Dynamics of Group Lending Mechanism and the Role of Group Leaders in Developing Countries: Evidence from Nigeria

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Abstract:

Group lending mechanism has increasingly become popular among microfinance providers in recent years. This is largely due to its ability to leverage joint liability and increase loan repayments whilst promoting entrepreneurial spirit among borrowers. Meanwhile, group-lending mechanism is also very important in promoting women empowerment through cooperative engagements of all group members. However, the effectiveness of the group lending methodology in the delivery of microfinance within a developing country context is largely under-researched. Using data from extensive focus groups interviews of women borrowers held in Nigeria among participants from 150 different groups, this paper analyses the dynamics of group lending mechanism (group formation, peer monitoring, pressure and support). The paper widens the current narrow literature on group leaders by providing a detailed empirical account of the activities of group leaders in a microfinance intervention. The findings showed that because group leaders are primarily held liable for loan delinquency of group members, they are highly motivated than other members to monitor and pressure members. The results also suggests that while group leaders were found to perform vital roles, some of these group leaders abused their positions in ways that undermine group cohesion and microfinance sustainability. Lastly, the paper introduces the "multiple card phenomenon" in group-based microfinance intervention.

Keywords

Microfinance; Group Lending; Group Leaders; Intervention; Multiple Cards.

1. Introduction:

Lack of access to finance had been generally acknowledged as one of the main reasons why many poor people in developing countries are unable to departure poverty (Vanauken, et al., 2016; Griffith-Jones & Brett, 2016; Griffith-Jones & Brett, 2016). The inability of the poor to provide suitable collaterals, required by conventional banks to hedge loan risk has been considered as the main rationale for excluding the poor from the formal financial system. Other cited reasons for that are the high transaction cost of screening, monitoring and enforcing loan contracts with a group of people who lack a useful form of banking history, as well as making it difficult for banks to profit from lending to that segment of the population.

However, since the successful microlending experiment of Professor Muhammad Yunus in Bangladeshi in the 1970's, the poor have increasingly gained access to microcredit through the help of microfinance institutions. The past two decades have particularly experienced an exponential increased in access to finance for the poor in many developing countries. From 1997 to 2015, the number of microfinance institutions rose from 618 in 1997 to 3725 in 2015. The number of poor people who have received finance from these microfinance institutions rose from 13.5 million to 211.1 million (157.6 million of them being women) during the same period (Microcredit Summit Campaign, 2015)

Microfinance achievements in reaching millions of poor people in a developing country are largely owed to group lending mechanism employed by many microfinance institutions. Group lending has been applauded for being able to innovatively solve the problem of lack of collaterals and high transaction cost associated with lending to the poor. It does this by grouping borrowers in ways that create incentives for peer selection, peer monitoring and peer pressure of members to fulfil loan repayments obligations. Previous studies (Besley & Coate, 1995; Ghatak, 2000) have argued that the group lending mechanism is effective at motivating group members to carry out the responsibilities mentioned above by tying future loans of each member to loan repayments of every member of the group. Most group lending models assume that all members monitor each other and that monitoring efforts of members are equal (Van Eijkel, et al., 2011). This paper argues that by depending on all group members to carry out voluntary monitoring and pressure duties, exposes the fragility of the group lending mechanism. For instance, peer-monitoring transfers risk from the bank, which is in a better position to bear the risk, to the co-signer (Stiglitz, 1990).

At the heart of most group-lending models are groups of borrowers who are often headed by group leaders. Group leaders perform the vital task of intermediating between the microfinance institution and the borrowers. Although the exact task of group leaders may differ between different groups and intervention structure, they are mainly responsible for chairing group meetings, updating lenders with vital information about the group and collecting repayments to be handed over to credit officers. However, despite the important and relatively expensive work of group leaders, they receive little or no monetary remuneration. Most apparent is the little attention that group leaders have received in the microfinance literature (Al-Azzam, et al., 2013). Pertinent questions require answers such as what are the profiles of group leaders? How do they emerge? What exact activities do they engage in and how are those affecting the group and the intervention? Why do group leaders retain their positions even though they are not remunerated for the costly work they perform?

The contribution of this paper is three fold. First, this paper provides new empirical data on the dynamics of group lending methodology in a developing country context. Second, it widens the gap in the microfinance literature on the activities of women group leaders and Third; it identifies a new phenomenon (multiple cards) which from the knowledge of the authors have not been addressed in the microfinance literature.

2. Literature review on Group Lending:

Much of the early success stories of microfinance programs had been attributed to self-selected borrowing group (Cason, et al., 2012). Group lending is the provision of loans to poor individual who belong to a small group (typically comprised of 5 to 20 members) and meet regularly (weekly or monthly) to repay their loans (Giné, et al., 2011). The group is form voluntarily by members selecting each other for the purpose of accessing uncollateralised loans. The key philosophy of group lending is the joint liability principle: a case where a default by a member of the group results in loss of access to further credit to the group except payment is made by other members to offset the default (Armendariz, 1999). Advocates believe that the principle of joint liability helps to mitigate the challenges of non-financing the poor by formal financial institutions due to informational asymmetries.

Through joint liability, lenders can get information about borrowers by members of the group who have enhanced access to such information, thus reducing the risk for banks. Giné & Karlan (2008) argue that joint liability enhances borrower's incentive to enforce repayment of loans and screen other members to ensure that only trustworthy individuals are allowed into the program. Because members know each other, safe borrowers will more likely select other safe borrowers, leaving the risky ones to form groups by themselves (Sengupta & Aubuchon, 2008). This reduces the risk associated with information asymmetry, which is often mitigated through banks insistence on collaterals or high-interest rates from the poor (with its attendant adverse selection implications). Stiglitz (1990) fond that Joint liability also reduces the problem of moral hazard by encouraging borrowers to monitor each other's projects choices and initiate sanctions upon members who have ventured into risky projects. This is also supported by the work of Owusu-Manu, et al., (2018). Meanwhile, Laffont & Rey, (2003) points out that since the actions and inactions of borrowers affect other members of the group; members are stimulated to take steps to discipline anyone who defaults or attempts to burden the group with risk.

A survey of 99 farm and non-farm groups in Malawi fond that peer selection, peer monitoring, peer pressure and social ties reduce the incidence of moral hazard (Simtowe, et al., 2006). The study argued that group-lending methodology creates social cohesion amongst group members that engenders cooperation and supervision, which reduces risky behaviours. Supporters of joint liability argue that because group members are likely to have adequate information about colleagues, the cost of peer monitoring is significantly less than lender monitoring, thus result in increased monitoring and repayment rate (Stiglitz, 1990; Varian, 1990). A recent study (Cason, et al., 2012) fond that peer monitoring results in higher monitoring and higher repayment rates compared to lender monitoring in cases where the cost of peer monitoring was lower than the cost of the lender. In cases with no difference in monitoring cost, the study indicated similar loan performance between the group and individual lending schemes. It can be deduce from the study that the cost of peer monitoring varies under different conditions and thus affect loan performance.

Armendáriz de Aghion & Morduch (2000) indicated that group lending reduces transaction cost since group meetings are held instead of individual visits of borrowers. Other researchers have argued that peer monitoring is costly and constrains member's incentive for monitoring (Ghatak & Guinnane, 1999; Aniket, 2007). According to Shankar (2007), the cost of peer monitoring increases the transaction cost which is the most important cost of lending for microfinance institutions. Shatragom and Bayer (2013) highlighted some of the factors that contribute to transaction cost on group lending. Firstly, transaction cost includes group formation cost, documentation cost, and cost of the appraisal; time sent on fieldwork and monitoring cost. Secondly, there is an additional cost of avoiding field staff expending extra effort to resolve a dispute among members, or solve other problems with the group. Thirdly, the cost incurred by members due to repayment of the loan, which can be very high especially if the group members are few and geographically separated. In addition, Armendáriz de Aghion & Morduch (2000) points out that where members leave far apart, the cost of attending group meetings and monitoring members may be-be high.

These costs leads to an increase in the interest rates on loans and subsequently heighten the risk of repayment (Kodongoa & Kendi, 2013). However, Bhatt and Tang (2001) argued that other factors such as group member's savings, liberalised interest rate and the legal systems act to reduce transaction cost for microfinance lenders. For instance, compulsory periodic savings reduces transaction cost by providing lenders with extra working capital that reduces dependency on donors and consequently lessen reporting and data collection by lenders. Also, the liberalised interest rate policy helps lenders to cover all loan cost resulting in lower transaction cost, and since the legal system guarantees loans, lenders feel safe regarding their investment and thus tend to lower interest rates or service charges.

Recent studies (Shettima & Dzolkarnaini 2018; Singh & Padhi 2017; Kono, 2014; Gine, et al., 2010) shown that freeriding problem is a major limitation to joint liability. The freeriding problem arises when a group member decides to take on risky investment with the notion that on events of default, other members would have to bail him out to avoid losing future loans from the micro lender. In a field experiment in Vietnam, Kono (2013) fond that joint liability contracts cause serious free-riding problems, inducing strategic default and lowering repayment rates. The study observed that when group members monitor each other's investment returns, participants are more likely to choose the strategic default. Kono (2013) suggests that joint liability lending often failed to induce mutual insurance among borrowers. In a related study, Fischer (2010) fond that under restricted information, joint liability encourages risk-taking as members' free ride on the indemnity provided by fellow members. In their study of strategic default, Giné et al. (2011) confirmed the assumption of Besley & Coate (1995) that excerpt strong social sanctions are in place, joint liability may encourage default by borrowers who would have repaid under individual liability.

Therefore, a borrower may question why he/she should be responsible for the default of other members of the group. However, there is no easy answer to this question except that banks find this strategy a good and cost-effective mean of doing business with the poor (Yeboah, 2010). A study of microfinance borrowers in Bangladesh and Uganda reveal that between 76% and 87% of MFIs current borrowers and dropouts have expressed a preference for independent borrowing (Women's World Banking, 2003). The presence of freeriding problem erodes the benefit of joint liability since instead of creating a system of peer monitoring to reduce default, risky members take advantage of risk-averse members by defaulting on loan repayments.

Another limitation to joint liability is that because it seeks to deter borrowers from using loans for non-investment purposes (Attanasio, et al., 2012), borrowers who need finance for consumption smoothening are more likely to be excluded. Contributing to this argument, Johnson & Rogaly, (1997) argued that a major concern of group lending approach to poverty is the danger that the very poor may be ostracised during the process of self-selection. Because the poorest in the society are often the most deprived and vulnerable and perceived as high risk, they may be excluded during group formation. Another drawback of joint liability is that it often insist on frequent, time-consuming repayment meeting and applies social pressure, which is burdensome for borrowers (Attanasio, et al., 2012).

These perceived limitations of joint liability have heightened the debate on whether group lending holds any comparative advantage over individual lending (Kodongoa & Kendi, 2013; Attanasio, et al., 2012; Bharat & Ogden, 2010). While the debate is intense amongst microfinance scholars, microfinance providers across the world are either moving to or adding individual lending into their lending strategies. Attanasio et al. (2012) and Giné & Karlan, (2014) pointed out that to create lending products that are more attractive and less burdensome to potentially good borrowers, MFIs are increasingly moving from group to individual lending.

3. Methodology and Data Collection:

The main aim of the present paper is to analyse the dynamics of group lending mechanism and group leader's activities using data from a microfinance NGO in Nigeria. The analysis is based on data gathered from 11 focus group interviews with group leaders and members of a microfinance NGO across five communities in Nigeria. The focus group interviews are supplemented by 28 face-to-face interviews with staff members of the microfinance NGO focusing on their relationship with group leaders and members within the intervention. A total of 231 respondents participated in the field's research. (See table 1 below).

Table 1: Field Study Participation

Individual Interviews with Staff, target communities, and number of participants						
Lagos state	***Edo State***	***Kwara State***	***Oyo State***	***Imo State***	***Sampling Technique***	***Interviews***
National (5)	Siluko (2)	Share (2)	Ibadan 1 (2)	Emekuku (2)	Purposive Sampling	Loan officers / Managers/ directors
Isolo (3)	New Benin (3)	Oja Ipata (2)	Gwagi 3 (2)	Owerri 1 (3)		

Badagry (2)	-	-	-	-		
Focus Group Interviews with women borrowers, target communities, and the number of participants						
Badagry 1 (12)	Siluko (13)	Oja Ipata (35)	Iworoad (17)	Emekuku (15)	Homogenous, Snowball, and Purposive Sampling	Women Borrowers in groups
Badagry2 (11)	-	-	-	-		
Isolo (19)	New Benin (12)	Share (23)	Gwagi (24)	Owerri 1 (22)		
Total respondents for individual Interview					**28**	
Total respondents for groups interviews					**203**	
Total Respondents for qualitative sample					**231**	

Table 1 shows the communities selected for this study, the number of respondents that participated and the sampling technique used. Snowball sampling technique was used to identify potential respondents for the focus group interviews. Some staff at the national and branch levels of the NGO were interviewed and then asked to identify active group leaders and members from different credit unions who could participate in the research. At this stage, purposive sampling was used to select respondents based on factors such as the length of time spent with the microfinance intervention, actively using microfinance as of the time of the study, accessibility, and willingness to take part in the research. After that, the active leaders and members were randomly selected from different unions and merged to participate in the focus group interview.

Randomly selecting borrowers from different credit unions (groups) to form the focus group interviews was to ensure the diverse perspectives and experience of women borrowers from the different credit unions were adequately represented.

4. Results and Discussion:

4.1 Group Formation Process in a Group Lending Microfinance NGO:

Generally, the process of Group formation is often the first step in the implementation of the group-lending model. In this regard, a women focussed microfinance NGO enters a community through mobilisation: a process whereby staffs, often branch managers or Credit Officers raises awareness of its products and services to prospective women clients. Before every mobilisation exercise, a survey of the area is conducted to ascertain its commercial viability and to assess the quantum of women-owned enterprises in the area. Upon meeting the above two criteria, the NGO sends facilitators to the area to hold one to one discussions with each women entrepreneur in their business premises. This is done as a way of encouraging the spread of entrepreneurship spirit among these women, which can lead to great economical benefits to the local, regional and national economy

(Alsharief and El-Gohary, 2016; Aninze, et al., 2018; Dosumu, et al., 2017; Millman and El-Gohary, 2011; and El-Gohary, et al., 2016).

Explaining the process, a staff opined,

> *"We conduct mobilisation, by going to their (poor Women entrepreneurs) shops and telling them about our products and services and how we can help them*".

Olomola (2002) found that similar method was employed by FADU to attract new members into its union in Nigeria. By targeting commercially viable areas and women in business ensures that the very poor and idle women are technically excluded from the intervention. However, the smallness of the initial loan (₦60,000), the idea of joint liability and compulsory meetings attendance in public places with poor women prevents wealthy entrepreneurs from joining the intervention. The idea received confirmation in a study in Ghana where Yeboah (2010) found that similar methods were employed by microfinance institutions to exclude the non-poor from the intervention.

Women who indicated interest during or after the mobilisation process followed advice form groups for loan disbursement. It is at this point that women are encouraged to self-select members of their chosen group. When asked about how members are selected, Women borrowers stated that any of their friends, relatives or fellow business colleague who was interested in having a loan and meet the loan criteria were introduced to the group leader. Who then take her to meet the branch manager at the branch office. It is worth noting that besides the lending criteria established by the microfinance NGO, group members do have their own criteria. They include:

(i) Prospective member must reside or trade in the same area
(ii) The occupation of each member must be known to all or at least the referee member
(iii) Prospective member must be seen to be of good character, responsible and hardworking.

By insisting on these additional levels of screening requirements, the women borrowers claim that it lessens the chance of selecting high-risk individuals who may increase the repayment burden of the group or place the group in disrepute. Giné et al., (2013) and Ghatak & Guinnane, (1999) have highlighted how self-selection helps to reduce the problem of adverse selection in lending to the poor. For instance, Ghatak's (2000) model shows that safe borrower would rather pay higher to join the group of safe borrowers to avoid paying joint liability payments frequently.

Asked why group lending was the preferred choice for the microfinance NGO, staffs highlighted the following: that groups act as collateral, reduces the problem of information asymmetry, transaction cost (transportation cost, monitoring and management cost of dealing with groups as compared to individuals) and improves repayment due to peer pressure from a member. Other cited reasons were the belief that poor women could be better empowered when they network with each other, share ideas and knowledge, benefit from group solidarity and support each other at times of crisis.

4.2 Peer Monitoring and Pressure:

After the group formation process, microcredit is disbursed individually to each member but based on joint liability. The theory of joint liability consists of two main aspect that facilitates loan repayment: peer monitoring and peer pressure. Peer monitoring refers to actions taken by members to observe their peers in the aim of ensuring repayment. Aniket (2007) and Sinn (2013) agrees that peer monitoring reduces the problem of moral hazard and improves loan repayment. Effective peer monitoring assumes that members have adequate knowledge of where and how peers invest the microcredit, and this constrains individuals from using the loan they receive for purposes that may endanger repayment (Hermes, et al., 2005). In line with theory, interviewed staff of the NGO stated that it was expected that group members would monitor each other inspired by joint liability.

Asked whether they knew where and how peers used loans, most of the women borrowers interviewed revealed that they were unconcerned where and how their peers in invest loans as much as repayments were made on time. Only a few women claimed they knew how women specifically invited into the group by them use loans. The women claimed they did not know how women not invited by them use the microcredit. In addition, when asked whether they were aware that women borrowers could have used loans for other purposes, surprisingly, the staff at NGO stated that they were aware that woman borrowers use their loans for other purposes. As claimed here:

> *"most of our women are straightforward, some of them use it to build houses, and we don't bother in as much as their business is still growing"*.

The staff, however, claimed that clients are strictly advised not to divert funds meant for their business, and on occasions, credit officers conduct monitoring exercises on borrower's shop. It is obvious that peer monitoring was of little importance given that women borrowers were known to use loans for non-business purposes. It could also be argued that the staff monitoring was ineffective since infringements were ongoing without deterrents.

However, it was gathered from the field that if indeed any borrower were motivated to monitor members of the group, it would be the group leader or secretary. The reason for this is that they both are often made to repay the loans of defaulting members when group members are either unable or refuse to cover the repayment. When asked how default was dealt with in the group the following response was made:

> *"If members default in paying their loan, everything will be on leader and secretary and the CO's (credit officers) will request the money from us because we sign off for every new member".*

> *"As a leader, if a member does not turn up to meetings with her money it is the leader that will bear the brunt, the leader often repays the loan and later find ways to recover the money from the defaulter".*

A staff who mentioned that corroborated the above statements:

> *"We, first of all, call the leader and ask her to provide money for the defaulter and if she is a good leader she rallies around and gets the money".*

Further probing revealed that loan repayments by group leaders were kept secret by the staff of the NGO to reduce the possibility of a contagion effect. A group leader claim that

> *"We keep this practice as a secret between us, the CO (credit office) and BM (branch manager) so as not to encourage members to default".*

Investigating repayments incentives under group lending, Besley & Coate (1995) suggested that the default of some group members could have a contagion effect where the entire group defaults when at least some members would have repaid had they not been saddled with the weight of liability for their partners' loans.

Interviewed staff mentioned that at certain times, group leaders or Secretary does provide them with information about the financial health of group member and advice on whether it was proper to disburse loan to the borrowers or not. Staff explained that

> "*The feedback they give us is sometimes what we use in making a loan decision. For instance, a leader might advise me to give a new member an amount of loan that is less than what she asked for because the leader knows that, that is her capacity".*

It is quite easy to appreciate why group leaders would take peer monitoring seriously especially given that they stand to withstand the worst of non-repayment by a member.

In a study of two Eritrean, microfinance institutions, Hermes, et al., (2005) found that peer monitoring by group leaders may help reduce moral hazard behaviour of a group member, however, peer monitoring by group members was not found to have any positive impact on moral hazard behaviour. In contrast to earlier studies (Ghatak & Guinnane, 1999; Armendariz de Aghion, 1999; Stiglitz, 1990) which advocated the idea that peer monitoring could encourage repayments; this paper finds no relationship between peer mentoring and repayments. Given that group, members were unconcerned about how their peers use loans and more so, because there is open knowledge that members use loans for non-business purpose. The paper adds to the findings of Hermes, et al., (2005), that group leaders are motivated to monitor members to avoid having to bear repayment burden of a defaulting member.

It has been widely argued that peer pressure plays a significant role in microfinance repayments (Schurmann & Johnston, 2009; Armendáriz & Morduch, 2010). Peer pressure refers to a form of policing of fellow group members with the risk of imposing sanctions if they fail to conform to agreed standards. Recent studies have argued that the threat of potential sanctions is employed in-group lending schemes to promote repayments rates and reduce credit delinquency (Hermes & Lensink, 2007;

Giné & Karlan, 2014). Group sanctions take different forms: group criticism of defaulters, financial sanctions, exclusion from the group and stigmatisation from both group and wider community members.

When asked whether sanctions were used to pressure members to repay loans, most of the interviewed women claim that each group had specific rules that address the unruly behaviour of members. Although the figures vary between groups, most interviewees claimed that fines ranging between ₦100 to ₦500 were specified to be paid by group members who either arrive late or fail to attend the meeting for repayment. Other more stringent measures were also in place. A group leader states that

> "*For members who are around but fails to pay, they will pay double if I repay their debt".*

These measures are believed to exert pressure on members and ensure that they repay their loans.

In contrast, a few groups were reported to have no sanctions in place, yet claimed they had never experienced loan delinquency. Further probing revealed that in such groups, members were either driven by the fear of non-reimbursement of loans at the end of the loan circle or the guilt of letting down the leader, credit officer or NGO despite having benefited from the intervention. It was apparent that some women borrowers were motivated by the guilt of letting down social relations gained through microfinance than sanctions. In a recent study, Griffin & Husted (2015) found that harmonious social relations played a significant role in improving repayment rates compared to sanctions.

Therefore, in summary, the findings reveal that sanctions could be as effective as harmonious social relations in encouraging repayments could. The result further strengthens the argument that the poor are a heterogeneous group (Sridhar & Reddy, 2014; Peterson, 2015), thus, are likely to respond differently under similar conditions. The present paper argues that by allowing the dynamics of sanctions and social relations to thrive within the same intervention may have allowed the NGO to cater to the heterogeneous nature of poor women.

4.3 Peer Support:

Peer support refers to ways in which members of the group assist each other in loan repayment and other areas such as welfare and solidarity. The study found that women borrowers did support each other financially. This is what a group member said when asked if they benefited from the group:

> *"It is very good because we help ourselves, support each other and where there are any lapses (late or non-repayment) we try to cover it (make up for the repayment) amongst ourselves".*

It was not uncommon for members to lend to other members struggling to meet their repayment obligations. The researcher found that there were many informal arrangements employed by group members to support loan repayment. One of such arrangements was the group savings between members of the group often used to offset repayments shortfalls. As mentioned above, group leaders and secretaries usually step in to top up or in some cases make full repayments for members who are shortly unable to repay. The researcher found that group executives (leaders and secretaries) were literate and financially better off than other members thus were in a better position to offer support to members in loan repayments. Although, group executives are increasingly becoming wary of having to carry the burden of non-repayment.

Peer support within group members was not limited to issues of loan repayments. The study found that social relationships amongst group members further entrenched their financial relationships. Most of the interviewed women claimed that when a misfortune such as theft accosts a member, they members will contribute towards repaying her loan until she regains financial stability. It was also common for group members to attend the funeral and other celebrations and could even make a financial contribution to support a member. Recounting their experience, group members made the following comments:

> *"In my group when a member is hosting an event, we go together as to group to show solidarity and support for that member. Also, if any member loses her family member, we usually make monetary contributions to support that person".*

> *"In our group, if a member delivers a baby, we contribute money and donate to her to show our support for her".*

Group members have also suggested that peer support has been vital in their business. The study found that members were willing to mentor new members in business and provided advice to members on how to diversify or move from a poorly doing business to a more profitable business. Some interviewed women mentioned the invaluable assistance from members concerning helping their business survive and thrive. Some members recalled that:

> "*There was a woman who joined our group; she introduced me to a new business which was more profitable than the one I was doing since then I have been doing that new business, and I am prospering in it".*

> *"When I joined the group, I was buying my stock at Benin, but a fellow member advised me to start buying from Onitsha since it was cheaper there, I started doing that, and my profit started rising, and my business expanded".*

The members believe that deepened social relations in the forms mentioned above engenders group solidarity and further strengthens women's support networks.

The NGO supports the social interactions of women and believes it promotes their empowerment. In this regard, the NGO helped the groups to set up a union purse where members could contribute to and withdraw from to cater for repayments of the member, welfare and celebrations events. The NGO claims that the purpose of the union purse was to promote group cohesion and provide an extra layer of support to group members. While some of the interviewed women claimed the union purse was primarily used to support members with loan repayments, others claim they have drawn on the union purse to organise the end of year parties and other celebrations aimed at deepening the social relations within the group. Although, interviewed members claimed it was difficult to access the union purse and that few groups have benefited from the purse. The difficulty with accessing the union purse was due to the staff of the intervention unwillingness to grant access to the women borrowers.

In summary, the interview and observation showed that women borrowers well accepted the joint liability concept of group lending employed by the Grooming Centre. It has been argued that group-lending methodology generates social capital for members and improve group cohesion if members engaged in collective activities beyond microfinance (Armendáriz & Morduch, 2010; Feigenberg, et al., 2014). The study found that the Grooming centre could promote the activities of the women beyond the confines of microfinance. The researcher noted from observations during group meeting that some women borrowers showed some degree of cordiality and closeness amongst themselves. Some members claimed these relationships were a product of their participation in the microfinance intervention. In this regard, a group member state that:

> "*Through this group I have come to know and make new friends, we cooperate, assist each other and learn from each other".*

4.4 Group Independence, Decision Making and Relationship with Staff:

Group independence and groups ability to make decisions without undue interference from microfinance staff is vital to the empowerment of the women borrowers. Recent studies (Lavoori & Paramanik, 2014; Holvoet, 2005) suggest that women's membership of group-oriented association helps to shift overall decision-making patterns from norm-guided and male-led to more joint and female-led decision making. The study assessed the group's ability to make independent decisions and their relationship with field staff of the microfinance NGO.

Women borrowers enjoyed a high degree of autonomy regarding the running of activities in their groups. Asked how decisions concerning the management of the group were taken, women borrowers claimed that decisions are made on the consensus of every member of the group and without interference from the staff. For instance, decisions on the choice of meeting day, venue and time were made within and between group members. Also, group members alone make decisions on group sanctions, fees and general rules guiding the activities of members.

An interviewee claims that "in our group, everyone contributes to decision making, for instance, there is a penalty (N50) for late coming, and everybody agrees with that". The women borrowers explained that it was not their practice for staff members to unilaterally meddle into the affairs of the group. Interviewees claim that for example, staff would have to consult the group before admitting any new member to the group. Asked whether the staff of the microfinance could expel any member of the group without adequate consultation, the women borrowers unanimously said it was not possible.

Although the groups largely operated autonomously, there were instances where field staff of the microfinance NGO would intervene. It was common for field staff to interfere in the group especially when there were indications that the group could be at risk of default. Staff members could unilaterally reduce the loan size of a borrower if there were signs of a possible default. Field staff could also expel chronic defaulters howbeit the group was always briefed. The interference of field staff was intended to reduce or prevent losses to the microfinance NGO.

When asked about their relationship with the field staff of the intervention, women users replied in the positive. Interviewees claim they had an excellent working relationship with credit officers and other staff of the intervention. A unanimous response from the women echoed, "they (credit officers) are excellent, 100%". Most especially, they claim that field staff show a lot of respect for the poor women borrower. They were quite delighted at how field staff showed empathy, care and patience in dealing with them. Interviewed borrowers expressed the following:

> *"CO (credit officers) always pray for us that's why we are successful in business".*
>
> *"Grooming has the best COs compared with other MFIs. They have a good manner of approach; they don't use insulting words on us".*

5. The Role of Group Leaders and the Burden of Group Leadership:

Group leaders play a prominent role in the functioning of group-based microfinance interventions (Hermes, et al., 2006; Al-Azzam, et al., 2013). They are the main contact point between the group and the microfinance institutions or NGO's. Van Eijkel et al., (2011) observe that being the intermediary between the microfinance provided and poor borrowers, the group leader must make a regular report to the program's staff on the performance and sustainability of the group. By carrying out such duties, the group leader is placed in a position of authority and how she exerts this authority has implications on the group cohesion and the empowerment of group members. Despite, the acknowledged role of group leaders, they have attracted very little attention in the microfinance literature (Al-Azzam, et al., 2013). By examining the role of group leaders in a microfinance intervention, this study narrows the gap in the microfinance literature.

Upon investigating the profile of group leaders, the study found that group leaders were more literate and financially well better off than other members of the group were. The educational background of group leaders may not be unconnected to their willingness to put themselves forward to lead the group. In a study on whether education matters in leadership, Besley et al., (2011) found that not only is education critical to the emergence of leaders but that growth is enhanced by having leaders who are highly educated. Observations at group meeting reveal that group leaders were articulate in expressing their views and those of the group. It could be argued that the lucid disposition of group leaders could be useful in effectively communicating the needs and concerns of the group to the microfinance NGO.

The emergence of group leaders was self-determined or often endorsed by the microfinance NGO. It was gathered from the field that most of the group leaders were the actual initiators of the group, thus, by default they became group leaders. On other less frequent circumstances where members were attracted through staff mobilisation, the staff of the NGO usually identifies the most vocal amongst the women and would approach such individuals to form and lead the group. Perhaps the intention of the microfinance NGO was to aid the emergence of individuals with the capacity to handle the complexities of managing poor women. During the group formation process, the group leader was responsible for inviting new members and vetting their character and repayment potential. It is the practice of the NGO to ensure that the leader to receive her loan must accompany every member of the group.

The reason for this was to ensure that the leader identifies the borrowers and pledges their support for her loan disbursement. This meant that group leaders would first know the financial and character profile of members to enable her to vouch for the member. The study found that often than not, it is during this process that the staff can get more information about the members and instil the notion of joint liability in the minds of the group leader. Staff states, “In her (member) application form the leader and the person who introduced her will sign which creates a link”.

Without this link, there is no pressure on her to repay the loan, and we may not be able to get useful information about the borrower”. The study believes that by vouching for members, group leaders involuntarily accepts the responsibility of ensuring the member's repayments. The researcher found that the group leader is often held responsible for vouching for members who end up defaulting on their loans. Recounting her experience, a group leader claims that “if members default in paying their loan, everything will be on leader and secretary and they COs (Credit Offices) will request the money from us because we sign off for every new member.

Group leaders are solely responsible for the smooth running of the group. With little support from the group secretary, group leaders are involved in organising weekly meetings, which include identifying a suitable venue, setting up and moderating the meetings. Given that the weekly meetings are also used to collect loan repayments, group leaders would make efforts at ensuring that all members were in attendance. Attendance of members was necessary to ensure that the group was up to date with their repayments. A group leader explained how she would always call up her members at her expense to remind them of weekly meetings. It was an expectation from the NGO that leaders should lead by example and that meant that group leaders would arrive at meetings venue an hour or two before members and would often be the last to leave the venue. A group leader recalls that “in our group, our meeting holds at 9 am, as a leader I get there at 7 am and start arranging everything before 9 am all my member will be at the venue”. Some interviewed group leaders claimed that they lose a whole day’s business, as they would have to shut their shops to organise the group meeting. By so doing, the researcher estimates that on average group leaders lose 48 days of business to shop closure within a 12 months period.

It was clear that the burden of group leadership was taking its toll on some of the leaders, as they were disquiet about the weight of their role. What was more troubling was the burden of repayments of loans taken by group members. In contrast to the literature that suggests that under joint liability, all group members helped repay delinquent loans, we found that group leaders were rather more involved in repayments than members were and even when members contribute, group leaders pay the highest amount. Recounting her painful experience in repayment a group leader recalls that “as a leader, I have been paying for a defaulter since she absconded, but when it became unbearable, I went with my CO (credit officer) to meet up with the guarantor, who helped us to recover the money”.

Another group leader mentioned that “one of our members took a loan of ₦70,000 and on her first week she ran away with the money, as a leader I am the one paying the money, our members only contributed ₦8,900”. The disproportionate loan size was cited as the main reason for members’ reluctance to be jointly liable for a large loan taken by a member when they had only taken a small loan. Yeboah (2010) confirms the finding of this study. By making multiple repayments for group members, group leaders pay a far costly price for leading poor women borrowers. The noticeable financial implication is that by making such unintended repayments, group leaders lose finances that could have been invested in their business or family welfare. To this end, some of the leaders feel worse off while others expressed exhaustion due to the burden of group leadership.

Why are group leaders uninterested about relinquishing their positions despite the enormous burden of leading the group? Due to the group lending mechanism and joint liability element employed by the microfinance NGO, there is no doubt that the disillusion of the group could lead to the closure of access to finance from the intervention. Group leaders consider their role of ensuring group cohesion pivotal to group members’ sustained access to microfinance. Most group leaders believe in the noble idea that is effectively carrying out their duties (regardless of its cost implications) ensures that the livelihoods of their fellow members were promoted. The feeling of being responsible for the livelihoods of poor women drives their commitment to continue leading the group.

More so, given that they are more educated and financially well to do than other members, group leaders feel it is incumbent upon them to leverage on their profile for the betterment of their poor fellow women. The study found that some group leaders appreciate the idea of “serving the greater good” and this ensured that they kept their positions regardless of the immense burden it brings. In this regard, a staff member stated that *“some leaders repay the loans for defaulters because they don’t want anything that will tarnish the image of their group and they keep it secret from us. In this case it is a burden on the leaders”.*

Perhaps certain exclusive benefits available to group leaders may be that they are unconnected to their reluctance to relinquish their position. Being the intermediary between the group and the microfinance NGO, group leaders are prioritised in the microfinance intervention. Besides having extra powers to adjudicate on group issues, group leaders received exclusive leadership training that expands their business acumen and people management skills. An exclusive gathering of leaders and staff called “The general assembly” also allows group leaders to jointly take critical decisions with the management of the NGO on issues ranging from product development, meeting client demands and resolving group issues. Originating from a poor and neglected background, these activities create empowerment opportunities that most of the group leader’s may not have experienced before.

Thus, they may be unwilling to give it up. Group leaders are in a better position to build lasting relationships with staffs of the NGO that could be leverage on in future endeavours. Van Eijkel et al., (2011) argues that group leaders attach more weight to future benefits than present gains. Additional perks such as bags, aprons and other gift items are given to groups leaders for participating in general assembly meetings. It was also gathered from the field that group leaders were accorded respect by both group members and the wider community, and this is often uncommon given the cultural context (male dominance) in most of the visited communities. The study found that group leaders recognised they held privileged positions. Thus, they were willing to sacrifice anything to retain their positions.

On realising the power associated with group leadership, some leaders have sought to exploit their positions for their selfish interest. The study found that some leaders abuse their positions to the detriment of members and the intervention. A prominent charge by group members is that group leaders extort money from them to accompany them to loan disbursement. Being the practice of the NGO that members must be accompanied by their leaders on loan disbursement, group leaders exploit this avenue to charge members fees ranging between ₦500 – ₦2000 per member. Group leaders argue that they collect such fees to cater for the transportation cost incurred when accompanying a member to the office and the cost of having to leave their shops unattended. Some group leaders echoed this in the following statements "as a leader; we charge them #1000 per person. We collect the money as transportation fee and because we are leaving our shops unattended for the duration of time spent at the office".

However, it was gathered that the fees charged were far greater than the actual cost of transportation to the office of the NGO. Although some groups claim, the fees were consensually agreed by all members of their group, most interviewees were dissatisfied with the charges. What was even more surprising was that despite group members' vocal expression of concern to such arbitrary charges, the NGO felt helpless in addressing the issue. Asked if they were aware of arbitrary charges imposed by group leaders, a staff member explained:

> *"Some leaders collect N1000 from members' especially new members or members receiving disbursement, I have received complaints about this, but I don't interfere in the running of the groups".*

It is clear from the staff statement below that it took member's threat of leaving the intervention, for the microfinance NGO to act. This implies that for those poor women who are unable or due to their immense reliance on microfinance are unwilling to make such threats; the NGO may not intervene. The fact that no group leader has been punished for imposing fees on members indicates that the NGO is not doing enough to curtail such arbitrary use of position. The same staff recalls that

> *"I had to intervene in a case where the member wanted to leave the organisation because her leader insisted on collected N1000 from her at disbursement; I appeal to the Leader to forfeit the N1000".*

Group leaders have also been found to use wild/multiple cards. A senior staff explained the multiple cards phenomenon as follows:

> *"We have observed that some leaders use multiple cards or jumping of cards, which means they use fictitious people to collect loans. They (leaders) introduce fake people, collect loans, and after some time they tell us the persons have absconded".*

Perhaps the rationale behind the use of multiple cards stems from the desire to always remain (or to be perceived) as financially better off than other members. The study observes that group Leaders did not only want to be perceived as been efficient in managing the group but also as a microfinance success story. They believed that their ability to command respect from group members was dependent on their success in the intervention.

The problem with multiple cards is that when undetected, group members may be compelled to repay such loans or face the possibility of the group's disbandment. In some instances, the microfinance NGO does write off debts to enable the group to remain active. Essentially, the use of multiple cards by group leaders increases the debt profile of both the group and the microfinance NGO that may have grave implications for the long-term sustainability of the intervention. The practice of multiple borrowing (same individual borrowing from multiple MFIs) have received some attention in the literature (Debnath & Roy, 2016; Faruqee, et al., 2011; Venkata & Yamini, 2010). However, the multiple cards phenomenon has not been addressed in the microfinance literature.

During the focus group interviews with women borrowers, the researcher observed that some group leaders would attempt to drown the voices of members by raising their voices and in some instances, insist on responding to the interview questions alone. Realising that such behaviours may be aimed at suppressing the voices of fellow members, the researcher probe staff members to establish their awareness of such issues. When asked if they were aware that group, leaders use their position to drown the opinions of members, staff members claim that:

> *"Yes, I have had a member report her leader for being excessively powerful".*
> *"From my experience, I found that in certain cases the leaders want to suppress the views of these women".*
>
> *"Yeah, some members have complained that leader doesn't allow them to have a voice, she overshadows us".*

By not allowing members to freely contribute or have their voices drown suggest that group leaders contribute to the feeling of helplessness and powerlessness amongst poor women (Narayan & Patel, 2000). It is clear from those above, that group leader do exercise and flex their authority. However, some leaders adopt a more dictatorial leadership style such that members feel that their voices were muted.

6. Conclusion:

This study provides an empirical analysis of the dynamics of group lending mechanism and documents the activities of group leaders in women focus on microfinance intervention. The results of the qualitative research show that group leaders are more motivated to monitor and pressure members to comply with loan repayments because they are often held responsible for loan delinquency within the group. The study found that the disproportionateness of loan size contributed to group member's reluctance to be jointly liable for a large loan taken by a member when they had only taken a small loan. Consequently, group members shy away from contributing to cover loan delinquency and even when they do, group leaders still pay the larger share.

Typically, the group lending methodology generates social capital for members and improve group cohesion as members participate in collective activities beyond the microfinance intervention. Group members learn, share and mentor each other and most of all show solidarity in periods of crisis and celebration. Emergent results suggest that group leaders play a vital role in-group lending schemes; they are more educated and financially well off than group members. However, the study found that some leaders abuse their position by engaging in multiple cards phenomenon, extortion of money from members and suppressing of members views. Generally, the activities of group leaders were found to be critical to the sustainability of the group and the microfinance NGO. Given that the multiple cards phenomenon has not received attention in the microfinance literature, the study, therefore, suggests the need for further studies to explore the effect of the multiple cards phenomenon on group cohesion and the sustainability of group lending schemes.

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