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Microfinance and Its Discontents: Women in Debt in Bangladesh

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It is also not focused on all women workers; the advice it provides is designed for highly educated women who have choices – choices about whether to work at all, and choices about how much they will aspire to leadership positions.

There is nothing wrong with focusing on a subset of workers and nothing wrong with telling educated women that they should work hard and persistently to achieve their goals. But feminist economists should be sure that when we discuss this book in our classes – and discuss it we must, because so many of our students will have read it even before our classes have begun –we should help our students to understand that along with leaning in, they need to lean out. They need to use their privileged position as highly educated women to redesign workplaces to provide more flexibility and they need to work to ensure that their governments provide a context supportive to workers who are raising children.

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Microfinance and Its Discontents: Women in Debt in Bangladesh, by Lamia Karim. Minneapolis: University of Minnesota Press, 2011. 256 pp. ISBN-13: 978-0816670949 (hbk.). US$75.00.

Microfinance – providing small loans to low-income entrepreneurs – received much acclaim in 2006, when the Nobel Peace Prize was awarded jointly to Muhammed Yunus and Grameen Bank, which Yunus founded in 1983. In *Microfinance and Its Discontents: Women in Debt in Bangladesh*, now recognized as one of the first major critiques of microfinance, Lamia Karim takes a far more critical stance toward what she calls “the microfinance industry” (p. vii), in particular, the four major microfinance nongovernmental organizations (NGOs) in Bangladesh: Grameen Bank, Building Resources Across Communities (BRAC), Proshika Human Development Center (PROSHIKA), and the Association for Social Advancement (ASA).

Her book, Karim notes, is “not a descriptive study of rural women and their everyday lives” but “a study of the discourses, practices, and policies” of the four NGOs as well as “an analysis of social and gender relations in rural Bangladesh that are mediated by microfinance” (p. 35). Karim supports her argument that microfinance has benefited members of the rural middle class more than the poor it was meant to serve through data obtained from Grameen and BRAC, as well as individual interviews; the initial research was conducted during 1998 and 1999, with follow-up research in 2007 and 2009.

Karim places the rise of NGOs as development microfunders in the context of global deregulation and financial liberalization processes that began in the 1970s. The influence of the market and withdrawal of the state transformed financial structures, with the eventual result that development funding is now organized through institutional financial investors. Microcredit itself was transmuted into an official discourse as the means for individual entrepreneurs to escape poverty. In this discourse, “banking” became an instrument for low-income sectors, which may not have been able to access traditional credit granted by commercial banks. Thus, implementing microcredit, later microfinance, became a challenge and a goal for national developmental programs.

A key aim of the book is to examine the policies and cultural values that have enabled Grameen Bank and other microcredit NGOs to claim an “astonishing” 98 percent loan-recovery rate (p. xiv) – without revealing how they achieved such a rate, what effect repayments had on the women who received the loans, or whether their microenterprises actually improved their lives (the book’s subtitle, “Women in Debt in Bangladesh,” suggests not). Karim was drawn to study Bangladesh in order to discover the hidden story behind NGOs – and to look more closely at the Western euphoria over the apparent successes of microfinance.

Karim deals with the goals of microfinance from three axes: the first is that of women as the bearers of family honor. This rural code was operationalized by NGOs as collateral for credit – insurance that the loans would be repaid. Second, she examines the NGOs as comprising a shadow state that offers employment and determines the production system. These roles sometimes bring NGOs into conflict with rural mores, in which the madrasas and conservative clergy hold sway, and even with the middle classes, which feel excluded from the NGOs’ influence (Chapter 5, “NGOs, Clergy, and Contested ‘Democracy,’ ” takes a close and instructive look at these dynamics). Third, Karim describes how the NGOs and their Western sponsors, along with a small inner circle of NGO researchers, circumscribed the construction of development knowledge.

In support of her argument that NGOs function as shadow states, parallel to actual governments, Karim notes that 86 percent of microfinance's lending in Bangladesh is now controlled by NGOs, and that these credits are granted to women located within rural contexts. Further, the state of Bangladesh privatized many activities that NGOs now manage. As a result of these new institutional agreements and the increase in microfinance loans, NGOs and institutional investors have become closely linked.

The agreements between international lenders and NGOs involve two contradictory needs: to make profits, and to help the poor. Yet, this linkage of two seeming opposites coheres with the articulated philosophy of Social Business Enterprises (SBEs), a term coined by Yunus, which affiliates profits with social objectives. The business agreements between NGOs and multinational corporations (whose products women's small enterprises market in rural areas) are presented as a win–win situation for both corporations and poor consumers.

Karim illustrates the power and attraction of key mantras in economic development: the eradication of poverty, the empowerment of women, and the growth of free enterprise. In theory, these goals are enticing. They are to be achieved by transforming poor women into bankable women who pay their loans and who are successful entrepreneurs. The easiest way to include women not only into the labor market, but also into financial systems, is microcredit – for which women's strong commitments to their families and work make them ideal candidates. The goal is for women to provide family income. Women's microcredit is also viewed as a way to transform gender roles, since it breaks with traditional ideas about money handling, as well as women's place in their own families and in the labor market.

These are the stated aims of microcredit. In her research, however, Karim uses an ethnographic frame that enabled her to discover the ways in which women have become heavily indebted through microfinance. The interrelationship between NGOs and institutional investors centers on women's ostensible empowerment and reflects a neoliberal interpretation; the concept of governability is closely related to neoliberal politics as well as to the microfinance revolution, which became possible only during the sweep of neoliberal structural transformations during the 1980s and the 1990s. The transformation of the efficiency discourse of neoliberalism into a developmental discourse has made the organic process of development an on-the-move activity, a social program, and a war on poverty conducted on a global scale through microfinance.

In 2009, Karim visited the families of two women who had helped to make famous both Professor Yunus and Grameen Bank, generally portrayed as a model bank for the poor. She concluded that "microfinance lending practices do not necessarily generate intergenerational wealth" (p. 192), that microcredit is not an altruistic practice, and that the Grameen Bank is not a charitable institution.

The key findings, as set out by Karim, are the following: (1) microfinance loans resulting in a new state of domination against poor women; (2) microfinance loans benefiting the rural middle class at the expense of the poor; (3) neoliberal subjectivities beginning to emerge among those women who develop into successful borrowers; (4) the introduction of microfinance into private life leading to the loss of social solidarity; (5) the emergence of the NGO as a shadow state; (6) the production of knowledge in development; (7) inventing markets and constructing the poor as consumers (pp. 197–201). This useful book holds up a mirror to the global financial shadow system and the interplay of microfinance, NGOs, and gender that emerged during the wake of the financial deregulation and market liberalization that began during the 1970s.

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