, if everything works smoothly, micro insurance has unprecedented importance for the low-income clients of microfinance organizations and for this organization itself as well.

2.6.5 The impact of microfinance on poverty reduction

Certainly, poverty is a huge challenge for humanity. However, opportunistic corporations often exploit people's poverty for their own purposes (Bari, 2011). Microfinance organizations, which started with the intention to eradicate poverty, are now criticized due to their commercial approach and profit-seeking (Armendariz & Szafarz, 2009; Banerjee & Jackson, 2016; Bateman, 2012; Dattasharma et al., 2016 Fernando, 2006; Ghosh, 2013; Kabeer, 2005; Karim, 2011; Roodman & Morduch, 2014; Setboonsarng & Parpiev, 2008; Schicks, 2013; Taylor, 2012; Waelde, 2011). Primarily, questions have been rising due to their changing attitudes about a market-based approach and focusing more on organizational sustainability, which many researchers identify instead as profitability (Sherratt, 2016). However, the proponents of microfinance believe that commercialization is needed for survival of the organization (Schmidt H, 2010).

Microfinance institutions provide very small amounts of loan for starting small business or self-employment (Postelnicu et al., 2015). The World Bank and many researchers see microcredit very effective in supporting people to become entrepreneurs (Maloney, 2004; World Bank, 2004; 2007; 2013). However, many researchers believe that this small amount of loan has little effect due to the diverse needs of the poor (Armendariz et al., 2011; Berner et al., 2012; Collins et al., 2009; Datta, 2004; De Mel et al., 2010; Elyachar, 2006; Grimm et al., 2012; Guerin et al, 2013; Ligthelms et al., 1998; Morduch, 2013; Perry, 2005; Rahman, 1999; Verrest, 2012). They often use the money for household consumption, which Collins et al. (2009) see unavoidable and a necessity. In addition, women's empowerment through microcredit, which attracts donor organizations significantly, is not even proven effective for many reasons (Garikipati, 2008a). Among the reasons, showed by empirical research, are social and cultural norms and challenges (Guerin et al, 2013; Pitt et al., 2006). Receiving no support to be an entrepreneur from the husband and family members or even being opposed by them (Agier & Szafarz, 2013; Leach Sitaram, 2002) is among the top reasons why women do not become empowered through microfinance.

Commercialization of microfinance affects negatively not only microcredit clients but also credit officers. For example, literature suggests that credit officers must reach their disbursement target and loan repayment target set by top management (Sarkar, 2013). In addition, the superiors of credit officers give subsequent pressure for target achievement (Gray, 2013). To achieve the target, credit officers often give loan to riskier groups of clients and pressure them in many ways to repay the loan (Rosenberg, 2010; Ghosh, 2013; Beisland et al., 2017). Due to remote locations, top level microfinance officials often rely on credit officers in the case of loan sanctions (Holtmann and Grammling, 2005; Dixon et al., 2007; Labie et al., 2009). Priyadarshee and Ghalib (2011) argue that credit officers invoke clients to take a loan even when they do not need it.

Other issues criticised include small amounts of loan, rigid repayment schedules, high interest rates, excessive service charges and mission drift (Allen 2007; Armendáriz and Szafarz 2009; Aubert, de Janvry and Sadoulet 2009; Cerven and Ghazanfar 1999; Ferris 2008; Labie 2007; Mersland and Strøm 2010; Schicks 2007; Woller 2002b). Although mission drift has not been defined with any specific indicator, commercial approaches of microfinance that lead to any harm to credit clients and officers are regarded as mission drift (Drucker, 1992). For example, pressuring credit officers (Beisland et al., 2017), avoiding poorest clients (Armendáriz and Szafarz, 2009) or any hidden action which causes harm to credit clients (Biancini et al., 2017) are regarded as mission drift. There are nor many empirical studies that could prove that microfinance brings social and economic development for the poor (Banerjee et al., 2009; Hudon & Sandberg, 2011; Roodmand & Morduch, 2009; Rosenberg, 2010).

One of the greatest concerns of researchers is over-indebtedness of the credit clients. Due to diverse hardships in daily livelihood and when informal loans are considered as disrespectful, poor people often take loans from microfinance organization (Garikipati et al., 2014). As mentioned earlier, credit clients often consume the loan and fall in trouble when trying to repay the instalments (Betti et al., 2007; Disney et al., 2008; Gonzalez, 2008; Guerin et al., 2009; Kappel et al., 2010; Scicks, 2013). In addition to this, high interest rates make it more difficult for the clients to repay (Hudon and Sangberg, 2011). Empirical studies show that credit clients often do not know how much interest they need to pay against the loan (Banerjee & Duflo, 2007). Yunus, the pioneer of microfinance, has argued that some microfinance organizations charge even 100% interest whereas over 15% should be considered as no different from informal moneylenders (Yunus, 2007; 2010). However, Armendariz & Morduch (2005) found that moneylender's interest rate is still much higher than that of microfinance organizations. While collecting repayments, the credit officers often do not show any mercy and in many cases seize their credit client's household items (De Vaney, 2006). In such circumstances, credit clients often take an even bigger new loan to repay the old one. Eventually, they fall in a debt cycle and cannot get out of it (Disney et al., 2008; Gonzalez, 2008; Kappel et al., 2010).

The above-mentioned sentiment was justified by a number of incidents that occurred in different places around the world (Maitrot, 2017). Andhra Pradesh in India reported hundreds of suicides due to borrowers' inability to repay their loans (Associated Press, 2012; Kumar, 2013). Furthermore, the case in Bangladesh of people selling their organs (BBC, 2013) raised the question of the good intentions and ability of microfinance to empower the poor through entrepreneurship with tiny amounts of credit. Instead, the literature suggests that microfinance is rather exacerbating poverty (Karim, 2008; Bateman, 2010).

Despite all these criticisms, microfinance operations have been rapidly spreading around the world. More than 60 countries have launched microfinance programs (Bateman, 2010). The primary focus of microfinance especially on a few key issues, for example, income, is considered in poverty research to be among the preconditions for development (Yunus, 2010). However, empirically based studies suggest that market-based microfinance programs in many conditions undermine social capital and make the poor more vulnerable economically (Banerjee & Jackson, 2016). Sherratt (2016) said that the most positive remark about the impact of microfinance could be "neutral but nothing beyond that." However, many researchers instead think that without microfinance organizations, the poor especially the women could be in a more vulnerable situation due to the lack of access to loan and saving opportunities (Ashraf et al., 2006; Dupas & Robinson, 2013; Reed, 2011; Woller et al., 1999).

2.7 Conclusion

The discussion in this chapter mainly defines the key concepts of the thesis, that is, poverty, Bangladesh, NGOs, capacity building, and mission drift. All these concepts have diverse meanings from different perspectives based on the social, environmental and cultural context. Therefore, it is not possible to give universal definitions for these key terms of this thesis. However, the main concern of this thesis is NGOs' capacity toward poverty reduction in Bangladesh. As mentioned, definitions of capacity are diverse. In this study, capacity has been considered as NGOs' mission achievement. To build capacity, NGOs in Bangladesh have added or shifted to microfinance programs. This study therefore, pays specific attention to microfinance organizations, which claim to be successful in achieving both of the objectives: poverty reduction and organizational sustainability.

Literature on microfinance suggests that microfinance could have enormous impact on poverty reduction. However, commercial microfinance approach focuses more on sustainability and profitability. The opponents of microfinance critically argue that more focus on sustainability and commercial attitudes of microfinance cause more harm than good for poor people. They further argue that microfinance organizations are compromising with their core mission, which they claim is poverty reduction, besides organizational sustainability. It is important to note that this study does not discuss mission drift as a conceptual theory. Rather, microfinance organizations proclaim that poverty reduction and women empowerment are their primary missions and these goals have here been taken as the starting point of the analysis. Compromising with these core objectives has been considered as mission drift in this study.

In conclusion, it is evident that NGOs in general as well as microfinance NGOs in particular could have enormous impact if they could ensure achieving both of their objectives. Most parts of the reviewed literature suggest that the proponents of microfinance have primarily depended on survey data, which shows positive outcomes of microfinance operation. On the other hand, the arguments of the opponents of microfinance are mainly based on theoretical knowledge and small-scale survey data. However, hardly any studies have focused on empirical data gathered from credit clients and officials using the interview method. In addition, there are very limited studies on capacity building of microfinance NGOs, analyzing whether they manage to achieve both of their organizational missions. This study therefore primarily focuses on microfinance capacity building in order to get optimal benefit out of microfinance. In doing so, this study has done an investigation on three leading microfinance NGOs in Bangladesh. The next two chapters will discuss the research methodology and the case NGOs studied.

3 METHODOLOGY OF THE STUDY

3.1 Research questions

The debate about the negative impact of microfinance on credit clients, such as high interest rates at times in excess of 100% within a year (Yunus, 2010; p. 13), over-indebtedness (Schicks, 2012), and the poverty trap (Roodman & Morduch, 2011) are becoming a matter of great concern to microfinance researchers. Therefore, empirical analyses are needed to investigate whether microfinance organizations are effectively carrying out their organizational missions, or whether they have become businesses much like those found in the conventional business sector. Following these arguments, this study investigates the following research questions through an empirical study.

The main research questions of the study are as follows:

a) Does microfinance reduce poverty
b) To what extent are microfinance organizations capable of achieving both the objectives of poverty reduction and organizational sustainability simultaneously?
c) Does the commercial approach of microfinance lead toward mission drift for NGOs?

3.2 The credibility and validity of the study

The usual trend is to see microfinance as a great tool for poverty reduction. However, very few studies have been conducted to demonstrate the multiple difficulties that can occur in credit clients' livelihood by getting involved in a credit program. Similarly, there are hardly any studies focusing on microfinance capacity building so that the poor receive optimal benefits from microfinance programs. In response, this study investigates these phenomena through the collection of qualitative empirical data. However, at the same time this study has to prove its reliability and validity. According to Patton (2002), validity and reliability are two factors qualitative researchers should be concerned about when designing a study, analyzing the results, and judging the quality of the study.

From June 2015 to December 2015, I resided in the study area to collect data from three leading NGOs in Bangladesh. These NGOs are Grameen Bank, BRAC, and TMSS. Getting access for data collection from these organizations was not easy. I had to go through a long bureaucratic process to get permission. In addition, I had to pay 300 euro to Grameen Bank to collect data. Two other organizations did not charge any fees but it took them a long time to give permission and sign the agreement. All permission certificates are attached in the appendices. As the primary respondents of this study, I interviewed 50 microfinance clients and 20 microfinance officials, of whom five were executive officers, from three leading NGOs in Bangladesh. I conducted all the microfinance clients' interviews by visiting their home. Each interview lasted around one hour. In addition, I arranged ten focus group discussions to get clients' collective opinions. Each focus group discussion took 45–60 minutes. Of the 20 credit officials, I interviewed 10 credit officers face-to-face. Each interview took around one hour. Grameen Bank executive officers' interviews were conducted face-to-face at Grameen Bank head office in Dhaka. However, BRAC and TMSS executive officers interviews were by phone calls. This is imperative to mention that due to their busy schedules, the discussions were comparatively short. Each of the five top management interviews was only around 15 minutes, while other five middle-level officer's interviews were face-to-face and took around 30 minutes.

Although I took notes during our discussions, all interviews were also recorded for transcription. I should also note that I have received written consent for the recording and interview data to be used for this PhD dissertation. Besides these actions, I went to my home country on a personal visit in August, 2018. Although it was a personal visit, I took the opportunity to visit the study area around 10 times. I informed the credit officers in particular about my key findings from the interviews. I also gave my draft analysis chapter to two branch managers, one from Grameen Bank and the other from TMSS for checking if I had provided any wrong information. Both of them were happy and assured me that nothing was wrong. I therefore strongly believe that my empirical study is reliable and credible. The following paragraphs will describe all the methods and data collection techniques in detail, which have been used for collecting and analyzing the empirical data. As well, the rationality and validity for choosing those methods will be discussed.

3.3 Selection of study methods

"Social research is normally about 'problems'—which are themselves socially defined" (Mann 1985; 13). These problems vary from person to person, country to country in a diverse social, cultural, political, and economic context. Therefore, the social research and methodology to identify the problems varies depending on the nature and social phenomenon of the problems. Punch (2005; 239) has identified six factors to be considered for deciding which method should be applied for a specific research. The first one is the *research question*. According to Punch, the research question can guide the method or the method can guide the research question. Research question and method should interact to reveal what exactly they seek to discover. The second one is the *way of research*. For example, whether the researcher is interested in systematic statistical research or wants to study a phenomenon or situation in detail. The third factor is the *availability and guidance of the literature*. The fourth one is the *practicality of carrying out the research*, that is, access to situation, budget, cooperation, and so on. Fifth, the *output* of the research and last one is the *style* the researcher prefers.

These guidelines assisted me in choosing the methods for this research and moving forward systematically. For example, the research questions for this study demand an explanation of the social context and the reality of the phenomenon, which is suitable for qualitative studies. As a result, these research data will be exploratory and thematic in nature, which are shaped within the qualitative method. Other factors like limited budget, data availability, feasibility, and outcome of the research also influenced the choice to carry out a qualitative method though statistical data were provided for a broader clarification of the phenomenon.

The debate over microfinance is a fast-growing concern in development discourse. Microfinance exists as a dilemma in development. Many development scholars and organizations claim that microfinance is a great tool for poverty reduction (e.g., Coleman, 1999, 2006; McKenzie & Woodruff, 2008; Karlan & Zinman, 2011; Khandker & Samad, 2013). However, opponents argue that microfinance organizations often ignore the rising criticisms within the field, for example, about the delivery system, real outcome, clients' indebtedness, cycle of poverty, and so on (e.g., Banerjee et al., 2010; Augsburg et al., 2011; Crépon et al., 2011; Attanasio et al., 2012). Most of the time donors rely on the evaluation reports of those microfinance organizations. Thus, the dark side of microfinance is often left out of appraisals of the scene. A literature review suggests that current microfinance organizations have drifted from their original goals and objectives (Mersland & Strøm, 2010; Armendáriz & Szafarz, 2011).

Following these debates, it is understandable that the greatest concern is whether microfinancing has any positive impact or is just worsening the conditions the poor already find themselves in. Therefore, the phenomenon demands an empirically based qualitative investigation. According to Dawson (2002; p. 12), "qualitative research explores attitudes, behavior and experiences that facilitate the researcher to get an in-depth opinion from the respondents." Therefore, this study has chosen qualitative research as the best tool to investigate the real phenomenon while keeping the social and cultural context in mind.

3.3.1 Qualitative method

In developing countries, access to the financial sector is hard for the poorest of the poor. Consequently, very often they sell their last household belongings for basic and sudden emergencies. Such situations throw them into a cycle of ever greater poverty. Microfinance organizations facilitate the underprivileged with microloans to overcome the situation by self-employment or entrepreneurship. The concept of microfinancing has been getting unprecedented acceptance by most of the development agencies around the world. Even some developed countries, for example, the USA and Norway, also have launched microfinance programs within their economies (Yunus, 2007). However, a number of researchers, for example, Sherratt (2016; p. 144), argue that "microfinance simply displaces economic activity with no net gain: it just redistributes the existing level of poverty."

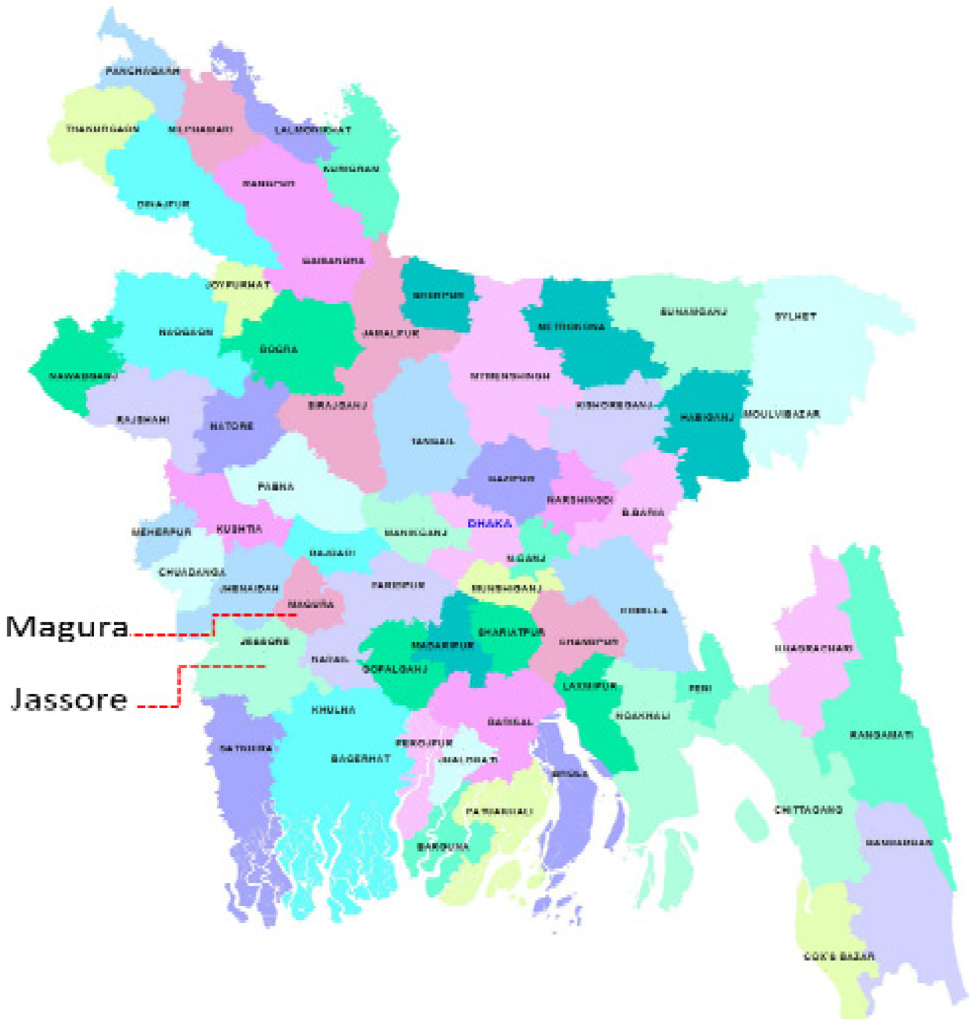
This study aims to explore the phenomenon, especially microfinance organizations' capacity to eradicate poverty. Therefore, for a deeper understanding of poor people's situation, microfinance organizations' operational systems, and their effect on poverty reduction, I have investigated three leading NGOs in Bangladesh. The empirical qualitative data I have gathered constitute the primary source for this study. However, I have also studied the literature for theoretical clarification. As Marshall and Rossman (1989; 35) said, "Literature review refines and redefines the research questions and related tentative hypotheses by embedding those questions in a large empirical tradition." Books, journals, government reports, scholarly journal articles, research documents and the World Wide Web have been used for analyzing key concepts such as microfinance, poverty, capacity building, and so on.

In qualitative research, researchers use many different methods to collect data because all methodologies have some strong and some weak points. In addition, for a scientific research, different methodologies can be more functional and productive in different social, political, historical, and cultural settings (Dawson 2002; 15, 34). Therefore, I have adopted a combination of different methodological approaches in this research to get in-depth opinions from different perspectives from the respondents. However, this study primarily focuses on the in-depth interviews of selected people who can provide the most useful information.

3.3.2 Selection of study area

In many aspects, Bangladesh is a homogenous country. Most of the people in Bangladesh live in rural areas and are heavily dependent on agricultural production. Therefore, there were no significant influences on choosing the study area. Out of 64 districts in total, for collecting data I chose two districts, which are well known to me. The locations are indicated on the map of Bangladesh (Figure 6). The districts' names are 1) Jessore and 2) Magura.

Figure 6: Map of Bangladesh



Source: BBS, 2019

Located in the southwestern zone of Bangladesh on the land border with India, Jessore is one of the oldest and most renowned districts in Bangladesh. It consists of eight upazilas (administrative branches of a district). With an area of 2606 square kilometers, which is 4.5% of the total area of Bangladesh, the district is 24th largest among the country's 64 districts. The literacy rate is over 70% and in 2011, the total population was 2,764,547 (BBS, 2015; p. 15), with a density of 1060 persons per square kilometer (BBS, 2015).

Magura District is a part of Khulna Division with an area of 1039 square kilometers. Currently, there are a total of eight administrative divisions in Bangladesh (BBS, 2019). It is located in the southwestern part of Bangladesh bounded by Rajbari District on the north, Jessore and Narail Districts on the south, Faridpur District on the east, and Jhenaidaha District on the west. Magura was established as a sub-division in 1945 and became a district in 1984. The district consists of four upazilas (administrative branch of a district). Total population by the 2011 census was 918,419 and population density is 884 per square kilometer (BBS, 2015; p. 15).

Choosing these two places was intentional and purposive as purposive selection ensures information-rich cases for a study in depth (Patton, 1990; p. 169). Jessore is a historical place in Bangladesh and a potential business hub because there is a border with India through which most of the export and import takes place. However, many crimes also happen in this area, such as smuggling, illegal export-import, bribery, and so on. This is one of the largest districts in terms of population and area as well. Therefore, different kinds of families live in this area, for example, very rich to very poor, highly educated to illiterate people. Its diversity in social and cultural contexts justified data collection from this area.

Magura, on the other hand, is a small town where the researcher was born, which ensured a close emotional connection to the respondents. The respondents were encouraged to feel free sharing their lifetime experiences of being involved in a credit program. The greatest advantage was that most of the respondents in Magura District considered me like a "local boy" and talked to me with open minds. Thus, it helped me to get a deeper understanding about the impact of microfinance on the credit clients' livelihood.

3.3.3 Selection of NGOs

I selected three leading microfinance NGOs in the study area, Bangladesh, consisting of Grameen Bank (GB), Bangladesh Rural Advancement Committee (BRAC), and Thengamara Mohila Sabuj Sangha (TMSS) (in English, Thengamara [name of a place] women's green association). There were some practical reasons for selecting these NGOs. GB was established by the pioneer of microfinance Mohammad Yunus. Most of the NGOs in Bangladesh and around the world follow the Grameen Model of microfinance in their microfinancing operations (Sherratt, 2016). BRAC is one of the largest NGOs in the world, and their microfinance membership coverage is currently over 5.6 million (BRAC, 2018). TMSS is another large NGO with around one million borrowers (TMSS, 2018). However, TMSS is different from the other two NGOs as they run the microfinance operation by getting loans from private banks.

Although all of the NGOs are operating their microfinance program in fairly the same manner, their origin, history, and resources have many differences. For example, GB was established as a microfinance organization while BRAC started its journey as a voluntary organization. BRAC initiated its credit program later as a transformation toward organizational sustainability. TMSS initiated its microfinance program commercially since we can see that it borrows money from banks to run the program. Ultimately, they have to charge higher interest rates to keep the organization profitable. The following chapter will discuss more about these organizations' origin, history, and resources. Even though the researcher's motive is not to generalize about all NGOs working in

Bangladesh, including three NGOs in the study can extract a broader picture of how microfinance NGOs are working in Bangladesh and their impact on poverty reduction.

All these NGOs have many branches all over the country. They are running their operations on the same system everywhere. According to the empirical information and relevant literature from the studied NGOs, I did not find any significant differences in their operation in different districts or villages. For example, they follow the same lending method with minor differences in savings accumulations and repayment arrangements. Therefore, I selected only two districts but many branches from them to collect data. Based on my knowledge and experiences about those two districts, I selected branches purposefully including five branches from urban areas, three from rural areas, two from locations where drug smuggling and crimes are high, while two are affected by floods.

3.3.4 Selection of respondents

The main focus of this study is NGOs' capacity building toward poverty reduction. Therefore, understanding the existing capacity of NGOs is crucial. As stated earlier, the literature presents contradictory information about the social and economic impacts of microfinance. Therefore, I have realized that only microfinance clients can give accurate information concerning the effect of microfinance on their deprived living circumstances. At the same time, other stakeholders, for example, from upper management to the field-level officers of microfinance organizations, need to be included in the study to get information how they are running the program. The main motivation was to understand their management capacity. Therefore, I selected 50 credit clients and 20 microfinance employees in different management positions for interviewing (Table 7).

Table 7: Categories and numbers of respondents by district and NGO

NGOs	Credit clients by district			Credit officers by district		Middle-level officers	Upper management officers
	Jessore	Magura	Clients total	Jessore	Magura		
Grameen Bank	17	7	10	2	2	3	3
BRAC	17	7	10	2	1	1	1
TMSS	16	6	10	2	1	1	1
Total	50	20	30	6	4	5	5

I interviewed more clients (30) from Jessore as the district is larger than Magura, with comparatively more branches and clients. From the organizations, around half of the respondents were field-level employees who have been directly involved in the credit program. Six credit officers equally from GB, BRAC, and TMSS from Jessore District and four credit officers from Magura were interviewed. These credit officers primarily collect repayment installments from credit clients and recommend new clients to receive loans. They were chosen to provide information about organizational performance, sustainability of the organization as well as attitudes concerning clients and organization, and such related issues. The middle-level officers approved the loan according to the credit officers' recommendation. I interviewed three middle-level officers from GB and one from BRAC and one from TMSS. The Grameen officers' interviews were conducted physically at Jessore but the TMSS and BRAC officer's interviews were through a phone call. The length of the Grameen officials' interviews was around 30 minutes while the BRAC and TMSS interview lengths were less than 30 minutes.

The other respondents were upper management officials who usually make policies to operate the organizations. I interviewed three executive officers from GB and one from TMSS and one from BRAC. It is imperative to mention that except for GB, other upper management interviews were done through phone calls. Besides this, the discussion was very informal and not as informative as I expected. However, I got adequate information from the GB executives. I have also found that GB is quite open to providing information while the other two NGOs are restrictive and reluctant to talk, especially about controversial issues, for example, management pressure on credit officers, high interest rates, rude behavior with credit clients, and so on.

The credit clients were selected carefully so as to get a broader picture of microfinance. For example, those who have been involved in credit for many years have more experience than the new clients. However, new clients, on the other hand, have experience about new business challenges, the need for loans in bigger amounts, and many newly emerged challenges. Also, default clients were included as their views about microfinance are far different from the successful clients. For example, credit clients usually become defaulters because of their income deficiency or other hardships, which a successful client does not experience. In addition, these clients can give more information about their success history and default history. Therefore, during the selection process, I selected from many different categories of clients. Since I had opportunities to get information about credit clients from selected microfinance offices, I asked the credit officers about the clients' information. Based on the information, I selected credit clients, got their address, and visited their home for an interview. The table below shows the details about the clients' membership duration.

Table 8: Microfinance membership duration of the respondents

Year	0–5 years	6–10 years	11–15 years	16+ years	Total
Number of members	8	13	15	14	50
Percentage	16%	26%	30%	28%	100%

I have chosen more clients who have been members of a microfinance group for a long time due to their experience. It should be mentioned that I have earlier done five months' internship in a microfinance NGO in Tanzania, which was also the case study NGO for my Master's Thesis. Due to my previous experience in Tanzania, I knew that older clients usually have more experience than the new clients do as they have dealt with microfinance in many different situations in life. My supposition was confirmed when I found that these groups of clients were able to provide more information concerning usage of the loan and its impact on their business and practical life. For example, they spoke about how many times they had gotten a loan, how important it was, if they had not taken the loan what would have happened, how microfinance affected their life before and now, and so on.

In addition to these groups of respondents, I conducted 10 focus group discussion sessions that were attended by around 20–30 credit clients in each session. My focus group discussions were also comparatively short and in some cases not pre-planned. Usually, I visited the office first thing in the morning. From there, I would go with a credit officer to visit the "center" where all credit clients (maximum 40 or less) come to take out or repay the loan. I often let them talk over some specific questions, which were directly or indirectly related to my research questions and produced notes instantly on the main interesting points and their insights about the development of both the organization and their situation, especially income. In addition, I recorded all the discussions for further transcription.

It is also imperative to say that I often met the credit officers of other NGOs while meeting credit clients at their home. Therefore, I had the opportunity to talk with them about their microfinance system, performance, own views, and so on. I kept notes and made comparisons among the selected NGOs' officers' comments. I used these kinds of data as observations, which I will discuss in the following section on observation. I filtered and preserved the information, which is directly related to my research questions. The interview section will discuss in detail the transcription and process of data collection.

3.4 Data collection method

Data were collected following the research questions and overall objectives of the study. The main purpose of data collection is to understand the credit clients' views on microfinance intervention and how it affects their livelihood. At the same time, data were collected from bottom- to top-level microfinance officials to understand the organizational capacity, mission, and operations of their organizations. The primary method of data collection was in the form of in-depth interviews, as such "aims at carrying out an intensive individual interview with a significant number of participants to discover their perceptions on a specific issue, program, or context" (Boyce & Neale, 2006; p. 3). However, since this research is exploratory in nature, focus group discussions, observation, and informal discussion methods were also used for collecting relevant data. According to Jinia (2016; p. 112), "methods should be used when they are applicable to the research theme."

This study used the triangulation method to ensure validity and reliability. Denzin (1978; p. 219) used the term "triangulation" to describe combining methods when studying similar phenomena. However, triangulation not only ensures validity but also captures different dimensions of the overall phenomenon. If we consider qualitative social research to be an effort to understand socially constructed phenomenon, this study needed to understand why microfinance does or does not affect poverty reduction. Therefore, an empirical study using a primarily qualitative method could be the best for generating reliable data because the information derives directly from the subjects. Furthermore, the triangulation method facilitates crosschecking the findings from earlier studies.

3.4.1 Interviews

In qualitative research, interviewing is often recognized as a main way of data collection. In the view of Mann (1985; p. 107), an interview is basically a form of human interaction and may range from the most informal chat to the most carefully pre-coded and carefully systematized set of questions and answers laid out on an interview schedule. For a better understanding of a situation and its social context, a personal interview makes a valuable contribution. Punch (2005; 168) has said that an interview is a good way of accessing people's perceptions, meanings, definitions of situations, and constructions of reality. For qualitative research, different types of interview methods are used for data collection. Dawson (2002) has emphasized three main categories of interview. They are 1) Unstructured 2) Semi-structured, and 3) Structured.

An unstructured interview is also sometimes called an in-depth interview or life history interview. In this type of interview, the researcher attempts to achieve a holistic understanding of the interviewee's point of view or situation (Dawson 2002; p. 27). The interviewer asks very few questions and allows the interviewee to say freely what she or he thinks is important. However, an in-depth interview is sometimes difficult if the interviewer produces a large amount of unrelated information, which makes data analysis difficult. However, a successful interview depends on the interviewer's skill to elicit authentic insights (Silverman 1993; p. 91) and exploratory information (Mann; 1985).

In qualitative research, a semi-structured interview is generally the most frequently used and common type of interview. In this kind of interview, the researcher identifies the specific information, which can be compared and contrasted with other interview information (Dawson, 2002; p. 28). In this regard, interview questions should not be the same for all interviews. On the other hand, structured interviews are often used for market research (Dawson, 2002; p. 29). This type of research is used mostly for quantitative research (Dawson, 2002; Punch, 2005) and usually depends on a well-structured questionnaire that produces short answers, for example, of the yes/no type. Therefore, bringing detailed information out of the interview is quite hard.

Because different types of interviews have different strengths and weaknesses, the interview type should be selected aligned with the strategy, purposes, and research questions (Punch, 2005; p. 170). I have therefore used a combined interview technique for collecting data from different categories of respondents. For example, the questionnaire for the credit clients was semi-structured, but the respondents' opinions were open-ended so as to elicit in-depth response from their experiences. For the officials of microfinance organizations, the interview techniques depended on their managerial positions. For example, credit officers were interviewed by a semi-structured questionnaire but the top-level officers were interviewed through an unstructured questionnaire because of the bureaucratic procedure to get an appointment and their reluctance to answer a pre-structured questionnaire.

Additionally, the questions also varied depending on the official positions (Appendix 1). For the microloan holders, most of the questions were about their income, livelihood, and advantages and disadvantages of loans and such related information, while microcredit officials were asked about the performance of the credit program, their personal views, future of this program, and so on. Senior officials were mostly asked about the policy, operational system, management and its hierarchy, capacity-building work, and so on. Semi-structured interview questionnaires following different categories are attached in Appendix 1. The interviews of both groups and findings are discussed widely in the data collection and analysis chapter.

I generally conducted one interview per day. However, due to transportation needs and clients' availability, I sometimes conducted two interviews in one day. All credit clients' interview sessions were recorded except for one respondent, who refused to give an interview if it was recorded. I kept interview notes during the interview. As well, after coming back home, I transcribed the recordings on the same or following day. In addition, I wrote down my field visit experiences and insights I got from the interviews. I did not go for the next interview before having transcribed and made notes of the previous interview. The transcribed data is over 1000 pages. To handle this big data set, I immediately highlighted the text with different colors to note key information, which I thought relevant to my research questions and objectives. Notably, out of the transcription, I listened to some interviewees' recordings several times, because some interviewees were much more informative than others. It also allowed me to think about microfinance operations from many different perspectives.

3.4.2 Focus group discussions

Focus groups, also called discussion groups or group interviews, occur when a number of people come together in a group to discuss a certain issue. The discussion is led by a moderator or facilitator who introduces the topic, asks specific questions, controls digressions, and stops break-away conversations (Dawson 2002; p. 30). Morgan (1988; p. 12; cited by Punch, 2005; p. 171) pointed out that "the hallmark of focus groups is the explicit use of the group interaction to produce data and insights that would be less accessible without the interaction found in a group." The advantages of focus group discussions are that they are inexpensive, data-rich, flexible, stimulating, recall-aiding, cumulative, and elaborative. However, maintaining the balance of group culture and dynamics in the group is crucial to providing the necessary information (Fontana & Frey, 1994 in Punch 2005; p. 171).

Since I was living in same study area, I visited credit clients' meeting centers very often. A center is the place where all credit clients come once a week to repay their installments. It is worth noting that attending the centers for the weekly meeting is compulsory for credit clients. My primary intention to visit the centers was multi-purpose. For example, while visiting, I could talk to the credit officers, who are usually quite busy. I could observe how credit officers dealt with credit clients especially default clients. Finally, when I got the chance, I arranged for a group discussion. In that sense, it can be said that focus group discussions were not pre-planned. It is also worth mentioning that the credit officers assisted me to arrange the focus group discussions. However, while the discussions went on, the credit officer left the place on my request. From the first focus group discussion, I found that if a credit officer was present, credit clients were not willing to voice any complaints, for example, regarding credit officers' behavior, loan issues, and so on.

However, for this study it was necessary to obtain collective opinions about microfinance, its impact on the recipients' livelihood, challenges, attitude of microcredit officers, and so on. The questionnaires for focus group discussions were unstructured and very limited due to the time limit. I hardly got 45–60 minutes to discuss with them. Therefore, I would ask very specific and selected questions, which were directly related to my research questions and objectives. Although focus group discussions were not very long, they were very informative. I arranged 10 focus group discussions to get collective opinions in different branches of selected NGOs within the study area. Six focus group discussions were from GB, two from BRAC, and two from TMSS. I would take short notes and record the discussion simultaneously. After coming home, I transcribed the recordings on the same day.

3.4.3 Participants' observations

The participants' observations can be regarded as an informal way of getting different perspectives of both selected clients and participants living in the society. According to Becker and Geer (1957; p. 28), "participant observation is a technique through which the researcher participates in the daily life of the study units, either openly in the role of researcher or secretly in some hidden role, observing things that happen, listening to what is said, and questioning people, over some length of time." This data collection technique was very useful as this study is exploratory in nature. For example, while going to the center and coming back to the office, credit officers talked a lot about the organization, its practices, problems, the career and future plans of each, and so on. I found that this information was richer than the formal interview I held with credit officers.

Although this information came through my observation, in most cases it was very informative and useful data for this study. In most cases, I had to take notes while going back to my home or microfinance office. Therefore, I have interpreted the data simultaneously using my own insight so that I can use it as evidence in the analysis chapter. I collected data from observation in various forms. For example, along with credit officers, I visited over 20 credit clients in their home, who failed to repay the installment on time. I found some credit officers, especially from TMSS, who, if a client missed the center meeting and failed to pay a weekly instalment, would visit the client's home immediately after the center meeting ended. I went to visit the client's home five times with the credit officer in this kind of situation. Credit officers informed me that, when credit clients were unable to repay, they usually missed the weekly meeting.

I also visited credit clients' home 10 times in the afternoon and five times at night. Once it was close to midnight since, according to the credit officer, the credit client had avoided meeting with him. Since these kinds of situations are not usual, it helped me to get a perception about the credit officer's attitude while dealing with the credit clients. I was also able to listen to the credit client's opinion and reasons for non-payment.

Alone with the credit officers and clients, the researcher had many opportunities to meet people who are not involved in microfinance. Most of the participants in that category were students, teachers, police officers, lawyers, and businesspersons. While talking about microfinance, they sometimes provided very useful information from their own perspectives. Many of them revealed its negative effects and some positive aspects of microfinance as well. This helped me to understand the scenario from the perspective of outsiders who are not directly involved with microfinance. During my six-months' data collection period, I made all my efforts to collect data through interviewing or by observing. Since I was from the same culture, it helped me to interact with them quite often and freely, which let them talk freely. This informal talk in daily life was often not recorded, but I wrote down its important points and interpreted them for cross checking with interview data.

3.5 Timetable of the field study

Most of the bigger organizations have long bureaucratic procedures to follow, which led to some of the problems I experienced while visiting the study area. I went to the study area to collect data from June 27, 2015 to December 30, 2015. However, the process of getting data collection permission from BRAC and TMSS was much delayed due to bureaucratic process. However, GB gave me the permission earlier than other two NGOs. Therefore, I started collecting data from GB first while trying to get permission from the two other NGOs. I spent six months for data collection in the case study area. However, as I mentioned earlier, I followed the practice of transcribing the data and coding simultaneously so as to use the time as best possible.

After I was officially permitted to collect data, credit officers were glad to provide information, considering me to be a European researcher. It is worth mentioning that people from abroad get extra attention since they are officially permitted by the head office to collect data. The head office provides some instructions to local credit officers to assist the researcher. I never faced difficulties to get information about the credit clients within Jessore and Magura Districts. I would go to the microfinance office first and then check the credit clients' membership history. Depending on the information, I selected the clients to conduct interviews. I sometimes went with the credit officer to their home and conducted interview sessions. It is also worth mentioning that around 10 credit officers run a branch. Therefore, I purposely selected different credit officers each time so that I got the opportunity to talk to them while visiting meeting centers and coming from there. Since I knew where I would go the next day, I would check the client list and inform them beforehand that I would visit their home for interviewing so that they would be mentally prepared and set aside some free time.

3.6 Ethical issues

The issue of "ethics" pertains to research in many different forms. Most professions and organizations follow a code of conduct or ethics. Researchers put the emphasis on two major dimensions of research ethics, especially for qualitative studies. These consist of 1) procedural ethics and 2) ethics in practice (Guillemin & Gillam, 2004). Procedural ethics can be identified as an official procedure whereby an ethics committee requires permission to conduct research. Many researchers see it as a formality and some issues might even not be relevant to some research. Guillemin and Gillam (2004) argued that in many cases, codes of conduct are not practical and applicable or just a general guideline. However, still, such permission has been considered to be an indispensable part of research.

Ethics in practice is the reality and challenges that researchers face, especially during the data collection process. Thus, there is a great deal of discussion about ethics in practice and its ramifications in some complex situations. Sometimes ethics in practice becomes a dilemma, which Guillemin and Gillam (2004) referred to as "ethically important moments." I have attended a series of lectures on research ethics and was thus well informed about ethical issues to conduct the empirical data collection. Therefore, it can be said that the researcher knew well how to conduct the research even in a complex environment. The researcher's ethical responsibility is to maintain "a fine balance between building sufficient trust to be able to probe participants for potential rich data, while at the same time maintaining sufficient distance in respect for the participant" (Guillemin & Heggen, 2009; p. 292).

Ethical challenges can be considered to be the most challenging part of research, especially when it deals with human matters. This research is qualitative in nature. Thus, most of the information comes from the participants in descriptive form. Trust plays a vital role in this kind of research because the social science research must be concerned with ethical integrity to ensure that the research process and its findings are both trustworthy and valid (Hesse-Biber, 2006). Therefore, building trust among the respondents was the biggest challenge for the researcher so as to get authentic information from them. However, the researcher maintained both procedural ethics and ethics in practice.

Considering procedural ethics, though a permission from the ethical board of the university was not necessary, I have informed and received a permission letter from my supervisor, Department of Social Sciences and Philosophy, University of Jyvaskyla. In addition, the primary reason for not applying for a permission from the ethical board of the university was my previous experiences of data collection from the same types of respondents from Dar es Salaam, Tanzania for my Master's Thesis. The primary research concern was microcredit clients' wellbeing. Therefore, I was well informed about the necessary field work and its ethical issues. No harm was to be caused for the respondents in any way. As well, in order to protect the anonymity of the respondents, I have not provided original names and details of the credit clients or the credit officers in the manuscript.

The Department of Social Sciences and Philosophy also facilitated a six-month scholarship to collect data from Bangladesh. In addition, I have received official permission from all three NGOs and signed agreements with the interviewees. The appointed managers, whom I was assigned to contact, permitted me to visit any clients I wished to interview. They also permitted me to go and visit the credit client's home when they visited the clients' home. For example, the credit officers sometime visited clients' home at evening or nighttime because some defaulter clients tend to avoid the credit officers during the daytime. The managers of all three NGOs gave me permission to go under this kind of circumstances with the credit officers. During these visits, I did nothing that could have caused any harm to the clients or their families.

I have also followed a systematic methodological process to collect data, for example, concerning selection of method and data collection techniques, selection of study area, selection of respondents, receiving formal consent from respondents and from the organization, and so on. Ethics in practice applies while informing participants of the purpose for the interview, building trust, ensuring voluntary participation, making sure that the respondents are free from any harm, and protecting their confidentiality (Ryen, 2004).

3.7 Limitations of the data collection and analysis

Concerning data collection, I was not able to collect the opinions of the executive officers in quite as much detail as I was expecting. My study area was quite far from the capital, where most executive officers reside. Most of the time we could not coordinate our schedules, especially with them. They were quite busy and, I assumed, not very interested. In addition, most executive officers' comments were somewhat biased as I hardly found any negative issues regarding microfinance from their comments. As well, in focus group discussions, I had to restrict myself to very few questions due to time limitations. Also, they were not very well organized, preventing me from handling the situation systematically. However, I got enough information and insights concerning the capacity development of NGOs as well as credit clients' perspectives.

Qualitative data analyzing and presenting is one of the most difficult challenge for qualitative research. This study collected a huge data set from interviews, focus group discussions, and observation. I interviewed 70 respondents in total, conducted 10 focus group discussions, and observed a number of participants. Therefore, handling the data set for analysis took almost two years. To analyze the data I used an inductive approach as it "refers to approaches that primarily use detailed readings of raw data to derive concepts, themes, or a model through interpretations made from the raw data by an evaluator or researcher" (Thomas, 2006; p. 238).

In this study, soon after conducting a few interviews with credit clients, I realized that it would be quite difficult for me to analyze the huge volume of transcripts I was generating. Therefore, from the very beginning, I used an inductive approach while coding the interview transcriptions of credit clients' interviews. Also, I extensively marked the text with red color (my sign of "less important"), despite the chance that new themes might emerge from such parts. I was bound to take such actions due to time and resource limitations. My data analysis consisted primarily of thematic content analysis. One major strength of thematic content analysis is being able to gather examples of themes from the raw transcript. This study uses several kinds of methods to get a broad understanding of the studied phenomena. In addition, I have applied my best efforts to follow research ethics and analyze the data in detail.

4 THE NGOS OF THE STUDY

4.1 Introduction

This study is qualitative in nature and collected data empirically from the chosen study area in Bangladesh. Three NGOs were chosen as the source of the collected empirical data. The NGOs are: Grameen Bank (GB; meaning "Villagers' Bank" in English), Bangladesh Rural Advancement Committee (BRAC), and Thengamara Mohila Sabuj Sangha (TMSS) (in English, "Thengamara [name of a place] Women's Green Association"). Historically, BRAC and GB are pioneer NGOs in Bangladesh that are widely recognized by international development agencies. In addition, GB was established based on the microfinance theory that is regarded as the "model" MF organization around the world. The third NGO, TMSS, is comparatively small and focused on regional development. However, all these NGOs have a long history of development efforts and currently cover almost every corner of the country's population. Although all of these NGOs have some shared objectives, they have many different characteristics that make them different from each other.

4.2 Histories of the NGOs under study

4.2.1 Bangladesh Rural Advancement Committee (BRAC)

BRAC, which has been focusing primarily on two main objectives—poverty reduction and women's empowerment—is the largest NGO in the world (Seelos & Mair, 2006; Maitrot, 2018). A number of international awards have been given to its founder and the organization itself for its significant work on development (Mannan, 2009). Currently, the organization operates in 11 developing countries in Asia and Africa. Over 100,000 people work in this organization and serve over 126 million people (BRAC, 2016). Initially, the organization was almost entirely dependent on donor assistance. However, recently they have been trying to sustain the organization through a number of commercial enterprises of their own. According to the 2016 annual report, the founder and chairperson of BRAC states that 82% of revenue, as much as USD$646 million, comes from internal sources (BRAC, 2016).

The birth history of this organization was a bold initiative taken by Fazle Hassan Abed, the founder of BRAC, a professional accountant who was an employee of a British oil company (BRAC, 2016). During the time of independence, the newly emerged country was seriously damaged by a nine-month bloody war and a disastrous cyclone. Fazle Hassan Abed, along with some of his educated and devoted friends, formed a committee in 1972 with the mission to help the war- and cyclone-ravaged populace. Initially, the committee's name was Bangladesh Rehabilitation Assistance Committee and later changed to Bangladesh Rural Advancement Committee, which now has been updated as Building Resources Across Communities (BRAC, 2016)—a sign of the continuous development of the organization. BRAC started on a very small scale at Shallah Upazila (part of a district) in the district of Sunamganj as a source of relief and rehabilitation for the returning war refugees who had fled to India during the war for independence in 1971. They built around 1000 homes and provided hundreds of fishing boats. They also constructed a health center at the same time. Over time, they have been growing and crossing the borders of different nations.

One of the key reasons for BRAC's success could be its primary focus on village development operations, which is indicated in its name. Bangladesh is a predominantly rurally based country with over 87,000 villages. Almost 80% of the population lives in these villages. BRAC's initial strategy was community development through a number of initiatives, focusing primarily on village development, for example, through projects on literacy for adults, agriculture, fisheries, healthcare and family planning, and so. (BRAC, 2018). Another significant initiative taken by BRAC was establishing the Village Organization (VO) in 1977 as a more target-oriented approach to helping landless and more vulnerable people, especially women. Among a number of development programs, BRAC's primary programs are the Rural Development Program, Rural Credit Program, Health Program, and Education Program (BRAC, 2018). In short, it can be said that BRAC has been growing rapidly and has opened initiatives in most of the sectors of development, as urged by international development organizations.

4.2.2 Grameen Bank (GB)

Grameen Bank is the "model" for microfinance organizations around the world. Over 100 countries have been initiating microfinance within their national economy as a means of poverty reduction. GB and its founder Professor Mohammad Yunus won the Noble Peace Prize in 2006 (Maitrot, 2018). Furthermore, this organization has been awarded by a great number of international development agencies in recognition of its great contribution to poverty reduction and women's empowerment.

GB ("bank for the villagers") is the pioneer of microfinance. The founder of this bank initially experimented by giving a tiny loan of just US$27 to 42 poor people during the disastrous famine in 1974 (Yunus & Jolis, 1998). He found that the poor are very capable of repaying the loan and extending their income through self-employment. That successful experiment motivated him to establish a bank for the poor. Though he had already initiated the bank in 1976, after a long struggle the government permitted the bank as an independent bank in 1983. The significance of GB's operating system is making loans without collateral, and the clients are only the poor who own less than 0.5 acres of land (Khandker, 1998). In addition, the GB loan delivery system has been recognized as a model for most of the microfinance organizations around the world (Rahman et al., 2012; p. 1056).

Although GB is considered to be a conventional bank by an ordinance of the Bangladesh government, the bank is exempted from taxation due to its identity as an NGO. In addition, though it is considered to be a bank, it does not operate normal banking services, for example, daily banking transactions. Instead, the bank receives cash payments from the poor at service points in villages where the clients meet credit officers. Currently, GB has over nine million borrowers and over US$18 billion collateral-free disbursements.

4.2.3 Thengamara Mohila Sabuj Sangha (TMSS)

Although this organization was rooted before independence in 1964 as Thengamara Sabuj Sangha (TSS), Professor Dr. Hosne Ara Begum reformed it as Thengamara Mohila Sabuj Sangha (TMSS) (in English, "Thengamara [name of a place] Women's Green Association") in 1980. During the independence war in 1971, all the documents of TSS along with the agency's building were burnt and the organization was forced to collapse. Hosne Ara Begum started this organization with full authority, keeping the primary focus on the development of women. In addition, most of the local citizens know the organization as "Hosne apa's" (the sister Hosne Ara's) organization. Though Hosne Ara Begum established the organization following the same mission of the old organization, according to the law, she was acknowledged as the founder of TMSS.

The name of the organization indicates the two primary foci of the organization. They are: 1) Mohila (women) and 2) Sobuj (green). The 2016 annual report states that women's empowerment is not the only primary motto of the organization, but it is accompanied by green revolution, which primarily is involved in tree planting and environmentally friendly projects, especially in rural areas of Bangladesh. Like the other two NGOs, TMSS has launched a number of projects for development. However, their primary product is the microfinance program. According to their statement, the typical microfinance model is not effective for many relevant issues for poverty, for example, healthcare and education. Microfinance can only be effective if the credit clients have sound health and at least basic literacy. Therefore, they have designed their own microfinance model in the form of Health, Education, and Microfinance

(HEM). Currently, they serve around half a million citizens of Bangladesh, of whom more than two thirds are microfinance members.

4.3 BRAC's mission and organizational capacity

BRAC is the largest NGO in the world (BRAC, 2018; Banks et al., 2018). In Bangladesh alone, BRAC serves more than 120 million people, the majority of whom are members of the most marginalized groups. They operate their development projects in 11 countries and microfinance in seven countries (BRAC, 2018). Although they started as a relief organization in 1972, they have sustained the organization with diversified projects in which most of the social enterprises and financial investment units gained significant successes. Arguably, BRAC has been regarded as a model NGO in the world due to its high-performance management system and the continuing efforts to sustain the organization. However, some researchers argue that while initially BRAC did some good work, their current focus is more to capture international donor attention than promote women's empowerment (Mannan, 2009).

Table 9: BRAC at a glance

BRAC Activities	Total
Operating countries	11
Number of employees	115,634
Primary schools	45,498
Microfinance borrowers	4.8 million
Social enterprises	13
Population reach	138 million
Annual expenditure	US$ 932.4 million
Number of students	1.4 million
Cumulative disbursement	US$ 13.4 billion
Financial Investment institutes	7

Source: BRAC, 2014

The mission of BRAC "is to empower people and communities in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to achieve large scale, positive changes through economic and social programs that enable men and women to realize their potential" (BRAC, 2017). To accomplish this mission, BRAC has launched a number of development projects together with social enterprises (Table 9). Although primarily the organization was working for relief and rehabilitation, they realized that this way they could not provide any sustainable solution for the poor. Therefore, they shifted to emphasizing community development with diverse programs (BRAC, 2018).

Along with credit programs they initiated healthcare, education, and legal support for disadvantaged people (Figure 7). According to BRAC, the agency's development approach can be described as a full package for poverty alleviation. Starting in a remote area and depending on donor assistance, BRAC is now on the way to sustaining the organization without any external support. The 2016 BRAC annual report indicates that this organization generates 82% of its own funding (BRAC, 2017). The organization has been growing rapidly. Thus, it is understandable that in a few years they will be able to declare themselves a financially independent organization (Table 10).

Table 10: Consolidated profit and loss account of BRAC Bangladesh, 2016–2017 (in USD$)

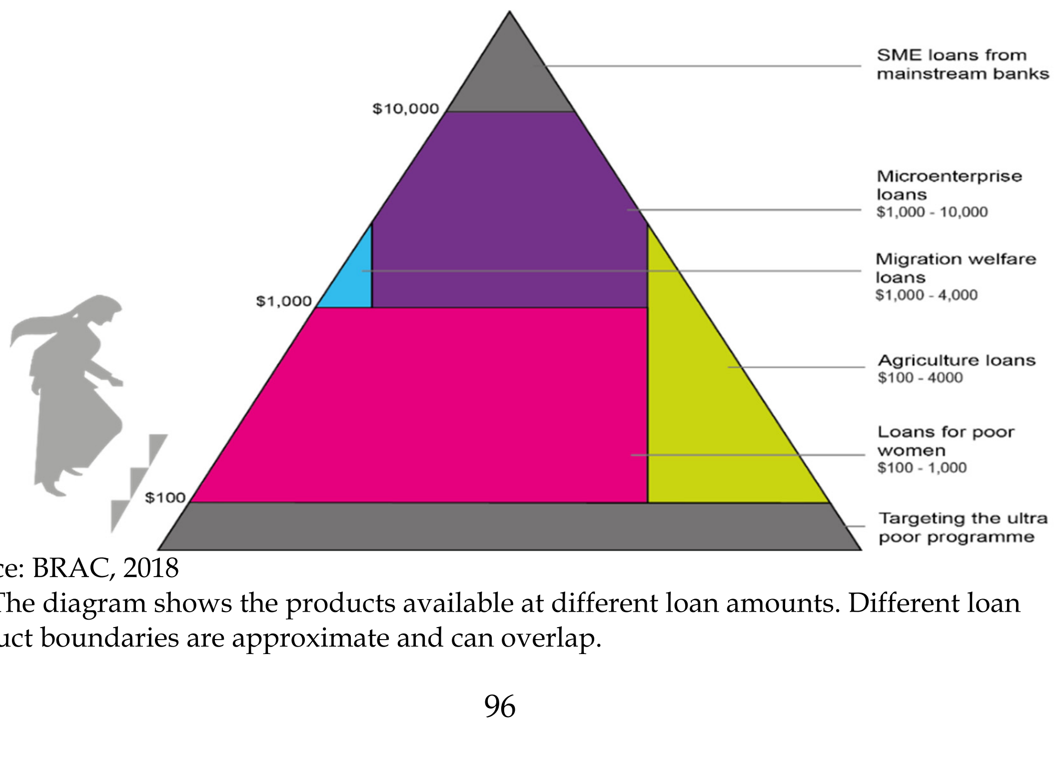
Year	Income	Expenditure	Profit
2016	52,067,478	27,405,871	24,661,607
2017	56,237,558	33,844,232	22,393,326

Source: BRAC, 2018

4.3.1 BRAC Microfinance

BRAC's primary focus is poverty eradication by empowering the poor. They believe that financial inclusion for the poor along with education and health services are the keys for real empowerment of the poor and raising them out of poverty (Mannan, 2009). As a development organization, BRAC has been working with a primary focus on poverty reduction. BRAC has designed microfinance programs in order to reach the poor in different kinds of need (Figure 7).

Figure 7: BRAC's various loan schemes



Source: BRAC, 2018
NB. The diagram shows the products available at different loan amounts. Different loan product boundaries are approximate and can overlap.

The significance of BRAC's microfinance approach is that they provide their services to various groups of people in different kinds of need, for example, from the extreme poor to migrant workers and rural areas to the urban poor. In addition, they fund different kinds of activities, from income-generating activities to investing in small assets. BRAC usually follows a four-step ladder strategy to get the poor out of poverty (Figure 8). First is to provide asset grants and soft loans from targeting the Ultra Poor program; second is to borrow microloans from the Dabi (program name in Bengali means rights-based need) scheme; third is to borrow microloans from the Progoti (development) scheme; and fourth is to borrow SME (small and medium enterprises) loans from mainstream banks (BRAC, 2014).

Table 11: BRAC microfinance in Bangladesh, June 2016

Village Organizations (VOs)	284,412
Total members	5,475,037
Total borrowers	5,165,754
Outstanding loans	US$1.6 billion
Saving deposits	US$0.5 billion

Source: BRAC, 2017

Table 12: BRAC microfinance around the world, June 2014

Country	Total Outstanding Loans USD	Total Borrowers
Pakistan	13.7	56393
Liberia	2.7	16,076
Sierra Leone	2.9	29,478
Tanzania	28.5	149,317
Uganda	44.3	209,742
Myanmar	4.5	29,635

Source: BRAC, 2014

BRAC microfinance program has reached every corner of Bangladesh to provide microfinance services (Table, 11). Currently they have over five and half million members (BRAC, 2018). In addition, BRAC has launched microfinance program internationally (Table, 12). Currently they have been providing microfinance services in six countries (Table, 12). Most of the revenue of BRAC also comes from this project. According to a BRAC, in 2013, BRAC microfinance generated USD 228 million in income. This accounted for 42% of BRAC's total expenditure across the organization. This statement clearly depicts the profitability of the microfinance program. For such reasons, BRAC as well as other NGOs in Bangladesh have been increasing their outreach. For example, in 2016 BRAC increased its total disbursement by 26% over 2015 (BRAC, 2017).

Although BRAC still gets donor support to run around 18% of its development programs, the microfinance program is entirely self-funded. More than two thirds of microfinance in 2016 derive from savings and recollected revenues and the remainder comes from a commercial bank. The reason microfinance generates such a significant profit is, they do not give interest against clients' savings deposits. However, they take extremely high interest against the loan. Even after the government capped the interest rate, the current rate is 27% flat interest. Besides this, BRAC microfinance is tax exempted. Most of BRAC's earnings come from the microfinance program. Therefore, they are planning to distribute 15% of microfinance income for other BRAC development projects as the organization is currently experiencing less donor funding. For example, BRAC in 2016 received around US$100 million less than the grants of 2014–2015 (BRAC, 2016). However, the reason for the reduction in grants was the significant economic growth of both the country and the organization (BRAC, 2016).

4.4 Grameen Bank's mission and organizational capacity

Grameen Bank was established with the primary focus on poverty alleviation and women's empowerment. The pioneer has a strong belief that every person has some innate skills (Yunus & Jolis, 1998). Therefore, if the poor get access to credit, they have great potential to extend their income through self-employment or entrepreneurship. In addition, the majority of women in Bangladesh and elsewhere have little power due to their strong dependence on male partners or other guardians. In most cases, male dependence occurs due to their inability to contribute to the family incomes. Yunus, the founder of GB, targeted these disadvantaged groups. Around 97% of the GB credit clients are women. Initially, the organization was subsidized by donor organizations. However, in recent years GB has produced remarkable profit. Seventy-five percent of this bank's shareholders are the poor credit clients and 25% belongs to the government. See the income chart below for the last few years (Table 13).

Table 13: Net Profit for Grameen Bank for 2012–2016

Year	BDT (millions)	Equivalent in euros (millions)
2012	1450.48	14.51
2013	1330.28	13.30
2014	450.6	4.51
2015	20.43	.24
2016	1000.00	10.00

Source: Grameen Bank, 2017

Due to political hostility from the current government, the bank has been under immense pressure. The founder, an internationally recognized Nobel laureate, was sacked from the bank. However, the case is not yet resolved and continues in the court. Due to the above-mentioned reasons, the income of the bank sharply fell in 2015. However, in 2016 the bank profit rebounded and made a sharp growth in spite of great expenses for additional salary to its 23,000 employees. The government of Bangladesh made a new pay scale for all public employees, which is almost double that of the previous scale. Since the government has a 25% share of this bank, the rule requires this bank to set a new pay scale. GB paid around 450 crores extra for this new pay scale (Grameen Bank, 2017). Despite this expenditure, the bank showed the proficiency to make significant profit. Empirical evidence suggests that although Yunus is not officially active as the managing director, he still has indirect influence on the organization. In addition, many employees in this organization respect him and expect him to be acted as the managing director. GB has reached more clients than any other organization in Bangladesh (Table 14).

Table 14: Grameen Bank at a glance in 2017

Grameen Bank	Total
Number of branches	2,568
Number of centers	141,363
Number of groups	1,375,798
Total borrowers	8,915,491
Outstanding loans	US$1.7 billion
Saving deposits	US$1.42 billion

Source: Grameen Bank, 2017

GB operates its MF program throughout the country. It has also been steadily increasing client outreach over the last several years (Table 15). A very recent report suggests that as of May 2019 GB reached 200,000 crore BDT (Prothom-alo, 2019).

Table 15: Number of members of Grameen Bank, 2005–2016

Year	Numbers of members (millions)
2005	5.68
2006	6.91
2007	7.41
2008	7.67
2009	7.97
2010	8.34
2011	8.37
2012	8.38
2013	8.54
2014	8.64
2015	8.81
2016	8.91

Source: Grameen Bank, 2017

However, statistics from the other studied NGOs suggest that the growth of members in other NGOs is much higher than GB. For example, BRAC's clients increased by 10% in 2016 and 6% in 2017 over the following previous years (BRAC, 2017). However, despite the growth in number, poverty is pervasive in Bangladesh, which indicates that the primary motive of NGOs is to increase outreach to make profit rather than reduce poverty (Rhyne, 1998; Christen & Drake, 2002). The prior literature suggests that GB is the most popular microfinance organization among others. However, due to economic conditions of the disadvantaged populace, they are bound to seek another MF organization along with GB (Bari, 2011).

For at least the last two decades, Bangladesh has been developing steadily and consistently (World Bank, 2018). Despite massive corruption in the public sector, the country has been developing remarkably in the private sectors, especially the contribution of the NGO sectors (Azim et al., 2017). The innovation of microfinance was considered to be the revolution of a new economic model of development (Grameen Bank, 2017). Although microfinance has been widely criticized, especially over the last few decades, primarily for high interest rates and service charges, the necessity of credit for the poor remains undeniable. The pioneer, Yunus designed the microfinance model in such a way that almost no threat of it collapsing exists. Since the inception of GB in 1976, it has always made a profit except in 1983, 1991, and 1992 (Grameen Bank, 2017). The transformation of MFIs has come to light since the beginning of the 90s, which focused primarily on a double bottom-line goal: poverty reduction and self-sustainability (Morduch, 2000; Labie, 2001). To achieve both objectives, microfinance initiated a commercial approach to compete with the private market (Maitrot, 2018).

The literature suggests that one of the most significant aspects of GB's management system is the discipline and trust among the employees (Sarkar, 2001). Currently, 23,000 employees work in GB (Grameen Bank, 2017). GB's management system is well-structured and decentralized hierarchically (Azim & Kluvers, 2017). The bank's current chairman has said that trust is the key for the organization because most of the decisions about loan sanctions are made by the field workers (Grameen Bank Annual Report, 2017). In other words, the lowest sector of employees proposes loan decisions. Almost all proposals are usually approved by the immediate boss. The senior management usually focus on policy making, accounting, and training. The employees move frequently, which makes the organization very transparent. However, a few years back this organization and its founder were accused of hiding taxable grants received from the Norwegian government (BBC, 2010). Although GB denied this accusation and gave a statement, a number of people were not convinced. Within the Grameen network, around 20 independent institutions have been working for development of the poor. Although all the institutions are well known to GB, it does not own any share of those institutions (Grameen Bank, 2017). However, GB is liable for the loans received by a few of Grameen's network institutions. According to the 2017 Grameen Bank annual report, all these institutions have been successful in their operations and are profiting from the operation.

4.5 TMSS mission and organizational capacity

In terms of beneficiaries, area coverage, and resources, TMSS is a middle-level NGO compared to a number of leading NGOs in Bangladesh, for example, BRAC and GB. However, TMSS's efforts toward poverty reduction are not negligible. They have been running 58 development projects for human development for poverty reduction, women's empowerment, and environmental sustainability (TMSS, 2018). In addition, their microfinance program reaches over four million clients in Bangladesh. TMSS believe that credit alone is not sufficient to alleviate poverty from society. Therefore, they have integrated their microfinance project emphasizing healthcare and education as Health, Education, and Microfinance (HEM). According to the organization, the mission of TMSS is "to provide best efforts in bringing the poor women to a better life with dignity in the family and society through their capacity building, adaptability, responsiveness, optimum use of their own/available resource, participation in development activities, good governance, and establishment of their legitimate rights on a sustainable footing" (TMSS, 2017).

Table 16:TMSS at a Glance

Operation area	Total
Division	7
Districts	57
Upazila	308
Union	3.312
Village	24.211
Group nos.	43106
Branch	831
Area office	168
Zonal office	46
Staff members	6203

Source: TMSS, 2016

TMSS microfinance program has reached almost all district in Bangladesh (Table, 16). Despite a high number of development projects and beneficiaries outreach, very little research has been done nationally or internationally on this NGO. As a result, most of the data and information have been taken from the TMSS webpages. In fact, a number of similar NGOs have been operating in Bangladesh. As stated earlier, though they claim that they are working for the sake of underprivileged people, studies suggest that their primary motive is to make profit for the agency's own interests (Bari, 2011). This NGO's microfinance program usually borrows its capital from commercial banks at low interest and disburses to the poor with higher interest rates. The profit margin refers to the above-mentioned claims in TMSS' microfinance program 2016 annual report.

Table 17: TMSS microfinance program, 2016

Particulars	2014	2015	2016
Branches	571	596	634
Staff members	4,396	5,005	5,537
Field supervisors	2,268	2,407	2,555
Members	9,29,457	801,978	860,728
Borrowers	798,883	689,345	736,983
Loans outstanding	10,566,298,108	12,923,805,851	148,1557,282,9
Net surplus	771,153,948	751,531,644	1,150,632,138

Source: TMSS, 2016; p. 144

Although TMSS does not have operations all over the country, credit clients account for more than half of GB's business and more than two thirds of BRAC's (Table, 17). In addition, the number of employees of this NGO is also significantly smaller than GB's, which indicates that the employees, especially at the grassroots level, are forced to work overtime. However, the literature suggests that although the number of GB's clients is double that of TMSS, the income was almost the same for both organizations in 2016. In addition, the income of TMSS was more than GB's profit in 2015 (Table, 18). Though TMSS takes loans from commercial banks with interest, they still make an even larger profit than GB, which has almost double the members of TMSS. This statement clearly demonstrates that not all these organizations are working toward poverty reduction. Instead, they exploit the tax exemption benefit by operating microfinance as a secure business (Bari, 2011).

Table 18: TMSS income chart for 2015 and 2016

Financial statement	Fiscal Year 2014–15	Fiscal Year 2015–16
Total income (BDT)	3,519,660,932	4,205,213,453
Total expenditures (BDT)	2,938,866,572	3,220,987,445
Profit	580,794,361	984,226,008

Source: TMSS, 2016; p. 192

The organization states that it has a well-structured management system that is typically bottom-up, participatory, and democratic (TMSS, 2017). However, while interviewing credit officers, they said that most of the decisions come from the founder, Hosne Ara Begum. On the other hand, this organization, especially its microfinance program, is also following the GB operational management system. For example, the loan recommendations come from the field-level officers, and the immediate senior boss approves the loan decision. According to the TMSS website (TMSS, 2017), this organization has received a number of national and international awards.

4.6 Conclusion

These NGOs, especially GB and BRAC, clearly state that their microfinance programs are fully independent without any kind of donor assistance. In addition, they have been making remarkable net profits from these programs. Not only these three organizations but also other NGOs, which started their operations as charitable, have shifted or added microfinance as the best alternative for poverty reduction. However, a number of scholars argue that there is still no clear evidence proving that microfinance has been helping the poor to escape from poverty (Roodman & Morduch, 2011; Sherratt, 2016). Roodman & Morduch (2011) argued that, though microfinance initiated over 30 years ago, no solid and precise evidence has yet been provided to prove that microfinance has improved the quality of lives and eliminated poverty in measurable ways. All three NGOs have been presenting their missions as praiseworthy and optimistic, but in practice, there is no evidence of their success in fulfilling their missions.

However, in terms of institutional sustainability, all these NGOs are very successful. Their development approaches suggest that they have been continuously updating their operational strategy based on global economic shifts. For example, BRAC initiated rural rehabilitation through relief programs shifted toward community development (Davis, 2006). To do that, they have launched a number of commercial enterprises in the name of "social enterprises." Finally, they have established a number of financial investment institutions, for example, a BRAC bank, Bkash (mobile banking).

GB followed the same strategy through establishing a number of commercial enterprises. The literature suggests that development projects other than microfinance are a technical policy of NGOs to maintain the flow of donor grants (Bari, 2011). If donor supports close and lessen, the NGOs can terminate these projects but still can run the organization as profitable through the MF program. However, despite the literal focus on the poor, no organization has precise evidence to prove that the poor have been delivered from poverty.

It is evident from the discussion above that the primary mission of these three NGOs is to strive toward poverty reduction and women's empowerment. At the same time, organizational sustainability is the prerequisite for their development operations. Earlier studies suggest that the commercial approach of NGOs toward promoting organizational sustainability has been affecting the poor negatively (Ghosh & VanTassel, 2008; Mersland & Strøm, 2010). As a result, poor people are falling into the poverty trap. However, it is also true that credit is essential to eliminating poverty. This dilemma will be addressed in the analysis of the empirical data of this study, to be presented in Chapter 5. The final Chapter 6 will discuss the key findings and, based on these, make a number of policy recommendations for NGOs to foster further development in order to obtain the optimal benefits of microfinance operations.

5 FINDINGS

5.1 Introduction

There is intense debate whether microfinance is helping the poor to escape poverty or trapping them in the cycle of poverty through their commercial orientation (Ghosh, 2013). In response, the main research question for this study is whether microfinance organizations reduce poverty or have drifted from their primary mission pursuing profit orientation in the name of organizational sustainability. To get an answer and understand the phenomenon, an empirical data collection method has been undertaken, and the collected data has been analyzed qualitatively. The main purpose of data analysis is to change the data from an unprocessed form to an understandable presentation (Wolff & Pant, 1999; p. 127) so as to get answers to the research questions.

The empirical data collected from the field have been processed by systematic coding before being analyzed. According to Charmaz (2001; p. 3), coding is a critical link between data collection and interpretation of the meaning. In the first phase of coding, all transcribed data were processed into an understandable format for further coding. Initially, the raw data obtained from respondents' interviews and focus group discussions were transcribed verbatim. However, a few data sets, for example, microfinance organization executive officers' informal interviews from both physical attendance and phone calls and observation notes, were not transcribed verbatim as those discussions were not recorded. However, I wrote down notes and interpreted them immediately after coming home so as to ensure accuracy. These data were recoded simultaneously with the second phase of coding the transcribed data. In the first step, I used descriptive and in-vivo coding approaches.

In this stage all data have been processed as a "pattern code" to identify themes, causes, relations, and theoretical constructs for analysis (Miles et al., 2014). Finally, I analyzed the formulated thematic data according to my own interpretation and theoretical discussion. The data analysis process used a primarily inductive approach. The data collected from all respondents were quite large with different perspectives. Therefore, data presentation and analysis mainly focused on addressing the specific research questions and objectives of this study.

5.2 Ambivalence of microfinance in terms of poverty reduction

The term "micro" finance is very relevant to an organization's operating system. The mechanism of microfinance operation is very simple but has been described as having a great impact on poverty reduction and organizational sustainability (Yunus & Jolis, 1998). Microfinance organizations give small loans to the poor, who are disqualified from receiving loans from the conventional banking system due to their intangible assets and lack of collateral to ensure repayment (Yunus & Jolis, 1998; Mujeri, 2015). Microfinance organizations provide small loans without receiving material collateral, instead, they rely on social capital as collateral, for example, by forming groups to ensure loan repayment (Hulme, 2003). The groups are collectively responsible to the organization for the loan. If a group member fails to repay, the other members have to compensate the loan (Dunford, 2003). Therefore, despite the clients' loss, the company ensures its profitability and sustainability. Thus, most of the NGOs in Bangladesh have either shifted to or added microfinance programs to their development projects.

There might be no other organization in the world that has so small a risk of loss as microfinance. Yunus (2005) argued that the poor and, more specifically, women, are the best clients who always ensure repayment. He also affirmed that the microfinance system guarantees its sustainability. Even though this statement may be true, the poor often need to sacrifice greatly to ensure repayment. I asked the Jessore branch zonal manager of GB how it is possible that they recorded 99% plus repayment despite the fact that all their clients are very poor. He replied,

> You are going home from here. Right? It is normal that you reach your home. If not, it means it is an accident, for example, you may have a car accident and be admitted to hospital and cannot reach home in time—but it is exceptional due to the accident. Repayment in such a case—"default"—is considered as an accident. We have almost 100% repayment. If someone fails to repay, it is like an accident (Respondent 62, age 50, zonal manager, GB).

Although the data for all three NGO show that the repayment rate is around 99%, NGOs ensure repayment in many ways. For example, initially, credit officers deduct unpaid installments from savings. If savings are not enough, credit officers may insist/force credit clients to take a larger loan, from which the old loan will be deducted. This statement came from both credit clients and credit officers of all three NGOs.

Microfinance emerged with great promise during the time when the world poor were hit by low income and exploited by extremely low wages (Yunus & Jolis, 1996). At that time, the only alternative open to the poor for taking out a loan was from the local moneylenders, because banks were reluctant to give a loan without any collateral. However, it was the custom of local lenders to set interest rates extremely high without any consideration for the banking law or even humanity. They could exploit the poor because they knew that the poor had no other choice but to take out loans from them. Consequently, the poor ended up by losing their last resorts for living. In such a situation, the emergence of microcredit for the poor to start small enterprises generated immense responses from a large number of development agencies and international organizations.

However, after only a decade many scholars (e.g., Agier & Szafarz, 2011; Shicks, 2013; Sherratt, 2016) began to see the paradox of microfinance. For example, Sherratt (2016) argues that microfinance organizations emerged as heroes to rescue the poor but turned to being perceived as villains as they are exploiting the unfavorable economic and social conditions that the poor endure. A number of scholars state that since microfinance got market access by taking a commercial approach, day by day they have been losing their welfare character—focusing less on their primary mission of poverty alleviation and focusing more on portfolio growth by increasing outreach and credit volume (Wong, 2014).

Literally, two types of microfinance exist on the market: for-profit and non-profit. The literature suggests that very few differences exist between them (Karim, 2011). Rather, one of the major drivers of their operational display as NGOs was to get tax exemption. However, the sharp growth of both types of organizations suggests that both are champions in their operation and achievement in terms of profitability. The main concern is that the market has been saturated by the excessive growth of MFIs. Consequently, MFIs' competition has been exploiting the poor instead of improving their livelihood in many ways. A branch manager of one NGO joked that "The competition is so high, seems that if someone is asleep in her room, the credit officer goes to her home, pulls her leg, and asks to take out a loan" (R61, 40, GB).

I found his opinion to be true: in my study areas alone, more than ten MFIs have been providing loans to the poor through the local money lenders and tiny cooperative societies. I also found that there is enormous competition between them. As a result, credit officers are under continuous pressure from upper management to successfully get more clients than other NGOs. Therefore, they try their best to get new clients, even by providing wrong information or by hiding information from the clients, for example, hiding the interest rate and service charges. At least 11 credit clients told that credit officers manipulate them in many ways. For example, one client said,

> Credit officers from many NGOs come to our home and ask us to take a loan from their NGO. They show how optimistic our future will be if we take out a loan and start a business. However, when we take out a loan, the officers' behavior changes. They become rude and only concerned about weekly repayment (R3, 50, borrower, GB).

> However, some credit clients said that they enjoy the competition because whenever they need money, they can get it from either one or the other MFIs. One client said, "If one NGO refuses to give a loan, we can go to the next one. In fact, they are coming to our home and ask us to take out a loan" (R28, 30, borrower, BRAC).

However, this competition and management pressure pushes the credit officers to offer credit for the riskier clients (Ghosh, 2013), who end up as default cases. This study also found that credit officers often give consumer loans knowing that the credit clients cannot make a profit from such loans. In addition, in many cases, these loan cases do not even address the high priority needs of the poor, but still they take it due to the availability and the appeal by the credit officers (Priyadarshee & Ghalib, 2011). As a result, they often become over-indebted and fall into serious difficulties. Undoubtedly, the growth of MFIs could have positive impacts; as Mallick (2011) said, microfinance is essential for the poor. However, its commercial orientation has caused credit officers to be more interested in outreach and greater disbursements than development of the disadvantaged populace's livelihood.

5.2.1 Microfinance impact on poverty reduction

The credit client respondents were mostly positive about microfinance. However, the interviewees may have considered the researcher to be a senior boss of the credit program, which may have affected their comments despite informing them that I am an outsider researcher and not involved with any organization. It is worth mentioning that I chose to visit credit respondents' home with a branch manager for my own safety. The branch manager would leave the home while I was interviewing the respondents.

Almost all of the credit clients said that credit is good and helpful. They said that NGOs are the only organizations who care about the poor. Nobody else is giving them loans or any form of support. However, I found that most of the clients have a long history of receiving credit, which gave the impression that in fact the credit clients are in a cycle of debt without any significant development of their livelihood. In a follow-up question on positive remarks about microfinance, I asked clients to explain the significant impact in their livelihood. Most of the clients could not give any visible example. However, a few clients gave examples of their livelihood expenses, for example, children's education, medical expenses, daughter's marriage ceremony, and so on. One client, who has been a member of a loan group for over 20 years, said,

> There is nothing special I can tell you if you want me to compare with the current situation and the previous (before getting loan) situation. However, I had no children before. Now I have children and I am sending them to school. I need to buy books, pay tuition fees for them and many other expenses. This credit helps me to spend money for many such purposes. I don't know what would be without getting this support (R8, 50, borrower, GB).

Most of the clients who have been members more than 10 years gave nearly the same kind of statement. However, I found hardly any clients who have been doing well with microcredit. The very first client I interviewed gave all good comments about microfinance. She said,

> I am doing a rice business. I sell them and sometimes I stock them for a better price in off-season. I bought some land, cattle, and built my house. Grameen Bank is very good. The organization, the credit officers all are very good. I am very happy and want to continue membership as long as I live (R1, 51, borrower, GB).

Due to this impressive statement, I was curious to know more about her condition. I asked her family background and found that she has four brothers who are wealthy and often help this woman considering her to be poor. I asked further what kind of support they give. She replied,

> When I organize a marriage ceremony of my daughters, they have given almost all expenses. I only bought some clothes and little ornaments. Besides this, most of the time, they give me clothes. Even, if they buy meat, they send some of it for me. I have very little household expenses as my brothers have been contributing continuously (R1, 51, borrower, GB).

In fact, these few clients who gave positive statement have some other sources of income or support that help them to run their business. However, probably these kinds of clients are more ambitious and determined to achieve a better life even though they would not receive any loan. The literature suggests that people who have more drive and ambition to achieve a better life do better than others having the same livelihood conditions (Rosenberg, 2010).

When I asked these respondents about their wealth, I found that they are just in the same economic situation or even worse since starting the microfinance membership. However, they explained that their livelihood expenses have been increasing, for example, children's education, healthcare, consumption goods price rise, and other such reasons. Therefore, they cannot save. Instead, they are all the time fighting to meet all their basic needs. Answering my question about development over the last 20 years since she became a GB member, she replied,

> Around 20 years ago some officer came to us and said that you can take out a loan and do some business. We were surprised but I took one as I see others take out a loan. I use this money for household consumption. We are poor. We have so many needs to fulfill. How can we improve ourselves with this small money? (R7, 49, borrower, GB).

Despite a number of studies suggesting that microfinance brings social and economic benefits, many scholars, including Roodmand and Morduch (2009), and Rosenberg (2010), argue that scientific testing of the impact is still a difficult task. They further added that there are controversies in terms of methodology and validity (Goldberg, 2005; Rosenberg, 2010). Although it is not possible to conclude with only a few studies, it is probable that if small enterprises could lift the poor from their poverty, most of the donor, government, and other development organizations' focus would be on encouraging the poor to be entrepreneurs.

Supporting business with such a small loan is quite difficult, though some researchers suggest that having initial capital brings more profit (Hudon &

Sandberg, 2011). The clients in fact use the loans for urgent needs, for example, paying for children's exam or tuition fees, medicine, marriage ceremony of their daughter, and such urgent cases. In both individual interviews and focus group discussions, I have found that, more than microcredit, credit clients need support for their family members, for example, son, brother, or husband. In a focus group discussion, a number of women initially considered me to be a senior official of GB. They asked me to find jobs for their husbands or sons. Among them, one lady stood up and said, "Actually, a job is more important than credit. If you give my son a job, we will have no problem." Another woman said, "I want to request Grameen Bank to send my son abroad as a labor worker. When he earns money, he will repay all loans." Almost every respondent in that discussion supported those women and agreed that they needed the same as the other women said.

This study found that people in Bangladesh usually live together with the extended family members. Therefore, they think that if the unemployed member in the family obtains a permanent job or becomes self-employed, it would be more beneficial than being granted credit. In addition, it was found that the major problem of the poor is irregular incomes. For this reason, the poor often take out a loan from the microfinance organization, as it is easier to get than from other formal or informal lenders. However, the poor can resolve their immediate problems with microcredit but often are at risk to repay the loan if their income situation remains unchanged. In the end, they fall into a deeper debt cycle. Still, the poor praise microcredit as they find MFIs to be the only alternative available to them.

At the same time, according to the credit clients, major problems in credit programs are multifold. First, the interest rate is very high compared to the commercial banking sector (Hudon & Sandberg, 2011). With such a small loan with high interest, in reality, it is quite difficult to make a profit. In fact, the credit clients also know that they cannot make a profit or even start a business with such small loans. However, they still take the loan because of their urgent consumption needs and having made an unconscious cost and benefit analysis. Often, they end up taking further loans from other NGOs to escape the tag "defaulter," except those clients who have other sources of income by which they can pay the installments. I asked one respondent the reason for taking a loan. She replied, "I took this loan to buy rice so that I can consume it when the rice price goes high." I asked her how much would be the price when the rice price goes high. She gave me an estimation. Then I told her that if you calculate, you will find that microcredit with interest and service charge is higher than the maximum price of rice. She looked at me in astonishment and said, "I never think this way and no one informed me either."

It is also evident that most of the loans are disbursed to older clients who have been members for a long time with the organization. It indicates that credit clients are not being lifted out from poverty. Also, earlier research has found that when the poorest group gets credit, they use it for daily consumption (Moseley & Hulme, 1998; Morduch, 1998). In addition, microfinance alone is not a sufficiently powerful tool to lift the poor from their poverty situation (Datta, 2004). According to my data, most of the clients repay their first loan so that they can get a further, bigger loan. Even this greater loan is often not used for investing in business.

More than 50% of clients admitted that they repay regularly so that they qualify for a bigger loan. Seventeen credit clients said that they took another loan to repay the first loan.

One branch manager from TMSS said, "We encourage old clients to take bigger loans. It is safer than the new client is. New clients are always risky since we are not sure they can repay the money" (R64, 48, branch manager, TMSS).

However, it was also found that no standard indicators exist to evaluate the client's financial performance or capacity. Therefore, the credit officers often use their own judgement and discretionary power to recommend for a loan (Morduch, 2000; Maitrot, 2018). The credit officers usually permit a loan recommendation based on the credit client's transaction performance. They are derived by the daily target they need to achieve to prove their performance to their superior.

Over 40 credit recipient respondents out of the 50 said that sometimes the amount of loan money they receive is too small to do any productive thing from which they can get profit. One client from TMSS said, "I asked for 1 lac taka (equivalent to 1000 euros) so that I can buy an auto rickshaw, but they gave me 50 thousand (500 euro). Therefore, I had to take a further loan from another NGO" (R37, 36, borrower, TMSS).

In such situations, sometimes the credit client borrows from local moneylenders at extremely high interest. Therefore, they incur a great economic loss, which cannot be covered from the profit they make from their investment.

Another major problem of repayment is the immediate repayment schedule. The borrower has to start loan repayment from just the week following reception of the loan. Therefore, there is little chance to make a profit from the loan investment. Twenty-eight respondents said that if the MFI would give them a certain time, for example, one year, and after that, the repayment schedule starts, it would be a fair and optimal use for investment to make a profit and make the business stable. Five respondents among three NGOs gave the same kind of statement:

> If we can use this money at least six months to one year without repaying, we could make some profit. Now we have to pay from the next week of receiving the loan. Therefore, we cannot benefit from the loan. But still we take the loan so that we can buy some more products in the shop (R5, GB; R, 28; R34, BRAC; R45, TMSS; R47, TMSS).

However, those clients who do not have a business prefer small loans and weekly repayment because, if the loan size is very small, the credit clients are able to pay the installment. If the amount is high, it becomes hard for them to repay the installments. More than ten clients agreed and said,

> It's good to pay a small amount each week. We are poor people. We have so many needs. If we want to pay monthly, we cannot keep this money. We surely spend for

> other purposes and get into trouble when the repayment time comes (R18, 35, borrower, BRAC).

5.2.2 Women's empowerment: an ambiguous myth

For almost the last four decades, the microfinance campaign slogan, a "cure for all evils," addressing especially poverty eradication and women's empowerment, has been able to attract the attention of world development organizations (Bari, 2011). However, despite the dramatic growth of MFIs and their reputation, there is very little quantitative or qualitative evidence showing that poverty has been reducing or credit-receiving women become empowered after getting membership in microfinance institutions. Rather, many empirical studies show the opposite phenomenon (Agier & Szafarz, 2011). One current study found almost no respondents saying that microfinance had empowered her within the family or society after obtaining microfinance membership. One respondent, who thinks of herself as empowered, said, "My husband always asks me before making any family decision. However, there is no effect of microcredit on it. We love and respect each other, which is reflected in our daily life."

While interviewing, I asked the respondents about household decision-making power and whether or not control over the husband/family increased after receiving the loan. Thirty-eight respondents said that there had been no changes or influence of credit on their livelihood concerning the above issues. Concerning power, they had the same status before receiving the loan. They further said that they just receive the loan but their husbands or male family members, usually guardians of the family, decide how to use the money. The remaining respondents said that the credit has little effect. For example, one respondent said, "I can send my children to school now despite a number of financial problems at home. The children's father agreed with me concerning many such family decisions" (R48, 45, borrower, TMSS).

The concept of women's empowerment is definitely involved in a number of family issues including the children's schooling, proper nutrition of the family members, and, certainly, power in decision-making concerning family issues. In most cases, microfinance NGOs give membership to women. For example, all three case study NGOs provide microcredit mostly for the female clients, for example, 97% of GB's customers are female (Karnani, 2007). Around the world, the percentage of female clients for microfinance loans are above 85% (Daley-Harris, 2007). However, this study found that beside micro-loans, these NGOs nowadays provide loans much like conventional banks. For example, one case study NGO provides consumption loans to salaried employees with certain conditions. Instead of collateral, they receive an advance signed bank cheque with a certain date that confirms that on the due date, the organization can receive the loan money back from the bank by providing the cheque. However, this practice confirms that the microfinance organization no longer provides loans on a small scale and only for poor people. Rather, they are interested in expanding their business by adopting a commercial attitude.

Western donor agencies and leading development organizations have been supporting microfinance without any practical evaluations, as they think that microfinance has been working for women's empowerment and poverty reduction (Karim, 2011). However, women's empowerment through microcredit is critically debated (Garikipati, 2008a). For example, the current study as well as Banerjee et al. (2010) find no effect of microcredit on household decision-making by women. Rather, credit to women sometimes generates cultural and social complexities because of their inability to manage the credit when their male partners are not supportive or even opposed (Agier & Szafarz, 2013). Furthermore, Bangladesh is culturally not supportive of women's involvement in income-generating activities outside of the home (Pitt et al., 2006). One young client from Grameen Bank said, "My parents told me to take the loan because my mother already took a loan. Therefore, the NGO will not give further loans to my mother. Otherwise, I do not need any loan" (R2, 24, borrower, GB).

There are many similar cases. One TMSS client said, "The group leader forced me to take out a loan in her name. I took the loan and gave it to her. However, she is not paying the installments regularly. Now, I am facing the problem for her" (R40, 38, borrower, TMSS).

This study found that Bangladeshi women use different sources to get loans besides microfinance membership (Rosenberg, 2010). Usually, these include informal loans, for example, from their neighbors and relatives. Most of the credit respondents said that they are accustomed to buy their consumer products from shops with loans, especially when they are in trouble financially. However, in many cases they have to pay a bigger fee than normal due to the agreement to pay later. Still, according to them, these kinds of arrangements are much better than getting a loan from a microfinance organization because they do not have to pay any interest against the loan and no installment pressure is involved in it, though these kinds of loans are usually for short periods. They only take out a loan from microfinance when there is no hope of getting such informal loans from any sources.

They further admitted that they usually look for formal loans from microfinance when their husbands insist they do so. Not one respondent out of 50 said that they took the loan without her husband or father's (the male guardian) permission. This shows that despite the women's membership, they are quite dependent on their husband's decision. In fact, in most cases, the male partners take care of the total management of expenditures outside of the family and other transactions, while the women take care of expenditures inside the home, for example, children's food, healthcare, and education (Garikipati, 2009). According to them, this is a common and normal practice, because ordinarily, husbands spend more time outside of the home. Therefore, the wives have to take care of children's health and other daily issues. According to them, "We never think this way. We think it is our duty. No power issues are involved in it."

However, in many cases, women fall into trouble if the husband is careless and irresponsible about family issues. Bangladeshi women are usually highly dependent on their husbands (Karim, 2011). Besides this, emotionally they are very much attached to the family. The current study found that many women borrow a loan just to maintain the family expenditures, especially for children's food and medicine, while the husband is careless and stays at home without looking for jobs or wage work. Some husbands are addicted to drugs and some of them gamble. These kinds of husbands sometimes force their wife to get a loan. When they receive a loan, the husbands take the money forcefully from their wives and use it for gambling or taking drugs. One respondent said,

> My husband drinks alcohol and gambles. He forced me to take out a loan. He threatened that if I do not take out a loan, he will divorce me. Due to the fear, I took a loan and gave the money to my husband. He paid a few installments and stopped. Now I am a default client. Very often the credit officer comes and misbehaves with me (R22, 30, borrower, BRAC).

This is one of the biggest challenges for many poor families. However, the current study found that despite knowing these facts, many credit officers still give loans to women just to reach their target loan disbursement goal set by upper management.

This study suggests that most of the respondents have received loans for household consumption instead of investing in business. However, the microfinance record shows that all these loans are for promoting the women to be entrepreneurs. Though some researchers (e.g., Collins et al., 2009) argue that household consumption credit is necessary and useful in cash-strapped families, the above-mentioned cases could throw the women into a deeper and more severe poverty situation. One of the biggest problems for the women consists of different forms of misconduct, for example, physical violence and sexual harassment by the lenders. Since the women usually have no alternative than to stay at home, lenders come to the client's home and misbehave with the women while the husband escapes from the credit officers. It could also be a reason for the microfinance organization to choose women as prior clients. Furthermore, since the loan takers are women, the lenders ultimately pressure them. The literature shows many incidents of such abuse, even leading to suicide, not only in Bangladesh but also many other developing countries due to this fact (Guerin et al., 2013; Garikipati et al., 2014). One credit client said,

> I hide under my bed when the credit officer comes to my home. Sometimes, the credit officer waits for a long time. I remain under the bed and stay silent; I sweat, feel dizzy but can't move out because if he catches me, certainly he will misbehave with me very badly (R6, 53, borrower, GB).

The literature suggests that informal loans are usually felt to be dishonorable in the society (Garikipati et al., 2014). Therefore, as has been mentioned, in many cases, male family members push their wife to get loans because they think that if they ask for a loan from someone, it is shameful. Even the women think in the same way that their husband should not ask for a loan as it is dishonorable. The women are more concerned with their husband's social standing than their own. The current study suggests that Bangladeshi women think that their male partner's respect affects their own respect. Therefore, they do not hesitate to take out a loan from formal or informal sources to preserve their husband's social status. However, on the contrary, the husbands consider this sacrifice as the normal duty of women. Therefore, many of them are not very careful to repay the loan regularly and protect their wives from the lenders' misbehavior. One woman said, "Sometimes we don't have any food. My husband is shy to ask for a loan from neighbors. So, I used to ask my neighbor to give me some loan temporarily."

As regards women's empowerment, a few issues have a great influence, for example, the behavioral attributes of the women. If the wife is educated, she has a strong voice within the family. The economic status of the wife's father also affects the woman's status in her husband's family. Beyond this, if the women manage the family well, many husbands leave the economic issues to their wives because they believe that their wife can handle economic matters better than they can. Research shows that within Bangladeshi women's loan portfolio, 30% of the loans are taken from informal sources (Garikipati et al., 2014). This informal loan gives women more "power" than the formal loan in at least two ways: 1) women enjoy freedom in making decisions and 2), due to the husband's unreliable financial condition, they agree with their wives' decision.

Entrepreneurship through microfinance?

Nobel laureate Yunus strongly believes that every person has some innate skills but may lack the capital to engage in income-generating activities (Yunus & Jolis, 1998). Therefore, if they are supported with credit they can become a successful entrepreneur. Within the structural adjustment policy era, self-employment is encouraged by both government and international organizations as an alternative development initiative for both the individual and society. The World Bank (2004, 2008, 2013) is one of the key players supporting self-employment through microfinance. Despite a considerable amount of evidence of the failure of self-employment through microfinance for diverse reasons, the World Bank continues to argue that self-employment may be precarious and unprofitable for some isolated individuals, but is beneficial for the majority (Maloney, 2004). However, many empirical studies (Ligthelms, 2005; De Mel et al., 2010; Verrest, 2012; Grimm et al., 2012; Berner et al., 2012) have suggested that though some entrepreneurs manage to do well and establish growing enterprises, the major part of these sectors are incapable and just trying to survive in a difficult, often "saturated and low-growth environment" (Guerin et al., 2013).

More than half of the clients said that they took the loan for their husband or other male guardians. Among 50 credit clients, more than 50% do not invest the microcredit for business purposes. Some clients said that although they run a business, they use some part of the loan money for household consumption. Over 80% of the clients said that they consume part of the credit for household needs, for example, children's education and tuition fees, medicine and doctor's visit, previous loans, food, ceremonial expenses and so on.

The concept of entrepreneurship through microfinance has been losing credibility due to many global and domestic changes. Guerin et al. (2013) explained two common interpretations for this limited effect of microfinance on entrepreneurship. According to these authors, the micro economic approach suggests that the poor lack the skills, the resources, and the motivation to take risks to start their own business. This appraisal indicates that the local market is either saturated or unwelcoming due to social and structural conditions (Servet, 2010; Bateman, 2010; Banerjee & Duflo, 2011; Ashta, 2013; Guerin et al., 2013).

With good intentions of poverty reduction and women's empowerment through entrepreneurship, the promotion of microfinance has continuously received the support of international development agencies. However, during at least the past two decades, they have also increasingly been the target of criticism. Many development scholars, for example, Rahman (2004) and Elyachar (2005), point out the difficulties of being an entrepreneur on the basis of such small loans. Although these empirical studies have limitations due to the small sample size and generalizability, the current study shows that most of the credit clients use loan money for other purposes than to practice entrepreneurship.

Out of 50 interviewed credit clients, fewer than half are involved in income-generating activities through business. Morduch (2013) also discovered that credit clients use a major part of their loan money for household consumption and not for income-generating activities. These arguments above indicate that credit clients are not very likely to become entrepreneurs with the microloans that are the primary focus of microfinance organizations.

The most common types of entrepreneur seen in local areas in Bangladesh consist of craftsmen, service providers, traders, and vendors. Most of the respondents who invest microcredit are running groceries, small restaurants, tea stalls, tailor shops, bike maintenance, selling nuts and snacks in the street, selling cheap mobile and sim cards and mobile pre-paid cards, and repairing cycles, TVs, mobiles, and so on. However, according to them, these shops are very tiny and not able to make any significant profit from their investment.

Most of the population of Bangladesh live in rural areas. Therefore, there are many small markets established between the crossroads point of a few villages, especially near the main road toward the town and big cities. Most of the credit clients' shops thus are located in the nearest small market because, with such small capital, they cannot afford to establish a shop in a big town. Ultimately, these shops have few opportunities to make more profit due to having few customers and sales, whereas they have to pay installments every week at high interest. As a result, they have to grasp money from the invested capital and at the end of the day, the businesses trend toward loss and bankruptcy. I found one NGO branch manager who was buying a good amount of stuff from a shop and asked the shopkeeper to deduct the price from his loan. When I asked him why he did so, he replied,

> This man is not repaying his installments. Therefore, when I come across, I take some stuff and distribute them to the credit officers based on the market price. Then, I deposit this collected money as a repayment for that client. I have to do it because he will not repay his loan in any other way (R64, 48, branch manager, TMSS).

In the women's case, the situation is worse than that of men. As was mentioned earlier, women are not likely to work outside the home. Therefore, they have limited choices to be an entrepreneur. Most of the women credit clients in

Bangladesh are heavily concentrated on sewing and stitching for local customers or the garment industry, rolling beedies (a kind of cigarette), crafting household tools of bamboo, or work in agriculture. Some women, who are in comparatively better economic conditions, sell sarees (traditional women's clothing), imitation jewelry, cosmetics, and so on from door to door around the village and in nearby villages.

The most vocal claims made by microfinance lenders and their partner organizations about empowering women through entrepreneurship have very little connection with the everyday reality of women due to many constraints. Due to the lack of communication and education, most of the women in Bangladesh are not good at business. This claim can be supported from different perspectives. For example, culturally, women in Bangladesh are accustomed to working inside the home. Therefore, if a woman goes out for work, she is not welcomed by the society. Social norms and ideology have a great influence on local markets (Guerin et al., 2013), especially in a country like Bangladesh, whose citizens are very sensitive about their long and rich cultural heritage.

Additionally, women are likely to face trouble in their daily business work, for example, getting market information, orders and supply, labor supply, and so on. In many cases, the family ends up breaking the relationship due to suspicion, relations with strangers, and similar critical issues. The women's physical movement and especially travelling alone is very risky in terms of sexual harassment, rape, robbery, and being killed. One client of TMSS, who used to sell imitation ornaments said,

> I used to bring jewelry from the Indian border area, which is very risky. If the police catch me, they will send me to jail for illegal trafficking. Moreover, there is always an extreme risk of being cheated and robbed of the cash I hold to buy jewelries. Even if I can come back successfully, I still have to face the risk of selling in the village areas. My money can be robbed at gunpoint. Sometimes, the rural people buy them as a loan, but they never repay (R50, 39, borrower, TMSS).

When I asked her why she is doing that risky business, she replied,

> The jewelry from India is cheaper and I can sell them at a better price. The quality of the product is also good. However, I have taken a loss in my business a couple of times due to fraud and villagers' failure to make repayments (R50, 39, borrower, TMSS).

These unfavorable conditions of women are more significant in the rural areas than towns and big cities. Also, especially in the official job sectors, less discrimination exists between males and females, but in rural areas, the situation is different.

Most of the women credit clients are not doing business, even though the loan was given to launch small businesses. Within 50 credit clients, I found only a few clients who are actively doing business by themselves. However, they still get many kinds of support from their male partner to run the business, for example, logistical, security of the shop, and so on. The biggest problem of small enterprises, especially those run by woman, is failure to be profitable and unlikely to be profitable in the future due to many constraints. Two major reasons were identified: they invest in the same kinds of business available to many in that market, which indicates that supply is greater than demand, and they avoid taking risks, since they have no insurance from anywhere if the business goes under.

The default rate has been found to be significantly lower in joint families than single families, like couples and their children (Schicks, 2013). Bangladeshi people often live together with the extended family and the family members support each other. They can also use the land they get from their parents. However, family members sometimes leave the extended family due to conflict among the members for many different reasons. Therefore, if a member leaves the extended family because of conflicts, he or she is not likely to get any help from other family members. For example, they do not get any land in the form of an inheritance or any kind of economic support. Thus, they become vulnerable. When this kind of person becomes an entrepreneur with microcredit, they are at greater risk of defaulting and sinking into indebtedness and other social difficulties.

According to a World Bank (2013) report, in developing countries, the share of nonfarm self-employment is between 20% and 60%. Among these, the highest share is in Africa followed by Latin America and East Asia and lowest in South Asia. However, among them, around 70% live in poor households, and the percentage is more than 80% in Sub-Saharan African countries. When the market is not growing for many reasons, for example, worldwide recession or market saturation, microfinance has no magic bullet to create employment opportunities through small enterprises.

Professor Yunus's idea of self-entrepreneurship through microfinance could have had some effect in Bangladesh in the 1980s or a bit later, in part due to the war-ravaged economic and political effects (Sherrat, 2016). However, within this capitalistic world and due to technological advances and globalization, most of the markets have been saturated by private organizations. Therefore, microcredit clients' tiny enterprises struggle to make enough profit against their investment. One respondents from BRAC said,

> I have a sewing machine. I used to tailor women's clothes and small children's shirts and pants. However, there are at least four–five women doing the same job. Therefore, I do not have many customers to earn much money. I am somehow surviving (R24, 50, borrower, BRAC).

During my visit to the study area, I found that among those who have been doing small business with a microloan, the shops are very small. From such a small shop, it is quite difficult to make a profit. There are a few reasons that make the shop realistically unprofitable. First, the investment capital is very small, thus the shop has very few products to offer to the customer. In addition, from these cheap products, the shop owner cannot generate a good margin of profit. Second, I found most of them to be running almost the same kinds of shops. Therefore, within a small market they get many fewer customers than the existing shops. Third, regardless of income, the credit clients have to pay installments every week along with household expenses. Therefore, if they cannot make a profit, they use investment capital to repay the loan and other expenses. Eventually, they end up losing their shops. Finally, due to the poor quality of the products, most customers prefer to buy their products from the nearest town.

However, even if they lose the shop, the loan remains and has to be paid. In my field visit, I found the credit clients either have other sources of income or are on the way to destroying the shop by consuming the capital due to unavoidable household expenses. I asked those clients what they are going to do if they lose the shop. In fact, they have no answer. In most cases, the answer was uncertain, like "God knows." Some of them asked me to make a request to the credit officer so that he would approve a bigger loan. I asked the credit officers concerning the issue. The credit officers said, "Even if they get a bigger loan, their situation would remain the same since they use business money for household consumption, and there is no productivity of the money" (R54, 38, credit officer, GB).

5.2.3 Over-indebtedness: a challenge for both the poor and the organization

Microfinance success stories about its impact on poverty reduction and organizational sustainability are often questioned, highlighting the risks of clients' over-indebtedness, which led them into further and even deeper poverty. Several scholars (e.g., Hudon, 2009; Schicks, 2010) have argued that this problem could endanger the institutions' stability as well as their social impact. The major cause of that is the organizational sustainability approach, which, in practice, means profit making. Many microfinance researchers are concerned for MFI's growing practice and desire for commercialization, which can lead to mission drift (e.g., Cerven & Ghazanfar, 1999; Woller, 2002b; Allen, 2007; Labie, 2001; Schicks, 2007; Ferris, 2008; Armendáriz, & Szafarz, 2009; Aubert, de Janvry & Sadoulet, 2009; Mersland & Strøm, 2010). The poor are being exploited with microloans, which in turn come to them as a big burden in the form of an installment per week with high interest.

This study revealed that almost all credit clients are suffering somewhat from excessive debt. For example, out of 50 study participants, 41 are members of more than one MFI (Table 14). The main reason to be a member of more than one NGO is primarily to pay the installments on a regular basis to the MFI so as to obtain a further loan—usually, larger than the previous loan. However, a larger loan does not indicate further development through investment. Rather, most of these loans go for further consumption, which in turn throws the borrower deeper into poverty. There are many such reasons credit clients fall into over-indebtedness (Roodman & Morduch, 2009; Maitrot, 2018).

Table 19: Credit clients' membership status with microfinance institutions

Number of NGOs	Total Clients
1	9
2	19
3	7
3 +	15
Total	50

Credit clients who are members of more than one NGO are falling into over-indebtedness. I found that all except four–five credit clients are members of two or more NGOs and are suffering from over-indebtedness. I even found a number of credit clients in all three NGOs who had taken loans from more than 10 NGOs and moneylenders. Out of 50 interviewees, 15 credit clients had taken loans from moneylenders where they have to pay 10% interest per month. One respondent from GB said,

> My husband was doing business. He lost the business. Then I fell in trouble to repay the loan. As a result, I sought another NGO to get some loan and repay the first NGO. However, I could not come back from this situation because my husband's business became worse. Finally, I sold some land. Still, I could not redeem the loan. I had a hope that my son will get a job and repay all loans. Nevertheless, now he is unemployed and got married. We are five members now with my college-going daughter. My husband is doing a labor job now. We have no hope. The only path open to us is committing suicide (R14, 53, borrower, GB).

Over-indebtedness can be considered to be one of the main obstacles to the client's economic development. At the same time, it has been eroding microfinance institutions' trustworthiness regarding its social implications. Schicks (2013) has discussed the issues focusing on the causes very comprehensively. She argues that most of the research indicators on over-indebtedness are grounded on the risk management of MFIs. However, due to MFIs' social status and mission, the issue needs to be seen from the perspective of the customers' protection. She insisted the borrower's sacrifices should be the primary focus as over-indebtedness indicates the degree of sacrifices that must be made to repay the loan.

Over-indebtedness can be defined from both the qualitative and quantitative points of view. The quantitative definition focuses on income and debt ratio while the qualitative definition puts the emphasis on the stresses a borrower receives along with his or her debt (Scicks, 2013). However, though both objective and subjective definitions have different strengths and weaknesses, many researchers (Betti et al., 2007; Guerin et al., 2009) emphasize the latter definition. They believe that a borrower is the right person to provide insight into a loan and its consequences. For example, if a loan has a greater prospect of income in the future, then the debt could be acceptable for the borrower even if it turns to over-indebtedness, at least for a while. As Guerin et al. (2009) pointed out, over-indebtedness can often be a matter of perceptions and social consequences rather than a material problem.

Along these lines, “timing” is an important factor when considering someone’s over-indebtedness. For example, if someone takes out a loan for her children’s education and falls into debt problems but realistically anticipates a better future, it might be logical to question whether such a situation can be considered to be over-indebtedness or not. Betti et al. (2007) said that over-indebtedness should be measured based on an estimation of the borrower’s permanent and life-long income. A GB executive officer said, “We provide study loans for our clients’ children. This loan is the cheapest loan in Grameen microfinance. They also do not need to repay immediately. One year after graduation, they start paying the loan with 5% interest in installments” (R66, 53, Executive officer, GB).

However, I found this kind of loan disbursement to be very rare so it may exist more for publicity purposes than for the welfare of the clients. Most of the clients admitted that they use microcredit for their children’s education, but none of them said they had been offered an education loan. However, credit clients hope that their entire problem will be solved when their children become graduates and get jobs. A respondent said,

> I am not worried about my loan and current situation. My son is doing good performance in school. When he gets a job, we will have no problem. I used most of my loan money for my son’s tuition fees and books, pens, and other expenses (R16, 42, borrower, GB).

Most scholars view over-indebtedness as based on the repayment history. However, Schicks (2013) argued that over-indebtedness could occur despite the borrowers’ willingness to pay but become unable unintentionally or fall in trouble in unusual circumstances, for example, a natural disaster. Gonzalez (2008) argued that if the loan’s outcome does not meet the expectation of the borrower, then over-indebtedness can happen. Therefore, the above discussions suggest that over-indebtedness can happen due to either the borrowers or the lender or by both parties together. As one respondent from GB said,

> I had a fisheries business. It was running very well. However, I wanted to send my son to Malaysia for labor work. I took a big loan from GB and another NGO. However, the broker cheated me. I lost all the money. I lost my fisheries business. Now I have nothing. Every day, NGO people are coming, but I can’t pay them (R11, 43, borrower, GB).

The most common criteria of counting clients as over-indebted are as bankrupts, defaulters, or in arrears (Disney et al., 2008; Kappel et al., 2010). Although repayment irregularities are considered examples of over-indebtedness, I found that most of the credit clients borrow from another institute to pay the installment. It is also evident that many credit clients stop their children from attending school to reduce expenses and send them to work for small earnings. Sometimes they reduce their expenses from daily expenditure, for example, by not buying food, medicine, and other necessities. Therefore, both measuring and counting over-indebtedness through repayment difficulties becomes a weaker indicator in developing countries (Guerin et al., 2009; Schicks, 2013). However, missed repayments still are one of the significant indicators for over-indebtedness, as *these are related to the borrower's sacrifices while struggling to repay the loans.*

Almost every client agreed that they go to other NGOs for a loan, for mainly two purposes. One is insufficient loan from one NGO. The other one is, ensuring repayment to the first NGOs so that they become qualified for further, bigger loans.

Although many microfinance organizations, especially the leading ones, claim not to seize the property of poor clients (De Vaney, 2006) in cases of inability to repay the loan in time, the current study found that very often MFIs seize the borrowers' small belongings, for example, the roof of the house, animals, and any last assets they have. If they have nothing to seize, credit officers often visit them and misbehave, even harassing the clients verbally and sexually with the help of community leaders. One woman from BRAC said,

> I was unable to pay a couple of installment. The credit officer asked the group leader to call the village leader (Matbor). The village leader came and ordered to take my goat to hat (market) and sell it. I requested several times and promised that within a month I will repay all due installments. But, they did not hear me. This goat was my only asset (R31, 38, borrower, BRAC).

According to the credit clients, one of the major reasons they are very worried about repayment strictness is because if they fail to pay even one installment on the due date, it affects their ability to get further loans even after repaying all installments. Therefore, at any cost, they try their best to repay all installments in due time to keep the repayment record clean. However, in doing so, they often sacrifice their last assets at home. In addition, they borrow from another NGO and finally from the moneylenders with extremely high interest. However, all of these strategies ultimately result in big trouble for them in the near future. In this study, more than 80% of respondents had at least one experience of repayment failure. Several clients gave same kind of statement as the one who said,

> I am always concerned about repayment, because if I am unable to pay one installment, the credit officer keeps a record and when we apply for further loans, he denies giving a loan. During my 10 years of membership, only one time, I failed to pay the installment. For that, the credit officer did not give me a bigger loan. Now I am very careful. At any cost I pay the installment (R21, 40, borrower, BRAC).

One of the main questions about an MFI is whether its primary mission is to help the poor or profit seeking. If their primary mission is to help the poor, they should ensure how to protect the poor from severe deprivation. However, empirical evidence shows that in most cases the poor are the victims and microfinance organizations are making profit under the disguise of organizational sustainability (Bari, 2011). There are many unavoidable reasons for the poor to take out a loan. Thus, MFIs are targeting the poor as the best clients. MFIs may be economically successful in their strategy of targeting the poor as their clients but have little impact on poverty reduction.

5.2.4 The causes of over-indebtedness

Microfinance could be one of the best solutions for poverty reduction if micro borrowers did not fall in debt cycle and were able to make a profit from investment of the loan. There are many external reasons for the credit clients to fall into the trap of over-indebtedness. Based on the data, income shocks for various reasons and rising expenses of the family are major external reasons for over-indebtedness. Therefore, sometimes credit clients fall into the debt trap without any influence of the microfinance organization. However, the microfinance organization could mitigate such situations by a disaster management approach. Besides these two factors, personal shocks, for example, the death of a family member, sickness, either short term or long, and fatal injury also drive the poor into financial trouble. Along with the personal factors, domestic and international financial crises, government policy changes, and natural disasters also vitally affect borrowers' income and livelihood situation. One respondent said,

> My husband was a track driver. He had a good income. We had no problems. However, once he had an accident and lost his legs. Now I need to buy medicine every day for him, but I have no money. Now I work at people's home, but it is not enough. We are in big trouble (R33, 42, borrower, BRAC).

In her study, Schicks (2013) focuses on the behavior of borrowers and lenders as influenced by the institutions and legal environment. According to her, "the existence of credit bureaus, the efficiency of the judicial system and the level of competition can enhance or reduce the risk of over indebtedness." Recently, for example, the government of Bangladesh has doubled the salary of all employees (Daily Star, 2015). Therefore, the NGO sectors, especially GB, had to increase their employees' salary according to the government ordinance. To cope with the situation, MFIs emphasize the need to increase their loan portfolio to earn more profit. I was in a branch office of GB when the zonal manager came and told the microcredit officers in the meeting the following:

> The government have announced a decree that employees' salary will increase almost double. As a result, Grameen Bank has to increase its salary accordingly. However, if we cannot increase the organization's profit, we will be in a loss. Therefore, you have to be more active. Try to collect all due repayments, increase disbursements, offer old clients to take bigger loans, and discourage saving in the pension scheme (R62, 50, Zonal manager, GB).

However, he did not say a single word about how the credit clients can improve their situation or about any plan to develop credit clients' livelihood. Instead, he advised to discourage investment in the pension scheme, which is a beneficiary scheme for the credit clients. The credit clients save a certain amount each month for 5 or 10 years and get a bigger amount at once when it matures. However, previously, GB used to invest with higher interest in other banks. Nowadays, they cannot invest that much liquid money they receive from credit clients. As a result, GB changed their policy to discourage saving, which was reflected in his speech.

However, earlier studies show that the tendency of portfolio growth had become a common trend for all MFIs even before the governments' decree (Hermes & Lensink, 2011). Competition among the MFIs to outreach causes new clients in many cases to become unhealthy and makes the poor vulnerable to such appeals (Davis, 2006). Overall, MFIs' intentions toward growth and profit seeking are causing the poor to become more vulnerable financially instead of self-employed and sustainable.

In many cases, it was evident to the researcher that despite clear information about the credit clients' limited borrowing capacity, credit officers pushed the clients to take more loans. The primary motive behind this behavior is the credit officers' incentives given by the MFIs to promote portfolio growth. Another reason includes marketing techniques, for example, keeping strong ties with certain NGOs so that the client cannot go to other NGOs that are available nearby.

One hidden technique of MFIs to reduce borrowers' default rate is providing a bigger loan to repay the old unpaid loan. It helps the MFI in at least two ways. First, they become able to show to the development organizations that they have a good repayment rate, which depicts the borrower's ability to invest and make a profit. Second, the portfolio growth ensures both their success stories and profitability. However, both reasons just put the credit clients into further trouble as the loan increases, which ends up wiping out the last assets of the credit clients.

Schicks (2013) has argued that MFIs' unlimited desire for growth and profit might cause them to become derailed from their social mission. Moreover, such accelerated growth also damages them in terms of information and the governance system. The current study found that some credit officers are undergraduates and have little experience. They were asked whether they had received any training, and most of them said that after joining this organization, they got some training, but it was not enough. They even have very little knowledge about the organizational mission and vision. They consider themselves to be the consumer products' marketing officer. One credit officer said,

> After getting this job, I was in the head office for a few days. They provided some information how to collect money and disburse the loan. After that, they sent us to the area where we were assigned to work. Officially, the training period is six months. However, we got only a few days training and then were sent to our working area. If our performance is not good, they can fire us from the job within this period (R53, 40, credit officer, GB).

Lack of transparency in loan contracts is another serious problem that harms the credit clients. I found that no credit client was able to give the interest rate of the loan specifically. Many credit clients take out a loan without considering the cost of the loan, especially in emergency cases. However, the poor often face hard times thus borrow extremely expensive loans. They think about the immediate impact of the loan but fail to realize its long-term effect. The lenders also neglect to inform them of the percentage of the interest against the loan. Since the poor have little educational and practical knowledge about the percentage of the interest, they only consider how many installments they have to pay. According to one person in a focus group discussion, "We can see how many installments other NGOs are taking. For example, if an NGO takes 50 installments for 10,000 taka and BRAC takes 48 installments, we take the loan from BRAC since they have fewer installments" (focus group discussion 3, GB).

However, they do not check other hidden costs, and credit officers also do not tell them clearly as they fear a refusal to take the loan from that specific NGO and go to another NGO nearby.

One of the more humiliating experiences of the credit clients is facing credit officers if they fail to pay the installments. There are serious allegations that credit officers misbehave extremely if a credit client is unable to pay the weekly installment even for one time within her loan history. The current study found that all default clients had had many bad experiences, especially with the credit officers. In many cases, I found that the default clients escape from home, especially on the possible days of the credit offices' visit to her house.

More than 10 times, I have visited some client's home with the credit officer directly from the center as the client had not appeared at the center and did not pay the weekly installment. However, except once, in no cases were the clients at home. According to the credit officer, they escaped since they cannot pay. The credit officer then visited the group leader and demanded her to collect the due payment from the absent client and pay before time for the office to close.

I found that credit officers also visit their house in the nighttime when the clients ultimately have to stay at home. This situation is embarrassing both for the credit officers and the clients. The credit officers have to work overtime even though there is no extra salary for overtime duty, but the management applies pressure to ensure loan repayment by the clients. The clients feel guilty and ashamed when the credit officers humiliate and insult them for their inability to pay the loan installments. They not only feel ashamed before the credit officers but also the group members and the community. One client from BRAC said,

> I escape under the bed if I see the credit officer is coming to my home. When the credit officer comes and asks my kids about me, the kids are advised to say that mom is not at home. Sometimes, the credit officer even shouts at my children, but I can't say anything because then he can catch me (R19, 50, borrower, BRAC).

Over-indebtedness could also occur as a result of the client's or her partner's unwillingness. For example, many credit clients' husbands have many bad habits, like alcoholism, gambling, and so on. In Bangladesh, most of the credit clients are female. Over 90% of GB and BRAC's clients are female (Grameen Bank, 2018; BRAC, 2018). When they take out a loan, I found that often they give the money to their husbands to do business or invest in agriculture to increase the household income. Therefore, if the husband has such bad habits, they squander the money instead of investing it and fall into the debt cycle. Also, the current study found that this kind of husband forces their wives or other members of the family to take out further loans. This kind of family easily ends up economically in the worst situation and is unlikely to overcome this situation unless the husband changes his behavior.

5.2.5 Credit to the poor as an elusive trap

One of the most serious challenges the researcher found while interviewing the credit clients occurs when the poor take out unplanned loans. In some cases, I found that some clients took out loans without any significant need, after credit officers visited their home and offered loans. The credit officers are often very smart and able to convince the poor. Credit officers offer loan products as an opportunity for the poor and the poor take it without thinking of the future implications. I asked one client, why did you take out the loan? She answered,

> For greediness. Many people who surrounded me took out a loan, and that influenced me to take . . . I just consumed the loan money. I cannot remember how I spent the money instead of investing it, because at that time I had the ability to pay the installments, but now I do not have any income. Therefore, I can't repay the money and have become a defaulter (R14, 53, borrower, GB).

She further added that now the credit officer is making her life miserable. Almost every day the credit officers come to her home and misbehave. When she failed to repay the loan, she took out another loan from another NGO. In this way, she fell into deeper trouble. Now all the NGOs and local moneylenders are pressuring her to return the loan, but she has no way to repay the loan. She further added that one NGO's credit officer told her,

> Go and commit suicide. If you commit suicide, you do not have to pay the loan because this is the organizational rule, that if someone dies, her loan will be waived. The credit officer further added that by committing suicide, you save yourself and save me (R14, 53, borrower, GB).

The above-mentioned case is a common scenario I encountered in the case study area. I found a good number of clients in the same situation. They have no way to repay the loan. I found that some customers sold their house and are living vulnerably in someone's house temporarily. They have been continuously struggling to get their food and basic shelter. I found another client in the same village who was living in her relative's home temporarily. I asked the reason and she replied,

> I lost my house and all assets. I sent my son to Malaysia as a labor worker. He is in trouble over there and cannot earn money. Therefore, I had to sell the house and land to repay the loans. I still have many loans remaining to pay. If my son gets a job, I can pay all loans. Until then I have to stay here. I have no other choice except living here (R12, 43, borrower, GB).

In addition, a number of clients took microcredit due to their severe poverty. They had no plan to invest the credit to get a good return from it. Due to the unlimited needs, when the poor find that NGOs are giving loans without any guaranty, many do not think about the future consequences. However, ultimately, in the end they have to sacrifice their last assets while failing to repay the loan. Credit officers are involved in bringing the clients into such trouble. However, the credit officers also are under pressure to reach their disbursement target because their promotion and incentives depend heavily on their achievement of a certain target of disbursement. As a result, it can be said that a microfinance organization's operational strategy has a great influence on the whole system and on the poor.

5.3 Organizational mission and the capacity of microfinance institutions

I asked all the credit officers about the organizational mission. Most of them, especially from TMSS and BRAC, could not give a clear answer. One GB credit officer was able to describe their "16 decisions" (Grameen Bank, 2017) recited by the credit clients as a promise that was developed by GB as an integral part of their mission. According to their statement, they think these NGOs are like companies. They are doing business with different products, for example, house loan, enterprise loan, education loan, and other forms of credit and savings. One credit officer from TMSS said,

> I am just working here because if I can continue 10 years, I will get a good amount at once as a pension. When I get this money, I will leave this NGO and start a business. "Poverty reduction" and empowerment" are just some words. They are doing business, nothing else (R58, 47, credit officer, TMSS).

The establishment of any organization must have certain objectives and goals to be achieved. For example, public institutions are established to serve the citizens. On the other hand, private organizations are focused more on the owner's interests. However, both kinds of organizations certainly serve the people based on the needs and demands of those people. However, the difference of NGOs from these two sectors is that they are working for a certain target population that public institutions have proven incapable of serving properly, and the poor cannot afford to turn to private organizations (Haque, 2002).

Following the above statements, that the NGOs are serving a target population indicates that they must be guided by a certain mission. In general, NGOs are working as an alternative to public institutions to develop the poor's livelihood focusing on some specific issues. The emergence of NGOs usually is attributed to the failure of public organizations to serve the poor as a consequence of bureaucracy, corruption, and mismanagement.

Over the last few decades, international development agencies have been more interested in channeling their funding through NGOs than working directly (Banks et al., 2015). As a result, in practice, NGOs are more accountable to those donor agencies than the government of the country, which causes a large gap in cooperation and collaboration between the government and NGOs

(Haque, 2002). It also increases tension and hostility between these two sectors (Bari, 2011). In addition, donor countries create pressure on the governments to give freedom to NGOs' operations. Consequently, in many cases NGOs are drifting from their mission as the government lacks the authority to monitor their operations.

There are arguments that NGO sectors in Bangladesh have been working for their own interest rather than helping the poor as the priority (Zohir, 2004; Bari, 2011). As a result, they might provide some evaluation reports to the donor organizations to secure continuation of funding but have nominal responsibility for the underprivileged populace. As a result, despite certain rules to establish an NGO, there are mushroom growths of NGOs in Bangladesh that provide no exact statistical information to the government (Islam, 2007). This became possible due to the governmental institutions' incapacity and corruption. Often, the elites of societies establish NGOs as a profitable business. They design a good project plan that attracts the donors who rarely visit the projects, but depend instead on the evaluation reports (Bari, 2011).

The emergence of NGOs in Bangladesh was justified in an "immediate need" situation when the country got independence in 1971 after a nine-month bloody war including disastrous floods all over the country in 1970 and famine in 1974 (Davis, 2006). The citizens of the newly born country suffered from scarcity of food, housing, and all basic forms of shelters As relief organizations, the NGOs came in to rescue the country's war-ravaged peoples. However, over time, the NGO sector shifted radically from their initial relief approach to community development and further toward sustainable development of both the organizations and the poor. However, this later approach raises questions about their true intention and operational methodology.

As mentioned earlier, every organization should set an end goal to operate their program, because "Non-profit institutions exist for the sake of their mission" (Drucker, 1992; 45). A few decades after independence, the country was still one of the poorest countries in the world. For that, the government's bureaucracy and corruption were mostly accused. Therefore, the country was continuously fighting with diverse problems, of which poverty was the most acute. Most of the NGOs in Bangladesh have been focusing their mission on poverty reduction and women's empowerment (Hulme & Arun, 2011). However, the operational strategies have been changing due to many factors. Among them, donors' pressure on the organization to become self-sustaining and the shrinking funding situation are topmost. However, the invention of microfinance emerged as a solution for fulfilling both objectives simultaneously.

A microfinance operating system is typically simple. It ensures in particular organizational sustainability and at the same time can help the poor. However, some issues have a negative impact and cause the poor more trouble than benefits. The organizations are often established by a single person's initiative, for example, Yunus's Grameen Bank, Abed's BRAC, Hosne Ara's TMSS, and so on. Also, some people take unethical advantage and establish NGOs for their personal benefit (Saifullah, 2001). As a result, it becomes one person's "mission" that heavily influences planning the operation despite the existence of a well-structured governing body (Bari, 2011). As an example, due to political hostility with the current government, the founder of GB Mohammad Yunus was sacked from his position of Chief Managing Director of GB (Banks et al., 2015). Though he was sacked, he still exerts significant influence on the policy making of the organization. In addition, his position has remained open for the last few years. Most of the top-level officers are expecting that he could return if the ruling party changes in the next parliamentary election. One executive officer said,

> Yunus was the founding director of Grameen Bank. He was sacked illegally and it was a violation of constitutional law. We have appealed in the high court and are waiting for a court decision. Until the court gives any decision, the bank cannot appoint a new director (R67, 55, Executive officer, GB).

As a result, most large organizations are heavily dependent on the founder of the organization. It was also found that nepotism is common and has a negative effect on operational efficiency (Bari, 2011). I found in one of the three MFIs that most of the upper-level officers and even field-level officers are from the same region as the founder. As a result, the people from this certain area dominate others. I also found that the field-level officers and mid-level officers have no influence on decision-making, even though they are directly involved with the target clients. Even the governing bodies are highly dependent on the founder's will. All these practices demonstrate that most of the NGOs lack democratic attitudes toward achieving their mission.

5.3.1 Group approach and social capital

One of the salient features of the microfinance lending method is providing loans without any material collateral. Many believe that the poor remain poor because they do not have access to credit (Postelnicu et al., 2015). In this regard, microfinance has proved that the conventional banking sector is very wrong, as the repayment rate is much higher in MFIs than in the banking sector. Though microfinance organizations do not require any material collateral, they ensure repayment by forming groups to qualify for receiving loans. Many scholars (e.g., Postelnicu et al., 2015) consider this group formation to be a form of social collateral against the loan.

The group members are literally mutually responsible for their group members' loans. Therefore, if a member fails to repay the loan, other members are responsible to pay it. Forming the group is apparently a challenge for the poor. As a result, the credit clients select their group based on trust and social networks, which scholars refer to as a strong indication of social capital (Geleta, 2014).

As has been mentioned, not only in Bangladesh but also all over the world, most of the NGOs follow the Grameen Model of microfinance in which forming a group is required to qualify for getting a loan. However, according to the observations of this study, the concept of group formation is often in practice nothing more than paperwork for the three MFIs, including GB, which has given its name to the Grameen Model. One branch manager of Grameen Bank said,

> There are 2600 branches of Grameen Bank, of which you will find at least 10% of the branches who do not follow group formation at all. In other branches, as paperwork, what we do is, if someone wants a loan, we put her within a group (R61, 40, branch manager, GB).

Due to high competition on the MFIs' market, if a single customer comes to get a loan, the credit officers cannot easily refuse them because of the pressure from upper management to achieve a certain disbursement target. The current study suggests that the situation is so competitive that despite knowing the client has overlapping loans from different MFIs, they provide loans to customers who are already in risk of over-indebtedness.

However, the group approach could be the best lending method for the microfinance organization (Postelnicu et al., 2015). If members select their group spontaneously, they can monitor their peer members in many ways. Consequently, both the organization and credit clients can be beneficiaries because the group members must ensure all members make repayments smoothly. However, most of the respondents in this study said that they often have problems when one or two members fail to repay the loan. The group members have to call or go to the default client's home to find out why she was absent and did not pay the installment. The credit officers also humiliate them, thus it becomes very embarrassing for the remaining members. One lady asked,

> Why should I suffer for others? I take my loan and I will pay it. It should be like this. I don't like the group. One group member is always making problems for all of us. We asked the credit officer to remove her from our group, but he did not accept our proposal (R10, 45, borrower, GB).

However, some members think that such a group is good because sometimes the members help each other. For example, if someone becomes sick and unable to pay, other members help to repay the loan. At least they can explain to the credit officer why she could not attend the group meeting. Group formation can develop social capital among the group members before and after forming the group if MFIs give freedom to the clients to make their own group (Postelnicu et al., 2015). This helps them to ensure that they are not choosing bad clients. Moreover, they keep contacting each other and monitor their performance. However, despite the advantages of group formation, this study found some practical problems. For instance, sometimes credit clients are forced to take out a loan for someone else. For example, the group leader or another influential member insists on group members taking loan and giving the credit to that influential person. One TMSS client said,

> My group leader asked me to take out a loan in my name because she already had taken out a loan, thus was not permitted to get another loan. I took it for her. However, now she is not repaying the loan, but the credit officer is pressuring me to repay the loan (R46, 35, borrower, TMSS).

She also said,

> The group leader is very dominating and makes trouble for many of us. Sometimes we give the installment in her hand to repay our installments. However, she consumes this money for her own purpose and puts us in trouble. Socially, she is powerful. We cannot say anything to her. Even the credit officer is concerned about the issue but can't say anything because of fear (R46, 35, borrower, TMSS).

5.3.2 Group meetings good for discipline but costly

Another important feature of MFIs is the group meeting. Usually, there is a center where the credit clients gather on a specific day and pay their installment. MFIs ask the clients to designate a house where the credit officer will come and collect the installments. This house is called the center for that group of credit clients. The significant issue here is, this house and place are used for official purposes. However, the credit clients have to build the house with their own money. GB provides an interest-free loan to the credit clients to build the house. However, the credit clients have to repay the cost of the house loan in installments within three–four years. Both credit clients and credit officers confirm that credit clients are responsible for the building cost of the house. To build the house, the credit clients provide abandoned land if they have it. Otherwise, abandoned public free space (called khas jomi) is used to build the house. Credit clients and credit officers confirm that, to use public spaces, they don't request any official permission from the government because governments never take any legal action for such use of public lands taken from the government. Usually, these kinds of houses are not built with a foundation but have a tin shed roof, which is costly. The building costs usually over 50,000 Bangladeshi taka (equivalent to 500 euros). I asked the credit officer about the issue. He said, "The meeting center is for them. If they do not want it, we do not make any center here. Thus, they have to go far away to attend the meeting."

This kind of center is located in the central place of a village so that credit clients can reach the center conveniently. If the center is far away, for example, in another village, the credit clients still have to go there, which costs their time and other inconveniences. Therefore, the credit clients are required to build the center house. One credit client said, "It is not just, but we have no alternative than making a house. If we have no meeting point, we will not get any loan because the credit officer will not come to our area except to the center" (R11, 43, borrower, GB).

Group meeting is an obligatory activity for microfinance clients. According to the organization, group meeting is good for the clients because while meeting, they can get feedback and interact with each other. However, in fact, this is a technique of MFIs to ensure repayments. Usually, if a customer comes to the meeting, they come with money because they know very well that if they arrive empty-handed, the credit officer will insult her in front of the other customers. Therefore, if someone fails to repay, she usually does not attend the meeting on that day. During a center visit of TMSS, I went with the credit officer to visit one house because the woman was absent. We waited there for an hour waiting for the client's husband to come. He came home and gave the money to the credit officer. He apologized for the delay and said, "I am sick, but still I went out so that I can earn some money. I am sorry my wife could not go to the center and you had to come to my house".

In reply, the credit officer did not show any generosity. Instead, he reminded him not to do so in the future and yelled, "I had to waste my time for you!"

Regarding the group meeting, the credit clients gave mixed opinions. A few of them report the center is very far for her and time consuming to come to. Some of them have a business and they have to close their shops to attend the meeting. For them it is both costly and time consuming. Some clients favor group meetings because they think that they can know more about their peer members if they come to the meeting. Besides, they can be sure that their group members pay their installments in time. Otherwise, group members have to visit the defaulter clients' home to ask them to repay the due installments. One client said,

> In the beginning, the center house was nearby. Now it is very far from my house. It takes almost an hour to visit. It is very time consuming. These meeting days, I cannot do anything. Sometimes I can't make food for the family (R44, 34, borrower, TMSS).

Another woman said,

> Group meeting day, I have to keep the shop closed at least six hours. It is costly for me. I have no benefit from the group meeting. I prefer an individual loan so that I can pay beforehand, and I don't need to come to the center for other people (R24, 50, borrower, BRAC).

A group meeting could have a positive impact on the credit client's behavior. However, to create the positive impact the organization has to change their attitude toward credit clients. For example, if the credit officers discussed the credit clients' daily life problems with them and gave advice, the credit clients could benefit and solve their problems. Since the credit officers are well educated and skilled, they could also provide current market information and give the credit clients suggestions how to improve their business. If the organization would really take the center as a common platform for the credit clients to give training and counseling on a regular basis, they might be immensely benefitted.

5.3.3 Weekly payment

More than half of the credit clients think that a weekly installment plan is a good payment method. This statement gave the researcher the impression that the credit borrowers do not invest the money for better returns. Rather, they receive the money for household consumption even though the loan is issued for investing in small enterprises. They think that they have so many household needs, if the installment payments were monthly or quarterly, they would be tempted to spend the money. According to a customer, "We try hard to save some money every day so that we can pay the installment on Sunday. If it is monthly, the installment will be bigger. So, we cannot save that much amount."(R26, 25, borrower, BRAC).

The above statement clearly shows that they are more concerned about repayment, not profit making by investing the loan money. Most of the credit clients I met have no business but have some other sources of income that ensure they will return the money in time. Many of them, for example, perform labor jobs. Some of them are drivers of three-wheelers. In this way, they are able to pay the installments.

However, those clients who have small shops think that monthly or quarter of a year payments would be a very good idea. In this way, they could invest the money and get profit from it. They also think that the installments should not start immediately after receiving the loan. They said that they would need some time to establish the shop. One client's husband, who uses this credit in his hardware business, told me,

> I prefer installments should be at least three months. Six months or one year would be best. Only then can we make a profit from this loan. If we pay immediately, we cannot get the benefit of it. Rather, we start thinking how we pay the installments (R29, 35, borrower, BRAC).

My observations suggest that weekly payment and the settlement of immediate installment negatively affect business. Since microcredit clients usually do not have any other sources of capital, they need some time to run the shop. If they start repaying immediately, often they break the investment capital to pay the installments and other expenses. As a result, they cannot originate any benefit from the loan.

5.3.4 Interest against the credit

Interest against the credit is the most frequent criticism against microcredit. Many scholars believe that if the primary intention of microfinance is to help the poor to get rid of poverty then imposing a high interest rate is ethically very wrong (Hudon & Sandberg, 2011), despite the argument of covering the operational costs. I found that microfinance organizations are not only taking a high rate of interest but also charging many hidden costs in a number of ways (for example, late fines, insurance, etc.) that are not bringing any benefit for the credit clients. All the efforts seem to go to make the organization profitable in the guise of sustainability. As one client said,

> We are so poor that we cannot think about the interest rate. When I need money, I apply for a loan. The credit officer takes my passbook and says how much I have to pay in every week and how many weeks. This way it works. . . . we are not highly educated but credit officers are. So, he will not do any mistake. We just follow the passbook. Every week we come with the passbook. The credit officer fills it and returns it to us (R9, 46, borrower, GB).

I have seen that credit recipients are not well-informed or conscious about the interest rate, which is a point that microfinance opponents have been arguing about a lot (Banrjee & Duflo, 2007). I asked them how much interest they give against the loan. Surprisingly, nobody could state clearly how much the interest rate is. They only know how many installments they have to pay. This is a business technique of microfinance organization because, for example, if a customer knows that she has to give 30% or 30% plus interest for a small loan that they often consume for household purposes, they might refuse to take out the loan and cut their household expenses instead.

Microfinance organizations usually charge a high interest rate for small loans. However, when they make a payment plan, they just inform the credit clients how many installments they have to pay. Therefore, often clients do not know how much interest they are giving against the loan. In a focus group discussion with BRAC clients, I asked whether the credit officer explains how much the interest rate is or not. They could not answer it clearly. Among them one said, "probably he told something about it, but when I receive money, I just think how much the weekly installment is" (R6, 53, borrower, GB).

In addition, the clients are highly dependent on the passbook (accounts register book given to the clients). When they come to the group meetings, they give their passbook to the credit officer, who enters the transaction updates. The credit officers maintain the clients' accounts but do not explain it in detail to the clients.

I asked the credit officers from all three NGOs about this issue. They all claimed as one said, "We inform them about the interest rate. However, for their better understanding we explain how much they have to pay as installment and how many weeks" (R58, 47, credit officer, TMSS).

Most of the credit clients are illiterate or have little educational knowledge and thus know little about how to make calculations. For this reason, credit officers should explain in detail how much interest they are paying against the loan. If they did this, it could make the clients feel more motivated to use the loan for optimal use.

If we compare microfinance loan interests with those of local money lenders, known by many as "loan sharks," they are still much lower as we see that the local lenders used to charge even up to 1000% interest (Armendariz & Morduch, 2005). Since the poor had to rely only on those local lenders before, microfinance in this regard can be considered as a much better option for the poor. Many clients admitted that microcredit is a "blessing" for them. However, when I told them that these MFIs are charging high interest, they commented, "You are not going to help us with money. They are helping, so they have the right to charge. Nobody exists in the world who gives something free of cost" (R13, 44, borrower, GB).

One of the most important arguments of the Nobel laureate Yunus is that access to credit for the poor should be considered as a human right and be included in the United Nation's Universal Declaration of Human Rights (Hudon & Sandberg, 2011). His belief is that the poor have some skills by which they can lift themselves from poverty by doing income-generating activities through entrepreneurship. The only obstacle for them is the lack of capital. If they are facilitated by credit, they can improve their financial conditions and livelihoods. However, though Yunus's argument for credit access for the poor has been well accepted by the development agencies, the credit with high interests is ultimately throwing the poor into further vulnerable situations, for example, over indebtedness. Yunus (2010; p. 13) himself admitted that many MFIs unfortunately are charging even over 100% interest against the loan. Hudon (2009) argued that the poor certainly need credit, but it must be affordable for them.

However, many researchers think that credit is not a solution to get the poor out of poverty. As well, they criticize the idea of credit as a human right (e.g., Morduch, 2009; Sorell, 2011). Some researchers, for example, Helms and Reille (2004), think that instead of credit, the development of infrastructure including telecommunication and education facilities could help more to get the poor out of poverty. These kinds of facilities could also help to reduce MFIs' operational costs. These researchers argue that the government and international community should focus more on developing the country's infrastructure.

The greatest challenge and controversy of microfinance is high interest against the loan (Cull et al., 2009). The opponents (e.g., Ghosh & Van Tassel, 2008; Mersland & Strøm, 2010; Armendáriz & Szafarz, 2011) of microfinance are very vocal about the high interest rate and argue that due to high interest rates, the poor are not benefiting from microcredit. However, the proponents (e.g., Coleman, 1999, 2006; McKenzie & Woodruff, 2008; Karlan & Zinman, 2009; Khandker & Samad, 2011) on the other hand defend high interest rates since the operation cost is much higher than the conventional financial sectors. Microfinance operations thus are a dilemma in development discourse.

According to my observations, the loan amount is very small in most cases but, due to the high number of transactions and cost of operation, the interest rate ultimately goes high to keep the record updated. Furthermore, for MFIs, institutional sustainability is as important as to help the poor to get out of poverty. In practice, it seems quite difficult to achieve both objectives simultaneously. Therefore, researchers have been striving to find solutions so as to make microfinance operations sustainable and beneficial for the poor (Hudon & Sandberg, 2011).

Microfinance seems to have a negative impact on poor people's livelihood in different ways. However, the respondents themselves say that credit is good for them. There are many reasons for these conflicting statements. For example, the poor need credit due to their harsh financial conditions. Therefore, if they refuse microcredit, they have no alternative. Thus, they are reluctant to say anything against microfinance. However, the credit clients' financial conditions are either frozen or even worse during their membership in microfinance organizations. Despite 15–20 years of membership, there were no signs of economic development of the microfinance clients. One GB client reported her experience that

> I was awarded the best client in our community many years ago. Now I have no value. I took a loss in business. My son left me and my husband died. I have to repay his

> personal loans taken from neighbors. The credit officer does not care about my previous performance. He often insults me for missing payments (R8, 50, borrower, GB).

The two major goals of microfinance are organizational sustainability and poverty reduction. According to the MFIs, they must charge interest as a means of covering the operational costs to sustain the organization. However, due to the high interest rates, if the poor become poorer from microcredit, how can it be justified to provide the loan and claim that they are helping the poor? The question arises whether it is not better not to get a loan when it does more harm than good?

However, the poor need credit. Therefore, the best solution could be to settle on a fair price (Hudon & Sandberg, 2011) that secures the interest of both parties, for which, most of the microfinance researchers and agencies have been striving. However, the growing concern of microfinance researchers is mission drift for profit as seen in most MFIs worldwide, especially while imposing interest rates (Copestake, 2007; Woller, 2002b).

Hudon and Sandberg (2011) argue that MFIs are not forcing the poor to take out loans. Therefore, these rates of interest are fair as long as the poor are not forced to take them. However, the reality is, the poor need credit due to their real-life condition. MFIs should think about their ethical practices keeping in mind that their primary promises are to help the poor.

Since independence in 1971, the Bangladesh government has taken many development efforts of which credit for the poor was one, especially agricultural loans (Khanom, 2011). The interest was very low for the loans. It is presumable that the primary reason for this low interest was due to the welfare attitude toward poverty reduction. Most of the microfinance institutions around the world also claim that they have been operating microfinance programs to eradicate poverty, but there are hardly any examples showing that poverty has been reduced.

Organizational sustainability is certainly in many ways important for MFIs. For example, due to social welfare, if the organization fails to increase capital, it will ultimately fail to serve the poor. Therefore, the sustainable existence of MFIs is very important. Because, without MFIs the poor would have to return to private moneylenders, which are much worse than the current MFIs. Consultative Group to Assist the Poor (CGAP), one of the largest microfinance donor organizations, emphasizes that institutions and their sustainability should be the first priority (1996).

On the other hand, scholars argue that if an microfinance organization's primary intention is to help the poor, the impoverished should be given a higher priority and thus MFIs should not focus primarily on sustainability (Hudon & Sandberg, 2011). The pioneer of microfinance himself also said that MFIs should focus most on the clients' personal development (Yunus, 2008). Therefore, interest should not be set blindly to make a profit. Rather, MFIs should charge only an amount that will cover the operation costs.

However, most of the current MFIs not only charge interest on loans but also a variety of charges as operating costs. These should be included and the interest measured as the "effective interest rate" or annual percentage rate (APR). Studies suggest that most of the MFIs charge between 20%–60% per year (Hudon & Sandberg, 2011). In the case of Bangladesh, the interest rate varies from 22% to 110% (Faruqee & Khalily, 2011). This excessive interest taking by NGOs has caused the pioneer of microfinance to refer to them as the "new loan sharks" (Mitra, 2009).

Microfinance organizations defend such high interests by pointing to the example of repayment rates. They also argue that most of the credit clients come back for further loans, arguing this proves that the interest rate is not a burden for their economic development. I found that in all three studied MFIs, the repayment rate is between 97%–99% (some areas it is 100%). Plus, almost all respondents have taken out loans more than once. These statistical data could support MFIs' claim. At the same time, I found many complaints about the interest rate, service charges, and other costs as burdensome to credit clients.

However, these MFIs seem to employ some techniques so that they can show a high repayment rate in their yearly report. For example, all the case study NGOs first try to get returns for the loan on the normal schedule. However, often a great number of clients fail to repay the loan. In that case, the MFIs offer another, bigger loan with one condition. The condition is, they have to return the first loan from this current loan money. In fact, the poor end up with very little money on hand since they have to pay the most part for the previous loan. Consequently, the poor receive a bigger loan burden, but the MFIs are able to show a high repayment rate.

The same thing happens with the claim of "freedom of negotiation." For example, we can agree that the interest rate is fair since both parties have freedom to bargain and negotiate but, apparently, the reality is that the poor have no choice than accepting whatever MFIs offer to them. They are only comparable with moneylenders whose interest rate is still much higher than the MFIs. Therefore, even if the MFI's charge is high, the poor accept the loan offered to them because, at least, they can get the loan without collateral. As one client said,

> I had a loan from a money lender. I had to pay 10,000 taka every month as interest against 100,000 taka. BRAC is much cheaper. You can never finish a money lender's loan. The whole of your life you have to pay only interest—the original amount will remain the same after one hundred years (R19, 50, borrower, BRAC).

While talking about mutual negotiations, many empirical researchers are focusing on MFIs' transparency in transactions. In general, the credit clients are either illiterate or have very little literacy. Consequently, they have little knowledge and power in financial transactions. My observations suggest that credit officers often ignore informing credit clients about the terms and conditions of the transactions. They mostly emphasize scheduled repayments. Among 50 respondents, not one could clearly say how much interest she is paying for the loan.

The credit clients also do not know about the extra charges they have to pay. In many cases, it was found that they are just desperate to get a loan. According to them, poverty is a curse. Therefore, they should accept all losses as a "God-gifted punishment." One client said,

> We have a bad fate. God created us poor. Therefore, we have to accept it as it is our fate. There is nothing that we can do. No one is coming to help us. At least we can hope the NGOs will give us a loan when we need (R19, 50, borrower, BRAC).

However, credit officers should explain clearly and in detail about the loan terms and conditions. This information about a loan's terms and conditions could help the credit clients in many ways. For example, having the freedom to bargain could bring real financial empowerment for the poor while enabling them to choose appropriately suitable products (Hudon & Sandberg, 2011). In fact, this is one of the primary goals of microfinance organizations. This information can also help the donor organizations and other stakeholders to evaluate microfinance social and financial performance.

All the credit officers seem to have been instructed in a way that their main responsibility is to maintain the organizational interest by any means. I noticed that credit officers often humiliate the clients if they fail to pay the installment even only for a single time. In addition, it is also evident that the organization seizes the poor's last resorts of assets in the case of repayment failure. I found a few cases in which the NGOs sought legal help to get the loan money back. One TMSS branch manager said,

> When we give bigger loans, we ask the client to give us a signed cheque with a certain repayment date. If the cheque bounces from the bank, we take legal action. In poor client cases, when we become sure that they cannot repay the loan, we complain to the court (R64, 48, branch manager, TMSS).

These practices prove that microfinance organizations maintain zero tolerance regarding organizational profitability. With the same intention, MFIs not only charge interest against the loan but also some other charges, which make the organization profitable. Most of the microfinance operation costs are charged to the credit clients as fees or some other forms, for example, obligatory saving, voluntary saving, insurance, service fees, late fine, due fines, and so on.

Due to a high number of small loans, the administrative cost is much higher than in conventional banks. Also, when operating in remote areas MFIs sometimes include additional operating costs. All these expenses have become a "beyond control situation" for MFIs (Hudon & Sangberg, 2011). Therefore, MFIs ultimately charge a high interest rate to survive in the commercial market. However, some researchers argue that the operational inefficiency of MFIs sometimes causes high operation costs thus high interest rates (Armendariz & Morduch, 2005). For example, some recent studies show that mobile banking reduces operational expenses (Hudon & Sandberg, 2011). Some researchers believe that instead of charging high interest rates, MFIs should offer cost-covering charges (Hudon & Sandberg, 2011). It would help in two ways—first, it would ensure organizational sustainability and, second, all parties would accept it since no profit accumulation attitude exists in such a case. It will also address the primary microfinance mission—poverty reduction. However, it can only be possible when grants or subsidies are available.

If credit is considered to be a human right then perhaps the government is primarily responsible to ensure credit for the poor by any means. At the same time, MFIs have to consider ethical issues when imposing interest for the loan, which causes more harm than good for the poor as they are working for the development of the poor. Professor Yunus himself argues that interest over 15% is similar to the attitudes of informal moneylenders who used to charge high interest before microfinance inception (2008; p. 68). He further argued, "Is not it outrageous that low-income people who are struggling to make ends meet are the ones who have to pay the most for basic financial services – when they cannot get access to those services at all?" (2008, p. 50). One good example is ACCION (2004)—a leading microfinance organization in the USA. They put the emphasis on fair pricing. According to their consumer pledge, "interest will not be provided for excessive profit but sufficient to run the organization and reach more people." Hudon and Sandberg (2011) described this approach as justice-based institution.

The studied NGOs, especially TMSS and BRAC, are currently providing larger loans than the typical small amount, especially to the wealthier clients. I found at least five credit clients from TMSS who are employees in public services or private companies and get good salaries. I asked the credit officers about the issue, but they could not answer it convincingly. One branch manager explained that

> Although these clients are working in the public or private sector they are from very poor families. They take out a loan because they are already indebted to money lenders or other places. Sometimes they took out a loan to buy some land or assets, for example, a motorcycle. Besides this, if we don't give a loan, other NGOs will. So, why should we be the loser? Besides this, there are many changes in operations. This kind of loan is now a days permitted in our NGO (R64, 48, branch manager, TMSS).

This new trend in microfinance organization indicates the mission drift of MFIs. However, some researchers believe that this kind of loan could help MFIs in the form of a "cross subsidy" (Hudon & Sandberg, 2011) while reducing the operation costs. Nevertheless, this attitude of MFIs could exclude the poorer clients and bring wealthier clients in. MFIs can be more interested in providing bigger loans to better-off clients, as such an approach is more risk free and profitable with lower operation costs. In fact, most of the operational changes in MFIs clearly demonstrate their commercial attitudes leading toward mission drift.

5.3.5 Savings: who is the real beneficiary?

One of the most attractive products in microfinance is savings, and it has been argued that savings access is more important than credit access (Robinson, 2001). Initially, there were obligatory saving systems where credit clients were obligated to save a certain part of the received loan, which was considered by many to be "hidden collateral" taken by the institution against the credit (Armendariz, 2011). Under current conditions, the clients still have to save, but the amount is comparatively smaller and less flexible than before. These savings funds also offer greater liquidity for the organization to re-disburse as loans. However, some researchers say that micro deposits are not the main source for the organization to provide loans to the credit clients (Garmaise & Natividad, 2010). At the same time, micro deposits are still very expensive to deliver in the form of loans to urban slums and the remote rural poor (Delgado et al., 2014).

The poor hardly find ways to save due to their unfavorable economic conditions. They often need to deal with continuous emergencies. In spite of these conditions, all the interviewed credit clients stated that saving is good for them. Especially those credit clients who have better economic conditions are more motivated to save. The current study found that the majority of the respondents have savings, either in a microfinance institute or in some other ways, for example, buying some goats to raise and sell at a higher price. These behaviors of credit clients have a great positive impact on their own livelihood as well as for the organization (Ashraf et al., 2005).

It was mentioned earlier that women in Bangladesh are very dedicated to their family and, therefore, they often try to save a tiny part from their daily expenses, especially for the sake of their children's wellbeing. Microfinance saving programs facilitate them to save routinely. As a result, the women get more financial empowerment and have better opportunities to promote health and deal with emergency issues of the family members (Guerin, 2006; Dupas & Robinson, 2013a; Dupas & Robinson, 2013b). The Microcredit Summit Report 2011 shows that there were approximately 175 million people who have gotten access to credit and savings (Reed, 2011). In response to the question about saving, one respondent said,

> Saving is very good. It helps in many ways. For example, if we have any trouble to pay an installment, we can ask the credit officer to take it from our savings. Besides, if any of my family members gets sick, I can use this money to visit the doctor and buy medicine (R25, 40, borrower, BRAC).

However, this study suggests that though MFIs offer a variety of saving products, their benefits mostly go to the organization. For example, one case study NGO, GB, offers different types of savings, such as GPS (Grameen Pension Scheme), fixed deposit, loan insurance, and others. The pioneer of microfinance, GB itself, reduces the interest rate against the savings while retaining the same interest rate against the loan. For example, the interest rate against GPS was 12%, but the end of 2015, they changed the rules and reduced it to 6%. One branch manager admitted that

> "we are instructed by the senior officers not to encourage savings because the organization already has enough liquidity. Therefore, if credit clients save more, the organization has to pay interest while keeping the money without any investment" (R61, 40, branch manager, GB).

As he further explained,

> In previous years, the organization used to invest these saving accumulations in other commercial banks and institutions. GB charged higher interests rate than the rate that was given to the credit clients. Therefore, the organization could make profit from it. Now, the organization cannot invest as much as it did before. Therefore, if the credit clients save more than the investment, it will not be profitable for the organization. As a result, savings by credit clients are not very much welcomed nowadays (R61, 40, branch manager, GB).

In contrast, research suggests that more deposits reduce the organization's operational expenses (Cozarenco et al., 2016).

Initially, GB used to give 8.5% interest against the saving. However, since 2006 they have reduced the interest to 5% for the members and 4% for the non-members. Another sign of commercialization is loan insurance. The credit receiver has to pay 6% as loan insurance. However, they do not get any interest against this insurance payment. This amount is just to secure the loan: for example, if the client dies, the insurance company will compensate the due installments.

5.3.6 Insurance: an unused instrument for sustainability

As far as sustainability is concerned, insurance could be one of the greatest tools for both parties. A good number of defaulters have had a sudden shock in their business and lost their property because 1) they have to continue meeting the installment schedule in spite of the business loss, and 2) MFIs or other financial sources close their door, due to their business loss, instead of helping to recover their business. Two respondents explained how they became a defaulter and are currently in a situation that both described by saying, "I feel I want to commit suicide":

> I used to make paper bags and sell them to shops in a new market, Jessore. My business was running very well. All of a sudden, once at nighttime, there was heavy rain and storm tore away the tin shade roof and all bags become wet and destroyed. I lost all of my capital and thus was unable to make new bags. Consequently, all the shops stopped paying the due money as soon as they realized that I cannot supply bags anymore. Furthermore, NGOs also refused to give further loans until I pay the existing one. Now, I have no business, no income, and I am a defaulter to many NGOs (R37, 36, borrower, TMSS).

Another woman said,

> I had a very good poultry farm. The business was running well. Suddenly there was fire in the poultry farm and all the chickens and the whole house burnt. I did not get any further loan. Now I have nothing. I am destroyed (R12, 43, borrower, GB).

These types of occurrences are very common in Bangladesh. Many families become vulnerable due to such accidents. Not only that, but natural disasters are very common in Bangladesh. However, almost no NGOs have disaster management funds to protect their customers. While some MFIs do take a small part of the loan as insurance, this is only to secure the repayment. For example, if someone dies, the insurance will compensate the due installments. This practice shows that MFIs are more focused on their own institutional security than the welfare of the disadvantaged. However, the organization could arrange different contracts with the insurance company that would secure the client's sudden losses as well. It might be costly but could ensure the real sustainability of both parties.

5.4 Microfinance commercialization and mission drift

There is a rising debate in development discourse about microfinance commercialization. Many (e.g., Schmidt, 2010) believe that commercialization is needed for survival of the organization and that commercial microfinance contributes to poverty reduction. The opponents believe that taking a commercial approach has derailed microfinance from its primary focus—poverty reduction and women's empowerment—due to its operational policy changes (Armendariz & Szafarz, 2009). This study found that all three NGOs have drifted from their mission and vision. However, the reason behind it is not only market pressure or survival but also organizational focus on profit aspirations. In the view of Schmidt (2010; p. 103), "despite their explicit commitment to development goals and aspirations, their behavior is almost indistinguishable from that of enterprises seeking solely to maximize profits," which is in accordance with my findings.

The microfinance mission started with the campaign to provide very small loans without collateral to the poorest group of people to become self-entrepreneurs. These groups of people were not eligible to get a loan from conventional banks. Therefore, international agencies showed great interest to offer funding for grants and loans to microfinance organizations. I asked one executive manager if it is realistic that with high interest credit clients can still make profit. He answered,

> It's truly possible. You see, a young man, for example, doing nothing. We give him a loan to buy a three-wheeler. Now he earns money and pays from it. In another way, a man is working, but his wife stays at home without doing any income-generating activities. We give her a loan to buy a sewing machine. Now, she can sew her own and her family's clothes. At the same time, she can raise the family income (R69, 57, executive officer, BRAC).

However, due to excessive operational and administrative expenses for microloans that are small in amount but large in number, microfinance organizations may collapse if they cannot earn sufficient money. Consequently, they set high interest rates to cover the operation costs. Due to this strong reason, neither government nor donor organizations can limit or fix any certain percentage of interest rate. Unfortunately, MFIs took the opportunity to focus on their own interest and established private MFIs in the guise of poverty reduction. They set extremely high interest rates, which threw the poor into further conditions of vulnerability. To cope with the resulting market competition, welfare-minded MFIs have also changed their policy. Research shows that organizational behavior and performance are greatly influenced by the networks in which they operate and participate (Brass, 2012). As a result, current microfinance markets have little scope for the poor to be lifted out of the conditions of poverty.

My observations found contradictory results of the microfinance commercial approach. Many practical issues suggest that taking the commercial approach is a desperate need if the organization wants to survive. However, the main criticism from the microfinance researchers is not about commercialization. Rather, the criticism focuses on the strategies MFIs apply in the name of sustainability and its ethical perspectives. Schmidt (2010; p. 104) discussed the ethical position of microfinance organizations based on the thoughts of eighteenth-century philosophers Immanuel Kant and Max Weber. According to Kant, an action can be assessed only on the basis of the ethical principles, or the intentions, which it is intended to implement (quoted from Schmidt, 2010; p. 104). However, according to Weber, ethically good actions are those—and only those—that can be expected, on the basis of careful analysis and planning, to produce positive effects.

Both of these conditions are applicable to microfinance research. Arguably, neither credit clients nor the credit officers are motivated to make any changes in their life through microfinance. Microcredit has become a daily routine or an opportunity to the credit clients. They use the loan in most cases for household consumptions. As one woman said,

> Before I had taken out the loan, credit officers from different NGOs used to come to my home regularly and tried to convince me how this loan could be beneficial for me. Once I had some minor need. I went to BRAC and took out a loan (R27, 25, borrower, BRAC).

In these kinds of cases I asked them whether they could survive without taking out the loan. For most cases the answer was "yes." In the same manner, all credit officers admitted that they are working for the organization because they are receiving a salary. They hardly feel any sympathy for the poor. One branch manager said,

> Most of the credit officers are university graduates. However, we have to work almost 12 hours a day without any overtime salary. Despite these facts, if we are unable to fulfil the target, the bosses threaten us. We have no choice than to pressure the credit clients to repay the money. Because, whatever the top management asks us to do, we have to follow (R65, 42, branch manager, BRAC).

As a result, many believe that welfare-minded organizations are at more risk of bankruptcy because credit clients can show laxity to repay the loan. Moreover, they may wait for the organization to collapse so that they do not have to pay back the loan (Schmidt, 2010). Furthermore, if the organization fails to secure outside funding, they may have to close their program in the middle without realizing their goal. On the other hand, commercial microfinance ensures cost effectiveness and more outreach.

In contrast, the findings of this study suggest that commercial microfinance cannot help the poor or meet their NGOs' primary mission. Thus, commercial orientation could violate the Kantian philosophical principles. Therefore, international donors should continue subsidies. Schmidt (2010) suggested that to meet the microfinance deficiency for high operation costs, the subsidy amount is less than US$5 per borrower. The issues for microfinance organization practices that are discussed below will provide further information to decide whether the microfinance commercial approach is justified or causing mission drift.

5.4.1 Microfinance household consumption approach

Microfinance theory has been gradually shifting from the micro-enterprise approach to a household finance approach (Schicks, 2013). Out of 50 respondents, less than half of had enterprises in spite of having received loans for starting or continuing their small businesses. In addition, though women receive the loan, in most cases their husband or other male family members run the business. For those who have small enterprises, microcredit has had little effect. They, in fact, have other sources of income or inherit the business from their parents. They could run the business without receiving microcredit.

Other members do not have any business. However, they get loans and use the money for household consumption. Most of them are comparatively poorer than the clients who have small shops. Due to family needs, they take out loans hiding the information of how they use the loan money. However, the credit officers actually know that those credit clients will consume the loan for household needs and not to start any business; still. they give loans because of the pressure of reaching the target disbursement imposed by their managers. I have discussed with upper management about the credit disbursement policy. They strongly said that "The loans are given to the poor so that they can start a business and become self-entrepreneurs" (R67, 55, executive officer, GB).

However, when I inform them what I found in the field, they ignore it and excuse these as exceptional cases. Currently, GB offers varieties of loan schemes, for example, study loan, easy loan, special investment, and center-building loan. Among them, the center-building loan is interest free and the study loan interest charge is the lowest at 5%. All other loans charge a 20% interest rate. GB charges the lowest interest among Bangladeshi microfinance institutions.

GB's easy loan known as "sohoj," because getting this loan is very easy. Microfinance members can get it easily. The initial loan is maximum 30,000 taka (equivalent to 300 euros). If she pays in time, she can apply for a further, bigger loan. GB qualifies some clients to get a 20% larger loan conditionally. The condition is that this 20% will be evaluated for three different categories, for example, 10% the client's own performance, 5% the group performance, and 5% the center's performance. If a client gets full marks from all categories, she will be eligible to get this 20% larger loan. However, this kind of qualified client could also get an exceptionally larger loan, of more than 50% over the first loan based on her savings records. The researcher found that though there are different types of loans for different purposes, credit clients take out most loans for daily consumption. The credit officers know the fact but ignore it. They just want to be sure that the loans are repaid within the scheduled time. In addition, other NGOs have same the type of loan disbursement system under a different name.

The evidence of this study suggests that GB is much more pro-poor than other microfinance NGOs. The reason could be its international recognition. However, despite its pro-poor attitudes, GB has also been drifting from its primary mission. As an example, the government of Bangladesh released a decree that all public employees' salary will be increased. Once I was in a meeting of Grameen Bank where the higher boss said,

> Due to salary raises, our management suggested to change our operation plan, for example, reducing the pension skim offer, increasing the loan portfolio by suggesting existing clients to take more loans, increasing new credit clients, and so on, so that the organization can make more profit and cope with the new salary system (R62, 50, zonal manager, GB).

This statement shows that their focus is not on how the poor will benefit from microcredit but, rather, how the organization will profit. If the model MFI's attitude is like this, the situation of other MFIs can be expected to be even worse. Evidence from the studied NGOs suggests that MFIs are determined to disburse loans regardless of the negative or positive impact on the poor. Their ultimate mission has drifted to the organization's profitability.

5.4.2 Zero tolerance and human rights

The pioneer of microfinance Yunus was awarded a Nobel Peace Prize for his social and economic development for the poor. When announcing his Nobel-winning statement, the peace committee said that "Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Microcredit is one such means. Development from below also serves to advance democracy and the human rights" (Grameen Foundation, 2007). Yunus himself claimed that credit access for the poor should be considered as human rights and it should be declared by the UN. However, this empirical study found that the way credit officers are collecting installments often violates the human rights of the poor.

The repayment rate of all three MFIs is approximately 99%. This surprising repayment rate shows the success of microfinance operations. However, external pressures push the clients to repay the loan in time even if they need to compromise by making great sacrifices. One of the major motives for the clients to repay the loan within the scheduled time is maintaining trustworthiness with the microfinance organization to secure further loans in the future. Other forces include peer pressure, credit officers' zero tolerance toward repayment, and fear of humiliation from credit officers and group members.

During my field visit, I found that all credit officers go to clients' houses in the afternoon or evening when the women's husbands return home. This visit is in fact not for welfare, but to threaten the clients because of their unpaid installment. Very often, the credit clients escape the home on specific days when there is a possibility that credit officers could come to their home. I myself even visited the client's home in the nighttime with the credit officers. In many cases I observed that other family members of the clients lie and say the client is not at home just to escape from the credit officers' humiliation. I was asking a client who gave the money to her husband for a seasonal fruit business whether this credit affects his income or not. His mother suddenly came to the spot and said sadly,

> He eats? Three times a day? It is history now since he got involved in the credit program. Now he has to think of paying kisti (installment) instead of eating. Whatever he earns, he pays kisti. He doesn't have enough money to eat regularly (R15, 35, borrower, GB).

5.4.3 Credit officers facing multiple challenges

Credit officers are at the center of the operation of microfinance since they work as the intermediary of credit clients and the organization. Credit officers are the closest microfinance employees who experience the livelihood of the clients from their daily contacts. Therefore, they know about the clients' life history from a practical point of view. As a result, microfinance authority is solely dependent on the credit officer's recommendation concerning loan granting and such other demands of the credit clients (Labie et al., 2009; Agier & Szafarz, 2011; Gray, 2013). However, despite their crucial role for the organization, the credit officers are always under pressure from upper management for more loan disbursement, new client selection and collection, and more repayment collection (Sarkar, 2013).

Along with loan disbursement and repayment collection, the credit officer's major role is to screen potential customers, file loan applications, continuously monitor clients' payments, follow up the loans, and write reports to their supervisor (Holtmann & Grammling, 2005; Labie et al., 2009). The higher officers have hardly any face-to-face communication with the credit clients. Therefore, the efficiency of credit officers has a great impact on the organization's success or failure (Dixon et al., 2007). Microfinance success in Bangladesh has become possible due to a number of university-graduated, skilled microcredit officers.

With a large population, there are a great number of university graduates who are somewhat compelled to work for the large microfinance market in Bangladesh. Since they have few choices other than joining a microfinance organization, they follow the instructions MFIs give them. Upper management also knows this very well. Thus, it keeps them always under pressure to make the organization profitable, which can be a sign of mission drift.

All credit officers and even the branch managers were found to work overtime without any extra salary or bonus. Upper management set their work and responsibilities in such a way that they could not go home early. I have also found that sometimes credit officers would visit the clients home at midnight because during daytime the default credit clients escape from home. These practices of credit officers gave me the impression that this is form of humiliation for both the credit officers and the credit clients. I also sometimes visited the client's home at nighttime around 10/11pm with the credit officers. The branch managers sometimes also go with the credit officer, as I found one once with us. The clients make excuses for their defaults, giving strong practical reasons. However, the credit officers still insult them. I identified a few reasons for that. First, the credit officers themselves are under the pressure of fulfilling the repayment target, second, they feel tired and frustrated with the job task and, third, to keep pressure on the clients. In such a situation microfinance does not look like a social welfare organization. The better comparison could be with the informal loan sharks, and the treatment of the credit officers looks more like punishment.

In the interview sessions with credit officers, the most critical problems were mental pressure and frustration, which are the consequences of conditions of both the organization and family life. The credit officers have to spend more than half of a day at the office or in the field. Therefore, they have very little time to spend with the family. Consequently, they often have fights and misunderstanding in family relations. It brings frustration in their life that is caused by the organization's pressure. Other pressures include their bosses' misconduct, sometimes even without any reason, reaching disbursement and outreach targets, fear of losing their jobs, and so forth (Gray, 2013). One credit officer said,

> Every month I get an extra target. For example, if the target is two lakhs this month, next month it will increase, for example, twenty thousand more. Every time I have to struggle to fulfill the target. If I fail, I could be transferred or fired (R56, 38, credit officer, BRAC).

All these pressures ultimately reduce productivity, raise job dissatisfaction, and, most importantly, threaten the credit officers' family relations and personal life (Sarker, 2013). The life credit officers lead is often morally humiliating. Every employee should be treated with respect and dignity (Sarker, 2013). However, microfinance organizations' rising competition to reach more clients and increase disbursement fuel the debate on its ethical behavior toward credit officers.

5.4.4 Who should get a loan? Eligibility versus priority

The microfinance organization's primary objective is to provide loans to groups of poor and marginalized people so that they can start income-generating activities and become self-employed. However, in parallel with market expansion, the cost of microfinance outreach becomes very high. As a result, the institutions face a great challenge of cost-efficiency while maintaining their welfare attitude. They are eventually dependent on the donor's subsidy. However, in recent decades the donor organizations focus more on organizational sustainability. Therefore, most of the MFIs have launched the program commercially so that they can make a profit to run the organization without any external aid. Consequently, current microfinance organizations set a high service charge and interest against all tiny loans.

The studied NGOs have launched different types of credit services along with micro enterprise loans. However, with disregard for loan types, microcredit officers sanction loans to clients without any evaluation of the purpose of the loan. One major reason for that is the credit officer's need to reach his credit disbursement target. Besides this, the credit officers like to offer bigger loans to the better-off clients. When I asked the credit officers why they were providing loan to the clients whose social and economic status indicates that they are not poor, credit officers often said, "Now, this rule is flexible and we are instructed to give a loan to whomever wants." Only one GB manager said, "We write in the file that the client is poor."

While visiting the study area, I found many disadvantaged people assumed I was a senior credit officer. Therefore, they came to me and asked me to request the credit officer to grant her a bigger loan. I asked the credit officers why the MFIs refuse to give additional loans to these poor people. They often replied that the applicants are not qualified for a larger loan because they do not have any assets or feasible alternative sources that would ensure repayment. Besides, they cannot earn enough money to pay the installment regularly. While coming back from a center, one branch manager said about one women,

> My first concern is repayment. When someone asks me for a loan, I check whether she can repay the loan or not. In her case, she has taken multiple loans from other NGOs. I have this information. Therefore, I am not sure she will repay her loan in time. Otherwise, we are here to give loans. And, our superiors always keep us under pressure to give loans (R61, 40, branch manager, GB).

Another credit officer said, "We have no problem to issue a bigger loan. However, if they fail to repay, for example, he got in an accident and the auto rickshaw crashed, I will be in trouble. So, we try to balance both sides" (R54, 38, credit officer, BRAC).

This statement shows that the credit officers themselves understand clearly that with such a small loan, no one can start a business. Therefore, nowadays they target those who are economically in a better situation (Agier & Szafarz, 2011). However, members of these better-off groups can survive even if they do not receive microcredit. Those who are very poor are nowadays becoming rare clients of microfinance services. In addition, they are not encouraged by the microfinance organization to start income-generating activities.

However, microfinance organizations still claim that they are working only for the group of most disadvantaged people. GB claims that they are providing microcredit to street beggars. This seems to be a kind of action to attract development agencies but, within these NGOs, I did not find any street beggar who had gotten a loan. One credit officer from GB said,

> We asked some beggars to take out a loan. Some of them came once. However, later they refused to take out a loan because GB gives loans with the condition that they cannot beg anymore. The beggars said that, they can earn more by begging than doing business with such a small loan (R52, 42, credit officer, GB).

On the other hand, I found many credit clients are taking out loans without any specific purposes. They find microcredit available and installments are rather small. Therefore, they take it for household consumption. However, despite knowing this fact, credit officers provide them with a loan primarily to fulfill their disbursement target. The management set a target that must be achieved. So, sometimes, the officer gives the loan even if he knows that there are chances the client will default.

I also found some young girls had received loans, though, according to the country's law, they are not eligible to take out a loan. I asked the credit officer, and he ignored the fact, saying that her family members said her age was over 18. I asked the girl why she took out the loan. She said, "My mother asked me to take the loan. The loan is in my name, but I did not use the money."

The current microfinance emphasis, which is on profit orientation through larger and more diverse loan products to the wealthier clients, can be considered to be mission drift (Armendariz & Szafarz, 2011). Also, Aubert et al. (2009) argued that MFIs increasingly tend to work with clients that are less poor. In this regard, it can be said that the microfinance market has been run recklessly: as the authorities have had very little control power, the poor have become either excluded or exploited.

5.5 The capacity of an NGO as a learning organization

The recent trend of microfinance organizations has been evolving very rapidly toward commercialization (Ghosh, 2013). However, access to credit for the poor is a worldwide concern for development. Therefore, there has been continuous debate about microfinance capacity to achieve both objectives, which are poverty reduction and organizational sustainability. "Learning by doing" is a very common phrase in NGOs, which implies that NGOs always learn from their operation (Bari, 2011). In fact, this is common in every organization. However, microfinance has been operating worldwide since 1990 as an important tool for poverty reduction (Morduch, 1998; Robinson, 2001). Therefore, the time has come to evaluate how they have been learning and applying what they know to their primary missions: poverty reduction and empowering the poor, especially women.

Microfinance organizations have coped very well with the will of international donor organizations. However, to do that, they have been deviating from their primary mission: poverty reduction and women's empowerment. The current government, which has been ruling the country continuously since 2008, has an ideological conflict with microfinance operations. Very recently the prime minister of Bangladesh said, "by stating poverty reduction through microfinance, these institutes are bringing up poverty, the poor who receive microcredit become poorer and the owner of the institute becomes richer" (Prothom-alo, 2018).

Many citizens of Bangladesh believe that the prime minister's statement was due to the political conflict with Professor Yunus, founder of GB, who tried to establish a new political party. However, no NGO has challenged the prime minister's argument. The rapid growth of microfinance and commercial attitudes also have been heavily criticized by many civil society organizations. As well, the evidence of this study found the statement to be mostly true. Nevertheless, microfinance has been integrated with the macro economy of Bangladesh. Over time, the current government's efforts to stop microcredit programs in Bangladesh have been in vain.

The suicide of a microcredit client or such worse news are common in daily newspapers in Bangladesh. Microcredit officers often act very rudely to achieve their target disbursement and repayment to acquire incentives. Therefore, they deal with the credit clients accordingly. They hardly accept any excuses of the poor if they fail to pay even one installment. During my field study, I found twice that the credit clients physically offended the credit officers. Once I found that the credit client's son injured the credit officer. Later I visited the place and I personally asked the son why he injured the credit officer. He replied, "The credit officer was misbehaving very roughly with my father. I could not control myself and hit him."

In the other case, the credit officer expressed reluctance to disclose the reasons of the conflict to me as I am an outsider and could publish it. He said, "The top management of BRAC suggested us not to tell any bad happening to the outside researchers, especially the researchers who come from European institutes."

Microfinance in Bangladesh has been active since the 1970s. The statement of Yunus (2008) that "we should put poverty in a museum" seems utopian. The poor who have been members of microfinance groups for over 20 years remain in the same economic condition. The system of microfinance can hardly ensure the repayment by the poor but cannot make any significant change in income condition. There are many practical reasons that have already been discussed. Therefore, if microfinance organizations really want to stick with their primary mission, they must learn the reasons that hinder the development of the poor and take initiatives to overcome those problems.

5.5.1 What is needed more: credit or jobs?

During my field visit, I arranged 10 focus group discussion sessions. Among other questions, one became significant due to the answers. I asked the members what their most important need is. Most of them answered, a secured income, though some of them said a job either for her husband or for the elder son. Very few said they need microcredit. They explained that they took out a loan because of their poverty. However, if their male family member gets a job, they do not need any credit. Some of them asked me to request upper management to make some facilities so that they can send their sons abroad for labor jobs. A few of them whose children had graduated requested to give their children a job in a concerned microfinance organization or help them to find jobs in the public sector, for example, the defense sector.

The response mentioned above proves that the credit clients know that they cannot change their life by microcredit. Microcredit can only help them to solve their emergency needs. However, for a sustainable development they must have a secured and regular income.

I asked the senior management of GB whether they have taken any initiative to help the members' family along with the credit program. The senior management from GB said, "Once we tried to launch a program to send labor workers to Middle Eastern countries. We got very good response from abroad. For example, from Malaysia. However, the government did not permit us to do this."

Based on the credit officers' interviews, it seems that the responsible department of the government is corrupted. The executive officers said that if GB would take this initiative, the officials of the department would lose their opportunity to earn illegal money. Therefore, they stopped this initiative using their administrative and political power.

In conclusion, it can be said that microcredit is not enough to generate the profit needed to pay the high interest and meet household expenses. For a sustainable income, the poor need a secured income. If the poor have a regular income, a microenterprise may supplement their income and lead to sustainable development.

5.5.2 Training: vital but not given

Microfinance institutions dealing with micro borrowers constitute one of the most significant unbalanced relationships between providers and borrowers. In general, the officials, even the field-level officers in Bangladesh, are university graduates with skills. On the contrary, most of the credit clients are either illiterate or have only a basic education. Therefore, the credit clients have significantly less bargaining power despite having the freedom to choose the products and offers. On the other hand, credit officers have the necessary skills to convince the credit clients to borrow from the organization by any means.

Fifteen respondents of this study are illiterate and can only sign their name. Other clients have a primary level education. On the other hand, among the 20 management personnel interviewed, only two field-level officers are undergraduates and one of these is of an advanced age, which indicates that he got the job a long time ago. A large number of clients said that the first loan they took out just because of the credit officers' and the manager's influence. One client said,

> The credit officer and the manager visited our home and convinced us that the loan is very flexible; we can pay in installments and such stimulating information so that we took a loan. We initially thought that such a very small amount per week would not make any trouble. However, later we found it a great burden to pay every week even when the amount was very small (R14, 53, borrower, GB).

I asked all credit clients whether they received any training from the organization. Almost everyone said "no." Only a few of them explained that when they received the loan, the credit officer gave them some advice how to use the money. However, no credit clients claimed that they received any proper training. Even the credit officers could not say that they had arranged even one proper training session for the credit clients.

The credit officers said that when they go to the center they talk to the clients, give advice how to handle the money, and so on. However, during the six months of my visit I hardly ever saw credit officers discussing with the credit clients about the management of their credit or such related issues. However, both the credit clients and the credit officials admit that training is indispensable for the poor since they are usually illiterate and don’t know how to manage the credit and get benefit from it.

5.5.3 Control system of microfinance operation

Although a number of authorities are responsible for monitoring microfinance organizations in Bangladesh, most often they fail to control them. The persistence of bribery, corruption, inadequate technology, and overall management inefficiencies has resulted in a weak monitoring system for microfinance operations. Due to these problems, MFIs in Bangladesh have been growing dramatically. Consequently, the authority is also losing its monitoring capacity. As a result, there are a great number of small NGOs imposing higher interest rates, sometimes over 100% (Yunus, 2010).

These NGOs treat their clients like the old-time “Kabliwala” (loan shark) who provided loans with extremely high interest and were rude in the collection of repayments. As was mentioned, due to the lack of financial literacy and urgent household needs, the poor are forced to take these harmful loans that negatively affect their livelihoods.

The government and the microfinance authority have no power to protect the credit clients. There is thus an immediate need to reform microfinance operations so the credit clients become the primary beneficiary. However, to reform the system, the microfinance authority needs to be reformed first, for example, the credit authority must have all information about all the MFIs established in the market. There are some institutions currently working to facilitate NGOs. Among them, Palli Karma Sahayak Foundation (PKSF) is a leading public organization that provides loans to existing NGOs based on their performance (Hasan & Ahmed, 2009). PKSF primarily provides subsidized funds to those MFIs that have been working to create employment and reduce poverty (Bhuiya et al., 2016). PKSF funded 273 organizations amounting to 1906,95 billion Bangladeshi taka as of October, 2015 (PKSF, 2015).

5.5.4 Loan size: big enough to make a profit?

All 50 respondents said that the loan amount is too small to make any changes in their income or livelihood. Most of the microfinance organizations start with a very small loan to see whether the customer repays the loan regularly. The credit officer then recommends for a higher amount of loan. However, the second loan is still very small to make significant changes in income-generating activities.

Therefore, in most cases, the clients consume the money for their household needs.

I asked the respondents whether the amount of loan is sufficient to support a small business or not. Most of the respondents said that the amount is not enough to establish even a small shop. One respondent said, "Since we have to start repaying the installment immediately, we just use the money for household needs and keep a portion for repaying the forthcoming installments."

Nowadays, the credit officers are focusing more on larger loans. However, despite the trend, I found that the loan amount is still not enough to establish a shop or buy a three-wheeler to become a self-entrepreneur. As one client said,

> I asked for one lac 50 thousand taka to buy an auto rickshaw. However, the credit officer gave me one lac. Therefore, I went to another NGO to get the remaining 50 thousand. If I got the full money, I would not go to another shop. Now I have to go to two NGOs. It doubles the costs, service charge, additional group meetings, and causes more headaches (R38, 40, borrower, TMSS).

I found more than one such case. I asked the credit officer about the issue. From their statement, I got the impression that, despite the credit officer's legitimate fear, again the credit clients are the losers. Therefore, the microfinance organization should change their policy so that they could ensure both repayment and fulfill credit clients' needs.

5.5.5 Religious values and microfinance implications in a Muslim society

Bangladesh is a Muslim-dominated country where more than 85% are Muslim. In Islam, both giving and taking interest against a loan is forbidden. Therefore, a great number of practicing Muslims cannot participate in microfinance services. Despite receiving credit, many clients feel bad spiritually because they think they are behaving wrongly. I asked Muslim respondents why they still take out loans. They said as like one,

> I know it's a sin. However, I cannot do anything about it. I am so poor, I need to take the loan. If this loan is interest free, there are many other people who will take the loan. My father-in-law forbade me to take the loan. But I took it. My father-in-law does not know it (R34, 42, borrower, BRAC).

However, there are opposite views as well. One client said, "Most of my neighbors are micro borrowers. Therefore, it does not affect my social life. However, people who do not take out a loan view us badly."

Some NGOs have launched Islamic microfinance. However, the market is still limited. One reason could be that such operations are running against the usual trend, which is difficult. Another major reason for these limited services could be limited donor funds. I found that one of the three NGOs also has Islamic microfinancing as a part of their regular program keeping the practicing Muslims in mind.

In Bangladesh, one of the top leading banks is Islamic Bank, which runs all their transactions following Islamic rules. In addition, Standard Chartered Bank and many other private banks have started Islamic banking as a separate department considering the practicing Muslim societies. Islamic microfinance in Bangladesh could reach more of the disadvantaged as those who do not currently take out a loan due to religion could then receive microfinance services.

5.6 Conclusion: sustainability versus profitability

Microfinance organizations claim that their commercial approach is designed to ensure organizational sustainability and, at the same time, poverty reduction. However, the empirical evidence of this study suggests that microfinance organizations have drifted heavily from their primary mission. Within three NGOs, BRAC itself has been launched as a bank that is not included in microfinance. It has been running like the private banking sector. Running a private bank that has branches all over the country requires a lot of capital, which is shown in the high level of their income.

Another NGO, TMSS, has been running their microfinance operation by taking loans from the private banking sector. They eventually impose much higher interest rates so that they can recover their expenses and at the same time ensure profitability. The same trend is happening with GB. GB has approximately halved the interest it is paying for clients' savings and insurance.

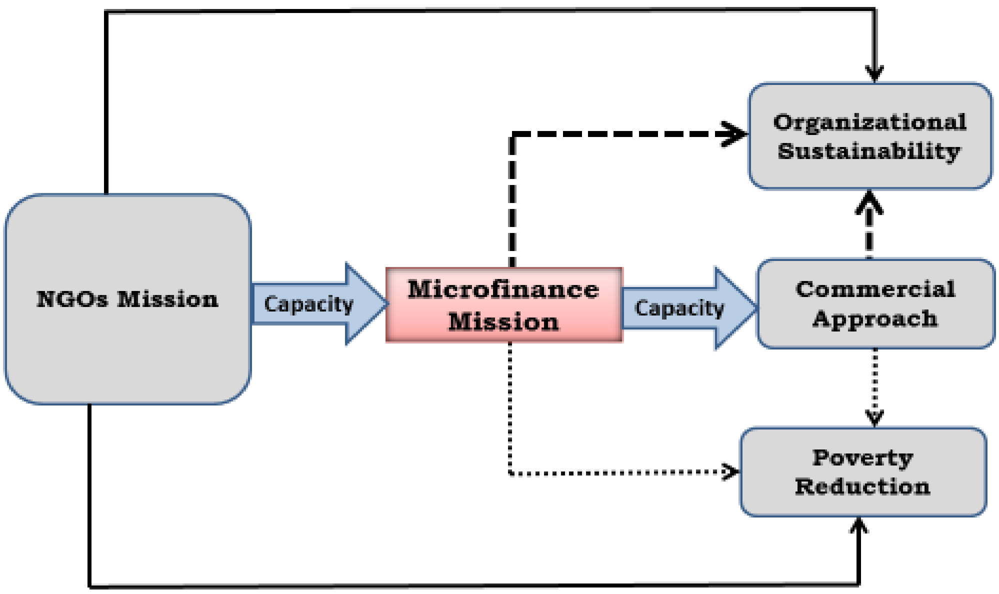
All these findings demonstrate that, currently, the microfinance sector is primarily concerned about its sustainability. In addition, the sector participants might believe that sustainability only comes when the operations generate enough profit. However, international donor agencies still provide billions to serve the poor. Therefore, sustainability could still be possible with a little subsidy. Based on discussions with microfinance officials, it is my observation that microfinance organizations, especially the credit officers, are working exclusively to ensure the organization's profit. To experience real development, the whole system needs to be revised to return it to serve the welfare of the poor.

6 CONCLUDING REMARKS

The aim of this study has been to find the answers to key research questions concerning the capacity of NGOs to promote poverty reduction. The key research question for this study is, whether NGOs' transformation from a focus on welfare to the commercialization of their products and services, for example, launching microfinance programs in the name of sustainability, has changed their capacity to reduce poverty or has negatively affected people who disadvantaged. A number of researchers argue that microfinance organizations, which are regarded as voluntary organizations, have shifted the focus to excessive profit seeking, causing more harm than good for the poor, especially women (Kabeer, 2005; Fernando, 2006; Setboonsarng & Parpiev, 2008; Karim, 2011; Waelde, 2011; Bateman, 2012; Taylor, 2012; Roodman & Morduch, 2014; Dattasharma et al., 2016). To understand the phenomenon, this study has collected empirical first-hand data from three leading NGOs in Bangladesh. Data has been collected from credit clients, credit officers, and MFI managers using the methods of interviews, focus group discussions, and participant observation. All data have been processed systematically for analysis and to generate key findings. This chapter will discuss these key findings in order to provide recommendations, which are intended to be useful for NGOs and other stakeholders to build organizational capacity for the purpose of getting the optimum benefit from microfinance program efforts to reduce poverty.

The recent trend of "institution building" or "sustainable" development of NGOs promoted by international development agencies is leading NGOs toward commercialization. Not only NGOs but also donor agencies have found microfinance programs to be an important tool to sustain the organization while working to reduce poverty. The main findings of this study suggest that NGOs in Bangladesh have claimed that microfinance is an important means to achieve both objectives of poverty reduction and organizational sustainability. As well, those NGOs associated with a microfinance entity also claim that, in addition to poverty reduction, they also promote women's empowerment as a primary mission. These declarations might be a technical strategy for the NGOs as they get tax exemption for welfare identity, which allows them to improve the organization's profitability. However, due to the tradeoff in favor of organizational sustainability, the microfinance program has little impact on poverty reduction (Figure 14).

Figure 8: NGOs' Efforts toward Poverty Reduction



Successful in achieving organizational sustainability.
Limited success in achieving poverty reduction

NGOs have been integrating microfinance programs as a means of organizational capacity, which, according to them, ensures achieving both objectives: organizational sustainability and poverty reduction. However, this study found that this current approach of NGOs might ensure organizational sustainability but have little impact on poverty reduction. The main causes for failure in poverty reduction include high interest rates and other service charges, over-indebtedness of the credit clients, lack of knowledge and training on how to manage credit loans, zero tolerance on delays in the repayment schedule, and management pressure on credit officers to achieve outreach targets and enforce loan repayments.

The main purpose of this study is to understand the organizational capacity regarding poverty reduction. According to Bari (2011), upholding or sticking to the original organizational mission amid the competitive environment is an important capacity of the NGO. Therefore, throughout this study the issue of organizational capacity has been discussed from different perspectives. Most of the NGOs in Bangladesh, including the three studied NGOs, were established as development organizations that primarily focus on poverty reduction and the overall development of the poor. However, this study suggests that NGOs have recently been concentrating more on organizational growth and profitability than the development of the poor. For example, these three NGOs cover almost one third of total credit clients, which is around 17 million people in Bangladesh. However, hardly any credit client I found in this study has become financially solvent through microcredit. Instead, I found that most of the credit clients are caught in the cycle of loans.

Thus, it can be argued that microfinance operation is ethically flawed due to NGOs' strict rules and regulations both for the credit clients and the credit officers. On the one hand, microfinance management pressures credit officers to reach financial targets. On the other hand, credit officers are strictly implementing the policy instructions of upper management, which causes the poor to become financially vulnerable. Like many others, Cull et al. (2009) suggest that by pursuing a policy of seeking profits, MFIs neglect to serve poorer customers. Therefore, despite NGOs' claim that scaling up is an indicator of success, they could hardly prove any positive impact on the poor (Banerjee & Jackson, 2016). Rather, it is more accurate to say that "more clients bring more profit" for the organization. As a result, there is no verifiable link between organizational growth and any positive impact on the poor.

The poor are always in need of money to meet their basic needs. Consequently, according to the credit clients, if credit is available to them, they take it without considering its long-term negative impact. In consistency with this study, Banerjee and Jackson (2016) found in their empirical study in Bangladesh that the poor very often use credit for fulfilling their basic needs, like food, medicine, and other necessities, instead of income-generating activities. However, the credit officers exploit the unavoidable financial needs of the poor by offering them microcredit. This study suggests that credit officers also face a two-fold challenge—financial target achievement through disbursement and loan repayment. As a result, the credit officers have no choice except to offer loans to new and old customers. The spiral of over-indebted loans starts when a customer is unable to repay and credit officers push them to take a further, bigger loan so that they can repay the previous loan.

Following this discussion, it can be said that microfinance organizations are not capable of meeting their primary mission. Moreover, they are drifting from their mission through excessive competition to reach more clients and disburse more loans without proper evaluation of the credit client's financial ability. This kind of approach causes over-indebtedness and further financial vulnerability among the clients. Following Tvedt (1998, p. 215), this study suggests that NGOs do not seem to have any mission, except for one—they are in it for the business. Instead, NGOs should set a clear and transparent goal that will be reflected in their operation and outcomes.

Traditionally, private organizations are established with the intention of making a profit. Increasingly, however, third sector organizations, especially NGOs, are established with other kinds of goals. Among their objectives, the primary focus is on the development of the poor and society. Due to this objective, in most cases NGOs receive national and international support. Often, they are tax exempt due to their welfare approach toward development of the poor.

However, this study suggests that a great number of NGOs have emerged that have been exploiting the tax exemption benefits for their own benefit. On paper, they promote development and poverty reduction and convince the donor organizations to provide funding. They also persuade the national government through many ways, including political influence and, sometimes, corruption (Mir & Bala, 2014).

Since all NGOs are receiving the same kind of opportunities from the government, it is very difficult to be certain, which ones are really working for the poor. Therefore, organizations need to publish transparent goals and operational strategies that are available to everyone so that all stakeholders can keep an eye on the output. In this way, the government and other donor organizations can provide funding and advocacy support to the right organizations. In addition, the government can levy taxes on those organizations that are driven solely by profit orientation.

As stated earlier, in the credit market most of the credit officers are in competition to reach more clients than other NGOs. This study found that along with credit officers, the credit clients also contribute to their own over-indebtedness. Usually there is no certain standard to evaluate credit clients' economic status and ability to repay the loan. As a result, credit officers often estimate the credit client's ability based on her current assets and income capacity. This study found that credit clients often take out a loan from several NGOs, hiding that they have already taken out loans from somewhere else. Consequently, they might be able to repay one loan but others remain unpaid. Finally, they become over-indebted.

If the existing NGOs had strong collaboration, they could work together for the poor client's development in many ways. For example, using IT services, they could establish a common information center where they could have access to the client's credit information. Based on the client's previous credit record, they could provide loans so that no party would fall into risk of loss. In addition, they could initiate training sessions, education, and health services and such other development of the poor clients in a coordinated manner, which would significantly reduce service costs for all NGOs working in a certain area.

The researcher's field experiences suggest that credit officers face different kinds of challenges. Among them, reaching the target disbursement and ensuring repayment from the credit clients are topmost. To achieve these tasks, the credit officers have to make great efforts, including working extra hours without any remuneration. Sarkar (2013) described this pressure as an "unethical deal" with credit officers. However, the credit officers also treat the clients unethically and illegally. For example, to ensure repayment, credit officers behave very rudely to credit clients. In addition, I observed that the credit officers visit the credit client's home at midnight because they escape from home during daytime to avoid meeting credit officers. However, to do this, the credit officers have to make an extra effort and work overtime without any salary or compensation. The credit officers do overtime work because they fear losing the job. The credit officers are also under pressure from their immediate boss to collect all payments within the due date.

This kind of pressure may be eroding the credit officer's efficiency and dedication to the organization. Additionally, studies suggest this kind of dealing with credit officers as MF mission drift (Beisland et al., 2017). Therefore, the organizations need to consider their welfare origin and character. The organization could provide helpful training and adequate remuneration for the credit officers. If they know that they have a secure career, they could be more efficient and motivated to do their work. As well, proper training can facilitate them to provide financial knowledge to the credit clients so that they can manage their credit properly.

As has been mentioned, credit officers from different NGOs are desperately searching for new clients so that they can enhance their outreach. In addition, the poor credit clients also take out loans that compromise their current capacity. In most cases, this happens due to their inability to calculate financial matters and ignorance of social reality. They expect more from tiny businesses without considering the business challenges in a saturated market. Beyond this, credit clients often do the same kinds of businesses in the same location. Therefore, they have very little chances to earn a remarkable profit.

The researcher's field experiences suggest that most of the credit officers are university graduates. Therefore, it can be expected that they possess enough skills to train the credit clients. In particular, this study found that most of the credit clients take out extravagant loans due to their lack of knowledge. If the credit officers would provide enough information about business challenges and the current situation, the credit clients could be more aware and act accordingly.

Conflict between the government and NGOs in Bangladesh is not new. The fear of losing popularity among citizens and state power always keeps ruling parties under pressure due to NGOs' wellbeing activities and popularity. Consequently, they used to have a hostile mentality about NGOs' activities. In the view of local citizens in Bangladesh, the current government also is experiencing some tension with NGOs, especially microfinance NGOs. According to some credit officers, their hostility, especially about microfinance NGOs, was fueled by the decision of Yunus, the founder of GB, to form a new political party in 2008. However, the credit officers say, due to secret threats and pressure, Yunus withdrew his decision to become involved in politics. However, the current ruling party continues to be hostile, which has been evident from the comments of parliamentary members in many public places and to the media. In addition, they often say that microcredit programs should be terminated in Bangladesh. Despite their arguments about microfinance's negative impact on the poor, the primary reason seems to be political conflicts. Although the government has been advocating in many meetings and seminars for microfinance closure, it has not been able to design any alternative plans to serve the credit clients.

Findings suggest that despite the negative impact of microfinance, credit clients are now financially more viable than before. For example, during the interview sessions, many clients said that they work hard because they have to pay the installments. In addition, they feel more secure than before since they know that if any sudden need arises, they can take out a loan from MFIs. Some clients said that while they have difficulties to pay the installments, they do daily labor work, for example, in agriculture or drive manual three-wheelers so that they can pay the installments. Due to the large population, if someone really wants to find work, there is always something to do in Bangladesh. Therefore, both the NGOs and the public sector need to take proper initiative so as to engage citizens' participation. To take the initiative, both institutions need to have a plan for collaboration and a cooperative attitude.

In reference to capacity-building theory, it is understandable that it is difficult for microfinance organizations to foster sustainable development while ensuring organizational sustainability; providing microfinance services to the remotely located poor and offering loans in small amounts is very expensive in terms of operational costs. As a result, current MFIs impose extremely high interest against the loan and extract high service charges. After paying all costs, the poor have very little money remaining to make any profit. Eventually, MFIs cannot provide the services they set out in their goals and objectives without a subsidized credit program. Ultimately, they need external financial aid and training.

Usually, the government runs a large number of development projects in the country for its disadvantaged citizens. Moreover, international development agencies also provide funding for the poor in developing countries. Therefore, all these three organizations can initiate combined projects to deliver the disadvantage population from their inadequate livelihoods.

This study makes evident that the NGOs mostly have been operating for their own interest. At the same time, they have been exploiting the poor by giving them false hopes. NGOs attract donor organizations through attractive project proposals but, unfortunately, very few of them implement these in practice. Not only that, but many NGOs have emerged just to get tax exemptions and are running microfinance operations with extreme interest and service charges. Although the government established an NGO affairs bureau, it does not have significant influence to monitor MFIs. Therefore, if there was an independent monitoring institution, they could keep all the information on NGOs and regularly give updates. At the same time, this institution could monitor all credit clients so that MFIs could get all information about the clients from them. By participating in a transparent system, everyone could derive the optimal benefit of microfinance.

For a country like Bangladesh, social capital is a great asset for many reasons. Bangladesh is a country with a rich heritage. Despite the argument of high density as a sign of overpopulation, it can be turned into an asset. Culturally, Bangladeshi people are accustomed to living in an extended family that includes the grandparents. Family ties are key influential aspects as is reflected in their social and personal lives. In addition, around 80% of the people live in rural areas, where they are accustomed to knowing each other. Therefore, if the social ties are strong in every village, the development of such communities becomes easier. However, taking the right approach to build social capital is the main challenge.

During my field visits, I found especially in small towns that most of the shop owners participate in informal cooperatives. In such a system, for example, 10 people save a certain amount every day and every month they conduct a lottery. Whoever wins the lottery, receives all the savings of those 10 persons for that certain period. In the next month, they again make another lottery for the remaining nine members. In turn, everyone receives their money. However, the advantage here is, they receive a bigger amount at once that they hardly can save alone. I have found almost every shop owner belongs to such informal cooperatives. Since they all own shops in the market, no one fears being cheated or losing their money. In village areas there are also such initiatives, but usually these are insignificant. Although microfinance operates saving products, these are mostly for the agency's own interest as the customer hardly gets the money because they have to repay from deposits during their difficult times. In my opinion, if practices like the town shop owners' lottery can be emulated, it would greatly help the poor as they would receive a large amount of money at once.

In conclusion, both literatures and evidence suggest that NGOs in general and microfinance in particular are an unavoidable practicality in Bangladesh. Although NGOs' primary goal is to reduce poverty, donor organizations have emphasized organizational sustainability. As a result, NGOs have to some extent compromised with their original mission in order to compete of shrinking donor funds. However, upholding or staying loyal to the original organizational mission amid the competitive environment is an important capacity of the NGO. Due to these dual pressures, NGOs need to build their capacity to be successful in both of their missions. However, there are only few studies that have focused on the capacity building of NGOs, more specifically on microfinance organizations. The significance of this study is to focus on capacity building of NGOs, which may benefit academic research, NGOs and donor organizations. However, capacity building is not an easy task. All different stakeholders involved in the process need to build their capacity to achieve the missions of poverty reduction and organizational sustainability. Accordingly, further extensive research on capacity building of NGOs is needed in order to get optimal benefit out of it.

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APPENDICES

Appendix 1. Interview Questionnaires for Credit clients, credit officers, and management officials of Grameen Bank/BRAC/TMSS

Questionnaire for Credit Officers

Region: Khulna, Bangladesh
District: Jessore/Magura
Village and Union Parishad:
Community name and number:
Date:
1. Personal Data of Informant
Name:
Religion:
Father/Husband's name:
Age & Sex:
Educational status:
Marital status:
No. of children:
School going or not (statement):
Profession:
Total family members (present):
Earning family members:
Prior income:
Land ownership:
Causes of poverty:

- Lack of money
- Lack of job
- Lack of education
- Lack of Awareness
- Problems of resource distribution
- Government corruption
- Others

Enterprise Details
Type of business:
History of launching own business (statement of reasons):
Any institutional training received to run the business:
Public
Private
Microcredit: Loan receiving history
Membership duration:
How many times:
Purpose of loan receiving:

Interest rate:
Loan receiving from other sources:
Loan repayment history:
Problems to repay:
Other ways to repay:
Default history and reasons:
Savings:
Obligatory savings:
Voluntary savings:
Interest obtained from the savings:
Economic conditions: before and after getting the loan and reasons for poverty
Further needs - own/family:
Further support needed?
Empowerment through entrepreneurship (statement):
Decision making over the family/business/society
Further plan to expand the business? (statement)
General Statement:
Comments on weekly repayment:
Approach to saving in general:
Important?
Difficult to save after repayment?
Voluntary savings:
Group meetings
Like/dislike:
Distance:
Good to maintain repayment and discipline?
Or time consuming?
Group formation (statement):
Loan size? Good enough to bring change in business or . . . :
Difficulties of getting loan:
Credit officer's behavior:
Loan terms and condition and installment system?
Difficulties faced/facing ever since the business started?
Concerns of the family and other social cultural issues:
General opinion regarding development of microfinance program and poverty reduction:

Questionnaire for Credit Officers

Basic information
Organization-
Name-
Age-
Education-
Job position and responsibility-
Duration of work with this NGO -

1 Could you tell your feelings about working with this organization?
2 To whom are you responsible to report? How often do you contact her/him?
3 How many centers do you visit every day? Any further visits out of centers?
4 How do you feel about the workload?
5 How did you find the job? Was there any other alternative?
6 Are you happy with your current salary and incentives?
7 What are the most urgent needs of the poor?
8 Do you think credit clients are capable of managing their credit accounts?
9 Do you provide any training for the credit clients? If yes, how and where?
10 Have you arranged any training for the credit clients? If yes, how long and where?
11 Do you think a microfinance program can reduce poverty? How or why not? To what extent?
12 Is it hard to deal with credit clients and how?
13 What are the primary reasons for default by the credit clients?
14 How do you deal with defaulting credit clients?
15 How can microfinance be more effective for both the organization and credit clients?

Questionnaire for NGO Officials

1. Would you please tell about your management position in the organization?
2. Would you please tell about the planning exercise in your organization? How important are your contributions?
3. How do you deal with your subordinates especially credit officers?
4. Does market competition influence policy changes?
5. To what extent does microfinance reduce poverty? Interest rate service charges and penalties . . . ?
6. Do you have any grassroots level experience?
7. What do you do with the default loans?
8. Do you think NGOs are neglecting the welfare of poor people as a tradeoff for organizational sustainability?
9. Is there any option to upgrade the microfinance program so that the poor get the optimum benefit from it?

Appendix 2: Credit client respondents' information

o	Age & Sex	Education /Training	Family members * indicates number of earning members	Membership duration	Loan used for- # indicates loan used for given purpose	Prime NGO & Place Jessore(J)/ Magura (M)	No. of other NGOs membership
1	51/F	No/no	4*	22 years	Rice stock, Cattle, #	GB/J	
2	24/F	SSC/no	8 ***	2 Years	Sewing machine # medicine	GB/J	
3	50/F	No/Yes	3*	25 Years	consumed	GB/J	9+ 1 bank + 2 money lenders
4	50/F	Literacy/no	6**	12 Years	Repay money lenders	GB/J	10+5 money lenders
5	24/F	Seven Years/No	4*	6 Years	Consumed by husband loan	GB/J	1
6	53/F	Eight Years/No	5**	20 Years	Wood, clothes business, #	GB/J	11 +2 Bank + 8 money lenders
7	49/F	Seven Years/Yes	4*	20 Years	Stock, cattle#	GB/J	
8	50/F	Literacy/no	2*	20 Years	Land leasing, tution fees, medicine	GB/J	2
9	46/F	Five years/No	2*	23 years	chemical businss #	GB/J	
10	45/F	Literacy/no	8****	24 Years	Bicycle shop, tailor shop + #	GB/J	
11	43/F	Six Years/ No	5***	22 Years	Household expenses	GB/M	1 + money lenders if need
12	43/F	Five Years/No	7**	23 years	Poultry firm (burnt) #	GB/M	2 + big Bank loan
13	44/F	Literacy/no	5***	16 Years	Household expenses, tuition fees, medicine	GB/M	4 + 3 money lenders

14	53/F	No/No	5*	20 Years	Consumption (unnecessarily)	GB/M	8 + 2 Bank + money lenders
15	35/F	No/No	4*	11 Years	Fruits Business	GB/M	1
16	42/F	7 years /No	3*	11 years	Grossary Shop #	GB/M	1
17	28/F	5 Years /no	3**	7 years	Three wheeler #	GB/M	1
18	35/F	Literacy /No	5**	12 Years	Fisheries #	BRAC/M	1
19	50/F	Literacy /No	6*	15 years	Agriculture, medicine, consumption	BRAC/M	5+ money lender
20	30/F	Literacy /No	7*	8 Years	Fisheries #	BRAC/M	
21	40/F	Nine Years/ No	4*	12 years	Children education, medicine, consumption	BRAC/M	2
22	30/F	Nine Years/ No	4*	7 years	Household consumption	BRAC/M	3
23	50/F	Eight Years/ No	3*	11 Years	Husband sickness, consumption	BRAC/M	3
24	50/F	Five Years/ No	6*	12 years	Sewing, Traders #	BRAC/M	1
25	40/F	Literacy /No	6**	Over 20 years	Cattle trade #	BRAC/J	1
26	25/F	Seven Years/No	4*	6 Years	Leasing land, other household consumption	BRAC/J	1
27	25/F	Eight Years/No	4*	5 Years	Land registration, Medical	BRAC/J	1
28	30/F	8 Years/no	5*	7 Years	Business #	BRAC/J	1
29	35/F	SSC/No	4*	7 Years	Business #	BRAC/J	1
30	50/F	Four Years/ No	4**	12 years	Agriculture	BRAC/J	1

31	38/F	8 years/ No	4*	12 Years	Medicine, other loan repay	BRAC/J	1
32	45/F	Seven/ No	5*	13 Years	Easy bike #	BRAC/J	
33	33/F	HSC/ No	4*	4 Years	Buying land	BRAC/J	
34	42/F	4 years /No	4*	15 Years	For husband	BRAC/J	1
35	47/F	Literacy / No	5*	11 Years	Making and selling cakes	TMSS/M	7 + 2 Bank + money lender
36	35/F	Three Years	4*	8 years	Sending daughter abroad for labor work	TMSS/M	1 + money lenders
37	36/ M	Five years /No	5*	6 years	Making paper bags, cards, memo # Destroyed by storm	TMSS/M	1+ money lenders
38	40/F	Literacy /No	4*	12 years	Easy bike #	TMSS/M	1 + informal lenders
39	36/F	Five years/No	4*	5 Years	Clothes business #	TMSS/M	5 + Money lenders
40	38/F	Class Seven/No	4*	6 years	Easy bike #	TMSS/M	1 + informal lenders
41	40/ M	Nine Years/ No	5*	12 Years	Tools business #	TMSS/J	5 + Money lenders
42	46/ M	Eight Years /No	4*	6 Years	Holding business #	TMSS/J	7+ Bank + money Lenders
43	28/F	Seven Years /No	4**	4 years	Poultry firm #	TMSS/J	7 + Bank loan + Money lenders
44	34/F	Three Years/ No	3*	2 Years	Household consumptio n #	TMSS/J	
45	29/F	Eight years /No	4*	5 years	Repay husband's loan	TMSS/J	3
46	35/F	Literacy /No	4*	5 Years	Agriculture	TMSS/J	2

47	40/ M	Seven Years /No	5*	18 Years	Repay money lenders loan	TMSS/J	2 + Money lenders
48	45/ M	Five Years /No	6*	16 Years	Household consumption	TMSS/J	3 + Money Lender
49	38/ M	Eight Years/ No	3*	6 years	Consumption	TMSS/J	2
50	39/F	Ten Years/No	4*	7 Years	Imitation jewelry, Repay other loan	TMSS/J	2

* Indicates earning members in the family
# Indicates those who used loan for the same purpose the loan was given
J Indicates Jessore branches and M indicates Magura branches

Appendix 3: Data collection permission letter from Grameen Bank

গ্রামীণ ব্যাংক
নোবেল শান্তি পুরস্কার বিজয়ী ২০০৬

প্রধান কার্যালয়
মিরপুর-২, ঢাকা-১২১৬
ফোন ঃ ৯০০৫২৫৭-৬৯
ফ্যাক্স ঃ ৮৮ ০২ ৮০১৩৫৫৯
৮৮ ০২ ৮০১১১৩৮
ওয়েব ঃ www.grameen.com

আন্তর্জাতিক কর্মসূচী বিভাগ
গব/পক/আক/৫০৩/২০১৫- ৬২১

তারিখঃ সেপ্টেম্বর [illegible]

মো: শের এ খোদা
পিএইচডি গবেষক
University of Jyvaskyla
Finland
ফোন: ০১৭৫৫-৮৩৬-৬৬০

বিষয় ঃ গ্রামীণ ব্যাংকের উপর গবেষণা কাজ পরিচালনা প্রসংগে ।

জনাব,

আপনার আবেদন এর প্রেক্ষিতে আপনার গবেষণা শিরোনাম " Delivering Microfinance in Bangladesh: capacity building of third sector organizations and poverty reduction."" অনুযায়ী গ্রামীণ ব্যাংক বিষয়ে গবেষণা করার জন্য নিম্নোক্ত শর্ত সাপেক্ষে যথযথ কর্তৃপক্ষ আপনাকে গবেষণা কাজ পরিচালনার অনুমতি প্রদান করেছেন ।

১. গবেষণা কাজের জন্য সেপ্টেম্বর ২২ হতে নভেম্বর ৩০,২০১৫ তারিখের মধ্যে আপনাকে তথ্য সংগ্রহের কাজ সম্পন্ন করতে হবে । গবেষণা কাজের জন্য কেস ষ্টাডি নেবার জন্য গবেষক নিজে ২০ জন গ্রামীণ ব্যাংকের সদস্য এর সাথে আলাপ করে কেস ষ্টাডি নিবেন ।

২. আপনার নিজস্ব আয়োজনে ও খরচে গবেষণা সংক্রান্ত সকল কাজ পরিচালনা করতে হবে । গ্রামীণ ব্যাংক থেকে আপনাকে কোন আর্থিক সহযোগিতা প্রদান করা হবে না । গ্রামীণ ব্যাংকের দৈনন্দিন কাজে যাতে বিঘ্ন না ঘটে সেদিকে দৃষ্টি দেয়ার আপনাকে অনুরোধ করা হলো ।

৩. ফিল্ড পর্যায়ের তথ্য সংগ্রহের জন্য যোনাল ম্যানেজার, গ্রামীণ ব্যাংক, যোনাল অফিস, যশোর (চাকলাদার ভবন,পালবাড়ী মোড়, যশোর, মোবাইল-০১৭১৩-৯১৫-৫৫৫) এর সাথে যোগাযোগ করে তথ্য সংগ্রহের বিষয়ে একটি সময়সূচি তৈরী করা এবং সেই অনুযায়ী তথ্য সংগ্রহ করার জন্য অনুরোধ করা হলো ।

৪. গবেষণা কর্ম জমা দেয়ার পূর্বে অত্র কার্যালয়ের মতামত নিয়ে গবেষণা পত্র চূড়ান্ত করতে হবে ।

৫. চূড়ান্ত গবেষণা রিপোর্ট বা সিথিস এর এক কপি স্পাইরাল বান্ডিং করে আর্ন্তজাতিক কর্মসূচি বিভাগ, অথবা যোনাল অফিস, যশোর এ জমা দিতে হবে ।

৬. গবেষণা কালিন যে কোন বিষয়ে যোনাল ম্যানেজার, যশোর বা প্রধান কার্যালয়ে আপনার গবেষণা কো-অর্ডিনেটর জনাব গোলাম মোরশেদ মোহাম্মদ, এস.পি.ও এর (০১৭১৩-৫০৭-৩০০) এর সাথে সার্বক্ষণিক যোগাযোগ রাখার জন্য অনুরোধ করা হলো ।

আপনার গবেষণা কর্ম সুন্দর ভাবে সম্পন্ন করার জন্য যোনাল অফিস যশোর এবং অত্র বিভাগের সার্বিক সহযোগিতা অব্যাহত থাকবে ।

আপনার একান্ত,

(এস.এ.এম.আব্দুস ছালাম)
মহাব্যবস্থাপক

Grameen Bank International Program Department
Head Office
Dhaka.

Appendix 4: Data collection fees for Grameen Bank

Grameen Bank

Mirpur Two, Dhaka 1216

Training Expenses Bill

No. : 1182 Date : 7.10.15

Name : Mr. Sher E Khoda

Organisation : Researcher

Address : Univ. of Jyvaskyla, Finland

A break up of the Training expenditures incurred for yourself/participants from your organisation is provided below :

Description of costs	Rate	Number	Total Amount
1. Cost of Training Expenditure : ________ Persons X________ day(s) (For the period __________ to __________)	Us $ - 20 (per head per day)	________ day(s)	
2. Cost of Training Materials :	Us $ - 25 (per set)	One set(s)	$ 25
3. Audio-visual Materials :			
4. Others : Research	$ 300	one	$ 300

Conversion rate : US $ 1 = Tk. ________ Total : TK: 25350/= $ 350

Taka (In words Twenty five thousand three hundred fifty only.

The above due may be reimbursed in favour of **"Grameen Bank"** by cheque/draft in US Dollar or Bangladeshi Taka.

Co-ordinator Authorized Signature

Remarks (if any)

Appendix 5: MOU with BRAC for data collection

Memorandum of Understanding (MoU)

Between

Md. Sher E. Khoda, PhD student at the department of Social Science, University of Jyvaskyla, Finland, hereinafter referred to as "First Party"

&

BRAC, a non-governmental organization, having its registered office in BRAC Centre, 75 Mohakhali, Gulshan 1, Dhaka 1212, Bangladesh; registered under Societies Registration Act, XXI of 1860 No. 3695/334 of 1971 e 1972, (hereinafter referred to as "BRAC", which expression shall, unless excluded expressly or otherwise, mean and include successors-in-interest, legal representatives, administrators, executors and permitted assigns) of the first part.

First Party and BRAC may hereinafter be referred to individually as a "Party" and collectively as the "Parties".

This MoU formally records the mutual interest of the Parties in conducting statistical analyses using BRAC MIS data, following the signature of this MoU, for the mutual benefit and learning of both Parties.

The effective date of this MoU shall be December 07, 2015

Now therefore, the Parties hereto agree as follows:

1. **Purpose.** BRAC shall provide data to First Party for the purpose set forth in Exhibit A (the "Purpose"). The data are provided at no cost. The data shall not be used except as authorised under this MoU. BRAC will cooperate with First Party by providing a BRAC staff person to coordinate the efforts and also granting proper authorisation. First party may only request data required for the Purpose and will be responsible for data confidentiality. First party shall delete all data upon the expiration of the Term set forth under Section 4.

2. **Deliverables.** First party shall provide BRAC with outputs set forth in Exhibit B (the "deliverables").

3. **Term.** The term commences on the Effective Date. The expiration of the Term is December 31, 2015

4. **Modification.** No modification or waiver of any provision of this MoU or any exhibit shall be valid unless in writing and executed by duly-authorised representatives of both parties.

5. **Protocols.** First party shall be responsible for complying with standard research protocols of dealing with human subjects. First party will obtain informed consent when interacting with clients and collected information shall be anonymised. First party may only approach individuals whether clients or staff approved by BRAC for the Purpose under section 1.

1

6. **Publication.** First party shall give BRAC 4 weeks prior notice to review any documents planned for external publication.

7. **Counterparts.** The MoU may be executed in two or more counterparts, and by fascilmile or electronic transmissions, each of which will be deemed to be an original, but all of which together shall constitute one and the same instrument.

In witness whereof, First Party and BRAC have executed this MoU as of the Effective date.

For First Party

By: ______________________

Name: Maria. A. May

Title: Senior Program Manager, Microfinance, BRAC

Date: 07-12-2015.

For BRAC

By: Md. Sher-E-Khoda

Name: Md. Sher E. Khoda

Title: PhD Student, Department of Social Science, University of Jyvaskyla

Date: 09-12-2015

For Administrative Contact:

BRAC		University of Jyvaskyla	
Name:	Monirul Hoque	**Name:**	Teppo Kröger
Address:	75, Mohakhali, Dhaka 1212 Bangladesh	**Address:**	P.O. Box 35, Fin- 40351, Jyvaskyla, Finland
Telephone:	+88029881265 Ext-3757	**Telephone:**	+35814601211
Mobile:	+8801711082037	**Mobile:**	
Email:	monirul.hoque@brac.net	**Email:**	Teppo.kroger@jyu.fi

2

Exhibit A
Purpose

- To understand the socio-economic environment and the impact of microcredit on clients' income-related activities.
- To analyse the management capacity of microfinance organisations in relation to organisational sustainability and poverty reduction.
- To examine microcredit staffs' capacity to build credit clients' capacity in terms of the business development process.
- To examine the impact of social capital in relation to the organizational capacity-building process
- To give policy recommendations for the capacity-building of all involved stakeholders in order to promote poverty reduction and organisational sustainability

Exhibit B
Deliverables

- Writing four articles to be published in international journals.
- Research result to be presented in seminars and international conferences.
- Compilation the articles and writing a PhD thesis to be defended in public.

MAR

Appendix 6: Data collection permission from TMSS

TMSS

HEM, HQ

631/5, West Kazipara, Mirpur-10, Dhaka-1216, Bangladesh.

Reff: TMSS/HQ/D(HEM)/2015- 1799 Date: 04.10.2015

Dear Mr. Sher- E-Khoda

Gratings from TMSS. We are very pleased to know that you are wishing to collect empirical data from our organization for your Phd thesis at the University of Jyvaskyla Finland. Our management has given permission in order to collect data from our organization. Please be noted that our organization will provide your necessary data only for using your Phd thesis purpose and TMSS will not provide any vehicle or logistic support during your visit.

With thanks

Munawar Reza Khan

Director(HEM)

TMSS