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Mapping Over-indebtedness of Microfinance Clients in Indonesia and Tanzania: The Importance of Analysing Microfinance beyond its Outreach and Sustainability

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Abstract

This paper attempts to describe the importance of mapping the over-indebtedness of microfinance clients. While most research into the field of microfinance confirms its role in alleviating poverty through its outreach, little research has been done to evaluate its sustainability. More so, the analysis of microfinance clients regarding their over-indebtedness is still limited, although it could assist microfinance institutions (MFI's) in acquiring specific information concerning the profile of their clients. Using a qualitative approach, through a literature study of recent evaluations of microfinance lending schemes, in combination with primary data collected by the authors with the context of global south-south dialogue between Indonesia and Tanzania, this paper highlights the importance of mapping microfinance clients regarding their condition of over-indebtedness. It also suggests policy makers to anticipate the causes of over-indebtedness of clients in designing and applying policies to avoid the failure of microfinance in alleviating poverty and sustain its support of micro- or small-scale enterprises.

Keywords:

Microfinance Evaluation; Sustainability; Outreach; Over-indebtedness

I. Introduction

Many studies regarding the evaluation of microfinance have highlighted outreach and sustainability as two-major factors in the effectiveness of microfinance in poverty alleviation and empowerment through micro-enterprise. There is one additional factor which determines effectiveness and impact of microfinance on its clients and society, as highlighted by Finlay (2006), Bateman and Chang (2012), Ericksen, Ericksen & Graham (2016), and Pakindo (2016). Defined as 'Over-indebtedness'it is a major problem that significantly affects MFI-clients, microfinance institutions and the whole of society (European Commission 2013). Over-indebtedness can be a major factor in poverty, particularly among low-income families, elderly people and single-parent households with young children (Betti et al. 2007). Furthermore, the condition of over-indebtedness of clients could as well lead microfinance institutions to bankruptcy (Lascelles & Mendelson 2012). Several studies have been conducted to identify a status of over-indebtedness, however, few attempts have been made to study its relevance in the Indonesian context, although some critical evaluation regarding the role of microfinance has been made, i.e. Nugraha (2006), Zhang & Wong (2014) and Pakindo (2016).

This paper attempt to propose the importance of MFI's analysing the over-indebtedness of MF clients. It is meant to critically review Microfinance role in poverty

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reduction and empowerment, by critically assess the use of microfinance outreach and sustainability in evaluating Microfinance programme. Recent researches suggest that microfinance schemes should be evaluated by looking at the pre-conditions of their clients, specifically the underlying causes leading up to over-indebtedness (MFC 2008; Schicks 2012; and Bylander et al. 2019). This paper attempts to support the suggestion by bringing cases from Indonesia and Tanzania.

The result of this research expect to propose an early warning system regarding the feasibility of MFI-clients' activities to ensure that sustainability can be achieved (Kappel, Krauss & Lontzek 2010). It should ensure that successful outreach and participation will not result in an unpaid debt by the clients (Pakindo 2016).

II. Review of Literature

2.1 The Challenges to The Role of Microfinance in Poverty Alleviation

The role of microfinance in alleviating poverty has been underwritten by many authors and policymakers (Yunus 1999; Rahmat et al. 2006; Obaidullah 2008; Hadisumarto & Ismail 2010; Borbora & Sarma 2011; Gaiha & Kulkarni 2013; and Khanam et al. 2018). According to Robinson (2001), microfinance provides financial support to three categories, i.e. the poorest of the poor; the economically active poor; and the middle-income poor. Because of its success stories, microfinance has been accepted as a poverty alleviation strategy in various sectors (Morduch & Haley 2002; Littlefield, Morduch & Hashemi 2003) and in many countries (Barnes et al. 2001; Obaidullah 2008; Zhan & Wong 2014). In Asia and Latin America (Khawari 2004; Montgomery & Weiss 2005), including Indonesia (Khawari 2004; Rahmat et al. 2006), Bangladesh (Al-Mamun, Hasan & Rana 2013; Khanam et al. 2018) and India (Mayoux 2000), as well as in Africa, e.g. Mali (Deubel 2006), Kenya (Kenya Rural Enterprise Program Development Agency 2013), Malawi (Diagne & Zeller 2001) and Mozambique (Chidzero et al. 1998). The economic condition of the population is a condition that describes human life that has economic score (Shah et al, 2020). Economic growth is still an important goal in a country's economy, especially for developing countries like Indonesia (Magdalena and Suhatman, 2020).

III. Research Method

This paper uses exploratory approach through integrated theoretical review method, which critically assess the role of Microfinance in poverty reduction. An integrated theoretical review as classified by Snyder (2019) is a theoretical review which aims to do a critical perspective, synthesize, and usually not systematic on a particular theme by combining resources, i.e. research articles, books or published works.

IV. Result and Discussion

4.1 Insufficiency of Outreach and Sustainability as Indicators of Microfinance Effectiveness

Outreach and Sustainability are two indicators which are mostly used in evaluating the effectiveness of microfinance programmes. However, both factors may prove insufficient in terms of measuring the objective of microfinance of reducing poverty in a sustainable way.

According to Conning (1999), outreach refers to any effort by an MFI to extend loans and financial services to a wider range of type of clients (breadth of microfinance outreach) and in particular to the poorest of the poor (depth of microfinance outreach). In achieving the outreach objectives, there are two opposing perspectives: a welfarist' view and an institutionalist' view (cf. Rao & Fitamo 2014). While the welfarist' view refers to the depth of the outreach and the achievement of social objectives to attain wellbeing, the institutionalist' view refers to establishing a wider accessibility for clients (cf. Robinson 2001)

Sustainability is also considered an important indicator evaluating the effectiveness of microfinance. It refers to the ability of the organisation to meet the cost of operations and simultaneously accumulate sufficient reserves for capitalisation. It relates to a prolonged existence and achieving the objective of eradicating poverty (cf. Navajas 2000; UNESCAP 2006). Sustainability is not 'an end' but 'a means' in improving social welfare as an objective of microfinance on a larger scale. Sustainability also means repetition. It comprises two dimensions: the sustainability of the institution and the sustainability of the transactions with the clients. To consolidate itself, an MFI needs to have an institutional structure and sufficient means to continuously enable transactions (cf. Schreiner 2002).

The challenge of MFI's to widen their outreach while maintaining their sustainability has long been debated, including a recent study by Churchill (2017) in Sub-Saharan Africa. By using a quantitative analysis of a three-stage least squares (ALS) technique and using data from 206 MFI's in 33 African countries, the study concluded that there is a trade-off between outreach and sustainability. It means that microfinance institutions have to establish a limit to their outreach to ensure sustainability. An external input, which in essence implies subsidising, would still be needed to increase outreach, particularly from the 'depth' perspective. This study confirms the earlier work by Robinson (2001) who distinguishes the poor -as the prime target groups of microfinance- into three categories: the poorest of the poor; the economically-active poor; and middle-income poor. While most of the microfinance schemes could maintain sustainability by targeting the middle-income poor, the poorest of the poor would have to be supported by some sort of subsidy to achieve the intended outreach.

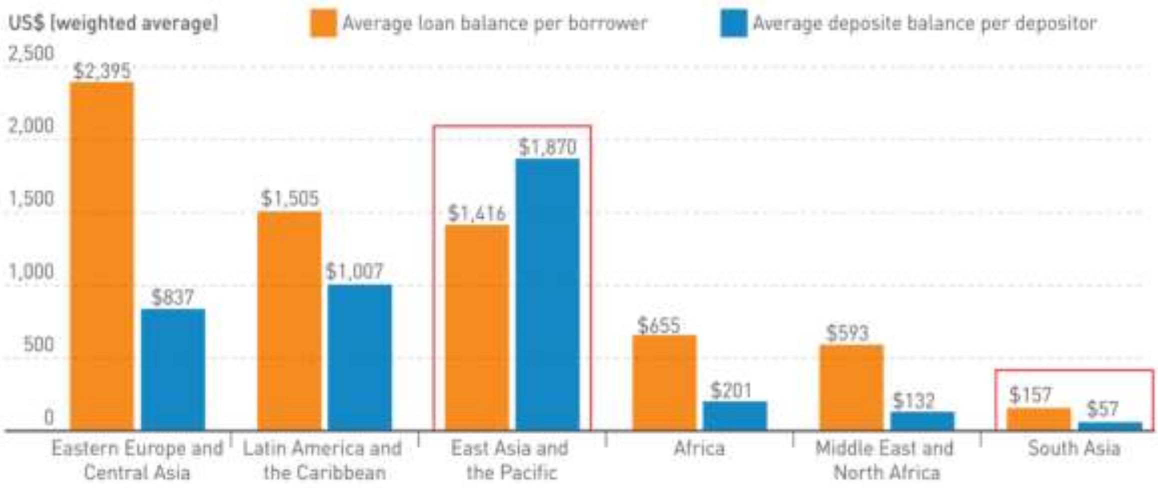
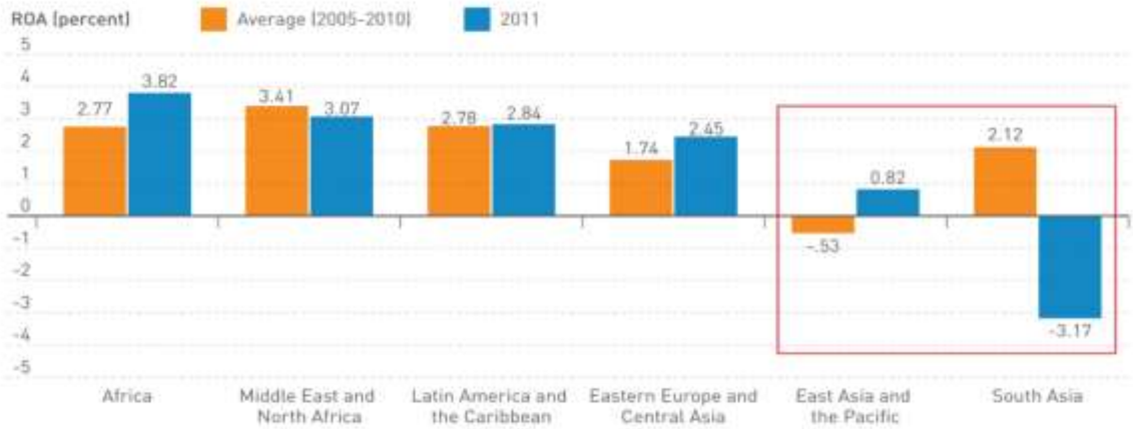


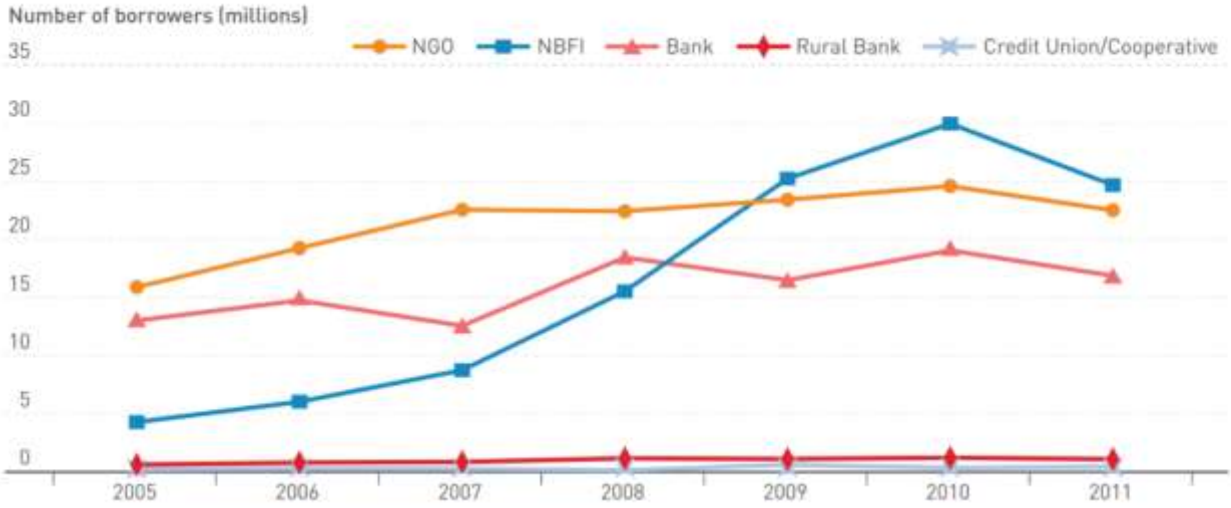
***Figure 1**. Microfinance Outreach by Average Loan per borrower & Deposit per depositor*



Source: Microfinance Information Exchange Market (Zhang & Wong 2014)
Figure 2. *Microfinance Sustainability by Return on Assets of MFI*

In Indonesia, microfinance outreach has also been challenged. A study by Siebel and Agung (2005) showed that the outreach of Islamic Microfinance Institutions, represented by rural banks, has been stagnant for many years. More so, only one-fifth of the Islamic Co-operative Institutions, survived during the 1990 – 2015 period. The Indonesian Banking Statistical Figures have also confirmed the stagnation of progress with rural banks in Indonesia. The study by Zhang & Wong (2014) also confirms these findings. The outreach by rural banks and co-operative / credit unions tends to appear unchanged, while the outreach by banks, non-banking financial institutions and non-government organisations (NGO) are showing increasing trends (Figure 3).

Although the progress of rural banks has shown stagnation in their progress, some policymakers have utilised rural banks as financial intermediaries to support poverty alleviation, particularly to prevent the poor from a credit-trap which usually happens when they deal with money lenders and loan sharks. In 2015, the governor of West Java, Ridwan Kamil, who used to be the Major of Bandung City, for instance, initiated a credit policy and programme to lift-up the economically active-poor and the middle-income poor – using the categorisation of Robinson (2001), through a microcredit scheme named '*Kredit Melati'*, Which is an abbreviation of *'melawan rentenir'* (fighting the loan sharks) (Kompas Daily Newspaper 05/05/2015).



Source: Microfinance Information Exchange Market (Zhang & Wong 2014)

Figure 3.*Microfinance Outreach under different legal status in Asia 2005 - 2011*

An internal evaluation was conducted by the local government (of Bandung) to analyse the effectiveness of this programme. Figure 4 shows the total credit in Indonesian Rupiah distributed to MFI-clients. The facilitation of credit reached an estimated 2.6 billion rupiahs per month from July to December 2015, excluding May and June 2015, which was the initial setup period for the programme. It reached 6,841 debtors, encompassed 942 individual debtors and 1,207 group debtors (representing a total of 5,899 individual debtors). The evaluation report showed that the credit had an average outreach growth of 48% between July and December 2015. From the perspective of credit impact, interviews with an estimated 100 debtors showed that the credit contributed to their livelihood. 76% of the respondents confirmed that their income had increased with an average of 38% although the value of their assets remained constant. However, from the perspective of sustainability, the rural bank stated that the programme did not contribute to its profitability. In addition, there was an increase in non-performing loans (NPL) among the debtors, caused by two factors: the over-indebtedness of the clients and the overcapacity in lending volume, due to the lack of prudential credit analysis. About one-third of the respondents admitted they also had outstanding debts with different sources (Internal Source 2017).

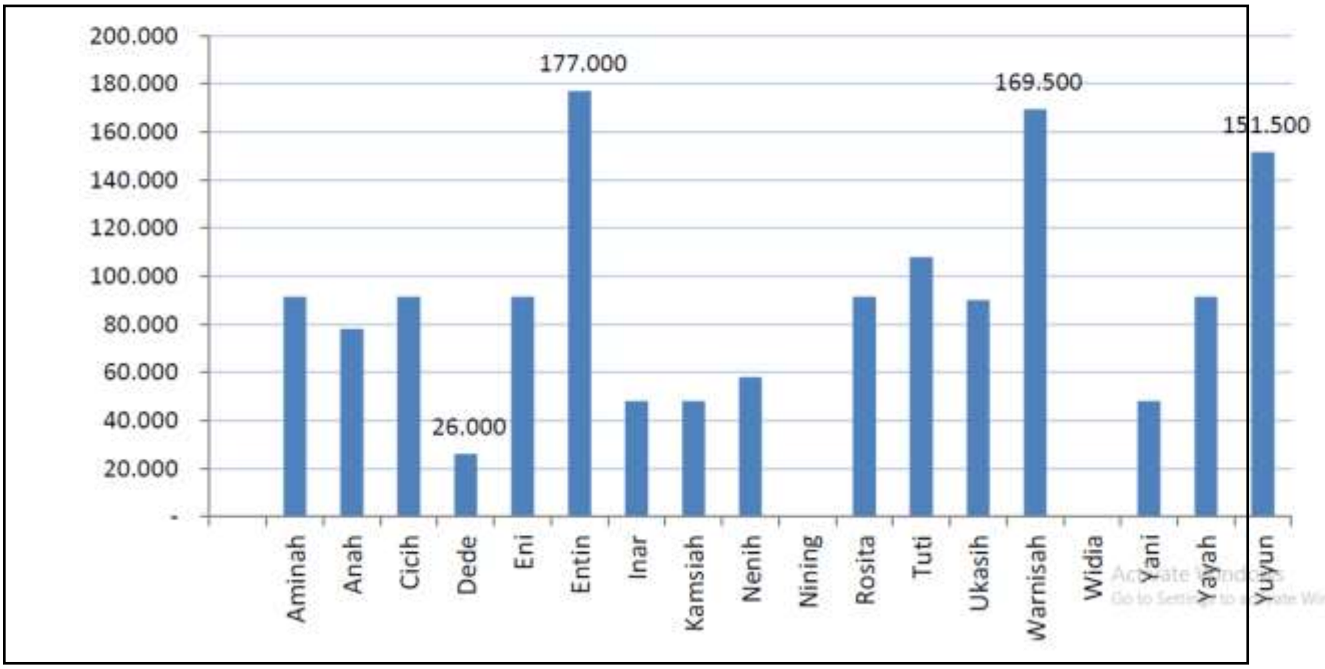
The report confirms the study by Nugraha (2006), Zhang & Wong (2014) as well as Churchill (2017) concerning a trade-off between microfinance outreach and sustainability. The effectiveness which is attributed to microcredit performance through its outreach and sustainability parameters, needs to be investigated further. Following the critical view of Bateman (2010), it seems a debatable approach to evaluate microcredit impact by analysing income growth of microcredit recipients with non-recipients. Without further analysis, the level of income and spending of microcredit clients will automatically increase immediately after they receive support, except when it leads to over-indebtedness in the short term. Furthermore, the report also shows that a zero-interest level, which was applied with the credit scheme, disrupts the market mechanism as it inherently challenges the sustainability of the MFI.

Source: Authors' Internal Source (2017), Note: Denomination in Indonesia Rupiah.

Figure 4. *Volume of Melati Credit by BPR Kota Bandung (Bandung Rural Bank) May-Dec 2015*

4.2 Mapping Over-Indebtedness: The Need to Identify Clients' Pre-Credit Conditions

The previous section has shown that the evaluation of microfinance progress through its outreach and sustainability is considered insufficient. Over-indebtedness is a condition of microfinance's clients which show their financial affordability to have a financial transaction. The study by Pakindo (2016) about over-indebtedness in Indonesia follows the recommendation by the internal report on the case of *Melati Credit* in Bandung Rural Bank. It also confirms the importance to identify the client's pre-credit condition of over-indebtedness as suggested by Bateman and Chang (2012). The study of over-indebtedness in Indonesia by Pakindo (2016) reflects a general condition of microcredit recipients in Indonesia that microcredit clients in general, depends on more than one financial resource for their living. Another study of microcredit clients has been conducted in 2016 by the Department of Economy and Syariah Finance of Bank Indonesia, in co-operation with *Koperasi Mitra Dhuafa* (Komida) and the management of Baitul Ihsan Mosque of Bank Indonesia. The study was conducted as a pilot project to evaluate the optimization of zakah funds distributed to the clients. The study was based on an interview with 17 housewives in Kampung Ciburial, Jatimekar Village, and Cipeundeuy sub-district of Bandung Barat district in West Java Province. The respondents were also working as craftswomen to maintain their living. Their average income was around 50 thousand rupiah per week. However, the study was also indicated that their 'debt to pay' was on average about 90 thousand rupiah per week. The following Figure 5 describes the client's condition. The study has shown that although the housewife has an economic activity that generated income for their living, the over-indebtedness they have to pay, hinder them to lift-up their standard of living and thus, the credit will not empower them unless there is a solution to the condition of their over-indebtedness. According to the study of Pakindo (2016), more than half of respondents had more than three loans. About 59% of the respondents argued that inadequate existing loan have forced them to have multiple loans and about one-third of them due to the high housing expenditure. They used their multiple loans for various reasons. About 39% of respondents said that they used it for food / consumption, 31% for children's education, 18% for medical expenses, 10% to repay other loans and 19% for other purposes such as housing renovation, ceremonies, lifecycle expenses, etc.



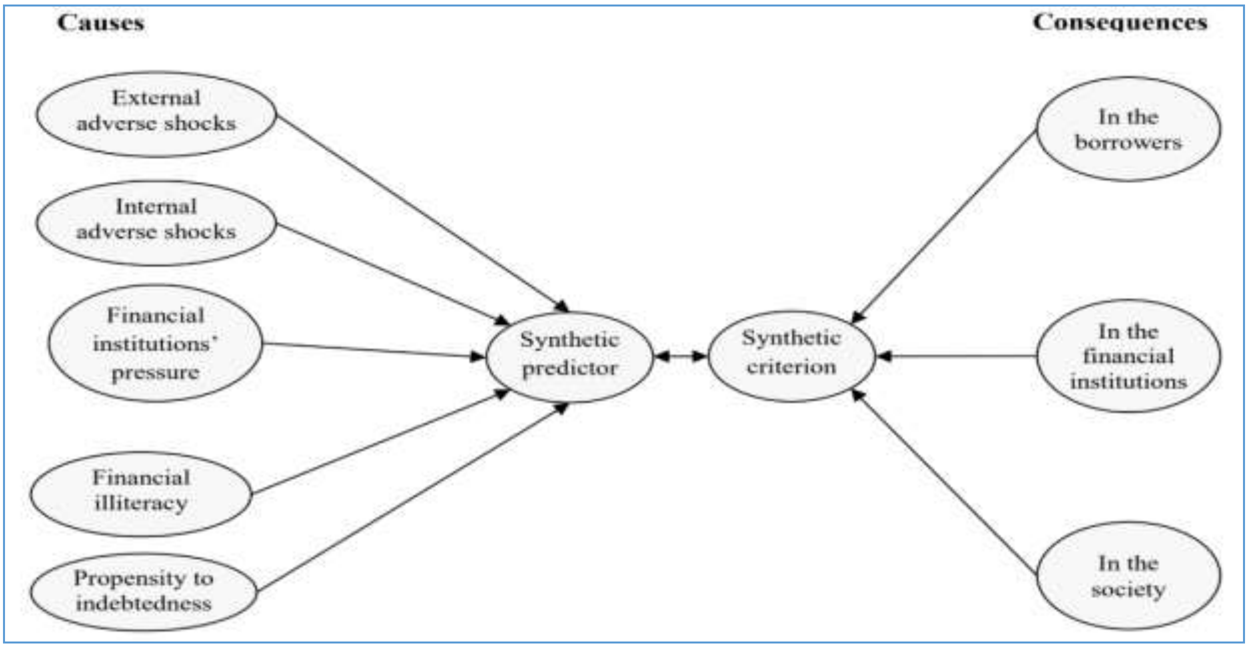
Source: Authors' Primary Data Collection (2017)
*Denomination in Indonesian Rupiahs ($ 1USD =approx. 14.000 rupiahs)

Figure 5. *The Over-Indebtedness of Craftswomen in Rural Village*

The Authors' depth interviews with a sample of 20 respondents who had default experience revealed that over-indebtedness and business failure were the two major reasons. It is also indicated that 9 out of 20 clients only had one or two loans which lead to the default, while the others had more than two loans. The study suggests that the assessment of a client's condition prior to receiving credit is necessary to avoid similar problems in the future (*cf.* Pakindo 2016).

A situation of over-indebtedness is crucial and should be investigated further by microcredit policymakers as well as MFI-practitioners who are concerned regarding the impact of microfinance on society and its role in poverty alleviation. Over-indebtedness occurs when a client accumulates more debt than can reasonably be repaid, given income, savings and assets. A Study by Ericksen, Ericksen & Graham (2016) on over-indebtedness in Mexico revealed that it poses a substantial challenge to lenders and borrowers simultaneously. Debt repayments start to consume a disproportionate share of a client's available resources, resulting in arrears, additional collection costs. These conditions lead to non-performing loans especially where clients simultaneously use multiple credit facilities. For regulated institutions, a deteriorating portfolio can trigger higher reserve and provision requirements, which strains their solvency. A survey in 2012 of more than 350 microfinance practitioners in 79 countries revealed that over-indebtedness was the number one concern with MFI issues (*cf.* Ericksen, Ericksen & Graham 2016).

Following the literature on MFI-clients in Indonesia, studies on the over-indebtedness are still limited. The study by Pakindo (2016) on over-indebtedness in Indonesia has its limitations, as it was based on only four cities in West Java. As the country has hundreds of districts and municipalities, spread over 34 provinces, mapping over-indebtedness of MFI-clients would support the microfinance practitioners as well as policymakers. Critical examination of microfinance-scheme polices could be imposed by the government. In addition to Pakindo (2016), a study by Gutiérrez-Nieto, Serrano-Cinca & de la Cuesta (2016) provides a framework model to map the over-indebtedness of MFI-clients (Figure 6).



Source: Gutiérrez-Nieto, Serrano-Cinca & de la Cuesta (2016)

Figure 6.*A Model of Causes and Consequences of Over-Indebtedness*

Using multivariate analysis of canonical correlations, the study concluded that there are two factors which dominated the over-indebtedness problem: a propensity to over-indebtedness and low financial literacy.

Other factors are external shocks, internal problems in the client's personal sphere, and pressure from financial institutions. The study also identifies the two different perspectives from clients and experts, causing the condition over-indebtedness. While individual clients regard external shocks and financial institutions' pressure as the cause of over-indebtedness, it is the expert's view that financial illiteracy and a tendency to imitate others are dominant causes. They agreed however that over-indebtedness would lead to increase poverty and decreases a client's welfare. The study recommends to improve financial literacy among the clients, particularly those displaying the identified risks involved in over-indebtedness. The study confirms the study by Pakindo (2016). Low threshold loans provided by MFI's in combination with existing loans lead clients into multiple debts. The propensity to over-indebtedness usually results from a community's code of conduct, *i.e.* the influence of family and friends, neighbours and group members. An earlier study by Finlay (2006) provides a model to identify the potential of over-indebtedness and avoid risk of default. By using data from a typical credit application form, combined with the data from a credit facility, Finlay developed a predictive model of a client's expenditure capable of identifying the potential for over-indebtedness. It can be used, in conjunction with the risk measure, to reject applications from MFI-clients or to restrict the credit volume by establishing the affordability for the applicant.

4.3 Examples from East African Setting: A Tanzanian Case

With regard to selected examples taken from an African context, one modus of microfinance which cannot be considered as failing to achieve outreach or lack of coverage, is the 'Village Community Bank' (VICOBA[1]), as it is, among others, manifest in East Africa e.g. Tanzania (*cf.* SEDIT 2010). Because of its locally rooted establishment and the limitation of the number of members, it may serve as a current version of an indigenous institution, qualified as informal, although the type of lending is labelled as non-traditional (*cf.* Brown *et al.* 2015; Lushakuzi *et al.* 2017). The sociographic character is that it has a gender bias, 80% female on average, and therewith in a good position to contribute to female empowerment. The VICOBA set up is not subordinate to official regulatory legislation on finance (*i.e.* banking laws). As the strive is to maximise the number to thirty participants, who simultaneously perform as owners, investors, lenders and decisionmakers, the social distance to the core activity is diminished as much as possible. Notably the accessibility of VICOBA is higher because the combination of shares and savings decides over entry, and not the availability of physical collateral as is standard with most other MFIs. The long term result is to have the return on investment (*i.c.* the members' shares) end up being divided among the participants, provided there is no default. The result may as well be recycled, or retained in agreement as new input and therewith increase the available capital. The larger group is made up of cells of five members who act in consensus.

The need for external guidance with regard to training, transfer of knowledge and experience is however still prevailent. Most members, some of whom may even be illiterate to a certain extent, as it is estimated that 20% may not have received formal education (*cf.* Magali 2018), expect to receive coaching in their business undertakings as well as with the application of the available credit. A responsibility which could rest with those involved who are already successful, or might be delegated by a local council to Community Development Officers to perform the monitoring, or even purpose-led NGO's (*cf.* Brown *et al.* 2015). In essence the lending is usually organised consecutively, similar to a rotating scheme, but with multiple borrowers. In practice, the same amount could be lent out as many as three times during a cycle of one year. An instrumental difference in comparison to other savings and credit groups (*i.e.* SACCO, ROSCA) is in the level of interest, which is reduced to a range of 5-10% instead of the more common 15-20% or higher, but the level is calculated in relationship with size and duration.

The VICOBA construction does not have the desired effect to the extent that it is not preventing members to acquire additional credit from other more commercially oriented sources when they feel the need. Indirectly that may as yet lead to a debt burden beyond capacity. The basic feature of the efficacy of these small VICOBA groups is that the loans are usually short term of 3 to 6 months. it can have a minimum as low as 50,000 TZS, or range between 200,000 TZS up to 1,000,000 (approx. 400 USD) in only one year, against the background of membership fees as low as 5,000 TZS weekly shares. That is aside from parallel contributions to group training and social funds, usually dedicated to education and health care, to be paid in instalments by all members, totalling to an estimated 10,000 TZS extra. After each year a cycle is concluded and the total amount recycled and generated is again disbursed among all members in advance of the next cycle.

According to Joyce & Akarro (2016) in their data, as an example, there is an asymmetric distribution whereby 70% of the total of loans remains below the 1 million TZS threshold, and another 25% remain under 2,5 million TZS in a sample of 334 members, i.c. over 20 groups of variable size. Although default in repayment is indicated as being around 16% there is no correlation shown between initial income level, loan size, duration and default from cross tabulation. It is analysed however that the majority of defaulters is related to starting new business initiatives instead of expanding on existing ones. That may indicate that the need for a preceding feasibility assessment as part of professional guidance comes into play.

4.4 A Scala of Exposed and Obscured Success Factors

What makes these VICOBA case studies interesting is the variation in successful implementation which coincides with the otherwise sound community based organisation principle inherent to their set up (*cf.* Kitomari *et al.* 2016). The underlying reasons from the literature come out to have different angles. One obscured aspect is that the difference in quality of the income generating activity, as well as in business and financial skills per member, leads to variable success (*cf.* Muganda 2016, Lushakuzi *et al.* 2017). That may be attributed to a lack of professional coaching and monitoring (*cf.* Magali 2018), but that could be considered an intervening variable. Although identified as essential, it is unexpected, given the assumption of social coherence and mutual trust which lays at the base of the group constellation. That assumption might apply as well to the risk of mismanagement, which is mentioned by almost all authors in their respective case studies. The group members theoretically should be able to identify and appoint those individuals which are capable and trustworthy at community level. That mechanism is regarded by many social science theories as one of the pillars of community based organisations (*cf.* Slikkerveer *et al.* 2019).

A facet highlighted by Kitomari *et al.* (2016) is a multi-layered membership of more than one VICOBA, whereby one loan may be used as a stop gap to fulfil another, or even moving to a different location and joining an new group in case of default. A decisive aspect for success could be in the nature of the income generating activity. In case it is a first time out (start-up), and its feasibility is yet to be demonstrated, turnover may prove insufficient and the entrepreneur might resort to additional funding on a commercial basis or simply default (*cf.* Joyce & Akarro 2016). Their findings suggest a relationship with occupational status as the self-employed group shows a 32% default, while business owners show 17,6% default, but the latter segment is 89% of the sample. They do subscribe to the notion that short loan duration is a challenge (e.g. one month term), since the timespan to accumulate turnover may prove too short. That is defined separately from poor performing business, which deserves case level analyses as it would be tied to the type of activity. In these cases there is no focus limited to loans connected to an economically reproductive activity, but includes those with a consumptive character, e.g. paying fees for insurance, health or education. In favour of the VICOBA construct it is acknowledged that: '*…literature review indicates that VICOBA lead in enhancing impact among beneficiaries compared to other listed MFIs. This is because VICOBA is flexible in providing various types of loans and have repayment flexibilities compared to other MFIs. For example, some VICOBA in….district accept two months instalment repayment for a loan of six months where a loan is paid for three times'* (Magali 2018, P.6)

4.5 The Proportionality of a Debt Burden in Perspective to Income Categories

In essence what this compilation of cases is trying to expose is that despite the social and culturally sensitive character of these kind of loans, it is still possible that a member is over-indebted because of the volume of a debt obligation in proportion to the actual income. The examples which are compiled here are set against the norm of 1 dollar a day poverty line, i.c. 2,200 Tanzanian Shillings approximately. In a wider context the 'poor' people are projected to live on a weekly income of approx. 10,000 TZS, estimated at 26%

of the population (*cf.* THDR 2017). In order to pay back a 500,000 TZS (equivalent to 200 USD approx.) loan at 10% in three months requires an extra turnover of 6,000 TZS a day, leaving a targeted profit margin and the bottom parameter of 2,200 TZS unaccounted for. That would indicate that the economic activity should generate at least 10,000 TZS a day to make it viable in terms of repayment, but not in terms of creating a substantial financial surplus. Such a scheme would however not provide for shock resistance in case of unforeseen adverse conditions of any sort during a ninety day period. To underscore this, the example provided by the same data (*cf.* Joyce & Akarro 2016), shows that entrepreneurs which have participated in several cycles and were successful enough to repay the loan and set aside funds, and are less prone to default because they have already established a buffer. The same goes for the incidental character of opportunity. One member, quoted by Rutenge (2016), purchases four goats at 50,000 TZS from a 200,000 TZS loan and sells these at a 10,000 TZS profit per animal all in one instance. That means in one week there is profit of 40,000 TZS. If that opportunity occurs for more than five consecutive weeks it becomes a feasible business activity, but the consistency in that market is never a solid parameter. If that 200,000 loan runs for three months at 5% interest however, the obligation becomes a more feasible 2,300 TZS a day for a ninety day period.

Table 2. Socio-Economic Status (SES) of Tanzanian Family

SES_3.8	<50	50_100	100_150	150_200	200_250	250>	tot	share
very poor	10			2			**12**	4,0%
poor	61	19	3	9	3	1	**96**	32,0%
average	25	36	13	40	25	43	**182**	60,7%
rich				3	2	4	**9**	3,0%
very rich						1	**1**	0,3%
total	**96**	**55**	**16**	**54**	**30**	**49**	**300**	100,0%
very poor	83,3%	0,0%	0,0%	16,7%	0,0%	0,0%	100,0%	
poor	63,5%	19,8%	3,1%	9,4%	3,1%	1,0%	100,0%	
average	13,7%	19,8%	7,1%	22,0%	13,7%	23,6%	100,0%	

Source: Fieldwork Serengeti, de Bekker (2016)

Overall, it is evident from these East African cases that there is a complementarity of factors which play a role in default, which range from opportunity, feasibility, personal skills, coaching and management, as well as external circumstances (e.g. illness, market volatility, environmental aspects), which have to be analysed in a multivariate method. The outcomes now point in the direction of insufficient predictive factors to build a policy upon. It is therefore plausible to emphasise the professional assessment and coaching in advance of commencing the activities, while taking into account as many socio-cultural factors as possible following the nature of the VICOBA groups. That conclusion is derived from a frequently reported proportion of an est. 25% of members which have not taken part in a training programme. In an overview of defaulters in the literature presented here, percentages run in a range between min. 10% and max. 20% of the total participants on average. Since the VICOBA has its own rules it is not automatically comparable to other MFI constellations, which deserves a more longitudinal analysis, with probably larger samples (N=200+) over wider areas (*cf.* Joyce & Akarro 2016, Salum 2017). The plea is to have more research on a detailed level whereby the over-indebtedness is demonstrated on a household level. It should show the cross-relations to initial income, parallel expenses in health and education, while setting the income generating activity's (IGA) volume of turnover off against the actual debt-servicing cost in time intervals. Now, most case studies do not explicate these relationships but rather qualify the loan defaulters in a percentage of the sample on generalised categories. It does not provide sufficient insight in the accounting processes underlying the default, admittedly most often because there is no physical bookkeeping to that extent, which is exactly why the acquisition of such data is the current challenge (*cf.* Salum 2017).

V. Conclusion

The above studies on the over-indebtedness have underscored not only the importance of having information with regard to the pre-condition of the MFI-clients of over-indebtedness, and supports the integrated approach in microfinance, which was introduced by Ledgerwood (1998) as well as Slikkerveer (2007; 2012; 2019). The evaluation of microfinance should reach beyond a purely financial approach as well as beyond the parameters of outreach and sustainability. The framework models by Finlay (2006) and Gutiérrez-Nieto, Serrano-Cinca & de la Cuesta (2016), in combination with the study by Pakindo (2016) on over-indebtedness in Indonesia could contribute to minimising the risk incidence in microfinance. It is suggested that policymakers and MFI-practitioners should incorporate an analysis of the indicators for potential over-indebtedness in the implementation of any microfinance policy and programme.

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