Reviews and resources

Microfinance and its Discontents: Women in debt in Bangladesh
Lamia Karim
2011, University of Minnesota Press, 296 pages, paperback, ISBN 978-0-8166-7095-6, $25.00; cloth, ISBN 978-0-8166-7094-9, $75.00

In her new book, *Microfinance and its Discontents: Women and Debt in Bangladesh*, Lamia Karim recasts credit as debt. She argues, forcefully, that reconfiguring credit as debt provides a unique insight that is missing in the current research and in popular discourse about microfinance. The credit narrative is that it enables the borrowers to invest in profitable projects and use the income from investment to buy assets, build coping capabilities to deal with shocks, and in the process, get out of poverty. Now, instead of the positive channels outlined above, one has to think about who was the conduit of the debt, whether the debtor had agency, the gender of the debtor, the position of the debtor in the household and, in the community, the pressure to repay the debt, and the ultimate shame that comes with the inability to repay. Women as a loan-taking subject are now accountable to the NGOs, her husband and extended family, other members of her group, and the wider community.

Lamia is highly critical of NGOs in Bangladesh, especially those disbursing credit. Lamia lumps together NGOs and Grameen Bank. This is wrong. Like her, however, and for the ease of exposition, I will use NGOs to include Grameen Bank. She suggests that these NGOs are part of a neoliberal conspiracy and a tool invented to minimize the damages caused by globalization, the failure of capitalism, and the structural adjustment programmes initiated by the Bretton Woods institutions in the 1980s. She laments that the NGOs have become a shadow state, undermining the state and making it less accountable to its citizens. The donors are perpetuating this trend by using the NGOs to disburse aid, bypassing the state. Additionally, she worries that these organizations have become a sales agent for the products of multinational corporations. She questions the motivation behind the poverty research commissioned by the NGOs. She argues that NGOs use this knowledge to further their agenda and to claim the truth about what works in poverty alleviation. She repeats the old accusation about women handing over money to their men folk and cites this as an

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example of how microfinance, instead of empowering women, is making them more vulnerable and dependent on men. Lamia does not offer any suggestion on how to improve microfinance. Actually, she does not believe in microfinance. Her alternative for microfinance is to create organizations of the poor and state initiatives to create jobs in the rural areas.

Reconfiguring the narrative in terms of debt was brilliant and insightful (see Julia Elyachar's book on 'empowerment debt' in Egypt). With credit reconfigured as debt, the readers will have a different understanding of the effect of the loan and its impact in the daily lives of the women borrowers. This one-sided obsession with debt, however, coloured Lamia's world view. All that she noticed was debt everywhere. It is as if debt does not exist in rural society and NGOs introduced debt. What the NGOs did is change the calculus of debt. Instead of borrowing from moneylenders at 120 per cent per year, the poor are borrowing at 20–40 per cent from the NGOs.

Lamia dedicates a chapter to the story of the emergence of the NGO sector in Bangladesh. Her characterization of NGOs as part of neoliberal conspiracy to undermine the state, however, does not apply in the case of Bangladesh. The NGO model in Bangladesh is homegrown and evolved out of the dissatisfaction with a failing state, dysfunctional politics, and a frustration with the post-independence leadership that failed to take advantage of the large pool of social capital and goodwill that was available after the independence of the country in 1971. The leaders of the NGO movement, Yunus, Abed, and Shafique, were influenced by left-wing politics. They all realized idealism and arcane debate about socialist revolution were not going to make any change. They arrived at the non-profit route through their dissatisfaction with the failure of progressive politics and the ruling elite to provide concrete solutions to the problems of poverty. They chose the path of doing something that will change the lives of the poor through NGOs. The NGOs believe that they are making the state more responsible by putting pressure on the state through the 'proof of concept' to provide infrastructure and serve the poor.

Instead of being a handmaiden of the World Bank, Grameen Bank and Professor Yunus had a difficult relationship with it. He turned down US$200 m from the World Bank in 1986 (Counts, 2008: 201), despite pressure from the government to accept the loan. The Bank wanted to fund PKSF (an Apex organization) and under Yunus's advice the government rejected the offer prompting the Bank to take the offer to the government of Sri

Lanka who accepted it (Counts, 2008: 202).

It is true that the microfinance industry in Bangladesh felt the pressure of the neoliberal agenda, but the important thing is that it resisted the pressure and was successful in some aspects. The Bangladeshi model involves targeting the poor by using land ownership and insisted on an exclusive focus on women. The view of CGAP was that means testing is unnecessary and microfinance institutions should only provide financial services and try to integrate the poor into the financial markets.

An element of the neoliberal agenda was reducing the dependence on subsidy and, by that yardstick, Bangladeshi MFIs were considered inefficient. MFIs in Bangladesh could achieve sustainability in two ways. One is to raise the interest rate, and the neoliberal argument is that it is the access to, not the cost of, credit that matters. The Bangladeshi NGOs refused to take this route to achieve sustainability. The other means was to expand outreach to lower per unit cost of loan processing by taking advantage of economies of scale and economies of scope. Bangladeshi organizations took this route to achieve sustainability in the face of external pressure.

Lamia points out that this strategy might have made economic sense for the organizations, but it imposed huge costs on the borrowers. The rapid expansion of outreach came at the expense of social intermediation – advising borrowers on issues related to health and education – and increased workloads for the staff that forced them to use coercion to maintain repayment. In many cases, they resorted to using local elites and police in their loan-recovery process. More alarmingly, they are now recruiting the better off among the poor and middle class to increase market share and profit. These pressures originated in response to the siren call for sustainability.

Another part of the neoliberal agenda about microfinance is the commercialization of microfinance and turning it into a new ‘asset class’. With the exception of ASA, Bangladeshi NGOs were not in favour of taking money from commercial investors for on-lending. In particular, Professor Yunus took a tough stand against increased commercialization. He is worried that inflow of commercial money will create a sub-prime style crisis for millions of the planet’s poorest people, and the current crisis in India has vindicated him.

Lamia objects to using the poor as a source of business by the NGOs, MFIs, and the multinational corporations. Aren’t the poor already part of the market? Even in the remotest villages of Bangladesh, one can easily buy a Coke, cigarettes, soap, and sachets of laundry detergent produced by multinational corporations. What is wrong with the poor buying these goods, even if multinational corporations produce them? Are rich people in the West, college professors, and urban-based elites in poor countries the only ones who could buy these products? Do the poor not have the right to enjoy the high-quality products produced by multinational corporations?

Despite the longing for state-supported services and the lamentation that the NGOs are weakening the state, her own research reveals that NGOs are more efficient than the government. One of her respondents pointed out that, with donor money, BRAC reconstructed the road in one month after the flood in 1998, adding that the government officials would have pocketed the money (p. 32). In some cases, the NGOs are providing services that are completely new instead of a substitute for government-provided services, such as the informal education programme of BRAC. Reliability and better service is the keystone of NGOs. She concedes that NGOs are providing services that the poor desperately need and without these services rural life would be seriously jeopardized.

Lamia reserves her toughest criticism for the research and knowledge creation endeavours of NGOs. She views this research as ideological and a means of record-keeping and accounting to be used as a form of social control. About the data collection by the NGOs she writes,

> The social archive is a specific type of intimate knowledge about the poor – a collection and storage bank in which information concerning who they are, their habits, behaviors, manners, customs, leisure activities, living conditions, possessions, recreational choices, belief structures, etc. is stored. The way these people eat, drink, sleep, defecate, work, reproduce, and entertain, is documented in taxonomic schemes that are in turn used to produce developmental knowledge and to implement development policy (p. 170).

Couldn't one raise the same objection about her research? To prove her thesis, she has observed her subject and all aspects of their lives in intimate details. I know this is unfair, but so is the characterization of poverty research by NGOs as a form of social control.

Lamia alleges that women are used as a conduit for credit and women hand over the money to their husbands. This is an old meme and it is surprising that Lamia is reiterating this all or nothing view of empowerment. Others have pointed out that empowerment is a complex phenomenon with multiple dimensions and cannot be explained by using a binary index. What really matters is not who controls the money but, as Naila Kabeer (2001) pointed out, whether the women are able to participate in making decisions about how the loan and the income from it are used. Kabeer's own research shows that microfinance has expanded the range of potential choices available to women and they are able to decide how the loan will be used.

Lamia argues that NGOs use women's honour as collateral. Again, others find the opposite. Research shows that one of the virtuous aspects of microfinance is how women's value in the household is enhanced because it is their credit that improved the economic and social conditions of the household. Kabeer and others pointed out credit enabled the women to free themselves and their husbands from demeaning wage labour.

Lamia states that in Islam it is mandatory to pay back all of one's worldly debts prior to death (p. 62). Through a bit of extra research she would have found out that, by providing credit life insurance, Grameen Bank is enabling the women to face an honourable death free of debt. An explicit condition of Grameen Bank's housing loan is that the homestead land has to be in the name of the woman. This is to protect women in case of the dissolution of the marriage.

The book is well researched and very strong in documenting the social aspects of debt, however, the author makes many factual errors when criticizing the operational aspects of NGOs and especially the Grameen Bank. Here are a few: Grameen Bank did not support the Bangladesh Nationalist Party (BNP) (p. 20); Grameen Bank started paying dividends in 2006 and the first dividend was 100 per cent (p. xxiii); the branch managers do not select the board members, they are elected (Footnote 40, Introduction; see Roodman, 2011); the elected board members are better off by virtue of being a member of the bank, they were not cherry-picked (Footnote 40, Introduction); the high rate of profit from Polli Phones was because these phones could be used to make international phone calls and hence could charge a higher rate (p. 60); the phone ladies paid the same price as other customers for the phone; if it was high, it applied to all customers who bought phones from Grameen Phone (p. 60); the loss in the income of phone ladies is unrelated to the profit of Grameen Phone (p. 70); Grameen Bank did not sell the phone set to the women, Grameen Phone did and the profit of the bank was not dependent on selling the phones (p. 70); Grameen Bank did not relocate to Tangail, the commercial bankers sponsoring the action research project chose the site to keep an eye on the project (Yunus, 2009, p. 71); Grameen Phone did not charge higher than the prevailing market rate for airtime, the airtime was sold to the women at 50 per cent off the market rate (p. 100); Grameen Phone, not Grameen Bank set up the telecommunication infrastructure(p. 100); the interest rate on GPS (Grameen Pension Savings) is higher than similar products offered by the commercial banks and, until recently, the interest income from GPS was tax free (p. 100); even though GPS is required, many borrowers maintain multiple GPSs, or hold GPSs that are much bigger than required for borrowing (Rutherford, undated) and some even hold 'secret' GPS (p. 100); Barefoot College does not teach women how to make solar panels! They teach the women how to set up the solar panel and fix the solar home systems. The donor provides the funds to buy solar panels made by the multinational corporation. Like the NGOs, Barefoot College charges the poor for the service (p. 197); Grameen Bank does not sell solar panels to its borrowers (p. 197).

The weakest part of the book is the conclusion chapter. To be honest, the author does not offer any concrete suggestions on how to improve on the current model of microfinance in Bangladesh. This is not surprising, as she does not believe in microfinance. Her alternatives are a mute suggestion for wage employment through a reinvigorated public sector and creation of citizens' groups to make the state, NGOs, and multinational corporations accountable to the citizens. Given the complicated kinship relationships she passionately describes, how likely are these groups to be immune from social obligations? Even she had to depend on Rina, her research assistant's, social network to gather information for her research. In this way, she is not that different from the NGOs.

Even the mighty NGOs funded by aid money, millions of members, and sophisticated corporate structure cannot bypass these power structures. How does one suppose a homegrown citizens' group will be able to circumvent this structure and protect the interests of the poor? Besides, why would the poor allow themselves to be organized only to be lectured, without any concrete programmes to meet their economic needs?

It is clear that Lamia expects the left-wing political parties and their sympathizers to be the ones who will create these progressive organizations of the poor. One of the most revealing comments in the book was:

> the public rhetoric of the clergy on poverty has become putatively similar to that of the left political parties. Both are against imperialism and both are against the work of corporate NGOs: but these groups come from different ideologies.

And, I would add, both are against NGOs because their success in providing essential services to the poor have made the empty rhetoric of the left-wing parties and the clergy redundant. As an example of a citizen group, she cites the show trial of the World Bank and the International Monetary Fund in Dhaka as a way to alleviate poverty in Bangladesh! This puzzles me. How would a show trial in Dhaka improve the lives of poor women living in Pirpur (a fictitious name for her place of field work)?

Organizing the poor and leaving the responsibility to provide essential services to the state will not solve the problem of poverty. The government alone will not be able to solve this huge problem because it will entail changing behaviours, and only organizations such as the NGOs who are on the ground can play a supportive role. The NGOs do not have to be a substitute, and all evidence suggests that they are a complement to the state apparatus. NGOs such as CARE and BRAC are instrumental in implementing one of her suggested alternatives: wage employment for women through the food for work and rural road maintenance programme.

I have learned a lot from the book; however, it was a frustrating experience. Lamia did not allow any room for nuances and doubts and tried to explain a complex anti-poverty intervention with fierce certainty. This was a missed opportunity. She is a Bangladeshi and knows the intricate details and nuances of Bangladeshi society and politics, and her research is backed by extensive fieldwork. She could have used this knowledge to suggest how to improve on a Bangladeshi model of poverty alleviation that is now used all over the world. With her detailed ethnographic insights, she could suggest remedies to lessen the burden of the women in microfinance. Instead of cheering for a Bangladeshi-made anti-poverty programme, she is offering a utopian solution of organizing the poor as an alternative. This suggestion reminded me of the documentary, 'Waiting for Superman'. I am afraid this will be a long wait.

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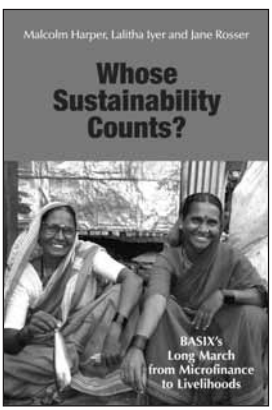

Whose Sustainability Counts? BASIX's long march from microfinance to livelihoods
Malcolm Harper, Lalitha Iyer, and Jane Rosser
2011, Kumarian Press, USA, $75, 296 pages,
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The story of BASIX is one that had to be told. Poverty is a multi-dimensional, complex phenomenon that is constantly evolving. The learning of any organization which has met with considerable success in unravelling and understanding the mechanisms of such a phenomenon is a story worth sharing. Social development practitioners, policy makers, consultants, donors, students and researchers can all benefit from a study of this book.

The book, however, neither asks nor answers the question, 'Whose sustainability counts?' That question would require a different line of inquiry. It cannot satisfactorily be answered without making a comparison with other organizations that are grant-run and may not be financially self-sustaining, but have made a tremendous impact in making their clients self-sufficient.

An alternate title for the book perhaps would have been: 'Doing well versus doing good: BASIX's long march from microfinance to livelihoods'. This seems to be the core question that the authors have tried to examine. The book is a well-rounded and balanced investigation into the trade-offs involved in being a profit-oriented organization in the social development sector.

The question, 'Can doing good be combined with doing well' is further compounded by issues of whether it is appropriate to be so profitable while serving the poor. It presents both sides of the debate: the ethical dilemma in making a profit and the argument that 'subsidy and aid are pauperizing, insufficient and unreliable'. Engaging with such issues, the book impresses as a true and honest account of the struggles and challenges as well as the triumphs in 'serving the poor'.

The book presents an expert analysis of how, why and if BASIX is different from other microfinance institutions (MFIs) operating in the country. It begins with a case study of Anokhe Lal Gond that helps in illustrating how microcredit alone is not enough to bring the family out of poverty. The argument is further strengthened with cases where the households might be worse off by taking an MFI loan. The point that only selling debt to clients might not always in itself be empowering is very well examined.

The authors present the rationale and motivation that prompted Vijay Mahajan, the founder of BASIX, to initiate and stick to the 'livelihood triad'. The triad constitutes: (1) livelihood financial services that mainly include savings, credit and insurance services; (2) agricultural and business development services that include productivity enhancement, risk mitigation, local value addition, alternative market linkages and value chain improvements, diversification from farming to farm-allied and non-farm activities; and (3) institutional development services that include formation of groups, federations and co-operatives, accounting and management information systems and organizational support, building collaborations and partnerships, and policy analysis and advocacy.

The criticism of the strategy has been frankly presented. Critics within and outside BASIX all concur on the need for this holistic approach; their quarrels have largely related to the difficulties in implementation and slow down of BASIX's financial growth. Their concerns are not entirely baseless; the triad is undoubtedly a much harder route to follow but one that holds the promise of making a bigger dent in the fight against poverty. Mahajan's commitment to this strategy has come at some personal cost. BASIX being an extension of Mahajan's vision and personality has meant a commitment to putting the client's interest first at the cost of 'convenience and corporate ambitions'. The book delves into the personal and professional struggles of persisting with the strategy.

'The evolving context from 1995–2010' (2010 was the 'crisis year') analyses the pitfalls of microfinance that were exposed in the Andhra Pradesh crisis. During the crisis Vijay Mahajan voluntarily assumed the role of spokesman for the industry. This resulted in BASIX being bracketed along with other MFIs, even though it had realized long ago that credit alone does not work. The book traces the paradox, of how and when BASIX got grouped with the other MFIs, when it had been advocating the need for livelihood services alongside credit all along. The skill of the authors is reflected in the expert analytic descriptions of how BASIX is a 'one of a kind' organization which recognized early on that the focus should be on livelihoods in addition to the financial services – representing a revamped model for microfinance.

Chapters 9, 10 and 13 reveal how BASIX has helped build a sector instead of just concentrating on its corporate entity. It has done this through its institutional offspring and through setting an example for others to follow. Chapters 1 and 2 present an introduction, which is followed by the rationale behind the for-profit organization, the need for the livelihood triad, and, in chapters 3, 4 and 5, what 'sustainable livelihoods' meant for BASIX and its clients. Chapters 6–8 discuss the institutional architecture, and its governance structures, the idea of insurance for BASIX's clients, and the organization's contribution to the information and technology sector. Chapters 11 and 12 could perhaps have followed chapter 6, while chapters 7 and 8 could have followed 5, nonetheless the book has a smooth and easy flow and works well the way it has been structured. Chapters 14, 15 and 16 represent the crux of the book; they analyse the core question 'Doing well versus doing good' and address important questions that most readers might have about the organization and the sector as such.

Some parts are especially engaging. The building of the triad, the illustrated case studies, how issues of moral hazard were dealt with in insurance, and the staff recruitment process merit special mention. The description of various software programs that BASIX has experimented with could perhaps have been dispensed with.

The book is a fascinating account of BASIX's eventful journey with sharp and insightful analysis, and makes rewarding reading for both specialists and general readers interested in social development and microfinance.

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