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DEAFAULT RISK AND DEBT RECOVERY STRATEGIES IN MICROFINANCE: EVIDENCE FROM SRI LANKAN MICROFINANCE SECTOR

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Abstract

Microfinance Institutions (MFIs) contribute immensely to low income earning individuals by providing microcredit and other services such as insurance, savings and training to engage in income generating activities. Microfinance spurs entrepreneurship, alleviates poverty and empowers women. Since MFIs provide microcredit to low income earning individuals who cannot provide collateral, there is a significant risk involved in lending. Hence, MFIs need to have good recovery strategies to maintain better loan portfolios. Thus, the objective of this study is to examine the default risk and debt recovery strategies adopted by Sri Lankan MFIs. Multiple case study method was used in this study as the research method and data was gathered using in depth interviews. Findings show that taking preventive actions such as quality screening, following up and critical monitoring, enhancing social capital, field officer portfolio tracking, providing Business Development Services (BDS), and using effective incentive systems can reduce the default risk. The debt recovery strategies identified by the present study are promise register, reminder letters, deductions form savings and guarantor's income, and legal actions that could reduce the arrears in the status of default. The findings of this study contribute to both the epistemological and practical domains.

Keywords: Case Study Method, Debt Recovery Strategies, Default Risk, Microfinance Institutions, Stakeholder Theory

1. INTRODUCTION

Microfinance is regarded as one of the major initiatives in the world which focuses on poverty alleviation by spurring entrepreneurship (Khaavul, 2010; ADB, 1997). Microfinance Institutions (MFIs) cater to low income earning individuals by giving them small loans and other services such as insurance, savings, training and counselling. MFIs provide loans (i.e. micro credit) to start and expand businesses, and clients who have obtained the loans need to pay back the loans to MFIs (Khavul, 2010; ADB, 1997). Repayment of loans by the clients is very important to achieve financial sustainability of the MFIs. If the MFI is financially sustainable it could provide many services to the clients and satisfy all the stakeholders that includes shareholders, bankers, employees etc. Given the importance of loan repayment in operationalizing MFIs, implementation of debt recovery strategies are pivotal.(i.e. Before and after the loan) (Chege and Bichanga, 2017; CGAP, 2011; Khavul, 2010; ADB, 1997).

Sri Lanka has an established microfinance sector with more than 10,000 branches covering the island. Sri Lankan microfinance has got a long history that can be traced back to 1900s. MFIs in Sri Lanka represent the government, banks, non-banks, NGOs and cooperatives/credit unions (GTZProMis, 2010; Tilakaratne *et al.*, 2005). Sri Lankan microfinance sector currently faces some challenges such as low quality loan portfolio, lack of funds from donors, unethical recovery methods and excessive interest rates (Central Bank, 2017; LMPA, 2010; Attapattu, 2009). To address these challenges, the government of Sri Lanka introduced the microfinance act no 06 in 2016 (Central Bank, 2017).

The microfinance sector in Sri Lanka is getting commercialized. One of the challenges faced by the Sri Lankan MFIs is thelow loan repayment rate (i.e. Higher portfolio at risk rates) (LMPA, 2010; Attapattu, 2009). Thus, MFIs need to address this challenge by following better debt recovery strategies. There are a number of studies done (Kwadwo and Redeemer, 2016; Alex, 2014) focusing on debt recovery strategies used by MFIs. However, there is a dearth of research done in Sri Lanka in this area.

Given the importance of debt recovery strategies to Sri Lankan MFIs since MFIs are facing a recovery issue (i.e. Practical gap) and there is a dearth of research done in this area (i.e. Empirical gap), this study attempts to fill these gaps by addressing the following research questions: First, what are the default risk (before the loan is given and before the loan goes in arrears) strategies used by Sri Lankan MFIs?; second, what are the debt recovery (after the loan has gone into arrears) strategies used by Sri Lankan MFIs?

The stakeholder theory is used as the theoretical underpinning for this study. The stakeholder theory asserts that management has to look after the interests of all the stakeholders. Thus, the management of MFIs needs to manage its loan portfolio that affects all the stakeholders. To carry out this study, the paper is divided into the following sections. The first section reviews the extant literature on microfinance and debt recovery, followed by an explanation of the methodology employed. Then the pre and post debt recovery strategies used by MFIs are critically analysed. Discussions of findings are then discussed before the conclusions and the implications are presented.

2. LITERATURE REVIEW

2.1 Microfinance

Microfinance is the issuance of microcredit and other services such as business development services (BDS), insurance and savings to low income people to start and expand businesses. Microfinance targets 2.8 billion people living in the world whose daily income is less than $2 (CGAP, 2011; Khavul, 2010; ADB, 1997). Though microfinance is popular in developing countries, its importance cannot be undermined in developed countries as microfinance contributes to the economies by helping microenterprises in developed countries. Poverty alleviation and empowerment of women are key objectives of microfinance. MFIs use innovative methods such as group lending associated with group liability and pre savings requirements to attract lower income people that cannot be reached by the traditional banking system (Khavul, 2010; ADB, 1997).

2.2 Types of microfinance Institutions

There are four types of MFIs (Jansson *et al.*, 2004)

1. Non-profit MFIs (e.g. NGOs)
2. Bank MFIs
3. Non-bank MFIs
4. Cooperative/credit union MFIs

Depending on the type of the MFI, the mission, lending method and market segments of the MFI may vary. For example, the government MFIs focus mainly on poor clients and they are often not profit oriented.

2.3 Lending Methods

There are two types of lending methods used by MFIs: group lending and individual lending. In group lending, MFIs provide microcredit to individuals of a group consisting of 3-10 members and group members are liable to repay the loan. In contrast, MFIs request collateral for clients in individual lending and there is no group formation. Due to the collateral requirement, poor clients cannot go for individual lending. In group lending, the responsibility of screening, monitoring and enforcement are passed on to the clients whereas in individual lending it lies with the MFIs (Khavul, 2010; Denotes and Alexandar, 2004).

2.4 The importance of loan repayments to MFIs

MFIs need to be financially sustained in order to cater to low income earning individuals. The financial sustainability of such institutions is dependent on the loan repayments. Thus, clients who have borrowed money from MFIs need to pay back on time. If MFIs do not get loan repayments then they will have a bad loan portfolio resulting in financial distress and serious going concern. Further, loan repayments is very important as a source of funds in the light of MFIs not getting money from the donors since Sri Lanka has upgraded to a lower middle income country (Alex, 2014;Kahavul, 2010; Attapaatu, 2009;ADEMCOL, 2001; Norell, 2001). Given the importance of loan repayments, MFIs have to use rigorous debt recovery strategies.

2.5 Delinquency

The delinquency rate refers to the percentage of loans that are past due. It indicates the quality of a lending company's or a bank's loan portfolio. Delinquency/default occurs when a debtor has not met his or her legal obligations according to the debt contract. For example, a debtor has not made a scheduled payment, or has violated a loan covenant (condition) of the debt contract (Ameyaw-Amankwah, 2011).

Delinquency can be measured by the equation given below.

PAR- <u>Unpaid principal balance of all loans with payments is past due more than 30 days</u> (Number of <u>Deliequent loans)</u>

Total Gross Loan Portfolio (Total number of loans)

Where:

Number of Delinquent Loans refer to the number of loans that have missed their payments; and

Total Number of Loans refer to the total number of loans in the loan portfolio.

Generally it is assumed that Portfolio At Risk (PAR) of 5% is a better rate (30days Default) in the microfinance industry. If PAR exceeds 5% means MFI has a risk of getting payments on time.

2.6 Default risk and debt recovery strategies

Studies carried out on microfinance sector show that MFI use default risk and debt recovery strategies to reduce the arrears and thereby to achieve low PAR. Default risk strategies refer to strategies used to prevent arrears. This is before and after the loan is granted. Debt recovery strategies indicate strategies used to reduce the arrears/default situation (i.e. After the client has gone into arrears). Studies show that MFIs need to follow a sound credit evaluation criterion before the loan is granted and thus they need to look at the character, savings and income of the clients. After giving the loan, the loan officers have to follow up on the loan repayments. Moreover, the loan officers need to maintain good relationships with the clients in order to improve loan repayments. Further, the literature discusses sending reminder letters and taking legal actions to reduce loan defaults *(*Kwadwo and Redeemer, 2016, Norell, 2001, Alex, 2014). The study done by Gyamfi (2012) in Ghana focusing on credit risk management found that character, savings and cash flow of the client is important to determine the credit worthiness. Further, this study recommends that MFIs use computerized systems so that reports on credit risks could be obtained, and in turn MFIs could inform the clients about risks to mitigate them. Mercy and Gichure (2019), investigated the importance of credit principles on debt recovery in Kenyan MFIs. The study reveals that sound credit principles adopted by MFIs can significantly reduce the debts and it recommends to train the borrowers on risk. Norell (2001) prescribes that MFIs must follow up on late loans, form solidarity groups, update their credit policies regularly, give training to clients, avoid giving loans to start-up businesses and give financial incentives to minimize arrears.

Though there are studies done in other countries on debt recovery in microfinance setting, there is a dearth of studies done in Sri Lanka.

2.7 The stakeholder theory

The stakeholder theory postulates that management of organisations must look after not only the shareholders but also other stakeholders (Freeman *et al*, 2004). Thus, the management needs to be mindful about stakeholders when making decisions. The stakeholders of the MFIs include shareholders, employees, banks, the government, clients. Financial sustainability is very important to all the stakeholders as without profits there is no going concern for MFIs. Thus, the MFIs need to achieve better loan repayments by adopting prudent debt recovery strategies.

3. METHODOLOGY

There are two philosophical stances; positivism and social constructivism. The main idea behind positivism is that the social world exists externally and its properties should be measured through objective methods rather than inferred subjectively through sensation, reflection or intuition (Collis and Hussey, 2003;Easterby-Smith *et al.*, 2003). In contrast, the social constructivist philosophical stance believes that reality is not objective (subjective consciousness) or external, but is socially constructed and given meaning by people (Easterby-Smith *et al.*, 2003).This research is based on the social constructivism paradigm since the findings are going to be subjective and it is based on personal experienced findings of the researcher. Out of the two methods of reasoning; inductive and deductive, this research is an inductive research due to the fact that it doesn’t intend to prove a theory. Further, this research is a qualitative research as it doesn’t focus on figures and find the correlation in-between variables; instead it collects the data such as words and facts which are qualitative in nature from the field where the beneficiary parties can adopt it accordingly.

Case study method was used in this study since the researchers wanted to collect rich data pertaining to the contemporary phenomenon (i.e. Debt recovery strategies). Multiple case study method as opposed to a single case study method was chosen because multiple case study improves theoretical generalization (Yin, 2009). Number of MFI cases selected for this study were six which is in line with 4-6 cases prescribed by Eisenhard (1989) for a multiple case study.

Purposive sampling technique was used to select the cases and interviewers. Six MFIs were selected based on the type of MFI and lending method as shown in the table 1. A field officer, a recovery manager and a senior manager were chosen from each MFI as interviewees.

Table 1. Sample MFI Cases

MFI code	Type of MFI	Lending Method
C1	Non-bank	Group and individual
C2	Cooperative	Individual
C3	Non- bank	Group
C4	Private Bank	Group and individual
C5	Government Bank	Group
C6	Non- Bank	Group and individual

Eighteen in-depth interviews were conducted by using a semi-structured questionnaire in order to gather data. Further, company records and web sites were used to collect data. The collected data were tape-recorded and transcribed. The data was analysed using thematic analysis. When analysing the data, analysis techniques and strategies such as cross-case synthesis and pattern matching were used. By following the case study protocol, the reliability of the study was achieved. Construct validity was achieved by using multiple data sources. Internal validity was met by using the pattern matching analysis technique. External validity was achieved by using a multiple case study method as the findings can be generalized to a certain extent with multiple cases (Yin, 2009). Ethics are very important in carrying out a qualitative research. Thus, informed consent was obtained from all the parties before obtaining the data.

4. FINDINGS

Direct quotations from the transcripts of the interviews of case studies are displayed in the findings section. Respondents' quotations are presented in italics and identified by the case number (C) and the respondent (RP) where RP 01 is identified as the senior manager, RP 02 as recovery or branch manager and the RP 03 as the field officer.

The findings are presented under the research questions of the study and main strategies are numbered accordingly. Sub-themes are shown point form under each main theme.

Research Question 01 - What are the default risk strategies used by the Sri Lankan MFIs?

Seven themes were identified under this research question. They are quality screening, expertise of the field officer, field officer portfolio tracking, on time follow up and critical monitoring, enhancement of social capital, BDS provision and benefits provided to clients. Further, some sub-themes emerged under certain themes (e.g. enhancement of social capital). Each of these themes and sub-themes are discussed below with the relevant quotations.

01. Quality screening - Screening is the process of credit evaluation of the clients. In brief it includes clients' information, guarantor information, repayment capacity, multiple detections, residency confirmation, standard of living, checking Credit Information Bureau of Sri Lanka CRIB reports, and family income assessments etc. This can be identified as the first action in the pre step of debt recovery. Quality screening as a theme is demonstrated in the following quotations.

"Quality screening is the main strategy which will ensure a better recovery strategy. This has to be the first place in the process." (C6: RP 03)

"90% of the fault is ours if a client defaults. This happens due to the flaws in the screening process." (C3: RP 02)

These quotations illustrate that MFIs must have a sound quality screening process to select creditworthy and trustworthy clients.

02. The expertise of the field officer –The expertise of the field officer in terms of education, training undergone and experience emerged as a theme under the default risk strategies. This theme is supported by the following quotations.

"Thumb rule of the recovery is to get the right person to the job of field officer in terms of experience, education and training" (C1:RP 01)

And

"With the experience of the field officer, filed officers can evaluate a client very easily. He can detect on the repayment capacity. It comes with the field experience." (C6: RP 03)

03. Field officer, portfolio tracking - Field officers, portfolio tracking has a huge impact on the repayments of the loans, according to the statements provided by the all the respondents of the case "C3". With this strategy, MFIs could maintain good PAR close to zero. This theme is evidenced by the following quotation.

"We have an incentive system based on the portfolio of each field officer, based on the cluster attendance, arrears compared to their previous month, cluster recovery and PaR maintenance. We will be doing deduction based on that. If the arrears has decreased compared to last month the deduction rate will be less. They have to consider the performance and on the other hand it will impact on the loan recovery with the tracking." (C3: RP 01)

04. On time follow up and critical monitoring – Field officers have to follow up with the clients and monitor their loans. This strategy is very important because it reduces the default risk. This is substantiated by the following quotations.

"Our mechanism is once we issue the loan, relevant microfinance filed officer is supposed to follow the loan usage within three months. Say the loan is issued today, within three months from now he has to make sure that he has visited the clients and monitor usage. As a target our field officer has to follow 35 clients per month, if not we will deduct from their incentive. When it comes to branch manager, yes, there is again a target of 25 loans he has to visit to monitor which will be a fresh visit or else a field officer already visited client. Area manager has the target of 20 follow ups per month." (C3: RP 01)

The following up and monitoring isn't limited to the filed officer level. It has been practiced by the each senior level management of the institution as well.

Further,

"When it comes to prevention is better than cure, from seventh day onwards we need to track the client and create that discipline." (C4: RP 01)

Also,

"*Our field officer must visit clients as a strategy to follow up and monitoring the loan"* (C6: RP 01)

05. Enhancement of social capital - In simple terms, social capital is the connection between individuals and entities that gives benefits to all parties. These relationships between individuals can lead to a state in which each party thinks of the other when something needs to be done. This affects the recovery proceedings, making a positive impact. Three sub-themes emerged under this theme. They are companionship, trustworthiness and information asymmetry and moral hazard.

I. **Companionship** - It refers to the friendliness they improve through the group lending. This is evidenced by the following quotations.

"If members of the cluster are having an issue, they will solve it by themselves before the meetings, if one member is having a difficulty on repayment other two members will pay off the monthly instalments without bringing any reason to the meeting." (C3: RP 02)

And

"Through the formation of the groups, they have built up the relationship. When they come to cluster they will sort out the problems in payments such as one guarantor pays the monthly instalment of a fellow member due to their financial situation. It has been built up with their mutual understanding through the effective networking between them" (C6: RP 02)

II. **Trustworthiness** - MFIs staff, especially the field staff builds trust upon the clients when they meet them at the group meetings. Thus, based on trust, MFIs can lend money to clients. The following quotations support the sub-theme of trustworthiness.

"We will ask them to attend to first three meetings. With the trust we build upon that we will issue our loan." (C3: RP 03)

Further,

"We don't look for residency confirmation as we serve our members located in our area. We have the trust on our clients" (C2: RP 03)

III. **Information asymmetry and moral hazard-** Under social capital enhancement, this emerged as a sub-theme.

a) **Information asymmetry** - MFI does not have credit and trust information about potential clients to be able to lend money. This leads to information asymmetry. However, through group formations and social capital existing in the villages, MFIs have access to clients' information. Clients provide information about the clients to the MFIs. Especially this happens in a group lending situation where groups are formed. This information is helpful to reduce the information asymmetry issue. The followings are evidences to support this

RP "02" who is the branch manager of the institute "C3", could provide few practical details with his experience.

"We do not need any CRIB reports, the only report we get is the self-screening procedure. It is more accurate than the CRIB report and it can capture every nook and corner of the character. If we are to get the CRIB reports for each we would have ended up in making losses. The villagers know about their neighbours very well"

b) **Moral hazard** - This is where the risk arises from the use of the loan. The client has not entered into the contract in good faith. This will lead to the client defaulting on the loan as they have not used the loan for a good cause or have used it for something illegal. It has the risk of getting repayments.

This sub-theme was substantiated by the following quotation.

"Villagers get the news if we are issuing a loan to a wrong party then they will call us and inform."

Says RP 02 of the institute "C3".

06. BDS provision – BDS provision emerged as a theme. MFIs provide business development services (BDS) such as financial literacy training and business training to clients. As a result of BDS, clients' knowledge and skills go up and thus they could manage their finances well and earn more profits and sales in their businesses. Thus, they could repay the loans taken.

RP 02 of C3 explained the process of BDS,

"We are giving trainings to our clients. It is basically segregated into agriculture, technical, management, and financial literacy, soft skills and field visit. It impacts a lot since it gives a vast knowledge on their financial and business works that improves the loan repayments"

07. Benefits provided to clients- People tend to take loans or credits in their financial difficulties. The benefits of on time repayments can take many forms such as cluster appreciation, attendance appreciation and interest rate bonus. This can be identified as a default risk strategy which motivates the clients to make their repayments on time regularly. This is also being a motivational factor which influences other default clients to make their payments on time.

This is analysed under two sub-themes which are,

01. Cluster appreciation
02. Bonus interest rates and regular meeting attendance

I. **Cluster appreciation** - Cluster appreciation is mainly practiced by the MFIs that used the group lending method (e.g. C3,C4,C5,C6).

RP 01 of institute "C3" explained the benefits of cluster appreciation.

"We don't have top performers appreciations method. But twice a year we do best cluster appreciation programme on their repayment rate and attendance. Best clusters will be selected branch wise and cash prizes are presented. We do that as a group, then the benefit goes to entire cluster not to an individual person."

II. **Bonus interests and regular meeting Attendance**-This was practiced in both institutes "C3" and "C4". With this, clients tend to pay on time without making arrears knowing they can get benefits out of it.

RP 02 of "C4" further explained the benefits given through bonus interest rates and regular attendance

"In our anniversary, we will give bonus interest rate for the on time payments, also we will give a lower rate for the clients who cannot pay on time but haven't made any arrears on loans. We will also give away an attendance benefit to clients who has attended the meetings, maintaining 80% success."

The above seven default risk strategies identified are useful for MFIs reduce default risk and thereby to achieve a better loan portfolio that result in stakeholders being happy. These strategies are influenced by the lending method and type of MFI. For example, social capital enhancement can be observed with MFIs using group lending method. Moreover, it was revealed that private banks and non-banks compared to cooperatives and government banks tend to follow up recoveries. MFIs having group lending would provide more BDS and benefits to clients compared to MFIs that use individual lending.

Research Question 02 - What are the debt recovery strategies used by MFIs?

Under this research question, four themes emerged: deductions from savings or guarantor's income, reminder letters, promise register, and legal actions. These themes are discussed below with the relevant quotations.

01. Deductions from savings or guarantor's income- Most of the MFIs use this as an effective strategy to recover loans. This is supported by the following quotations.

"We will recover the loan instalment from the guarantor's income." (C5: RP 02)

RP 03 of institute "C6" said that,

"We don't make deductions from guarantor's income, instead we deduct from the savings as our group is licensed to get the savings, if a group decide to deduct from the savings, we will inform them and deduct"

02. Reminding letters - Once a client defaults on the loan, MFIs send reminding letters which is a traditional method. This takes place in three stages: the first reminder, second reminder and third reminder, which is the red notice to the clients.

"We send reminding letters; second letter will be sent to all guarantors as well. Most of the clients address the second reminder." (C4: RP 02)

And

"Most of the time when they receive second and third reminders they will come and repay the unpaid amounts." (C2: RP 03)

03. Promise Register- This is a technique used by the "C3". Once a client defaults, the field officers visit the customer and get the promise in the register that they will pay at the given date.

"If the client doesn't make the payment, which means absences on the meeting date, our field officers will make the follow up on the same day. They try to get their promise in our register. We have a document called promise register. When we visit the defaulted client's place, they will discuss and the client agrees upon on the date that they can repay. So they will be mentally biased that they have signed and thus they have to pay on this day. They will tend to think that MFIs will take legal actions through the promise register." (C3: RP 01)

04. Legal actions- The findings show that all the cases analysed use legal actions against the default clients. This is supported by the following quotation.

RP 01 of the institute "C4" further extend their procedures in legal actions,

"We issue three reminding letters continuously, if they still didn't make the payment, we will go to mediation board. If this method does not work, we send the letter of demand and go to court actions and recover loans."

By following the above four debt recovery strategies, MFIs can reduce the arrears status and have a better loan portfolio. Legal actions and reminders are used by all the cases studied. Moreover, it was noticed that the government institutions are slow in taking legal actions. This may be due to their mission which is more socially oriented. Promise register is a unique strategy used by MFIs that use group lending and this strategy appeals to the psychology of the clients.

The findings (themes coming under two research questions) are shown in the following figure 1.

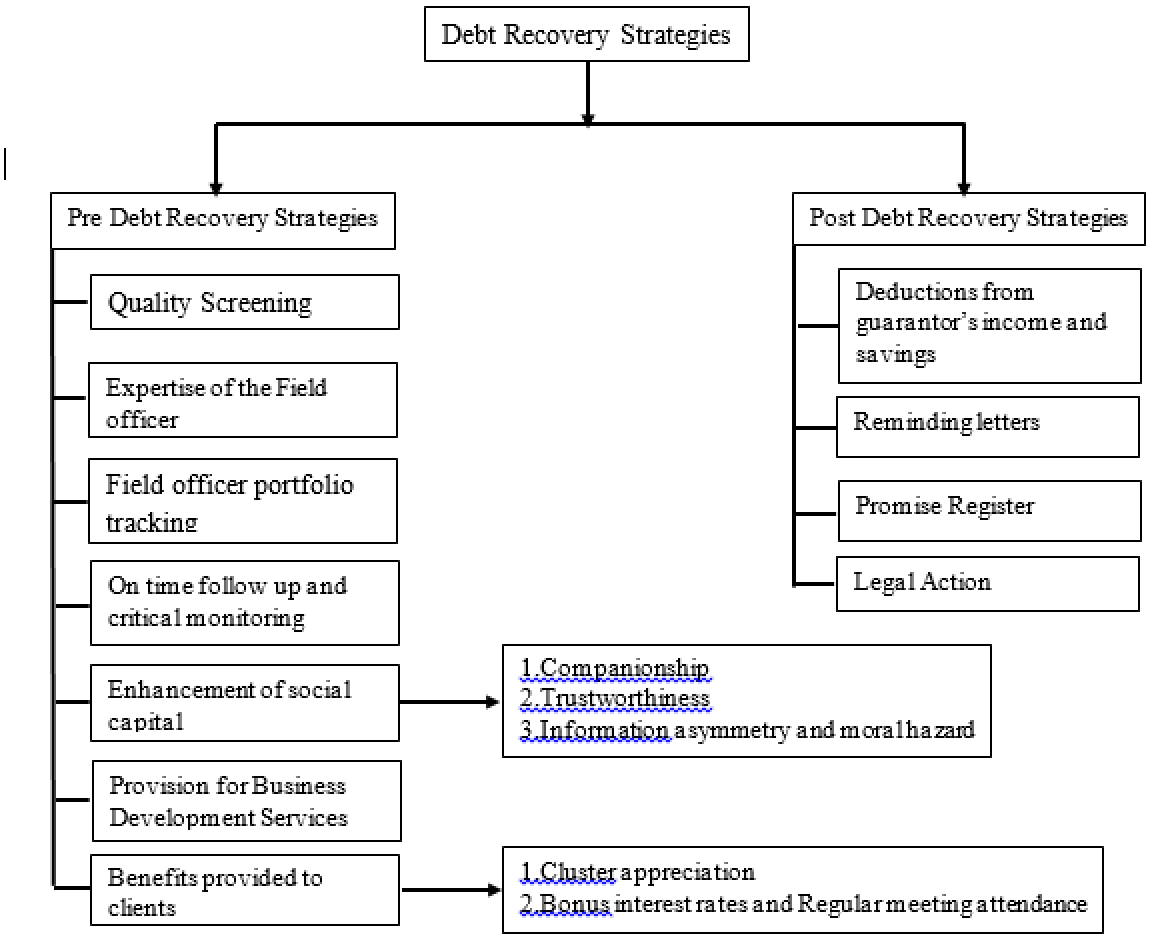

Figure 1. Debt Recovery Strategies

5. DISCUSSION OF FINDINGS

This section compares and contrasts the findings with the extant literature. The findings with regard to the pre and post default risk strategies are compared with the existing literature. Most of the themes that emerged were in line with extant literature (Kwadwo and Redeemer, 2016; Alex, 2014; Surya and Christopher, 2012; Norell, 2001). Kwadwo and Redeemer (2016) found that quality screening of applications was vital before MFIs granting loans to clients. Kwagara (2006) and Gyamfi's (2012) studies on debt recovery show that expertise of the field officer is key to reduce the arrears. Portfolio tracking has been described by Norell (2001) in his study as one of debt recovery strategies. Dixon *et al* (2007) s' study reveals that follow up and critical monitoring is important to minimize delinquency. Sacerdoti (2005) and Bhatt and Tang (2002) pointed out the importance of trust that exists in group formation in debt recovery. Alex Adda (2014) brought out that poor business Development Services (BDS) is a factor of delinquency. Giving clients incentives for repayment is a debt recovery strategy employed according to the study made by Kwadwo and Redeemer (2016). Moreover, Kwadwo and Redeemer (2016) discussed post debt strategies such as deductions from guarantor's income and legal actions.

However, there is a one main theme and few sub-themes which were not discussed in the literature and hence are new findings of the present study. Use of social capital (i.e. main theme) together with companionship in debt recovery is a new finding. Promise register and cluster appreciation (i.e. sub-themes) are also new findings.

6. CONCLUSIONS AND IMPLICATIONS

Most of the MFIs in Sri Lanka use several default risk strategies to maintain better loan portfolios. One of the key strategies used by MFIs to reduce default risk is screening the client. Further, the field officer's expertise is very important to screen the clients and follow up on the loans. Moreover, social capital which exists in the groups helps MFIs to circumvent information asymmetry and moral hazard issues. By providing BDS and incentives to the clients, MFIs can reduce the default risk further.

Findings show MFIs use a number of debt recovery strategies. Promise register can be identified as an effective way to address, the default clients since it mainly involves with listening to client's grievances. Through this both parties negotiate a date which they can pay. Deduction from guarantor's income and savings is also identified as an effective strategy in terms of recovery. Further, sending reminder letters and taking legal actions are also effective strategies as clients are afraid of both strategies.

The study also shows that default risk and debt recovery strategies identified are influenced by the type of MFI and the lending method. For example, social capital exists mainly in MFIs that use group lending. Further, government MFIs are slow in implementing certain strategies such as legal actions.

As the adage goes, prevention is always better than cure. Similarly, based on the findings, MFIs must focus more on default risk strategies over debt recovery strategies. By managing default risk and debt recoveries, MFIs can have a better loan portfolio that satisfies all the stakeholders. The findings of this study are useful for microfinance practitioners and researchers. Future research can be done on this topic in different countries using different theoretical perspectives. Further, quantitative and longitudinal researches can be done on this topic.

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