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Microfinance for Smallholder Farmers: The Lived Experience of Borrowers in Akaki, Ethiopia

Amsalu Alemayehu Gutema
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Amsalu Alemayehu Gutema

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Walden University
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Abstract

Microfinance for Smallholder Farmers: The Lived Experience of Borrowers in Akaki,
Ethiopia

by

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MPhil, Walden University, 2019

MBA, Open University, 2010

BA, Addis Ababa University, 1994

Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

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Management

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Abstract

Microfinance was intended to help smallholder farmers (SHFs), but the results have been disastrous for some individuals who have been unable to repay loans, often displacing them from their land. A lack of understanding of the lived experiences of borrowers complicates a full analysis of microfinance as a tool for poverty alleviation. The purpose of this qualitative descriptive phenomenological study was to explore the lived experiences of SHF borrowers in Akaki District, Ethiopia, related to microfinance loan repayment decisions. Habermas's critical social theory, which divides the social world into lifeworld and system, was the conceptual framework for the study. The participants were 23 purposively selected SHFs who had borrowed and repaid between two and 20 loans from microfinance institutions (MFIs) in Akaki District, Ethiopia. Interview data from the participants were analyzed using open, axial, and selective coding and the modified Van Kaam method. The findings showed differences among the bottom of the pyramid (BOP) market and the effects of microfinance loans. These findings challenge previously drawn conclusions about the contributions of MFIs for poverty alleviation. Appreciating the differences among the BOP market, listening to borrowers, having appropriate loan terms and conditions, and providing follow-up and support to borrowers are vital for MFIs to positively contribute to poverty alleviation. The study findings may further stakeholders' understanding of the gaps in current practices and allow them to craft more meaningful microfinance policies that would achieve the intended result of alleviating poverty.

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Dedication

The dedication goes to my late father, who was loving and persistent in letting all his children (nine) attend school, bearing the economic shocks he encountered during the change in a regime, and to my mother, who was tolerant of shouldering the burdens alone after the death of my father.

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Chapter 1: Introduction to the Study

Microfinance tools have been heralded as a key tool for alleviating poverty, but their use may have detrimental consequences for the global poor. Repaying loans that microfinance institutions (MFIs) grant to the poor without understanding the borrower's situation exacerbates their poverty and suffering, evidence shows. Overindebtedness has, in some cases, led to organ trafficking and suicides among borrowers (Associated Press, 2012; BBC News, 2013; Dattasharma et al., 2016). A focus on scale through product design without considering the relevant attributes of different groups contributes to vulnerability and risk (Banerjee & Jackson, 2017; Ding & Abdulai, 2018).

My aim in conducting this qualitative descriptive phenomenological research was to explore the lived experiences of smallholder farmers (SHFs) in Akaki District, Ethiopia, regarding loan repayment decisions. An SHF is used in this study to describe a household that has less than five hectares of agricultural land. Agricultural land as the sum of cropland, including permanent tree crops, and pasture area (Samberg et al., 2016). Close to half (48%) of all SHF households in the country live in poverty (Rapsomanikis, 2015). In conducting this study, I wanted to address a gap in the literature on these farmers' experiences; in the searches I made, I did not find any research that used a similar methodology to study the phenomenon of borrowing from microfinance and associated loan repayment challenges facing SHFs. The results of the study may contribute to positive social change through addressing this knowledge gap on borrowers' lived experiences and the implications of enforcing repayment mechanisms. The study's findings may also be useful to policy makers in devising new approaches for financing SHFs. Despite the conflicting research on the

contribution of microfinance as a tool for poverty alleviation, other recommended tools are currently lacking, according to my review of the literature.

Chapter 1 begins with background information on the study topic, followed by the problem statement and research question (RQ) I sought to answer. I then provide overviews of the conceptual framework and nature of the study; define key terms; and discuss the assumptions, scope and delimitations, limitations, and significance of the study. The discussion of the study's significance encompasses its contribution to practice, theory, and positive social change. The chapter concludes with a summary of key points and a transition to Chapter 2.

Background of the Study

MFI's give small loans to poor individuals who do not have access to conventional banking, with the expectation that the loans be used for income generation. However, critics have raised questions as to whether this approach can alleviate poverty. Research shows that microfinance loans have created new problems such as locking the poor into a cycle of repaying microdebt (Alley-Young, 2015). Sriram (2019) suggested that the viability of different market providers has not been adequately addressed, including whether the agencies must be not-for-profit or for-profit entities. Amid the emphasis on financial inclusion, other actors have begun efforts centered on livelihood improvement of the poor, but the results are inconclusive. Zainuddin and Yasin (2019) critically examined the outreach-sustainability literature in microfinance, including the debate between the welfarist vs. institutionalist, and recommended a more measured and rigorous empirical investigation, given the mixed outcome. Those who argue for for-profit interventions say that scale cannot be achieved without bringing private capital to microfinance as

there are plenty of potential unserved customers. More socially minded practitioners blame the for-profit MFIs for mission drift by charging high-interest rates, excluding the poor, and using coercion for loan repayment. The shift of the model from the social objective to scale for commercial goals resulted in a devastating situation in India with a legacy of 10 million defaulters in the state of Andhra Pradesh (Halder & Stieglitz, 2016). The commercialization of microfinance has compromised its social objective, critics contend (Banerjee & Jackson 2017).

Commercial MFIs are working on making their system efficient to reach scale by giving as many loans as possible. At the same time, they enforce repayments of those loans without considering the situation of the borrowers. The move towards scale creates competition among the lenders to disburse many loans without properly screening borrowers who have multiple loans. Dattasharma et al. (2016) studied how competition among lenders leads to overindebtedness and how this burdens the poor. The result of their study of 90 poor households in a district of India using the financial diary methodology showed MFI loan repayments led to impoverishment as they were made at the cost of actual household consumption, like food staples. Postelnicu and Hermes (2018) conducted a cross-country analysis of microfinance performance and social capital and found that social capital plays a significant role in loans to be repaid. The move to the for-profit approach of microfinance using joint and several liabilities as a substitute for collateral missed the fundamental to the microfinance model, which is social capital, "the essence of microfinance" (Halder & Stieglitz, 2016, p. 482). Such a move towards lending at a larger scale deviates microfinance from its initial, intended social objective, which was contributing to poverty alleviation (Halder & Stieglitz, 2016). An impact study conducted in certain parts of

Ethiopia by Weldelessie (2017) showed that microfinance helps more to smooth consumption than reduce poverty. Weldelessie further reported that the tool might help households to survive in times of shocks. Banerjee and Jackson (2017), based on an ethnographic study they conducted in three villages of Bangladesh, found that microfinance exacerbated poor borrowers' economic, social, and environmental vulnerabilities. These findings illustrate the risks to borrowers of loans from commercial microfinance entities.

Loans granted to the poor by MFIs without adequately understanding their individual needs has led to customers' over-indebtedness. Shocks are frequent among the target customers of MFIs and can turn debt balance into a case of suffering and overindebtedness (Schicks, 2014). MFIs should, therefore, anticipate the occurrence of adverse shocks when determining creditworthiness and deciding on loan amounts and installment schedules. Many MFIs also use excessive force and different repayment-enforcing mechanisms to collect the loans disbursed without proper care (Ashta, et al, 2015). These factors support that how the customers perceive the MFIs and vice versa needs to be researched. In the absence of social capital, institutions can enforce repayment through legal enforcement; however, this is challenging as MFIs give loans without collateral. Instead, many MFIs use coercion (verbal abuse to embarrass clients and extreme social pressure from the peer group) as a dominant tool to enforce repayment and sustain the model (Ashta, et al, 2015; Halder & Stieglitz, 2016).

There is limited research in general and, specifically, on the Ethiopian context regarding how loan repayment is perceived and experienced by the poor. Hence, I applied descriptive phenomenological research to understand the lived experiences of

the poor in repaying loans from MFIs. Hassan and Islam (2019) used Habermas's theoretical framework, which divides the social world into two spheres: (a) lifeworld and (b) system, to explain the need to develop a new insight to understand the complexity of Bangladeshi society, in which "people are considered merely as cogs of the machine" (p. 7). I found no similar research in Ethiopia, the country where I conducted the study. To address this gap in the literature, I used the approach of Hassan and Islam to study the lived experiences of Ethiopian SHFs related to microfinance loan repayment.

Problem Statement

The general problem is that microfinance, as a tool for poverty alleviation, is challenged by a lack of understanding of the lived experiences of the borrowers. After almost three decades of promotion of microfinance as a useful tool for poverty alleviation, between 1.2 and 1.5 billion people still live in extreme poverty (Banerjee & Jackson, 2017). Furthermore, even those who borrowed experience repayment problems, and in worst cases, organ trafficking and suicides have been associated with loan repayment problems (Associated Press, 2012; BBC News, 2013). The commercial microfinance approach that focuses on scale and product design without considering the relevant attributes of different groups contribute to vulnerability and risk through multiple borrowing (Banerjee & Jackson, 2017; Ding & Abdulai, 2018; Dattasharma et al., 2016).

The specific research problem is that repaying the loans from microfinance institutions worsens the situation of smallholder farmers (SHFs) that encounter different shocks like drought, flood, the death of family head, health problems, and animal diseases in Ethiopia. In Ethiopia, there are 12 million smallholder farming

households with less than two hectares of farmland, an average of 0.9 hectares; income they generate is about \$0.08 per person per day, only five percent of them have access to irrigation, and the poverty headcount ratio is 48% (Rapsomanikis, 2015). The situation of the SHFs may support the critique that microfinance exacerbated economic, social, and environmental vulnerabilities among already impoverished communities (Banerjee & Jackson, 2017; Zainuddin & Yasin, 2019). Apart from those who default on loan repayment, 35% of those who repay either sell durable assets or borrow at cost or from relatives (Chanie, 2019).

Purpose of the Study

The purpose of this qualitative descriptive phenomenological research was to explore the lived experiences of SHFs in Akaki District, Ethiopia, related to microfinance loan repayment decisions. Moreover, the understanding gained from the participants might help as input for designing an appropriate microfinance model.

Research Question

RQ: What are the lived experiences of SHFs regarding loan repayment decisions for loans they borrow from MFIs in Akaki District, Ethiopia?

Conceptual Framework

The purpose of this descriptive phenomenological study was to understand the lived experiences of SHFs regarding loan repayment decisions. The conceptual framework of the *lifeworld*, "the totality of states of affairs that can be reported in true stories," refers to the "totality of sociocultural facts and thus provides a jumping-off point for social theory" (Habermas, 2006, p. 136). The circumstances of the SHFs make them borrow under the conditions preset by lenders without considering the foreseen burden of loan repayment. Hence, a microfinance system that fails to

understand the lifeworld of individual borrowers imposes terms and conditions that endanger the socioeconomic situation of SHFs. The concept of the lifeworld refers to the "totality of sociocultural facts and thus provides a jumping-off point for social theory" (Habermas, 2006, p. 136). Habermas (2006) explained lifeworld by separating culture, society, and personality and its symbolically structured reproduction by continuing useful knowledge, stabilizing group solidarity, and socialization of responsible actors. Habermas noted that "the burden of truth for the universal validity of the lifeworld concept—a validity reaching across cultures and epochs—shifts then to the complementary concept of communicative action" (p. 144). Communicative action is the act of reaching understanding, which links "the teleologically structured plans of action of different participants and thereby first combine individual acts into an interaction complex, cannot themselves be reduced to teleological actions" (Habermas, 2004, p. 288). Lifeworld is symbolically produced and reproduced through the medium of communicative action. Habermas argued that the lifeworld's symbolic reproduction is at stake and the "mediatization" of the lifeworld assumes the form of colonization when systemic mechanisms suppress forms of social integration.

I used Habermas's conceptual framework, following Hassan and Islam (2019), to analyze the socioeconomic impact of microfinance on the poor. The framework divides the social world into two spheres: (a) lifeworld and (b) system. Hassan and Islam stated that the system and the lifeworld serve as domains in which the individuals interact for the continuity of human society. Habermas (2006) explained system as "legally regulated, formally organized domains of action" (p. 386). I used this conceptual framework to understand the social world of the SHFs. Hassan and Islam posited that the credit recipients are considered to be instrumental and acting

only according to the purpose of the system. Habermas's conceptual framework may help to understand the lifeworld and system of the SHFs that are diverse in different aspects; Makate and Mango (2017) identified about 30 variables that may contribute to the diversity. Among the factors, Makate and Mango identified the effect of gender, age, education of household head, land size, household size, labor endowment, farming experience, access to credit, access to extension services, access to farmer training services, and wealth. Hence, researching the SHFs' lived experiences may further understanding of the effects of such socioeconomic diversity on decisions to borrow and the effects of the borrowing on their functionalities.

Many factors, such as households demographic, contribute to farmers' heterogeneity. Understanding the differences of the SHFs may help financial services providers design segregated approaches for different livelihood-improving activities; a single uniform system will not equally impact farmers' livelihoods in a heterogeneous population (Makate & Mango, 2017). When the system fails to consider the lifeworld it becomes hard for people to endure (Hassan & Islam, 2019). The critical arguments Hassan and Islam generated from the case study of 15 households on how MFIs mistreat their customers on enforcing loan repayment may trigger research that would be broader in scope for possible generalization. Not taking into account the socioeconomic diversity of the poor and their lifeworld has led to previous contradictory research results on the contribution of microfinance for poverty alleviation (see, Arrassen, 2017; Charles & Mori, 2017; Deb, 2018; Roy & Pati, 2019).

The conceptual framework may explain the relevance of the research and how the method used will answer the RQ (Ravitch & Carl, 2016). In the study, I

considered the impact of borrowing on the SHFs' portfolio, the factors that determine their borrowing decisions, the types and impacts of shocks on borrowing decisions, the effect of socioeconomic diversity, how the system works for them, and whether the loans help them to gain capabilities to be resilient I sought to add to the work undertaken by prior researchers (Hassan & Islam, 2019; Makate & Mango, 2017; Nambiar, 2019). I conducted face-to-face, in-depth interviews with 23 study participants to obtain a comprehensive description of their loan repayment decisions. The study approach may help researchers to understand the links among the various study concepts and their effects on the microfinance services delivery model and the borrowers.

Nature of the Study

I applied a qualitative, phenomenological research method to study the lived experiences of SHF borrowers related to repaying loans from MFIs in Akaki District, Ethiopia. Begona and Carlos (2019) conducted a chronological analysis of 1874 research made on microfinance in 20 years, 1997 to 2017, and found that research on "institutionalism" got strength in recent years; although, the negative aspect of microfinance, such as mission drift arising. I intended to use a qualitative research method to address the research gap in the areas of microfinance clients and discover what microfinance loan repayment decisions entail to the borrower SHFs. According to Park and Park (2016), qualitative methods are appropriate for discovery, unlike the quantitative approach mainly applied for justification. Therefore, I drew qualitative data sets from the participant SHF borrowers and heavily contextualized them; unlike quantitative studies, open-ended exploration engages data sets in intensive analyses not aimed at verification of hypotheses (Levitt et al., 2018).

For the study, I conducted in-depth interviews with purposively selected 23 borrower SHFs. I transcribed and coded the interviews batch by batch, a minimum of three interviews at a time. I almost reached data saturation on the 17th participant; however, I decided to move to a different kebele and interviewed three women to check data saturation. As I had only one woman participant among the first 17 participants, I elicited new experiences from these interviewees. Ravitch and Carl (2016) reported that interviews may continue if data saturation is not reached. Accordingly, I again moved to a different Kebele, and I interviewed two women and a man. At this point, I did not get new data; thus, I canceled the interview schedule that I had with three more participants who agreed to participate by explaining why I canceled. I chose the specific research area and the research participants based on preset criteria that I developed for the selection purpose. Finally, I personally conducted the interview using semistructured, open-ended questions to identify patterns in the lived experiences of the research participants to answer the RQ.

To attain the required discovery of the depth of experiences of the SHFs borrower participants, I used a descriptive phenomenological approach. Giorgi (2019) posited that a scientific descriptive phenomenological approach can provide knowledge with utility while maintaining the nuances of human meaning; description incorporates meaning (Moustakas, 1994). Smith (2016) also stated that the phenomenological approach helps to minimize assumptions, expectations, and interpretations regarding the participants' data (descriptions of their experience). The purpose of the research was to learn from the lived experiences of the SHFs given that people are experts of their own experiences (Ravitch & Carl, 2016). Hence, using

phenomenological research was necessary to find patterns that the individual research participants experienced related to the repayment of loans from MFIs.

Case study and narrative research methods are other qualitative research methods that can be used to collect data from multiple sources, like an interview, documents, and observations (Pearson et al., 2015). The purpose of the case study is an in-depth description and analysis of an event, person, or a program (Pearson et al., 2015). Although narrative research allows researchers to explore the life of one or two individuals, it does not stand alone (Ravitch & Carl, 2016) for searching patterns from participants in the phenomenon I was going to study. Thus, the intended phenomenological research study was necessary for thoroughly capturing and describing the SHFs' lived experience in loan repayment decisions (see Patton, 2015) that is a critical challenge under the situation the individual borrowers' lifeworld is not taken into account in loan sanctioning. I used Van Kaam seven-step, as modified by Moustakas (1994), for the complete transcription of each research participant's data to develop a composite description that could be extrapolated to the study population.

Definitions

Commercialization of microfinance: An increase in competition and a shift from non-profit to for-profit lending (de Quidt, et al., 2018).

Lifeworld: As defined by Habermas (2004), "the unspecific reservoir from which the subsystems of the economy and state extract what they need for their reproduction: performance at work and obedience" (p. 359). Habermas (2006) represented lifeworld as "a culturally transmitted and linguistically organized stock of interpretive patterns" (p. 124).

Microcredit: Small loans intended for financially excluded individuals (Gutiérrez-Nieto & Serrano-Cinca, 2019).

Microfinance: The provision of small, free of collateral loans as well as other financial assets and insurance services to the poor segment of the society to enhance their standard of living. Microfinance is the provision of versatile financial services, including small loans, thrift, microinsurance, and microsavings deposits, to boost the poor population's well-being (Ali & Ghoneim, 2019).

Microfinance institutions (MFIs): Entities, ranging from community-based organizations to formal entities such as nongovernmental organizations (NGOs) and banks, that provide products and services (Fenton, et al., 2015).

Overindebtedness: A situation that occurs when a microfinance customer continuously struggles to meet repayment deadlines and structurally has to make excessively high sacrifices related to meeting loan obligations (Schicks, 2014).

Phenomenology: A research design that is focused on describing what appears precisely and exactly as it appears through the study of lived experience (Giorgi, 2019). Phenomenology is not the study of the meaning of concepts, words, or texts, but rather, experience as lived (Manen, 2017).

Smallholder farmer (SHF): A household with fewer than five hectares of agricultural land. Agricultural land as the sum of cropland, including permanent tree crops and pasture area (Samberg et al., 2016).

Social capital: The overall pattern of connections between individuals (the presence or absence of social ties between individuals, the network configuration, the network density, connectivity, etc.; (Postelnicu & Hermes, 2018). In this research, I focused on structural social capital.

System: A system is an arrangement of parts or elements that together exhibit behavior or meaning that the individual constituents do not (Dori et al. 2020, p. 1547). The system, on the other hand, is the institution of the society (Hassan & Islam, 2019).

Assumptions

I assumed that potential participants might think that I, as a practitioner, would be biased in favor of microfinance. I was careful to bracket my experiences to control biases because of my goals to learn from the lived experiences of the borrowers and to challenge practitioners and scholars who have reached conclusions on what microfinance does to the poor. Indeed, I believe that what I read about microfinance and what I practiced for more than 2 decades, allowed me to pose valid open-ended questions to learn from the experiences of the participants. The results of the study, therefore, may be more productive compared to most of the previous studies in the areas of microfinance, as those researchers may have lacked the practical experience or the scientific tools to do scholarly research.

In addition, I assumed that participants might anticipate that their responses would immediately impact, either positively or negatively, the lending practices of the MFIs from which they had outstanding loans. Such an expectation might have led them to hide or pronounce experiences in their interviews. Therefore, I let the participants understand the purpose of the study. I designed the interview questions in such a way that they could trigger the real stories of the participants instead of letting them improvise to meet what they might perceive would be a satisfying answer.

These assumptions were critical to the validity of the research finding. Bias on my part as the researcher and untruthful answers from participants would lead to invalidity of the research result. If these assumptions were real, the efforts made to answer the RQ would be meaningless; hence, I took maximum curiosity, not to be biased and get accurate answers from the participants. Thus, I used my experience positively to let the participants share their authentic lived experiences in order to answer the RQ.

Scope and Delimitations

The scope of this study was limited to participants who have borrowed from a MFI and have at least one repaid loan for one cycle. Furthermore, as the study focus on the SHFs, the participants had to have less than five hectares of agricultural land. MFIs' loans are progressive; the loan size given to a group or individuals in a group increases from one cycle to the other. The challenges facing SHFs related to loan repayment would be evident when they do not fully utilize the loan for the intended purpose. A borrower may divert the credit from the intended use for one or all of the following reasons: when the loan size is smaller than what the borrower requires, the loan is higher than what it is intended for, the timing of the disbursement is not appropriate for loan utilization, the loan term does not match with the economic life of the project, and the repayment schedule is not as per the cash flow of the borrower.

The participant selection was purposive to allow for a range of experiences to be assessed. I used the Kebele administration heads of the respective Kebeles as key informants to understand the general situations of the study areas and made introductions with potential participants. I used idir meetings as the first point of contact with the local community. The Kebele administration head informed

community members why I visited the area and that I wanted to talk to those who have borrowed loans from an MFI. At the end of the meetings, I gave the consent forms to those who met the criteria and who had a family member or neighbor who could read it for them, if necessary. I also obtained their mobile numbers and scheduled appointments to confirm their participation. I diversified the participants' profiles so that the effect of socioeconomic diversity on their loan repayment experiences would be captured (Makate & Mango, 2017).

The purpose of this study was not to generalize but to contribute to existing literature related to the lived experiences of SHFs on the phenomenon of repaying loans from MFIs. Although the purpose of the study was not to generalize the findings and was limited to sharing the lived experiences of the participant SHFs, the study results may trigger broader research. The study may also serve as inform practitioners and other stakeholders about the range of borrower experiences, as I enrolled study participants with different profiles. Although I reached data saturation with 17 participants, I interviewed 23 participants to capture greater socioeconomic diversity.

Limitations

The research participants were borrowers from Akaki District, Oromia Region, Ethiopia. The financial status of participants (i.e., whether they were the poorest or the most financially secure) was unclear. How the local community defined poverty varied from area to area as well. Furthermore, the product types that financial institutions deliver determine who applies for loans. To address these limitations, I identified and reported how their potential impact on the results of the study. I also tried to address potential bias on my part. I have 20 years of practitioner experience in the industry. Hence, I explained the possible biases and tried to bracket (Patton, 2015)

my experience by writing an identity memo, writing memos throughout the data collection, coding the transcribed data, and triangulating the data.

Language was a potential barrier. To address this issue, I used local languages to conduct person-to-person interviews. I transcribed the audio-recorded interviews into English. Two participants preferred the official language of the country, Amharic, while the rest preferred Afaan Oromo. I fluently speak both languages. The participants who chose the official language for the interview did it for the sake of preference; therefore, it did not require me to translate the consent form. One of the two was using both languages interchangeably during the interview. The smallholders' definitions and diversities among them vary from place to place. Thus, capturing the diversities within the SHFs and ensuring proper representations in the sample was a challenge. To elicit participants' diversity, I conducted the study in four different kebeles, the country's smallest administrative unit. I used the Kebele administration head as a key informant and obtained the consent of study participants that fulfilled the preset criteria.

The other challenge was that a few of the study participants had research fatigue; two of them told me outright that they were tired of answering questions of people coming for studies and different purposes. I had difficulty getting the participants as per their appointments; either they were late for hours or did not come. There is a poor telephone network, which works only in certain places; when participants want to make a call, they need to find a place where it goes through. Also, if their mobile devices had no power, participants would have to charge them by going to an adjacent town, as there is no electric power in their villages. Hence, I exhaustively checked that the participants understood the study's intention and that the

result would not have an immediate impact on their conditions. I also strictly respected confidentiality and took measures to prevent others from associating interview answers with a certain participant.

Significance of the Study

In the sub-Saharan African region, more than 415 million people in the world still lived in abject poverty in 2012 (Chukwuogor, 2016). Among these countries, Ethiopia, where I conducted this study, the poverty headcount at USD 1.9 per day was 23.5 million people in 2015, and it has been hit by a series of climate shocks, culminating in 2015-2016 by El Nino-induced drought, considered the worst drought in 50 years (World Bank, 2018). SHFs affected by climate change need access to finance (Abraham & Fonta, 2018). Benjamin and Jackson (2017) reported that microfinance has exacerbated economic, social, and environmental vulnerabilities among already impoverished communities. What makes this study timely and essential is that if not taken seriously, commercialization and digitalization efforts may exacerbate practices that entrench poverty.

Significance to Practice

Having an appropriate microfinance model that would help SHFs invest in a diversified portfolio may help them to be climate change resilient (Fenton et al., 2015). Regardless of the mixed reports on the benefit of the poor from the microfinance, the move with a commercial drive to deepen microfinance using technology as an enabler to reduce transaction cost is the current agenda in the industry. However, the lived experiences of the SHFs regarding loan repayment decisions have not been studied and considered in the current move towards deepening through commercialization; hence, the approach is missing the clients' perspective (Dattasharma et al., 2016).

Thus, short-term poverty alleviation is not sustainable economic development (Schroeder, 2016) and does not create access to financial services to lighten the burden of poverty (Abraham, & Fonta, 2018). MFIs need to understand the situations of their targets and try to address their financial needs. This study may lead to greater understanding of clients' needs for having appropriate needs-based products and services.

Significance to Theory

The gap in theory related to the contribution of microfinance to address vulnerability is evident from the research made on microfinance that are often anecdotal, biased, incomplete, and/or based on flawed research methodologies (Schroeder, 2016). The “bottom of the pyramid” approaches to poverty alleviation lack sufficient theoretical development and empirical support (Banerjee & Jackson, 2017). The theoretical expectation of good portfolio quality as a success for the MFI and its customers led MFIs to enforce loan repayments unconditionally, applying cruel methods of administering reimbursement through peer pressure, staff, and law enforcement systems. Furthermore, most of the studies are not focusing on understanding the lived experiences of the poor to use the lessons as inputs in products and services design, while the poor are resourceful in managing their funds (Dattasharma et al., 2016). Therefore, the result of this study may provide researchers with an understanding of the lived experiences of the indebted SHFs; hence, it may contribute to filling the gap in theory related to understanding the poor better. Furthermore, it may help in developing a model that may address the contradicting research reports about the SHFs' benefit from microfinance.

Significance to Social Change

The MFIs and the model they use to address the poor have a problem, and there is no consensus as to which microfinance model is better for addressing the needs (Haldar & Stieglitz, 2016) for financial services. Prior microfinance business has been initiated for serving the unbanked with credit services; today, it is a global multi-billion-dollar industry (Banerjee & Jackson, 2017). Although it is considered as one tool to be utilized in order to foster inclusive growth and enhance climate change resilience (Chirambo, 2017), research results show that its impact for poverty alleviation is insignificant, except, it may help households to survive in times of shocks and vulnerabilities or for consumption smoothening (Weldeslassie, 2017). Using a quantitative approach alone to show the effects of microfinance on borrower SHFs at where there is no record on income and expenditure of the household may lead to controversial results, which is the case in most studies today. Taking into account, the lived experiences of SHFs in designing financial products would benefit the key stakeholders: policymakers, financial institutions, and SHFs that consider microfinance as a tool for poverty alleviation. The study result might contribute to addressing the drawbacks of the microfinance model that emanates from the lack of enough information on the experiences of SHFs, which would be an excellent contribution to positive social change.

Summary and Transition

Stakeholders have not understood the SHFs lived experiences related to repaying loans from MFIs. Actors in the microfinance ecosystem consider loan repayment by a customer as an excellent performance — MFIs reward staff for maintaining good portfolio quality. However, clients may repay the loan by

borrowing from other sources (Chanie, 2019) for fear of harsh repayment enforcement practices by the MFI staff and peer group members (Feldman & Geisler, 2012; Hassan & Islam, 2019). Schicks (2014) reported that 60% of the respondents said the returns that they get from the microloan investment is low to let them repay the loan without a problem. Therefore, this study documented the lived experiences of the borrowers related to what the essence of loan repayment means to the study participants, the SHFs in Akaki District of Ethiopia.

The phenomenological research method enabled me to capture the lived experiences of the SHFs, which is lacking in general and particularly in the study area. I gave attention to the diversity of participants to the potential transferability of the study result. As regardless of where the SHFs live, the challenges facing them have similarities. Microfinance, intended for a development purpose, may trigger “social dispossession” at the agrarian community (Paprocki, 2016). In this study, I reported the lived experiences of borrowers that would serve to reveal the gap in understanding the situation of the poor. I used Habermas's conceptual framework that Hassan and Islam (2019) used to analyze the socio-economic impact of microfinance on the poor. Chapter 2 contains a review of different recent literature on microfinance; most of the study results are mixed regarding whether the poor benefit from microfinance or not. Furthermore, whether the methodologies used as a study tool contributed to the mixed results would be analyzed. Recent study reports that would increase the understanding of the phenomenon that I am going to study and the method that I used are reviewed and reported under chapter 2.

Chapter 2: Literature Review

In this phenomenological study, I sought to understand and describe the lived experiences of SHF borrowers regarding loan repayment decisions. In this literature review, I analyze the existing literature and research related to the phenomenon of loan repayment decisions that may exacerbate the borrower's poverty state. The situation of the SHFs may support the critique that microfinance exacerbates economic, social, and environmental vulnerabilities among already impoverished communities (Banerjee & Jackson, 2017; Zainuddin & Yasin, 2019). After almost 3 decades in which microfinance has been promoted as a useful tool for poverty alleviation, between 1.2 and 1.5 billion people still live in extreme poverty worldwide (Banerjee & Jackson, 2017). In Ethiopia, the poverty headcount of the 12 million SHFs who have an average farm size of 0.9 hectares is 48% (Rapsomanikis, 2015).

Currently, the attention of the microfinance ecosystem is on financial inclusion, although its contribution to the improvement of the poor's livelihood is yet to be proved (Duvendack & Mader, 2019). My focus was not on the outreach of MFIs but on how borrowers are experiencing repaying loans. The vulnerability of low-income households to high-income volatility and frequent shocks of varying magnitude is affecting the ability of borrowers to make timely repayments. Castellani (2014) classified shocks into four categories: natural, price, family, and asset. A yearlong survey of 400 active borrowers in rural, southern India, in which participants completed financial diaries, showed high levels of overindebtedness (21% of sample households), financial distress, and debt-dependence in the sample (Prathap & Khaitan, 2016).

In the worst cases, organ trafficking and suicides have been associated with loan repayment problems (Associated Press, 2012; BBC News, 2013). Apart from those who default on loan repayment, 35% of those who repay either sell durable assets or borrow at cost from relatives (Chanie, 2019). Schicks (2014) reported that 60% of the respondents said their return from the microloan investment is too low to let them repay the loan without a problem. The findings suggest that devising repayment plans without understanding borrowers' situations exacerbates borrower poverty. A focus on scale through product design without considering the relevant attributes of different groups contributes to vulnerability and risk (Banerjee & Jackson, 2017; Ding & Abdulai, 2018). Critics have raised questions about whether the commercial microfinance approach can alleviate poverty, as research shows that it has created new problems such as locking the poor into a cycle of repaying microdebt (Alley-Young, 2015).

The move from the social objective model of poverty reduction to scale for commercial goals missed its social purpose and resulted in a devastating situation in India, with 10 million defaulters in the state of Andhra Pradesh (Banerjee & Jackson 2017; Halder & Stieglitz, 2016). The commercial MFIs are working on making their system efficient to reach scale by giving as many loans as possible. Dattasharma et al. (2016) depicted how competition among lenders leads to overindebtedness and how this would burden the poor. Postelnicu and Hermes (2018) conducted a cross-country analysis in which they studied microfinance performance and social capital and found that social capital plays a significant role in repaying loans. However, the move to the for-profit approach of microfinance using joint and several liabilities as a substitute for collateral missed the social capital, which is

fundamental to the microfinance model (Halder & Stieglitz, 2015). Such a move towards lending at a larger scale deviates microfinance from its initial intended social objective of contributing to poverty alleviation to “mere moneylending” (Halder & Stieglitz, 2015, p. 481).

There is sparse research on the essence of loan repayment to the poor in general and particularly in specific cultures such as Ethiopia, according to my review of the literature. This chapter's initial presentation is the literature search strategies applied to find relevant literature to provide a synopsis of the current literature that establishes the problem's relevance. In the section that follow, I describe the conceptual framework of the study. I review quantitative and qualitative studies on the lifeworld of the SHFs and the legitimacy of the microfinance system obtained from the same. In the literature review, I discuss the following concepts: microfinance model, microfinance as a tool for poverty alleviation, crises faced by the MFIs and their customers, commercialization of microfinance, microfinance loan repayment enforcement, microfinance borrowers' overindebtedness, and financial inclusion. These concepts are widely used in microfinance-related literature, and I present associated controversies in the literature review.

Literature Search Strategy

The major database and other online sources I used to gather research reports and information for the study are EBSCOhost research database, Business Source Complete, Google Scholar, Emerald Insight, the website of Consultative Group to Assist the Poor, the World Bank Database, and ProQuest, dissertations and theses. I accessed database resources from Walden University Library. I used different keywords to find recent literature that was relevant to the study. Among the keywords

that I used for search are *loan repayment, microfinance, microcredit, loan recovery, microfinance efficiency, multiple borrowing, family business, poverty, micro-entrepreneurship, institutions (culture and family), phenomenology, smallholder farmers, overindebtedness, commercialization of microfinance, repayment enforcement, financial inclusion, mission drift, livelihood strategies, microfinance institution, ethical finance, social performance, poverty alleviation, credit officers, profit-orientation, determinants of repayment, borrowers' characteristics, loan characteristics, business projects characteristics, Sub-Saharan Africa, and Ethiopia.*

The purpose of widening the terms and concepts used for the search was to narrow the possibilities of duplication.

There are few qualitative studies in the area of my research, and the available quantitative studies also focus more on India and Bangladesh. Except for a couple of qualitative ethnographic studies by Geleta (2014, 2016), I did not find phenomenological research related to microfinance loan repayment for Ethiopia. To address the scarcity of data in the study country, I used different strategies. I considered studies conducted within the past 10 years versus literature published within a narrower time frame, 5 years, topics related to SHFs and microfinance, and research reports of neighboring countries like Kenya and Tanzania, regardless of the study's direct relevance to the phenomenon of microfinance loan repayment. These approaches broadened my access to relevant data that gave me better insight into the broad ecosystem of rural areas of the country and challenges related to access to finance. I used keywords relevant to the topic of my study, including their synonyms, and I reached the level of getting no more new research articles after finding 142 references that I used for my research.

Conceptual Framework

The conceptual framework that I used to interpret the phenomenon of repaying loans by the borrower SHFs was Habermas's (1973) critical social theory position that divides the social world into lifeworld and system; specifically, I followed Hassan and Islam (2019), who applied Habermas's theory to analyze the socioeconomic impact of microfinance. The framework used by Hassan and Islam helped them to understand the condition of microcredit recipients in Jobra village, Bangladesh. Habermas, a German philosopher and a renowned sociologist of the present-day world, became known in the United States during the mid to late 1970s (Benhabib, 2019; Edgar, 2005). According to Edgar (2005), this time, the late 1970s, was a crucial point in the development of philosophy and the social sciences. Habermas is best known for developing a theory of communicative action (Benhabib, 2019; Hassan & Islam, 2019; Simon, 2020). Members of the Frankfurt Institute for Social Research, which was founded in Frankfurt, Germany, in the 1920s (Renault, 2020; Wellmer, 2014), developed a critical theory of society. Horkheimer (1972, as cited in Wellmer, 2014) explained that critical theory, in contrast to other types of social theory, conceives of itself as part and parcel of a struggle for an "association of liberated human beings, in which everybody would have an equal chance of self-development" (p. 706). Habermas's work preserves certain emphases of the "older generation" of Frankfurt social philosophers (Giddens, 1977). He continued their concern about the possible emergence of a "totally reified society" (p. 86) by revealing the origins of the dominance of technical rationality in modern culture and politics in the system–lifeworld terms (see also Giddens, 1977; Heath, 2011).

The mixed findings of the effectiveness of microfinance as a model and its contribution to poverty reduction are mainly because of a missing account of the poor's subjective experiences, according to some researchers. How they negotiate their state of poverty, their financial decision-making process and outcomes, their accounts of vulnerability and disempowerment, their experience as clients and users of microfinance, their interactions with microfinance providers, and the social and economic outcomes that result are missing, Banerjee and Jackson (2017). Therefore, learning from the customers of MFIs about their lifeworld and how they interact with the microfinance system would fill the literature gap regarding the poor borrowers' experiences. MFIs target businesses and individuals that do not have access to the conventional banking sector. The segment targeted by MFIs, although the behavior of BOP customers may be more likely to involve "collective decision-making" rather than independent decisions by individual customers, "differ in the extent to which they are poor" (Adbi & Singh, 2019, p. 3). Hence, understanding borrowers' lived experiences targeted by the MFIs may positively impact the expected outcome of MFIs interventions. From this point of view, I studied the lived experiences of the borrower SHFs. As Banerjee and Jackson (2017) noted, "If impoverished communities are to be empowered, we need to provide opportunities for chronically poor communities to tell their own stories about their real situations and discuss their real needs. We can start to empower them by listening" (p.87).

Hassan and Islam (2019) employed both observation and case studies as methodological tools, while I used phenomenology to understand the essence of loan repayment for SHFs specifically. In their framework, Hassan and Islam divided the social world into two spheres: (a) lifeworld and (b) system. The reliance of MFO

leaders on the efficiency of its system for granting loans and enforcing loan repayments without understanding the lifeworld of the borrowers may not lead to a successful result. As Habermas (2004) stated, a shared definition of a situation is required to reach an understanding for a successful result. Habermas stated that the lifeworld is “the transcendental site where speaker and hearer meet” (p. 126). However, MFI leaders opt for scale by using an efficient system that reduces the staff contact with customers, which further exacerbates the already reduced understanding of the lifeworld of their customers. In the current move of commercializing microfinance to reach scale, the extent to which MFIs give time to understanding borrowers' real situation to customize lending needs to be understood. Hassan and Islam posited that the MFIs are expecting their customers to act according to the purpose of the system and “people are considered merely as cogs of the machine” (p. 7). The system does not give the MFIs' customers the chance to share the flexibilities they require from the system to fit into the real diversity at the BOP market, which the MFIs claim to serve.

System

System - is an arrangement of parts or elements that together exhibit behavior or meaning that the individual constituents do not (Dori et al. 2020, p. 1547). The system, on the other hand, is the institution of the community (Hassan & Islam, 2019). The MFIs are working more on standardizing their operations for major reasons such as automation and internal control. Borrowers are considered “passive recipients” of microcredit (Hassan & Islam, 2019, p. 4). Such lack of flexibility leads MFI customers to accept what is offered to them regardless of their diversity and varied needs. Makate and Mango (2017) identified about 30 variables that may contribute to

diversity. Understanding the differences of the SHFs may help the financial services providers design segregated approaches for different livelihood improving activities (Makate & Mango, 2017). Relying on the microfinance system to enforce loan repayments without understanding the lifeworld of the SHFs worsens the borrowers' poverty status. Credit recipients are considered as instruments that act only according to the purpose of the system (Hassan & Islam, 2019). When the system dominates over the lifeworld, individuals lose their trust over the system, and the system may not obtain legitimacy from the public. Banerjee and Jackson (2017) conducted an ethnographic study in three villages of Bangladesh to analyze the impact of microfinance on the poor and came up with the idea of changing the lens through which the problem of poverty reduction program is seen by considering the perspective of the receivers of microfinance, especially those that live in extreme poverty. Banerjee and Jackson argued that most of the literature on microfinance has focused on the 'supply side' of the equation.

Lifeworld

The lifeworld is not a private world but, instead, is intersubjective; its structural components are culture, society, and person (Habermas, 2006). The lifeworld's symbolic structures are reproduced by way of the continuation of valid knowledge, stabilization of group solidarity, and socialization of responsible actors (Habermas, 2006). The interpretation of a situation relies on a stock of knowledge that stands at the disposition of the actor in his lifeworld: "The lifeworldly stock of knowledge is related in many ways to the situation of the experiencing subject" (Habermas 2004, p.128). Background knowledge is transformed into explicit knowledge only in a piecemeal manner; the relevant components of such background

knowledge are torn out of their unquestioned familiarity and brought to consciousness as something in need of being ascertained (Habermas, 2006). However, the lifeworld is no more at his disposition in case of the loan repayment problem facing SHFs as the microfinance system absorbs it. Habermas (2006) posits that the system absorbs the lifeworld and such colonization of the lifeworld leads to conflict.

Understanding the lifeworld of customers and the “institutional constraints” that restrict the “fulfillment of capabilities” of their customers would contribute to MFIs meeting their purposes (Nambiar, 2019, p. 254). Microfinance has been considered as a panacea for poverty alleviation by creating access to financial services for the target poor. However, research on the microfinance impact come out with mixed reports. Hassan and Islam (2019) used a new theoretical tool to gain a new understanding of how microfinance works. I will apply the conceptual framework within the context of factors that contribute to diversities among the SHFs, the portfolio of the SHFs, different shocks they encounter, and institutional arrangements that restrict exercising capabilities (Castellani, 2014; Makate & Mango, 2017; & Nambiar, 2019). The contexts of diversity, different shocks that the SHFs are encountering, and institutional restrictions, like lack of infrastructure and lack of access to information, would contribute to the mixed impact study results. Hence, applying this phenomenological research would shed light on what the microfinance practitioners have missed in terms of understanding the lived experiences of the SHFs. Lack of understanding the diversities lead to designing products and services which are not tailored to the different needs of customers and leave customers in a debt trap.

Rathore (2017) stated that the design of microcredit contracts for small-uncollateralized loans remains a mystery. He also stated that regardless of a great deal of interest from economic theorists from the inception of microfinance, there is a gap in validating microcredit's economic contribution with empirical research. One of the challenges of conducting an impact study is that the poor do not keep formal income records (Alia et al., 2017). Despite the potential promise of microloans, there is a gap between what we know and what we need to know about the microfinancing phenomenon and how to improve its effectiveness and impact (Moss et al., 2015).

Literature Review

There is a shift in research focus from “welfarism” to “institutionalism” (Begona & Carlos, 2019). Begona and Carlos analyzed 1874 papers to study the evolution of microfinance research to obtain microcredit knowledge maps. Begona and Carlos, in their chronological analysis of microfinance researches made in 20 years 1997 to 2017, found three stages: the innovations of the microcredit practices and their impact, the MFIs’ peculiarities, and nowadays the negative aspects arising, such as mission drift. They also found two research lines, institutionalism, analyzing MFIs themselves, and welfarism, analyzing the clients. The latter dominated in the early years; now, the former gets strength. This shift in research interest is in line with the microfinance industry's focus, which is more on building competitive, efficient institutions that reach a larger scale of operations within a shorter period. This is enabled with high-tech that reduced or, in some instances, eliminated the contacts between the staff and customers.

The research results strengthen the need to study to understand the experiences of loan repayment of borrower SHFs. While issues like mission drift, customers'

overindebtedness, and poverty remain unaddressed, the research focus shifted to institutions (Begona & Carlos, 2019). Research on the areas of the terms and conditions used by the lenders, customers' overindebtedness, and mission drift through the commercialization move need to get momentum. Furthermore, the lack of consideration of the value of social capital in the group lending and the reliance on coercion for enforcing loan repayment require attention. It seems that there is already a consensus among different researchers about the limitations of financial services in poverty alleviation without complementary services; however, it is neglected in practice. I presented the consequences of the current microfinance move focusing on financial inclusion while mission drift as a major issue left unaddressed. I categorized the literature review under seven concepts: microfinance model, crises faced by the MFIs and their customers, microfinance as a tool for poverty alleviation, commercialization of microfinance, microfinance borrowers' overindebtedness, microfinance loan repayment enforcement, and financial inclusion. Hassan and Islam (2019) posited a need to rethink the whole process to understand why microfinance work for some but not for the others.

The Microfinance Model

Microfinance was initially meant for poverty alleviation; however, today, the primary agenda is to make the system more efficient to reach scale. Hassan and Islam (2019) posited that the microfinance position is more to ensure that the system works better to attaining the objectives, scale, and profit than its target society. The implication of neglecting the customers' perspective to move for a larger scale depending on technology has already been seen through customers' overindebtedness. The current move for scale by MFIs is to benefit from the limited access to financial

services by most of the poor. E.g., in Sub-Saharan African Countries, access to the whole population's formal financial services was only 24% (Chirambo, 2017). Such move neglected the relevance of other complementary services. However, the microfinance's effectiveness relies on the complementary services that customers get in addition to the financial services (Fenton et al., 2015). The loans lent by MFIs without the follow-up of how the loans are used for the intended purposes are diverted for other emergent purposes and lead customers to overindebtedness. Fenton et al. reported that MFIs have an incentive to reduce their beneficiaries' vulnerability; however, they did not say about the costs associated, expertise required, and how the costs would impact the financial performance of the MFIs.

There is a need to consider other capacity-building aspects in addition to the financial services delivery to bring a real impact and empower the poor to be out of the vicious circle of poverty (Murshid, 2019). Nambiar (2019) conducted a case study to examine the Credit Union Malaysia (CUM). The capability approach is applied as an analytical framework to analyze how a microcredit scheme can enlarge the space of capabilities available to individual borrowers. Nambiar concluded that the CUM case viewed through the lens of Sen's capability approach illustrates how a holistic approach is being taken to improve the well-being of CUM members. Nambiar stated that in Malaysia, the CUM was committed to three objectives: (a) to eradicate poverty; (b) to eradicate ignorance, and (c) to identify and nurture grassroots leaders. Thus, CUM's made efforts to improve ties among members, increase their confidence, and prepare them to participate more actively in the community's economic life. These measures contribute to reducing the constraints that would otherwise be imposed by the conversion factors that limit their capabilities. The three

conversion factors that inhibit or encourage the transformation of characteristics into functioning are personal characteristics, social characteristics, and environmental characteristics. Nambiar's study revealed the ideal situations that shall happen for the development interventions need to consider. NGO lead credit and savings institutions before the commercialization move with the cover of sustainability were trying to consider certain capacity building aspects. Currently, the capacity-building aspect is almost neglected, with the presumption that it is not the MFIs mandate. One can infer from these results that availing supply-driven financial products in a community with different values and interests cannot let them exercise their capabilities that are tied to freedom to choose what they value most. This capability approach is a valid concept that financial services providers need to consider as a central guiding principle in their institution for the poor to get the opportunity to exercise their capabilities (Nambiar, 2019).

Given the increasing commercialization of microfinance, financial literacy is seen as a means to enhance client protection through fair and transparent pricing, effective communication, sensitivity to overindebting clients, and staff's ethical behavior (Kalra et al., 2015). However, there is a need to explore whether financial literacy would contribute to customer protection. As with the limited options that the borrowers have, they compromise on their objectives and rights. Financial literacy alone is not enough for customers' protection. The microfinance's effectiveness relies on the complementary services that customers get in addition to the financial services (Fenton et al., 2015). MFIs need to tailor products to borrowers' needs, and they shall also give business training to clients (Schicks, 2014); however, the latter is neglected by the for-profit MFIs.

The terms and conditions that the MFIs apply neglect the diversities at the BOP market, which is the segment that they claim to serve. The diversities among the poor are for the reasons such as age, family size, level of education, gender, marital status, main occupation, and distance from services centers (Vishwanatha, & Eularie, 2017). Viganò and Castellani (2020) identified the need for financial institutions to improve their understanding of the rural clientele and their preferences through targeted market analysis and segmentation. The blanket generalization leads the MFIs not to design appropriate products and services to the needy. For example, the earlier agricultural credit terms were extended to 40 to 70 years, which give ample time for the borrowers to see the impact of their investment and repay the loan in a staggered way without feeling the burden. Currently, loan terms are very short, mostly the MFIs are lending for a year or less, which overburden the borrowers and are not related to the cash flow of the farming practice (Turvey, 2017).

The current practices of the MFIs are to rely on their efficient system that does not properly consider the lifeworld of the poor to push their services and enforce repayments using different coercion methods, including the joint and several liability. Nevertheless, there is no clear evidence on how much of the success of microfinance programs can be attributed to the effect of joint liability alone as it is seen that joint liability does not work in isolation; but, its effect is dependent on the social, cultural, and economic environment (Rathore, 2017). Rathore described that models of peer selection, peer monitoring, and peer pressure, that joint liability overcomes both the informational and enforcement failures present in credit markets for the poor. Rathore emphasized that joint liability helps to overcome the problems of adverse selection, ex-ante moral hazard, and strategic default than an outside lender. However, in

practice, it is much dependent on how the group is formed. There is a significant problem that the author should have considered in the study, there is an adverse selection issue in a joint liability, as borrowers of similar interest for strategic default may form a group and if some of the group members failed to repay the loan other group members would follow (Nadzri et al., 2017).

A poverty penalty arises when the poor pay more than the non-poor to access goods and services, and the cost to access to credit. The median interest rate for microcredits is 26%; it can reach as high as 85% (Gutiérrez-Nieto et al., 2017). The results clearly show that the interest rates charged by MFIs explain a mission drift; this is in line with the results of other research, which show a commercialization move at the costs of the social objective. I may check with the study participants what they would say about the interest rate. MFIs compare the interest rate they charge with the usury rate that the local money lenders apply, which is unrealistic, as the objective of the microfinance initially was to address the usury rate as one of the problems facing the poor. While in a perfect market, this type of institution would be eliminated from the market; their joint presence is due to lack of competition, lack of financial literacy, and lack of negotiating power of microcredit clients (Gutiérrez-Nieto et al., 2017).

Study results have also shown that there are differences among the MFIs regarding their focus on institutional sustainability and attaining social objectives. The mature and small MFIs are better in achieving the social goal, while the new and large are better in sustainability (Roy & Pati, 2019). The NGO category is more committed to the double bottom line than the non-NGO (Roy & Pati, 2019). The study of Roy and Pati is not different from the rest for relying on Microfinance Information

eXchange (MIX) data to conclude that MFIs serve the double bottom line. Even though financial sustainability would be proved from the financial statements reported to the MIX, it is difficult to prove the social performance of the MFIs based on the average loan size (Roy & Pati, 2019), which they used as a proxy indicator to measure social performance of MFIs. The success of a large part of the loan relationship between MFIs and their borrowers depends on the social capital those borrowers can bring into the contract (Postelnicu & Hermes, 2018). The value of diversity in microfinance practice is one of the significant elements that I may share in my research. Postelnicu and Hermes concluded that simply copying models such as group lending from one context to the other may lead to failure. Hence, how microfinance, as a tool for poverty alleviation meets what it claims, remains a mystery (Rathore, 2017). What can be learned from the crises that the MFIs have already encountered? There were many research studies that revealed the crises, the reasons for the crises and the consequences on the MFIs and their customers.

Crises Faced by Microfinance Institutions and Their Customers

MFIs are directly vulnerable to climate change and are indirectly vulnerable through their beneficiaries (Fenton et al., 2015). The target clients of MFIs are exposed to natural disasters and are vulnerable because of their income status and location. The 1998 cyclone that hit two-third of Bangladesh had adverse consequences on MFIs and their clients. Twigg (2004, as cited in Fenton et al., 2015) reported that 30% of clients lost homes or relocated; 65% suffered loss and damage to assets, and 90% suspended livelihood activities for more than three weeks. As a result, loan repayments collapsed from 92% to 43% (Fenton et al., 2015). The disaster had consequences on the MFIs' liquidity positions; hence, they required USD 200

million to recover from the crisis (Fenton et al., 2015; Klomp, 2018). When natural disaster hits customers of MFIs, they have difficulty repaying loans borrowed from the MFIs, leading MFIs to liquidity problems or even insolvency (Klomp, 2018). Therefore, the effectiveness of MFIs depends on the local condition, the model they use on the nature of the relationship between their customers, and the staff engagement to understand the local context. Klomp stated that the result of borrowing from MFIs is inconclusive. Bose (2016) recommended the need to learn from the practices of the poor to understand what constitutes vulnerability for them for adaptation or mitigation strategies of climate change. The understanding gained from them would contribute to securing the physical environment while strengthening local livelihoods.

The contribution of MFIs towards the resilience of their customers depends on the type of the natural disasters; (Klomp, 2018) categorized them into four (a) hydrological disasters, floods, and wet mass movements, (b) meteorological disasters, storms, and hurricanes (c) geophysical disasters, earthquakes, tsunamis, and volcanic eruptions (d) climatic disasters including extreme temperatures, droughts, and wildfires. For MFIs to absorb adverse shocks, they need to maintain adequate capital reserve; hence large-scale MFIs that would diversify their operations can withstand such shocks. Therefore, risks of natural shocks would exclude MFIs that do not have the required capacity, and customers in disaster-prone areas would also be excluded (Johnson, Scheyvens, Baqui Khalily, & Onishi, 2018). The literature gap is that how MFIs operations will be climate-resilient to reduce the direct vulnerability of MFIs and promote climate resilience among their clients (Fenton et al., 2015). The regulators' actions, such as requiring higher capital reserve (Klomp, 2018), lead

exclusion of MFIs that cannot meet such requirements, even if they would be ready to take such risks. Klomp found that rapid disasters (earthquake, storm) influence the financial soundness of MFIs, whereas their services can stimulate economic recovery after a drought. Individual households' adaptation efforts can be supported through the MFIs, e.g., independent adoption of drought-tolerant seeds or construction of storm-resistant homesteads (Fenton et al., 2015; Ullah & Khan, 2017). The response to climate impact cannot be borne by MFIs alone and require coordination among different stakeholders, governments, donors, regulators, financial institutions, and involving the local community. MFIs if not only driven for profit, the role they could play by coordinating the local community and bring the local knowledge to the policy makers is instrumental but mostly the how of it is not studied enough. The deviation of MFIs from the social objective and competing among themselves to lend to the few potential customers located in less risky areas lead both the MFIs and their customers to a different type of crises.

The mass default triggered by the MFIs practices strayed from the original microfinance model led to the system breakdown in different countries, such as Morocco, Nicaragua, Bosnia and Herzegovina, Pakistan, Mexico, and India (Banerjee & Jackson, 2017; Haldar & Stieglitz, 2016; Zainuddin, & Yasin, 2019). The aggressive marketing of for-profit MFIs and their indiscriminate lending for continuous growth resulted in multiple borrowing (Zainuddin, & Yasin, 2019). Loans were used for consumption smoothing – buying food, medicine, and the basic necessities of life rather than for any income-generating activity (Banerjee & Jackson, 2017). Likewise, Taylor (2011) argued that the expansion of credit led not to the diversification of livelihood opportunities, instead escalated debt traps. For MFI

customers that use the loans for consumption and repaying previous loans is a burden that they cannot bear it and lead them to overindebtedness. In a village with 1500 households there were eight MFI branches competing to lend and a person has borrowed from six of them and even the clients cannot call the MFIs by their names they recognize them by the meeting days (Paprocki, 2016). These practices led customers to overindebtedness.

In its initial vision, microfinance was supposed to give small loans for productive purposes (Haldar & Stieglitz, 2016). Haldar & Stieglitz posited that the microfinance model's core was the “social capital” that the MFIs were using for peer monitoring, follow-up of members' loan utilization, and enforcing loan repayments, which is missing in the practices of commercial MFIs. The MFIs used coercive practices to get their loans repaid, and certain customers committed suicide; the state government held MFIs responsible for the suicides of 57 borrowers (Zainuddin, & Yasin, 2019). Mass movements in certain localities let local politicians involved and encouraged borrowers not to repay loans, and this action had a contagious effect and led to mass default. International media such as BBC News and CNN broadcast the suicide cases, and as this case happened within three to four years from “the year of microfinance, 2005” that the UN declared and within four years from the pioneer of microfinance, Muhammad Yunus, and Grameen Bank, the MFI he found awarded the Nobel Peace Prize, 2006. The media's attention to the reported suicide cases tarnished the recognition that the program got as a tool for poverty alleviation. Later the government involved and took actions like banning aggressive collection practices, a cap on the maximum loan that a household shall borrow, and make interest rate cap (Haldar & Stieglitz, 2016; Zainuddin, & Yasin, 2019). The government involvement

through regulation also altered the microfinances “fundamental character”, informal contract, high repayment rate, no asset collateral, for most of the part, exempt from governmental regulation (Haldar & Stieglitz, 2016). The government regulation limits the required flexibilities that the MFIs used to practice for responding to the needs of their customers who are investing their loans in the informal sector. The crisis left a legacy of 10 million defaulters in the state of Andhra Pradesh—and, in all but name, abandoned any claim to poverty eradication (Haldar & Stieglitz, 2016). After the crises, researchers studied the magnitude, causes, and effects on MFIs and their customers, as discussed above. Further research is required to understand how far the current practices have been changed due to past crises, regardless of the governments' consequential regulatory actions.

Haldar and Stieglitz (2016) posited that the Indian crisis' impact is permanent as trust in the microfinance industry has been shaken, leaving the industry in turmoil in countries as diverse as Nicaragua, Bolivia, Mexico, Nigeria, and Pakistan. The industry, as Haldar and Stieglitz said, is “in its struggle to remain both effective and normatively acceptable; however, it is now on the cusp of returning to the traditional menu of institutional options—formalization or coercion”. I found how Haldar and Stieglitz explained the essence of the traditional model of microfinance handy to understand what is missing from the current commercialization of the industry and show it below:

The traditional model of microfinance established by the Grameen Bank in 1976 was characterized by tremendous attention to detail and contextual specificity, in both design and implementation. Many of the features that lie at the heart of the original microfinance model—the group system and weekly

meetings—were described by Yunus not as a premeditated strategy for ensuring repayment but, rather, as features that emerged organically from observation and reaction to the empirical realities on the ground. (Haldar & Stieglitz, 2016, p. 464)

The “organic and empirically grounded evolution of the Grameen model” (Haldar & Stieglitz, 2016, P. 468) is either intentionally or unknowingly missed or misused by the commercial MFIs that aggressively moved for scale and profit. The Group lending approach is used mechanically irrespective of specific social conditions. This approach altered the traditional relationship between the MFIs and borrowers, turning into a purely commercial transaction. These dynamics were at odds with the traditional microfinance approach that relays on building social capital among the groups formed to cooperate to address their common challenges in the processes of borrowing and investing the borrowed fund, peer monitoring, meaningful personal ties between borrowers, and with the MFI. Credit officers' role with close follow-up to guide borrowers in line with borrowers' objectives is neglected. Welfare-oriented practitioners always argue for a focus on targeted outreach and impact rather than only scale. So far, empirical studies show mixed results on the relationship between outreach and sustainability, thus prompting the need for further investigation. Assessment of microfinance impacts reveals mixed findings on its effectiveness as poverty reduction and its effectiveness as a financial model (Banerjee & Jackson, 2017; Paprocki, 2016). Banerjee and Jackson (2017) found increased vulnerability due to indebtedness that leads to loss of land assets and erosion of social capital resulting from diminished bonding social capital. Morduch (1999) posited that the “win-win” rhetoric promising with poverty alleviation had moved far ahead of the

evidence, and even the most substantial claims remain unsubstantiated. There is a need for qualitative empirical research that investigates the impact of such practices on the MFIs' poverty alleviation agenda. Banerjee and Jackson (2017) conducted an ethnographic study in three villages of Bangladesh to analyze the impact of microfinance on the poor and came up with the idea of changing the lens through which the problem of poverty reduction programs is seen by considering the perspective of the receivers of microfinance, especially those that live in extreme poverty. They argued that most of the literature on microfinance has focused on the 'supply side' of the equation. However, the current commercialization move focuses on the scale without understanding the situations of its target markets.

Commercialization of Microfinance

By commercialization, De Quidt et al. (2018) referred to two forces: increases in for-profit lending and increased competition. De Quidt et al., in the study they conducted to highlight trends in lending methodology, found that MFIs do indeed appear to be reducing the share of joint liability in their portfolios. They argue that theoretically and empirically, the trend can be explained, at least in part, by commercialization. They concluded that competition improves borrowers outside options in case of default, by making it easier to find another lender. However, the total effect of competition tends to be negative as it leads to inefficiency in terms of social performance, lower depth of outreach, increased default rate due to multiple lending, higher portfolio at risk that leads to poor financial performance (Arrassen, 2017; Charles, & Mori, 2017; Deb, 2018). Roy and Pati (2019) argue that there is no trade-off between attaining social objectives and making profit by MFIs; however, size, age, and ownership of MFIs contribute to variations in commitment towards the

double bottom line. Roy and Pati reported that the mature and small MFIs are found to be better in attaining social objectives, but the new and large are better in sustainability, while the NGO category is more committed to the double bottom line than the non-NGO. They also did not exclude the visibility of the profit-seekers' tendency to digress from the real mission as the investors' wish for higher profitability often influences the operations in achieving more financial returns than the social objective. Looking at the recent emphasis of MFIs on commercial funding like private equity, securitization, and other debt sources, the future cannot be assumed to be free from any uncertainties (Roy & Pati, 2019). As serving the BOP market that mostly needs smaller loans with commercial funding of MFIs and adhering to the strict regulatory requirements raises the cost of the MFIs, they charge higher interest rates to meet the investors' profit requirement. Khachatryan and Avetisyan (2017) posited that the commercial shift of microfinance diminished the importance of the social component.

Sarma (2019) defined mission drift as protecting capital providers' interests at the costs of borrowers. Factors such as the incentive system to credit officers (Beisland et al, 2019) and neglecting the poor's interests in product design (Mia et al, 2019) lead to mission drift. The existing system does not incorporate the elements needed to motivate an increased and continued focus on vulnerable customers (Beisland et al, 2019). The commercialization processes, coupled with the competition, have led the MFIs to search for clientele with higher income by neglecting the poor that the MFIs were meant to address (Deb, 2018). The income and standard of living is expected to increase the chance of being a successful microfinance applicant (Khan et al., 2017).

The focus of MFIs towards the higher income clients lead to saturation; hence, competition over fewer customers. Saturation led to multiple borrowing that undermines the loan recovery rate, which threatens the financial sustainability of MFIs. Mia et al. (2019) in the history of microfinance study they conducted in Bangladesh using a life cycle theory approach, found that the microfinance industry in Bangladesh is at the saturation phase with increasing presence of uncoordinated MFIs and expansion of multiple borrowing, as well as commercialization and “mission drift”. The competition increases for three emerging trends: Downscaling of the commercial banks to target the lower segment of customers, MFIs started targeting the better-off clients, and foreign banks or MFIs make a direct investment in new markets, Greenfield (Bensalem & Ellouze, 2019). The for-profit MFIs are less efficient in social commitment (Bensalem & Ellouze, 2019). However, the MFIs are meant to reduce poverty or any other similar goal, Khan et al. (2017) argued that the only way to achieve the poverty reduction goal is through the old poverty lending approach of subsidized microcredit.

Microfinance as a Tool for Poverty Alleviation

The innovations in financial services delivery to the community segment that the conventional banking sector hardly addresses are accepted without much debate. However, whether microcredit to the poor serves as a tool for poverty alleviation remains debatable. Weldeslassie (2017) used a propensity score matching and panel data analyses to identify microfinance as having direct temporary effects on households' productive assets but limited (no) impact on households' fixed assets and monthly expenditures. Microfinance is often defined as financial services for poor and low-income clients offered by different types of service providers. Primarily, services

include deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their microenterprises. However, the almost neglected non-financial (social, marketing, training, environmental, and other) services to the self-employed that are excluded by the formal banking system for many reasons, including collateral requirements, are vital for the positive contribution of microfinance to poverty alleviation. Weldelessie reported that the living standard of some clients went from bad to worse because of their loans; for instance, some clients were in jail, and some others had lost their land following default on loans (due to external shocks, such as drought and death of livestock).

Microcredit is the lending of small amounts of money to the poor and financially excluded, to enable them to increase income and smooth consumption (Ashta et al., 2015). Most research findings witnessed the positive contribution of microcredit to improve the lives of the poor when complemented with other initiatives such as education, health, sanitation, infrastructure, and public governance. Hassan and Islam (2019) reported that clients praise the microcredit institutions operating to better their lifestyles. Yet, the relatively better lifestyles of these people still cause distress within their family structure. Hassan and Islam reported that credit money does not free them from the burden of poverty. Nakano and Magezi (2020) posited that without extension services and prior input and credit market development credit also did not increase total household income or income from other sources, such as other crop income, livestock income, and business income.

Various studies show positive direct and indirect impacts of microcredit on the borrowers' income (Choga & Moyo, 2016; Dutt & Sharma, 2016; Elhadidi, 2018; Fenton et al., 2017; & Mariyono, 2019). However, the increase in income may not be

directly translated to the typical welfare indicators such as household income, consumption, food security, asset ownership, or community participation (Karlan et al., 2017). Elhadidi (2018) posited that despite the significant impact of microfinance on household income, many established clients have not graduated from the scheme and become financially self-sufficient. Elhadidi identified the different factors that affect microfinance's contribution to improving households' income; and the need to have an integrated approach for better effect of microfinance on the income of borrowers. Regarding the latter, the importance of extending non-financial services, such as business development and entrepreneurship training, to women clients before providing loans is almost a common recommendation by most researchers. However, the current move of using technology for financial services delivery and with commercial drive does not consider this approach.

Generalization of the BOP markets leads to missing the essential variations that impact the benefits gained from access to financial services by the poor. Vulnerability analysis of SHFs to climate change depicted the need for adopting interventions to a local context and based on site-specific agro-ecological system requirements (Tessema & Simane, 2019). Furthermore, the difference in efficiency between the female-headed and male-headed households, the positive impact of the household head's age, and the positive impact of off-farm activities on the efficiencies in crop-production (Asfaw et al., 2019), and other variations are missed because of generalization. Likewise, Elhadidi (2018) identified population density, attitudes to debt, group cohesion, enterprise development, financial literacy, and financial service providers as factors that affect microfinance's efficacy in improving household income. Furthermore, Dutt and Sharma (2016) identified household characteristics

such as expenditure, land ownership, number of children, and the number of income earners in the household also to impact credit use. These arguments support the need to understand what microfinance implies to the borrowers and learn how they know it.

Hassan and Islam (2019) posited that despite a significant improvement in the borrowers' lives, it is still confusing as to whether these people have managed to cross the poverty line or not. Data show that poor people never stop borrowing money from the MFIs. The cycle of taking and retaking has made them dependent rather than independent agents in their society (Hassan & Islam, 2019). There are valid inputs in this research that I consider for my case; it shows the divided reports about the benefit of microfinance; above that, it brought into perspective how the repayment enforcing mechanism is very mechanical without considering human element has become a burden on the borrowers. The theoretical framework used by Hassan and Islam is a good fit to see how borrowers perceive the financial services providers.

Where the model, as required, does not fit into the local context, it may have an adverse effect on the economic, social, and cultural wellbeing of the society. Paprocki (2016) argued that microcredit drives social dispossession through three specific mechanisms: (a) the confiscation of assets necessary to social reproduction (as well as to production) (b) the construction of debt relations within a community which reshapes what reproduction can look like and (c) the reconfiguration of women's social status and subjectivities with their communities. This qualitative study focused on the testimonies of borrowers in Arampur, Bangladesh. Paprocki defines social dispossession as the coercive expropriation of means of social reproduction (either social or material) toward the reproduction of capitalist social relations. Postelnicu and Hermes (2018) reported that MFIs active in societies

characterized by higher (linguistic, ethnic, and religious) fractionalization and high trust societies show lower financial and social performance. The study result fills the research gap of understanding under what conditions MFIs can reduce poverty.

Hence, the success of a large part of the loan relationship between MFIs and their borrowers depends on the social capital those borrowers can bring into the contract (Postelnicu & Hermes, 2018). Postelnicu and Hermes recommended future research to look into questions that focus on better understanding why established microfinance models work in one context while failing in other contexts, by explicitly taking into account the difference in the societies' capacities to facilitate social capital formation.

Microfinance Loan Repayment Enforcement

The credit officers' primary role is to maintain portfolio quality by collecting the unconditional loans disbursed to customers of MFIs. Loan repayments are unconditional because MFIs funding has owners. MFIs lend either from the capital, savings, or borrowing; all have owners; hence, they cannot excuse loan repayment (Ashta et al., 2015). Therefore, portfolio quality is one of the prime parameters that the MFIs use to pay incentives to the credit officers (Beisland et al., 2019). Hassan and Islam (2019) posited that the field staff of the MFIs/credit officers give priority to money recovery process over the “welfare objectives of the program” (p. 9). MFIs use different repayment enforcing mechanisms, such as harsher means using peer group pressure, using rigid repayment approach, shorter credit period, and frequent repayments (Barboni, 2017; Ding, & Abdulai, 2018; Hassan & Islam, 2019; Labie et al., 2017). The repayment enforcing approach does not consider the variations among the customers and the loan, hence have an adverse effect on the borrowers' mental wellbeing (Field et al., 2012). Field et al. posit that the psychological burden of

frequent repayment may, in many instances, offset the positive influence of access to credit, making microfinance borrowers worse off in terms of mental wellbeing.

The current practice of loan officers is just disbursing microloans to their customers without continuous follow up of loan utilization. Apart from the reluctance of the credit officers and the microfinance system, the indivisibility of consumption and production (Xiong et al., 2018) of microfinance targets, make the follow-up difficult. Hassan and Islam (2019) explained that the field staff do not pay any attention to the borrowers' misappropriation of funds because they are only concentrating on recovering the money. The recovery system's efficiency is considered a great success without evaluating how such repayment enforcement impacted the life of the poor that are kept in the cycle of receiving and repaying microcredit. Hassan and Islam (2019) posited that receiving and repaying loans have become a habit for the millions of poor people in Bangladesh. Ashta et al. (2015) also reported that in many organizations, while the mission to help the microentrepreneurs succeed in eradicating their poverty is lost, only the mission of giving and recovering loans is retained. Dattasharma et al. (2016) argue that if a borrower cannot meet the inflexible microfinance loan repayment from the regular cash inflows, it can become a burden. Hassan and Islam argued that once the poor receive the credit, “they are put in the iron cage of the loan repayment process without any human consideration from the provider” (p. 12). Peer group pressure and the cold-hearted dealings of the field staff force borrowers to only think of repayment rather than maximizing the opportunities afforded by the money by its commercial use in the market (Hassan & Islam, 2019).

Field et al. (2012) used a randomized experiment to provide causal evidence that more flexible repayment reduces client stress. The result shows that clients repaying monthly were 51% less likely to report feeling worried, tense, or anxious about repaying, were 54% more likely to report feeling confident about repaying and reported spending less time thinking about their loan compared to weekly clients. Monthly clients also reported higher business investment and income, suggesting that the flexibility encouraged them to invest their loans more profitably, ultimately reducing financial stress. All potential borrowers may not appreciate the flexibility in loan repayment as variations among borrowers determine. Barboni (2017) stated that repayment rigidity in microfinance contracts has always been crucial to discipline borrowers and ensure repayments. However, a strict repayment schedule might also force borrowers to undertake low-risk but also low-return investments. Barboni argued that customers differ in terms of confidence (or optimism) over their ability to repay future debt.

Microfinance clients have objectives-based preferences. Ding and Abdulai (2018) demonstrated that preference heterogeneity and attribute non-attendance (ANA) exist in the SHFs' microcredit choices. On average, SHFs prefer a more extended credit period, smaller credit size, lower transaction costs, and lower interest rates. Guarantor collateral method and installment repayment positively affect their preferences as well. Moreover, respondents are found to be willing to pay more for the attributes they consider essential (Ding & Abdulai, 2018). Likewise, Hassan and Islam (2019) explained the need to understand the complexity of Bangladeshi society, in which "people are considered merely as cogs of the machine, as Weber described (Brubaker, 1987)" (p. 7). Hassan and Islam posited that "bringing back the

compatibility between the lifeworld and the system would give an extra insight into understanding the internal dynamics of the microcredit system and reveal its limitations” (p. 17). The limitation of the microfinance model emanates mainly from a lack of understanding of the objective-based preferences and differences in product needs.

Microfinance clients need flexible products that are adaptable to their respective peculiarities. Labie et al. (2017) used lessons on flexible financial products from behavioral economics literature and the banking literature to discuss the advantages and disadvantages of flexible products in microfinance and present the best-practice examples of flexible credit and savings products offered by MFIs worldwide. They found that smart product design based on behavioral economics knowledge can mitigate the conceptual trade-off between discipline and flexibility. Labie et al. posit that the success of both microcredit and micro-savings products rests upon simplicity and standardization to stimulate client discipline; however, these products lack flexibility. Nadzri et al. (2017) posit that simplicity is not the only virtue; simplicity that does not acknowledge the diversity at the MFIs targets leads to unintended results. Labie et al., thoroughly discussed the potential trade-off between discipline and flexibility, stating that while discipline devices encourage clients to make payments on time, microfinance product flexibility improves clients’ day-to-day money management and helps them cope with shocks.

Still, understanding differences among potential clients determines the level of discipline and flexibility required to manage the trade-off. Yang et al., (2018) identified factors that contribute to the household level differences, such as whether the farming practice is rainfed or irrigated. The risks associated with this approach

when there are external shocks that affect the expected return from the investment made by the borrower differs, but the microfinance approach does not take such differences into account as the repayment is unconditional. Yang et al. also identified factors that have significant levels of influences on households' total incomes: such as gender, age, number of older people, higher education level, number of labors in the family, land size, agriculture insurance, and cash-crop planting scale. All potential borrowers at the BOP markets are not entrepreneurs; hence, the loan use purposes differ between entrepreneurial and nonentrepreneurial borrowers. Cintina and Love (2019) found increased 'non-productive' expenditures (such as festivals, temptation goods, and home repairs) by the latter, which is unlikely to lead to any significant long-term transformation. As research indicates, MFIs are focusing more on the unconditional collection of disbursed loans without proper identification of the situations of the businesses and the diversities among borrowers before lending. Such practices of MFIs would lead borrowers to overindebtedness.

Microfinance Borrowers Overindebtedness

Schicks (2014) stated that overindebtedness is measured as a subjective indicator based on loan-related sacrifices that borrowers report. Schicks summarized sacrifices into three categories: (a) essential needs (reductions in food, education, and other vital expenses) (b) economic coping strategies (additional work, depleting savings, loan recycling, sale/pawning/seizures of assets) (c) social or psychological sacrifices (asking for help, shame/insults, threats/harassment, and psychological stress). Guérin et al. (2013, as cited in Sangwan et al. (2020) posited that "over-indebtedness deepens poverty and loan default problems, especially among the poor clients" (p.477). Dattasharma et al. (2016) based on the result of 90 poor households'

financial diaries study they conducted in Ramanagaram town, Ramanagaram, Karnataka, India, urged the need to relate microfinance to the broader question of indebtedness of the poor. Dattasharma, et al. reported that one of the participants with a maximum reported income for the entire diary period of Rs 2,390 had loans with six MFIs, having to repay Rs 4,977 in a particular week; for the participants there is not much difference between MFI loans and other informal loans they borrow from one and repay the other, and they were unable to use the loans for any income-generating activity.

The more the indebtedness, the greater the inability to pay, “creating psychological burdens too difficult to support by some fragile people” (Ashta et al., 2015, p. 175). The problem is that microfinance is driven by relentless pressures for MFIs to grow, creating overindebtedness in saturated regions such as Andhra Pradesh, PAR 90 >5%. Saturation led to MFIs encouraging multiple borrowing (Ashta et al., 2015; Mia et al., 2019). Cintina and Love (2019), from the 3,318 sample households’ data they used to evaluate microfinance's effectiveness, found that 70% of the sample have more than two loans. People stop repaying, and there is a viral effect whereby this behavior spreads, and borrowers stop paying in masses. If borrowers expect others in their group to default so that no further loans will be available in the future, then they will default, leading to a contagion. Microfinance groups' collective activities are not incidental and can be directly linked to their performance (Baland et al., 2017). Furthermore, Adbi and Singh (2019) identified that microfinance customers' decision-making behavior is collective, increasing business risk.

Therefore, MFIs need to understand their potential customers' unique practices and adopt risk mitigation mechanisms to ensure that they do not default on repayment

obligations. The more MFIs staff do due diligence to tailor microfinance services for the poorest groups, and post-disbursal monitoring, there would be lower loan delinquency (Sangwan et al., 2020; Ukanwa et al, 2018). Close supervision of borrowers is vital both to avoid default and exclusion of the poor. In the absence of customers' credit history, which is the case for microfinance clients, customers access to different lenders encourage borrowing from multiple sources. The rigidity of loan repayment cycles forces MFI clients to borrow from multiple MFIs and other informal lenders to make repayments of loans (Dattasharma et al., 2016). Microfinance clients' engagement in multiple borrowing is associated with poor loan repayment, which is a severe risk of becoming overindebted, and deterioration of the loan portfolio of the lending institution (Ashta et al., 2015; Charles, & Mori 2017; Mia et al., 2019). The repayment of unconditional multiple loans by the overindebted borrowers has adverse consequences. A client might have to forego other critical needs of the family, cut family's nutrition budget, force children to drop out of school, defer healthcare, or force them to sell whatever little assets they might have—which further reduces the scope for generating income from assets (Ashta et al., 2015).

Borrowers with adverse economic shocks, low returns on investment, and non-productive loan use are prone to be overindebted. Overindebtedness is lower for borrowers with good debt-literacy; however, according to Schicks (2014), financial literacy and numeracy seem insufficient to reduce overindebtedness. Thus, to tailor products to borrowers' needs and to develop installment schedules appropriate to the cash flows of microenterprises, including relevant grace periods for an investment to start paying off coupled with basic business training to clients may help borrowers increase their return on investment (ROI) (Schicks, 2014).

Fenton et al. (2017) identified the need for better product design and integration of microfinance with more comprehensive top-down adaptation efforts for complementary services, as it can also lead to maladaptive outcomes via overindebtedness. The authors identified that the overindebtedness is mainly when the loan is used for consumption; consumption loans were used for purchasing food (65%) or medicine (30%) at times of livelihood shocks. The research revealed the need for complementary services during climate hazard as especially when there is no option for income-generating activities the credits taken by the victims is used for consumption and that lead to overindebtedness (Fenton et al., 2017).

MFIs need to understand better their potential customers' situation, the variations among the poor that contribute to loan utilization and repayment capacity. The determinants of group members' loan repayment are immense, including the group member's age, gender, marital status, household size, household income, educational level, occupation of the household head, the amount of credit received, length of stay in their locality, distance to the credit source, supervision and disbursement lag (Makate & Mango, 2017; Solomon et al., 2017). The demography of the family plays a significant role in a household's livelihood activities; Makate and Mango identified 30 variables. MFIs lend either from the capital, savings, or borrowing; all have owners; hence, they cannot excuse loan repayment. What MFIs shall do is knowing their customers better and let them understand what responsibilities are associated with the borrowing. The claim about poverty alleviation through microloans to the poor is a rhetoric of two decades back. It is proved that microfinance could not be a panacea for poverty alleviation without complimentary services. How could policymakers coordinate among the different interventions to

give holistic support to the poor to be employed and become productive through the access to financial services and other development supports is a question to be answered.

Financial Inclusion

Bongomin et al. (2018) explained how financial inclusion is measured depending on access, usage, quality/relevance, and welfare impact. Bongomin, Munene, Ntayi, and Malinga applying the most used definition for financial inclusion that is proportions of the individuals and firms who are banked (Consultative Group to Assist the Poor, 2009, as cited in Munene et al., 2018) reported that 2.7 billion people are financially excluded in the world. However, there is no empirical evidence of whether financial inclusion would have a positive welfare impact or not.

Duvendack and Mader (2019) conducted systematic reviews and meta-analyses of the impact of financial inclusion by reviewing a total of 32 meta-studies of which they found 11 of them with sufficient methodological quality to be analyzed. Duwendack and Mader concluded that financial inclusion initiatives do not have transformative effects. They also warned the practitioners, policymakers, and donors not to repeat claims that are not empirically supported like what has happened related to microfinance's impact in poverty alleviation. Duwendack and Mader posited that “claims of transformative impact were unrealistic and that the hype for microfinance, particularly microcredit, was overblown”. Likewise, they “strongly caution against repeating the hype cycle, this time around the idea of financial inclusion” (p. 4).

Regardless of what the effect of financial inclusion would be on the part of the community that have no access to financial services, the current focus is on how to include the excluded. Rastogi and Ragabiruntha (2018) reported that apart from

contributing to financial inclusion in areas where there is no access, digital finance (DF) multiplies the success of financial inclusion in the areas where access to the formal financial system has already been reached. DF is also considered as a tool to enhance financial inclusion (Bratanu, 2017; Leong et al. 2017; Ozili, 2017); however, there are arguments that reliance of the model on the internet may exclude communities that are living in the areas where internet penetration is unavailable or little (Gomber et al., 2017).

Thus, expanding financial inclusion in rural areas using technology is more difficult than urban areas. Apart from the lack of infrastructures such as the internet, road, and electric power in rural areas, financing agriculture is considered risky (Shinta et al., 2018). Different research reports claim that higher transaction, risk, and contract design costs hamper the ability of rural MFIs to take advantage of economies of scale and productivity (Lopez & Winkler, 2018). The agricultural sector is underfinanced compared to trade sectors, and the interest rate is higher for loans for agriculture (Shinta et al., 2018). MFIs that work in the rural areas prefer where there is better agricultural productivity; hence, there are excluded locations. Accessibility to microfinance services was generally lower in areas that were more vulnerable to flooding and high soil salinity (Scheyvens et al., 2018). The governments' positive support, flexible savings and loan products packaged with non-financial services, arranging funding mechanisms, and a conducive policy environment for new technologies would help reach the less-served rural areas (Chopra, 2017; Scheyvens et al., 2018). If such special treatment is not given to rural finance, Lopez and Winkler argued that rural areas' levels of financial inclusion are likely to remain below those observed in urban areas. Chirambo (2017) empirically explained the limited coverage

of microfinance at where it is most needed; in Sub-Saharan African, only about 24% of the total population has accounts at the formal financial institutions. The financial inclusion program for the positive social objective of poverty reduction would need to consider complementary non-financial services to the poor. Dichter (2014) stated that "...there are no magic bullets and that the development industry's tendency to keep looking for new ones is misguided and, in the end, can be harmful" (p. 90).

The Gap in the Literature

Many microfinance impact studies are concluded with mixed results. While excluding the poor from financial service is considered a mission drift; whether those who got access to financial services have benefited or not remains debatable. "While some experts praise microfinance as an effective tool for growth and economic development, others decry it as a short-term palliative that often causes indebtedness and overindebtedness" (Lainez, 2016, p. 900). As can be learned from the literature review, the existing system's lack of incorporating the elements needed to motivate an increased and continued focus on vulnerable customers, mission drift, protecting capital providers' interests at the costs of borrowers, lack of transformative effects of financial inclusion's initiatives (Beisland et al. 2019; Duvendack & Mader, 2019; Sarma, 2019) invites research in the areas of microfinance. The findings of this study showed differences among the BOP market, and the effects of microfinance loans also differ accordingly. Therefore, the conclusions made about the contributions of MFIs for poverty alleviation without considering the differences among the farmers who borrow were incorrect. I recommend future studies on the impacts of microfinance on the borrowed customers shall consider the differences among the poor, as the effect of microfinance varies within each category of the borrowers. The study revealed at the

minimum three categories of borrowers depending on the farm income; those who produce a surplus, those who produce subsistence amounts to feed their family, and those who produce less than what their family needs for consumption. The SHFs in these categories require different terms and conditions of loans. However, MFIs are not considering these differences and offer them a one size fits all product. Likewise, the impacts of the loans in each category vary, regardless of the conclusions made by many researchers. Rathore (2017) stated that the design of microcredit contracts for small-uncollateralized loans remains a mystery. He also stated that regardless of a great deal of interest from economic theorists from the inception of microfinance, there is a gap in validating microcredit's economic contribution with empirical research.

One of the challenges of conducting an impact study is that the poor do not keep formal income records (Alia et al., 2017). Despite the potential promise of microloans, there is a gap between what we know and what we need to know about the microfinancing phenomenon and how to improve its effectiveness and impact (Moss et al., 2015). Postelnicu and Hermes (2018) recommended future research to look into questions that focus on better understanding why established microfinance models work in one context while failing in other contexts, by explicitly considering the difference in the societies' capacities to facilitate social capital formation.

Morduch (1999) posited that the "win-win" rhetoric promising poverty alleviation had moved far ahead of the evidence, and even the most substantial claims remain unsubstantiated. There is a need for qualitative empirical research investigating the impact of such practices on the MFIs' poverty alleviation agenda. In general, there are few qualitative studies in the area of my research, and the available

quantitative studies also focus more on India and Bangladesh. Except for a couple of qualitative ethnographic studies by Geleta (2014) and Galata (2016), I did not find qualitative research related to microfinance loan repayment in Ethiopia. I might address in this study the knowledge gap regarding the lived experiences of SHFs. Understanding the lived experiences of SHFs that are often ignored in economic research might shed light on the limitations of the current microfinance model regarding its contribution to poverty reduction.

The themes identified during the analysis of the interview data collected from 23 SHFs participated in the study might narrow the gap in the existing literature that remained contentious in the contribution of microfinance for poverty alleviation. The gaps in research and practices emanate from generalizing the SHFs needs and objectives of borrowing and the effects of borrowing on their economic and social conditions. The findings of this study, as categorized under six significant themes, are as follows:

Theme 1: Assessment of Applicants' Capacity for Loan

The terms and conditions of the loans offered by the MFIs are not favorable to the contexts of SHFs that have different objectives. There is no flexibility in the MFIs approach to answering the borrowers' actual needs and capacities. This finding is consistent with Makate and Mango's (2017) suggestion to apply segregated design approaches for different livelihood improving activities. Tessema & Simane (2019) also reported the need to adapt interventions to the local context.

The capacity assessment approaches of MFIs are not formal and do not enable them to get reliable data for loan decisions; their customer capacity assessment is inadequate. This finding aligns with the study by Vigano and Castellani (2020) that

identified the deficiencies and the need to understand the rural clientele by the MFIs through targeted market analyses and segmentation instead of the blanket generalization. Furthermore, the factors contributing to the differences among the poor borrowers were identified by Makate & Mango (2017) and Solomon, et al., (2017). Unlike the previous research, the finding of this study categorized SHFs into three and suggested to at least have different products to each segment of the category.

Theme 2: The Applicants' Options

The MFIs use similar approaches. Customers do not have choices; hence, they do not have bargaining power; MFIs use a take-it-or-leave-it approach. Certain research findings associate the lack of concern of MFIs for their clients with commercialization. The commercialization of microfinance is missing its social objective (Banerjee & Jackson 2017). The for-profit MFIs are less efficient in social commitment (Bensalem & Ellouze, 2019).

There is no proper pricing of the loans; the SHFs compare the interest rate MFIs charge with local moneylenders' exorbitant rates. The interest rate the participants are paying for MFIs in the study area was not that high; up to 22% plus credit life insurance, compulsory savings, travel costs, or paying at each meeting for a representative that collects from them and takes it to the MFI offices. The median interest rate for microcredits is 26%; it can reach as high as 85% (Gutiérrez-Nieto et al., 2017). While in a perfect market, this type of institution would be eliminated from the market; their joint presence is due to lack of competition, lack of financial literacy, and lack of negotiating power of microcredit clients (Gutiérrez-Nieto et al., 2017).

Theme 3: Customers' Follow-up and Support

There is no support among the group members and by the COs. The MFIs focus on getting their loans repaid regardless of what it costs the borrower. The groups' roles are minimized to forming the group; their roles in loan decision, loan utilization follow-up, and supporting one another are almost non-existent except the certain efforts observed among the women group members. This finding is consistent with the findings of Haldar and Stieglitz (2017) that shed light on the consequences of neglecting the social capital, which is the essence of traditional microfinance. The group lending approach is used mechanically, irrespective of specific social conditions. This approach altered the traditional relationship between the MFIs and borrowers and among the borrowers in a group turning into a purely commercial transaction.

There is no loan utilization follow-up either by the group members or the COs; however, there is relatively better follow-up and support among the women group members. However, other research results showed the importance of due diligence to tailor microfinance services for the poorest groups and post-disbursal monitoring, which would lower loan delinquency (Sangwan et al., 2020; Ukanwa et al., 2018). Adbi and Singh (2019) reported about the collective decision-making behavior of customers. Haldar and Stieglitz (2016) emphasized the contribution of social capital for the effectiveness of the microfinance model, which is lacking in the move towards scale in the commercialization of microfinance.

Theme 4: Loan Repayment Experiences

The repayments are not cashflow-based or do not consider the costs associated with the effort borrowers make to meet the scheduled repayments. Turvey (2017)

reported that loan terms are very short, mostly the MFIs are lending for a year or less, which overburden the borrowers and are not related to the cash flow of the farming practice. The regular savings linked with loans and the monthly installments from the interest and principal are challenging those not engaged in off-farm income-generating activities. Relatively women are engaged in additional off-farm income-generating activities; hence they are comfortable with the regular monthly payments from the loan and the regular savings. The determinants of group members' loan repayment are immense, including the group member's age, gender, marital status, household size, household income, educational level, occupation of the household head, the amount of credit received, length of stay in their locality, distance to the credit source, supervision and disbursement lag (Makate & Mango, 2017; Solomon et al., 2017). The demography of the family plays a significant role in a household's livelihood activities; Makate and Mango identified 30 variables. However, the MFIs in the study areas do not consider these differences they have a one-size-fits-all type of products.

There is no proper monitoring and support system by the MFIs. Instead, COs rely on enforcing repayment through coercion; instead of using the group lending discipline. This finding is supported by previous research that stated MFIs use coercion as a dominant tool to enforce repayment and sustain the model (Halder & Stieglitz, 2015).

The SHFs worries include whether they would get the subsequent loan or not; as for most of them, what they produce is not enough to repay the loan, feed the family, and buy inputs for the next farming season. This is unlike the report by Ashta et al. (2015) and Mia et al. (2019), who reported saturation led MFIs to encourage

multiple borrowing. In the study areas, there is no such competition; however, the customers are worried about getting the subsequent loan or not after closing what they borrowed.

The loan repayment is worrying for most of the borrowers, especially when shocks are experienced. Research reports indicated issues related to loan repayment challenges: such as Zainuddin and Yasin (2019) associated suicide with loan repayment challenges. As Ashta et al. (2015) reported, MFIs lend either from the capital, savings, or borrowing; all have owners; hence, they cannot excuse loan repayment. When a natural disaster hits customer of MFIs, they have difficulty repaying loans borrowed from the MFIs, leading MFIs to liquidity problems or even insolvency (Klomp, 2018). Klomp stated that the result of borrowing from MFIs is inconclusive.

Theme 5: Risks Facing Smallholder Farmers

The weather problem is the most critical challenge that the SHFs have been facing for the last five years and its consequence on the decline in farm productivity. Individual households' adaptation efforts can be supported through the MFIs, e.g., independent adoption of drought-tolerant seeds or construction of storm-resistant homesteads (Fenton et al., 2015; Ullah & Khan, 2017). The literature gap is how MFIs operations will be climate-resilient to reduce the direct vulnerability of MFIs and promote climate resilience among their clients (Fenton et al., 2015).

Input supply problems such as not timeliness, poor quality, unavailability, and high price. Dichter (2014) posted that there is “no magic bullet” to solve the problems facing the poor; hence, there is a need for complementary non-financial services.

The MFIs are not tailoring disbursements and collections to the actual situations of their customers. Seasonality of disbursement and repayment leads borrowers to a disadvantaged position in terms of market prices. The prices of outputs decline when they sell to repay loans, and for those who are not producing enough food, the price of grains increases when they buy food after borrowing. Bose (2016) recommended the need to learn from the practices of the poor to understand what constitutes vulnerability for them for adaptation or mitigation strategies of climate change. Fenton et al. (2017) identified the need for better product design and integration of microfinance with more comprehensive top-down adaptation efforts for complementary services, as finance alone can lead to maladaptive outcomes via overindebtedness.

The SHFs recommended to MFIs to coordinate with other stakeholders to address the adverse situations they encounter because of weather shock and input supply problems and the need to customize the products and services to their actual needs and objectives. Microfinance's effectiveness relies on the complementary services that customers get in addition to the financial services (Fenton et al., 2015). Fenton, et al. reported that MFIs have an incentive to reduce their beneficiaries' vulnerability; however, they did not say about the costs associated, the expertise required, and how the costs would impact the financial performance of the MFIs. Roy and Pati (2019) argue that there is no trade-off between attaining social objectives and making a profit by MFIs; however, size, age, and ownership of MFIs contribute to variations in commitment towards the double bottom line. Roy and Pati reported that the mature and small MFIs are better in attaining social objectives, but the new and large are better in sustainability, while the NGO category is more committed to the

double bottom line than the non-NGO. Whether what Roy and Pati concluded from their study works in the contexts of the three MFIs operating in the areas I conducted the study would be seen in the next theme. Two of the MFIs are NGO affiliated, and the other one is local government affiliated. There is no privately owned MFI in the specific study areas, the four rural kebeles. The presence of these MFIs in remote rural areas is tantamount to their social objective; however, they are using a business model, and they shall make a profit to sustain their operations, pay interest on savings and loans. They mobilize savings and borrow from commercial banks to on-lend to the SHFs.

Theme 6: The Effects of Borrowing

The SHFs can at least be categorized under three depending on how they are experiencing loan repayment: (a) the subsistence producing, who can feed their family from their produces; these types of farmers cannot store from their produces for a price advantage they shall sell the outputs immediately to repay the loans (b) the poor households, who cannot cover the family food from their farm income; however, shall sell what they produced to repay the loan at harvest and face difficulty feeding their family such SHFs buy food when the price increases later (c) the surplus producing, who can store what they produce for price advantage. The terms and conditions of the loans that the MFIs design shall consider these differences, but it does not consider them in practice. Elhadidi (2018) identified population density, attitudes to debt, group cohesion, enterprise development, financial literacy, and financial service providers as factors that affect microfinance's efficacy in improving household income. Furthermore, Dutt and Sharma (2016) identified household characteristics such as expenditure, land ownership, number of children, and the number of income

earners in the household also to impact credit use. These arguments support the need to understand what microfinance implies to the borrowers and learn how they know it.

The benefit borrower SHFs got from the loans depends on many factors such as their land size, the weather condition (their farm is rainfed), their careful use of the loan, and experiences in loan utilization. The benefits reported by some are that the borrowing improved their housing condition, increased their cattle numbers, and returned the land they rented out. A few also reported that they are relieved from the debt trap from the local moneylenders at an exorbitant rate; as a result, their living conditions are improved. Some also reported that borrowing had not changed their conditions except getting worried about borrowing and repaying from year to year, without any tangible change in their living condition. The differences of these findings from the previous research are that results were generalized while varying from person to person. Various studies show positive direct and indirect impacts of microcredit on the borrowers' income (Choga & Moyo, 2016; Dutt & Sharma, 2016; Elhadidi, 2018; Fenton et al., 2017; & Mariyono, 2019). However, the increase in income may not be directly translated to the typical welfare indicators such as household income, consumption, food security, asset ownership, or community participation (Karlan et al., 2017). Elhadidi identified the different factors that affect microfinance's contribution to improving households' income; and the need to have an integrated approach for better effect of microfinance on the income of borrowers.

A few also reported that they regret starting borrowing as they are trapped in debt. They repay the loans from what they produced and shall borrow to produce in the next season as no profit lets them buy inputs without borrowing for the subsequent harvest. A few also reported that even after they sell and repay the loan from what

they produced, the remaining amount is not enough to feed their family; hence shall buy food from what they borrowed to buy agricultural inputs. This finding is consistent with Ashta et al. (2015) that reported that while the mission to help the microentrepreneurs succeed in eradicating their poverty is lost, only the mission of giving and recovering loans is retained in many organizations. Apart from the controversies on whether microfinance helps reduce poverty, the model itself is being challenged due to the change in approach with commercialization (Haldar & Stieglitz, 2016; Zainuddin & Yasin, 2019).

Participants reported that many were displaced from their land, while those caught by the police were jailed for having no assets to repay loans. An impact study conducted in certain parts of Ethiopia by Weldeclassie (2017) depicted that microfinance helps more to smoothening consumption than reducing poverty. Banerjee and Jackson (2017), based on an ethnographic study they conducted in three villages of Bangladesh, found that microfinance exacerbated the poor borrowers' economic, social, and environmental vulnerabilities. The findings of my research are consistent with both study results as its effect varies among borrowers. Again, generalization of results was the flaw in most of the study reports.

Some participants reported that repaying the small loans they borrowed from MFIs is not a problem, but the loans are not transforming their conditions. This was consistent with Elhadidi (2018), who posited that many established clients have not graduated from the scheme and become financially self-sufficient despite the significant impact of microfinance on household income. This finding was in line with the borrowers in the category of surplus-producing farmers. On the other hand, Hassan and Islam (2019) posited that despite a significant improvement in the

borrowers' lives, it is still confusing as to whether these people have managed to cross the poverty line or not.

The SHFs complain that the MFIs do not listen to them, although they have the experiences to share on what would work better for them from experiences that would save the MFIs from losses associated with default and high portfolio at risk. This finding is consistent with what Mia et al., (2019) revealed regarding the problems of neglecting the poor's interest in loan design. Labie et al., (2017) suggested the need for flexibility and Nadzti et al., (2017) complemented that flexibility alone is not enough if diversity among the borrowers is not taken into account, and Yang et al., (2018) have identified differences among the households. Rathore (2017) stated that the design of microcredit contracts for small-uncollateralized loans remains a mystery. He also stated that regardless of a great deal of interest from economic theorists from the inception of microfinance, there is a gap in validating microcredit's economic contribution with empirical research. Haldar and Stieglitz (2016) argued that policymakers and theoreticians widely misinterpreted microfinance.

The study participants reported that they know their obligations to repay the loans and that the loans they borrowed are unconditional and shall be repaid. However, external factors such as weather problems, input supply problems, and unfavorable loan conditions challenge their repayment decisions and capacities. However, the MFIs are meant to reduce poverty or any other similar goal; Khan, et al. (2017) argued that the only way to achieve the poverty reduction goal is through subsidized microcredit's old poverty lending approach. Dichter (2014) stated that

"...there are no magic bullets and that the development industry's tendency to keep looking for new ones is misguided and, in the end, can be harmful" (p. 90).

The controversies on the contribution of microfinance to poverty alleviation remain open for further studies. Based on the findings of this study, I would suggest that the primary contributor for the controversies emanate from two angles, one from wrongly generalizing people at the BOP and second expecting microfinance as “a magic bullet” to eradicate poverty. The effects of microfinance vary for different persons; some people have benefited, some do not see any change, and others are adversely affected. Therefore, future study could be conducted by considering these variations among the borrowers, identifying the must accompany complementary services with the finance, and to identifying who needs the complementary services.

Summary and Conclusions

Begona and Carlos (2019), in their chronological analysis of microfinance researches made in 20 years 1997 to 2017, found three stages: the innovations of the microcredit practices and their impact, the microfinance institutions' peculiarities, and nowadays the negative aspects arising, such as mission drift. As can be learned from the literature review, the existing system's lack of incorporating the elements needed to motivate an increased and continued focus on vulnerable customers, mission drift, protecting capital providers' interests at the costs of borrowers, lack of transformative effects of financial inclusion's initiatives (Beisland et al., 2019; Duvendack & Mader; 2019; Sarma, 2019) invites research in the areas of microfinance. Rathore (2017) stated that the design of microcredit contracts for small-uncollateralized loans remains a mystery. Postelnicu and Hermes (2018) recommended future research to look into questions that focus on better understanding why established microfinance models

work in one context while failing in other contexts by explicitly considering the difference in the societies' capacities to facilitate social capital formation. This study's findings also showed the need to consider the differences among the targets of MFIs while conducting research and MFIs also while designing products and services.

The blanket generalization of the poor who have diverse needs may lead to reaching scale in the short run, but with an adverse effect on the poor's lives. The microfinance approach that relies on the system's efficiency to get the loans repaid leads to coercion, which worsens the situation of the poor by letting them deplete the scarce resources they have in repaying the loans used for consumption. Hence, I used this phenomenological research to tap into the borrowers' lived experiences to learn how they perceive the microfinance system and how it works for them. The study approach might fill the gap in applying phenomenology in microfinance research, and the result might contribute to the literature gap regarding the knowledge of borrowers' lived experiences.

Chapter 3 contains an introduction, explanation of the research design, rationale, the researcher's role, methodology, and participants selection and recruitment approach. The data collection and analysis plan and issues of ethical procedures are discussed in the next chapter.

Chapter 3: Research Method

The contribution of microfinance to poverty reduction efforts has remained controversial. Banerjee and Jackson (2017) posited the loans from MFIs among already impoverished communities exacerbated economic, social, and environmental vulnerabilities as it led to increasing levels of indebtedness. On the other hand, (Chirambo, 2017) reported that microfinance as a development tool to reduce poverty enable vulnerable groups to increase their incomes and reduce their vulnerability to drought and crop failures. Rathor (2017) stated how microfinance, as a tool for poverty alleviation meets what it claims remains a mystery (Rathore, 2017). Such mixed research findings on the contribution of microfinance for poverty alleviation encouraged me to learn from the lived experiences of the borrowers. The attention of practitioners, regulators, donors, investors, and financiers to scale is imperative to reach the excluded; however, there is no consensus on how those who got access benefited from the financial services. Learning how the recipients of these financial services experience borrowing may help stakeholders understand how microfinance can better contribute to poverty alleviation.

In this chapter, I provide an overview of the qualitative method and design I used to conduct the study. The study problem, purpose, and research question(s) determine the type of qualitative design a researcher chooses (Crawford, 2016). Phenomenology is a qualitative inquiry that focuses on understanding the research participants' experiences (Moustakas, 1994); hence, I chose it as a methodology for this study. In this descriptive phenomenological research, I tried to address the participants' diversity to obtain a comprehensive understanding of the loan repayment situation. In this chapter, I describe the research design and rationale, my role as a

researcher, and the methodology I used to understand loan repayment issues of the borrower clients. Furthermore, I describe the participant selection logic, data analysis plan, trustworthiness issues, and ethical procedures in this chapter.

Research Design and Rationale

The RQ was, what are the lived experiences of SHFs regarding loan repayment decisions for loans they borrow from MFIs in Akaki District, Ethiopia? The loan repayment decision is the phenomenon of this study. I surmised that the lifeworld of the borrowers determines their lived experiences regarding loan repayment. Another premise of this study is that the way that the microfinance system interacts with the borrowers while negotiating lending and repayment-enforcing transactions impacts the decisions of the individual borrower. The study problem, purpose, and RQ(s) determine the qualitative design (Crawford, 2016). I applied a qualitative research method to study the lived experiences of borrower smallholder in terms of the loan repayment phenomenon. Power et al. (2020) defined the lifeworld as “the medium or symbolic space within which culture, social integration and personality are sustained and reproduced. It is something individuals live within, rather than overtly recognize, or know” (p. 910). Giorgi (2009) posited that individuals experience the lifeworld as they live it. Learning the essence of loan repayment from the borrowers' lived experiences may fill the knowledge gap regarding the interaction between the microfinance system and the borrowers' lifeworld. As Moustakas (1994) noted, "Essences are brought back into the world and enrich and clarify our knowledge and experience of everyday situations, events, and relationships" (p. 48).

My intention in this research study was to discover the lived experience of borrower SHFs to understand what microfinance and loan repayment decisions entail to them. According to Park and Park (2016), qualitative methods are not appropriate for justification but are excellent for discovery. Crawford (2016) explained that researchers conducting phenomenological studies seek to understand the lived experiences of a set of individuals who share a common experience. I drew qualitative data sets from the participant, borrower SHFs, and heavily contextualized them. Levitt et al. (2018) stated qualitative studies, unlike quantitative studies, are not verifying hypotheses; instead, they are about open-ended exploration by engaging data sets in intensive analyses. The phenomenological research was an appropriate methodology to derive a shared meaning from individual experiences through an in-depth interview with the selected participants.

A descriptive phenomenological approach can provide knowledge by discovering the depth of experiences of the participants without missing the nuances of human meaning (Giorgi, 2009; Moustakas, 1994). Smith (2016) also stated that the phenomenological approach helps minimize assumptions, expectations, and interpretations regarding the participants' descriptions of their experience. My aim for the study was to learn from the lived experiences of the SHFs, given that people are the experts of their own experiences (Ravitch & Carl, 2016). The phenomenon that I studied required collecting and analyzing participants' perceptions, including their lived experiences.

Therefore, studying how the participants relate to the phenomenon, how they understand it and give it meaning, could better be described using phenomenology. Phenomenology can help to clearly understand human perceptions that guide actions

and responses and why people react a specific way to an event or experience; this is because people respond to situations based on their perceptions (Dawidowicz, 2016). Use of a descriptive phenomenology design allows researchers to surpass individual experience by reducing the reported experiences from individuals into patterns and themes to find the commonalities people shared about that phenomenon (Dawidowicz, 2016). I explored the lived experience of SHFs concerning repaying loans from the MFIs in an effort to answer the RQ and fill a gap in research on microfinance practice. As Laverly (2003) noted, "phenomenological research is descriptive and focuses on the structure of experience, the organizing principles that give form and meaning to the lifeworld" (p. 15). Hence, using phenomenological research was necessary to find patterns that the individual research participants experience related to the repayment of loans from MFIs.

Case study and narrative research methods are alternative qualitative research methods to collect data from multiple sources, like interviews, documents, and observations (Pearson et al., 2015). The case study's purpose is an in-depth description and analysis of an event, person, or program (Pearson et al., 2015). According to Pearson et al. (2015), case study researchers seek to paint a comprehensive picture of a bounded unit around some phenomenon. Use of this design requires putting together various pieces to form a composite image of what is occurring in the bounded unit (Crawford, 2016). Crawford (2016) explained that narrative analysis is an optimal choice if the desired focus is on individual stories as its purpose is to elicit first-person accounts of experience told in a story format having a beginning, middle, and end. Researchers using this design do not seek to derive a shared meaning from individual experiences, as do those using a phenomenological

design. The unit of analysis for narrative research is the individual (Crawford, 2016). Narrative research can serve to explore the life of one or two individuals (Ravitch & Carl, 2016). But it does not fit for searching patterns from participants in the phenomenon I studied. In descriptive phenomenology research, a similar approach can be used to collect data from an individual participant, but the reported experiences of participants are reduced from individual into patterns and themes to find the commonalities people shared about the phenomenon (Dawidowicz, 2016). For this reason, I concluded that a phenomenological research study was necessary to thoroughly capture and describe the SHFs' lived experience in loan repayment decisions.

Role of the Researcher

In phenomenology, the researcher's role is to gather, organize, and analyze perceptions of people who have experienced a phenomenon (Dawidowicz, 2016). "In phenomenological science a relationship always exists between the external perception of natural objects and internal perceptions, memories, and judgments" (Moustakas, 1994, p. 47). Data collection consists only of the participants' own words about the phenomenon (Dawidowicz, 2016). Purposeful sampling's logic and power lie in selecting information-rich cases from which one can learn a great deal about issues of central importance to the purpose of the inquiry for in-depth study (Carl, 2016; Patton, 2015; Ravitch & Carl, 2016). In this study, I based the participant selection on preset criteria for inclusion of data sources with consideration for their availability and accessibility to get the diversities required within study participants (Dawidowicz, 2016). Therefore, I asked all individuals who fulfilled the criteria to

participate until data saturation was reached. The interviews may continue if data saturation is not reached (Ravitch & Carl, 2016).

The study objective, the level of diversity required in the sample, the aim of replicability of the study, and consistency in interviewing determine data saturation (Guest et al., 2020; Patton, 2015). Patton (2015) cautioned that judging saturation should not depend on early interviews. In his example, a medical researcher reached saturation at about five interviews of older primary care physicians. However, the medical researcher continued to interview younger primary care physicians along with pediatricians, orthopedic surgeons, neurologists, plastic surgeons, and emergency room physicians, in the end interviewing 30 participants to reach data saturation (Patton, 2015). Guest et al. (2020), in reviewing existing literature, indicated that 12 interviews are typically needed to reach higher degrees of saturation. In this study, to obtain the level of participant diversification that I desired, I interviewed 23 borrower SHFs. I chose the specific research area and the research participants based on preset criteria that I developed for the selection purpose. Finally, I personally interviewed participants by using semistructured yet open-ended questions to identify patterns in the research participants' lived experiences to answer the RQ.

For me, social change is beyond helping the disadvantaged; instead, it is about coordinating efforts to address the root causes of social problems. To identify the root causes of the microfinance loan repayment problem, an in-depth study doing justice to people's lived experiences is vital (Ravitch & Carl, 2016). Otherwise, when root causes are not addressed, intervention activities from the point of helping the disadvantaged may exacerbate the problem facing the poor. Use of the phenomenological research approach helped me to understand how microfinance

affected SHFs among marginalized poor communities. The finding enabled me to recommend something beneficial to practice, which by itself is a contribution to a positive social change and is in line with Walden University's mission of social change (Peinovich & Hodgkinson, 2011).

My role as a researcher, among others, included devising the research design, identifying prospective participants for the interview, communicating with the participants to set appointments, and obtaining their consent. I determined the interview approach, conducted the interviews, chose what tool to use for data analysis and coding, translated the interviews into English and transcribed them, and identified coding and analysis methods. I utilized Microsoft Excel and Word in the coding processes; using excel helped me scroll up and down the write-ups to identify the previously used codes.

Methodology

A researcher, through direct observations, participation in interviews, and analysis of documents, serves as a primary instrument of qualitative data collection (Crawford, 2016). These roles give the researcher a chance to establish a relationship with participants, which is instrumental in obtaining quality data. The relationship with participants may help to develop trust for generating the required data from their lived experiences. Lavery (2013) posited that “openness is critical to encourage the interview process to stay as close to the lived experience as possible” (p. 19).

Phenomenology helps uncover new and/or forgotten meanings to reach true meaning by penetrating deeper and deeper into reality to direct the grasping of a phenomenon (Lavery, 2003). Researchers using this design must disclose their selected role with a clear and well-articulated rationale (Crawford, 2016). During engagements in

qualitative research, suspending one's judgment or bracketing particular beliefs about the phenomenon to see it clearly is expected of a researcher (Laverty, 2003).

What one opts to inquire determines the method of inquiry; a research study is meant to reveal or test prior findings in a different environment. In the case of the former, it is about a search for reality or knowledge. The latter is about testing the fact or experimenting it in a different environment for generalization. Therefore, a research purpose dictates the research methodology; a qualitative research study is to fill a knowledge gap and serves as a useful starting point for subsequent studies (Korstjens & Moser, 2017). Furthermore, how the questions are framed, whether as emic or etic, inform research decisions (Hernández et al., 2013). Crawford (2016) posited that phenomenological studies seek to understand the lived experiences of a set of individuals who share experiences. Based on interviews, I drove themes that incorporate the essence of the participants' shared experiences. The individual interviews are analyzed and brought together into a description of shared experiences (Crawford, 2016). I applied a phenomenological research methodology to study the lived experiences of borrower SHFs related to microfinance loan repayment in Akaki District, Ethiopia.

Most of the available research on microfinance focuses on the impact, outreach, gender-related issues, access, and institutional aspects, primarily using quantitative methods. I intend to discover what microfinance entails to the borrower SHFs. According to Park and Park (2016), qualitative methods are not appropriate for justification but are excellent for discovery. Therefore, I drew qualitative data sets from the participant borrower SHFs and heavily contextualized them; unlike

quantitative studies, open-ended exploration tends to engage data sets in intensive analyses instead of verifying hypotheses (Levitt et al., 2018).

Participant Selection Logic

Once researchers chose a design, they must consider choosing study participants focusing on the relevance to the research questions, which is a matter of sampling logic (Crawford, 2016). My aim to use descriptive phenomenological research in Akaki District of Ethiopia was to understand and report the lived experiences of SHFs borrowed from financial institutions. The sampling strategy that I applied was “analytically focused sampling”. For qualitative studies, the sample size is not crucial because depth is more important than breadth, and the purpose is not generalization (Crawford, 2016; Dawidowicz, 2016). Using larger numbers will not necessarily produce more insight into the experience of a phenomenon (Dawidowicz, 2016). In this section, I will explain the established criteria for study participant selection and the strategy to ensure the selected participants meet the set criteria. The clarity in the specification of participant criteria supports study rigor (Crawford, 2016). I chose 17 individual borrowers based on preset criteria. After analyzing the individual cases and patterns among the cases batch by batch, I looked for additional points to “conforming and disconfirming cases”, as Patton (2015) stated, to elaborate and deepen the initial analysis and finally reached saturation at 23 participants. Saturation happens when the data gathered are sufficient to answer the research questions, and no new information is being derived (Crawford, 2016).

In the selected participants, I tried to reach diversity, as SHFs are diverse in different aspects. Makate and Mango (2017) identified about 30 variables that may contribute to diversity. Therefore, I selected the major variables that would contribute

to understanding the differences among the SHFs. Hence, the criteria I considered were borrowing from a financial institution/s, gender, land size, education level, loan purpose, repeat borrowers, and family size. I also selected specific study areas, kebeles, which is the smallest administrative unit. The kebele selection was determined based on its accessibility, the availability of SHFs with the required level of diversity, and many financial institutions' availability. The availability of more than one MFI contributes to a chance of getting participants who might have borrowed from multiple sources. After selecting the kebeles, I chose a local person as a key informant to understand the study area's general situation and introductions to potential participants. The purpose of the initial assessment of the study area with the key informant was to check if the required diversity would be identified and request the potential participants' consent to the study. Finally, I interviewed by using open-ended questions to explore and analyze the patterns within the answers from the individual research participants' lived experiences and then cross-analyze the individual cases to answer the research question. The interview approach that I applied was a mix of "pragmatic" and "phenomenological interview".

Instrumentation

Appropriate ways to collect data include interviews, focus groups, journals, open-ended questionnaires, or other similar products that capture individuals' responses to a phenomenon in their own words (Dawidowicz, 2016). While administering the interview, the participant shall not realize any bias as the integrity of their responses can be lost because of their perceptions of the bias (Dawidowicz, 2016). This study's heart was the semi-structured interview that I designed to obtain retrospective and real-time accounts of those experiencing the phenomenon. I

conducted audio-recorded face-to-face interviews based on the participants' consent. I used a journal to record my reflections, ideas, and thoughts about possible connections among data and the participants. I interviewed the participants conveniently in their villages, where there were few interruptions for interviews of about 35 minutes on average, but an interview took us an hour.

A reflective journal is one of the tools used by a researcher in the process of reflection and interpretation to engage the participants' experiences instead of imposing the researcher's assumptions or biases on the study (Laverty, 2003). Avoiding bias during both the data collection and analysis processes is very important (Dawidowicz, 2016). The reflection method that occurs throughout the phenomenological approach provides a logical, systematic, and coherent resource for carrying out the analysis and synthesis needed to arrive at essential descriptions of experience. My intention in this study was to understand the essence of microfinance loan repayment on the SHFs. Moustakas (1994) posited that "essences are brought back into the world and enrich and clarify our knowledge and experience of everyday situations, events, and relationships" (p. 48).

Pilot Study

The piloting intends to increase the validity of the research results as it helps to learn and reduce mistakes in the main research design (Gudmundsdottir & Brock-Utne, 2010). I checked the interview questions before the main study in the study area. The purpose was to test whether my research design, research question, and the environment in which I conducted the study were responsive to my anticipation after introducing myself to the local administration head by submitting the permission letter that I got from the District Administration. I chose a person who fulfilled the

criteria for selecting study participants to test the research instruments. Pilot studies help to do the specific pre-testing of a research instrument, such as a questionnaire or interview schedule (Van Teijlingen & Hundley, 2001).

During the field test, I explained who I am and why I am interested in conducting this research. The field test let me understand that my interview questions are understood by the interviewees as intended. I do have more than two decades of practitioner experience in microfinance. I read much research, attended hundreds of international and national workshops, and read many reports. However, most of the experiences shared, including testimonies of borrowers, are the positive ones that do not give clear pictures of what is happening in reality. Therefore, I informed the participants that I decided to learn from their lived experiences. During the field test, I tested if this explanation allows me to assess the process, the interview questions' effectiveness, and identify response biases. I also tried the device that I selected for recording the interviews; and found that the recording went well, but I could not transfer that audio record to my PC. Therefore, during the main study, I used my smartphone to record the interviews. The data generated from the field test participant was not part of the primary research data that I collected for the main research. I analyzed each step that I followed during the field test and learned from it to improve the processes that I applied in the main research. I clarified the concepts I used in the interview questions based on the feedback from the field test participant. I had tested the interview questions with my colleagues who had ample experience working with the SHFs and improvised answering them as SHFs. Therefore, the actual test I made during the field test did not change the interview questions except alerting me to jump some of the demographic questions that had already been answered in the preceding

questions. That was a reason for me to limit the number of field test participants to one. Qualitative data collection and analysis are often "progressive"; hence, the pilot interviews' insights may contribute to improving interview questions and schedules (Van Teijlingen & Hundley, 2001). I reported the experiences gained from the field test exercise and the improvements made in the main research because of it. Appendix A contains the interview guide used in the study. Appendix B contains the demographic questions.

Procedures for Recruitment, Participation, and Data Collection

There are mixed research results regarding the contribution of microfinance to poverty alleviation. The opponents and proponents of microfinance as a tool for poverty alleviation have empirically supported their arguments. Such controversies invite further investigation, and mainly listening to the ultimate beneficiaries' real experiences would give an insight into what is happening in the ground. What is arguable is whether access to microfinance loans is life-changing or not; hence, the study participants shall be borrowers. Furthermore, as my intention was not to generalize the result, I did not try to capture all the possible contributors to varied research results; however, I involved research participants based on various experiences they may bring to the study. The sample population included SHFs who have experienced the phenomena under investigation (Moustakas, 1994). The study's focus was only to understand the essence of repaying loans from microfinance, which is considered a trap to the poor who started borrowing once from a financial institution. Multiple borrowing, overindebtedness, coercive repayment enforcement, peer pressure that erodes social capital, mission drift, and considering the poor as "cogs of a machine" are the current rhetoric related to microfinance. Therefore, I

wanted to learn directly from the borrowers, what the arguments imply to them, and what they say about microfinance loans and associated measures the MFIs took to enforce loan repayment.

I collected data from the rural villages of Akaki District of East Shewa Zone, Oromia National Regional State, Ethiopia. I informed the local administration unit called Kebele that I was in the area for collecting data for my Ph.D. dissertation. I needed to show a letter from the university to get permission to visit Kebele's from the district administration office. The Kebele Administrators, once they got the letter directly written to them, they were supportive. Once I got the participant's permission, I scheduled a convenient time for the interview on another day. The Kebele Administration Heads of the respective kebeles served me as key informants to advise how and where I could introduce myself to the potential participants.

The perceptions, judgments, and memories of the borrower SHFs related to the loan repayment decision's essence are required to answer the research question. Eligibility for participation in the study relies on fulfilling the following criteria: (a) an SHF; (b) a borrower from an MFI; (c) at least closed a loan borrowed from an MFI; (d) being a loan group member; and (e) willingness and capacity to explain experiences of borrowing and repaying a loan. During the participant selection, in addition to the criteria, I considered maintaining diversity in terms of gender, educational level, family size, livelihood diversity, age category, size of farmland, marital status, roles in the group, and religion. Accordingly, all that fulfilled the criteria participated until the data saturation was reached. I personally interviewed using semi-structured, yet open-ended questions to identify patterns in the research participants' lived experiences to answer the research question.

I used open-ended questions with follow-up questions based on the answers. I audio recorded the interviews based on the participant's consent. I took notes of participants' thoughts, feelings, and expressions. I was careful not to suggest responses, but I requested detailed descriptions of issues as lived by the participant. An interview, on average, took about 35 minutes, and I interviewed a maximum of four participants in a day; there were times that I returned from the field without getting one who gave me the appointment. Before I go for the subsequent batches of interviews, I transcribe the first batch, organize my field notes, repeated them the same way until data saturation. It took me two months from getting permission to visit the Kebeles from the District Administration until I finished interviewing the 23 participants in four Kebeles. The farmers were not very busy, and access to the rural areas was possible from mid-April to the end of May.

The participants did not read the transcript; what I did was I gave them chances when I finished the interviewing to add anything, they thought would add value to the study topic. Finally, I thanked them for the interview and concluded by stating that it is the end of the interview unless I find issues needing clarification while transcribing the audio record. I informed the interviewee during closing the interview that there would be a possibility of coming again in case of inconsistency, lack of clarity in answers, and ambiguities while listening to the audio records for transcription. However, I did not come across any vague and unclear answers that required me to revisit an interviewee. Still, on any missed common facts, I used to substantiate them while I conducted the subsequent interviews.

I shared the final study result with participants after finalizing the study. The participants' education level and the community where I conducted the study did not

understand the study as reported in English. They also do not have other means to access the published report. Therefore, I arranged a verbal presentation of the study's findings at the idir meetings, one at each Kebele, and this took me four days, a day for each Kebele.

Data Analysis Plan

The primary procedure for analyzing qualitative data is coding (Crawford, 2016). I will apply three stages of coding, open, axial, and selective. Benaquisto (as cited in Crawford, 2016) explained these three stages: (a) Open coding: deriving themes and labeling categories from raw data (b) Axial coding: reassembling categories and (c) Selective coding: identifying a core category around which other categories may integrate. I started with open coding and iteratively developed narrower and specific codes followed by axial coding to see how these codes come together into coding categories (Ravitch & Carl, 2016) related to the aspect of my research question. Ravitch and Carl (2016) stated that "Open coding is when you highlight sections of text or label them in some fashion" (p. 250). The exercise requires an iterative effort to identify the interviewee's main message, relate it with the interview question, code, and also have consistency in the codes by maintaining similar codes for similar words and phrases used in different areas of the document. These required dragging the file up and down to find where the similar theme, phrase, and word are coded. I used Word, Excel, and printed versions of the Word formats of the transcribed data separately for each participant and consolidating them at some point. The exercises were time-consuming and laborious; however, after thorough hands-on activities during the transcription, coding, categorizing, and thematizing the emerged concepts, reporting the results was easier.

Furthermore, I translated the interviews from the local languages to the study language, English; these all demanded much time, if not at least part of the things that the machine can do are not supported by the same. I directly transcribed the audio-recorded interviews using the interview languages into English. Therefore, I had to pause the audios repeatedly to get what is meant by the participants and adequately understood and accordingly translate them.

Data analysis involves reviewing the collected data, identifying themes, and synthesizing the results, whereas explication allows examining data in its whole context (Dawidowicz, 2016). I manually analyzed data using Word and Excel. Patton (2015) posits that “the principles of the analytical process are the same whether doing it manually or with the assistance of a computer program” (p. 553). Qualitative data analysis tools can be helpful in managing sizeable textual data but do not replace the researcher in creating categories in open coding, rearranging them in axial coding, and synthesizing them in selective coding (Crawford, 2016).

The inductive analysis approach I applied helped me understand and report how the participants define, explain, and apply the phenomenon that I studied among themselves in their day-to-day interactions. In data analysis, I applied an emic focus that enabled me to present the participants' perspectives. I used Van Kaam seven-step as modified by Moustakas (1994) for the complete transcription of each research participant data to develop a “Composite Description of the meanings and essences of the experience, representing the group as a whole” (p. 121). The participants could not check the transcript and give me feedback; therefore, I used bracketing and reflexive journals to gain final insights on what I concluded. The goal of the analysis was to develop an integrated statement about the experience. Use of reflexivity, the

construction of texts that are credible to the experience and that can be understood by insiders and outsiders, coherence of research conclusions that reflect the complexity of the situation, and lack of deception (Laverty, 2003).

Issues of Trustworthiness

A qualitative study's trustworthiness relies on how the research processes from the design to the final reporting meet the agreed-upon criteria. Trustworthiness is the degree to which you, as a researcher, can have confidence in your sources as well as the methods used to gather your sources (Stewart & Hitchcock, 2016). Some scholars approximate trustworthiness to the quantitative notion of validity (Stewart & Hitchcock, 2016); qualitative research encompasses four essential criteria: dependability, credibility, transferability, and confirmability that researchers seek to meet (Shenton, 2004). Accordingly, at each study level, I demonstrated that my study met the required criteria for trustworthiness. I tried to attend to the real-life complexity (Ravitch and Carl, 2016) to meet the credibility criterion. Likewise, to meet the transferability criterion, I had rigor in data and framed it to fully contextualize the study's findings. To meet the dependability criterion, I tried to justify why I had chosen the research methodology to answer the research question. Finally, the long years of experience that I have in the industry helped me understand and engage in the patterns within the data. At the same time, I was careful not to violate the confirmability criterion, as a failure to "challenge my thinking" would lead to questioning the confirmability of the study (Ravitch & Carl, 2016).

Dependability

Crawford (2016) explained documenting and explaining the evidence for consistency in data collection, analysis, reporting, and any change in methodology in

the course of research in publicly accessible fashion as means for dependability in qualitative research. A researcher shall ensure whether the type of data collected will help develop inferences and propositions that approximate the studied phenomenon (Stewart & Hitchcock, 2016). Pratt et al., (2020) argue that “Methodological transparency needs to be decoupled from replication . . . (p. 8) “Transparency means telling the reader not just what one did but why and to what effect” (p. 11). I documented the processes that I went through at different stages of the research; to reveal transparency to the study participants and prove dependability to readers by recording steps for identification of research site, discussion with the key informant about the research area that enabled me to capture variations among the participants.

Credibility

The use of an in-depth description of the complexities of experiences and interactions needs to be embedded in the data and the final text (Laverty, 2003). It shall be the researcher’s role to demonstrate credibility to the reader by maintaining rigor and integrity. Laverty (2013) explained the absence of one agreed-upon universal set of criteria used to assess the presence of rigor in research. Therefore, maintaining the integrity and rigor of qualitative research and reporting to the readers, depending on the research's purpose, remains with the researcher. The importance of applying rigorous standards by which the worth of qualitative research can be assessed cannot be overstated (Carpenter, 1997). I used the following strategies to ensure credibility: I recorded my involvement at all stages of the research process. I consistently kept field notes and analytic memos to support the data analysis. Furthermore, I applied a consistent interview process.

Transferability

Practices that increase methodological transparency and thereby increase one's research's replicability are essential for trustworthiness (Pratt et al., 2020). My intention of the study was not replicability; instead, to adequately and clearly explain the procedures applied in data collection and interpretation so that the readers take their own judgment regarding its replicability in their scenario. Stewart and Hitchcock (2016) explained the need to describe the research setting adequately and clearly for the readers' judgment of its applicability in their scenario. Qualitative research admits researcher subjectivity, but its methods must be based on verifiable procedures, analyses, and conclusions (Crawford, 2016). I clearly described my subjectivity's influence on data collection and interpretation through proper monitoring and controlling. Crawford explained this process as progressive subjectivity, which is closely associated with reflexivity. Even though my objective of this study was not a generalization of the findings, I tried to capture the potential variations in the study area and incorporated them in the sampling strategy for the sake of its applicability to a variety of situations. The value of the results of a phenomenological study lies in their transferability (i.e., the ability to apply the learning to another situation) (Dawidowicz, 2016).

Conformability

I generated data through consistent interviews with the participants and reached conclusions from the data analysis. Guba and Lincoln (1994, as cited in Crawford, 2016) stated that confirmability requires that other informed researchers would arrive at essentially the same conclusions when examining the same qualitative data. For conformity, the individual researchers need to be reflexive, transparent, and forthcoming about their demographics, discipline, training, and any other

characteristics that may influence their collection or analysis of data (Stewart & Hitchcock, 2016). Such an explanation contributes to the understanding of data collection and analysis; hence, other researchers' replication of study using the same methodology on the same qualitative data would lead to similar results.

A reliable research instrument would be one that yields the same findings when administered multiple times on the same subject (Stewart & Hitchcock, 2016).

Finally, my objective was to demonstrate to the readers and the participants that the research findings accurately represented the subject, phenomenon, or process being studied.

Ethical Procedures

To conduct this study, I obtained Institutional Review Board (IRB) approval that required the fulfillment of ethical procedures necessary to conduct the study. Cox (2016) explained research ethics as having far-reaching implications on decisions a researcher makes throughout various research stages, including considerations about participant recruitment, measurement, data storage and analysis, and dissemination. I prove that I explained the research purpose to potential participants, and they independently decided whether to participate or not. I fulfilled the ethical principle of respect for persons. The participants are individuals who are actively participating in getting loans from financial institutions, adults, active in doing business, healthy, and who can make a valid contract with financial institutions to borrow. Hence, there was no chance that persons with impaired ability were research participants. Except for the time that the participants allocated for interviews, there was no harm to the participant. I treated participants in a morally correct way, such that the selection of

research participants and any potential benefits and burdens of participating in the research were equitable among groups (Cox, 2016).

Getting informed consent from the participants was not exercised only at the beginning of participant selection. I also informed the participants that they could withdraw from the study whenever they want. Cox (2016) explained this as an ongoing process of communication between the researcher and prospective participants. I also proved to the participants that the reports are anonymous by fully taking care of confidentiality. Furthermore, my primary aim as a researcher was to fulfill an academic requirement and, at the same time, to contribute to the knowledge in the area of the research topic and contribute to practice. Hence, no conflict of interest. There was no deception; participants involved in the research were fully informed about a study's purpose and the true nature of the study's procedures (Cox, 2016).

Summary

My intention for this qualitative descriptive phenomenological study design was to explore the lived experiences of SHFs who have been borrowing from MFIs. Hence, the data was generated through face-to-face interviews from the purposively selected borrower SHFs to learn from their lived experiences the essence of loan repayment. The findings may contribute to the knowledge gap regarding what loans from MFIs entail to the borrowers. The study may clarify the controversies about the contribution of microfinance to poverty alleviation and the mixed study reports about the benefit that borrowers are getting from microfinance loans. I conducted the study in one of the districts of Oromia National Regional States, which is the biggest region in Ethiopia. In this chapter, I described the research method, the research design,

rationale, and the researcher's roles. Furthermore, in the methodology section, I explained the data collection logic and procedures required to obtain information from the participants. The data analysis section highlighted the data analysis as well as issues of trustworthiness and research ethics. I presented the participants' data and the analysis as per the expected rigor for trustworthiness in chapter 4.

Chapter 4: Results

The purpose of this qualitative phenomenological study was to explore the lived experiences of SHFs regarding repayment decisions of loans they borrowed from MFIs. The outcomes of this research may provide useful information for microfinance practitioners, supporters who consider microfinance to be a tool for poverty alleviation, regulators, and academics. Findings may compel these stakeholders to revise microfinance model to be more effective in the intended objective of poverty alleviation. The RQ I asked focused on what SHFs' lived experiences are regarding loan repayment decisions for loans they borrowed from MFIs in Akaki District, Ethiopia.

This chapter has seven sections. The first section is where I describe the research setting. Participants' demographics and their characteristics relevant to the study, the study location, duration of the data collection, and deviation from the proposal are described in these sections. The remaining three sections are where I describe data analysis, provide evidence of trustworthiness, and present the study results. The final section of this chapter is where I summarize answers to the RQ and provide a transition to the subsequent chapter.

Research Setting

The first experience I encountered without prior anticipation was the district administrator's resistance to accept my proposal of conducting the study in a few kebeles of the district. I tried to show the district administration head (DAH) the approval I obtained from the IRB to conduct the study. The DAH said that is not enough to allow me to go to the study area and conduct the interview. I tried to explain to the DAH that I would be interviewing few willing participants and that I

would not require any data from the district and the kebele administration. The DAH finally warned me that the security forces would prison me if I went to the kebele without his permission. Then I stopped arguing on this matter with the DAH and reported to the university that I would need an official letter to send to the study area administration office. As it was a new experience, I had to write to three different units to finally get the letter signed and stamped by the program director, which was facilitated by the program advisor.

In the meantime, I visited the office of an adjacent district to see if the requirement would be looser there but encountered the same, so I continued with the district that I initially proposed for my study. I made my first visit to the district office on March 31st, 2021, and obtained the approval and support letters from the district office to the Kebele Administration on April 15th, 2021. This was an unexpected delay as I was hoping to conduct the interviews before the potential SHFs participants got busy with farming activities that usually start at the beginning of May. In addition, the national election was scheduled for May. Later, I found out that the resistance I encountered from the district administrator was related to tightened security checks related to the anticipated national election.

The good aspect was that the Kebele Administration Office, once they got the letter from the district administrator, abided by it. I made my first visit to one of the five Kebeles, where the District Administration wrote me the support letters. I selected this Kebele because three MFIs are present and it is relatively remote with little or no other activities apart from crop farming. The Kebele residents have a serious water supply problem. They use ponds for about 4 months after the rainy season, travel more than 7 km to find river water polluted with sewerages from the

country's capital city, and fetch tap water from the adjacent Kebele. The latter requires them to queue up for hours. Later, during the interviews, participants mentioned this as a significant problem for them. It also limited their opportunity to use the loans. They borrow from MFIs for animal fattening and cattle rearing. The first meeting I made with the head of the kebele administration was on April 16, 2021; I gave him the letter addressed to the Kebele administration. Furthermore, I explained my intention of the visit, shared the letter from the university and the consent form that I am going to use with the Kebele administration head.

The kebele administrator advised me on how to get potential participants at idir meetings (Idir is a local form of funeral and burial insurance, it also serves other additional objectives that I will explain in the discussion part of the study result). Each household, at a minimum, is a member of at least two idirs; one is for a wife and the other for the husband. The idir members meet at least once per month to pay their monthly contributions and have local drinks, bread, and *kollo*, a roasted cereal. The meeting days are fixed on religious holidays; the ones observed by this kebele fall on the 12th, 16th, 19th, 21st, and 23rd of every month following a local calendar. At these meetings, I could explain my purpose of visiting the area and check if any in the meeting borrowed a loan from the MFIs. Once I found people who have borrowed from an MFI, I kindly requested that they allow me to talk to them in private at the end of the meeting. In these conversations, I checked whether prospective participants could read and understand the consent form on their own or if they could find a family member or neighbor who could read for them. If the answer was yes, I took their contact address and a mobile telephone number (theirs or a neighbor's). I initially found individuals to be very cooperative to receive the consent form and schedule an

appointment to confirm their participation. The major problem was to reaching prospective participants through the mobile phone address they shared with me, which, most of the time, was not functional for two main reasons: poor network signal or the battery was not charged.

I conducted a field test before the main study, the data of which I did not include in the main study. The details of the field test processes and the contribution of the lessons drawn from the same are in Appendix C. The interviews were face-to-face, and I conducted all the interviews outside, except for one interview which I completed in a house of the participant. At different idir meetings, I shared the consent form with 22 persons. After extensive outreach from April 16, my first visit to the Kebele, until May 24, 2021, I was able to interview 13 of them. In the meantime, I moved to another Kebele, and I interviewed four participants. After I was unable to meet and/or make contact with the others who promised to participate, I decided to move to the other two Kebeles. Based on the experiences I gained from the efforts I exerted in the first two Kebeles, I found strategies to hasten the schedule, and within a week, I interviewed six participants, three in each. All the interviews were face-to-face and in person. Flexibility and tolerance were vital for me to finalize the data collection in about 2 months.

Demographics

The participants were men and women ranging in age from 29 to 59 years. Of the 23 participants, six were women. The family size ranged from a minimum of three to 11 members. Because of local cultural factors, participants based their answers to questions about family size on the number of children they had, regardless of whether they currently lived in the household. They did not consider other individuals as

household members. Therefore, I needed to check with them if other relatives or workers like herders or a farmer or the husband and wife were included in the number that the respondent mentioned. The participants' farmland size ranged from 0.25 hectare, for one participant, to 4.5 hectares for two of the participants.

Furthermore, it was customary for the participants to rent land and farm, except for a couple of individuals who rented out part of their farmland. The number of loans they borrowed ranged from two loans to 20 loans. Participants' rich experiences allowed me to answer the RQ. The time for each interview ranged from 25 minutes to an hour. These were the extremes at both ends, while most of the interviews took me 30 to 35 minutes. A few of the participants were very conversant to share their lived experiences in a very detailed way. Table 1 depicts demographic information for participants. I asked demographic questions before the major interview questions.

Table 1*Demographics of the Study Participants*

Participant code	Gender	Age	Education grades completed	Family size	Marital status	Land size in hectares	Primary income	Other income	No. of loan
P01	Male	59	5 th	6	Married	2.0	Farming	-	5
P02	Male	54	None	7	Married	2.5	Farming	-	5
P03	Male	47	7 th	6	Married	0.5	Farming	Labor	10
P04	Female	35	None	7	Married	0.5	Farming	Sells local drinks	2
P05	Male	60	12 th	11	Married	1:0	Farming	-	13
P06	Male	65	12 th	8	Married	3.0	Farming	-	4
P07	Male	35	None	3	Married	0.25	Farming	-	7
P08	Male	58	None	8	Married	2.0	Farming	-	12
P09	Male	45	None	8	Married	1.0	Farming	-	18
P10	Male	38	2 nd	7	Married	0.25	Farming	-	20
P11	Male	38	3 rd	7	Married	2.0	Farming	-	17
P12	Male	58	None	9	Married	1.5	Farming	-	20
P13	Male	38	None	6	Married	0.5	Farming	-	3
P14	Male	60	10 th	8	Married	4.5	Farming	-	18
P15	Male	60	5 th	9	Married	4.5	Farming	-	10
P16	Male	58	None	8	Married	3.0	Farming	Remittance	10
P17	Male	29	9 th	3	Married	1.0	Farming	Sells milk	12
P18	Female	46	None	8	Married	1.75	Farming	Sells eggs	2
P19	Female	46	None	5	Divorced	0.5	Grocery	Farming	3
P20	Female	47	3 rd	3	Widowed	1.75	Farming		3
P21	Female	47	7 th	8	Widowed	2.5	Farming		12
P22	Male	35	None	6	Married	1.25	Farming	Salaried	3
P23	Female	43	None	5	Widowed	1.25	Farming	Sells local drinks	10

I conducted the interviews using the local language; while two interviewees preferred the Official Language called Amharic, the rest chose the local language called Afaan Oromo. As I master both languages, the latter is a mother tongue, I comfortably conducted the interviews and transcribed them into English. I have completed the translations batch by batch before going to interviewing the subsequent batch of the interviews. This approach gave me a chance to evaluate the qualities of the preceding interviews and the gaps, if any, to improve them in the subsequent ones. The transcription of each interview took me from a minimum of 3:30 hours to 6:00 hours, and this exercise was an opportunity for me to study the information generated through the interviews.

Data Collection

The interview questions (see Appendix A) were designed based on the study's conceptual framework to answer the research question, which is in line with the descriptive phenomenological research. The study process included documentation of each participant's response to the interview questions with proper confidentiality so that the answers will not be tallied against participants' identities. I started the data collection after obtaining written approval and consent from Walden University's IRB on March 15, 2021. The approval number for this study is 03-15-21-07055463 and will expire on March 14, 2022. I collected the data over 2 months in April and May 2021 from 23 participants who live in four Kebeles, the smallest administrative unit; each Kebele, on average, has about 200 household heads registered at the administration office and pay taxes. The nearest Kebele is located at 47 Kms, and the farthest at 72 Kms from the country's capital city, Addis Ababa, Finfinne, is alternatively used by the Oromos. I conducted about 50% of the interviews in a

Kebele that is located at 55 Kms. I coded the transcribed face-to-face interviews using P01 to P23.

What I had again and again, initially, when I first met with the potential participants did is explaining the study purpose and share the consent form and again while I received the signed consent form and finally before starting the actual interview was checking that the participant had understood the purpose of the study. I finally encountered an authentic experience from P23 why they suspect encounters from outside the Kebele to answer questions. P23 mentioned it to me while I asked my last question, which was: What else do you finally tell me about what we discussed as I had finished my question. P23 told me that

Other persons have come and trained us on different issues like a vaccine, health. After we finished training, a representative of an organization called [X] told us to organize ourselves and save to get a matching fund for investing in group activities. Accordingly, we have been saving twice per week, up to Birr 50; when he trained us, he told us to open a bank account in the name of the group leaders: a chair, a secretary, and a cashier and deposit the cash at bank. Although everyone, even the poor, saved by selling dang, we have been waiting for the matching fund, it is not coming; when we finally asked him, he denied the matching fund. As a result, when others come and interview us, we are not happy about it. Because they do not fulfill their promises, even they forbid us to withdraw our savings and take it individually, as it is kept as a group, and as a result, we were furious about it. He gives us appointments and does not come and lies to us.

Therefore, I proved that my care during the interviews to avoid expectations was proper. I hope I was successful because they accepted me in a student's capacity; a few participants were requesting me to join my graduation ceremony. However, I already informed them that I share the summary of my finding with them either through their mobile or in-person for few minutes after I finished the data analysis to substantiate if what I wrote is their actual lived experiences or not. What I also learned during the study was they were not that worried about the confidentiality of the information they shared with me. During the interview, I have been struggling for them to focus on individual experiences as they were trying to explain it as a group experience.

Data Analysis

The primary procedure for analyzing qualitative data is thematic coding (Crawford, 2016). I manually transcribed the data while translating from the local languages to English. These processes gave me the chance to study the recorded interviews again and again. I used MS Word for the first open coding and transferred the data to reassembling categories and final selective coding. Using Excel was supportive to dragging the file up and down to find where the similar theme, phrase, and word are coded. In my data analysis plan, I was supposed to use QDAS; however, in the actual exercise, my engagement in the data while transcribing and translating gave me a chance to study them; hence decided to analyze manually. Patton (2015) posits that “the principles of the analytical process are the same whether doing it manually or with the assistance of a computer program” (p. 553). Qualitative data analysis tools can be helpful in managing sizeable textual data but do not replace the

researcher in creating categories in open coding, rearranging them in axial coding, and synthesizing them in selective coding (Crawford, 2016).

I applied an emic focus that enables me to present the participants' perspectives. I used Van Kaam's seven-step as modified by Moustakas (1994) for the complete transcription of each research participant data to develop a "Composite Description of the meanings and essences of the experience, representing the group as a whole" (p. 121). As most of the participants could not check the transcripts and give me feedback, I gave them a chance to reflect on the summaries of the final analysis I concluded. The goal of the analysis was to develop an integrated statement about the experience. Use of reflexivity, the construction of texts that are credible to the experience and that can be understood by insiders and outsiders, coherence of research conclusions that reflect the complexity of the situation, and lack of deception (Laverty, 2003).

I was taking notes while interviewing; after returning, I was summarizing my observation before checking my filed notes. Again, I cross-checked the summaries of my observation with the filed notes. The amount of data I generated from the 23 participants was overwhelming, but manageable to explain the lived experiences of the SHFs in the decisions they make in repaying loans from the MFIs. Their experiences, economic status, commitment to effectively utilize the loans for the intended purposes, the lending and repayment enforcing policies of the MFIs, and the external weather-related risks impact their benefit from the borrowing.

Evidence of Trustworthiness

A qualitative study's trustworthiness relies on how the research processes from the design to the final reporting meet the agreed-upon criteria. The definitions of

credibility, transferability, dependability, and confirmability as evidence of trustworthiness were discussed in Chapter 3 of the dissertation. In this section, I simply reviewed if those strategies proposed in Chapter 3 were followed during the collection and analysis of the data. Therefore, the purpose of this section is to justify through evidence how the research methodology that I had chosen helped me to answer the research question.

Credibility

The use of an in-depth description of the complexities of experiences and interactions needs to be embedded in the data and the final text (Laverty, 2003). I tried to maintain rigor and integrity, be consistent, and follow the framework that I set up before the beginning of the study. I used the following strategies to ensure credibility: I recorded my involvement at all stages of the research process. I consistently kept field notes and analytic memos to support the data analysis. Furthermore, I applied a consistent interview process and employed bracketing to substantiate that the study results represent the lived experiences of the participated SHFs. I used three to four interviews as *run length* to check against the *base size* of five interviews and reached data saturation at almost 19 participants but moved the data collection to involve 23 participants. Guest et al., (2020) defined run length as the number of interviews within which we look for and calculate new information and base size as the minimum number of interviews we should review/analyze to calculate the amount of information already gained.

Transferability

Practices that increase methodological transparency and increase one's research's replicability are essential for trustworthiness (Pratt et al., 2020). My

intention of the study was not replicability; instead, to adequately and clearly explain the procedures applied in data collection and interpretation so that the readers take their judgment regarding its replicability in their scenario. Stewart and Hitchcock (2016) demonstrated the need to describe the research setting adequately and clearly for the readers' judgment of its applicability in their scenario. The study participants were from four different Kebeles and at different age categories, unlike in the number of times they borrowed and repaid loans, gender differences, and differ in how they utilized loans and repaid. Even though my objective of this study was not a generalization of the findings, I understood the potential variations among the study area and participants; and I incorporated them in the sampling strategy for its applicability to a variety of situations. The value of the results of a phenomenological study lies in their transferability (i.e., the ability to apply the learning to another situation) (Dawidowicz, 2016).

Dependability

Crawford (2016) explained documenting and explaining the evidence for consistency in data collection, analysis, reporting, and any change in methodology in the course of research in publicly accessible fashion as a means for dependability in qualitative research. A researcher shall ensure whether the data collected will help develop inferences and propositions that approximate the studied phenomenon (Stewart & Hitchcock, 2016). Pratt et al. (2020) argue that “Methodological transparency needs to be decoupled from replication . . . (p. 8). “Transparency means telling the reader not just what one did but why and to what effect” (p. 11). I documented the processes that I went through at different stages of the research. I recorded steps for identification of the research site, which started through discussions

with the District Administration Office while requesting permission to visit the study sites. The availability of more than an MFI in the study areas and their remoteness to have a proper sense of rural setups. The initial intention was to conduct the study in a Kebele where two or more MFIs would operate; however, as it was not possible to find the required diversity and mainly participation of women was very much limited, changed the approach by incorporating additional three kebeles. The change helped me to increase the number of women participants from the initial one to six. To conduct this study, I got IRB approval that requires the fulfillment of ethical procedures necessary to conduct the study. Cox (2016) explained research ethics as having far-reaching implications on decisions a researcher makes throughout various research stages, including considerations about participant recruitment, measurement, data storage and analysis, and dissemination.

Confirmability

I generated data through consistent interviews from the 23 participants and reached conclusions from the data analysis. The bracketing technique allowed me to focus on the participants' experiences by separating my personal beliefs about the subject matter out of the study. The concepts that I identified in the literature review were used as a framework to maintain consistency in data collection and analysis processes. Guba and Lincoln (1994, as cited in Crawford, 2016) stated that confirmability requires that other informed researchers would arrive at essentially the same conclusions when examining the same qualitative data.

My long years' experience in the industry helped me raise questions to draw from the participants' lived experiences consistently. I checked with the participants whether the analyses accurately represent their experience in the phenomenon of

being studied. For conformity, the individual researchers need to be reflexive, transparent, and forthcoming about their demographics, discipline, training, and any other characteristics that may influence their data collection or analysis (Stewart & Hitchcock, 2016). I documented the study procedures, including the reflexive notes, filed notes, and maintained thoroughness of the gathered data for replication of the study in the same data would come up with similar results (Stewart & Hitchcock, 2016).

Study Results

The result of the study depicted that the problem facing SHFs in terms of loan repayment decisions commences from the steps MFIs take to assessing capacities of borrowers depending on unsubstantiated data collected from the applicant, the group leaders, and the kebele administration. Lack of understanding the borrowers' objectives, the contexts in which they borrow, their capacities, the challenges facing them regarding using the loan, both households related and triggered by the environment exposed farmers to dire conditions. The other vital opportunity missed by the MFIs is understanding the differences among the applicants and designing a one size fits all product. SHFs are different in terms of economic status, experiences, demographics, and objectives. Furthermore, Asfaw et al. (2019) identified other factors contributing to the difference in efficiency between the female-headed and male-headed households, the positive impact of the household head's age, and the positive impact of off-farm activities on the efficiencies in crop production. Therefore, lack of understanding of the situations of the SHFs contributed to reaching varied effects ultimately; some of them are positive and the rest harmful and contrary to the very objective of financial services delivery by MFIs.

Based on the interviews conducted with participants to learn from their lived experiences related to loan repayment decisions, different themes described below emerged. The data generated from their lived experiences were extensive: such as starting from the ecosystem in which they practice farming, the challenges they are facing in day to day activities, what lead them to borrow, and how the borrowing impacted their livelihood, how they interact with the lending institutions, how supportive the system is in the efforts they make to earn a living, and what views they have for the current situation to be positively impacted have been thoroughly shared by the participants. However, for the sake of the study's objective, I focused only on the relevant themes to answer the research question as discussed and shared below.

Theme 1: Assessment of Applicants' Capacity for Loan Decision

This theme emerged through the in vivo coding I applied on the transcribed interviews; as seen in Table 2, different codes and subthemes are associated with it.

Table 2

Subthemes and Codes for Theme 1: Assessing Applicants' Capacity for Loan Decision

Theme	Subtheme	Code
Assessing Applicants' Capacity for Loan Decision	Kebele administration	- Knows the borrowers
		- Controls multiple borrowing
		- Confirmation letter
	Recording assets	- Gives the lists of non-borrowers
		- Exclusion of those who do not have land and other assets
		- Do not check the applicant's assets
		- False information
		- No means to verify
		- Differences in capacity
	Group leaders	- Screen each other carefully
		- Character as an exclusion criterion
		- Inform the CO not to lend beyond the capacity
Loan approval	- Those who do not have assets do not join a group	
	- No proper capacity assessment	
	- Loan terms and conditions	
	- Decide the loan based on the land size	
	- A possibility of exclusion	
	- Advance payment	
	- Progressive lending and savings	

Note. CO = credit officer.

Regardless of the expected differences among the target SHFs, MFIs usually offer them similar loan terms and conditions, which are in most cases not favorable to the needy who have different objectives in their context. MFIs start their lending activities by introducing their MFI to the local administration office. They reach the local community to promote themselves and the terms and conditions they have to lend to the applicants who fulfill their criteria. The interested applicants are expected to organize themselves into a group and bring a letter from the kebele administration stating they are residents and have not borrowed from a different institution.

However, the participants have different understandings regarding the kebele administration's role in the applicants' capacity assessment.

The Roles of a Kebele Administration in Applicants' Capacity Assessment

The participants have different perceptions about the Kebele administration's roles in the appraisal of the loan that they borrow from the MFIs; some understood as if it is only through the will of the kebele administration head that they can get the loan. Others thought the kebele administration is to confirm their assets to the COs, and the rest consider it ensures to the COs that they are the resident of the kebele.

Participant P17: Said

When an MFI comes to lend in a specific kebele, they request applicants bring a letter from the kebele administration to prove we are free of debt. Hence, the Kebele screens and give the lists of non-borrowers; as a result, it is unlikely to borrow from multiple sources in this kebele.

Participant P04 stated: "COs do not make any assessment, but the kebele head identifies for them those who have the capacity." Participant P05 explained other roles that the Kebele administration plays beyond applicants' capacity assessment: "If the person fails to repay, the other group members reimburse and get their money back by enforcing the defaulter through the kebele administration (local court) and rent out his land and get the loan repaid." Participant P06 briefly answered: "The kebele administration evaluates our capacity." Participant P09 explained the role of the kebele administration in a somehow similar way with P05, saying, "Credit Officers take our names and check our situations with the kebele administration; and the Kebele administration promises that it enforces the repayment and certifies through its stamp." Participant P13 briefly stated the role of the kebele administration,

saying, “The kebele administration knows my capacity and confirms to Credit Officers.” Participant P08 stated that: “My wife co-signs with me; in case I failed to repay, they already registered the size of my land, the type of house I have, they sent a letter to the kebele and got confirmation.” Participant P20 guessed the role the kebele administration has in loan appraisal: “I do not know how the COs are evaluating my capacity; maybe, they are checking with the Kebele administration; they do not consider our capacities; they say our policy is like that we cannot give you beyond this.” Participant P05 in another context conferred: The MFIs are not properly appraising the borrower's repaying capacity; they record the false information that the borrower tells them, as they do not physically see. It was a significant loss for MFIs in the neighboring Kebele.

Regardless of the varied understandings by the participants about the roles of the kebele administration in applicants' capacity assessment, with the mandate it has and the requests made to it by the MFIs, it is not beyond what Participant P14 explained: “The kebele administration is confirming to the MFI that the person is a resident of the Kebele.”

Recording Applicants' Assets for Applicants' Capacity Assessment

Like the lack of clarity on the roles of the kebele administration in applicants' capacity assessment, the participants do not clearly understand the objective of recording their assets by the credit officers. Recording assets is the most repeated in vivo code in the transcribed interviews. Participant P01 linked asset recording with the capacity assessment and answered: “They register all that we have, our assets, the number of oxen we have, the number of iron sheets on the roof of the house, they know our capacity.” Participant P03 stated, “MFIs record all that we have and make

the spouses co-sign the loan contract. They are almost the same in recording the assets.” Participant P05 shared:

The MFIs are not properly appraising the repaying capacity of the applicant; they record the false information that the applicant tells them while they record the asset they do not physically see. It was a significant loss for MFIs in the neighboring Kebele.

Participant P09 stated: “...as we do not want to stand before others even when others lie to them, we keep quiet. If one tells them the wrong data on what he does not have, they lend him.” Participant 12 conferred:

They register all the properties we have; we tell them all the lists of assets we have. As borrowers want to get a loan, many tell them what they do not own. The COs have no means to identify. Finally, after lending to those who do not have the assets, MFIs face challenges getting their money back from many borrowers.

I had a detailed discussion with participant P14 to get more clarity on issues of the roles of the kebele administration and the purpose of recording assets in applicants capacity assessment with further probing questions:

They register all the property/assets that we have and know our capacity based on that, and they know, and they get information from the Kebele Administration Office. [I asked: Does the Kebele administration authenticate for the credit officers the asset-related information they collected from the applicants?] Yes, they do. [Certain respondents told me that applicants misreport their assets to the credit officers, is that true?] Yes, it is true; some over-report and others understate; this practice is there. [Therefore, does the

Kebele administration authenticates a false report to the credit officers?]) No, the Kebele administration confirms to the MFI that the person is a resident of the Kebele. The practice of over or understating the assets is there; however, as we share the risks of default, the other group members inform the credit officer not to lend beyond the applicant's capacity. [Can we say the group has a role in determining loan size for a specific application?]) Yes, the group has a role in limiting the loan size of a member. Even before we go to the MFI's office, we evaluate how much we shall borrow. We know each other very well, who has what asset we know; so, when the person requests a higher loan size, we say why; even the person does not ask. [Can I note that the group members meet in advance and decide how much each member shall borrow?]) No, this is not done in advance; when the credit officer comes with the loan application form, we have a group leader who takes the responsibility and listens to what the members inform the credit officer and check if what one wants to borrow is as per the capacity or not.

Participant P22 stated:

The group members know me and the credit officer registered all the assets I have [Asset recording by the MFI and the letter the MFI requests the borrow to bring from the Kebele office are considered a guarantee for the loan by a few study participants]. There is also a group guarantee, and if one defaults, they sue us to court and get their money back by selling the assets.

Regardless of how participants understood the purpose of recording their assets by the credit officers, I subtly inferred from their responses that it serves two purposes: to determine loan size and consider the asset as a buffer in case of default.

The Roles of Group Leaders in Applicants' Capacity Assessment

Whoever is involved in the applicants' capacity assessment, whether group leaders or the credit officer, focuses on understanding the applicant's assets, mainly land and other moveable assets. This approach excludes those who do not have a substantial asset that the MFI considers the potential to enforce repayment if the person failed to repay. The existing system does not incorporate the elements needed to motivate an increased and continued focus on vulnerable customers (Beisland et al, 2019). The return from the loan investment is not considered. Participant P01 tried to answer briefly: "They know the poor, they give them according to their capacity; little amount, as they will face difficulty on repayment." This participant could not answer the following questions: How much is the tiny amount? Do they consider the purpose of the borrower? How do they define the poor? What are their measurements? How are they considering the return from the investment? It is not the return from the loan investment that the group or the CO believes; how could the borrower repay if there is no return from the investment. This approach may lead to the exclusion of the poor or limit them from exercising their capacity. Participant P05 explained:

I organized the group; I do not let those who cannot repay the loan join it.

When I formed the group, I selected those who have land, oxen, moveable assets, and when the MFI trained us, they told us not to let those who cannot repay the loan join the group. Those who create trouble in your groups do not let them join.

Participant P10 thoroughly explained how the loan appraisal is taking place and the flaws in the exercises:

The Credit Officer (CO) brings the group members together and asks the other members if what the applicant said is true or not. However, our people approve as they do not want to see the other person harmed/starved for not borrowing. CO approves as if the applicants have whatever they lied to get the loan. It is not about telling the CO what one does not have; even those who have may reduce from what they have and tell the CO. You know, the reason is to get that loan. If we say to the CO that the person does not have what is claimed to have, the application will be rejected; the applicant will be in trouble, the family cannot survive as they repaid the loan by selling what they produced. We are repaying the loan every year. That is why we approve whatever the borrower tells the CO.

Participant P11 suggested:

We evaluate one another in the group; COs request us about our assets and the purpose of the loan. They approve the loan based on the size of the land that the applicant has; if the land size is larger, they give a higher loan. However, they did not see that a person can rear sheep and fatten oxen, but they provide the loan without evaluating these.

Participant P14 elaborated with the probing questions I have with him why they keep quiet at the time the applicant misleads the CO by giving false information, as they are later responsible as a group to repay the loan if a group member defaults:

We knew that the person had repaid the previous loan by selling what he had; so, his intention of lying to the CO is not to be dropped from the borrowing. Therefore, we do not interfere. It is true and cannot be hidden; you see, we allow joining our group those who have land; if they do not have land, how do

they use the loan? Therefore, we do not accept those who do not have assets into our group. [There are contradicting experiences about excluding those who do not have assets, land.] There are things that we evaluate among ourselves within the group.

Participant P19 answered how challenging it was to be accepted by the credit officer, as the land they own, 0.5 hectares, is a gift from the father, who is still alive.

However, with the strong support of the group members, the loan was approved for them:

The group members can ensure that we can repay and have the capacity. When the CO request me what guarantee I have, I told them that I have 0.5 hectares of land, which is a gift for temporary use. Then the CO asked me, what else? I said a TV and other things, and the group members informed the CO that I have a house; that is how I get organized. The one who organized us knows, as we work and take responsibility. We have a group; those in the group agree on how we borrow and repay without delay as it affects us and the MFI. We borrow and repay part of it in six months and repay the total amount in a year, and they lend us again.

Participant P18 explained the role of the group leaders in evaluating not only the initial loan but their role in assessing and determining the subsequent loans as well:

The CO asks us what we have done with the loan; we, the group leaders, shall follow up on what we have done with the loan. We evaluate whether the member paid after getting profit from the loan or just paid from other sources. Suppose the member did not benefit from the loan, we advise her, as it may affect her if she continues like this, and we inform her to borrow a tiny amount

of Birr 400 (USD 10) or Birr 500 from her idir and use it to buy hens. If she promised to improve, we reduce the amount she will borrow; if we borrow Birr 8,000, we allow her to borrow Birr 4,000 from the MFI and see her again; if there is better performance, we let her borrow a higher amount in the subsequent loan. Furthermore, we consult the Kebele administration and let her bring an additional guarantor; if she has to bring her husband, he shall be the one who stayed with her for long; we do not allow her to get just a person to co-sign with her.

Participant P21 conferred the lack of clarity to them on how the COs approve the loan and what say the group leaders have:

It depends on their relationship with the borrower; for some, they reduced from what the applicant requested, and for the rest, they give better. When they initially started, the group members allow those who can borrow a higher amount. Lately, they started giving higher amounts for those closest to them, and these are the ones who defaulted [it seems corruption]. They are the ones who decide; the members do not.

Participant P23 shared the experiences regarding the possibility of exclusion for being poor from joining a group:

It is linked with the kebele administration, and our representatives confirm to the CO about the applicant's condition. We are organized in a group; hence, we assure them about our capacities. If we do not trust the borrower, we refuse. How do they know? It is us who know one another. We select one another; we do not accept whom we do not trust to the group. If a member refuses to repay the loan, we, the other members, repay and enforce later, on

the defaulter. [How do you know the loan repayment capacity of the applicant?]. We know them, we are living in the same area. [Who are these people?] They are the drunk and lazy who do not work; if they borrow and spend it without investing in productive activities, they cannot repay the loan. [How about the exclusion of the poor who do not have assets from joining the group?] It is for the character; the lender itself is opting to improve the lives of the poor. The rich do have the money; they do not borrow. Those who are training us inform us not to let into the group those who are not going to use it for productive purposes, as we are ultimately responsible for repaying the loan if a group member defaults.

The roles of the group leaders and members in selecting one another and the value of their recommendations to the COs are evident from the participants' responses.

However, there is a lack of transparency regarding how much shall finally be approved to each applicant. The COs' discretion is to decide within the range set by the MFI as a policy.

Loan Approval

As the participants confirmed during the interviews that the loan approval is not based on proper capacity assessment, loan terms and conditions are set without considering their capacities. Furthermore, as the MFIs consider land size as a key criterion for deciding the loan size and require advance payment, the actual loan that the borrowers receive are not sufficient to meet their objectives. Although the loan size is progressively increasing yearly, the rate at which they grow is already consumed by inflation, and most participants complain about the loan size. Participant P01 stated: "COs see our capacity; if you are a good repayer, they will give you the

maximum that you can borrow as per their policy, and it is up to you to decide on that.”

Many questions that the participant cannot answer came to my mind while P01 told me that COs see applicants' capacity. Among these questions were: Capacity to do what? How are they assessing capacity? Do the credit officers have the tools to evaluate borrower's capacity? Is the loan adequate to buy what the borrower opts to buy? Can the credit Officer determine the loan size if the capacity is properly assessed? How reliable is the data they generate for the capacity assessment? Do the COs have the required time and capacity to evaluate the capacity of the borrowers? How are the COs measuring the risks associated with investing loans borrowed by their customers? What risk mitigation supports do they have for their customers? In one way or the other, I tried getting answers from the participants during the interviews. Participant P02 suggests:

... identifying individuals who have the capacity and giving higher loan size would transform us to more considerable investment to recruit others instead of the dots they currently give us. MFIs should adequately assess the repaying capacities of the borrowers. Properly recording the borrower's assets, other moveable assets apart from the farm, as having other means to repay the loan if the crop fails is vital.

Participant P05 stated:

The highest amount I borrowed from MFI Y was Birr 6,000. You see, the issue is I was cautious; if I borrowed more and the harvest fails, it is difficult to repay; I fear that scenario. I know that there are persons who borrow up to Birr 20,000 (USD 500). But I fear facing difficulty in repayment. It is this year

that I borrowed the highest amount, Birr 12,000, from MFI-X. I have a small plot; I rent in land and lead a better life than those with wider fields. People live in dire conditions by renting out their land; they do not even have a donkey. Most of us are renting in land from them; those are the drunk.

Participant P06 suggested improvements in the terms and conditions of the loans given by MFIs:

What is the value of a loan if you do not get it with proper terms and conditions? It must be for two years or three. If you buy a hen, it takes time to hatch. If you want to rear sheep, it needs up to three years; what value does it have if you give me this year and expect me to repay next year. If you fatten cattle, you get to benefit from it. The loans that the MFIs grant now, I think, are throwing the borrowers to a hill. If you give me this year and displace/evict me from my land next year, what value does it have? It is better to live with your poverty, selling charcoal and dung. They lend us the obscene amount and tell us to repay it next year; maybe the crop may fail, and the borrowers sell all that they produced and repay the loan, and then beg from the government to buy food to the family; they ruin the community and complain about default.

Participant P07 stated:

I borrowed only from the MFI; I started borrowing four years back; Birr 5,000 (USD 125) twice; I borrowed Birr 7,000 and repaid Birr 9,500. As I could not repay that much this time, I reduced it to Birr 5,000 for buying fertilizer.

The SHFs have understood that loans are unconditional and shall be repaid regardless of any risks and opportunities they encounter during the loan term. As can be

understood from the participants' lived experiences, the MFIs do not consider the individual borrowers' capacity; the loan is either considered very little, enough, or even too much for the few. Hence, MFIs need to make a proper capacity assessment before approving the loan to the applicant. Study participants conveyed the need for an adequate capacity assessment by the MFIs to decide the terms and conditions of the loan that meet the objectives of an individual borrower, instead of considering SHFs as the same. There are two findings associated with Theme 1:

- Finding 1: The capacity assessment approaches of MFIs are not formal and do not enable them to get reliable data for loan decisions; their customer capacity assessment is inadequate. This finding aligns with the study by Vigano and Castellani (2020) that identified the deficiencies and the need to understand the rural clientele by the MFIs through targeted market analyses and segmentation instead of the blanket generalization. Furthermore, the factors contributing to the differences among the poor borrowers were identified by Makate and Mango (2017) and Solomon et al. (2017). Unlike the previous research, the finding of this study categorized SHFs into three and suggested to at least have different products to each segment of the category.
- Finding 2: The terms and conditions of the loans offered by the MFIs are not favorable to the contexts of SHFs that have different objectives. There is no flexibility in the MFIs approach to answering the borrowers' actual needs and capacities. This finding is consistent with Makate and Mango's (2017) suggestion to apply segregated design approaches for different

livelihood improving activities. Tessema and Simane (2019) also reported the need to adapt interventions to the local context.

Theme 2: Applicants' Options for Negotiating the Loan Decision

Table 3 contains the subthemes and codes associated with Theme 2.

Table 3

Subthemes and Codes for Theme 2: Applicants' Options to Gain Confidence to Negotiate on the Loan Decision Made by the Microfinance Institution

Theme	Subtheme	Code
The Applicants' Options to Gain Confidence to Negotiate on the Loan Decision Made by the MFI	Going to another MFI	- MFIs are the same
		- Regular repayment
		- Regular savings
		- Frequency of repayment
		- Compulsory savings
		- Credit life insurance
		- Upfront deduction/advance payment
	Local moneylender	- You need to have a guarantor
		- Exorbitant rate
		- Leave you naked
		- Shall be paid at harvest
	Other sources	- Lend both in-kind and cash
		- Withdraw savings
		- Idirs give little loans
		- Borrowing

Note. MFI = microfinance institution.

The MFIs clients' options are limited; hence, they do not have bargaining power. The participants have explained during the interviews that the MFIs are the same in many aspects, such as repayment modalities, compulsory savings, credit life insurance frequencies of repayments. Thus, if you leave an MFI to consider borrowing from the other, you may not gain value. Although local moneylenders' activeness after the introduction of MFIs in the study areas, as explained by the participants, is reduced, it is still the second option for the MFIs' clients. Regardless of the exorbitant interest rates they charge, which leaves you "naked," you need to get

a guarantor, and the repayment term is shorter than that of the MFIs; every payment shall fall at harvest, albeit you borrowed two three months back. The other choice that a couple of participants mentioned is borrowing from idir, which is a little loan. Borrowing from a friend or relatives is also unlikely, and in case it is available, it is for a short period, for days, weeks, or a month. A few participants also mentioned savings as a remote option; if borrowers have thrifts at the MFI, they likely use them to close the loans. If there is a little leftover balance, it is not sufficient to be used to meet the cash demand required to buy inputs at the sowing season. Participant P19 stated:

How can I compare them; what with what; the local money lenders, if they lend you Birr 100, they charge you Birr 100. This means I will give them Birr 200. The MFIs interest is in cents [A traditional way to explain what is little]. The MFIs are not deducting much from the loan; they save for us and take some amount for themselves [It is to mention the upfront deductions from the loan for the mandatory savings and service charges]. They also lend in kind; if I receive 50 kg of “teff,” I will repay 100 kg of teff. Some wealthy persons do this, but we do not borrow from them because we cannot leave that cycle.

Participant P20 shared:

Idirs and local moneylenders give loans. The idir’s purpose is to raise its capital; it does not benefit us. The local moneylenders raise their children with the interest we are paying them. When we borrow, it is obligatory to respect the repayment date. The guarantor will be responsible. Therefore, we pay in time with the interest rate. This was our experience before the MFIs have come here. The MFIs loan has complements, like insurance, savings, the

savings I can withdraw when I need it. The interest rate charged by the idir is comparable with the MFI's rate; if not, it may be a little higher. Local money lenders are lending Birr 100 for Birr 100. If I borrowed Birr 1000, I would repay Birr 2000.

Participant P20 explained the reason why people go to the local moneylenders:

Let us say a person has seed but not fertilizer, then decides to borrow to pay at harvest instead of leaving the farmland idle. Or the person thinks that it is better than renting out the land. So the purpose of borrowing is to fill this gap; if he sells the grain; he faces food problems in the family; that is why he borrows at such highest interest rate when he has no other option.

As can be learned from the responses of P20, people prefer borrowing at an exorbitant interest rate to renting their land out; that means renting out the farmland is a last resort for a farmer, although it is widely practiced in the study areas. Almost all the participants have the experience of either renting in or renting out their land.

Participant P21 explained at what condition people borrow at this exorbitant rate:

When they have a problem. When the family has a food shortage, if one sowed seed and has no cash to buy herbicides, pesticides, medicine for rust, and when one faces such problems, took the loan as a last resort. Life is getting expensive in the rural areas, as well, and farm income is declining.

Participant P23 answered:

Yes, as I am poor, I brought up my children by borrowing from the local moneylenders. When I borrowed to buy seeds, I used to repay at harvest. When its cost was not that high, when I borrowed Birr 1000 to buy seeds, I purchased different types of seeds, sow them, and repay at harvest. At that

time, if I sold a quintal, 100 kg, it covered the Birr 2000 that I shall repay.

Previously cash had power; now, it does not have value.

The participants explained that the MFIs are all the same, so it does not make sense to choose among them; therefore, the other options they have are the informal sectors like the loans from local moneylenders and small loans from idir. The primary role of idir is to serve members by providing vehicles like life insurance; however, mainly in the study areas people use its facilities for other purposes as well, and idirs also give small loans to their members. One of the participants told me that he is a member of three idirs, and with his wife, the household is a member in four of them. In the study area, the monthly contribution to an idir is Birr 10 (USD 0.25), and loans from friends and relatives. The MFIs also understand that the SHFs do not have options, so their approach has become “take it or leave it,” instead of adopting the terms and conditions of loans to the actual needs of the different categories of farmers.

It is worth mentioning that the interest rate charged by the local moneylenders, regardless of the term, is double the amount that a person took. All the participants conferred that the lending seasons mostly range from May to September, and the repayment is at harvest, and the latest repayment period goes up to December. Therefore, one who borrows within this period enters a contract with the lender for double the actual amount received; if the loan is USD 100, the contract is prepared for USD 200. If 4 months is taken as the average duration of the loan, the interest rate paid by the borrower per year would be 300%, which is exorbitant. However, those who do not have options borrow at this rate instead of renting out their land or letting their family starve during the winter season. Like the loans from the MFIs, the poor SHFs, once they started borrowing from the local moneylenders, remain in the debt

trap. The argument that a high interest rate harms borrower may not be realistic; if the loan amount is tiny and the return from the investment is sound. However, with the increase in the loan size and the high cost of inputs, a higher interest rate will be an additional burden on borrowers. A few participants mentioned the need for the reduction of interest rates charged by the MFIs. There are two findings for Theme 2:

- Finding 1: The MFIs use similar approaches. Customers do not have choices; hence, they do not have bargaining power; MFIs use a take-it-or-leave-it approach. Certain research findings associate the lack of concern of MFIs for their clients with commercialization. The commercialization of microfinance is missing its social objective (Banerjee & Jackson 2017). The for-profit MFIs are less efficient in social commitment (Bensalem & Ellouze, 2019).
- Finding 2: There is no proper pricing of the loans; the SHFs compare the interest rate MFIs charge with local moneylenders' exorbitant rates. The interest rate the participants are paying for MFIs in the study area was not that high; up to 22% plus credit life insurance, compulsory savings, travel costs, or paying at each meeting for a representative that collects from them and takes it to the MFI offices. The median interest rate for microcredits is 26%; it can reach as high as 85% (Gutiérrez-Nieto et al., 2017). While in a perfect market, this type of institution would be eliminated from the market; their joint presence is due to lack of competition, lack of financial literacy, and lack of negotiating power of microcredit clients (Gutiérrez-Nieto et al., 2017).

Theme 3: Customers' Follow-Up and Support

Table 4 shows the subthemes and codes associated with Theme 3.

Table 4

Subthemes and Codes for Theme 3: Customers' Follow-Up and Support

Theme	Subtheme	Code
Customers Follow-up and Support	Previous practices of MFIs	- Credit Officers follow-up
		- Enforce repayment on other group members
		- Monthly meeting
		- Come here and collect
	Current practices of MFIs	- Sue individual defaulter
		- No group meeting
		- Do not give us options when we face a problem
		- Credit officers lack commitment
	Group	- No follow-up
		- Do not support one another
		- Everybody uses their own way
		- Contribute and pay to get the subsequent loan
		- Meet on social and economic activities
		- Share information

Note. MFI = microfinance institution.

The participants have explained the change in practices of MFIs in terms of customers' follow-up and support, including evasion of group discipline. The MFIs focus on getting the loans repaid regardless of how it is repaid and how it is enforced impact the existing practices of social and economic cooperation within the community. Participant P22 shared: "Once I borrowed, no one is checking with me." The MFI model initially used the group as a support and supervision system among members to make the loan utilization effective; it did not work these days. "When I borrow, I should know that I am responsible for its repayment too." At some point, you told me that if a group member failed to repay, others are responsible, so why not

you followed up on how the other person is utilizing the loan? “That is true; when the actual payment comes, that is a must, but we were wrong.” Participant P20 conferred:

The first four years when CO- X was there, he followed up with group leaders; we had monthly meetings, regular savings, and the group leaders collected from us and gave it the CO. That has been reducing the loan from us before the due date. Lately, they give us the loan and remember us only at the repayment date, end of the loan term. They come whenever they want; COs may not come for three-four months; they cannot get the borrowers when they are not regular. It is through this negligence that the loan badly harmed us. The lack of monitoring spoiled the repayment culture.

Participant P02 shared how the COs indirectly follow-up customers seriousness and capacity through the regular savings:

There is a follow-up through the monthly savings collection activities; if one fails to save monthly, it indicates that the person is a potential defaulter; hence, COs strictly expect the regular savings collection to happen; if one fails to save, it has a penalty. The MFI staff says they would cancel from the group those who do not regularly save, as lack of regular savings shows them that the person is not serious and does not benefit from the loan.

Participant P21 explained how the MFIs follow-up had been reduced from the previous and its consequences: “They used to follow-up and regularly collect repayments; recently, they come and ask you to repay at the last date. When there is late repayment for a year or two, they sue us to court”. Participant P03 answered:

There is no follow-up; what we do is, when the repayment matures, we ask each other whether everyone in the group had repaid or is ready to repay; not

more than that. We do not even request one another about how we used the loan.

Participant P05 stated:

We do not follow up. Only during the repayment, we say to one another you should repay as we are affected because of you. Our role is on enforcing the repayment. If the same day the borrower enjoys it in the city, we do not control it. It is up to a person to in advance think about the consequences of failing to repay.

Participant P11 answered: “The organization of the group is just to borrow; after we borrow, it is up to the individual to utilize the loan the way they like; we do not follow up with each other.” Participant P15 also stated: “You know the psychology of our people, if you ask them how they have utilized the loan, they may say to you why do you care, it is me who is going to repay my debt. We respect one another”. However, as I reported under another theme, participant P18 explained how group members follow-up one another and, based on their findings, determine whether a member who has not benefited from the preceding loan shall either be forced to drop out from the group or bring an additional guarantor to borrow a little loan that will be allowed with a promise to be evaluated again at the end of the repayment period. If there is an improvement, the person will be allowed to borrow a higher amount otherwise will be forced to leave the group.

Participant P19 conferred:

We share information on what we have done with the loan and what we benefited from the business. Once per week, on the fifth of the month, the loan officers come. [That is to collect savings, isn't it?] They also ask us about our

situation. [Do they physically come to your place to see your activities?] No, they do not do that. [What about the group members, do you visit one another's business?] Yes, we evaluate each other; we are living close to one another.

As can be learned from the participants' responses, there are differences in understanding the follow-up and support by the COs, the group members, and the leaders. While some responded that there is no follow-up and support, a few responded on the contrary. The data showed better follow-up and support among the women groups compared with the men groups. Lack of proper follow-up by the COs impacted the loan repayment culture initially built among the group members. They believed that the default by a member affected them in losing the chance of reborrowing. In the current practice, when a few members from the group defaulted, the group disperse, and the MFIs sue them individually.

The data categorized under the third theme depicted the lack of customers follow-up and support by the COs and the group leaders. This practice missed the essence of the microfinance model, which relies on group cohesiveness and close monitoring by the COs. Such absence of the group lending discipline is replaced by coercion to enforce loan repayment. This finding is consistent with others' research showing the deficiencies of MFIs in monitoring and supporting their clients and their neglect of the social capital that is vital for the effectiveness of microfinance model (Haldar & Stieglitz, 2016; Sangwan et al., 2020; Ukanwa et al., 2018). The participants' lived experiences conveyed differences between the male and female groups in terms of follow-up and support. The female group members and leaders have a substantial role in practicing support and follow-up among their members, and

they actively engage themselves in the loan decisions. The male group leaders' role is limited to screening members to join the group or not; once they form the group, they do not exercise the function of follow-up and support.

There are two findings for Theme 3:

- Finding 1: There is no support among the group members and by the COs. The MFIs focus on getting their loans repaid regardless of what it costs the borrower. The groups' roles are minimized to forming the group; their roles in loan decision, loan utilization follow-up, and supporting one another are almost non-existent except the certain efforts observed among the women group members. This finding is consistent with the findings of Haldar and Stieglitz (2017) that shed light on the consequences of neglecting the social capital, which is the essence of traditional microfinance. The group lending approach is used mechanically, irrespective of specific social conditions. This approach altered the traditional relationship between the MFIs and borrowers and among the borrowers in a group turning into a purely commercial transaction.
- Finding 2: There is no loan utilization follow-up either by the group members or the COs; however, there is relatively better follow-up and support among the women group members. However, other research results showed the importance of due diligence to tailor microfinance services for the poorest groups and post-disbursal monitoring, which would lower loan delinquency (Sangwan et al., 2020; Ukanwa et al., 2018). Adbi and Singh (2019) reported about the collective decision-making behavior of customers. Haldar and Stieglitz (2016) emphasized the

contribution of social capital for the effectiveness of the microfinance model, which is lacking in the move towards scale in the commercialization of microfinance.

Theme 4: Loan Repayment Experiences

Table 5 shows the subthemes and codes associated with Theme 4.

Table 5

Subthemes and Codes for Theme 4: Loan Repayment Experiences

Theme	Subtheme	Code
Loan Repayment Experiences	Repayment options	- Bullet
		- Staggered regular monthly payment
		- Biannual
		- Rescheduling at difficult times
	Sources of repayment	- Repayment flexibility
		- Rent out land
		- From off-farm activities
		- From farm activities
		- “Iqub”
		- Selling other assets
	Enforcing repayment	- Borrowing
		- Litigation
		- Mandatory savings of all members
		- MFIs do not care about your source of repayment
	Worries related to loan repayment	- Stringent repayment enforcement
		- Price falls at harvest
- Difficulty to go out of the debt trap		
- The possibility of not getting the next loan		
- Group members’ default		
- Failing to repay a loan is a shame		

Note. MFI = microfinance institution.

Loan repayment experiences of the participants depicted issues that impacted the ultimate objectives of borrowing loans from the MFIs. There are different perspectives on the repayment options among the participants. At the same time, some

prefer the regular installments; the rest are complaining about its impact on them regarding incurring additional costs in terms of time and finance. These differences in preferences can be explained based on the sources of loan repayments, mainly between off-farm and on-farm activities. The participants also conveyed their worries about loan repayment and the practices of enforcing repayment, including the actions that lead to the displacement of defaulters and jailing those who cannot settle their debt.

Repayment Options

Participants have explained the varied loan repayment exercises such as a bullet, staggered regular monthly payment, biannual, repayment flexibility that takes into account the SHFs cash flows and accessibility during the rainy season, and the possibilities of rescheduling loans at difficult times, even though they are yet not satisfied as all have drawbacks because of the loan term which is limited to a maximum of one year.

Participant P02 positively accepted repaying at the offices of the MFI: “We shall go to their office, it is not a problem, we go to the town for different reasons; so, going to the branch for the loan repayment is not a problem”. Participant P03 appreciated the flexibility in loan repayment: “The loan is for one year, they disburse the loan and advise us to repay as much as we can before the last installment, whenever we get, they are not forcing us to repay only at one payment.” Participant P15 stated: “Had we not been forced for the staggered installments we would sell our grain when we get a good price for it and put the cash aside and repay the loan when it matures.” On the contrary, participant P09: reported the positive aspect of staggered repayment:

It is not difficult; the purpose is to reduce the debt. One time repayment is rather tricky; the MFI has arranged this for our sake; they tell us it is for our benefit as paying at the end would be too much, and if it is not arranged this way while we procrastinate, it will be accumulated on us; that is why they arranged the staggered payment.

Participant 23 conferred the flexibility, which considered the cash flow of the SHFs: “We do not repay in winter; we start repayment at the end of October. There is no loan repayment meeting from June to September. We start in October discussing the repayment, and latest we close it in April”.

As the experiences of the participants conveyed, MFIs have tried to have flexible repayment options; however, as it is not tailored to the individual borrower’s need within the same group depending on their respective sources of repayments, different levels of satisfaction were reported.

Sources of Repayment

The sources of loan repayment can differ depending on the participants' activities as a livelihood. I would broadly categorize these activities into two, off-farm activities and on-farm activities. Furthermore, the sources of repayment vary when participants are repaying as per the schedule or within their plan and when the COs or the group leaders enforce repayments for the borrower violating the schedule set by the MFI. In the latter, SHFs are forced to repay the defaulted amount and the associated penalties by selling or renting out their means of production: renting out their farmland and selling the oxen they use for plowing. Participant P18 stated: "I repaid from my harvest of different crops; teff, wheat, and chickpeas." Participant P06: has a unique experience: "I repay from the land I cultivate; I put aside a quarter

of a hectare to repay this debt." Participant P02 who repays loans from the on-farm activities shared:

I am farming different crops, like, beans, peas, teff, chickpeas, lentils, and wheat. The first harvested crops are beans, peas, and lentils; hence, I sell a sack or two from each and repay part of the loan before the maturity. These grains are demanded at harvest time. I store what I need and sell part of them.

Participant P01 stated the challenges facing those who repay from off-farm activities when the produce from their farm is not substantial to meet different competing household needs:

The subsequent loan is about life and death issue, for those who repay by selling grains if their harvest is not enough to repay the loan, meet other cash requirements, not enough to buy inputs for the next harvest, and the remaining grain is not enough for the family's food.

Participant P03 briefly answered: "I sell labor and repay from the wage". Participant P13 also briefly answered: "I sell hay, or dung and give it to the collector, for the regular installment repayments". Participant P16 reported: "COs do not worry about your sources of repayment, what they need is their money; if you cannot repay, they bring a police officer to enforce payment." Participant P04 reported: "I had an ox which I bought from the trading activity, I fattened it and sold it to repay the loan".

Participant P12 shared his encounter in loan repayments:

I faced a challenge last year; I could not sell the ox that I fattened because of Corona [COVID-19]; the price of grains also dropped, I was challenged to repay the loan and failed to repay the loan. Again, this year, as there was a cumulated interest of two years, with the jumped payment of last year, paying

the two years' interest and the principal was challenging; as a result, I was sued to a court and paid with difficulty. It has become a burden on me, and I sold an ox and grain and repaid. Again, I also faced a crop failure in one of the past years (2007 or 2008); it was a draught and faced a problem in repaying the loan. I sold an ox and goat and repaid; and borrowed again.

The participants' experience depicted varied activities mentioned above, and for women borrowers, making and selling local drinks, petty trading, and "Iquib" as additional sources of loan repayments.

Enforcing Repayment

The interviews with the participants revealed that the microfinance model that used to work through closer monitoring of the customers' activities by the credit officers and group leaders to maintain the qualities of their portfolio is shifted to enforcing repayments through coercion. The more MFIs staff do due diligence to tailor microfinance services for the poorest groups, and post-disbursal monitoring, there would be lower loan delinquency (Sangwan et al., 2020; Ukanwa et al, 2018). The approach currently applied to enforce repayment is applying a stringent approach taking all members' savings to cover the defaulted amount, selling the means of production of the defaulter, using police forces to prison those who do not have assets to repay the loan. The MFIs' ultimate objective is reduced to getting their money back regardless of how and from what source it will be repaid. Participant P09 shared:

They sued us to court, and we repaid with the costs they incurred to sue us and the interest cost. I sold an ox to repay the loan. It was before a harvest in October; the harvest is in November-December. That is why I sold my ox to repay the loan, and I could not replace it, as I must rent in the land. I used to

have two pairs of oxen; now, one is left single; so, I cannot pair it. I must find form a person that also has an ox and alternatively share it between us. When the harvests were good, we have been happily repaying the loans. But now, borrowers are taken to court and have been jailed and repay the loans.

Participant P05 stated: "If a member fails to repay, the other group members repay and get their money back by renting out the defaulter's land through the kebele administration (local court). Participant P04 conferred:

Everyone is struggling to repay their part. If one person could not pay and disappear from the area, the MFI took our savings; hence, we shall contribute and repay the loan. Everyone is making the repayment ready as life and death cases; where do we bring the cash to pay for the other person; everyone shall repay their debt.

Participant P07 explained:

Our group has nine members; we repay and enforce repayment by selling the defaulters' assets. There is no reason to indemnify another person's debt. The defaulter has entered the obligation to repay; the defaulter will be jailed, caught by a police officer, and repays.

Participant P21 shared:

I had difficulty repaying from the harvest; as a result, I fattened one of the two oxen that I bought and sold and repaid the loan and the court fees that the MFI incurred. They sued us in court, but I immediately repaid and showed my evidence to the court and became free. I rented an ox; it has become expensive, for Birr 5,000 (USD 125) for one season, April to August. Those who have an extra ox rent it to you.

Participant P22 who was sued to court explained:

There was a crop failure because of the weather condition, and I asked the MFI to postpone the repayment, and they allowed me, but it has been earning interest; under the difficult situation, I repaid last year. Now, I do not want to borrow, as the debt worried me so much while I had difficulty repaying. Those who failed to repay have been chased by police and taken to court. I was sued, and I appeared in front of a judge, and I explained that it is because of the crop failure that I could not repay, but I will repay. The court gave me another appointment, and in the meantime, I repaid.

Participant P21 shared:

When there is a default, they sue us to court; two persons could not repay loans and are sentenced to 6 months in prison as they do not have assets; they do not have land; it belongs to their families. They were prisoned here for about a month and finally taken to the district's capital. Many disappeared, and the police could not find them.

To effectively address the purposes of financing the SHFs, the MFIs shall have proper monitoring and support systems to understand their worries and jointly work to manage them. Relying on coercive repayment enforcement is costly for both the MFIs and their customers; as we can learn from the participants' experiences, it led to displacement and imprisonment of defaulters in the worst cases.

Worries Related to Loan Repayment

The SHFs realized that the loan they invest in their farms is not generating a surplus. After repaying the loan by selling what they produced, the excess amount is insufficient to meet their needs, such as food, clothes, inputs for the next farming

season, and other expenses. Hence, one of their significant worries is whether all the group members would properly repay the loan to borrow next time again. Participant P10 replied:

It is very worrying. When you borrow, you get worried about how you could repay it later and reborrow. If I fail to repay appropriately, I cannot borrow again. If I cannot borrow, what I thought to do with the loan cannot be realized; hence, my income will decrease. If I pay and borrow again, I will rent a quarter or half a hectare; not only the grain and the hay that I will feed the cattle is an income by itself. For this reason, it is very worrying. If I repay, I will borrow again and benefit from it. Otherwise, the MFI will remove me from the group after selling whatever I have for the loan repayment; a double penalty, on the one hand, I will be forbidden to borrow again, and on the other, I depleted my properties. Therefore, it is very much worrying.

Participant P21 elaborated the worries:

It worries you, if you delayed repayment, the repayment would be cumulated on you. Failing to repay the loan is a shame; it is violating the norm; unloyalty, naming you that you were unable to repay a loan is a shame; those who disappeared from the area were not only by fearing the legal cases, but it is because of the guilt as well. If you quarrel with a person, it is an insult; the other person teases you because of the default. The worry starts from the date I borrowed; I am worried about the weather condition; does it be good this year or not? If the harvest is good, I will be happy when I repay, as I received the loan.

The participants' major worries emanated from risks associated with investing their loans in farming. The return from the farm largely depends on the weather condition and the timely availability of inputs in the required quality, quantity, and affordability.

Theme 4, although it cannot stand alone, is a pivotal theme to understand the core topic of the study, which is learning the essence of the loan repayment decision of the SHFs. The loan repayment depends on the repayment options, sources of repayment, approaches for enforcing repayment, and capacities of the borrowers. The terms and conditions of the loan that do not take these factors into account exposed borrowers to worries related to loan repayment. The participants' view of loan repayment arrangements by the MFIs differ based on how haphazardly the preset terms and conditions coincide with sources of income, broadly speaking, from off-farm to on-farm or both. Mainly, the female borrowers are engaged in additional off-farm activities compared with their male counterparts. Rarely depending on their economic status, the men also got extra income from mixed farming practices and selling labor, collecting dung, and making charcoal. Those engaged in daily labor, collecting cow dung from the field, and making charcoal are considered inferior in the study area. It is imperative to share how the participants described who is poor in their place in general; according to them, those who do not have a donkey; and those who collect animal dung from the field and make charcoal for income-generating activities are considered the destitute.

A couple of the study participants are in such situations; for them, the worries of loan repayment start from the date of borrowing. The moment they receive the loan, they use it to settle other loans that they might have borrowed from another source to bridge the food consumption gap or immediately use the loan from the MFI

to buy food as they exhaust and sell their little produce to repay the preceding loan. They are in a debt trap; their major worries include whether the MFI denies lending them in the subsequent cycle or not, as it is critical for their family's survival. Implicitly, there is multiple borrowing in its different form; they rent-in the land they farm to pay its fees in kind, rent in oxen power, and borrow in cash to meet the food shortage that the family faces during the rainy season. For the clients in this category, loan repayment is a big worry as they fear that the MFI may not give them the subsequent loan. Lack of proper assessment of the borrowers' capacities coupled with not tailoring the loan repayment with the borrower's cash flow exposed the borrowers to worries related to loan repayment. Participants complained about the MFIs' reliance on coercion to enforce loan repayment instead of taking proper mitigation measures to minimize default.

The findings for Theme 4 are consistent with earlier research. They are as follows:

- Finding 1: The repayments are not cashflow-based or do not consider the costs associated with the effort borrowers make to meet the scheduled repayments. Turvey (2017) reported that loan terms are very short, mostly the MFIs are lending for a year or less, which overburden the borrowers and are not related to the cash flow of the farming practice. The regular savings linked with loans and the monthly installments from the interest and principal are challenging those not engaged in off-farm income-generating activities. Relatively women are engaged in additional off-farm income-generating activities; hence they are comfortable with the regular monthly payments from the loan and the regular savings. The determinants of group members' loan repayment are immense, including the group

member's age, gender, marital status, household size, household income, educational level, occupation of the household head, the amount of credit received, length of stay in their locality, distance to the credit source, supervision and disbursement lag (Makate & Mango, 2017; Solomon et al., 2017). The demography of the family plays a significant role in a household's livelihood activities; Makate and Mango identified 30 variables. However, the MFIs in the study areas do not consider these differences they have a one-size-fits-all type of products.

- Finding 2: There is no proper monitoring and support system by the MFIs. Instead, COs rely on enforcing repayment through coercion; instead of using the group lending discipline.
- Finding 3: The SHFs worries include whether they would get the subsequent loan or not; as for most of them, what they produce is not enough to repay the loan, feed the family, and buy inputs for the next farming season. This is unlike the report by Ashta, et al., (2015) and Mia, et al., (2019), who reported saturation led MFIs to encourage multiple borrowing. In the study areas, there is no such competition; however, the customers are worried about getting the subsequent loan or not after closing what they borrowed.
- Finding 4: The loan repayment is worrying for most of the borrowers, especially when shocks are experienced. Research reports indicated issues related to loan repayment challenges: such as Zainuddin and Yasin (2019) associated suicide with loan repayment challenges. As Ashta et al. (2015) reported, MFIs lend either from the capital, savings, or borrowing; all have

owners; hence, they cannot excuse loan repayment. When a natural disaster hits customer of MFIs, they have difficulty repaying loans borrowed from the MFIs, leading MFIs to liquidity problems or even insolvency (Klomp, 2018). Klomp stated that the result of borrowing from MFIs is inconclusive.

Theme 5: Risks Facing Smallholder Farmers

Table 6 shows the subthemes and codes for Theme 5.

Table 6

Subthemes and Codes for Theme 5: Risks Facing Smallholder Farmers

Theme	Subtheme	Code
Risks Facing SHFs	Input supply problem	- High price
		- Not timely
		- Information
		- Supply shortage
		- Corruption
	Seasonality of loan disbursement and repayment	- Selling when the price drops
		- Early financing
		- Lending season
		- Buy food when the price is high
		- Decline in farm productivity
	Weather Risk	- Erratic rain
		- Draught
		- Rust and other crop diseases
		- Absorbing the risks

Note. SHFs = smallholder farms.

The SHFs in this study revealed that the default problem attributed to them was mainly caused by the risk factors facing them related to input supply, weather risk, and the seasonality of loan disbursement and repayment. Addressing these problems requires concerted efforts from actors in the ecosystem, such as the MFIs, input suppliers, and policymakers.

Input Supply Problem

Participant P17 replied:

They distribute up to 30, 40 quintals of improved wheat seed; this serves few farmers that they call model farmers or the ones with the information. These may get 50 kg or 100 kg. Then they sow this in 0.25 hectares, and they would produce what would be enough for their whole farmland in the next year. The government is saying we will bring better farmers together and let them farm improved seeds, but they are not practicing it; the union [a federation of primary level cooperatives] is shifting the blame to the Federation [the apex of unions]. When we ask the local government authorities why they are not addressing this problem, they tell us if we bring it in abundance, it would be left unused while it is needed in another area (distribution problem), people are saying to us the price is high we cannot buy it. They might have faced such a problem sometime back, but it is not real. If, as they said, it was left unsold, it must be because of the high price, almost double what we pay to the local producers. They tell us they added to it the costs, such expenses as chemicals for preservatives, transportation, and distribution.

Participant P18 shared:

We would use the loan and repay it without a problem; our problem is getting inputs; if we buy inputs, we repay from the harvest. The cost of improved seed is high; if we sell a sack of grain for Birr 1000, we purchase improved seed of the same quantity for Birr 2000. If we repeat the improved seed for the third time, we do not get good output; it is poverty again. If I borrowed this year and sow improved seeds, I would distribute the improved seeds to those who

need them; and they will buy from me at a higher price. Two to five persons buy from one another; the seed adapted to the soil will give better yield next time. In the following year, it is better than the new seed. If you use it for a third time, its productivity will decline; but we use it by cleaning it and then change the seed.

Most of the study participants mentioned that they could not buy had the supply not been a problem because of the costs. Hence, they are forced to use up to third and fourth-generation seeds that they buy from among one another. Participant P06 shared experiences related to input buying capacity of some of the SHFs:

Input suppliers bring it here and sell it in cash. If you add enough fertilizer to your farm, you will get better output; but our capacity limits us from using enough fertilizer on our farms. The fertilizer price increases yearly while our ability to buy is going down in reverse. For example, if the harvest was not good last year, where do you get the money to add enough of it for the next crop? There is no guarantee.

Seasonality of Repayment and Disbursement

The participants of the study conveyed that MFIs do not trust their capacity to repay the loan as they do not closely monitor their activities and as they also do not make proper capacity assessment before disbursing the loans. Hence, the disbursement periods are not tailored to our specific needs and the repayments are always expected to be made during the harvest while the prices of the outputs fall. The experiences of participant P01 revealed: “We informed them about the fall in price at harvest, but they tell us if you do not repay when you harvest, you would

finish it and later face repayment problem and put yourself and the family in trouble.”

This participant also mentioned about the favorable disbursement period:

If they would allow us to postpone the repayment, just for one month when we have difficulty to repay; and if they would give us the loan in December and let us start the repayment in February so that those who want to buy cattle can buy in December, the price of cattle is cheaper in December. They do not give us the loans at the right time. There is a delay, they give as so many appointments.

The study participants knew that the MFIs could not directly address the input supply problem; however, they need to appreciate the situation facing their customers as it impacts their portfolio quality. Therefore, it deserves the attention of the MFIs to couple this issue with other issues such as the weather-related problems that require policymakers and other development actors' interventions.

Weather Risk

All the study participants have mentioned the decline in farm productivity from time to time; especially, since five-four years. However, while the problems related to the erratic nature of rain and drought are clear to them, what triggers those changes and why rust and other diseases are affecting their farm are mysterious for them to understand; and they conclude by saying God knows why the land was cursed. Participant P01 replied:

Each year we are worried about the harvest. The produce is declining from year to year; we do not know the reason; we say among ourselves why God reduced the blessing. Previously from a quarter of a hectare, we used to get up to 12 sacks [a sack is about 65 kg.] of teff, ten quintals; now, it goes down to

six and five, and there are a few who get up to three quintals from a quarter of a hectare; this is worrying, I swear.

Participant P05 also explained about the decline in farm productivity and with the alternative to repay the loan:

The productivity is declining from year to year; I do not know the reason whether it is because of the fertilizer or because of the change in weather or not. During the “derge regime” [a regime that was changed 30 years ago], productivity was excellent; now, it has declined very much. It is worrying, but as I also have cattle, I repay from that source as well. There were periods when the crop failed. For example, last year there was a crop failure, I did not get enough from chickpeas; I do not know the reason the productivity of chickpeas has declined much, and it is not giving us; this year as well, wheat was not good, I saw it on 2 hectares, but I got 16 sacks only.

Participant P08 shared:

The weather condition is shaking the area/us. If we add enough fertilizer to the farm, we get a better harvest, the rain sometimes gets shortened, sometimes it over showers, in the past three years the weather was not proper. When it over rains, the farm will become full of weeds and burns the shoots; for example, chickpeas at flower stage, if there is excess rain, it is just dried without seed. Last year, I sowed on half a hectare and got nothing. So, taking this loan is to buy fertilizer and pay tax; this is how we live. We rent in the land, an acre of land depending on the condition of the plot, we give four sacks.

Participant P09 witnessed the change in weather and its effect from the long years of borrowing experiences:

I started with a loan of Birr 500 [at that times exchange it was roughly about USD 50] before 18 or 20 years back; I do not remember the exact year, but the value of Birr was good at that time; I borrowed Birr 500 in October and repaid in the next year in April. Next time, I borrowed Birr 1000, and I bought an ox by it. I used the ox for farming for about five or six years. At that time, money had value. We have been benefiting well; with inflation, we also continue borrowing Birr 2000, 3000, 4000, and two years back, I borrowed Birr 14,000. Previously we have been benefiting well from the loan. However, recently we are weakened; we are weakened because of the change in weather conditions from God. The weather conditions have started challenging us for the last five years; it battles with us.

Participant P11 suggested:

I borrowed to rent in the land, before two years, when you rent a hectare of land you may get up to 40 or 50 quintals of chickpeas. As there is a change in weather conditions, chickpeas farming is not rewarding. It is better to buy an ox and fatten to change one's life. Now the weather is changed either it over rains or fewer rains. How we borrow and how we use the loan mismatch and the loan we borrow become a burden on us.

Participant P17 who among the participants is renting in broader areas of land, up to seven hectares, stated:

In 2008 it was a drought, and in 2010/2011, it rained ice. This year in 2012 [participants use a local calendar, which is 7 or 8 years behind the Gregorian Calendar (GC)], there was excess rain, which I have never experienced before and affected our farms; wheat, what we would harvest under normal

conditions from 0.25 hectare was 10 to 8 quintals, but it was only 2 to 3 quintals that we harvested. It is seriously impacting me; I am not gaining capital; the area of the farmlands that I am renting has increased, but I do not acquire wealth, just expanded the farms. I harvested little from each plot; had I had better output I would raise my capital. Now it is just the working capital that I would get from the little harvest. I again buy inputs with that and again farm, no increase in my money.

The effect of the change in weather is the most shared experience by the participants; hence, let me conclude it with what participant P22 answered by comparing the benefit of the loan had weather conditions were not a problem:

Had the weather condition been good, the loan would be good; however, the input price is getting high, and when you prepared the farmland and could not get the inputs, it is a failure. If you used the inputs correctly and got a good harvest, it has a very high value and benefit; it is suitable for repaying the loan and supporting the family. If the weather was not quarreling us from the MFI angle, it is perfect. If you go and ask a rich man in the area, he will not lend you. Had the weather condition been good, borrowing, a one who has no land will rent in the field, and the other who do not have the cash to buy fertilizers and seeds would buy them; the loan is good. The problem is when the weather affects you; the loan harms the borrower.

The experience shared by all the participants regarding the impacts of change in weather on their livelihood requires the attention of the wider actors such as policymakers within the country and globally. However, the participants are also facing other risks, such as the price of inputs and outputs, which they would manage

if MFIs understood their problem adapt the seasons of the loan disbursement and repayment to the SHFs needs.

Seasonality of Loan Disbursement and Repayment

The study participants shared their experiences related to the disbursement and repayment seasons. The way they manage the seasonality issues varies depending on individual borrowers' experiences, capacity, diversities of their farming practices, and engagement in other income-generating activities. All agree that the arrangement of the loan term for a year exposes them to the supply crowd that exists at harvest. It is not only the loan repayment, but also expenses such as tax, seasonal festivals, and holiday costs are covered from the grain sells during harvest season. The additional challenge that some of the participants shared is after they sell produces and repaid the loan, when they borrow and want to buy food, the prices of grain rise. Participant P03 conveyed:

I partly use the loan to buy certain essentials for my family apart from buying inputs. The size of the plot I am constantly plowing is the same, which is small; I cannot produce enough from it to feed my family and repay the loan. What I produce almost repays the loan, and nothing is left for the family. During the harvest, the price of the grain falls as most people sell; after selling what I produced to repay the loan at a lower price, I later buy for consumption while it is expensive.

Participant P01 briefly reported: “We sell our produces to repay the loan at harvest when the price of grains is lowest. There is a saying that “the poor and the market do not meet”. They sell when it is cheapest and buy when it is expensive”. Participant P02 said:

For most, if they do not repay at harvest, they cannot store it until the price rises; most borrowers may finish what they produced and finally could not repay the loan. Had I not borrowed from the MFI, I would have sold my produce at a lower price during the harvest to buy fertilizer. Because of the loan, I stored the grain to sell it when the price is highest in September; it is when the Ethiopian new year is. Then I again save what I got from the sales at the Bank and repay the loan when it is due and receive another loan to purchase fertilizers.

Participant P12 briefly answered: “The price of outputs drops when we sell to repay the loan”. Participant P14 stated:

The repayment is on a specific date., if there is a late payment, it has a penalty. There are procedures to be fulfilled regarding disbursement; it may take two weeks or a month to release the loan. It is true the grain prices fall at harvest. Traders know the loan repayment period; thus, they push the prices down. We cannot violate the loan contract.

Participant 15 tried to figure out the price differences in different months of the year:

When the loan matures, we are forced to sell our produce at lower prices and repay. Had you not been pushed for the staggered installments, you sell your grain when you get a reasonable price for it, put your cash aside, and repay the loan when it matures. Look, at the current situation, in February and March. In March, the price of Teff reach Birr 3,400 a sack, before it reaches May; in December, it was Birr 2,500 to Birr 2,600, in February and March it was between Birr 3,200 to Birr 3,400, see where it reached; it is at this time that

you should sell. From May until the next harvest, there is no supply; it becomes very expensive. From May onwards, it becomes very expensive; however, the loan I borrowed matures in March, it cannot wait for me until May.

Participant P18 elaborated:

They tell us the repayment schedule ahead of time, and we accordingly make the payment ready. If I buy a sheep from the money left from the purchase of inputs and fatten it, I can pay the first installment, and the second installment I can pay from the harvest of wheat, teff, and soybean. They told us as you are farmers, you can pay it at harvest. As everyone from the area gets income from the farm at harvest and sell simultaneously, the price falls. The MFIs can do nothing; this is the time we agreed to repay the loan. What I would say is instead of waiting for the period that the price falls, it is better to save and pay in advance to reduce the loan balance.

As can be learned from the experiences of the study participants, the seasonality issues that the MFIs can address in consultation with the borrowers are negatively impacting the borrowers' return from the loan. The SHFs could improve the price advantage they may get at disbursement and loan repayment with closer monitoring by the lending institutions and adopt the terms and conditions of the loans on the actual practices of their operational areas. The risks facing SHFs are related to weather, input supply problem, and seasonality-related change in prices. These risks, directly and indirectly, impact the loan repayment capacities of the borrowers; hence, MFIs need to understand those risks and consider them in the loan approval decisions. These risks are not the only risks that the MFI clients face; however, almost all

participants repeatedly mentioned them as threatening their livelihood. The findings are as follows:

- Finding 1: The weather problem is the most critical challenge that the SHFs have been facing for the last five years and its consequence on the decline in farm productivity. Individual households' adaptation efforts can be supported through the MFIs, e.g., independent adoption of drought-tolerant seeds or construction of storm-resistant homesteads (Fenton, et al., 2015; Ullah & Khan, 2017). The literature gap is how MFIs operations will be climate-resilient to reduce the direct vulnerability of MFIs and promote climate resilience among their clients (Fenton, et al., 2015).
- Finding 2: Input supply problems such as not timeliness, poor quality, unavailability, and high price. Dichter (2014) posted that there is “no magic bullet” to solve the problems facing the poor; hence, there is a need for complementary non-financial services.
- Finding 3: The MFIs are not tailoring disbursements and collections to the actual situations of their customers. Seasonality of disbursement and repayment leads borrowers to a disadvantaged position in terms of market prices. The prices of outputs decline when they sell to repay loans, and for those who are not producing enough food, the price of grains increases when they buy food after borrowing. Bose (2016) recommended the need to learn from the practices of the poor to understand what constitutes vulnerability for them for adaptation or mitigation strategies of climate change. Fenton et al. (2017) identified the need for better product design and integration of microfinance with more comprehensive top-down

adaptation efforts for complementary services, as finance alone can lead to maladaptive outcomes via overindebtedness.

- Finding 4: The SHFs recommended to MFIs to coordinate with other stakeholders to address the adverse situations they encounter because of weather shock and input supply problems and the need to customize the products and services to their actual needs and objectives. Microfinance's effectiveness relies on the complementary services that customers get in addition to the financial services (Fenton et al., 2015). Fenton, et al. reported that MFIs have an incentive to reduce their beneficiaries' vulnerability; however, they did not say about the costs associated, the expertise required, and how the costs would impact the financial performance of the MFIs. Roy and Pati (2019) argue that there is no trade-off between attaining social objectives and making a profit by MFIs; however, size, age, and ownership of MFIs contribute to variations in commitment towards the double bottom line. Roy and Pati reported that the mature and small MFIs are better in attaining social objectives, but the new and large are better in sustainability, while the NGO category is more committed to the double bottom line than the non-NGO. Whether what Roy and Pati concluded from their study works in the contexts of the three MFIs operating in the areas I conducted the study would be seen in the next theme. Two of the MFIs are NGO affiliated, and the other one is local government affiliated. There is no privately owned MFI in the specific study areas, the four rural kebeles. The presence of these MFIs in remote rural areas is tantamount to their social objective; however, they are using

a business model, and they shall make a profit to sustain their operations, pay interest on savings and loans. They mobilize savings and borrow from commercial banks to on-lend to the SHFs.

Theme 6: The Effects of Borrowing

Table 7 shows the subthemes and codes for Theme 6.

Table 7

Subthemes and Codes for Theme 6: The Effects of Borrowing

Theme	Subtheme	Code
The Effects of Borrowing	Changes in asset position	- Rent-in land
		- Savings
		- Build asset
		- Returned land
		- Benefit
	Debt trap	- Ruins borrowers' lives
		- Displacement
		- Debt cycle
	Listening to customers	- Rent out land
		- Proper capacity assessment
		- Adapting the loan terms and conditions to the borrowers' capacity and needs
		- Closer monitoring and support
		- To build trust and sense of cooperation between MFIs and customers

Note. MFI = microfinance institution.

Changes in Asset Positions

The purpose of this research is not an impact study; however, the interviews conducted with the participants allowed me to see the effects of borrowing in changing their asset positions. During the interviews, I learned from how they answered the interview question related to the impact of borrowing on their living condition by comparing their status with the preceding year. Hence, I should ask them to tell me by comparing when they initially started borrowing some of them have

borrowed for about two decades. Despite the smaller loan size that the MFIs are lending, that most of the borrowers complain about it, those who have above one hectare of farmland have benefited from the loans until the change in weather conditions impacted the productivity of their farms. Participant P21 shared:

The first loan, I was happy about the first loan; I had nothing at that time; when I bought a 50 kg grain; I used to retail it in cups, then if I got two or three cups extra after I covered my cost; I used to use that to feed my children. I had six children at that time; I got one after that. By the first loan, I bought fertilizer, improved seed for wheat and pesticides. I used to rent out my land after the death of my husband. Because of the loan, I returned 2 hectares, and I requested the support of others through “Jigii” [Is a system where people living in a villager pool human power for a specific task, it could be on farming or constructing a house. What is expected of the one who requested the support is to prepare food and drinks for those who have participated and also in another round of call for the support she/he shall participate.] and farmed my land and got a good harvest. I repaid the loan and bought a pair of oxen and kept food for my children. Regarding the second loan, I borrowed Birr 1,100, it has been increasing by Birr 2,000, and like that, I reached Birr 15,000, and I was changed and stopped borrowing. By the last loan, I bought a milk cow, that cow is still there it calved three times; and the remaining amount I bought fertilizer and seed. Invariably, when I borrow, I use it to buy fertilizer and seed. I bought the cow for Birr 560; it was a calf; after three years, it calved. The first one had that benefit. After that, I withdrew from borrowing.

Participant P21 answered:

I benefited much, raised my children, improved my living condition, constructed a house of 42 iron sheets, a good house, I have cattle as I told you, look these are the benefits; borrowing and using it effectively means these changes.

Participant P23 reported:

The loan is good for those who could carefully use it; for those who do not know how to use it, it devastates them. I used to rent out my land, now I returned my land and started farming it. I used the loans to buy fertilizers and seeds; when I got better, I repaid the loan and stopped borrowing.

Participant P05 conferred:

Maybe a little benefit, the cost of land has increased, you pay to weed the farm if you do not have a farmer, you pay for the camel to till the land or the salary of the farmer, there is no good productivity these days; it has no benefit, it is just a burden. I can say the benefit is zero.

Participant P08 stated: “Now, many of us are getting upset on ourselves or regretting about starting borrowing from the MFIs. Every year, we exhaust and sell what we produced for the loan repayment”. Participant P11 suggested:

The loan from the MFIs, if you use it properly, the year we got a good harvest it is beneficial. For example, if you borrow and buy an ox, inputs, and rent in the land. If the crop is good, you can feed your family and repay the loan by fattening and selling the ox itself. This depends on the borrower's plan; if the MFI reviews its approaches and advises the borrowers, the loan has value. The

MFI's loan is better than the private lenders, which is Birr 2000 for Birr 2000.

As to me, I have benefited.

Participant P22 answered:

If you go and ask a rich man in the area, he will not give you. Had the weather condition been good, borrowing for one who does not have land would rent in the land, and the other who does not have the cash to buy fertilizers and seeds would buy them; the loan is good. The problem is when the weather is not conducive; the loan harms the borrower.

Participant P12 replied:

It does not transform you; if we produce this year, we repay by selling it. We utilize it to rent in the land, farm, repay, and borrow again, and I rent in the land with it; there is no other improvement. In its cycle, the repayment will come, sometimes it may require us to repay from other produces. You do not find someone who changed to a better standard.

The participants' experience conferred the differences among them; likewise, the effects of borrowing vary from person to person; to quantify how many of the borrowers have benefited, how many are disadvantaged, how many have not reported any change may require a survey. Regarding the effects of borrowing on the living condition of the participants, the negative impact is mainly associated with the external weather risk; otherwise, those who borrowed many times witnessed changes in their assets. A few who have been struggling to sustain their family before they started borrowing had fallen into a debt trap, and they have difficulty withdrawing from borrowing.

Debt Trap

The experiences of the SHFs who participated in this study depicted the challenges most are facing to stop borrowing once they started borrowing. Those who can stop borrowing are the ones who produce surplus or repay the loan from off-farm activities. Participant P07 answered:

There is no change; it is about borrowing and then repaying, no change in my living condition; I borrow and repay. What I produce, I use for loan repayment. If I sell all that I produced and repay the loan, how can I stop borrowing? If I stop borrowing after selling what I have for repaying the loan, where do I get the cash to buy fertilizer and other input? We are in dire condition; life is complicated; we are living in a harsh situation. Every year we borrow and then pay again and left barehand and borrow again. If MFIs cancel the loan repayment or reduce the regular savings and interest rates, we may get some relief. Otherwise, I cannot leave the borrowing cycle; how can I? I could not. How can I survive the year I stop borrowing?

Participant P08 explained:

If we want to stop borrowing, we have nothing left to buy fertilizer; how can we break this cycle is everybody's worry. Had we had the capacity to go out of this cycle, we would buy the fertilizer and pay government tax by selling grains when the price is better. Now we get into the trap, and there is no way out of it and continued borrowing. When a sack of teff is sold for Birr 2000, no, even it is not more than Birr 1800 when everybody is selling to repay the loan, later it would be sold for Birr 3000. So, the debt is heavy to bear. What change it let us down.

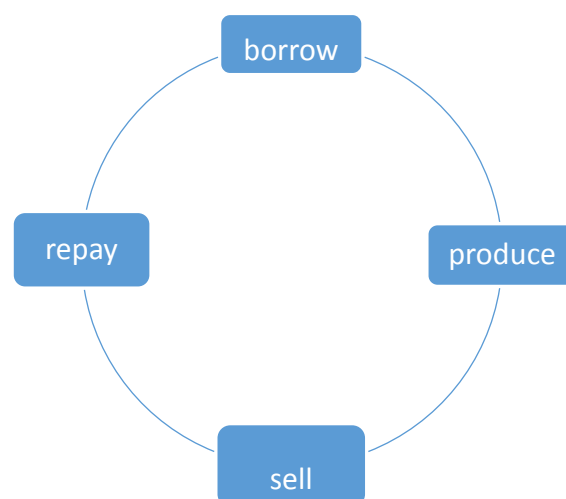
Participant P04 answered:

The harvest was not good; the heavy rain affected us. It washed out the fertilizer we put into the farm; we could not put additional fertilizer; hence, the harvest was not good; anyway, we repaid the loan and received a new one. With the new loan, I again paid the rental cost to the landowner and put the leftover amount to buy fertilizer.

I presented this section using diagrams to thoroughly explain the whole aspects of the purpose of the loans that the SHFs borrow from MFIs. The SHFs can be categorized depending on their capacity to produce from their farmland into three, and their loan repayment capacity can also be seen along these categories. In the first category are those who do not produce enough food to feed the family; P03, P04, P07, and P22: Most of the participants are in the second category, who have subsistence producing, except P02, P14, P15 who would be in the third category, surplus producing farmers.

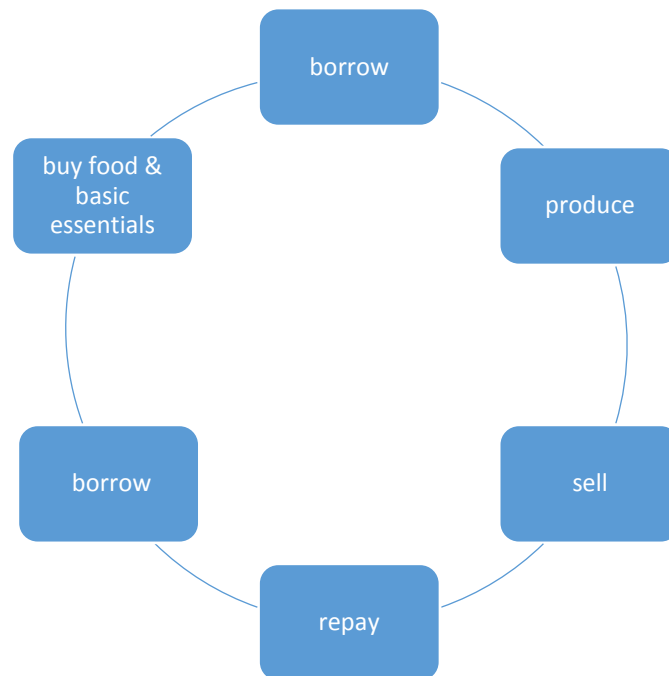
Figure 1

Subsistence-Producing Farmers



SHFs in this category do not get a price advantage by storing produces. They are in the cycle of borrowing, and it is hard for them to break it; unless they borrow, they cannot produce the next harvest as they have no cash to buy inputs. Farmers in this category have a critical problem of repaying their loans if there is a crop failure. The harvest failure leads them to sell their means of production like ox or cattle to repay the loans.

According to the participants, the loans given are progressive or higher from one cycle to the next; however, the prices of input increase from year to year. And the productivity of land is declining for the reason they do not know. It needs a study to understand the natural causes. The participants have difficulty quantifying how much it costs them to produce on a specific plot of land. How much the harvest would be in an ideal situation could not be quantified as well. Although they knew the yearly decline in productivity, they continue farming for having no alternative, regardless of the uncertainty of how much they are going to profit from it. MFIs may address the problem of the farmers in this category through proper demand or objective-driven financial services. Training would be required both on their farming practices and financial literacy; otherwise, there is a chance for the farmers in this category to go to the next worst category of overindebted poor farmers.

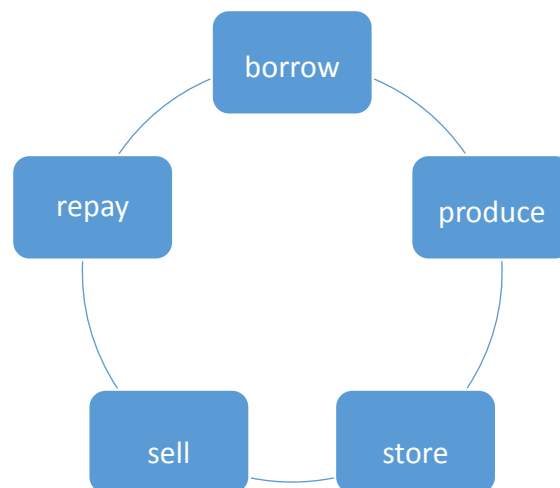
Figure 2*The Poor Household*

In Figure 2, there may not necessarily be a split between the two loans; if it is going to be just a loan, in this scenario, they may have difficulty using it to buy enough food and essentials and the required input to their farm. Here there are two challenges; one, already the loan that the MFIs approve to them is minimal because of their repaying capacity or poverty situation. Second, the lack of enough input to their farm impairs the expected harvest volume, as the productivity will already be less without enough or poor-quality input supply. Therefore, there is a high chance of overindebtedness and even exclusion from the borrowing opportunity in the subsequent period. Farmers in such category would be forced through the peer pressure from other group members and the actions taken by the MFIs to rent out their land to repay the loan or for the lack of buying input and be evicted from their land.

The farmers in this category would also face the disadvantage of selling the little they produced while the price is low and forced to buy food for their families while the price increases. Here what percentage of the population is in such a situation and what would be done to address their problems require a further study. The farmers in this category may require special treatment, training, other supports that may bring them to a springboard that allows them to be viable for a quality financial service.

Figure 3

Surplus-Producing Farmers



The farmers in this category produce a surplus, sell a small amount if required to repay part of the loan immediately after harvest, as they are engaged in mixed cropping practices. They can sell grains that could not be stored for a longer time immediately at harvest and repay part or all of their loans. They can hold part of the storable grains until they would get higher prices for them. They are not urged to sell without getting price advantages. Mostly, they borrow to expand farming by renting the land from the poor farmers; or farmers that are not investing in their farmland. Such farmers do not have worries about loan repayment. They complain about the size of the loans, it is not taking into account their repaying capacity, and they say

they can borrow higher amounts and it is less risky to the MFIs. The farmers in this category require products and services to create employment opportunities for the local community. They can grow to agro-industry. Training them if needed, organizing them into groups to pull the investment capacity of similar farmers could be considered.

Listening to Customers

In general, there is a clear understanding by the SHFs that loans are unconditional and shall be repaid, no dilemma in that. Such understanding is a tremendous advantage for financial institutions that would deliver quality financial services by assessing the capacities of the borrowers; there is also a good experience from both who failed by borrowing and who benefited from it. It is a significant asset for financial institutions. As I learned from the experiences of the SHFs, without listening to them, understanding their lived experiences through closer monitoring and support by the MFIs, the initial objectives of financing them, which was to improve their conditions, turned to displacement and appropriation of those who do have little or no option. Participant P04 stated:

They do not accept what we tell them. Even a person spoke to them lauder saying what do we do with little money you lend us; it is not enough to buy fertilizer, rent-in land, buy an ox, what do we do with it. They say it is enough; use this properly. They do not listen to us. They do not make any change; they give us what they already decided. We do not get what we need; that is why there is no change in our living. Some persons borrowed for five-six years, I started in the last two years.

Participant P08 explained what it costs him to save as per the instruction of the MFI, monthly:

Instead of forcing us to save monthly, it would be better to tell us when to pay the loan in advance, like three times a year. I do not want the monthly savings; if I do not have cash in my pocket, I shall sell grains 25 kgs or 50 kgs, for that I will pay for transport, car or cart, drinks, and food, it is an additional cost; it also consume my time, I would have worked on my farm. Therefore, it would be better to repay when we got a reasonable price for our grains, which I prefer. This monthly savings is exposing us to additional costs.

Participant P05, who borrowed two loans with his spouse from an MFI, explained the inflexibility:

They decide the loan size. For example, this year, the CO told me to take Birr 12,000 each with my spouse. I told them we do not need Birr 24,000; what we need is only Birr 15,000; give me that, I said to the CO, but the answer was, I could not do that it is a policy, the maximum you can borrow is Birr 12,000. Then, I just received the Birr 12,000 and let my spouse stop borrowing.

Participant P09 conveyed:

We need to shift from farming to fattening. Farming is devastating us, as it is directly linked with the weather conditions. It is better to fatten two to three oxen; had the loan be available, that is better. If you buy in September, you will sell them in December; if you again buy in December, you would sell them in April. If you buy younger oxen for fattening, some persons benefited from this activity. Furthermore, milk cows, those who have milk cows, have

also benefited. We shall not borrow for farming from now on, as it is directly linked with the weather.

Participant P11 stated:

There is no room for us to request the loans as per our needs and objectives; we shall accept what they set for us, and we are obliged to enter into such a contract; we have no say on its terms and conditions. The repayment is enforced as per the restrictions set by the MFI, and we shall sell our grains when the price falls. When they disburse the loan at their convenience in March, we have no right to tell them to give us as per our requirement. You see, the MFI is lending for farmers to benefit from it and improve their conditions instead of borrowing Birr 1000 for Birr 1000 at an exorbitant interest rate from the local money lenders. However, they are deficient in training the borrowers on how they shall utilize and repay the loan. The MFI should initially train and remind the borrowers on the monthly meetings what the cost of default would be so that the borrower would understand and, in effect, inform and teach their family the benefit and the cost of borrowing.

Participant P15 reported:

Lack of adapting to inflation. That is why people are complaining; some want to borrow for fattening, others want to buy an ox for plowing. I have oxen for farming and milk cows; that is why I borrow by evaluating my capacity to purchase fertilizers, improved seeds, and different chemicals. I need it for these purposes—those who want to borrow a higher amount do not address their needs. The loan product is one fit all; regardless of the intention of the

loan, the MFIs have fixed ranges for each cycle, and the loan size is smaller than what most borrowers need.

Participant P18 suggested:

As we are farmers, if they would lend us a higher amount up to my capacity and the guarantee I pledged, the farmland, either for sheep or poultry or oxen, and for a more extended period of four to five years, we would benefit. Now, they give us today and request us to repay immediately at harvest and again reborrow; there is an Oromo proverb, “baduu raasuu; mal baasuu?”

[traditionally, people sway fermented milk and make butter out of it; once the butter is separated, you will get a liquid cheese. By swinging the liquid cheese, you never get butter. It is to say: “They sway a liquid cheese; to get what?”] this loan is like that. We can benefit if they give us a higher loan for a more extended period and inform us how much we shall save and pay part of it every year. The current one, they give us this year for buying input, and again we repay and again borrow for the following season. It seems it is not harming us, but it is affecting us; we are taking it as it is better than begging the local moneylenders.

The lived experiences shared by the participants had the MFIs listened to them would make the microfinance program work both for the SHFs and the MFIs themselves.

The current supply-driven approach, which does not consider the differences in capacities among the SHFs, is costly both to the MFIs through default and to the borrowers at worst case displacing those who have difficulty to repay by using excessive forces of enforcing loan repayment. Theme 6 encompasses the major

controversial issues related to the benefits the poor are getting from micro-loans. The findings also address the research gap. The findings for the theme are as follows:

- Finding 1: The SHFs can at least be categorized under three depending on how they are experiencing loan repayment: a) the subsistence producing, who can feed their family from their produces; these types of farmers cannot store from their produces for a price advantage they shall sell the outputs immediately to repay the loans b) the poor households, who cannot cover the family food from their farm income; however, shall sell what they produced to repay the loan at harvest and face difficulty feeding their family such SHFs buy food when the price increases later c) the surplus producing, who can store what they produce for price advantage. The terms and conditions of the loans that the MFIs design shall consider these differences, but it does not consider them in practice. Elhadidi (2018) identified population density, attitudes to debt, group cohesion, enterprise development, financial literacy, and financial service providers as factors that affect microfinance's efficacy in improving household income. Furthermore, Dutt and Sharma (2016) identified household characteristics such as expenditure, land ownership, number of children, and the number of income earners in the household also to impact credit use. These arguments support the need to understand what microfinance implies to the borrowers and learn how they know it.
- Finding 2: The benefit borrower SHFs got from the loans depends on many factors such as their land size, the weather condition (their farm is rainfed), their careful use of the loan, and experiences in loan utilization.

The benefits reported by some are that the borrowing improved their housing condition, increased their cattle numbers, and returned the land they rented out. A few also reported that they are relieved from the debt trap from the local moneylenders at an exorbitant rate; as a result, their living conditions are improved. On the contrary, some also reported that borrowing had not changed their conditions except getting worried about borrowing and repaying from year to year, without any tangible change in their living condition. The differences of these findings from the previous research are that results were generalized while varying from person to person. Various studies show positive direct and indirect impacts of microcredit on the borrowers' income (Choga & Moyo, 2016; Dutt & Sharma, 2016; Elhadidi, 2018; Fenton et al., 2017; & Mariyono, 2019). However, the increase in income may not be directly translated to the typical welfare indicators such as household income, consumption, food security, asset ownership, or community participation (Karlan et al., 2017). Elhadidi (2018) identified the different factors that affect microfinance's contribution to improving households' income; and the need to have an integrated approach for better effect of microfinance on the income of borrowers.

- Finding 3: A few also reported that they regret starting borrowing as they are trapped in debt. They repay the loans from what they produced and shall borrow to produce in the next season as no profit lets them buy inputs without borrowing for the subsequent harvest. A few also reported that even after they sell and repay the loan from what they produced, the

remaining amount is not enough to feed their family; hence shall buy food from what they borrowed to buy agricultural inputs. This finding is consistent with Ashta et al. (2015) that reported that while the mission to help the microentrepreneurs succeed in eradicating their poverty is lost, only the mission of giving and recovering loans is retained in many organizations. Apart from the controversies on whether microfinance helps reduce poverty, the model itself is being challenged due to the change in approach with commercialization (Haldar & Stieglitz, 2016; Zainuddin & Yasin, 2019).

- Finding 4: Participants reported that many were displaced from their land, while those caught by the police were jailed for having no assets to repay loans. An impact study conducted in certain parts of Ethiopia by Weldelessie (2017) depicted that microfinance helps more to smoothening consumption than reducing poverty. On the contrary, Banerjee and Jackson (2017), based on an ethnographic study they conducted in three villages of Bangladesh, found that microfinance exacerbated the poor borrowers' economic, social, and environmental vulnerabilities. The findings of my research are consistent with both study results as its effect varies among borrowers. Again, generalization of results was the flaw in most of the study reports.
- Finding 5: Some participants reported that repaying the small loans they borrowed from MFIs is not a problem, but the loans are not transforming their conditions. This was consistent with Elhadidi (2018), who posited that many established clients have not graduated from the scheme and

become financially self-sufficient despite the significant impact of microfinance on household income. This finding was in line with the borrowers in the category of surplus-producing farmers. On the other hand, Hassan and Islam (2019) posited that despite a significant improvement in the borrowers' lives, it is still confusing as to whether these people have managed to cross the poverty line or not.

- Finding 6: The SHFs complain that the MFIs do not listen to them, although they have the experiences to share on what would work better for them from experiences that would save the MFIs from losses associated with default and high portfolio at risk. This finding is consistent with what Mia et al. (2019) revealed regarding the problems of neglecting the poor's interest in loan design. Labie et al. (2017) suggested the need for flexibility and Nadzti et al. (2017) complemented that flexibility alone is not enough if diversity among the borrowers is not taken into account, and Yang et al. (2018) have identified differences among the households. Rathore (2017) stated that the design of microcredit contracts for small-uncollateralized loans remains a mystery. He also stated that regardless of a great deal of interest from economic theorists from the inception of microfinance, there is a gap in validating microcredit's economic contribution with empirical research. Haldar and Stieglitz (2016) argued that policymakers and theoreticians widely misinterpreted microfinance.
- Finding 7: The study participants reported that they know their obligations to repay the loans and that the loans they borrowed are unconditional and shall be repaid. However, external factors such as weather problems, input

supply problems, and unfavorable loan conditions challenge their repayment decisions and capacities. However, the MFIs are meant to reduce poverty or any other similar goal; Khan et al. (2017) argued that the only way to achieve the poverty reduction goal is through subsidized microcredit's old poverty lending approach. Dichter (2014) stated that "...there are no magic bullets and that the development industry's tendency to keep looking for new ones is misguided and, in the end, can be harmful" (p. 90).

The sixth theme is vital to sharing the lived experiences of the SHFs who participated in the study regarding how borrowing affected their living conditions. The experiences shared by the participants revealed the varied effect of borrowing on their situations; some benefited from the loans, some did not report any change, and a few depleted the little assets they had and were trapped in a debt cycle. The experiences conveyed here showed the flaw in the generalized critiques about the impacts of microfinance on the lives of the borrowers. Various studies show positive direct and indirect effects of microcredit on the borrowers' income (Choga & Moyo, 2016; Dutt & Sharma, 2016; Elhadidi, 2018; Fenton et al., 2017; & Mariyono, 2019). The differences in the findings of my study from the previous research are that results of prior research were wrongly generalized.

I found varying effects of borrowing from person to person because of many factors, including the difference in the borrowers' economic status before joining the program that determines their capacity to absorb shocks they may encounter during the borrowing cycles. If the borrowers use the loans for productive purposes and the returns from their investments are positive, it may not have negative consequences.

However, in actual situations, some cannot fully invest the loan they borrowed in productive activities; they already need cash for emergent family problems. Again, the borrowers' external risk absorbing capacities determine how they repay the loan they borrowed regardless of the shocks they encountered. Therefore, studying the impacts of lending on the SHFs livelihoods, income, family, well-being, and other factors need to be categorized into three, depending on their status before borrowing.

Accordingly, the terms and conditions of the loan SHFs borrow from the MFIs need to be tailored to the three categories, the surplus producers, the subsistence farmers, and the poor who cannot produce enough food for the family. The participants' suggestions are to get loans with proper terms and conditions that consider the peculiarities of their capacities and objectives. The MFIs can learn from the participants' experiences that they know what works for them and what does not work; they already gained experiences from their failures and others. Hence, if the MFIs would listen to them, they can design profitable products and services that benefit both. As Ashta et al. (2015) reported, MFIs lend either from the capital, savings, or borrowing; all have owners; hence, they cannot excuse loan repayment. Likewise, the study participants knew that they should unconditionally repay the loan they borrowed from the MFIs.

Summary

I conducted this qualitative, phenomenological study to explore and explain the lived experiences of SHFs who struggled to make loan repayment decisions of the loans they borrowed from MFIs. I generated a wide range of data from the interviews, and I reduced the emerged themes from the coded data for the sake of time and scope to focus only on answering the research question. The emerging themes I selected for

this study included the need to properly assess the capacities of the SHFs as it is the fundamental starting point for the MFIs to determine the terms and conditions of the loan as per the borrowers' objectives and capacities. The consequences of lack of proper monitoring and implementation of the group lending discipline in terms of loan utilization and repayment led to eroding trust between the MFI and the borrowers and among the group members. The participants consider MFIs as they do not care about how and from which sources borrowers are repaying the loans, if it is repaid at any cost.

The loose monitoring and follow-up by the MFIs and the group leaders let the MFIs be irresponsible to the challenges facing SHFs related to the weather and other risks. Significantly, the risks associated with the change in weather conditions and its impact on the participants' loan repayment decision had never been exaggerated; it was evident from the responses of all participants. Most of the participants shared the decline in farm productivity from year to year. The change in weather dragged them to the level of difficulty to withdraw from the borrowing, as they repay the loans from the little they produced, and their hope to farm the next time relies on whether they would get the MFI loan or not. In summary, the key findings were: The capacity assessments are informal and inadequate; the SHFs do not have options; there are no customers follow-up and support among the group members and by the COs; the weather problem is the most critical challenge that the SHFs have been facing; input supply problems; the loan repayments are not cashflow-based or do not consider the costs associated with borrowers' effort to meet the scheduled repayments; and the effects of borrowing vary among the participants; some benefited, some did not, and a

few were adversely impacted. I will further explain and analyze the results of the study in the next chapter.

In chapter 5, I cross-checked the analysis with other similar research findings as discussed in the literature review section. The next chapter also encompasses topics on the study's limitations, recommendations for future studies based on the learning of operationalizing this research, and finally present my conclusion of the study.

Chapter 5: Discussion, Conclusions, and Recommendations

My aim in conducting this qualitative phenomenological research was to learn from lived experiences of 23 borrowed smallholder farmers related to repaying loans from microfinance institutions in Akaki District, Ethiopia. In the searches I made to find related research in terms of methodology, topic, and location, I did not find any research that applied the same methodology for the study topic I chose. I can say its peculiarity and the lessons learned from the participants' lived experiences make it useful both for the practice and academia. I analyzed the rich data I collected from the face-to-face interviews with 23 SHFs to learn from their lived experiences regarding their decisions related to repaying loans from the MFIs. The themes that emerged from the data are selected based on the scope of the study, the conceptual framework I used for presenting the data, and their relevance to answering the research question. Accordingly, I selected six themes I found relevant to explain the finding of the study.

The first theme is assessing the loan applicant's capacities for loan decisions. The second theme that emerged from the data helps to understand what other options those SHFs that are not satisfied by the terms and conditions offered by the MFIs have. The data categorized under the third theme depicted the lack of customers follow-up and support by the COs and the group leaders. Theme four, although it cannot stand alone, it is a pivotal theme to understand the core topic of the study, which is learning the essence of the loan repayment decision of the SHFs. The fifth theme is the risks facing SHFs related to weather, input supply problem, and seasonality-related change in prices. And the sixth theme is vital to sharing the lived experiences of the SHFs who participated in the study regarding how borrowing affected their living conditions.

Interpretation of the Findings

The studies on the impacts of microfinance on poor households have been polarized as positive or negative. As a result, factions have been created as proponents and opponents of the model. Likewise, the lived experiences of the SHFs revealed that the MFIs design products and services from the angle of such generalization without considering the differences among the SHFs. However, there are differences among the poor, and those differences need to be acknowledged. Any interventions that did not closely study and understand those differences could not bring the expected positive results. The results cannot be generalized, as the differences in capacities before the interventions contribute to the outcomes. As the participants' experiences revealed, the generalized study results do not have a holistic view of what happened. Likewise, the one size fits all product and services design approach used by the MFIs to address the diverse financial needs of the SHFs have caused undesirable outcomes. Some benefited, others have not experienced any change, and the loan negatively impacts others. The study result showed that some of the low-income borrowers who did not repay their loans were displaced, and others have also fallen into debt traps; this finding is in line with the previous study by Banerjee and Jackson (2017). They found increased vulnerability due to indebtedness that leads to loss of land assets and erosion of social capital resulting from diminished bonding social capital.

My aim in this study was to learn from the lived experiences of the SHFs in Akaki District of Oromia regarding repaying loans they borrow from the MFIs. Different studies reported the adverse effects of repaying the loans from the MFIs; in the worst cases, suicide is associated with difficulty to repay loans the poor borrowed

from the MFIs. The overindebtedness through multiple borrowing leads borrowers to organ trafficking and suicides (Associated Press, 2012; BBC News, 2013; Dattasharma et al., 2016). This study tried to answer the following research question: What are the lived experiences of SHFs regarding loan repayment decisions for loans they borrow from MFIs in Akaki District, Ethiopia?

I interpreted the findings across the themes that emerged from the interviews I conducted with 23 SHFs in Akaki District, Oromia National Regional State, one of Ethiopia's ten states. It is the largest state in terms of land size and population. The capital city of Ethiopia, Addis Ababa, is in Oromia and the Oromo's call it Finfinnee. The study area is mainly known for producing "Teff", a crop for making "injera", the staple food in Ethiopia. In recent years, it has become popular in western countries for it is proved gluten-free energy food. Regardless of the vital crops they produce and their closeness to the capital city, 50 to 72 km, they are highly marginalized, participant P06 shared:

Here we are drinking dirt, condom sewerage from the Capital City, Addis Ababa. Answering your question is getting hard for me; we are not considered human “Gaffii Kessan hata’u jenne sinidebisne malee nuti gutuu namaa mitii”. To be considered human, you need to keep yourself clean, get water for your cattle and even chicken. Today, if we need water to drink, there is no water. Getting a bigger loan, what do I do with it? If you fatten an ox, you should keep it clean, wash it, feed it, and you need to wet the forage it requires water; we even do not have water to wash our hands.

As described in Chapter 4, I organized the presentation of the study's result into six themes; accordingly, I used similar flows for presenting my analysis and

interpretation of the data generated from the transcripts of the interview. I used In vivo coding to create more than 1,108 codes that I categorized into subthemes and themes. Finally, I presented six themes that better explained the lived experiences of the SHFs regarding their loan repayment decision as below. The hands-on approach I used, starting from person-to-person interviews in the participants' location, using their language for the interviews, and manually transcribing and coding the data, gave me a greater understanding of their lived experiences. Furthermore, being a microfinance practitioner let me understand the gaps from the angle of the MFIs in the efforts they make to address the poor with financial services delivery.

Theme 1: Assessment of Applicants' Capacity for Loan Decision

It looks that the applicant's capacity assessment is fundamental for deciding the loan size and its terms and conditions. However, it does not make sense for both the loan applicant and the assessor if there is a common understanding that the assessment does not impact the loan size and its terms and conditions. The MFIs, instead of having proper tools and means to understand the actual situation of the borrowers from the applicants themselves, approach them with predesigned terms and conditions. The design is based on generalizing the SHFs as they are similar, and a one size fits all product can address their needs. Dutt and Sharma (2016) identified household characteristics such as expenditure, land ownership, number of children, and the number of income earners in the household also to impact credit use. In this study, as the participants' demographic data show, there are differences among them.

The assumption used by the MFIs is that the SHFs need small loans for buying inputs and then repayment of them at harvest. However, the SHFs differ in capacity,

needs, and borrowing objectives, and farming practices are diverse; their varying shock-absorbing abilities vary. The COs are not given the mandate to understand the actual situation of the SHFs and adapt the products to their needs. Hence, they do not listen to the SHFs that tried to explain their actual problems. “If impoverished communities are to be empowered, we need to provide opportunities for chronically poor communities to tell their own stories about their real situations and discuss their real needs. We can start to empower them by listening” (Banerjee & Jackson, 2017, p. 87).

The SHFs, as they do not have other options, they accept whatever the MFIs offer them. The participants have already shared that the MFIs give them loans as per their policy; they do not change them. They said the COs already knew in advance how much they would lend us. Even they said we do not understand why they are asking us about our assets; when COs ask us, some applicants are not telling them the truth, and they do not have the means to substantiate them. Therefore, the assessment effort that the COs make, which is more to control multiple borrowing and understand the borrower's repaying capacity in case of crop failure, depends on unsubstantiated data they get from the applicants. Therefore, building trust between MFIs and borrowers is required by adequately listening to each other and giving value to the experiences of the SHFs.

The traditional microfinance approach that used to rely much on the assessments made by the group leaders as they ultimately bear the costs of members default among themselves is replaced by enforcing repayment on individual defaulters through a coercive loan enforcement approach. This finding is supported by previous research that stated MFIs use coercion as a dominant tool to enforce repayment and

sustain the model (Halder & Stieglitz, 2015). This approach led group members to loosen their relentless member selection efforts and let them come together to apply for loans. However, there are differences between the women and men groups; the former is more serious in assessing one another's capacities and support. The practice of eroding the group members' roles costs the MFIs to follow the legal proceedings for loan repayment enforcement, which is time-consuming and expensive. The current approach is contrary to the initial microfinance model, as Postelnicu and Hermes (2018) reported. They posited the success of a large part of the loan relationship between MFIs and their borrowers depends on the social capital those borrowers can bring into the contract.

The number of MFIs operating in the study area before the study was four, and during the study period, only three were active. Furthermore, from the four Kebeles included in the study, two of them have left; one of the two MFIs is getting most of its loans back through legal proceedings; the second one is losing a significant portion of its loan portfolio. However, in the Kebele, where more than 50% of the study participants live, three of the MFIs are active; but participants consider them similar in their approaches. There is not much competition among the MFIs, and participants do not feel they have other options; because, the SHFs said, their terms and conditions are the same.

Theme 2: Applicants' Options for Negotiating the Loan Decision

I tried to check with the study participants why they do not ask the MFIs to adapt their products to their needs, and the replies from some of them were we do not ask, we accept what they offer us; the rest responded, we asked, but their response was take-it or leave-it. My follow-up questions were, why not they tried with other

MFIs, and their responses were clear that they are all the same. Therefore, if they decide to leave an MFI, it is to the local moneylenders, which is incomparable and the worst according to the participants. One thing the poor who have been borrowing from the local moneylenders mentioned was, because of the loans from the MFIs, they are relieved from the other cycle of borrowing at an exorbitant rate. However, they are in another cycle of borrowing or the MFIs debt trap, relatively at a much cheaper rate. The three MFIs operating in the study areas are NGO and local government-affiliated ones; however, unlike Roy and Pati (2019), I did not observe commitments to the double bottom line. What may be considered as a contribution to the social objective by these MFIs is their presence in these remote areas, which is now not attractive for the privately-owned for-profit MFIs.

The study participants suggested improvements in the approach MFIs currently follow regarding determining the terms and conditions of the loans. The MFIs know that they have stable demand for loans in rural areas because of a lack of competition. But the MFIs need to be loyal to their customers, and their services must be designed based on the actual needs of their targets in the rural areas. The displacement of defaulters from their places is a good signal for the MFIs to stop and think about how their presence is costly to the community that does not have options. With the increase in competition, they cannot be preferred institutions. In the study area, unlike the research results reported in other countries where there are stiff competitions among the different MFIs operating in a specific location, there is no competition on lending to the SHFs. Unlike the study area, Feldman and Geisler (2012) reported MFIs pressure customers to take and repay loans with limited earning capacity. I found from the participants' experiences that there is no pressure from the

MFIs to lend. Still, because of the individual borrowers' problems, they borrow with limited earning capacity and fall into a debt trap or are displaced from their places at a worst-case.

Even if the study participants did not report the multiple borrowing from the MFIs, a couple of them mentioned that a husband and a wife borrow from two MFIs, except participant P05 shared that two of them have borrowed from an MFI.

Additional cases are, there are in-kind loans, like renting-in land or ox power, in addition to the loan they borrow from the MFIs. A participant also mentioned that the MFI loan is repaid by taking from one who received the loan ahead of them and refunding the person by getting the loan from the MFI. All these tricks are witnesses for the products and services delivered by the MFIs are not based on the actual assessments of capacities and needs of the SHFs.

Theme 3: Customers Follow-Up and Support

More than 50% of the study participants have borrowed from MFIs for 10 or more years. The participants conveyed from their lived experiences the changes they observed in the approaches of the MFIs, related to customers follow-up and support. The follow-up and support have been both through the COs and the group leaders. Although it was not clear from the participants why the COs have reduced their closer monitoring and support of the borrowers, contract enforcement through litigation gave them the confidence to get the loans repaid. Regarding the decline in the group leaders' involvement in members' follow-up and support, participants have identified the lack of capacity by each member to share the debt of another fellow member, as everyone is struggling to repay their debt under challenging conditions. MFIs have also understood this situation and sue individuals on their respective debt balances

regardless of the loan contract signed by each member to be jointly and severally responsible for a defaulted amount.

The COs and group leaders' negligence contributed to the misappropriation of loans by a few borrowers; participants shared that those who do not know how to use the loan and the ones who enjoy it from the date of disbursement have faced critical problems, and some disappeared from their areas. However, [Xiong et al. \(2018\)](#) posited that apart from the reluctance of the credit officers and the microfinance system, the indivisibility of consumption and production of microfinance targets make the follow-up difficult. The reports of Hassan and Islam (2019) support the facts I found from the participants' experiences, which was the field staff do not pay any attention to the borrowers' misappropriation of funds because they only concentrate on recovering the money.

Theme 4: Loan Repayment Experiences

The loan repayment experiences of study participants are mainly determined by the repayment options that the MFIs have given them, the borrowers' sources of repayment, and the repayment enforcing approach used by the MFIs. The worries the SHFs have in loan repayment also depends on how the approaches that the MFIs use without taking the actual situation of the borrowers that also vary depending on their economic status, the way they used the loan, and the effects of the external shocks on their returns from the loan investment. A study by Hassan and Islam (2019) conferred the impacts of peer group pressure and the cold-hearted dealings of the field staff force borrowers to only think of repayment rather than maximizing the opportunities afforded by the money they borrowed. Most participants dislike the installment repayments coupled with regular savings as they are not suitable for those mainly

getting income from farming. They also complained that it exposed them to associated costs in terms of time and paying actual cash to the collectors who receive it and take it to the MFI's branch. A few participants liked the installment repayments instead of the bullet payment, which is a burden when the final payment reaches. Those who wanted the installment payment are the ones who engaged in additional income-generating activities; mainly, the women participants.

The difference in the participants' interests on modalities of the loan repayment depends on the individual's experiences, sources of repayment, and perceptions. Barboni (2017) argued that customers differ in confidence (or optimism) over their ability to repay future debt. Hence, MFIs can respect the individual borrower's interest by closely monitoring their respective conditions; if it is a group loan, they can reduce the group size to the level of repayment homogeneity.

In general, the participants suggested that the current terms and conditions of the loans they are borrowing from the MFIs need improvement. The changes shall consider the actual context they are facing today regarding the purchasing power of money, the weather and input supply-related risks, and the worries they have for taking risks of group members. Most participants reported that the loans they have been borrowing for a few of them for 20 years did not consider their capacities; when they started borrowing 20 years back, the loan they took did not buy an ox; today, even if the loan size is increased by many folds, still it cannot buy an ox. Although the MFIs enforce loan repayment on individuals that defaulted, the rest cannot reborrow unless all the group members repaid their respective loans. The low-income borrowers are worried about getting the subsequent loan because as they sell what they produced to repay the loan, they need to borrow to buy input for the next harvest and buy food

for the family. As a result, they suggested the following to be considered by the MFIs: to make a proper capacity assessment, extended loan period, larger loan size, individual loan or a smaller group sizes of two or three members, and to adopt the repayment to the individual borrower's cash flow or sources of loan repayment.

Theme 5: Risks Facing Smallholder Farmers

The significant risks shared by the participants were weather risk, input supply problem-related risks, and the seasonality of loan disbursements and repayments, which exposed them to price disadvantage. The participants explained the weather changes as erratic rains, drought, and crop diseases, including rust. Input supply shortage, not timeliness, lack of quality, and increase in prices of inputs have also been shared as their major challenges in effectively utilizing the loans they borrow from the MFIs and repay without worries. The effects of these risks are mainly the decline in farm productivity from year to year to the level that they stopped farming some crop types.

The SHFs knew that these risks are not in control of the MFIs, and they do not expect much from them. However, they mentioned that the MFIs could support them by offering proper terms and conditions of loans that they could use to divert their activities to less risky products. Taylor (2011) reported credits that do not lead to diversification of livelihood opportunities in more challenging conditions escalate debt traps. The study participants have already conferred that the decline in farm productivity led them to fall into a debt trap. Participants reported getting bigger loan sizes enables them to consider alternative activities such as fattening, milk cows, and rearing sheep and goats. A few also proposed to shift to non-agricultural activities, like grain mills, shops, and transport. They have also shared that they stopped certain

crops, like lentils, reduced farming chickpeas as a major crop, and limited it to crop rotation purposes.

What the participants conveyed signals the risks that shall be taken seriously by the stakeholders that have stakes in food production, as it is beyond the individual farmer's capacities. The MFIs can be part of the mitigation efforts by sharing information, advocating the level of risks to the policymakers, training farmers on how to invest their loans in such a risky environment, and designing suitable financial products. The policymakers and other stakeholders, input suppliers, and agricultural extension works need to work with the victims of the weather shock closely. Introducing affordable microinsurance products would make SHFs take risks of investing in their farms than abandoning if they got a chance. Such interventions are essential to have a sustainable food supply in the country as SHFs are significant food producers.

Theme 6: The Effects of Borrowing

The borrowing effects on the living conditions of the participants vary based on differences in capacities, regardless of the generalizations made by many researchers. Other studies corroborated factors that contribute to diversities among the SHFs, the portfolio of the SHFs, different shocks they encounter, and institutional arrangements that restrict exercising capabilities (Castellani, 2014; Makate & Mango, 2017; & Nambiar, 2019). As a result, the one size fits all product and services designed by the MFIs without considering the differences among the borrowers contributed to varied results; some of them were undesired. The participants lived experiences revealed the flaws in the system in responding to the needs and objectives of the poor as the initial intention of the microfinance model was supposed to do. The

MFI system's deviation from the close monitoring and support required for the model's effectiveness relied on its capacity to enforce repayment through coercion.

Most of the participants have witnessed the benefits of borrowing in different ways, such as building assets, savings, expanding their farming through renting-in land, and returning land that they used to rent out to farm on their own. Some also shared their experiences of being trapped by the debt cycle without any benefit. Even though it was impossible to include those displaced from their land because of default to participate in the study, almost all the participants conferred this problem. As people in the study areas do not have other options to access financial services as per their needs, everyone, regardless of the economic status, is reaching the MFIs for the services. Participants shared that COs and group leaders consider the capacity to repay the loan in case of a loss as a critical criterion to accept a member to a group and determine the loan size; instead of considering, use of the loan, its purposes, and the expected return from it. There is a high chance of excluding those who do not have assets from joining the group or getting the size of the loan they intend to borrow.

Study participants were critical about how the lack of listening to them by the MFIs has contributed to the adverse effect of borrowing on most of the borrowers. Participants reported that MFIs are approaching them with the terms and conditions set beforehand without room to adapt to their actual needs. MFIs do not do a proper capacity assessment and determine the loan based on the result. MFIs do not monitor customers' activities to appreciate their problems while utilizing the loans and support them when they report difficulty repaying loans. All participants stated that MFIs need their loans to be repaid at any cost from whatever sources the borrowers have,

regardless of how it ruins their living conditions. Although the worst-case participants reported related to default in the study area are jail and displacement, other studies associated suicide with coercive practices by the MFIs to get their loans repaid (Zainuddin, & Yasin, 2019). The participants suggested that the MFIs shall listen to them to build trust and a sense of cooperation between them for their services to bring a positive result as intended.

Limitations of the Study

The limitations of this study include the absence of competition among the MFIs in the study areas, the four Kebeles, the smallest administrative units in the country. In two of the four kebeles, where I selected 30% of the study participants, the two MFIs operating there have frozen giving fresh loans and engaged in enforcing repayment through legal proceedings. This encounter allowed me to understand better the most important topics of how the MFIs enforced repayments and what leads to such mass default. However, participants' responses focus more on blaming the MFIs than balancing the facts regarding its positive contributions in their living condition. The women who participated in the study were limited to 26%. In a kebele where I interviewed more than 50% of the participants, I found a woman only; I talked with five more women participants from the other two study areas. Therefore, the experiences shared in this study are more from the men.

The language I used for the interviews except for two participants who preferred to make them with the country's official language, Amharic; the rest I conducted in Afaan Oromo. I am fluent in both languages; however, my limitation was maintaining the essence of the sayings while translating them into English. They would give better senses if used as is in the language and contexts the participants

said them. The other limitation worth mentioning is getting informants who could assist me in creating the first encounters with potential participants to obtain their consent; I have done this through the Kebele Administration Head. I do not know its implication, but I would prefer to have done it through an independent person who does not have a role in the administration. The participants have research and meetings fatigue, mainly those active in interactions and communications that the Kebele administrators refer to for similar cases. Two of the participants were frank to tell me that they are bored with it.

My bias as a microfinance practitioner for more than 20 years could also be a limitation of this study. I took necessary steps to avoid this bias and "bracket" (Patton, 2015), and I used a reflexive approach (Laverty, 2003). I reflected on my thought to objectively analyze the research processes and participants' data. I used In vivo coding and triangulated the data with personal memos I had taken at each research step. While administering the interview, I masked my role in an MFI without deception about the study's objective, as participants' realization of my position would let them anticipate bias and impact the integrity of their responses (Dawidowicz, 2016).

Recommendations

The qualitative research methods are rare or unavailable in where I have conducted the study. The nature of the methodology I used does not allow the generalization of my findings. Therefore, I would recommend future researchers expand the size and scope of this research to create a greater understanding of the lived experiences of the SHFs in the decisions they make to repay loans that they borrow to improve their conditions. I interviewed 23 participants in Akaki District,

Oromia, the largest region in Ethiopia. The MFIs' excessive restriction in allowing flexibility to their system emanates from minimizing overindebtedness that might happen through multiple borrowing. However, as there are few MFIs in the study area, multiple borrowing was not evident. Hence, replication of this study in urban settings gives different perspectives to the study result and helps fill the gap in similar studies in general and specifically in this country.

The SHFs participated in the study had many ideas to improve their situation and suggested what MFIs should change for the intended positive results. The need to have tools to evaluate the capacities of the applicants and determine the loan terms and conditions on objective results was among the suggestions. The MFIs give loans to the SHFs without proper understanding of under what state they use them and what internal and external factors would impact the intended use of the loans; such gaps in situation analysis would lead to undesired results. While some undermine such loans, a few appreciated them, and others reported the adverse effects of the loans on their conditions. Therefore, MFIs need to have appropriate loan appraisal, monitoring, and evaluation systems to understand better their customers' needs and objectives for delivering appropriate services and supporting them when needed.

Many participants confronted issues associated with the external risks, such as weather risk and input supply problems. These problems directly impacted their loan repayment decisions. However, MFIs cannot solve these problems; they would seriously consider them critically and share them with key stakeholders for further actions. The MFIs' focus was only to get their money back through coercive measures, which was an additional burden to those severely affected by the crop failures because of the weather problem. Addressing these problems requires the

involvement of other stakeholders with varying capacities, including research institutes and policymakers. Research institutes to understand the natural causes of the productivity decline that participants commonly raised as critical problems from year to year and become serious from the last five years. Input suppliers, the inadequacy of improved seeds supplies, price of inputs, not timeliness, and lack of transparency in distributing the scarce supplies were raised as significant problems. Policymakers, to identify options, encourage the introduction of risk mitigation mechanisms, motivate, and incentivize private businesses in production and supplies of inputs, and consider microinsurance. Concerted efforts are required to address the challenges facing the SHFs that impact the supply of sustainable food as they are the primary producers in developing countries like Ethiopia.

Suppose an individual MFI may not take this initiative. In that case, it can bring the agenda to the Association of Microfinance Institutions (AMFI); some of its roles are lobbying, policy advocacy, and capacity building to member MFIs to take over the responsibility of coordinating among the concerned stakeholders. In Ethiopia, the government has appreciated the contributions of MFIs to the economic development efforts. It supports them by creating conducive policy environments and creating accesses to funding through the Development Bank. Furthermore, the regional governments and government-affiliated associations have directly invested in microfinancing in their respective regions and these MFIs run more than 85% of the microfinance businesses. And recently, private investments in the industry are getting momentum through the formation of new MFIs.

The study participants' lived experiences depicted the possible consequences of coercive loan repayment enforcement practices; if left unaddressed would lead to

more displacements and oppression of the poor. These are the undesired outcomes that any actor, the government, or the NGOs affiliated, and the private for-profit MFIs would not like to see. Therefore, apart from measuring the performances of MFIs on the financial bottom line, which requires a high level of portfolio quality, measuring how the MFIs achieved this bottom line is vital. Therefore, the regulatory body, the policymakers, donor organizations, AMFI with its member MFIs need to take measures to introduce proper tools to evaluate the performances of MFIs in a holistic picture. In addition to the financial bottom line considering issues of social and environmental versions for measuring the performances of MFIs would improve the conditions of their customers.

Although all the study participants have mentioned the problems facing them regarding the change in weather, none of them have raised about what they can do about it. They consider it as something beyond anybody's control and mystified it by associating it with the act of God. Therefore, educating the community on the contribution of humans through day-to-day activities to the change in weather and how each can also play a role in mitigating some of the contributors. The relationship between farming practices and the change in weather and the consequences of not timely acting need to be understood by the SHFs and MFIs. Suppose the MFIs do not directly act on these matters. In that case, their day-to-day encounters with the grassroots community for the financial services delivery can be used as forums for the concerned stakeholder to use them for the required interventions to positively contribute to the management of weather risks and create resilient businesses, households, and the society.

Finally, evidence-based actions are vital to effectively utilize scarce resources, time, finance, and expertise. Hence, the research contribution would be to understand the magnitudes of the problems for actions to be taken, identify the required knowledge and resources locally and globally, identify and recommend stakeholders that are directly or indirectly impacted, and recommend conducive policy input. A few topics that I come across during my research and I would like to recommend as research topics are

- the effects of borrowing without proper risk mitigation actions for weather-related risks
- the effects of land rental on the productivity of land on food productions
- the input supply problem and its effect on food supply, including answering which one is costly in terms of importing food or investing in input supply
- why is the involvement of the private sector so little in the delivery of input, mainly seeds and fertilizers?

Having better insight about what percentage of the local community would fall in the three categories I identified in this study, subsistence producing, surplus producing, and the poor (who cannot produce enough to feed their household), would contribute to having different policies at macro, meso, and micro levels. Haldar and Stieglitz (2016) argued that policy makers and theoreticians widely misinterpreted microfinance. I identified these research topics from the interviews I had with the study participants; however, as they were not in the scope of my study, I recommend them as potential for future study topics.

Implications

Positive Social Change

The lived experiences of the study participants who have been borrowing for more than a decade, if tapped at through good listening by MFIs, could be input to improve the microfinance model. The information shared by the study participants would be helpful to fill the gap in theory and practice regarding how the microfinance model would as intended work to address the needs of the poor who are deprived of the formal financial sector. Suppose MFIs reach those who are either excluded from financial services or misappropriated for having no options through services that do not meet their needs and objectives through quality financial services. It is a contribution to a positive social change.

Some participants took the blame regardless of repaying the loans with improper terms and conditions with much difficulty. They understood the unconditionality of the loans they borrowed and the consequences of not repaying them on the MFIs' existence. These are opportunities that the MFIs and other concerned stakeholders can tap at to improve the model. The MFIs need to have a tool to collect, manage, and use as policy input customers feedbacks. Addressing the challenges millions of customers of the MFIs are facing is an excellent contribution to the positive social change.

Unlike the other development interventions that rely on grant money and have a limitation of scale, abundance, and sustainability, microfinance uses a business model to self-finance growth to reach scale. Therefore, coordinating efforts to get the poor for positive social change through the outreach of MFIs in remote areas need to be considered an asset. The SHFs who complain about the time they spent because of

the regular loan repayment meetings can benefit from the additional positive interventions coupled with the financial services deliveries. They can also share their rich lived experiences for the formal systems to adapt their interventions to the local knowledge. Involving the local community in the design of services and support systems enhances the acceptance for ultimate implementation. The participants have underlined the need to listen to them if the MFIs, as they claim, are to change the lives of the poor. They stated that if the current practice continues, it is not improving their conditions, but it is tantamount to “throwing them to a hill”.

Practice

The implications of this qualitative phenomenological research study on the lived experiences of SHFs, in the decisions they make to repay loans from MFIs include identifying challenges facing them and suggesting remedial actions. The weather problem and lack of adapting terms and conditions of loans to the actual situations of the SHFs have been identified as key factors that the MFIs shall address to contribute to the improvement of the living conditions of their targets. Like the findings of this research, many seminal researchers also explained that microcredit is not transformative; to mention a few of them whose reports are in line with the conclusions made in this study are: the mission of eradicating poverty is lost and only giving and recovering loans is retained; it does not fuel an exit from poverty through better self-employment investment; many established clients have not graduated from the scheme and become financially self-sufficient; the cycle of taking and retaking has made clients dependent rather than independent agents (Ashta et al., 2015; Crepon et al., 2015; Elhadidi, 2018; Hassan & Islam, 2019).

The loans from the MFIs have not solved problems facing SHFs; instead, they are exacerbated for some of the targets. The change in the weather conditions reduced the productivity of their farm, which is the major or the only source of income for most to repay the loans. The lack of adapting the terms and conditions of the loan to the actual needs and objectives of the borrowers by adequately adapting to the dynamism in the socio-economic environment made its contribution to poverty alleviation meaningless, or it tightened the grips of poverty.

The theoretical framework used to design the study and analyze the data contributed to seeing microfinance critically. Instead of contributing to a positive social change, evaluating microfinance mainly through the return generated to its investors leads most of the poor to be displaced from their land and the rest to fall into a debt trap. Therefore, it is vital to see its effect through proper theoretical and conceptual frameworks. The trends in recent research have shifted away from the customers' perspectives to how profitable the sector is and how many it has reached without adequately considering its effect on the poor customers who have little or no choices.

Instead of relying on generalizable quantitative studies, getting the in-depth data on the individual participants' lived experiences through qualitative research gives rich data on what is happening on the ground. The condition of the poor who do not have the experience of keeping records of their income and expenditures do not allow getting clear pictures of the implication of microfinance loans on their living conditions as it would require more resources and time. Therefore, the contribution of this research to practices, theory, and methodology is immense as there is little or no similar research in the study area and the country in general. The method can be

replicated in urban settings to understand the effects of loan decisions from the lived experiences of small business owners who finance their business by loans from the MFIs.

The In vivo coding technique I used and bracketing my biases helped me describe the data generated from the interviews with 23 SHFs. Hence, the microfinance practitioners, donors, policymakers can use the study results to revisit their approaches. If not used, it would at least let them question their practices and invest in better understanding the actual situation of their target clientele. Hence, the contribution of this study's result to practices is evident as it may serve as a complement to challenge the status quo because apart from what the clients are facing, the increase in default rates has already challenged the MFIs. In addition to complaining about the flaws in microfinance practices, the study participants have shared their suggestions for improvements that the MFIs need to make for the model's effectiveness. Therefore, learning from these experiences and considering the recommendations made by the participants would serve as inputs for a new product design or improving the existing ones. The sizes of the loans, the duration of the loans, seasonality of disbursements and repayments, repayment modalities, the size of a group, considering alternative collateral instead of group lending, improving the roles of the group leaders, training customers, proper capacity assessments, and listening to customers and adapting to their situations have been suggested for consideration by the MFIs.

The participants have explained the other challenges facing them, such as weather and input supply problems, in their effort to improve their living conditions. Therefore, not only for the MFIs, the results of this study would enhance the

understanding of other stakeholders about the areas of interventions they may need to consider. Fenton et al. (2017) identified the need for better product design and integration of microfinance with more comprehensive top-down adaptation efforts for complementary services, as it can also lead to maladaptive outcomes via overindebtedness. Some of the stakeholders who could benefit from the descriptions of the lived experiences of the study participants are policymakers, regulators, input suppliers, AMFI, and donors. The implication of the increase in the prices of inputs, limitation of input supply, distribution problem, absence of choices for services in the rural community, and the effects of weather change in food production requires a concerted effort of the key stakeholders. If these problems are left unaddressed, they have an adverse impact on the economy, the families of the SHFs, and the sustainability of the financial institutions. Other studies showed the mass default triggered by the MFIs practices strayed from the original microfinance model lead to the system breakdown in different countries, such as Morocco, Nicaragua, Bosnia and Herzegovina, Pakistan, Mexico, and India (Banerjee & Jackson, 2017; Haldar & Stieglitz, 2016; Zainuddin, & Yasin, 2019).

As the study participants shared, the SHFs who were displaced from their area were migrated to the urban areas, some have rented out their land and could not feed their families; hence, the implication is not only on the economic, but it contributes to unemployment and social instability. The problems explained by the study participants showed the need to find solutions before they further contribute to the economic and social issues facing the country. Unemployment and migrations to urban areas through loan repayment problems can fuel inflation and political unrest.

Conclusion

My conclusion included an interpretation of data analysis of the emerged core themes from the interviews of 23 SHFs participated in the study. The hundreds of published research papers on MFIs' contributions to eradicating poverty have been polarizing its contribution as a positive contributor or an exacerbator of the problem. However, this descriptive phenomenological study focused on learning the lived experiences of SHFs on how they interact with the microfinance system, especially in the loan repayment decisions found that such conclusion is wrong. The effects of loans from MFIs have different consequences on borrowers, regardless of the generalization made based on different study results. MFIs also, in their product design, commit similar mistakes of considering those at the BOP market as they are all the same. However, many research results depicted the critical factors contributing to the household level differences (Dutt & Sharma, 2016; Elhadidi, 2018; Yang et al., 2018) MFIs neglect them in product designs regardless of their impacts on loan utilization and repayment. The participants' lived experiences revealed differences among them, and as a result, the effects of the loans from the MFIs differ from person to person. Some people benefited from the loans in different aspects: building assets, improving their living conditions, better dressing, and sending their children to better schools. Some participants have not experienced any change. And some people are trapped in the debt cycle, and many are displaced from their places. The MFIs need to have proper tools to evaluate the capacities of their customers. The MFIs need to have a system to get feedback from their customers; the lived experiences of their target customers are valuable inputs for the MFIs to improve their internal processes, products, and services.

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Appendix A: Interview Guide

Hello, name of the participant. After greetings, we chose a setting where we may face little distraction. Then, I again thank the participant for accepting the invitation to participate in the study and check if the purpose of the interview was well understood. Before we go to the interview question, do you have any questions regarding the nature and purpose of this interview? I explain that the interview will take up to 1 hour and check if the interviewee has enough time to finish the interview. If not, we reschedule the interview.

If you do not want to answer any of the questions or need further explanations during the interview, please let me know. Complete confidentiality of any information as stated in the consent form is respected, and the data I collect through the interview are protected. Up to 5 years, the soft copies remain password-protected, and the printed ones will be kept in a lock that I only access to destroy them after 5 years. I request consent for recording the interview and test if the record functions appropriately. If you do not have any more questions, let us start.

Interview Questions

What was your role in determining the loans' terms and conditions (loan size, loan term, installment amount, and frequency)?

How do the credit officers appraise your loan repayment capacity?

How do you compare the loan from the microfinance and other lenders?

How do you spend the loans that you borrow?

How do the credit officers or other group members follow-up on your loan utilization?

How did the way you utilized the loans affect your repayment capacity?

How do the loan repayment modalities affect your loan utilization?

How worrying is repaying the loan from microfinance?

What are the sources of your loan repayment?

What means do the credit officers use to enforce repayment?

How supportive are your group members in case of difficulty to repay installments?

How did loans from the MFIs affect your livelihood/way of living?

What makes you meet with other group members apart from the loan installment meetings?

What are the changes that you recently observed in the practices of the lenders?

What methods of the MFIs need to be changed to align with your loan utilization practices?

Is there anything I have not asked you that you believe will provide a more complete picture of your experiences related to loan repayment?

Conclusion. I appreciate your patience during this lengthy interview; I will continue interviewing other participants. In case I still need further clarity on what you have already answered, I would come back to you. In case you need to contact me related to this interview, my no. is Thank you so much.

Appendix B: Demographic Questions

The purpose of the research was not to compare cases among the participants; however, to get more comprehensive experiences from a larger sample size, I diversified participants in terms of gender, educational level, family size, livelihood diversity, age category, size of farmland, marital status, roles in the group, and religion.

1. How old are you?
2. What is the highest level of school you have completed?
3. What is the size of your household?
4. What is your marital status?
5. What is your religion?
6. What is the size of your farmland?
7. What is the source of your income?
8. What livelihood activities do you have apart from farming?

Appendix C: Field Test

I used the same research questions to simulate with two of my colleagues who were very much experienced in fieldwork. They closely worked with smallholder farmers being credit officers, branch managers, and department managers. They acted as SHFs and gave me a lot of information that helped me refine the research questions. As I learned during the pilot study, this exercise had contributed to having interview questions that the person I interviewed for the field test comfortably understood and answered. Therefore, my field test focused more on testing the devices that I was supposed to use for recording the interview and the need to have probing questions to get depths of experiences.

Furthermore, it was difficult to find participants as they were driven by emergent activities and hard to respect the appointment. They do not hesitate to give you appointments but difficult for them to appear as promised. The telephone network is not reliable; they may not charge their mobile devices as they do not have electric power; they have to take it to a nearby urban area to recharge them. Therefore, I decided to change the number of participants that I planned in the proposal to a participant interview. Furthermore, as I am not using the data collected during the field test in the main study limiting the number of field test participants gave me room for the main study.

I read the consent form to the field test participant and checked whether they understood the issues raised or not and agreed to respond to my questions. While I started the interview, I was not confident about the recording, although I requested an excuse and checked after a few minutes. This lack of confidence drove me to take notes on every question I asked, more than 20 questions. Because of the pilot study, I

proved that I could not transfer the recorded data from the recorder to my laptop; hence, I instead used my smartphone to record the interviews. Furthermore, I learned that I could overlook a couple of questions as the participant would answer them in the preceding questions.

The participant was curious about who I am and where I live, and if there is any benefit for him regardless of what I have explained in the consent form. This gave me a clue on how I should manage such interests while engaging the main study participants. I should mask myself not to get biased answers if they knew that I am a practitioner. The participant was brief in answering my questions, so I had to have probing questions and shall have a strategy to engage participants. The pilot participant had borrowed five times and repaid without a problem and stopped borrowing; he is saving at a commercial bank even though he explained that he benefited from the loans he borrowed from an MFI. According to the participant, the value of money was good while they used to borrow and know the loan that the MFIs are giving is little to be used for productive purposes; hence decided to stop borrowing. The participant gave me recommendations on what the MFIs need to improve to address the needs of the SHFs in the area. The interview took me 36 minutes. The pilot study helped me build confidence in the interview questions, mask myself in answering the participants' questions about my relationship with microfinance practitioners and change the recorder. Furthermore, apart from understanding the tolerances required of me to get the participants who gave me their consent for the interview, I decided to use the same research questions and approaches to complete the study.