

# Flipped Loan Management in Microfinance: Evidence from a Bottom-Up Target System in Bangladesh

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**Abstract:** *Microfinance institutions frequently depend on centrally imposed loan targets to stimulate portfolio growth and ensure repayment discipline. Nevertheless, the administrative enforcement of hierarchic targets has ever been associated with rising pressure by staff as well as unethical practices in recovery combined with high staff turnover and doubts about the long-term viability of microfinance operations. Although the extant scholarship discusses loan performance, staff motivation, and job satisfaction, there is still a paucity of empirical evidence to clarify the joint influence of participatory target setting mechanisms and institutionalized job security arrangements on the sustainability of loan operations in microfinance institutions.*

*This study fills this gap by conducting an empirical qualitative study about two microfinance institutions operating in Bangladesh that employ bottom-up loan target formulation systems that are based on human-resource Application-based financial transparency and human-centered leadership practices. Drawing upon field-based data gathered from participatory methods, stakeholder-based information-gathering approaches such as focus group discussions, in-depth interviews, systematic observations, cross-hierarchical validation meetings and review of institutional documents, the investigation focuses on the process by which frontline staff decide on the loan disbursement and recovery targets based on field realities, and management assumes a facilitative and validation-oriented role in the process (rather than a coercive enforcement function).*

*The results show that self-determined loan targets foster ownership-based accountability, significantly reduce psychological performance pressure and support ethical loan operations. Real time digital visibility of provident fund and gratuity benefits changes job security from a subjective perception to a verifiable institutional guarantee thereby improving staff trust, retention, and commitment over the long run. Ethical employment protections, ongoing training, and human-centered leadership contribute to still more institutionalization of an operational culture devoid of undue pressure, but motivated by responsibility. A review of five large year institutional performance trends (2021 - 2025) grew and repaid loan portfolios in continuation to these staff centered governance practices giving contextual support to the qualitative findings.*

*Synthesizing on these insights, the study proposes Flipped Loan Management Model, an empirically-driven operational framework in which planning authority flows from the frontline staff to management by reciprocal commitment instead of hierarchical target control. The research proves the existence of sustainable performance of microfinance through trust-based participatory governance with practical implications for microfinance institutions, apex organizations, and development policy makers in Bangladesh and similar circumstances.*

**Keywords:** Flipped Loan Management Model; Participatory Target Setting; Microfinance Governance; Human-Centered Leadership; HR-App Financial Transparency; Staff Well-being and Accountability; Ethical Loan Operations; Sustainable Microfinance Performance; Bangladesh.

## **Introduction**

Microfinance institutions (MFIs) are playing an important role in expanding financial inclusion to low-income people living in developing economies. Historically, in order to continue growing while maintaining portfolio discipline, MFIs have relied on centrally imposed loans disbursement and recovery targets as key managerial control mechanisms. Such target-driven operational models are typically justified in the name of accountability and efficiency, accountability, and financial sustainability (Ledgerwood, 2013; Hermes & Lensink, 2011).

It is, nonetheless, an expanding body of empirical research suggests that hierarchical target enforcement may produce harmful organizational outcomes. Excessive performance pressure has been linked to staff stress, emotional exhaustion, high turnover rate as well as unethical practices of recovery hence jeopardizing employee well-being and client protection (Karim, 2011; Bateman, 2010; Rahman & Ahmed, 2019). These findings give rise to basic concerns about the long-term sustainability and ethical foundations of target-centric microfinance governance.

While existing research critically examines loan performance measures, staff motivation and job satisfaction, empirical studies addressing the effectiveness of alternative operational architectures, in particular participatory target-setting methods and institutionalised job security mechanisms, are rare in the context of microfinance institutions. Moreover, the internal behavioural and governance processes, through which such alternatives would be able to sustain the performance of loans without such means of coercion, have been insufficiently analysed.

To address these lacunae, this study examines two Bangladeshi MFIs that have adopted the bottom-up loan target formulation system supported by an HR-app-based financial transparency platform, safeguarding the ethical employment platform coupled with constant staff development programmes and human-centred leadership practices. Through an in-depth qualitative field investigation, the research aims to explain the reciprocal transformation of loan management practices, as well as the reciprocal contribution of frontline staff participation,

institutional trust and commitment to institutional change that contributes to sustainable operational performance.

The study proposes an empirically based operational framework, the Flipped Loan Management Model, which revisits loan management as a socio-organisational system based on a cyclical rather than a linear input-process-output framework. By positioning staff behaviour, organisational climate and loan performance in an interdependent cycle, the framework compliments the debates on microfinance governance and could provide useful insights to help financial institutions focused on development.

## **Literature Review**

### **2.1 Loan Management in Microfinance: Target Based**

The extant microfinance literature traditionally writes of centrally-imposed loan targets as key and essential tools in ensuring portfolio expansion, repayments discipline, and institutional accountability (Ledgerwood, 2013; Cull et al., 2007). Target-based control systems are often presented as key mechanisms for coordinating large-scale lending operations and limiting default risk.

However, there is critical scholarship as to the unintended deleterious consequences of stringent target enforcement. Empirical studies show that excessive pressure sets in performance can lead to a distorted conduct by the personnel, incentivize unethical recovery practices and diminishes the trust between personnel and clients (Karim, 2011; Cons & Paprocki, 2010; Bateman, 2010). These results challenge the currently accepted wisdom that hierarchical target control is the only viable route to sustainable micro finance performance.

### **2.2 Participatory Planning and Ownership Based Accountability**

Participatory planning theory involves the belief that involvement of employees in the goal formulation process increases commitment, motivation and accountability (Likert, 1967; Locke & Latham, 2002). Rather than compliance solely due to external enforcement, systems that are participatory support a system of ownership-based responsibility that is grounded in the principle of collective decision-making.

While participatory approaches have a strong foundation in organizational and development literature, there is limited participatory use in basic loan management processes in microfinance institutions. Existing studies in microfinance do not often question the role of frontline staff in target formulation and its role in operational discipline, ethical behavior or the sustainability of long-term performance.

### **2.3 Job Security, Digital Openness and Employee Dedication**

Research by academics on this topic consistently shows that the perceived job security is an important determinant of employee commitment and retention (Greenhalgh & Rosenblatt, 1984; Sverke et al., 2002). Recent digital human resource management literature in particular suggests that HR app-based transparency strengthens trust in organizational commitments by making benefits and conditions of employment both visible and verifiable (Bondarouk & Ruël, 2013; Strohmeier, 2020).

Despite the growing use of digital human resource (HR) systems there is very little empirical evidence detailing their functioning in microfinance institutions, especially in terms of staff

behavior and motivation, and the outcomes of loan management. This lacuna forms an important gap in HR governance and microfinance scholarship.

## **2.4 Human-Centered Leadership & Ethical Governance**

Leadership research illustrates the importance of ethical guidance, emotional safety, and trust - building in sustaining organizational effectiveness, particularly in development-focused environments (Kotter 1996; Ebrahim 2003). Human-response centered leadership paradigms prioritize staff well beloved, dignity, as well as professional advancement with performance metrics.

In the context of microfinance, leadership behavior has been associated with staff solidarity and ethical behavior, but the significance of leadership behavior in determining alternative modes of governance of operations is understudied. Understanding the value to participatory planning and pressure-free loan operations is therefore a very important issue for moving sustainable microfinance practice forward. Although training and capacity-building initiatives are widely adopted in development organizations to enhance staff competence and ethical conduct, training alone is often insufficient to ensure sustained behavioral change in everyday operational settings. Previous research shows that training outcomes frequently fail to translate into lasting workplace behavior due to systemic institutional barriers such as hierarchical control structures, performance pressure, and misalignment between training objectives and organizational practices (Rahman, 2026).

This leadership orientation was also explicitly reflected in the institutional discourse, where senior management emphasized staff dignity, psychological safety, and participatory governance over numerical enforcement. As one Executive Director stated, “Targets should be decided by the frontline staff, because they understand field realities best; management’s responsibility is to ensure safety, dignity, and a pressure-free working environment” (Executive Director, personal communication, 2026).

## **2.5 Research Gap and the Conceptual Contribution**

Collectively, the literature reveals the presence of a pertinent gap in the nexus of participatory target setting processes, institutionalized job security mechanisms, and loan operational governance in microfinance institutions. Although prior studies have examined these elements individually, their combined operational effects remain insufficiently explored.

This study addresses the latter gap by empirically analyzing the interaction between bottom-up target formulation, financial transparency at the formal and operational level through HR app-based financial transparency, ethical employment safeguards, and human-centered leadership as measured by human-centered leadership, to engage each of them in sustaining loan performance. In so doing, it makes a contribution to the Flipped Loan Management Model as an innovative conceptual and practical contribution to microfinance governance literature. 2.6 Integration of Literature and Research Gap.

In all extant literature, there are four consistent patterns:

1. Loan targets are mostly seen as technical control mechanisms and not as participatory organizational processes.
2. The human-resources studies from within the microfinance institutions (MFIs) have been focusing on the employee's satisfaction and turnover but do not have much to do with the design of the loan operations.

3. The literature on the use of HR-app based financial transparency recognizes relevance within the broader HR, and there is the absence of empirical documentation on the application of financial transparency using HR-app in microfinance practice.
4. Leadership research emphasizes motivation and ethics but it does not clarify the different target setting architectures.

Consequently, there has been no empirical investigation' that has integrated 'bottom- up loan target determination, human resource (HR) app-based financial transparency, perceptions of job security and sustainable loan operational performance within a unified microfinance management framework'.

## 2.6 Placement of the Present Study

Addressing this gap, the present study empirically examines a Bangladeshi microfinance institution where:

- Frontline staff self-assign their loan disbursement and recovery targets;
- HR-app-based systems to give a continuous visibility of employment benefits; and
- Human-centered leadership in sustaining trust and psychological safety.

By documenting and analyzing this integrated working ecosystem, the study introduces a novel empirical grounded process (**Flipped Loan Management Model**) for staff-centered and sustainable management of microfinance.

## Research Gap and Objectives

### 3.1 Research Gap

The literature reviewed in the preceding section shows that the research on microfinance has covered a large volume of research on loan performance management, motivation to staff, job satisfaction, and leadership practices. However, these themes have been explored, for the most part, in isolation. Existing operational studies still consider loan targets to be centrally imposed instruments of control that are deemed useful for accountability (Ledgerwood, 2013; Hermes & Lensink, 2011). Human - resource studies in microfinance are concerned with issues of satisfaction and turnover but do not draw any linkages between HR governance and design of loan operations (Uddin, 2020; Kanyurhi et al., 2023). Concurrently, the literature on HR outside of microfinance acknowledges digital financial transparency as a tool for building perceptions of job security (Marler & Fisher, 2013; Strohmeier, 2020), and yet, such systems are not documented in MFIs. Leadership studies focus on ethical and supportive supervision (Ali & Uddin, 2020) but offer no discussion of how leadership facilitates alternative target-setting architectures.

As a result, no empirical study as of now has shown the links within participatory loan target formulation, HR-App based financial transparency and human centered leadership in relation to how these together play out factors of staff ownership, perceptions of job security and sustainable loan disbursement and recovery performance on a microfinance institution level. This is a critical empirical and theoretical gap in the literature of microfinance management and development practice.

### 3.2 Purpose of the Study

The purpose of this study is to examine an alternative to the loan management system practiced in a Bangladeshi microfinance institution in which frontline staff set their own loan targets, HR-App (transparent access to employment benefits) and leadership focus on staff wellbeing but not coercive control. The study aims at understanding the interaction of these institutional

mechanisms that enables pressure-free but responsible loan operations and long-term institutional sustainability.

### **3.3 Research Objectives**

To achieve the above purpose of the research the following are the specific objectives of the research:

1. To document the process of bottom up as a loan target formulation practiced by the frontline staff of the selected microfinance institution.
2. To study the impact of HR-App supported financial transparency on employee perceptions on job security and trust in institutions.
3. In this program, to analyses the role of human-centered leadership in the sustainability of participatory planning and ethical loan operations.
4. To find out the contribution of ownership culture and lessening of performance pressure to sustainable loan disbursement and recovery.
5. To create an empirically based operational framework of the process of Stafford centered loan management in microfinance institutions.

### **3.4 Research Question**

In accordance with the above objectives, this research's central question is:

How do bottom-up loan targets formulation, HR-App based financial transparency and human centered leadership jointly influence staff ownership, perception of job security and sustainable loan performance in a microfinance institution in Bangladesh?

## **Conceptual Framework and the Flipped Loan Management Model**

### **4.1 Empirical Emergence of the Conceptual Framework**

The conceptual framework of this study is completely based on empirical field investigation taken from a Bangladeshi microfinance institution. Field observation, focus group discussions, and in-deep interviews confirmed that the targets for loan disbursement and recovery are not centrally imposed through top-down managerial instruction. Instead, on a collaborative basis, frontline loan officers decide their respective targets for loans in a given year based on the socio-economic realities of the area, the repayment capacity of the members, the seasonal income flow, and a sense of accumulated experience gleaned from the field. These staff-formulated targets are then reviewed and validated by branch and senior management as opposed to being dictated from above.

Participants consistently reported that this participatory planning process is a transformative process turning external obligations (loans) into self-owned institutional commitments. As a result, staff participate in the loan operations by responsibility instead of fear of punitive action. This operational reality is different from the conventional target driven management systems that have been widely reported in the microfinance literature (Ledgerwood, 2013; Hermes & Lensink, 2011).

On the other hand, the investigation also ensured that employees enjoy uninterrupted access to digital channels for their provident fund, gratuity, leave accounts and other financial benefits relevant to their lives with a HR App platform. Staff reported that understanding in real times their future financial entitlements added to vocational security when it comes to the long-time perspective of having a job and also the trust in the commitments linking institutions. Leadership practices during training programs and staff interactions offered a further example

of an emphasis on psychological safety, mutual respect, and staff wellbeing, rather than numbers of loan targets to be hit.

Additionally, ethical employment and safeguards were checked including prohibition of security deposits from staff, prohibition of personal payment of client arrears, evidence based disciplinary procedures, structured career progression pathways, regular staff training and mandatory weekly holidays. Collectively, these empirically verified practices constitute an internal consistency of institutional ecosystem, which can allow for the pressure-free and accountable loan management.

## **4.2 Conceptual Logic of the Study**

The concept logic of the study is based on three interrelated institutional mechanisms that appear from field evidence. First, participatory target formulation empowers the staff on the ground to have autonomy over operational planning, matching what loans target and what is actually happening on the ground. Second, HR-App-based financial transparency turns the words of job security into real and provable institutional guarantee. Third, human centered leadership encourages emotional security, free flowing communication and institutional belonging.

The interplay of this mechanisms produces the ownership culture, psychological stability and ethical responsibility of loan operation. When staff themselves are secure, respected, and having a role in decision-making, loan disbursement and recovery functions are adequate, they refer to accountability and not coercion. This logic of relationships is what underpins the conceptual construction of the proposed operational model.

## **4.3 Flipped: The Flipped Loan Management Model**

The model is called "Flipped Loan Management" because what is usually the case is the reverse, namely that operational targets come from frontline staff and then are validated by management instead of imposing top down. Based on the institutional process observed, a conceptual model of a new operational architecture is developed and labeled The Flipped Loan Management Model. In conventional microfinance practice, the planning authority is exercised from the top management to the field staff, and the loan targets are centrally imposed. This support structure of hierarchical hierarchy often results in pressure-driven compliance and risks of unethical recovery issues.

Contrary to that, the planning structure of the investigated institution is an inverted one. Front line staff sparking formation of target based on realities on the field; management affirming feasibility; and staff assuming ownership of the outcome of performance. Since the direction of planning authority is the opposite (from staff in charge of field to management instead of management to staff in charge of field), this study defines the observed system as a flipped model of loan management.

This inverted arch of institutions is kept functioning through that reciprocal institutional commitment. Management invests in staff welfare through transparent mechanisms for financial security, through ethical safeguards for employment, through continuous training, through structured career paths, and/or through provisions for balancing work and life. In return, staff show their long-term institutional loyalty and accept responsibility for maintaining loan disbursement and recovery performance. The reciprocal relationship replaces the target enforcement of fear in favor of voluntary accountability with inherent trust and security.

#### 4.4 Integrated Operational Flow of the Model

Field level evidence suggests that the proposed Flipped Loan Management Model works through a self-reinforcing cycle of behavioral and performance that is not linear (input to output). Unlike traditional methods in managing loans, which focus mostly on targets, controls, and enforcement, this model has the well-being of staff and participatory governance at the heart of operational effectiveness. At the initial stage, visible managerial commitment for staff well-being results in institutional trust and perceived job security for field-level staff.

This trust acts as a psychological precondition that is the basis for genuine target setting by participatory processes, instead of compliance-based planning. Participatory target development minimizes the sense of psychological pressure and shifts the orientation of the staff from target anxiety to staff responsibility. This sense of ownership fulfils a critical motivational function as it encourages responsible loan appraisal, prudent disbursement and ethical recovery practices. As a result, the quality of the loan portfolio improves not because of coercive recovery pressure but because of behaviorally-grounded decision-making. Sustained loan performance in turn helps institutional stability, lower staff turnover and the lasting loyalty of staff that perpetuates the initial ethos of trust and well-being.

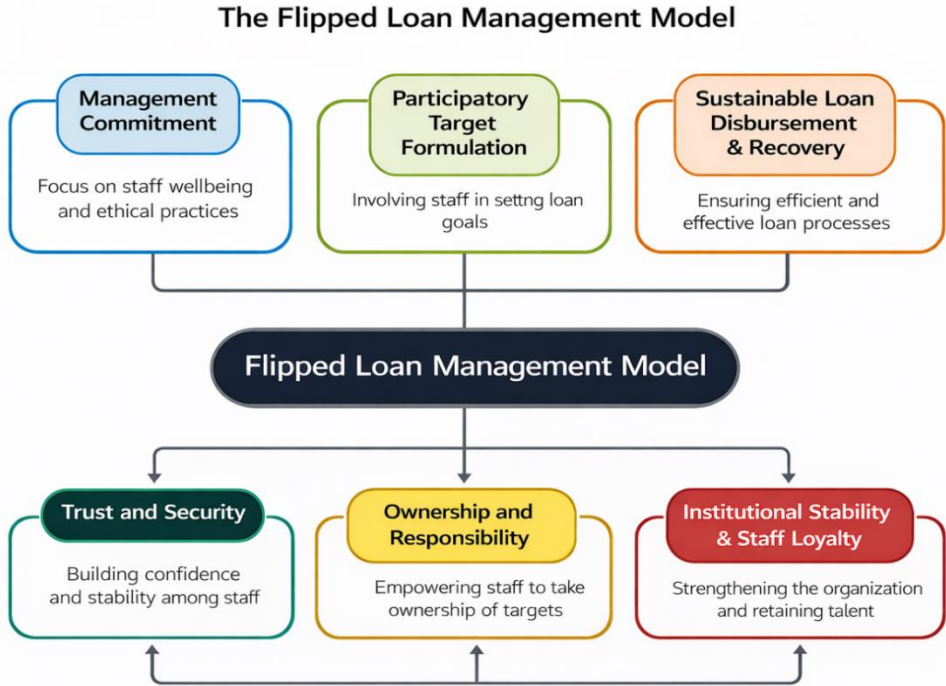


Figure 1: The Flipped Loan Management Model

The model consequently conceptualizes loan management as a closed socio-operational system whereby human behavior, organizational climate and financial performance interact and re-enforce one another. This is a departure from the management models for traditional microfinance institutions that assume staff behavior as a residual factor and instead focus on it as a key driver of portfolio sustainability and institutional resilience.

#### **4.5 Conditions for Model Effectiveness**

Field investigation validates how the Flipped Loan Management Model only effective in situations where participatory planning is supported by an authentic commitment of leadership to the welfare of staff, transparent financial security systems, ethical HR safeguards, and continuous capacity development. Absent these interdependent conditions, the bottom - up target formulation alone would not lead to sustainable operational outcomes. Consequently, the model is a single integrated institutional ecosystem as opposed to a discrete, isolated intervention.

#### **4.6 Contextual Significance**

Empirical evidence to support the analysis includes: Lack of integrated and staff-centred operational architecture is pretty much absent in the mainstream microfinance practice in Bangladesh where hierarchical targets enforcement still predominates. Accordingly, the Flipped Loan Management Model is a novel and empirically-based contribution to the microfinance management academy which demonstrates that a sustainable management of loans could be achieved through socio-institutional trust, human security, and participatory governance, instead of coercive target pressure.

### **Methodology**

#### **5.1 Research Design**

The study adopted a qualitative research design, relying on field-based institutional investigation on the field to study the operational dynamic of the proposed Flipped Loan Management Model in the context of microfinance institutions. The aim of the research is to explore the interaction of bottom-up loan target formulation, HR-app-based financial transparency, and human-centered leadership practices and its influence on the staff behavior and sustainable loans performance.

Given the enquiry nature of the research questions and the need for understanding organizational processes in their own operational realities, qualitative multiple - case study approach was considered to be most appropriate (Yin, 2014; Woolcock, 2013). The research aims to bring light to how and why the loan management practices witnessed in this research work in practice, without trying to prove the predefined hypotheses.

#### **5.2 Case Selection and Research Context**

Data were collected from two microfinance institutions operating in Joypurhat District, Bangladesh i.e. ASO - Ahead Social Organization and JAKAS Foundation. These organizations were purposely selected due to their active involvement in microfinance operations, organizational diversity and openness to participative management practices. Both institutions function in the mainstream of Bangladeshi microfinance environment which is marked by high pressure for loan recovery, a hierarchical organizational structure of performances and a close interface between staff and client. Studying two institutions made it possible to compare across institutions, and thus made the findings more robust for analysis.

#### **5.3 Length and Areas of Fieldwork**

Fieldwork lasted for a one-week intensive engagement period and the researcher worked closely with both institutions at head office and field operations level. This engagement within the institutions allowed direct observation of institutional practices and interaction with many tiers of staff.

#### **5.4 Data Collection**

Data collection was done with a number of qualitative methods to ensure depth, triangulation, and credibility.

##### **In-depth Interviews**

A total of eleven in-depth interviews were carried out in the two institutions. Interviewees included Executive Directors, Heads of Microfinance, departmental heads, Area Managers, Regional Managers and field-level Credit Officers. These interviews focused on perceptions relating to target setting, work pressure, trust, staff well-being and loan management behavior.

##### **Focus Group Discussions or FGD**

The study organized four FGDs in the two institutions; involving a total of thirty-seven (37) participants. FGDs mainly comprised of field level Credit Officers and operational staff and focused on common experiences around loan targets; recovery pressure, behavior change and institutional support mechanisms.

##### **Discussions in Large Groups (LGDs)**

To enhance internal validity, the study outcomes from Credit Officer level FGDs were cross-validated through two LGDs with sixty-five sample size. These sessions comprised of Executive Directors, departmental heads, microfinance programme leaders, Area and Regional Managers as well as field level staff.

##### **Structured Observation & Document Review**

The researcher carried out structured observations of planning meetings and loan review sessions and routine operations-based interactions, with a special interest in participatory target setting and in interactions between leadership and staff. The documentary evidence base consisted of institutional documents such as human resources policies, staff welfare notices, training manuals, ethical guidelines and loan performance reports that were analyzed for triangulation.

Supplementary to the qualitative data five years (2021-2025) of institutional operational data from both organizations were analyzed in an attempt to put the observed behavioral, managerial and operational changes in context. These longitudinal datasets were used to contextualize observed behavioral and managerial changes, rather than to establish causality.”

#### **5.5 Data Analysis**

Data analysis was conducted via the method of thematic analysis. Interview transcripts, FGD and LGD notes and observation records as well as documentary materials were systematically coded using an iterative process consisting of open coding, axial coding and thematic synthesis.

#### **5.6 Trustworthiness and Rigor**

Methodological strength was provided by use of triangulation, cross-hierarchical validation, extended engagement and thick description. The study is aimed at analytical rather than statistic generalization.

#### **5.7 Ethical Considerations**

There was no compulsion to participate. Confidentiality was ensured by anonymizing individual identities and sensitive institutional information through to the research process.

## Findings

This section is the empirical results of field observation, focus group discussion, in-depth interview, large group validation meeting, and institutional document review. Findings have been presented in a thematic order so as to capture the operational mechanisms behind the proposed Flipped Loan Management Model and to show how these mechanisms work in practice in the investigated microfinance institutions.

### 6.1 Bottom-Up Loan Target Formulation in Practice

Field investigation confirmed the fact that loan disbursement and recovery targets are not centrally imposed on frontline staff. Instead, branch-level loan officers make their annual loan targets as a group through participatory discussion based on local economic conditions, the repayment capacity of members, seasonal income patterns, and past field experience. These plans prepared by the staff are then reviewed and validated by the branch and senior management.

All of the participants in focus group discussions indicated that they do not get mandatory loan quotas from head office. Rather they prepare the operational plans independently and present them for the managerial review. Staff time and again referred to this process as "our own planning" and "our own responsibility." Observation of branch meetings also confirmed that the role of management is that of a facilitator and not a directive.

This finding supports verifying the existence of a genuine bottom-up loan target formulation system which is the operational base of the Flipped Loan Management Model.

### 6.2 Ownership Culture and Less Pressure on Performance

A predominant theme throughout interviews and group discussions was that of lack of coercive performance pressure. Staff were consistent in reporting that, because loan targets are self-formulated, there is no fear of being punished for temporary shortfalls. Instead, they demonstrated a common sense of responsibility for the accomplishment of collectively agreed plans.

Branch managers confirmed that, in the event of unexpected difficulties in the field, management focuses on the problem-solving support of the manager rather than on punitive supervision. Staff described the work environment as "pressure-free but responsible" implying that participatory planning effectively replaces fear-based compliance with ownership-based accountability.

### 6.3 HR-App - Based Financial Transparency and Job Security Perception

The study validated the implementation of a digital HR application that allows the staff to access real time data related to provident fund accumulation, gratuity entitlements, leave balances, and employment status. The majority of staff surveyed indicated regular utilization of the HR - App to track their long - term financial benefits.

Participants were consistent in saying that seeing accrued benefits builds confidence in job continuity and gives them confidence in institutional commitments. Verification by the cases of retired staff further supported that the records kept by the HR -App coincide perfectly with the final disbursement of benefits, thereby establishing the credibility of this system. This evidence supports the conclusion that financial transparency changes the perception of job security from a subjective to an objective construct.

#### **6.4 Human - Centered Leadership and Institutional Trust**

Observations of staff meetings, training sessions, as well as informal interactions, indicated a leadership culture that values respect, emotional safety and staff well-being. Senior management regularly involved himself with the frontline employees on a direct basis, listened carefully to operational concerns, and encouraged open communications.

Interviewed staff described the institution again and again as "supportive" and "family-like." Leadership messages that were voiced during training programs focused on ethical behavior, building confidence, personal growth, and future security, and did not involve a focus on pushing numerical targets. This orientation of leadership was always correlated with high levels of institutional trust and emotional attachment among the staff.

#### **6.5 Ethical Employment Protections and Psychological Safety**

The field investigation confirmed several employment ethical safeguards. Staff do not have to deposit security money on recruitment, are not allowed to pay client's arrears out of their own pocket, and are subject to disciplinary action only after evidence-based investigation. Additional safeguards include gender sensitive working arrangements and actual observance of two weekly holidays.

Staff felt that these safeguards go a long way towards reducing fear of monetary loss, unfair punishment, and arbitrary dismissal. Many contrasted these practices with previous experiences of employment at other MFIs which were characterized by coercive accountability mechanisms. This finding suggests that the psychological safety needed to sustain pressure-free loan operations is provided by ethical safeguards.

#### **6.6 Continuous Training and Career Development**

The institutions keep formal training systems with at least two formal training programs per year. The training content focuses on communication skills, ethical management of loans, stress management and ownership culture. Participants consistently reported clearer promotion criteria and job rotation practices, which they linked to greater confidence and professional commitment in field operations.

Career progression pathways were validated using HR documentation and interviews of staff. Employees indicated clarity about promotion criteria and job rotation policies and identified career prospects as a key motivator for long - term institutional commitment.

#### **6.7 Reciprocal Commitment, Management and Staff**

Across all of the data sources examined, there was a consistent pattern of reciprocal commitment. Management is investing in staff welfare, transparencies, justice, and professional development while staff are demonstrating loyalty, ethics, and dedication to maintain performance of loan disbursement and recovery.

Senior managers shared an explicit division of responsibility where management is responsible for institutional systems and staff support, while frontline staff are responsible for responsible loan delivery and repayment monitoring. This reciprocal arrangement enhances mutual trust and stability of operation.

#### **6.8 Institutional Performance Trends (Contextual Findings)**

Despite the mostly qualitative design of this study, examination of institutional operational records from 2021 to 2025 provides context from which to establish performance trends. These data were examined in a descriptive manner to see if broad patterns could be identified rather than to determine cause and effect relationships.

In both institutions, loan disbursement volumes rose steadily over the five-year period with corresponding growth in loan recovery amounts. Recovery performance was stable despite institutional expansion suggesting that the performance of portfolios was not linked to disproportionate deterioration in repayment discipline.

Borrower outreach and membership also grew over time, which is indicative of long-lasting client engagement. While drop-out in staff and membership occurred, these were within manageable proportions with regard to overall institutional growth. Staff strength expanded with the scale of operations; hence it appears to be an adjustment in organizational capacity, not an over-concentration of workload.

Taken together, these longitudinal patterns are indicative of institutional growth with operational stability and therefore provide contextual support to the qualitative findings on participatory planning, staff motivation and pressure free loan management.

### **6.9 Summary of the Empirical Findings**

The field investigation supports the hypothesis that loan targets are developed by the frontline personnel and not imposed from the top. Participatory planning helps to develop a culture of ownership and replaces coercive pressure on targets. HR-App-based financial transparency institutionalizes the perceptions about job security and enhances staff confidence in organizational commitments.

Human centered leadership keeps the feelings of safety in the organization and belongingness, while ethical employment security ensures psychological security. Continuous training and career path structures reinforce staff competence and long-term commitment.

Contextual performance trends further suggest that institutional growth and stability of the repayment have been sustained alongside such human centered practices. Collectively, the empirical findings provide evidence for the operational logic of the Flipped Loan Management Model, and show that it is possible to achieve sustainable loan performance in the microfinance sector through staff centered governance over hierarchical target pressure.

## **Discussion**

This section interprets the empirical findings in relation to the extant literature on microfinance operations, human resource management and development practice. It further examines how the institutional mechanisms observed fit to longitudinal performance trends derived from two case organizations and thereby place the Flipped Loan Management Model both into behavioral and operational evidence.

### **7.1 Rethinking Loan Management of Target in Microfinance**

Conventional microfinance scholarship has largely conceptualized loan targets as centrally imposed instruments of performance control required as a condition for accountability and portfolio discipline (Ledgerwood 2013; Hermes & Lensink 2011). The results of this study challenge this assumption by empirically documenting a bottom-up system of loan target formulation where frontline staff set their own operational targets without sacrificing responsibility for loan disbursement and recovery.

Importantly, five-year institutional performance trajectories (2021-2025) show that the volume of loan disbursement and recovery also grew steadily in the same period. This implies that participatory target formulation can coexist with operational growth and repayment stability

and thus raise the issue of the need for hierarchical target enforcement as the only governance mechanism for portfolio discipline.

### **7.2 Ownership Culture as an alternative to Coercive Pressure**

Previous studies have found that coercive target pressure in MFIs contribute to staff stress, emotional exhaustion and unethical recovery practices (Karim 2011; Rahman & Ahmed 2019; Bateman 2010). The present study proves that if staff create their own loan plans, there is less pressure on performance but accountability remains.

The seen stability in recovery performance and institutional scale up add weight to the argument that ownership culture can serve as a good substitute to fear-based enforcement. Consistent with self-determination theory (Deci & Ryan 2000), autonomy in planning seems to promote intrinsic motivation that promotes ethical and sustainable loan operations over time.

### **7.3 Making Job Security Institutionalized by HR-App Transparency.**

Job security perception is found out to be an important factor in determining employee commitment and retention by organizational research (Greenhalgh and Rosenblatt, 1984; Sverke et al., 2002). The current digital HRM research also argues that the transparency provided by HR-Apps increases trust in organizational commitments (Marler and Fisher, 2013; Strohmeier, 2020).

The current research is an expansion of this body of literature in the microfinance sector by showing that the perception of job security is institutionalized with continuous digital presence of the provident fund and gratuity. The staff turnover that has been manageable during the five years that have passed, despite the institutional expansion, can be attributed to this mechanism implying that the HR-App transparency facilitates workforce sustenance and operational stability.

### **7.4 Psychological Safety and Human-Centered Leadership.**

Development organizations Leadership research emphasizes that the elements of establishing trust, providing ethical orientation, and emotional support are the pillars of sustainable institutional culture (Kotter, 1996; Ebrahim, 2003; Ali and Uddin, 2020). The results indicate that human-based leadership can not only improve the morale of the staff but also participatory planning, as well as, pressure mitigation in the loan management.

The fact that the performance does not decline suddenly during the times of institutional expansion further suggests that psychological safety created by the executive leadership contributes to the organizational resilience. Leadership behavior therefore does not just come out as a driving force but as a structural facilitator of alternative loan governance structures.

### **7.5 Ethical Employment Protection and responsible finance.**

Microfinance scholarship has raised an issue on unethical recovery measures and staff exploitation under severe performance strains (Karim, 2011; Cons & Paprocki, 2010). The ethical employment protection that has been captured in this research is a direct response to these issues since it will depreciate the worry of losing money to an unjust penalty and unreasonable termination.

This is evidenced in the performance of the sustained recovery that has been achieved over the five years period showing that financial discipline has not been hurt through ethical safeguards. Quite the contrary, they seem to favor the responsible loan business by lessening motivations towards forced behavior, thus strengthening the relationship between the staff and client welfare.

### **7.6 Training, Career Development and Institutional Sustainability.**

The previous studies highlight the importance of constant training and personal growth as the sources of organizational learning and employee retention (Agarwala, 2003; Mia et al., 2022). The results validate that frequent training and well-organized career routes contribute to the increased competence of staff and their confidence in the work in the field.

The fact that both institutions have been able to increase operations and at the same time hold the status of repayment is an indication that human capital development can be instrumental in facilitating an expansion of the institution without affecting the quality of its operations.

### **7.7 Mutual Dedication and Organizational Confidence.**

Another common theme in the results is that there exists a mutual commitment between the management and employees. The resources that are allocated by management to the welfare of the staff, transparency, fairness and development are met with loyalty and side by side loan conduct by the staff. The longitudinal stability of loan recovery and borrower outreach offers contextual support to this relational governance provision and how trust-based reciprocity can replace hard control regimes in maintaining performance in the institutions.

### **7.8 Implication on Inclusive Financial Development.**

Another value of the Flipped Loan Management Model is that it has implications on inclusive finance. The loan processes that are free of pressure save face of the borrower, enhance customer relations and build trust in the financial institutions. These are the conditions that low-income households must have in order to become long-term users of formal financial systems.

The ethical staff governance and stable institutional performance are in line with the development practice priorities of responsible and poverty-responsive financial inclusion.

### **7.9 Placing the Flipped Loan Management Model in the Microfinance Literature.**

The Flipped Loan Management Model will fill a major research gap in the field of microfinance management by incorporating bottom-up target setting, HR-App-funded financial transparency, employment ethics protection, and human-centered leadership within a single framework of operation.

The model, backed by a qualitative field evidence and longitudinal consistency of performance, provides a new perspective on the possibility of attaining sustainable microfinance performance in systems of trust-based participatory governance as opposed to a hierarchical system of enforcing targets.

## **Conclusion and Implications.**

### **8.1 Conclusion**

Field evidence shown at exploring a different way of running the loans of the micro-finance institutions in the field in a practical manner by carrying out the fieldwork in two MFIs in Bangladesh. Based on in-depth interviews, focus-group discussions, cross-hierarchical validation meetings, structured observation, institutional documentation, and contextual review of the performance trends, the study proves that sustainable loan disbursement and recovery are possible without the traditional practices of hierarchical target enforcement.

The results indicate that the investigated establishments are effective in implementing a bottom-up mechanism of loan-target formation that is supported by HR-App based financial transparency, ethical employment protection, constant staff advancement, and human-focused

leadership. When frontline staff sets their own targets in terms of loans, accountability towards performance is an outcome of ownership and commitment and not coercion. HR-App transparency is turning a perceived understanding of job security into an objective institutional guarantee, which increases the degree of trust and commitment to the organization among staff. The practices of leadership that focus on respect, emotional safety, and involvement also support the ethical and pressure-free loan operations.

Notably, an examination of five years of institutional performance patterns (2021-2025) reveals that loan-portfolio development and repayment stability were upheld alongside these human-centered forms of governance. Although the study does not causally assert anything, these longitudinal patterns give contextual evidence to the qualitative one thus validating the operational feasibility of the proposed model.

Overall, the paper presents the Flipped Loan Management Model as a theoretically grounded and practically feasible alternative that highlights the value of staff-centered institutional design for achieving sustainable microfinance performance.

## **8.2 Theoretical Implications**

This research has several important implications to micro-finance management as well as the theory of organizations. First, it generalizes the participatory planning theory to the micro-finance operational governance process by empirically proving that bottom-up formulation of loan targets is a practical accountability strategy. Second, it contributes to the literature of HR governance and digital transparency by demonstrating the way in which HR-App based financial visibility formalizes the perceptions of job security in the MFIs. Third, the paper connects human-centered leadership to other alternative operational architectures, where the role of leadership is not only motivational but is also a facilitating structure of participatory loan governance.

The study adds value to the literature on micro-finance, in that most of the literature has focused on the use of the control-based operational frameworks.

## **8.3 Practical Implications**

The empirical data provide practical information to microfinance institutions (MFIs) that can work without the use of coercive enforcement systems to operating within the framework of sustainable performance. MFIs are advised to restructure target-setting systems to include participation of frontline instead of quotas that are forced downwards. Benefit transparency tools implemented with the help of HR-Application can foster the staff trust, retention, and commitment. Employment protection schemes, systematic career advancement, and ongoing training interventions are also useful in entrenching the culture of psychological safety and ownership in the staff.

Palli Karma-Sahayak Foundation (PKSF) apex bodies ought to reflect on the adoption of Flipped Loan Management Model as a copycat operation model that other partner organizations can employ in order to strike the right balance between financial viability and a humanizing approach to employment.

## **8.4 Policy Implications of Inclusive Financial Development.**

The implications of the findings on the development-policy perspective include the importance of staff-focused institutional design as a pillar of sustainable financial inclusion. It is recommended that regulatory and apex bodies that manage the micro-finance sector should encourage participatory target-setting, transparent benefit policies and ethical human-resource practices as part of the good-governance requirements. These policy orientations will tend to

reinforce the institutional credibility and also safeguard the frontline workers and indirectly bolster the trust of borrowers, and thus boost long-term involvement of low-income households in formal financial systems, an overall goal of inclusive development practice.

### **8.5 Limitations of the Study**

The research is based on comprehensive qualitative research of the two MFIs, which is complemented by a contextual examination of five years institutional performance trends. Although the results provide very fruitful empirical data on internal working mechanisms, they should not be generalized statistically on the large MFI population. The analytical generalization used in the study is given priority as the study provides conceptually transferable information over causal inference. Moreover, there was use of performance data descriptively to put the qualitative data to context but not to test quantitative hypothesis. The next study is to employ both the methodologies to examine qualitative and quantitative relationships between the mechanism of participatory governance and the outcome of the portfolio.

### **8.6 Future Research Guidelines.**

Further studies in the future might consider conducting comparative, multi-country or multi-institutional research to determine how well bottom-up target formulation systems are applicable in diverse regulatory situations. The longitudinal quantitative studies can clarify the interdependence between HR-Application-based transparency, employee retention, and portfolio quality. Further investigation into the performance of borrowers in pressure-free loan operations would also contribute to the study of the implications of the inclusive development of the model.

### **8.7 Final Reflection**

The evidence given shows that sustainable microfinance practices can be realized minus target enforcement through coercion. Organizations that make investments in employee security, dignity, openness, and involvement will be able to achieve both employees' wellbeing and accountable provision of financial services. The Flipped Loan Management Model provides a feasible and theoretically informed way forward on humane, ethical, and sustainable microfinance management in Bangladesh and similar development situations, based on field-based evidence and longitudinal consistency in performance.

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