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## Group Borrowing Leads to Pressure

By [KETAKI GOKHALE](#)

Hasina Bano, a silk-factory worker from Ramanagaram, says that, for her, the most difficult aspect of microfinance is that debts can become public knowledge in the community. So when she got in over her head with loans, she had two big problems: Difficulty repaying, and public shame.

While hers is just one person's experience, it's one indication of what can go wrong when microlenders suddenly flood into a community with almost no experience borrowing money.

A key premise of microlending is that borrowers must organize into groups of five, and guarantee each others' loans. The reason is twofold: It spreads the lender's risk, and it uses peer pressure to encourage borrowers to pay off the debt.

Microlenders argue that because women like Ms. Bano have no collateral or credit history, the group-lending system is the only means they have to ensure repayment. "Most of the members can cheat us, therefore we give loans only on group guarantee," said S. Panchakshari, operations manager of the Bangalore-based BSS Microfinance Private Ltd., in an email.

By the same token, borrowers within a group are expected to "support each other in times of trouble," said Samit Ghosh, the founder of Ujjivan, another Bangalore-based microlender.

Ms. Bano's experience indicates that the social pressure can be tough to bear.

Ms. Bano, 27 years old, makes about \$8 a week working in a silk factory, and says she owes her



Ketaki Gokhale

Hasina Bano, 27 years old and the mother of three, makes about \$8 a week working in a silk factory, and says she owes her microlender a weekly payment of \$7.20.

microlender a weekly payment of \$7.20. She has struggled to make the payments for years. Meantime, her groupmates are watching and waiting -- because they can't secure new loans until she has repaid her share.

"It's not just the debt that is a burden," says Ms. Bano, who says she twice tried to commit suicide because of the situation. "It's the shame of everybody knowing. Outside they all say to me, 'How could you get yourself into this mess?'"

The mother of three said she had never taken loans before the microlenders came to town. Now she says she is obliged to take out a new loan with a different group of women to pay off her existing debt. To pay the debt, she says she has sold off her valuable possessions -- a mixer, a television, some brass vessels, a water boiler, and the family's mobile phone. A government ration card, which would give her 6 liters of oil and 20 kilograms of rice, was given away for \$10.

The communal aspect of microlending has led to "fighting between friends, and even sisters," said Lalitha Sharma, another recipient of the loans. Two women in Lalitha's lending group ran away from their debts in 2007, leaving her and others to pay off their debts.

Mr. Ghosh of Ujjivan says: "We are ourselves worried about (the borrowers) running away" from debts, which is why "we tell our members to only bring people they know and trust" into their lending group. The system works best when group members help find a person who flees debt. "Frankly, if they can't help find the person, they have to chip in and pay up."

Meanwhile, Ms. Bano is fretting about what she'll do once the current payment strike comes to an end in Ramanagaram. "Where do I get the money from?" she said. "The people from the (microfinance) center don't give us any slack. I used to hide in my mother's place, and still they wouldn't leave."

Ironically, she has found some support in her microfinance groupmates -- they persuaded her that suicide isn't the answer, she says. "They try to stop me by saying, 'You'll repay the loan someday or another, but if you die, who'd take care of your children?'" Ms. Bano says.

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