

# Preface

The mismatch between credit repayments and income seasonality can create serious distortions. However, typically Micro-Finance Institutes (MFIs) do not provide any adjustments due to the income seasonality. For instance in northern Bangladesh, income and consumption downfalls during the time of post-*Aman* rice plantation seasons are quite regular phenomenon which is locally known as *Monga*. Poor landless agricultural wage laborers suffer the most due to this seasonality and usually they face difficulty to smooth their consumptions. As a result, it is extremely difficult to arrange the regular weekly loan repayments of the microcredit, which they have taken during the productive part of the year. Using field experiments through RCTs in northern Bangladesh, we randomly assigned seasonality adjusted flexible microcredits and traditional rigid microcredit to different borrowing groups. Examining the repayment behavior of the borrowers in the context of geographical classifications and loan designs, employing both survey and experimental methods, this study allows us to see the consequences of flexible loan repayment rules during the lean periods, and how they affect both MFIs and participating borrowers. The findings of this study have important policy implications for MFIs and policy makers of the developing countries.



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Seasonality and Microcredit

The Case of Northern Bangladesh

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