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## What Are the Governance Challenges of Microcredit Programs in Bangladesh? The Case of a Specialised Government Credit Program

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### Abstract

Bangladesh is well known for its Micro-finance Institutions (MFIs), which are widely recognised as an effective tool for poverty reduction and employment generation. Since the inception of micro-finance during the 1970s, a variety of MFIs has emerged in Bangladesh. Not all MFIs are equally successful, and there are important gaps on examination of the factors determining the effectiveness of public and Non-government Organizations (NGOs) credit programs. To better understand why challenges are mostly associated with the implementation of the former one and from where exactly, a case study was conducted that focused on a particularly interesting case: the Microcredit Scheme of the Bangladesh Handloom Board (BHB). The studied case is a specialised government-sponsored credit programme which provides microcredit to a specific non-agricultural household called handloom weavers in Bangladesh. The study attempted to examine the governance challenges from both the supply-side (the BHB) and the demand-side (the handloom weavers). In doing so, it has used a unique participatory mapping method called Process Net-Map. In addition, key informant interviews were also conducted to collect the in-depth information on the highlighted topic. Finally, 'Content Analysis' technique was used to analyse and interpret the findings which were further guided by a conceptual framework in distinguishing the supply-side and demand-side challenges. The findings reveal that the BHB's program faced problems in allocating adequate resources to human and physical capacity development. This problem was exacerbated by the shortage of funds that made it impossible to meet the clients' expectations. The lack of legal and regulatory framework crippled the organization to control political influence and corruption in the system. Moreover, the policy of lending only to groups proved counterproductive in this case, as it led to the exclusion of potentially viable borrowers. Therefore, a reform of the organizational policy of the BHB program has been recommended. In fact, this paper draws the conclusion that applies more generally to microcredit programs that are run by government organisations.

**Keywords:** Bangladesh, key informant interview, process net-map