# What Drives Microfinance Loan Repayment? Field-based Evidence from Assam

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***Abstract :*** This study examines the repayment performance of microfinance borrowers in Assam, India, focusing on the determinants of repayment behavior at the individual borrower level. The research utilizes field-based evidence from 414 members across 187 Joint Liability Groups (JLGs) and Self-Help Groups (SHGs). A Tobit regression model is employed to analyze the impact of 15 explanatory variables on the cumulative repayment rate. The study finds that peer monitoring and peer pressure significantly positively influence repayment rates, while access to alternative sources of finance negatively affects repayment. The frequency of idiosyncratic shocks also negatively impacts repayment performance. The research contributes to the understanding of microfinance repayment dynamics in the context of Assam, highlighting the importance of group-level mechanisms and individual borrower characteristics in determining repayment outcomes.

***Index Terms*** **– Microfinance, Repayment, Tobit Regression, Peer Pressure, Individual Borrower**

## I. INTRODUCTION

Microfinance institutions (MFIs) have progressively extended their operations from traditionally unbanked regions to areas already served by formal financial institutions in their quest to advance financial inclusion. This strategic expansion necessitates a significant influx of capital, typically obtained from donor agencies, government entities, and commercial banks. To ensure continued financial backing, MFIs prioritize high loan repayment rates as a critical performance metric, alongside traditional sustainability indicators such as Operational Self-Sufficiency (OSS) and Financial Self-Sufficiency (FSS) [1]. Nevertheless, the validity and interpretative value of these indicators remain contentious in academic and policy circles. Although a high repayment rate is frequently cited as a measure of institutional success, it may not accurately represent borrowers' economic well-being. Loan repayment can occur under conditions of financial distress or over indebtedness, prompting concerns regarding the sustainability and ethical implications of such success metrics. Participation in microfinance programs does not inherently lead to improved financial conditions, and in certain instances, borrowers may resort to repaying loans by borrowing from alternative sources, thereby entering a debt cycle. The broader issue of MFI sustainability complicates this narrative. While OSS and FSS may exhibit positive trends, other indicators, such as the Subsidy Dependence Ratio (SDR) and Subsidy Dependence Index (SDI), indicate a persistent reliance on external support [1]. Additionally, inefficiencies at the MFI branch level may negatively impact repayment outcomes [1]. Enhancing loan repayment rates could be pivotal in reducing subsidy dependence and bolstering the sustainability of institutions. Superior repayment performance not only ensures financial stability for MFIs but also presents an opportunity to lower interest rates, thereby reducing the cost of credit for borrowers and promoting broader financial inclusion. This study examines the repayment performance of microfinance borrowers within the institutional framework of MFIs operating in Assam. It seeks to identify the key determinants of repayment behavior at the individual borrower level, utilizing field-based evidence to elucidate the factors that influence loan recovery outcomes.

## II. REVIEW OF LITERATURE

The literature review for this study predominantly relied on peer-reviewed journal articles and seminal texts within the microfinance domain. To systematically elucidate the factors affecting loan repayment performance, a thematic approach was employed, drawing inspiration from the annotated bibliographic framework established by Brau and Woller [2]. The discourse focuses on the theoretical foundations and empirical evidence concerning repayment performance, with particular attention to joint liability lending, dynamic incentives, social capital, and borrower characteristics. A substantial body of literature attributes the global expansion of microfinance institutions (MFIs) to their notably high repayment rates, often regarded as the principal strength of group lending contracts. A pivotal inquiry arises: what specific mechanisms within the microfinance model sustain such high repayment performances? A significant portion of the literature highlights the efficacy of the joint liability lending (JLL) model, which is central to many microfinance operations, including the Grameen Bank model in Bangladesh. In JLL contracts, borrowers form small groups in which members are collectively accountable for each other's repayments. This structure compensates for

the lack of physical collateral among impoverished borrowers and enforces discipline through peer monitoring [3] [4]. Theoretical contributions from Stiglitz [5] and Varian [6] suggest that group members possess superior information about each other's behavior compared with external lenders. This information asymmetry facilitates effective peer selection, monitoring, and enforcement, thereby mitigating adverse selection and moral hazards. Besley and Coate [7] further illustrate that the JLL ensures repayment when at least one borrower achieves a sufficiently high return on investment. The mechanism of dynamic incentives, wherein future access to larger loans is contingent on timely repayment, also plays a crucial role in deterring default [8]. Other studies underscore the significance of repayment schedule. Regular and frequent repayments (e.g., weekly installments) allow for the early detection of default risk and promote financial discipline [9] [10]. Additionally, the role of social capital, defined as networks of trust, norms, and reciprocal relationships, is emphasized as a major contributor to repayment performance [11] [12]. Targeting women borrowers has also proven to be effective in enhancing repayment outcomes. Research indicates that women are more reliable and committed to loan repayment, which accounts for their preferential targeting by many MFIs [13] [14]. Concurrently, alternative collateral mechanisms, group savings requirements, and community-based enforcement contribute to repayment success [15] [16]. Despite these strengths, group lending models face challenges. Coordination failures among group members can precipitate borrower runs, where defaults by a few lead others to default preemptively [17]. Group lending can also result in riskier investments, as shared liability may dilute individual risk aversion [7]. The influence of informal financial sectors, which may either complement or compete with MFIs, further complicates the repayment dynamics [18].

Empirical research generally supports these theoretical assertions. For instance, Wenner [19] demonstrates that effective screening mechanisms facilitate the exclusion of high-risk borrowers from microfinance programs. Al-Azzam [20] and Ahlin and Townsend [21] affirm the beneficial role of social ties and peer pressure in ensuring timely repayments. However, Ahlin and Townsend caution that excessively strong social ties may undermine enforcement due to emotional reluctance to impose sanctions. These nuanced findings suggest that although social capital is valuable, its effectiveness is context-dependent. Other studies have investigated institutional design. For example, Gain [22] attributes the success of microfinance in Bangladesh to a supportive policy environment and robust institutional mechanisms that support microfinance. NGO-MFIs frequently supplement credit with non-financial services, such as training, mandatory savings, and peer-led enforcement strategies [15] [23]. Godquin [24] identifies borrower-level characteristics such as household asset base, access to social services, loan amount, group homogeneity, and group size as significant determinants of repayment. Interestingly, several studies find that larger loans, while potentially more productive, are associated with higher delinquency risks [15]. Similarly, the presence of relatives within borrowing groups may reduce repayment discipline because of emotional leniency [21]. Conversely, religiosity and personal discipline positively affect repayment performance [25]. From an Indian perspective, MFIs encounter unique operational challenges, including high financial costs, complex regulatory frameworks, and regional disparities in repayment behavior. Purakayastha [26] highlights that in regions such as Assam, repayment rates remain suboptimal despite promising microfinance interventions. The Planning Commission of India [27] acknowledges the limitations of the informal credit sector and emphasizes the role of MFIs in bridging credit access gaps. In summary, the existing literature provides robust theoretical and empirical support for the efficacy of group lending, particularly joint-liability mechanisms, in achieving high repayment rates. However, the influence of borrower-level heterogeneity, alternative credit sources, and local institutional environments remains unexplored. This study seeks to contribute to the discourse by investigating repayment behavior at the micro-level, with particular reference to individual borrower characteristics and regional dynamics in Assam.

## III. METHODOLOGY AND DATA

The methodology employed in this study is designed to assess the repayment performance of individual microfinance borrowers who are members of Joint Liability Groups (JLGs). It is frequently observed that the successes of microfinance institutions (MFIs) are often illustrated through the qualitative impact of credit as a means to alleviate credit constraints, specifically demonstrating how small amounts of finance can enhance livelihood opportunities. These narratives are further corroborated by high repayment rates, supported by the statistical data provided by the branch offices. Furthermore, to sustain high repayment rates, various methodologies have been implemented by different MFIs worldwide. These methodologies primarily target clients and groups to ensure timely repayment and are directed by branch offices that oversee the JLG and its members. This model attempts to capture

the variables that may influence the repayment performance of borrowing members within a joint liability group. Notably, both Self-Help Group (SHG) and JLG members were selected for this study. In this context, 414 members from 187 groups were interviewed, and individual-level information regarding group members was collected. The selected members included group leaders and co-members. Of these samples, 31% of clients were from SHGs, while the remaining 69% were from JLGs.

## IV. REPAYMENT PERFORMANCE OF MICROFINANCE BORROWERS

This paper aims to achieve its objective by examining the following hypotheses:
H1 posits that a higher degree of peer pressure and peer monitoring leads to improved repayment performance.
H2 suggests that access to alternative sources of finance negatively impacts repayment.
To investigate the repayment performance of microfinance borrowing members, the study employs a Tobit regression model as follows:

$$CREPi = \alpha_i + \beta_0 SEX_i + \beta_1 AGE_i + \beta_2 LANDT_i + \beta_3 SELFY_i + \beta_4 FAMY_i + \beta_5 LNSLF_i + \beta_6 LNUSE_i + \beta_7 OTRLN_i + \beta_8 RATION_i + \beta_9 PRRES_i + \beta_{10} EXTPRES_{i+} \beta_{11} PEERMON_i + \beta_{12} FRSHK_i + \beta_{13} TRUST_i + \beta_{14} RECEP_i + \beta_{15} EDN_i + \varepsilon_i$$

Given that the study's objective is to identify factors influencing the microfinance repayment rate, the cumulative repayment rate (CREP) is regressed against 15 explanatory variables.

### IV.I. Description of Variables and Summary Statistics

The empirical specification, derived from the theoretical literature on repayment performance and the theoretical framework, is based on 15 explanatory variables, as depicted in the aforementioned equation. These explanatory variables were categorized into six broad groups: individual characteristics, production, group-level, external, and control variables. They are described as follows.
CREP: The cumulative repayment rate (CREP) is the dependent variable in the model. It is a ratio-level variable with a lower limit of 0, indicating complete non-repayment, and an upper limit of 1, indicating complete repayment. It is defined as the fraction of the total amount recovered by the repayment day to the total amount owed by the repayment day.
SEX: The sex of the borrower is an independent variable within the model, classified as an individual characteristic variable. This is a dummy variable, where 0 is assigned to female borrowers and 1 is assigned to male borrowers. Existing literature suggests that the repayment performance of female borrowers is better than that of male borrowers. Therefore, it is anticipated that the repayment rate for female borrowers will be higher than that for male borrowers, leading to an expected negative relationship between sex and repayment rate in this analysis.
AGE: The age of the borrower (AGE) is an explanatory variable measured in years, reflecting individual characteristics. As age increases, borrowers are expected to gain experience that aids in generating higher income. Additionally, older borrowers are expected to have accumulated more wealth than younger borrowers. However, this expectation is contingent on factors such as a lower degree of indebtedness and a lower dependency ratio.

EDN: Education is a productive variable measured in terms of the number of years of schooling. Education enhances a borrower's ability to access, process, and use information from various sources. Educated borrowers are thus expected to use relevant information related to livelihood, entrepreneurship, and the market, which aids in higher income generation and positively affects repayment rates. Therefore, it is anticipated in this study that a higher level of education will correlate with a better repayment rate.
LANDT: The amount of land held (LANDT) by the borrowing household is a productive variable measured in Bigha. A larger land size provides better opportunities for the productive use of loan funds, potentially generating higher incomes. Therefore, LANDT is expected that LANDT is positively related to the repayment rate.
TRUST: Trust is a group-level variable that examines the impact of microfinance institutions (MFIs) on borrowing members. This is a dummy variable related to internal group mechanisms. However, this study deviates slightly from the traditional methodology by considering TRUST as an external variable, where borrowers are asked whether the MFI branch office trusts them in certain repayment situations. A higher degree of TRUST is expected to result in better repayment, thus assuming a positive relationship.
LNAMNT: LNAMNT is a treatment variable representing the amount of Indian Rupees (INR) received by the borrowing member. The literature on microfinance indicates that a larger loan size is associated with a

higher probability of risk and involuntary default (Zeller et al., 2001). Consequently, a negative relationship is anticipated.

LNUSE: Loan use is a dummy variable. If the loan is utilized by the borrower, a value of 0 is assigned; otherwise, a value of 1 is assigned. If the loan is used by the borrower, the probability of loan repayment is higher than when it is used by others or lent to others. This is because lending the loan amount to others with the expectation of usurious interest is riskier. During the pilot phase of the field study, it was observed that in several groups, members engaged in this practice, ultimately affecting the group as a whole negatively. In this context, a positive relationship with the repayment rate was expected.

OTRLN: The amount of other loans (OTRLN) is a control variable measured in rupees. Studies such as Jaina and Mansuri (2003) have theoretically demonstrated that additional loans create an extra repayment burden on borrowers, thereby increasing the probability of default. Therefore, other loans are expected to negatively affect the repayment rate.

RATION: Credit rationing (RATION) is a control variable expressed as a ratio. RATION is defined as the ratio of the sanctioned loan amount to the applied loan amount. A negative relationship is assumed with this variable because the rationed amount may create start-up problems for livelihood due to the size limitation of the investment project or the need to resort to other sources for additional loans.

PRPRES: Peer pressure is a group-level and dummy variable. If peer members exert pressure on a member for repayment during past repayment days, a value of 1 is assigned; otherwise, a value of zero is assigned.

EXTPRES: External pressure is an external variable primarily exerted by the credit officer in cases of repayment issues. If the credit officer pressured the borrower in the past, a value of 1 was assigned; otherwise, a value of 0 was assigned. External pressure may deteriorate the repayment rate, as borrowers may become reluctant due to such behavior. This is somewhat dependent on the borrower's psychology.

FRSHK: Frequency of shock is a control variable denoting the number of idiosyncratic risks experienced by the borrower in the current loan cycle. An increase in the number of such events is expected to decrease the repayment rate.

PEERMON: This is a dummy variable, equal to 1 when the group engages in a discussion with a member facing repayment difficulties and 0 otherwise. This variable was designed to examine the effect of peer monitoring on repayment performance. This study expects peer monitoring to improve repayment rates.

RECEP: Reciprocity is an individual characteristic that signifies a mutual exchange of assistance among borrowers. Specifically, if a borrower provides help to one or more peers and subsequently receives assistance during a time of need, this interaction is defined as a reciprocal relationship. In this context, reciprocity is represented as a dummy variable, with a value of 1 indicating that the borrower received help and 0 otherwise. We hypothesize that reciprocity (RECEP) is positively correlated with the repayment rate.

The descriptive statistics of the explanatory variables and their expected signs are presented in Table 4.1. The table reveals that the mean cumulative repayment rate among the sample borrowers was 88.7%. However, this rate varies according to sex. Table 4.2 illustrates that the minimum repayment rate for male borrowers is 70%, while it is 48% for female borrowers. Furthermore, the data indicate that male borrowers generally exhibit higher repayment rates than female borrowers. Specifically, 34% of male borrowers have a repayment rate exceeding 90%, compared with 27.8% of female borrowers.

**Table 4.1: Descriptive Statistics of the Selected Variables related to Group Members**

| Variable | Mean | Std. Dev. | Expected Sign |
|---|---|---|---|
| CREP | 0.886691 | 0.12676 | |
| **Explanatory Variables** | | | |
| SEX | 0.471015 | 0.499763 | - |
| AGE | 33.94686 | 11.02812 | - |
| TOTLAND | 10.74589 | 11.55624 | + |
| LNAMNT | 12106.28 | 5468.227 | + |
| LOANUSETP | 0.647343 | 0.478375 | - |
| OTHRLOAN | 11665.94 | 9341.904 | - |
| RATION | 0.343317 | 0.193386 | - |
| GRPRESS | 0.271618 | 0.172294 | + |
| EXTPRESS | 0.64372 | 0.321538 | - |
| PEERMON | 0.877536 | 0.207721 | + |

| | | | |
|---|---|---|---|
| FRSHK | 1.309179 | 1.919963 | - |
| TRUST | 0.471015 | 0.499763 | + |
| RECEP | 33.94686 | 11.02812 | + |
| EDN | 10.74589 | 11.55624 | + |

Source: Author's calculation based on Field Survey, 2009-10

It is also clear from table 4.3 that majority of sample borrowers consists of female borrowers.

**Table 4.2: Cumulative Repayment Rate of Borrowing Members**

| Cumulative Repayment Rate (%) | Sex of Borrowing Member | |
|---|---|---|
| | Male | Female |
| < 50 | 0 (0.0) | 11 (4.8) |
| 51-90 | 46 (24.6) | 101(44.5) |
| 91-99 | 78 (41.7) | 98 (43.2) |
| 100 | 63 (33.7) | 17 (7.5) |
| **Total** | **187** | **227** |
| Minimum | 0.70 | 0.48 |
| Maximum | 1.00 | 1.00 |

Source: Field Study, 2009

**Table 4.3: Sex Group Wise Number of Sample Borrowers**

| Sex of Borrower | Number of borrowers |
|---|---|
| Male | 187 *(45.2)* |
| Female | 227 *(54.8)* |
| Total | 414 |

*(Figures in parentheses indicates percentage of total number of sample borrowers)*
Source: Field study, 2009

It is significant to note that the decision to join same-sex groups is influenced by specific factors such as: For instance, 56.8 percent of members choose same-sex groups due to the convenience of discussing with individuals of the same gender, while 81.2 percent join because they have known each other for an extended period. Multiple reasons are associated with joining same-sex groups. As illustrated in Table 4.1, the mean loan size for borrowers is INR 12,106 with a high degree of dispersion. The mean loan size from sources other than microfinance institutions (MFI) is INR 11,666. Most borrowers (90.3 percent) accessed loans from sources other than MFIs.

**Table 4.4: Reason wise Frequency of Members Joining Same Sex Group**

| Reason for joining the same sex group | Number of members |
|---|---|
| Convenient for discussion with same gender | 235 *(56.8)* |
| Counter sex group may create financial problem | 88 *(21.3)* |
| Counter sex group may create repayment problem | 107 *(25.8)* |
| We Know each other for a long time | 336 *(81.2)* |

*(Figures in parentheses indicate percentage of total number of sample borrowers)*
Source: Field study, 2009

Table 4.5 clearly demonstrates that 90.3% of borrowers accessed alternative sources of finance. Moneylenders have financed approximately 41% of these borrowers, followed by other microfinance institutions (MFIs). The average interest rate charged by these alternative financial sources is 40.07% per annum, which exhibits a significant degree of variability. The minimum interest rate is 8%, charged by banks, while the maximum rate reaches 120%, charged by money lenders. This suggests a substantial level of indebtedness among

microfinance borrowers in the study area. For instance, as indicated in Table 4.6, the aggregate debt size of borrowing members is INR 23,772.22, with 50.93% of the total debt comprising of other forms of debt.

**Table 4.5: Other Sources of Credit and Rate of Interest**

| Sources of Credit | Number of Borrower | Percent | Interest Rate (%) | | | |
|---|---|---|---|---|---|---|
| | | | Mean | S.D | Min | Max |
| Bank | 28 | 7.49 | | | | |
| Other MFI | 98 | 26.2 | | | | |
| Credit Society | 79 | 21.12 | | | | |
| Moneylender | 152 | 40.64 | | | | |
| Contributory Fund | 17 | 4.55 | | | | |
| Total | 374 | | 40.07 | 32.44 | 8 | 120 |

Source: Field study, 2009

Therefore, it implies that microfinance borrowers are highly indebted by other financial sources than microfinance.

**Table 4.6: Summary Statistics on Indebtedness of Borrowing Members**

| Summary Statistics | Size |
|---|---|
| Mean Size of Total Debt (in INR) | 23772.22 |
| Standard Deviation of Total Debt (in INR) | 12578.88 |
| Mean Size of Microfinance Debt(in INR) | 12106.28 |
| Standard Deviation of Microfinance Debt (in INR) | 5461.00 |
| Mean Size Other Debt (in INR) | 11665.94 |
| Standard Deviation of Other Debt (in INR) | 9352.87 |
| Percentage of Other Debt in Total Debt (in %) | 50.93 |
| Percentage of Microfinance Debt in Total Debt (in %) | 49.07 |

Source: Field study, 2009

**IV.2. Determinants of Repayment Performance of Microfinance Borrowers**

The preceding section provides background information on borrowers, which serves as a foundation for analyzing microfinance repayment performance and its determinant. As illustrated in Table 4.1, the cumulative repayment rate among the sample borrowers was 0.8866, or 88.66%. This rate is comparatively lower than the microfinance repayment rate observed in Bangladesh, necessitating an investigation into the factors influencing repayment performance. Table 4.7 reveals that peer monitoring (PEERMON) has a significant positive impact on the repayment rate. Specifically, a 100% increase in peer monitoring corresponds to a 22% increase in repayment rates. Similarly, peer pressure (PRPRES) exerts a significant positive effect on the repayment rate, with a 100% increase in peer pressure resulting in an approximately 9% increase in the repayment rate. Both variables exhibited positive effects at a high significance level of 1%, leading to the acceptance of hypothesis H1. Consequently, we conclude that a higher degree of peer monitoring and peer pressure enhances the repayment rate. The nature of peer pressure is further elucidated by the data in Table 4.8. According to Table 4.8, among the 414 sample borrowing members, 15.5% of borrowers experienced no consequences despite defaulting, indicating weak group administration and a lack of group sanctions in these groups. Conversely, 84.5% of borrowers faced some form of consequence.

**Table 4.7: Determinants of Borrowing Members' repayment performance**

| Tobit regression | Number of obs = 414 |
|---|---|
| LR chi2(16) = 856.08 | Prob > chi2 = 0.0000 |
| Pseudo R2 = -8.1846 | Log likelihood = 480.34026 |
| Dependent Variable = CREP | |

| Explanatory Variable | Coef. | t |
|---|---|---|
| SEX | -0.0554*** | -6.13 |
| AGE | -0.0013*** | -4.80 |
| LANDT | 0.0025*** | 8.67 |
| LNAMNT | 0.000004*** | -5.42 |
| LNUSE | -0.0154* | -1.78 |
| OTRLN | 0.000001** | -1.99 |
| RATION | 0.0303 | 1.62 |
| PRPRES | 0.0876*** | 5.10 |
| EXPRESS | -0.0265** | -2.49 |
| PEERMON | 0.2049*** | 12.06 |
| FRSHK | -0.0069*** | -3.67 |
| TRUST | 0.2049*** | 11.49 |
| RECEP | 0..1576*** | 13.66 |
| EDN | 0.0059*** | 8.32 |
| CONS | 0.4949*** | 25.90 |

****= significant at 1% level, **= significant at 5% level and *= significant at 10% level*

Source: Author's calculation based on Field Survey, 2009

Furthermore, the data presented in the table indicate that 68.8% of the total borrowers who have experienced repercussions due to default are compelled to repay the amount by their co-members. Similarly, 31.6% of borrowers facing consequences suffer a loss of reputation at the village level because of their inability to make timely repayments.

Interestingly, 18.6% of borrowers face consequences, including being compelled to repay by co-members and experiencing reputation loss at the village level. Hypothesis H2 pertains to alternative sources of loans. It is posited that a higher amount from other loan sources negatively impacts the repayment rates. This analysis reveals that an increase in the amount from other loan sources adversely affects the repayment rate at the 5% level of significance. Although the increase in the amount from other loan sources shows a marginal negative effect, the hypothesis can be accepted because of its statistical significance. The frequency of shock (FRSHK) serves as a control variable that negatively influences the repayment rate. Table 4.7 demonstrates that the occurrence of one idiosyncratic risk decreases the repayment rate by 0.70 percentage points. This finding raises questions regarding the repayment capacity of borrowers in such situations.

**Table 4.8: Consequence wise Number of Default Borrowing Members**

| Consequence | Number of member | Percent |
|---|---|---|
| Face no consequence | 64 | 15.5 |
| Face consequences | 350 | 84.5 |
| i. Forced to repay by co-members | 285 | 68.8 |
| ii. Loss reputation in village | 131 | 31.6 |
| iii. Both forced to repay by co-members and loss reputation in village | 77 | 18.6 |

Source: Field study, 2009

Table 4.9 provides further insight into this. The table indicates that when a borrower fails to repay and cannot manage the installment amount, it ultimately leads the group as a whole to default on the repayment date, provided that co-members are unwilling to pay for the defaulter. In such situations, the group may impose disciplinary action on the defaulting member. However, in some cases, if non-repayment is not willful, the defaulter experiences shame at their inability. All variables except RATION aligned with expectations and were statistically significant.

**Table 4.9: Category Wise Number of Member Facing Idiosyncratic Shock during Loan Period**

| Category | Number of Member | Percent (Out of 414 member) |
|---|---|---|
| Shock not faced | 106 | 25.6 |
| Shock faced | 308 | 74.4 |
| Repayment Problem due to shock | 288 (93.5)$ | 69.6 |
| Able to repay during shock period | 152 (52.7) $$ | 36.7 |

*Note: $=Figures in parentheses indicates percentage of total number of borrowers faced shock*
*$$=Figures in parentheses indicates percentage of total number of borrowers who have repayment problem due to shock*
Source: Field study, 2009

## V. CONCLUSION

This study provides valuable insights into the determinants of microfinance repayment performance in Assam, India. The findings underscore the significance of peer monitoring and peer pressure as positive influences on repayment rates, while access to alternative financing sources and the frequency of idiosyncratic shocks negatively impact repayment behavior. These results have important implications for microfinance institutions and policymakers in designing effective lending strategies and risk management practices. The research contributes to the existing literature by offering a nuanced understanding of repayment dynamics in the specific context of Assam, highlighting the interplay between group-level mechanisms and individual borrower characteristics. The use of field-based evidence from both Joint Liability Groups and Self-Help Groups provides a comprehensive perspective on the microfinance landscape in the region. Future research could explore the long-term sustainability of these repayment patterns and investigate potential interventions to mitigate the negative impacts of alternative financing sources and idiosyncratic shocks. Additionally, comparative studies across different regions in India could further enhance our understanding of microfinance repayment behavior in diverse socio-economic contexts.

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