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**Development for Whom? Neoliberalism, Microcredit and Women  
in Bangladesh**

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# **Development for Whom? Neoliberalism, Microcredit and Women in Bangladesh**

Dissertation submitted to the Department of Social and Political Sciences in partial  
fulfillment of the requirements for the degree of Doctor of Philosophy in Sociology  
and Methodology of Social Research

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## ABSTRACT

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This study investigates the following questions: How do microcredit programs contribute to the formation of social capital, poverty alleviation, and empowerment of women in market rationality? What particular kinds of norms and values do microcredit programs nurture through the operation and management of credit? How do microcredit programs maximize the recovery of loans from the poor clients? How and under what contexts do rural women get involved in microcredit programs, and how do they negotiate the changes to traditions and values in coping with these interventions? Following the ethnographic research approach, this study explores these fundamental questions by employing in-depth interviews, case studies, and direct observations as data collection tools. The Foucaultian notions of disciplinary technologies (Foucault, 1977a) and governmentality (1991) have been applied as a theoretical framework to analyze the policies and strategies of microcredit programs of Grameen Bank and BRAC—two leading NGOs in Bangladesh—against the background of neoliberalism.

This study reveals that Grameen Bank and BRAC offer credit by getting poor client women to form self-selected groups, which is a governmental strategy to reduce the transaction cost. Moreover, microcredit programs have reinforced the existing social relationships and utilized the social capital generated by the poor women themselves in order to check the moral hazards of the clients. The loan delivery and operational mechanism appears to have reinforced the existing social inequality along class and gendered lines rather than bridging the gap through the productive management of credit. It is also evident that microcredit programs have disciplined poor clients through the imposition of stringent rules and regulations, which subordinate them to the NGO mandates – in which processes groups, deposit books, and permanent residents act as surveillance for the timely repayment of loan from the poor clients. It also indicates that discipline is more effective on women than men, given the social and cultural contexts of the poor women in rural Bangladesh.

Microcredit has even reached untapped rural areas, where NGOs have come to compete between themselves with their ‘home service’ loan, hoping to cash-in on the poverty of poor women. Thus, the commercialization of microcredit programs reflects the stark reality of the social context in rural Bangladesh due to longstanding poverty and a lack of organizations offering financial services to the poor without the so-called collateral free concept. As a result, the commercial nature of the programs has failed to function as an effective empowering mechanism for women, and has also failed to challenge the patriarchal social structure. Furthermore, microcredit programs appear to have no significant effect in elevating women’s social, economic and political agency to a level that could be effective for improving the intra-household gender relations and raising their status in the community and in broader society. Rather, the conjugal bliss has turned into conflicting relations due to repayment pressure.

Moreover, most of the women belonging to different income groups are found to have not used credit money in productive activities. Therefore, misallocation of credit appears to have been detrimental to the alleviation of poverty of the clients. The only positive effects have been found in the smoothing of consumption for some groups in the upper- and middle- income poor. Credit is found to have been effective in addition to the existing asset base as well as investing credit in income generation projects. It is therefore debt-burden and risk that binds the clients into a vicious loan-and-repayment cycle rather than alleviating their poverty. However, microcredit has been a political strategy of neoliberal governmentality that subordinates poor women into NGO discipline and fosters the global agenda of neoliberalism at the grassroots level in Bangladesh by ensnaring poor women into formal credit practices through their entry into financial market.

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## Introduction

### 1.1. Background and Statement of the Problem

Over the last couple of decades, non-governmental organizations (NGOs) are increasingly becoming recognized as vital actors on the development landscape at the local, national and international levels. The role of NGOs in development practices is the delivery of basic needs to the needy and vulnerable sections of society, organize policy advocacy, and campaign for social change (Lewis and Kanji, 2009). At the same time, NGOs are also actively involved in addressing a wide range of issues such as poverty alleviation, unemployment, education, healthcare and the like. They also look for solutions to these problems through different development intervention programs. Since the 1970s, there has been a remarkable growth of NGOs in Bangladesh – the total number reached 2,203 in 2014 (as registered by the NGO Affairs Bureau (NGOAB) (Lewis, 2016).

The operating philosophy of many of these NGOs is that the integration of poor people – particularly poor rural women – in development is indispensable in order to achieve sustainable and equitable social development through gender justice. In this connection, they have been identified as preeminent forms of organization with the capacity to implement the global commitment to ‘bottom-up’ development (Kamat, 2004) by responding to the needs and demands of the poorer sections of society (Robinson, 1997; Wood, 1997). The NGOs are indeed playing a part as development partners of Bangladesh, with Grameen Bank and BRAC (Bangladesh Rural Advancement Committee) as the most prominent development partners amongst them. Importantly, microcredit is the most glaring example of development intervention tool for these players. The landscape of microfinance is therefore dominated by these NGOs, which accommodates a large number of clients, and also has a global perspective (Roy, 2010). Microcredit in the developing world is the standard term for financial services mainly in the forms of lending; saving and insurance provided to low income individuals without collateral (Mosley & Steel, 2004). Hence, microcredit has been considered as one of the most effective and favored interventions for poverty alleviation in many developing countries (Johnson & Rogaly, 1997; Ahmed, 2004; de Aghion & Morduch, 2005; Bateman, 2014) proving in significant ways that it can improve the economic life of the poor segments of society (Hashemi & Morshed, 1997; Chowdhury & Alam, 1997; Hossain, 1998;; Islam,

2005). Thus, the NGOs pursue these strategies by creating employment opportunities for income generation or spurring small-scale enterprises for rural women through the provision of a small financial loan.

The concept of microcredit is relatively new in the parlance of development – first coming into prominence in the 1970s – and in the subsequent years has gradually been recognized as the best way to tackle poverty (Hulme & Arun, 2011). From the 1950s through to the 1970s, the provisions of financial services by donors or government agencies were mainly in the form of subsidized rural credit programs. These initiatives were often dogged by high loan defaults, huge losses, and an inability to reach poor rural households (Khandker, 1998). Since the 1980s, microfinance has been an important aspect of development policy (Arun & Hulme, 1999; Dovutoğlu, 2013), which represented a turning point in the history of microfinance in that Microfinance Institutions (MFIs) such as Grameen Bank, the brain child of Mohammad Yunus, began to show that they can provide small loans and savings services profitably on a large scale to the poor, especially poor women living in rural areas. Following this period, the popularity of microcredit has resulted in a paradigmatic shift in the field of development thinking (Qudrat-I Elahi & Rahman, 2006) with wider replication of this model in both developed and developing countries of the world because of its successes in poverty-alleviation in Bangladesh (Wahid, 1994). Thus, microcredit has become a part of global economic policy and drew huge public attention when this seminal idea of the US graduate Bangladeshi Professor Dr. Mohammad Yunus was brought into development perspective (Bateman, 2014). Therefore, microcredit as a new development model has been touted as a key plank of economic and social development for the twenty-first century (Microcredit Summit, 1998).

Generally, the wider understanding is that NGOs have been in a position to dominate the microcredit industry, and they are seen as more suitable and reliable than any other institutions for the purpose of microfinance (Dacheva, 2009; Lewis & Wallace, 2000). Now NGOs have a greater mandate and role in the distribution of international funds meant for poverty alleviation in developing countries (Qudrat-I Elahi & Rahman, 2006). Thus, the microcredit model became an international development policy for the governments of donor countries from the 1980s onwards. Resources and technical support began shifting to establishing and expanding microfinance (MCIs) institutions and microcredit programs, and hence large amount of commercial investments began to pour into the microcredit sector (Bateman, 2014). Grameen model in this regard was very popular and endorsed by most of the mainstream development agencies (Rankin, 2002). Many NGOs offer microcredit programs, specifically targeting

women on the basis that they are more likely to encounter obstacles in accessing credit, have limited opportunity in the wage labor market, and have power imbalance in household decision-making (Pitt et al., 2003; Swain and Wallentine, 2007). Microcredit in this regard provided without any collateral is supposed to be much more convenient for the clients. Thus, people having no access to formal commercial banks (McDermott, 2001; Mallick, 2011; Mazumder & Wencong, 2013) are more likely to opt for microcredit in order to escape poverty by floating small scale business enterprises for income generation, thereby bringing women out of the family precinct and into the public domain of markets. NGOs in this connection situate themselves in a vital position synchronizing their interests to the purpose of the poor by offering credit services with specific terms and conditions.

While the success history of microcredit programs of NGOs like Grameen Bank and BRAC is widely recognized and accepted, they are also, in the same vein shrouded by the controversies. There are arguments both for and against the performance of Grameen-style microcredit programs for poverty alleviation and empowerment of women in the context of Bangladesh. Also, whether microcredit programs have yielded any remarkable outcomes for the households of the poor women in rural Bangladesh remains a moot question, given the fact that microcredit has produced mixed outcomes about the programmatic success. While a large body of studies express greater optimism about the effects of microcredit on the life-chances of the poor women (Wahid, 1994; Hashemi et al., 1996; Amin et al., 1998; Khandker, 1998; Pitt & Khandker, 1998; Zaman, 2000, Khandker, 2001; Kabeer, 2001; Khandker, 2003; Khandaker, 2005; Mazumder & Wencong, 2013), a considerable number of studies end up with pessimistic outcomes (Goetz & Gupta, 1996; Schuler et al., 1996; Rahman, 1999; Karim, 2008; Karim, 2011; Jahiruddin, et al., 2011; Uddin, 2013). Moreover, the existing evidence base indicates that Grameen Bank boasts about 98 percent loan recovery (Wahid, 1994; Dowla, 2006; Karim, 2008), which is certainly a key issue, and therefore, calls for an investigation into how it has been effective and successful. Similarly, how poor clients are obliged to comply with the rules and regulations of the microcredit programs is also considered an important theme for exploration. In addition, which groups of women NGOs prefer to include in their programs also demands further critical analysis. In the same manner, whether microcredit programs distribute the benefits to the poor clients along class and gender line is deemed a necessary developmental concern for calling attention to the public. Likewise, whether microcredit programs nurture any particular norms through the operation and management of microcredit also demands investigation. These are the relevant issues that require careful investigation.

Besides, it is also generally understood that Bangladesh is staunchly a patriarchal society, which observes and is bounded by traditional norms and values. Given these circumstances, it is indeed a vital issue to know if microcredit could provide an effective developmental impetus to inspire poor rural women to challenge the patriarchal social structure and traditional norms and values of the society.

## **1.2. NGO Interventions for Women Development in Bangladesh**

In the South Asian region, Bangladesh is said to be one of the more gender sensitive countries. The gendered attitude of people has been developed through the sex role socialization processes, which is also diffused through other cultural practices observed in the family and the broader society. While gender norms are broadly reinforced culturally and institutionally, it is within the family that children learn about the gender roles in the first place, equating power and authority with maleness, and femaleness with inferiority and subservience (Ram et al., 2014). Consequently, gender socialization entails learning how to develop behavior consisted with one's gender. Boys learn to exercise power and authority over girls, and girls learn about how to surrender (Ram et al., 2014). Socially constructed norms also reinforce gender segregation, gender discrimination, and gender inequality in every sphere of life, which is a commonplace phenomenon, reflected in different activities in the society, beginning after the birth of a child.

Aside from being branded as a highly sex-differentiated society, Bangladesh has also been described as maintaining a staunchly patriarchal disposition, in addition to being a class society (Cain et al., 1979; see Balk, 1996). Patriarchy is a system of social relationships manifested in the forms of men's control over women. It interacts with economic class to produce an acutely gendered division-of-labor, a stiffly segregated labor market with an imbalance to gender-access, and a sheer system of social differentiation placing women at social and economic risks (Cain, et al., 1979). The most crucial aspects of their lives -freedom of choice, decision-making power, and access to resources are controlled by the norms of the patriarchal system (Sebstad and Cohen 2002). Patriarchy functions at the psychological level of individuals, and then penetrates into the social body through its cultural and institutional day-to-day practices. It is a practice, culture, ideology, manifestations of maleness in action, and a learned behavior of dominance over women that all come to pass in the arena of social relationships. In this process men retain the power and control over household resources, while women remain dependent on them (Mizan, 1994). Indeed, patriarchal institutions and the social relations it (re)produces are largely responsible for the secondary status of women (Sultana, 2011). They are dependent

on men at different cycles of their lives – from fathers through husbands to sons (Baden, et. al, 1994). Women are fortified in this invisible margin of the social system, reinforced by the process of social interactions taking place in a particular setting. Because, there is a radical dissymmetry between men and women (Bourdieu, 2001), and women are therefore excluded from the games of the men, placing them in a critical or liminal position (Bourdieu, 2001). Besides, women are also unwitting victims of symbolic violence related to the various modes of social and cultural domination (Udasmoro, 2013), which is practiced by people in different forms in everyday life (Bourdieu, 1998, cited in Udasmoro, 2013). Different social, economic and political backgrounds give women subordinate status in society through the imbalance of power.

Women's gender-roles are sharply divided. Division of labor is gender based (Zaman, 1995). Mobility in the public domain is restricted. Traditionally, in the rural areas, men usually work in the field or move freely outside the home, while women are most often confined to the periphery of home. This means that women's employment opportunity beyond the boundary of home is very limited (Baden, et al. 1994). Women's space is traditionally restricted by the boundary of *bari*<sup>1</sup> in the context of Bangladesh (Fraser, 2010). Men's decision-making in all familial matters is considered to be pivotal, whereas women's direct role in major household decision-making is typically deemed peripheral and ignored. Women are dependent on the male members of their families for all financial and other material and nonmaterial support. Primarily, the lack of economic power of women makes them dependent on their husbands or other male members of the family. Gender segregation manifested in the forms of employment, education, distribution of resources, and decision-making authority prevails in every sphere of life experienced by women. Women's contribution to family welfare in the kind of unpaid labor, child and elderly care, and other economic and noneconomic activities are not recognized as appreciable work, unlike those of their male counterparts. There are strong norms that actively discourage women from seeking work beyond the home (Amin, 1995). In many cases, women cannot even freely move outside their homes because of traditional *pardah*<sup>2</sup> system, which literally means curtain or veil but is used figuratively to mean the veiled seclusion of

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<sup>1</sup> It is a structure of one or more houses with natural setting where people live in the same boundary. A *bari* represents the residential place of people with emotional attachment which provides a homely atmosphere and also signifies the economic and political center at local form. Sometimes a *bari* consists of one house or most often of many houses given the number of kinship members.

<sup>2</sup> The term '*pardha*' stands for the seclusion of women from public place as well as covering or veiling ones face so that other male members of society cannot see their face other than their immediate family members or relations with whom they are allowed to make their face without curtain. This practice of *pardah* isolates women from the mainstream of open social space.

women (Chen, 1986). Therefore, *purdah* restricts women from being in the public male sphere of economic, social and political life (Chen, 1986). *Purdah* has primarily operated as a means for the social control of women (Feldman and McCarthy, 1983), and is also considered a social means to control women's sexual power and morality (Mernissi, 1975). Traditionally, *purdah* system "exists as a means of retaining and prohibiting the participation of woman in visible social roles, while simultaneously ensuring their participation in fulfilling the essential productive activities in the households" (Feldman & McCarthy, 1983: 951). These norms restrain women's involvement in market transactions, and thus holds back their potential to generate an income base, reinforcing their economic dependency (Hashemi, et al., 1996). Therefore, lower economic conditions, rigid cultural norms, sexual segregation, and the structures of *purdah* have jointly contributed to exclude women from the most important sources of wage employment and income generation activities, including the cultivation of their own land (Cain, 1978). As a result, they have become the inhabitants of a home-space that has been detached from the mainstream of society, thereby dwindling away the possibility of developing capacity to advance their lives. Thus they have to very naturally depend on their husbands or other male members of the family against the backdrop of this social and economic situation. Given the social context of Bangladesh, men have greater power and authority simply by virtue of being men, and, therefore, the head of the family (Schuler et al., 1996).

With a population of about 161 million (WB, 2015), Bangladesh is predominantly a Muslim country (approximately 85% percent of the population), with 12% being Hindu, and the rest being followers of Christianity and other religions (Vaughan, et al., 2000). Almost 69% of the population live in the rural areas (WB, 2014), and are likely to be engaged in the agricultural sector (Davis, 2001). A significant number of the rural population is afflicted by endemic poverty and lives below the poverty line, and of them women are regarded as the poorest of the poor (Begum, et al. 2011) due to lack of access to social opportunities, freedom of employment and mobility to be in the public places for the sake of sustaining their lives. Consequently, a considerable number of women are excluded from exercising their equal rights as citizens compared to their male counterparts in the areas of education, employment, better livelihood options and so on. Although women comprise almost half of the population (Begum, et al., 2011; Kalam, 2014), they are often discounted by development policy planners as active agents of social change and vehicles of development due to gender-centric development perspectives. Women's involvement in development activities and their contributions to society is repeatedly emphasized in many development literatures, and is indeed key to the harmonious management

of social and economic relations. Women's integration in development is therefore unquestionably important for a better and prosperous society free of gender discrimination, injustice and inequality if Bangladesh is to achieve the coveted development goals of the nation. If a large section of the population is left out from active participation in social development programs, equitable expansion of society is likely to be impossible to achieve, which is cause of concern for policy-development planners.

Although there has been remarkable progress in some socioeconomic indicators, poverty remains pervasive in Bangladesh (Parveen, 2009). According to World Fact Book (2008, cited in Parveen, 2009), approximately 40% of the population still lives below the poverty line. The plight and poverty of the people is much more acute in the rural areas in Bangladesh where women are the greatest victims, and remain trapped in cyclical poverty (ADB, 2004). Men are the traditional breadwinners of the family, while women are deemed socially backward and are considered to be a burden to the family due to their economic dependence on their male counterparts (Parveen, 2007). Male attitude towards women's role in the family and society is likely to exacerbate the plight of women and puts them in an even more deplorable predicament. Rural people have distinct features construed by their attitude, life style, culture, norms and values, and other social and cultural practices. Socially constructed ideas thus shape the behavior and thought of people, differentiating between male and female, which determines their subsequent roles in the society, and, therefore, structures their actions accordingly. Rural society is also particularly characterized by "severe" masculinity, which in this case hinders the ability of women to practice their life choices. In many situations, it also happens that this gendered attitude typical of rural societies do not encourage them to countenance the female members of the family to work for income earning activities, which would ordinarily contribute to the wellbeing of the family and children. Moreover, women's triple role<sup>3</sup> (Moser, 1993) in a society is the most critical aspect of their life to make free choices, which confines them to the narrow space of the family and restricts their opportunities.

Furthermore, women's agency (Sen, 1999; Kabeer, 1999) is poorly developed in the sense that the social system restricts the scope for them to practice and actualize their economic, political and cultural agencies, which by all accounts could enable them to strengthen their position to contribute to society in general and the family in particular. The culture, social norms and

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<sup>3</sup> Women perform three types of work as players in the households-reproductive, productive and community managing (Moser, 1993).



values, and any other practices of this kind coalesce together to develop their outlook towards life in a way that women are not considered a valuable agent of social change, a domain that is typically reserved for their male counterparts. As a result, they risk losing their self-respect, self-confidence, and self-development, in spite of the fact that they possess the capacity to understand and chart their own autonomous future. Besides, cultural practices and social beliefs are among other things either bars or catalysts to social development so far as women's role in development is concerned. Cohen (2006) argues that societal beliefs continue to hinder the progress of women's empowerment in many parts of the developing world. Bangladesh in this respect is no different. While women's integration in any development work and their contributions to family and society in any rate is a crying need for an equitable, just and distributive society, the reverse reality is that Bangladesh fails to present the expected picture for this. Likewise, the level of consciousness of women, education, skills and other competences having in their credit do not suffice to make their efforts successful and countable in any way. In this regard, until extraneous steps are taken to improve the plight of women through education and income generation programs, a progressive and prosperous Bangladesh free of discrimination is unlikely to be achieved. Against this backdrop, government programs and nongovernmental organizations are pivotal in advancing women's social status and raising their consciousness to an optimum level in order to increase their life chances.

Following the emergence of Bangladesh as a substantive state in 1971, it came to be known as the most contested 'test case of development'. The country inherited a war ravaged economy (Islam & Morgan, 2011), and therefore could not afford to feed her population due to the lack of food availability. Shortly after in 1974, the country experienced famine, leaving a large number of population in the penury of poverty (Sen, 1981; Sen, 1999). During this period, a number of NGOs emerged to confront the challenges (Zaman, 2004), offering emergency service delivery programs with the intention of alleviating the poverty and starvation. The NGOs were therefore the front-line actors providing assistance and other auxiliary support services to the poor people in order to improve their material conditions and make changes in their lives through integrating the poor people – particularly the rural poor women – in order that they become the beneficiaries of development. In subsequent periods, NGOs have made strides in the social development sectors of Bangladesh by providing their services to the neediest people. Therefore, the development context of NGOs in Bangladesh is related to the country's socioeconomic, cultural and political conditions (Islam and Morgan, 2011).

Most of the institutions working for development have stated objectives in common: to establish equal opportunities and to empower women for a better and progressive society. NGO activities have therefore become an indispensable part of Bangladesh for its leading role in bringing about a change in socioeconomic sectors in the last three decades. Historically, most of the NGOs started activities shortly after the liberation war through organizing relief and rehabilitation services for war victims (Lewis, 1997; Zohir, 2004; Davis, 2006; see Hassan, 2015). When the crisis period was over, leaders of these development organizations realized that people needed long-term assistance to move away from ‘relief dependency’ and instead to more ‘self-reliant development.’ Since poverty is a major concern for development and is perceived to be the root cause for the propagation of other concomitant crises in Bangladesh, the majority of the developmental intervention programs were primarily focused on poverty alleviation. Most of the existing NGOs work on two basic missions: to alleviate poverty and empower the poor, specifically women (Lovel, 1996). During the 1980s and with funding from foreign funding agencies, microcredit based projects aimed at expanding their activities in different areas of development became the focal point of NGO missions, a trend which has continued to this current day. Moreover, multilateral positions on gender and development (GAD) for the most part stress the poverty of women as the primary justification for development interventions designed to improve their position in society (Jackson, 1998). Thus NGO activities have both been more pervasive and popular for providing services to the doorstep of poor families. It is commonly accepted that when government organizations fail to supply necessary services to the poor, NGOs can intervene to provide proper services with them. Therefore, much of the development activities aiming at the poor have largely been the responsibility of NGOs, oftentimes even eclipsing the performance of government-led poverty-relief organizations. Given this social context and drawing from the microcredit initiatives of Grameen Bank, a majority of the NGOs are now seen focusing on microcredit programs designed for poverty alleviation and the empowerment of women by incorporating them into these programs, mostly in rural areas in Bangladesh. As a result, microcredit has rapidly become a part of almost every social development NGO (Ahmed, 2004).

### **1.3. Women in Development and Integration of Microcredit**

The practice of directing developmental interventions to low-income women in the Third World gained impetus in the early 1970s when the United Nations underscored the need to integrate women on issues of economic development and designated 1975 as International Women’s Year (Koczberski, 1998) in order to increase women’s economic participation in

development (Buvinic, 1986). Since the 1970s, gender-related issues gained massive prominence in the development literature (Arku & Arku, 2009), given women's lower status and power relative to men in economic, political and occupational prestige (Nikkhah, et al., 2012). The concept of women's development therefore has now become an essential part of the development discourses and policy initiatives (Vijayamahanan et al., 2009).

While the developmental intervention programs initiated by richer Western countries have brought positive impacts in certain vital development sectors, particularly in the areas of economic growth, life expectancy, maternal mortality and literacy rate, but have failed to provide the benefits of such human development programs to the poor at the grassroots level (Korten, 1990; Chambers, 1986). Indeed, the process of allocating support services to the poor have been problematized by practitioners, particularly if the benefits of such programs are only distributed along gendered lines (Rahman, 1998), or if they fail to take into the account the degree of need and urgency of the recipients. Serious attention should be given to design and implement a policy that sustainably alleviates poverty and empowers the poor, offering them broad opportunities to build up a capacity to uplift their own life predicated upon a respect for gender equality. Promoting gender equality is therefore an important part of a developmental strategy that seeks to enable all women and men to escape poverty and improve their standard of living (World Bank, 2001a).

In many developing countries of the world, women in poorer socioeconomic classes are generally seen to be systematically marginalized due to cultural and other institutional practices that prevent them from getting access to productive economic sectors and other income earning opportunities, resulting in them becoming socially excluded. In this context, women need to be integrated into developmental processes as active agents for achieving effective development (Reeves & Baden, 2000). From the developmental perspective, a goal-oriented gender-based policy is considered to be essentially for the alleviation of poverty in general and for poor women in particular, given their relatively vulnerable position in the society. In this respect, the World Bank played a leading role in support of bringing women into the mainstream of economic policy by arguing that focusing on women helps to raise returns on investment and improves the balance of payment (Women<sub>2000</sub>, 1992), and also "investing in women is central to sustainable development" (ADB, 2003:30). Therefore, for the World Bank, gender concerns are justified with reference to economic growth and poverty reduction (Jackson, 1998).

Moreover, multilateral development agencies of the world espouse equitable social development for a better and just society free of poverty, misery and injustice towards women. Different development organizations, like the World Bank, have their own research, evaluation and management department that have made efforts to document and champion the achievements of various developmental programs offered for the improvement of the poor, and who disseminate the findings for the intellectual consumptions of scholars (Rahman, 1998). The outcomes of their efforts in many cases proved to be controversial (Rahman, 1998). Many gender-issues are depicted in development literatures, which accentuate further dynamic and effective interventions to better achieve the goal that offers a space for academic and intellectual practices, giving rise to different opinions and views expressed in the forms of theories, development models, strategies, and plans.

One of the developmental policy prescriptions was in the form of a modernization paradigm, which advocates economic progress by reducing certain development barriers through modernization, such as industrialization (e.g. Rostow, 1960). The proponents of modernization theories suggest that modernization has normative characteristics and intrinsic forces to liberate human being from economic hardship, social and cultural stigma, labor inflexibility, employment constraints, and thus build the base of an egalitarian society. This is less possible in a traditional society, which is typically male-dominated and authoritarian (Jaquette, 1982). Scholars have divided opinions about the outcomes of modernization and the possibilities for its soothing effects to percolate directly to the people. Thus standard liberal theory sees women and development as part of an inclusive process of modernization (Jaquette, 1982). Conventional liberal assumptions of development had been under thoroughgoing attack when Ester Boserup's resounding work *Women's Role in Economic Development* published in 1970. In her resounding book, she presents an argument against modernization with plausible explanations vis-à-vis the link between modernization and women's advancement. According to her, modernization shrinks the opportunities for women instead of liberating them in some important sectors, which once was widely accessible to them. Boserup again points out that although some aspects of modernization has positively contributed to the development of women, other aspects of the process are in fact detrimental to women by creating jobs in the informal sector, replacing most of the work in the rural farmed based production (Jaquette, 1982). She further maintains that by dismissing women's contributions, many development projects deprived women of economic opportunities and status rather than improving the life of women in the Third World (Boserup, 1982). Routinely, the World Bank in its study in 2001

*Engendering Development* recognized equality between male and female as an important development objective and considered it a core development issue (World Bank, 2001b). Besides, both economic development planners and feminist development thinkers understand the situation of women in developing societies through the paradigm that advocates for greater efforts to integrate women into their development plans, known as the ‘*woman in development*’ (WID) approach (Koczberski, 1998; Singh, 2007).

During the past two decades, the loosely-used term ‘women in development’ has become a common development catchword both inside and outside academic arenas. WID is understood as a route to the integration of women into global processes of economic, political and social development and change (Rathgeber, 1990). The publication of Ester Boserup’s seminal work *Women’s Role in Economic Development* triggered huge academic debate on the issue of women in development. In one of the chapters on the Society for International Development, the Women’s Committee of Washington, D.C, primarily used the term WID. The intention behind this initiative was to bring the issue raised by Boserup in her widely celebrated book into policy discussion and debate. Later, American scholars brought the oft-quoted concept into common currency, and advocated for the greater emancipation of women through integrating them into the economic system and policy consideration. The primary emphasis was laid on the development of strategies and action programs aimed at reducing the drawbacks experienced by women in the dynamic productive sector, and thereby ending all kinds of discrimination against them (Rathgeber, 1990). The WID perspective was, however, closely linked with the modernization paradigm that dominated mainstream thinking on international development from the 1950s into the 1970s. During that period, conventional wisdom stated that modernization would improve the standard of living in developing countries benefiting all segments of the society through the so-called “trickle down processes” (Rathgeber, 1990). But the modernization paradigm encountered scathing criticism due to its beneficial effects going to the rich, rather than to the poor. Modernization approaches also pay scant attention to the social and political impacts of economic growth to the poor, and has largely failed to bring about tangible benefits in countries that are already mired in poverty (Koczberski, 1998).

Besides, the early 1970s first witnessed the emergence of a new concept in the development parlance in the USA. Development practitioners and researchers noticed that women’s representation in the aid agencies was marginal, and that there was reluctance by aid agencies to recognize Third World women in their aid programs. They argue that the aid programs of major institutions such as United States Agency for International Development (USAID), The

UN, the Food and Agriculture Organization (FAO), and the World Bank were male-biased, resulting in women being ignored by the development process (Koczberski, 1998). In a reaction to this policy disadvantaging women or ignoring their participation in economic development process, the WID approach came into a development discourse.

The women in development theory (WID) focused on the provision of more power to women by bringing about a change in the institutional frame of laws to ensure the incorporation of women into national economies for achieving and advancing a better and equitable society (Tinker, 1990; Rathgeber, 1990). WID approach provided opportunities for women to partake in formal sector jobs and in social, political and economic spheres of society, thereby contributing to the national development (Rathegeber, 1990). Women in development (WID) paradigm put accent on the inclusion of women in development projects, enabling women to have a fair opportunity at being integrated into economic development like their male counterparts in the family and in the society (Tinker, 1990). This developmental approach is grounded on the premise that females are also equal shareholders of economic and social development, and therefore to ignore their important role in society will be severely detrimental to the development of a rational society free from discrimination and prejudice. Many feminist thinkers have challenged the WID approach on the grounds that these development paradigms do not address the issue of inequality between male and female, the domination of male over women, and their subordinate position in the social structure (Mies, 2014). Women who are involved in economic activities and gainful employment naturally enjoy relatively higher social status and more social advantages compared to women who have been unable to access such domains of activity. Such an argument strengthens the claim for greater economic integration for women, and for their access to credit with flexible terms. Indeed, women's limited access to credit facilities is increasingly becoming recognized as one of the major constraints to development in much of the Third World. As a result, credit appeared and became the "common missing piece" in women and development (McKee, 1989, cited in Rahman, 1998:21).

On the other hand, another approach popularized as gender and development (GAD) also emerged in the 1980s as an alternative to the current approach women in development (WID) (Rathgeber, 1990; Cornwall, 2003; Bücken & Zhurtanova, 2010). The process of developing a new paradigm began in the 1980s, with emphasis on the relationship between men and women in which women have been institutionally subordinated (Moser, 1993). The main purpose of the GAD theory includes an agenda and strategies to improve the position of women in society,

replacing the previous women development approach of WID (Connelly et al., 2000). The GAD approach to development sought to address the asymmetric gender relations and inequitable development, which hindered women's full participation in development intervention programs and other economic activities meant for them (Connelly, et al., 2000). The WID and GAD approaches are most often used synonymously, yet their theoretical position is different with regard to the problems experienced by low-income women in the Third World countries (Moser, 1993).

GAD is not concerned with women per se, but with the social construction of gender and the imposition of specific roles and responsibilities for women and men. In the GAD approach women are seen as "agents for change, rather than passive recipients of development assistance" (Rathgeber, 1990:494), and stress the need to organize women for more effective political voices for them (Rathgeber, 1990). Except WID and GAD, there is another development approach that has not received much consideration from Western feminists, which is styled as women and development (WAD) framework. This framework for women and development was underpinned by the concept of empowerment, articulated by Third World women since the 1970s. But the WAD approach as a new framework was not seen as an alternative to a reformist WID approach (Agenda, 1997). From a critical position it is explicitly argued that these development frameworks are of international importance, and do not often serve the interests of women in countries to which these approaches are exported (Agenda, 1997). The underlying reasons for this is that, for example, the World Bank supports and supplies gender development programs in many Third World countries of the world in line with the market-oriented models of economic growth, and sets the parameters of this aforementioned development (Kabeer, 1994, cited in Agenda, 1997).

However, many parts of the developing world are now under the coverage of NGO-initiated development programs meant for reducing poverty and vulnerability of the poor, particularly for poor women. As women tend to be the poorest of the poor, alleviating their poverty increases development opportunities (Mitchell, 1996). NGOs throughout the world are actively and systematically evaluating the impact of economic policies on women (Forsythe et al., 2000). It is also argued that in many developing countries of the world, government initiatives have failed to reach the poorest of the poor and have not adequately addressed the rich-poor divide and rampant inequality (Streeten, 1997). Since 1971, Bangladesh has remained heavily dependent on aid due to the lack of capacity to manage national population development. The World Bank report shows that there has been a large increase in funds channeled into NGOs

(Lewis, 1997) that are operating in Bangladesh alongside the government aimed at poverty alleviation (Siddique, 1996). A World Bank report indicated that 70 percent of all funds pouring into Bangladesh are consumed by the 10 largest local NGOs; BRAC for example, being one of the more prominent ones. During the 1980s, the majority of the work carried out by NGOs was in the form of credit, income generation, and group formation. Most of the NGOs form groups and provide credit to poor women in order to promote their social and economic development (Lewis, 1997).

The lack of credit is considered to be the impediment to development, and a major constraint to the expansion of freedom and opportunity to work and employment. These constraints are evident for women who have no access to credit due to lack of minimum collateral for getting credit facilities. Providing credit to poor women is indeed a practical solution to a wide range of issues such as unemployment and poverty. NGOs in this case are placed in a position to increase the economic, social and political power of women in their own families and communities (Chen, 1986, cited in Amin & Pebley, 1994). Amongst many of the NGOs, Grameen Bank was one of the prominent players of development for the poor women, which was institutionalized in 1983 by the Bangladeshi government as a special credit agency of the poor. Poor women from landless households were the primary target group of Grameen Bank, with an explicit agenda to organize and assist them by providing easy credit to enhance their economic activities by spurring self-entrepreneurship (Rahman, 1994). Following the thriving success of microcredit programs of the major NGOs operating in Bangladesh, a vast number of small and medium size NGOs are also taking the opportunity to offer credit to poor people – particularly poor women – with the goal of poverty alleviation and the empowerment of women in common. Many NGOs are now seen offering microcredit, while credit is feminized against the socioeconomic background of the poor women in Bangladesh.

#### **1.4. Research Questions**

As a relatively new intervention tool and as the subject of global developmental policy and public discourse, microcredit has gained momentum in recent academic discussions. This has resulted in a lot of arguments both for and against the issue, and has therefore produced a vast array of literature on the topic. Most prominent amongst them is poverty alleviation and female empowerment as the crucial development issue on the agenda, in which social capital theory has captured some attention in this growing debate as a field of investigation in the political economy of development. A wealth of research exists on subjects such as empowering women



and alleviating poverty, whereas scant attention has been given to the issue of social capital from the political economy perspective. Various authors attempted to trace the impact of microcredit on poor women's lives from different perspectives which sought to present the reality on-the-ground of such programs dealing with the poor women in rural Bangladesh. Many of these studies have at different points produced contradictory results. I have therefore chosen to focus my attention on three development paradigms—social capital, empowerment and poverty alleviation. This study endeavors to analyze the policies and practices of microcredit programs, along with its tangible impacts on the lives of the poor women in rural Bangladesh. This study concentrates specifically on analyzing the preeminent research question: whether poor women's participation in microcredit programs can potentially yield any remarkable outcomes for their family, and which clusters of poor women benefit from joining the credit programs. Therefore, the main research question is:

1. Do microcredit programs yield any remarkable outcomes for the families of poor women, which group(s) of women in the study villages actually benefit from joining the programs, and how?

Moreover, the proposed study attempts to analyze the answers of some of these questions by turning around the following sub-questions:

1. If and how microcredit programs construct social capital through the disbursement of credit to the poor women?
2. How do microcredit programs maximize the recovery of loans, and what technologies can be applied in ensuring the timely repayment of loans?
3. How does market-based microcredit programs contribute to the reduction of poverty and vulnerability for poor women?
4. How does microcredit programs empower women through market rationality, and to what extent does it influence the existing gender relations in the family and broader community?
5. What particular kinds of norms and values do microcredit programs nurture through the operation and management of credit?
6. How and under what contexts do rural women get involved in the microcredit programs of NGOs, and how do they (re)negotiate their traditions and values to cope with the interventions?

### **1.5. Rationale of the Study**

As a test case of development, Bangladesh has been an ideal site for developmental organizations and international funding agencies. The growth of NGOs in many aid-recipient countries has drawn significant academic attention. The case of Bangladesh has been particularly prominent in many discussions, since it hosts some of the largest local developmental NGOs anywhere in the world (Lewis, 1997). Since its independence in 1971, Bangladesh has heavily remained aid dependent. Financial aid from the World Bank has long been conditional on structural adjustment programs (SAPS), with bilateral funding agencies retaining considerable influence (Lewis, 1997). Besides, NGO sectors in Bangladesh engage mostly in microfinance and income generation activities, while also focusing on community organizing work and policy advocacy (Lewis, 2004). From the 1980s onward, aid that was being channeled to NGOs steadily increased. By the 1990s, NGOs had played a pivotal role in increasing women's access to resources through spurring income generation activities (Lewis & Hossain, 2008). Meanwhile, the State remained weak in terms of its capacity to provide welfare and other social services to meet the needs of its citizens. As a result, there has been considerable latitude for both international and local NGOs to emerge alongside the government (Lewis, 2016).

It is evident that NGOs have the ability to access poor people and meet their minimum needs – something that local governmental organizations often failed to do. Thus NGOs could increase the frequency of their deliveries to poor people, and in some cases they have in fact achieved considerable success in providing the most crucial services for their beneficiaries. In this example of successful initiatives by NGOs, Grameen Bank and BRAC have outperformed all other NGOs, and have become the center of public attention for their efforts (Lewis, 2016). Almost half of the population is female, and significant portions of them who live in rural areas are found to be the poorest of the poor. NGOs are making their efforts alongside government agencies to bring the poor section of women out of the vicious cycle of poverty through incorporating them in self-employment and other income generation activities. From the developmental and policy perspective, it is important to evaluate the programs offered by any developmental organizations in order to recognize the limitations of such programs so as to ensure maximum outcomes. There have indeed been a lot of evaluation studies done on different programs that were offered by such NGOs. Amongst all these studies, microcredit has often been in the locus of public discussion and policy analysis, and hence it occupies a relevant and useful space in academic research since the inception of such programs.

Moreover, existing evidence shows that with regards to Bangladesh, most of the studies (Wahid, 1994; Hashemi et al.1996; Pitt and Khandker, 1998; Amin et al.1998; Zaman, 2000; Kabeer, 2001; Mazumder & Wencong, 2013) attempted to identify the impact of microcredit programs on the lives of the poor women and painted a generally positive picture of microcredit, while only a few studies (Schuler et al.,1996; Goetz and Gupta, 1996; Rahman, 1999; Karim, 2008; Karim, 2011; Jahiruddin, et al., 2011, Uddin, 2013) tried to unmask the unseen façade of microcredit programs, and thereby open up a new horizon of knowledge. Further investigation is therefore necessary to better delineating an issue that has largely been left unexplored. This study has therefore attempted to explore the social context of rural women that brought them to get involved in microcredit programs in the first place, along with answering the question as to which and how groups of women benefit from participating in this developmental intervention programs. This study has also focused on the crucial aspect of microcredit programs for poverty alleviation and female empowerment with an intention to delineate the actual image of poor women in the study villages, and to understand how and to what extent the developmental intervention programs are achieving this goal through market rationality. Moreover, it is also important to understand whether microcredit programs enable poor women to better exercise their agency and autonomy in the sphere of family and in their community despite being enveloped in a cultural climate of a largely patriarchal and sex-segregated society.

Reviews of the predominant literature shows that most of the studies on female issues and the alleviation of poverty used quantitative methods and attempted to analyze the general effects of credit on the welfare of the borrowers' household. However, in order to investigate such endemic issues in the context of a very traditional society dominated by patriarchal social norms calls for more in-depth ethnographic research. It is hoped that this study could function as a policy guideline for the microcredit programs, in the interest of achieving the highest positive outcomes for the poor people by taking their development perspectives into account.

## **1.6. Structure of the Dissertation**

This dissertation has been divided into ten distinct chapters. Chapter one begins with an introduction, which includes preliminary discussions pertaining to the study such as female empowerment against the social background of Bangladesh, women in development in the theoretical frame, research questions, and the significance of this study. Chapter two deals with the methodology applied in conducting the study, including the research site, research

participants, rationale for qualitative study, data collection techniques, data compilation, edition and analysis, research ethics and the limitations of the study. Chapter three focuses on the theoretical framework that offers an overview of the existing literature on neoliberalism, theoretical explanations on disciplinary technologies and governmentality, along with an extensive review of the existing evidence on microcredit. Chapter four presents an analysis of the social background of the study area along with the socioeconomic profile of the respondents, development trajectory of microcredit in Bangladesh, and lending processes of the Grameen Bank and BRAC in the study area. Chapter five discusses social capital and microcredit relations, and explains how microcredit programs make important contributions in fostering rural women's social capital through the operational structure of the programs, in addition to group lending and its effects on the social realities of women. Chapter six examines the technologies used by the microcredit programs in maximizing the recovery of loans from poor clients, and their subsequent effects on the life patterns of them. This chapter also analyzes how poor women's group, permanent residents, and even savings and deposit books function as surveillance for checking the moral hazards of the clients, which results in the highest recovery of loan. Chapter seven explores how microcredit undergirded by its attendant market philosophy has emerged as a poverty intervention tool, reaching untapped rural areas and cashing in on the poverty of poor women, along with credit competition in the untapped rural markets. It also dwells upon how microcredit programs control the movement and consumption pattern of its clients, along with the use of mobile phones to govern the economic behavior of its clients. Chapter eight offers an explanation of the empowerment of women and their agency, autonomy and freedom against a backdrop of their involvement in microcredit programs, along with the corollary effects on their social and intra-household gender relations. Questions are asked as to whether microcredit has overcome the challenge of the existing base of patriarchal social structure through involving the poor women in income generation projects. Chapter nine outlines the nexus between the poverty and vulnerability of rural poor women, and how credit has been a coping strategy for many poor rural families, and has emerged as a new economy in the context of rural society. It also focuses on how the poor clients have used credit and for what activities, and simultaneously attempts to analyze whether microcredit has reduced the level of poverty and vulnerability of the poor women through their involvement in NGO-driven microcredit programs. Chapter ten draws general conclusion based on the findings coming from the overall analysis of the data from the different issues that have been addressed in the study, and ends up with some policy recommendations for future directions.

### **Research Design and Methods of Data Collection**

This part of the dissertation proceeds with an explanation of the applied research design, rationale for the form of qualitative study, and research approach based on the nature and pattern of qualitative inquiry in addition to the selection of research site, research participants, and methods for data collection, and justification for choosing microcredit programs of two prominent NGOs, recruiting research assistants, data compilation, edition and analysis, research ethics, and limitations of the study.

#### **2.1. Research Design**

Research design is the complete process of research that encompasses several stages from conceptualizing a research problem to writing research questions, collecting, analyzing, interpreting the data, and writing the report (Creswell, 2007). It is a systematic plan for presenting an analysis of relevant data (Yin, 2009) generated through the application of different data collection instruments best suited to the research issue. However, qualitative studies have a mentionable number of choices and approaches (Creswell, 2007). Amongst all these, an ethnographic research approach has been employed given the nature of the issue of study. In the same vein, ethnographic research methodologies are considered appropriate for generating the data by capturing and understanding the studied phenomena from the real life experiences of the participants in a natural and holistic manner. By employing this approach, I have interpreted the data from the perspectives of those populations under microcredit programs of the Grameen Bank and BRAC in Bangladesh (Hancock, 1998). I have undertaken ethnographic studies to observe and understand the world from the stand point of different groups of poor women involved in microcredit programs (Henn et al., 2006) with the aim of interpreting how they give meaning to their experiences (Bray, 2008). The main objective of this interpretive ethnography is to explore both individual and collective understandings, reasoning processes, social norms, and so on (Mason, 2002). In this study, I as a researcher have collected meaningful information and data regarding the research issue through integrating myself in the life world of the female microcredit borrowers. I was present at the research site to observe the reproduction of day-to-day activities in order to understand the ground reality of the rural poor women involved in microcredit programs and their attendant lived-experiences. I have observed with regularity the interactions and activities of the female

loan borrowers, along with their dealings with the members of the group and NGO staff. I have also observed how they have been handling credit-driven income-generation activities, loan delivery, and recovery system by the NGO staffs. Caution was taken to avoid disrupting their normal way of life, in the hope that they would feel free to share and exchange their views as spontaneously as possible.

Both primary and secondary sources of information have been used in the analysis of the data. At the initial stage, I began the process of this study with some background information acquired from the existing literature conducted and published by experts and policy analysts. The relevant pieces of information obtained from the secondary data have enabled me to develop the line of thought, pose research questions, and choose the frame of methodology for the entire process of conducting the study. Secondary data refers to document analysis (Hodson, 1999; Corbetta, 2003; Mason, 2002) collected from different published materials, such as books, journal articles, working papers, reports by academics and researchers also have been used to analyze the contexts of neoliberalism, especially the intervention of NGOs through microcredit programs, and also to analyze the policies and practices of microcredit programs and their potential impact on the life patterns of the borrowing women. Primary data generated through in-depth interviews (Corbetta, 2003; Mason, 2002), case studies (Creswell, 2007; Baxter & Jack, 2008; Denzin & Lincoln, 2005) and direct observation (Mason, 2002) have been used to answer the aforementioned research questions in an attempt to understand the first-hand experiences of female clients involved in microcredit programs.

## **2.2. Justification for Qualitative Study**

In social studies, the employment of qualitative methodologies is considered an effective way of collecting information in a particular but meaningful context (Tedlock, 2000). It involves a naturalistic approach to the world that connects both the understanding and the meaning attached to the phenomena by people within their social setting, and in the process interpreting the phenomena in terms of said meaning (Snape & Spencer, 2003; Denzin & Lincoln, 2005). The knowledge, ideas and understandings emanating from the existing literature has also furnished me with useful insights for comprehending the issue with respect to the lived experiences of the rural poor women who are a major unit of analysis in this study. As an emerging area of investigation in the parlance of development through microcredit, I have directed my focus to the processes of neoliberal development, which requires a broader understanding of the phenomena by participating in the local knowledge system. In any

qualitative research it is vital to know and apprehend the meaning attached to the issue that people create, sense and experience in their everyday lives in a particular social and cultural context.

Following the qualitative research design, this study explores the reality and meaning of the scrutinized phenomena from the view point of the research participants who directly experiencing this reality in their social milieu and interactions, because “qualitative research is characteristically exploratory, fluid and flexible, data-driven and context-sensitive” (Mason, 2002:24). It gives us a detailed understating of the study object (Creswell, 2007) by looking at the ‘why and how’ of social action (Bray, 2008). In addition, the intellectual puzzles and research questions posed in this study have nudged me to apply qualitative research strategies to interrogate the wider perspectives of the female credit clients. The choice of research strategy and primary idea about the investigation began with a survey of the available literature germane to the issue. In this study, I have focused on the process of the neoliberal development by situating women and microcredit in its nexus at the grassroots level in Bangladesh in which qualitative research strategy has been deemed appropriate. Patton (1990) notes that qualitative research is highly appropriate for studying processes that require detailed descriptions for its depiction, the varying and veritable experience of people, the fluidity and dynamic nature of the process, and the participants’ perceptions, which are key considerations. Indeed, the data generated by employing any one method may not be sufficiently rigorous to accurately portray the actual problem, because it raises questions on validity in certain cases. Therefore, methodological triangulation has been applied for the collection of data from the respondents (Mason, 2002; Porta & Keating, 2008; Yin, 2011).

### **2.3. Site Selection**

Marshall & Rossman (1995) suggest that the “ideal site is where (1) entry is possible; (2) there is a high probability that a rich mix of the processes, people, programs, interactions, and structures of interest are present; (3) the researcher is likely to be able to build trusting relations with the participants in the study; and (4) data quality and credibility of the study are reasonably assured” (p.51). There are also certain implicit rationales that could be taken into consideration while selecting the research site—the area of the study has to be representative enough to cover and capture the picture of the larger population, the range of the phenomena under study and the personal preferences of the researcher based on logic and rationale for doing the study (Marshall & Rossman, 1995). For this study, I have sought to take all these aspects into account.

Figure 1: The map of Bangladesh and greater study area in bold circle.



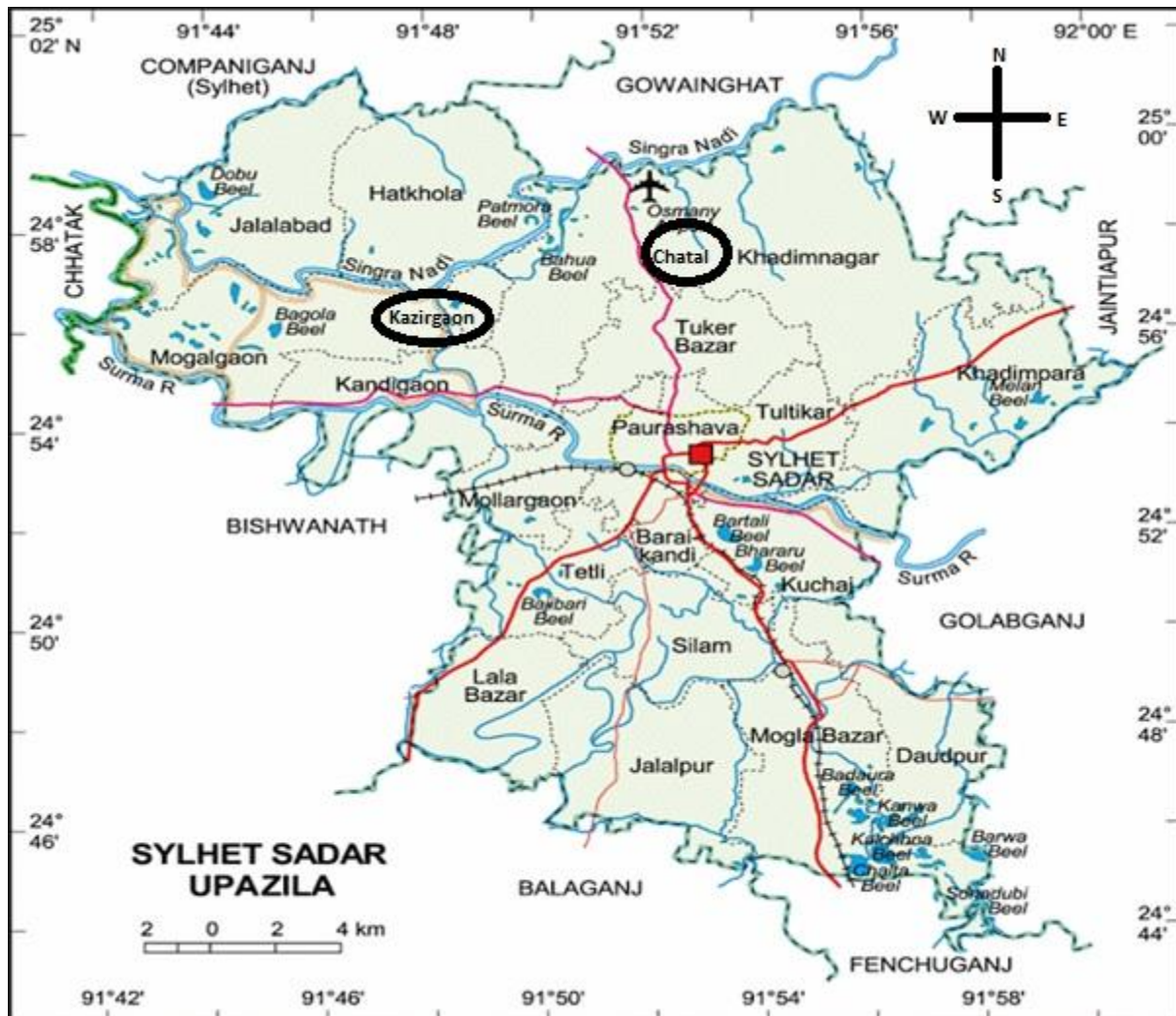
Source: Maps of World 2016.

The area selected for this study was Sylhet, a North-Eastern part, and one of the major divisions of Bangladesh, which is approximately three hundred kilometers away from the capital city of Dhaka, Bangladesh. I have selected two villages of the Sylhet Sadar Upazila named Chatal and Kazirgaon. Moreover, the study area comprises a significant portion of the population covering a vast area of typical rural social structure. There was some crucial reasons for selecting Sylhet as an area of my study, which will soon be explicated. I have prior research experience on microcredit and women empowerment that I conducted in the greater Sylhet region targeting microcredit programs of these two reputable NGOs. Firstly, Grameen Bank and BRAC apply



the same procedures and techniques for the delivery of microcredit throughout Bangladesh. My interviews with the NGO staffs of Grameen Bank and BRAC have ensured that these two NGOs operate in the same way throughout the country.

Figure 2: The map of the study area indicating in bold circles (edited)



Source: BD Maps 2014.

Secondly, being a faculty member of Sociology at the Shahjalal University of Science and Technology, which is located in Sylhet, Bangladesh, I availed myself of the opportunity at becoming more familiar with the way of life of the people of this region, as I myself have lived in Sylhet for more than a decade. As a result, I have been able to develop my linguistic abilities to understand and speak the vernacular of the local people, which has enabled me to access to rural people in my study areas and mix with them without any hindrances, thus offering me the advantage to talk to them in a more informal manner. Thirdly, I was also familiar with the rural social structure of the region that I considered to be an added advantage vis-à-vis incorporating

myself into the social life of the research participants in establishing trust and rapport with them. This is a significant part of qualitative researching, because building rapport (Creswell, 2007) is a *sine qua non* in data collection processes. Fourthly, I was also privileged to utilize my university logistics and support for my research purposes, including hiring some qualified research assistants from the university graduates, which proved extremely helpful and useful. Finally, I could travel from my university to the preferred research areas relatively easily and comfortably, which facilitated casual communication with the respondents, because frequent visits to the study areas paved the way for making myself known to the community in order to understand the phenomena from their “insider” point of view (Headland et al. 1990).

## **2.4. Research Participants**

The nature of the research problem and the structure of the research questions clearly indicate the selection of the main unit of analysis. Female clients who were the core beneficiaries of microcredit intervention programs by two internationally celebrated NGOs—Grameen Bank and BRAC—have been purposively selected for the interviews. Lincoln & Guba (1985) suggest that “all sampling is done with some purpose in mind” (p.199). This sampling technique has allowed me to select unique and information-rich cases for the investigation (Mathbor, 2008). From the credit borrowing women, I have been able to elicit information with regard to the context of their involvement in microcredit and their activities related to the programs, social interactions with the groups and communication with the program officials. Apart from the women credit clients, I have also incorporated NGO staffs (field managers) for informal interviews to glean some relevant information. These managers were selected as respondents of the study alongside loan-borrowing women for gathering information about the loan delivery and management system of the microcredit programs. Moreover, I also had general discussions with Union council secretary and local council members for some relevant socioeconomic and demographic information on the study area. It was necessary to garner information about how microcredit programs offer loans to clients, how and on what criteria do they disburse loans, and what techniques they employ for ensuring the highest possible repayment of installments in due time. It is vital to understand the microcredit policies and practices, along with other strategies pertaining to the operation and management of credit for poor women’s development. The nature of rural social structure is typically one that does not allow any outsiders to easily enter the community. Traditional culture, norms and values of society discourage women to have direct contact with the people beyond family relations. But this situation has been steadily improving due to various social and economic forces; such as

the increased NGO-related activities and the influx of outsiders. As a result, I did not encounter any issues regarding data collection.

## **2.5. Why Grameen Bank and BRAC?**

Both Grameen Bank and BRAC are two internationally famous and globally recognized development NGOs from Bangladesh (Lewis, 2016; see Khandker et al.,1998) that offer microcredit initiatives along with other development intervention programs in order to integrate women in the developmental process aiming at the alleviation of poverty through self-employment programs. Mohammad Yunus won a Nobel Peace prize jointly with the Grameen Bank in 2006, which represented another driving force to take this microcredit institution to new heights. The concept of microcredit was a seminal idea of the US Graduate economist and Professor Mohammad Yunus who brought the un-bankable poor into the orbit of the banking sector using social collateral as a guarantee of the loan – something which was almost impossible in the traditional commercial banking system. In the commercially-driven traditional banking system, poor people's access to credit is hampered due to the lack of collateral. Grameen Bank sought to change the traditional perception that the poor are not bankable, and the project of microcredit then expanded across the country through its service delivery to the poor. While this banking system for the poor faced a lot of initial challenges, it eventually found its footing and established itself as a credible and useful institution. Subsequently, the “Grameen style” of microcredit has transcended the geographical boundaries of Bangladesh to be replicated in many other countries in the world. This pioneering microcredit institution has thus drawn much public and academic attention, sparking off a growing debate about the successes and failure of microcredit programs.

I did my Master dissertation on women empowerment and microcredit programs in Bangladesh that has fueled my intense interest to learn more about the issue in greater depth and breadth from a different point of view. The study I conducted for my dissertation was limited to desk research based on the extensive review of relevant literatures and did not enable me to equip myself with the practical knowledge to understand the lived experiences of women who are the main beneficiaries of microcredit programs. Yet, as I was born and bred in Bangladesh and as a native citizen, I had the opportunity to observe and see the poverty and plight of many rural people there. While I saw a lot of women who were receiving microcredit for many years from prominent NGOs such as Grameen Bank and BRAC, their fortunes remained unchanged due to some unexplored reasons, which once again reinforces the intensity and depth of my

inquisitiveness to do research in this field. Other than these two, there are also a teeming number of NGOs of this kind offering mainly credit programs with a focus on poverty alleviation, targeting women in most cases with the logic of incorporating them into the development process. Microcredit NGOs largely operate on the same logic and rationale, given women's social condition and family position and their relative vulnerability in the society compared to their male counterparts. Although there are a number of NGOs currently in operation, they have not come into prominence unlike Grameen Bank and BRAC mainly because of their size, reach and frequency of delivery.

## **2.6. Methods of Data Collection**

Data collection is the most crucial part of qualitative research, which entails different phases and techniques to generate data by employing a variety of data collection strategies synchronizing with the research design and approach to the study. Data collection techniques are in this regard the building blocks of the study. The next step of the dissertation presents a description of the techniques that have been used for the collection of data. I have therefore embarked on the rudimentary process of the study based on document analysis followed by the use of multiple techniques of data generation from the study participants.

**Document Analysis:** Analyzing relevant documents is a good starting point in any qualitative social research. The analysis of secondary documents is one widely used method of social research and many qualitative researchers see it as meaningful and appropriate in the context of their research strategies (Mason, 2002). While conducting a qualitative study, we develop conceptual frameworks and construct knowledge on the basis of available information with regard to the issue in question, and in the process step closer towards a point of thinking with definite direction and specific queries to reach its ultimate objective. As a result, the role of reviews and analysis of existing qualitative data has been of great importance because it “provide an opportunity to bring a new perspective to existing data, to use elements of the data that have not been fully analyzed, or to form a base of comparison with newly collected data” (Lewis, 2003:61). The main objective of this study is to explore the ground-reality of female microcredit clients and to describe their predicament from their own point of views. In this regard, my idea, conceptual understanding and knowledge related to this field of study mostly has come from the existing evidence base such as books, journal articles, working papers, conference papers, and electronic sources. The construction of research questions and selection of research methodology was mainly based on the available information gathered from the

background literatures, which have provided a firm conceptual footing, a solid understanding of the issue from a different perspective and a broader idea about the way(s) to design the research in order to achieve the coveted research goals. The analysis of documents in this case is a commonly used method in qualitative study, which supplies pertinent information for getting the meaningful answers to the research questions (Hancock & Algozzine, 2006). Analysis of secondary data has potentially important implications for qualitative researchers who seek to explore the issue of gender studies, development evaluation and contemporary developmental programs addressing marginal social classes like poor credit-borrowing women. The analysis of documents has provided me with the requisite skills, knowledge, and understanding of the research issue, conceptual clarification, theoretical insights, methodological rigor to organize the layout of the study, and framing in general the whole idea.

**Direct Observation:** One of the most commonly used data collection techniques in qualitative research is observation. Observation usually refers to the methods of generating data in which the researcher's immersion in a research setting is important to experiencing and observing first hand a range of dimensions both in and of that setting (Mason, 2002). In the observation process, watching and listening is the major function of an observer who records the observed phenomenon and actors in the form of keeping field notes. Jenifer Mason argues for the purpose of observation, suggesting that we cannot generate meaningful knowledge without observation because it is not possible to articulate, recount and/or construct all knowledge in an interview (Mason, 2002). It is very natural that some of the relevant information remains missing in the interview. Therefore, the missing elements in the interview and other useful information from different dimensions needed for the study have been obtained and substantiated through the observation process, thereby adding more crucial information that is relevant for the research. As a widely used technique of ethnographic research, it has offered me the best possibility to observe the life world of credit-borrowing women in a natural setting. Being in the social setting of the study participants, I have been able to observe and record the information about the workings of developmental intervention programs of microcredit in the remote rural social structure, especially by watching the life situation of the female credit clients, their role and regular activities in the family, along with other functions related to income generation programs and to organizing the group meetings and maintaining interactions with other group members in the self-selected group.

Moreover, observational methods have also been used to record the information and actions occurring in that social setting. This approach has offered me a greater opportunity to observe,

feel and realize the actual situation of the loan-borrowing women and gather relevant information from them in order to present an authentic and unvarnished image of these poor women according to what they have experienced in their lives. My position as an observer in the field has offered me an opportunity to hear, to see, and to experience the reality of the participants as accurately as possible (Marshall and Rossman, 2006). In this situation, I have been able to witness how loan-borrowing women have used and maintained credit for the alteration of their lives, how they have dealt with the NGO staffs with regard to repayment, and how they negotiate their traditional norms to cope with the interventions. My role as an observer has also provided me a chance to see what women had roles in the center meeting in the local loan centers, and I have recorded the meeting minutes for my study purposes.

**In-depth Interviews:** Interviewing is simply a conversation with the specific purpose of gathering information (Denzin, 1978; Marshall & Rossman, 1995). The main purpose of this conversation is to elicit the participants' worldview regarding how they come to attach certain meanings to certain phenomena. This is naturally the basic principle of qualitative enquiry in which researchers largely rely on in-depth interviewing techniques (Marshall & Rossman, 1995). I have employed semi-structured interview in my study, which involved a number of open-ended questions based on the topic of the research that I wanted to explore. One of the advantages of using semi-structured interviews was that it offered the interviewees a chance to express themselves freely and frankly and to define the world from their own perspectives (Hancock & Algozzine, 2006).

In-depth interviewing in qualitative research is regarded to be a common form and a natural way of gathering information from the participants, in which there should be free and flexible relationships and good understandings between the interviewer(s) and interviewees. The open-ended/semi-structured questionnaire has been employed in a natural setting (Ritchie, 2003) in order to make an analytical comparison (Mason, 2002). This data gathering technique has provided me the possibility of having relevant information from female loan-borrowers in order to explain the reasons why they get involved in microcredit programs and how they use loan money to spur small business enterprises for any income generation activities. It also analyzes how microcredit contributes to the construction of social capital, poverty alleviation and empowerment of women. In the same vein, the staffs of the local NGO office have informally been interviewed in order to understand how they manage microcredit and what strategies they usually apply in cases of loan collections from the poor women and what mechanisms are appropriate for the recovery of loan from the clients who default on timely repayment.

Moreover, how microcredit programs have helped poor women get out of poverty and why they constitute women's self-selected groupings for disbursing loan has been explained through the data from in-depth interviews. During data collection from both female borrowers and NGO staffs, I asked them questions pertinent to my research issue and listened to the respondents in order to understand the meaning of what is being said. I have used interview guides, techniques, strategies and procedures to make the interview as flexible as possible and recorded the field notes instantly so that there would be no reduction or loss of the original information provided by the respondents. I therefore sought to make verbatim transcription as far as possible in the recorded notes, along with tracking progress of my fieldwork. I have classified the data according to the objectives of my study and needs of my analysis. I did not have any problems that would hinder the normal progress of interview and the whole data collection processes in the study areas. The most important reasons for this were that some of the local people were already oriented with the focus of my study and I have been familiar with them within a few days.

**Case Study:** Apart from in-depth interviews, I have also used ethnographic case-study methods. Through ethnographic case studies it is possible to explore observable and learned patterns of behaviors and the ways of life of these female clients of microcredit programs. There are also certain reasons for choosing case study methods in the generation of qualitative data. Compared to other research methods, case studies are the most appropriate choice for addressing some of the research questions posed – such as the ‘how’ and the ‘why’ – to explore a complex research problem (Yin, 2009). A qualitative case study is meant to be holistic, specific, empirical, historically interpretative, and causally analytic (Ragin and Backer, 1992; Yin, 2009), which is the product of field oriented research rather than merely a strategy or method. I have used the case study of female clients of microcredit programs in order to get a wider picture and in-depth understanding of the problem, and thereby analyze, interpret, and impute the meaning and experiences of the participants who are the main objects of analysis.

## **2.7. Gaining Access to Respondents**

In April 2015, I began the preliminary process of data collection for my study. I began the field visit procedures by seeking official permission from Grameen Bank and BRAC. In the very initial stage of the fieldwork, I visited Grameen Bank and BRAC offices in order to have formal approval from the authority concerned so as to get access to the respondents of my study with the support of the NGO staff. It was not a smooth task for me to obtain permission from the

Grameen Bank local manager. There were reportedly some restrictions to accessing the clients of Grameen Bank due to the tighter administrative regulation of the Bank. In fact and at the very beginning, the manager gave the excuse that some individuals went to their clients and collected some information in the name of research, and subsequently published a damning report on Grameen Bank in the national newspapers that tarnished its reputation. As a Nobel laureate institution, Grameen Bank has gained extra attention from different academic circles both at home and abroad, in some cases triggering a lot of criticism.

Despite the seemingly non-cooperative disposition of Grameen Bank, I made sincere efforts to convince him by introducing myself as a Faculty of the Department of Sociology and a researcher at Shahjalal University of Science and Technology, Sylhet, Bangladesh. I assured him that the information gleaned from the respondents would only be used for academic purposes. In spite of this, he remained reluctant to give me official permission, and he instead suggested that I go to the regional head office and put in a formal application. I decided that I would not go to the head office for official approval for fear that it might result in an even more prolonged process due to bureaucratic procedures and red-tape. I went straight to the head of the Department at my University and requested him to write a letter to the local manager of Grameen Bank clearly stating that the research would be done on the bank's clients as part of an academic study, assuring him that any kind of activities or policies proposed regarding the microcredit programs of Grameen Bank would not malign the reputation of the institution. I also personally wrote a letter to the manager appealing for permission to collect data from the credit-clients of Grameen Bank.

The following day, I went again to the local office and submitted both of the applications to the manager and sought his kind cooperation in my research project, and took down his cell phone number. Having properly scrutinized my papers, he accepted my application later that day and promised to schedule an interview session with me. After a few failed attempts to secure a meeting, he eventually took me to one of the program villages named Chatal where I conducted my research. I thanked him for his cooperation, and for apportioning some of his valuable time to me. I visited the program village along with my research assistants repeatedly over the next few days so that local people would recognize and feel at ease with our presence.

Secondly, I went to the BRAC office and approached the office manager explaining to him that I needed his help in conducting my research on BRAC microcredit programs. The manager pleasantly obliged me and asked me to visit his office on any convenient day as he was engaged



in his office work at that particular moment. At this point I saw some people were thronging around the desks of other officials, and most of them were credit borrowers with presumably the male members of their families who were loitering around the corridor. Candidly speaking, it was not very difficult to get permission from BRAC because there were no restrictions on doing research on its programs. The only problem I faced was the lack of availability of the person who would take me to the study village where microcredit programs were in operation. I took down the field officer's cell phone number. One day I called him requesting him to take me to the clients in that village. By this time two of my research assistants and I paid a visit to the BRAC program village named Kazirgaon so that we could have a clear idea about the setting and profile of that village which I considered to be a relevant part of my work. In this way I had a vivid picture of the two study areas, which paved a smooth road for starting my field survey in a promising manner. It had already taken a few days to receive official approval for commencing the data collection from the clients of Grameen Bank and BRAC microcredit programs in these two villages.

The official formalities were done. Approval for working with the credit clients was granted. I had a talk with the Grameen Bank local manager who was supposed to take me to its program village named Chatal. We travelled there via his motorbike, where we found two centers comprising 64 female clients. Every center had a center chief chosen by the Grameen officials under which all loan borrowing women were dealing with regarding loan activities. I reached the Grameen center after almost half an hour. I also asked two of my research assistants to get to the same place at the given time. The area manager also introduced me as a faculty of the University to the field officer and told him to lend me all-out support with respect to research on the study village. He also approached some women who were clients of that center and implored them to cooperate with me in furnishing information regarding my proposed study. As I had chosen two centers of Grameen microcredit projects in the same village to study, after nearly an hour I went to another center to be familiar with different credit-borrowing women from the same village. The area manager introduced me with the center chief popularly known as Rachana to the villagers. Luckily, I met a good number of women in that center who were gathered there to repay their installments, and they were also embroiled in discussing the loan conditions and related affairs. It is worth mentioning here that in the rural society of Bangladesh people living in a particular social setting typically strive to cultivate good social relations and strong rapport with one another. As a result, microcredit has become one of the most effective catalysts to bring women together and closer to each other – there are essentially reciprocal

relations that strengthen their social ties and feelings of solidarity. Generally, rural women tend to feel shy when appearing in public or in front of strangers. However, due to the fact that the Grameen area manager was with me and urged all the women present to provide me with the necessary assistance with regard to the issue, I was able to circumvent this potential hurdle. Everybody was very enthusiastic and curious about my work and asked me when I would visit them. I told them I had just come to make myself familiar with them and from the next day on I would start visiting their homes for my purposes. I bade goodbye to all with a promise to visit them the following day.

As I had a formal introduction to all center chiefs and a good number of credit-borrowing women of Grameen Bank, in the same vein, I started the next step, which was to visit a BRAC program village. One day I called BRAC field officer who told me that he would be available only on Wednesday of the second week of the month and asked me to be in the study village on this very specific day if I wanted to meet him in the village. According to the BRAC official, Wednesday was the loan collection day where all women gathered in a center chief's house and came to pay back installments to the field officer under the guidance and supervision of the center chief. My research assistants and I went to the village in a CNG auto rickshaw that took around one hour to reach there. When we reached the village, the bystanders in the street gave inquisitive looks, and some of them asked about where we would go and why we were there. Naturally we had to give friendly responses to their queries and disclosed our intentions to visit the village, and to learn the location of the BRAC center chief's home. Hawarun and Rahmatun were the center chiefs of BRAC microcredit programs, individuals who were well known to everybody in that village. Most of the people guessed that we were from BRAC main office to visit the village. But we dispelled their confusion and clarified our position by explaining our purpose of visiting the area.

When we arrived at a grocery shop in that village, a refined young man approached us and enquired about the different issues related to my study. I chose the young man – who was named Gaus and was around 23 years of age – to be our local guide so that we could easily identify each and every member's house of BRAC microcredit program. Gaus was a tremendous help for me from the very beginning to the end of my data collection in Kazirgaon. We then proceeded to visit Hawarun's (one of the center chief's) house, who unfortunately at that time was not at home, and we did not have her cell phone number to contact her. Her daughter named Runa happened to be present at home and I requested that for her mother's contact number, which she obliged and I immediately called Hawarun. She replied that she was

far away from home and would not be able to return soon, suggesting going to her home the very next day to discuss my purposes with her. We left the village shortly after 2 p.m., and came back to our accommodation for that day in a CNG propelled three-wheeler.

The next day my research assistants and I went to Kazirgaon village to be introduced with the center chiefs whose support in the entire data collection process was badly needed. The travel to and from the research area was not only time consuming, but also costly which hindered the normal progress of my work in that village. However, I reached one of the center chief's houses at 11 a.m. The center chief was not particularly welcoming at the early stage of discussion, and showed her reluctance to engage in a long discussion with me. I contrived to reassure her that the work was solely for an academic purpose and not for any other motive that might otherwise be detrimental to the interest of the clients of the BRAC microcredit programs. Sensing her suspicions regarding my intentions of conducting research and data collection, I made a call to the field officer so that he could clarify the aims and objectives of my work to the center chief again, which would enable me to go further ahead with my work with the clients. Later the lady became convinced of my benign intentions, and subsequently demonstrated her keen willingness to lend a cooperating hand for the sake of my data collection. By the time I arrived at the center chief's house, a lot of people mostly women were rushed into the house and they rapidly thronged us.

This was a typical rural area dominated by traditional norms and values. People in that area were usually unused to encountering outsiders. Most of the people were very surprised to see us and some began whispering in hushed tones to each other. I spent a good number of days just for visiting the study village because without entering the hearts of the people it was almost impossible to get candid data from the respondents. Thus repeated visits to the area enabled me to have a regular contact and fruitful day-to-day interactions with the local people, particularly with the female clients of the program.

I also paid a visit to another center chief house in the same village where BRAC offers microcredit programs, dividing the number of clients into two centers for the convenience of the management. The center chief named Rahmatun was the poorest woman amongst the four center chiefs of Grameen Bank and BRAC. She was working as a maidservant in the house of an influential local figure. Although I visited her house frequently, her occupational responsibilities ensured that finding her free and unoccupied at home was no easy feat. One day her daughter called and informed her that some people from university were waiting for

her to have an important talk. At last she appeared in front of us with a smiling face and wanted to know what she could do for us. I explained my purpose of visiting the area and talking to the people who were the borrowers of microcredit from BRAC under her center. She gave her assurances to assist me as best she can, with the only caveat being that she would not be able to devote much of her time because she had to go back to work in the home of her employer. I was convinced and gave her my nod thanking her for spending some of her precious time with me.

One of the main reasons for liaising with the center chiefs was to solidify my position in the rural setting, and to build trust among locals so that they would recognize that I was there with good intentions. It was at the same time very important to make myself familiar to every loan-borrowing women which helped me get close to the respondents. At a certain point of time the situation was very favorable in the sense that due to my frequent visits to the village, people accepted us graciously and began to treat us almost like native villagers. In fact, it was not expected that we would be able to glean information from the respondents in a direct or straightforward manner as per the needs of the research. On the contrary, it was more than data collection in the sense that I had to enter the emotional milieu of the respondents in order to appreciate the actual realities of the experienced phenomena through continuous interactions with them. Visiting the village and observing the social, cultural and political environment of the rural people has given me an added advantage for the next course of work, and enables me to have a vivid picture of the area under study.

Indeed, I did not face any official limitations having received approval from the BRAC local office. Moreover, I was fortunate that the regional manager came from my region, and he was helpful enough to instruct all other local officials to give me their cooperation. One day after I finished my preliminary activities and obtained the identities and locations of all the women under the two centers of BRAC microcredit programs, I called the field officer to fix an appointment on a day that he would be present at the field center. Finally, he gave me a time that was on some Wednesday at 10 a.m.

As per the appointment, I called two of my research assistants and asked them to gather in front of my University gate sharp at 9 a.m. because it took nearly one hour to reach Kazirgaon village. Everybody was there at the stroke of 9 a.m. We hired a CNG-run auto rickshaw, which was the most popular and widely available mode of transportation in that region. At last we reached Kazirgaon and found a group of women were gathering at a road side tin-shed house,

even though it was not a center chief's house. I asked some of the women about the location of the meeting with the field officer that day. They told me that most often the meeting was held here (in the tin-shed house) instead of center chief's place for field officer's convenience. We were still waiting and the appointment time was over, but the local field officer was yet to be there. After well over half an hour he arrived at the center where we were waiting for him. At last he came and apologized to us for being late. Within a few minutes the house was full of women, and various groups with different loan-related issues began to swamp the officer. The signs of frustration on the faces of some women were becoming increasingly visible. The officer asked me how he could help me. We asked him to introduce us to the women and request that they lend us their cooperation regarding the eliciting of relevant information that we desperately needed. The officer introduced us to all the other women there and asked them to help us by providing the necessary information. We were already familiar with most of the women by the time the officer introduced us to them as we had earlier embarked on a door-to-door visit to the clients' houses. Since it was loan collection day, this was an opportunity for me to directly observe how BRAC local field officers dealt with the clients; collected installments, and how other women passed stressful time for the repayment of loan. Some women were rushing to pay the installments back to the officer, while others were locked in a fierce quarrel with the center chief lady due to their status as loan-defaulters. Bargaining, conflict, and altercations over the repayment of loans was a constant feature. Another group of women were talking to the field officer in the hopes of persuading him to accept half of the installment to be repaid. Unfortunately, the field officer was rather firm in his decision not to accept their request and refused to receive the fractional amount point blank. I instantly wrote down my observation notes and instructed my research assistants to do the same.

At one point in my work at Kazirgaon village, I came to realize that some women might not be forthcoming enough to provide me with the necessary information regarding my study. I guessed that some women might give misleading information, as they were still feeling somewhat skeptical about the intentions of my work. Some of them might have thought that we were from the BRAC main office and any kind of adverse information would go against their interests<sup>4</sup>, which indicates that women seeking loans from NGOs might be denied if they

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<sup>4</sup> I observed that some of the women were very cautious while talking to them because they feared that providing information that goes against the image of the NGOs would be detrimental to their interests. There is some information regarding the recovery of loans, which somehow reflects the negative role of NGO workers. As a result, some clients were reticent to share their views in the initial stage of data collection.

provide any information that somehow goes against the NGOs. As a result, they would not be offered credit in future. Out of this fear they might hide the actual information and furnish instead distorted data, which would indelibly compromise the results of the study. So one day I devised to take a CNG auto rickshaw driver in which we were traveling from the village to my department at university so that he could see that we were from the university and not from an NGO. I treated that person well with some snacks and drinks and offered a generous tip. Following this, a good impression of us was engendered in that region because the driver was from the same neighborhood and he himself began to convince others that we were “good guys” from the university. I came to learn this information from our local guide who gave me this information of the village.

Remarkably and with the exception of one incident in Kazirgaon, I managed to avoid any awkward situations in my various field trips. One day when we started conducting the survey, a man over the age of fifty arrogantly came forward and asked us to go his grocery shop. This resulted in a rather anxious predicament, as we did not know what intentions he had on his mind. As a university faculty member, people showed their respect towards me that was another support to my credit. Moreover, I had official permission that was also another back up for conducting my work. In any case, we went to that person’s shop, where he repeatedly asked me questions such as “why did you come here”, “where were you from” and “why are you talking to the women”. In rural Bangladesh, women naturally do not talk to strangers, and male members of the family usually do not allow young ladies to talk to people who are outside the locus of their family or kinship relations. We somehow managed to convince that guy of our benign intentions and he subsequently became very polite, ending our encounter with some biscuit and cold drinks. I offered to pay him for this treat but he declined to accept it. I found a big difference between the attitude of this individual in the initial stage and his behavior in the end. It was like that the content is different from the label. I ended up my mission for that day with a plan to start with the survey on the selected women from the next day on.

The study village of Chatal was nearer than Kazirgaon. It took approximately half an hour to reach that area via auto rickshaw. Every day I began my journey to the village at around 9 a.m. in order that I arrive on site by 10 a.m. In general, women in this rural setting commenced their household activities at noon. It was due to their hectic schedule that it was not feasible to have talks with the women while they were engaged in chores. Rural women also had very little leisure time to themselves during the day. It was however observed that they tended to be less busy in the morning and in the afternoon. In some cases it also happened that women were

busy consoling their infants. In these circumstances, I tried to delineate the subjects under investigation from the viewpoint of the respondents, and I was especially looking for an opportunity to meet them in either of these two periods of the day. There were instances where I did not have any formal interview with the women, but instead had informal conversations with them and other local people so that I could get some insights into their community as an insider. Understanding the phenomena from the perspective of the natives was the main motive for mixing with the locals, along with securing easy access to the respondents. In Chatal village I met a good number of middle-aged people who drove CNG auto rickshaw near my university, and even some guys employed as security guards in my university assisted me in building up trust among people, which considerably eased the process of my data collection.

In the village people called me *baro* (senior) Sir and my research assistants were called *choto* (junior) Sir and madam respectively. Everybody was friendly in their gestures, and extended the greatest possible amount of cooperation from different fronts. When I first entered the village I did not know anybody save for one of the center chiefs from Grameen Bank. That first day she was very busy and could not allocate any time for me, and she suggested instead visiting her home some other day. Meanwhile, I went to a home in the vicinity of the center chief's residence. In that home I met a girl named Taslima who appeared at the School Secondary Certificate examination and was waiting for the publication of her final results. Taslima, and her aunt named Safina – who also happened to be a microcredit borrower of the Grameen Bank – assisted me in identifying other loan-borrowing women in the neighborhood. Even Safina's husband, who was a fish trader in a nearby local market, chipped in some useful information regarding the houses of other loan ladies in the contiguous areas. The most helpful person in the entire village was one of the center chiefs of Grameen Bank who spent a substantial amount of her time traversing every nook and corner of the villages with me so as to locate the houses of credit clients. The lady was a familiar face in her locality and everybody showed due respect to her because of her amiable manner and etiquette. It would indeed have been much more cumbersome and time-consuming for me to identify all the borrowers of microcredit in a village of this size by myself. Thanks to Taslima, her parents, and the center lady-chief, I was able to conduct my research and data collection with ease.

In the Chatal village Grameen Bank primarily had one big center with more than sixty clients. After the size and popularity of the Bank became expanded, the Grameen Bank authority decided to divide the center into two with different center chiefs. When it was under one center

every female member was well known to the first center chief. I went to the second center to talk to the center chief, Kanchan Mala, who also provided me with her assistance.

No unpleasant incidences happened during my stay in the Chatal village for the duration of my data collection. Every woman was open and amiable, cordial and cooperative, and very curious to know about the research results. A lot of women asked whether they would be benefitting from this work and how. There was in fact no direct answer to those questions on my part. Other than the respondent women, all other people who were not considered as respondents had also been very accommodating, and welcomed any kind of queries from me. I worked as an observer and insider during the whole stay in the Chatal and Kazirgaon villages. During my breaks, I would go to the village and sit with the local people in a tea stall. I also shared my tea with people who offered me help. The main intention was to get into the inner circle of their hearts and minds and solidify my presence as an inhabitant of their neighborhood.

It was, by and large, not difficult to get into the hearts of the local people. They treated me well. There were even cases of people who were eager to provide me with information and share their stories – indeed, it seemed as though they were looking for any opportunity to share the experiences of their lives. As the day went by, I had been like their man, which strengthened my position in the village and paved the way for entering the very core of the hearts of respondents.

## **2.8. To Start with the Data Collection**

I started my data collection by conducting surveys. There were some reasons for why I conducted surveys despite being an ethnographic research. First of all, some quantitative information was needed in order to segregate women into different income groups and reflect their socioeconomic profile such as their family income, level of education, major occupation, their average family size and length of their involvement in credit programs. Secondly, in a qualitative research it was equally essential to build rapport with the respondents. This offered me an opportunity to get rich and relevant context-specific information. So in this case I had the scope to develop cordial relations with all credit borrowing women during the collection of survey data. Thirdly, surveys offered me the ability to choose extreme examples for in-depth interviews and case studies while collecting the socioeconomic data from the selected women of the study villages. Moreover, I made door-to-door visits for the collection of survey data that enabled me to observe the life pattern and the socioeconomic conditions of every woman



involved in microcredit programs, which would not have been possible if I had proceeded only through interviews and case studies.

The total number of population I surveyed was 114 from four centers of both Grameen Bank and BRAC, two from each who were the regular credit borrowers from either Grameen Bank or BRAC. I selected two centers of Grameen Bank from Chatal village and two centers of BRAC from Kazirgaon village where Grameen Bank and BRAC have been operating microcredit programs for many years. Grameen Bank had 64 members in two centers consisting of 40 and 24 members each whereas BRAC had 50 members comprising of 25 members in each center. I spent the entire month of April for collecting the survey data. When the survey was done I started to have in-depth interviews with the respondents that I selected during the collection of survey data. Surveys gave me an additional advantage for identifying the typical cases, and also helped to build a strong relationship with the respondents. In this sense there was immense benefits to be gleaned from surveys right before the intensive interviews with the respondents. I had in-depth interviews with 49 women clients from four centers of both Grameen Bank and BRAC. Of them I selected 13 women from one Grameen center in Chatal village and 12 from another center of the same village while the rest of the 24 respondents were selected from two BRAC centers in Kazirgaon, suggesting 12 from each center. I also took the length of their involvement in microcredit programs into consideration to see if poor women have experienced any significant changes in their lives over time. I continued the interview with the women so long as I was getting relevant information from the respondents. When similar information was coming from the respondents, or when there was little variation in the information provided by them, I stopped the interview as I got no further relevant information from the targeted respondent. I had case studies of 19 typical women in two phases from four centers of Grameen Bank and BRAC, containing 7 and 5 from Grameen Bank respectively and 7 from BRAC consisting of 4 and 3 from each center in order that I could garner holistic views and get a comprehensive picture of the phenomena. When I started to analyze the data, I found some information gaps and, after consulting with my supervisors, went to the field again in order to bridge that gap. This time I did not have in-depth interviews, but rather conducted case studies of 10 typical women. I also had informal talks with four NGO field officers in order to learn about their perspectives and share experiences with regard to methods of loan recovery and the management systems followed by the programs. In the primary phase I had informal talks with two of Grameen's and BRAC's field managers one from each center. Later I also had informal talks with two other field workers of Grameen Bank

and BRAC in order to fill the lacuna of information that the first phase of my data collection failed to glean. Moreover, I also collected some official information both from Grameen Bank and BRAC relevant for my study in the second phase of my data collection.

The time frame for this study ranges from April 1, 2015 till mid-October, 2015. During that time I spent almost every day in the field for data collection, and I sought to directly observe how women in that region experienced their social reality and led their lives. I instantly noted down what was observed in the field regarding the various socioeconomic implications of loan-borrowing women in the villages. Moreover, I also had information from the neighborhood people about the social structure and other social relations in their everyday life among people of the two villages selected for the study. Most often I talked to the local people with the intention of strengthening my position in the locality so that they would feel free and frank to share relevant information and put their trust on me.

I needed some information about the location, the total number of population and literacy rate, male and female ratio, predominant occupation of the people of the area and their socioeconomic conditions from the respective Union Council office. One day I went to the Union Council office when the Chairperson was absent. I noted his number and called him the next day seeking to schedule an appointment. I wanted to know about the overall picture and other socioeconomic conditions of the population in the villages and he gave directives to his secretary to furnish me with the appropriate information. The senior citizens of the locality were in fact the key informants who provided me with the necessary information, such as the major occupation of the people. They gladly and spontaneously shared their lived experiences of the social setting in the region. Direct observation had indeed given me sufficient opportunity to accumulate knowledge and experience about the life patterns of poor women in this rural setting. I also asked the NGO official about the situation of women in the program villages because those people had up to date information about the socioeconomic conditions of women, their lifestyles and other socio-demographic factors as they have been working with the women of this particular area for an extended period of time.

In addition to this, I also consulted with the Statistical Year Book of Bangladesh, which unfortunately was not updated. That is why I chose to amalgamate the information given by different stakeholders into account including my field level data for depicting the socioeconomic profile of the respondent women and inferring knowledge about their life situation. So far as my knowledge suggested, there seemed to be dearth of secondary sources

of information (such as books, articles or any other scholarly literature) on this very aspect. As a result, the information that I derived from the field constituted the basic building blocks of constructing the socioeconomic structure of the respondents. For the researcher engaging in fieldwork and data collection, both the temperament and tempo of the surrounding environment must be taken into consideration: for example, avoiding scheduling interviews at odd timings, along with the mood and state of mind of the respondents/interviewees, as all these factors influence the quality of information elicited and garnered. I usually tried to avoid interviewing the respondents when they were engaged in personal or familial duties. I often brought some sweets and chocolates for the young children, so as to keep them pacified during the interview sessions with their mothers. I also offered small amounts of money to very poor women who could not afford to buy food. This ensured the minimization of interruptions during the course of the interview, and allowed for the creation of a rather smooth and congenial atmosphere, which enabled me to solicit for good information. I sought to take note of every facet of a particular problem or issue faced by the respondents, and I prevented the loss of information by taking real-time notes with as much meticulousness and immediacy as possible.

The weather conditions were an important factor for the study. When I commenced my visit to the field for data collection it was the month of April with the onset of summer, which was more or less favorable for my work. Two months into my data collection, the rainy season began. The rainy season in Bangladesh stretched for a longer-than-usual duration due to climate change over the last few decades. Sometimes it rained torrentially for days, rendering me unable to visit the research site daily as I had planned due to the inclement weather, which hampered my field activities in a multitude of ways. In similar fashion, vehicle management and the distance of the study area was made even more challenging due to the rain. It is worth mentioning that during the rainy season in Bangladesh it is really difficult to travel to many places, particularly the rural areas. Roads or tracks in rural areas were often muddy and were not smooth for walking, let alone driving. Given this predicament, there were times when I had to suspend plans to visit the village. Besides, it would have been difficult to record any interviews and respondents with the heavy rain battering the tin-roofs. I also found that people who were really poor often did not encourage me to visit their houses on rainy days because in many instances the space in the houses were limited. All these factors ensured that certain opportunities to visit the villages during the rainy season went unrealized. I nonetheless resolved to redouble my efforts during the occasions when the weather was more forgiving.

## 2.9. Recruiting Research Assistants

I recruited two research assistants for the collection of field data and imparted proper training to them well ahead of commencing the fieldwork. They were the Master's students from the Department of Sociology at Shahjalal University of Science and Technology, Sylhet. One was male and the other was female, with both having good track records and prior experiences in research and data collection. Both of them were native to the greater Sylhet region, and had the advantage of conversing comfortably in the local vernacular. Furthermore, given that these students were under my tutelage at the undergraduate level, I was well acquainted with their backgrounds and academic strengths. Considering the sociocultural context of rural society in Bangladesh, I felt it would be appropriate to recruit 1 male and 1 female assistant. In rural areas it is common for women to feel shy in front of male persons, particularly those unfamiliar to them. In my study areas, society was strictly structured by traditional norms and values, although this tends to be true as a whole throughout rural Bangladeshi society. As a male individual, I intuitively sensed that I might encounter difficulties accessing female credit clients in the rural areas, and I was concerned that my uninvited presence in the village with other male researchers might be met with some discomfort or consternation for the inhabitants. As a native of Bangladesh, I was *au fait* with the social-cultural norms of various regions, in particular my research areas. I also surmised that in certain instances what might be easy for a woman might be difficult for a man in the social backdrop of rural Bangladesh. Therefore, I felt it was prudent to appoint at least one female student as my research assistant for the purposes of smooth data collection for this study. Employing a female research assistant along with her male counterpart has indeed yielded positive results for the inclusive data collection processes.

As all my respondents were women, I felt it was appropriate to have a woman interviewer so as to get easy access to the participants and build rapport with them through informal conversations on a regular basis. In a qualitative data-gathering technique, informal talk is a core component of the study, and can serve the function of eliciting useful side-stories that might otherwise be lost in more "formal" or "serious" discussions. Since awkward situations might potentially result in the loss of pertinent information, I directed my research assistants to play a catalyzing role in furnishing a comfortable and enabling environment for having in-depth interviews with the female respondents.

The most important thing was that I gave my research assistants formal lectures on both the theory and methodology applied in my study so that they could develop their own understanding and reasoning while posing and directing questions to the respondents in line with the research topic. I conducted these training sessions in my personal room in the department. The good thing was that they were eager to learn, and seemed to have had been rather exuberant about the research project as they themselves would need to propose and conduct their own research as part of the academic requirements for completing their Masters course. Their sincerity and inquisitiveness enabled them to have a deft conceptual footing and comprehensive understanding about the theory and methodology expected in a PhD dissertation, and they indubitably contributed significantly to my work. I had a long discussion about the research objectives; main research questions and sub-questions, along with the overall theoretical framework of the study. Ethical issues of the research were also discussed and addressed. I reminded them repeatedly to always be friendly with the respondents, and not to be hurried while asking questions. In total, I spent more than a week training and preparing the students to be fully-fledged research assistants. As per the general rule of the University for Research Assistant, I paid them the minimum honorarium commensurate with the work, which was also in proportion with the remuneration structure of the World Bank funded education project in my university, excluding food and other travel costs that I myself spent every day for them. As they were my direct students, I was not very calculative about the precise amounts, and I offered them whatever I could afford to spare for these miscellaneous expenses.

## **2.10. Testing the Questionnaire**

I primarily developed a questionnaire and discussed each and every point comprehensively with my research assistances. I decided to go directly to the field to test the questionnaire, and tried to identify any possible discrepancies related to the different sections of questionnaire. In fact, a trial and error method was employed during the initial stage of data collection. I constructed two sets of questionnaires – one was for survey data and the other was for in-depth interviews, and a checklist was formulated for the case study. When I went to the field I found some loopholes in certain sections of the primary questionnaire, and I marked those areas to restructure them to better suit the main focus of the issue under investigation. I revised the questionnaire twice on the basis of the information gap. Initially, I had several interviews with the women before staring the survey in order to check and verify the errors in the set of questionnaire. These “demo” or “dummy” interviews were not taken into account for the study. I also did not leave the research assistants to conduct the interview alone; I was present beside

them to observe the process. One research assistant asked the questions while another one took down notes. During this time I was observing the way in which they were conducting each interview session. Sometimes I intervened during the course of the interview as I felt that some relevant points could be incorporated or included. Critical points were noted down on the spot immediately. I was sure to ask for permission from the respondents before turning on my recorder prior to the interview properly. Careful attention was paid to the way respondents explained their ideas and articulated their views with regard to different issues related to this study.

I went to the field many times to have regular contact with the respondents with an aim to stimulate rich exchanges with the primary set of questionnaire. I was working on the formation of the questionnaire until I became confident enough about the pattern and line of questioning. Before I started the survey, I completed the preliminary interviews with seven women. The second phase of the correction of the questionnaire was done while the in-depth interview was proceeding. At this stage some minor corrections were made as I found some novel points which were salient to the research focus. In qualitative research, it is a continuous process to check and modify the research questions and interview checklist according to the reality and situational context. It is indeed a good idea to formulate a final questionnaire on the basis of the information provided by the respondents through the preliminary questionnaire, because new and pertinent information might emerge spontaneously or unexpectedly from the respondents – something the primary questionnaire might have failed to account for precisely due to the omission of the crucial aspects in the broader interview checklist.

### **2.11. Data Compilation, Edition and Analysis**

Following each field visit, I wrote something relevant for the study. I felt that it would be difficult to deal with a large heap of data at the end. I therefore engrossed myself in scribing and analyzing the data so as to arrange them logically in their relevant sectors and keep them in good order. When the data collection for the study was over, I began to compile all the relevant data according to the needs of my analysis, attempting to synchronize it with the stated research objectives. The data has been categorized in a systematic manner so that the relevant pieces of information could easily be retrieved. I began the analysis of data according to the structure of the dissertation. It was very tedious and time-consuming to listen to the recordings for the transcription of data. In the early stages of sorting data, nearly three hours were needed for the transcription of one interview. Nonetheless, I successfully transcribed all recordings,

and made attempts as far as possible to provide a verbatim translation of the quotes made by the respondents.

I collected volumes of data for the study in order to have all necessary information at my disposal, and in this regard some of the information received was not needed for the sake of my analysis. Based on my observations and informal talks with the locals, I managed to take note of certain important aspects of the situational context such as the social structure and socioeconomic background of the study area, major occupation of the people of this region, and their daily lives including my personal experiences in the study area. While my data analysis was in progress I found some lacunas in the information, and I found that I needed to bridge the gap by gathering further relevant information from my respondents. This time I only added specific questions in the questionnaire so as to address the missing point. I put the new information under a different section of the analysis as per required. I have included some quotes in the analysis and I used simple translations as far as possible so as to deliver the meaning in a perceivable manner to readers of various backgrounds and language fluencies. I made a concerted effort to probe as deeply as I could with the various issues during my analysis. After writing each chapter, I conducted rigorous editing and fact-checking to correct any discrepancies and remove irrelevant information in the interests of maintaining the coherence of the writing in a logical frame.

## **2.12. Checking Ethical Issues**

In social science research, ethics is considered a central issue because “research codes of ethics address individual rights, dignity, privacy, confidentiality, and avoidance of harms” (Glesne & Peshkin, 1992; Punch, 1986, cited in Bresler, 1995:29). In this study ethical issues have been strictly checked because of the commitment of qualitative methodology to a moral philosophical stance on the research process and on its intellectual outcomes (Bresler, 1995). The ethical practices I engaged in during the conduct of my study are reflected in the various phases of data collection processes and the observance of qualitative research norms amidst the data-gathering process. Before entering the research community, I comprehensively disclosed my purpose of visiting the respondent women, and explained my objective for conducting research on their lives (revolving around the theme of neoliberalism, gender inequalities, and the impact of microcredit programs on poor rural women), and clearly spelled out the rationales and utility of having interviews with them. I expended my best efforts to dispel confusion and conflict among the respondents by approaching the issue under investigation in a candid

manner. I showed the written set of questionnaires to my research participants and sought their kind cooperation and permission before proceeding to interview them. Every respondent was briefed about the aims and objectives of the study.

Every piece of information furnished by the respondents was noted down as it was delivered, recorded and handled with due care. No distorted or fabricated information was intentionally or unintentionally added to the original pieces of information provided by the respondents. When the interview was finished, the recording was played to them so that they could listen to their voices and verify what they said. Confidentiality or anonymity of the respondents is the most crucial aspect of qualitative social studies, and must be taken into account. The identities of the respondents must have guarantees of protection so that the information collected does not embarrass or cause any harm to them (Bresler, 1995). We assured all respondents that all information was kept confidential and that it would only be utilized for academic purposes. Moreover, the name of the respondents was used as per their preferences for the convenience of analysis and where necessary anonymity was guaranteed. In addition, no documents or scholarly literature in the entire body of my research work have been used without acknowledging the authors or sources.

### **2.13. Limitations of the Study**

Actually what would ordinarily have been easy and accessible to my female counterparts had been a challenging undertaking for me, given that I wanted to conduct research on the issue of women in the context of a traditional patriarchal and highly sex segregated society like Bangladesh. Norms and values in Bangladesh typically prohibited women from having casual conversations with male members of society in an open and friendly manner, particularly with people beyond their family, kinship, and neighborly relations. These socio-cultural values are more embedded and observed in rural society, and they are reflected in every action of people's lives. Thankfully, I had prior experiences researching on women and development that I did in the context of rural society in Bangladesh, this provided me with a fresh and positive impetus for working with poor rural women again.

Moreover, microcredit programs has been shown to be one of the most effective tools to bring women out of the family precinct and into the public domain through regular interaction with other female clients of the neighborhood and NGO officials in the local offices with whom they negotiate loan and microcredit related affairs. Given their prior extensive participation in microcredit programs, the women were already more or less at ease with being in front of



outsiders. Credit made them open, flexible and spontaneous to talk to people. I readily availed to such an opportunity to develop rapport with the respondent women in the village, and I also tried to overcome my limitations as a male researcher by recruiting female research assistant for data collection, which made the data collection process much smoother. I also had the advantage of speaking to the women in my mother tongue, which helped me to get rich and relevant information, given that people were more willing to converse in their mother tongue due to the linguistic insularity.

I faced difficulties interviewing some of the selected women because of their reluctance to provide candid information, despite having made several visits to their houses. On various pretexts they avoided being interviewed; such as being busy with household chores or taking care of their offspring. In such cases, I eventually abandoned my efforts to elicit information from them, and selected other women for the interview process instead. I made every effort to identify the respondents who were eager or who appeared informed about issues of microcredit. Likewise, I prepared my questionnaire to have formal interviews with the NGO staffs. However, at one point I changed my mind and collected information from them through informal talks instead because they seemed rather reticent to provide me with relevant information about the structure of microcredit and other loan delivery/recovery system in a written questionnaire. Sometimes written versions of the questionnaire may cause confusion for people in official positions because it is documented and can be preserved or reproduced if required. In addition, although the direct knowledge of the investigated context is a certain advantage for the research project, it is likely to produce a passionate identification with the subjects I have investigated could blur the gaze of the researcher.

### Theoretical Framework

The chapter begins with an overview of neoliberalism following the theoretical framework of the study that has been applied in order to explore how the policies and strategies of microcredit programs of Grameen Bank and BRAC have been working for the development of the poor women at the grassroots level in Bangladesh. Microcredit as a policy and developmental intervention tool has incorporated poor women in income-generating activities for their self-improvement. How poor women belonging to different income categories have been able to benefit from joining the microcredit programs is the key quest of investigation under the theoretical underpinnings of Foucaultian notions of disciplinary technology (1977a) and governmentality (Foucault, 1991).

#### 3.1. Neoliberalism: An Overview

In *A Brief History of Neoliberalism*, David Harvey (2005) defines neoliberalism as a set of political-economic practices which proposes that human well-being can best be advanced by “deregulation, privatization, and withdrawal of the state from many areas of social provision” (p. 3). Ong (2006) conceptualizes neoliberalism as “a technology of governing that relies on calculative choices and techniques in the domain of citizenship and of governing. It induces citizen to self-management according to market principles of discipline, efficiency and competitiveness” (p. 4) and “seeks to supplant collective, public values with individualistic, private values of market rationality as the guiding principles of state policy, economic governance, and everyday life” (Barnett, 2010:2). Neoliberalism refers to the policy perspectives of economically rational individuals based on market competition, free trade and foreign investment, and is in opposition to state-run welfare programs and governmental intervention (King 1987; Hague, 1999, cited in Hoque, 2008). Pierre Bourdieu and Loïc Wacquant (2001) describe neoliberalism as “the new planetary vulgate” (p. 2) whereas Beck (2000, cited in Uddin, 2013) describes this term as an ideological “thought virus” (p. 7), which has been a mode of analysis for the contemporary political economy. Thus neoliberalism denotes new forms of political-economic governance grounded on the expansion of market relationships (Larner, 2000), and refers to as the agenda for the promotion of new forms of identity and subject formation with the individualized values of neoliberal politics manifested as personal choice, individual responsibility, self-regulation and self-government (Rose,

1996:335). The forging of identities – particularly entrepreneurship and individualization – are linked to new forms of governance and governmentality, often mobilized around the discourse of empowerment and autonomy (Willis, et. al, 2008).

As a policy framework of the current world order, neoliberalism triggers a policy shift from Keynesian welfarist economies that guarantee the provision of goods and services to citizens, towards a political agenda that considers the market to be the most rational and efficient way to provide these services, which were previously the key responsibility of the nation-states (Putnam, 2010). As an ideology, neoliberalism rests on five key values: supremacy of individual and freedom of choice; market security; laissez faire economic policy, and minimal government (Larner, 2000). As a political project, neoliberalism seeks to roll back state provisions of welfare and roll out new forms of governance more suited to a market-driven economy at a number of scales from local to global (Jessop, 2002, also see Rose, 1996; Larner, 2000), which in this case also attempts to exert dominance on the economic policy and the promotion and expansion of market into new areas of the economy (Arestis & Sawyer, 2004). Barnett (2004) describes neoliberalism as a “hegemonic project” (p. 4, see also Harvey, 2005), arguing that neoliberalism is a new variant of a class-driven project of state restructuring in the quest for a free market and expanded accumulation, and the economic and market philosophy of neoliberalism is thus premised on a program of policies and governance arrangements that fosters privatization, market liberalization and encourages more competition.

The term ‘neoliberalism’ is synonymous with a set of economic and policy prescriptions associated with the ‘Washington Consensus’ (Cornwall, et al., 2008, also see, Griffith, 2006). The Washington Consensus was devised by John Williamson in 1989, and has been popularized in both developed and developing world as a widely accepted model for development (Lee & McBride, 2007) that involved a profound ideological commitment to the free market and the presupposition of the State as a source of both inefficiency and corruption (Saad-Filho, 2010; Saad-Filho, 2011). Since the 1990s, revision of some policies has led to the emergence of a ‘Post-Washington Consensus’ or ‘neoliberalism with a human face’ (Molyneux, 2008) because “the policies advanced by the Washington Consensus are hardly complete – and they are sometimes misguided” (Stiglitz, 1998a:11). Following the World Bank policy prescriptions for developing countries that emerged in the 1980s, the last two decades witnessed heated debates over economic development policy dominated by the so-called Washington Consensus (Saad-Filho, 2005). The Washington Consensus has a strong logic and vision in fostering a particular set of development policies (Pender, 2001), and has been

accepted as common wisdom on policies of development and growth (Marangos, 2009). Emerging in the early 1980s as the neoliberal counterpart for developing economies, the Washington Consensus promoted an ideology and policy of reliance upon market forces, and of the cutback of state intervention and expenditure to a minimum (Fine & Lapavistas, 2004). The neoliberal premises of the Washington Consensus imply that the state should be rolled back in order to focus on some key aspects, which must incorporate “defense against foreign aggression, provision of legal and economic infrastructure for the functioning of markets, and mediation between social groups in order to preserve and expand market relations” (Saad-Filho, 2005: 114).

Most of the developing countries adopted and implemented prescriptions of the Washington Consensus through the structural adjustment programs, which became the standard policy tool of the World Bank in the mid-1980s (Mosley et al., 1995). The structural adjustment programs imply reducing inflation and government expenditure, along with the transformation of developing countries’ economies towards liberalization, privatization and deregulation (Richardson, 2001, cited in Slaughter, 2007, also see Gore, 2000), and the phase of this transformation represents “the interests of affluent elites and financial capital” (Standing, 2000:744). Washington Consensus was labeled as a policy prescription of neoliberal economy in the developing world (Rodrik, 2002, cited in Marangos, 2009). The World Bank and the IMF reinforced the relevant policies through conditionalities imposed on poor countries facing severe balance of payment, debt and financial crises (Saad-Filho, 2011). Many poor countries of the developing world have been compelled to agree to one or more such programs in the last twenty years leading to the cumulative imposition of neoliberal policy around the world (Saad-Filho, 2005) with the Washington Consensus’ premise that “growth occurs through liberalization and freeing up markets” (Stiglitz, 2002:68). The Washington Consensus policies were based on a model of market economy in which Adam Smith’s invisible hand works perfectly (Stiglitz, 2002). The Washington Consensus policies referred to as “neoliberal” are often based on “market fundamentalism” (Stiglitz, 2002:74; See Cornwall, et al., 2008). Neoliberal policies have been institutionalized and spread across the developing world through a number of international organizations meant to aid development of these countries, which induced many of their member states to comply with their development policies and do the necessary for the implementation of these programs. The Washington Consensus expressed the idea of minimum government and free market system as a prerequisite for promoting development in the developing world (Richardson, 2001, cited in Slaughter, 2007).

In the 1980s and 1990s, the Washington Consensus was criticized by academic and civil society organizations across developing countries due to its inability to explain the economic success of East Asian countries; the failure of neoliberal policies to deliver significant improvements in economic performance, and the unnecessarily stringent measures included in the adjustment programs that typically have highly negative effects on the poor (Saad-Filho, 2005, see Saad-Filho, 2011). The Washington Consensus even sustained academic attack from within the International Financial Institutions (IFIs) themselves. Josef Stiglitz, who was chief economist of the World Bank, was the most influential voice involved in criticizing some of the assumptions of the Washington Consensus and proposed the ‘Post-Washington Consensus’ as opposed to the former (Pender, 2001; Saad-Filho, 2005; Ruckert, 2006) as a new vision for the development discourse (Önis & Senses, 2005). The consensus was mainly based on Stiglitz’s academic premises of market imperfections that provided the intellectual foundations to this Post-Washington Consensus (Fine, 2001a). Thus the Washington Consensus has paved the way for what appears to be a new paradigm for development (Stiglitz, 1998a; Stiglitz, 1998b; Bergeron, 2003) with the emergence of a Post-Washington Consensus. The Post-Washington Consensus is characterized by efforts to construct an alternative agenda for developmental theory and policy by integrating social and economic dimensions of development with particular attention to sustainability and challenging the old state versus and market dichotomy (Stiglitz, 1998b) that “heavily emphasizes the importance of appropriate institutions for growth” (Saad-Filho, 2011:328). As a result, the set of economic policies underlying this new development strategy penetrated into the economic policy agendas of many developing countries (Önis & Senses, 2005).

Since the demise of the Washington Consensus, neoliberal policy has come to dominate the relationships between states and markets in developing countries. The policies of privatization, deregulation and liberalization of markets have given individuals and corporations greater freedom to innovate and maximize the opportunities for entrepreneurship, completion and profit (Lee & McBride, 2007). Market freedom increasing through this international development policies is supposed to be the major backbone of neoliberal development agenda in this current era of financial accumulation by imposing risk on individual rather than collective responsibility. The Post-Washington Consensus was about bringing the state and informal institutions back in to support the market and market-building as a developmental project under late capitalism fusing the public and private within a heavily institutionalized pro-market order in which risk to capital is mitigated, and is increasingly shifted to

communities and individuals (Carroll, 2012). This way, the capitalist world moved towards neo-liberalization through a series of rotations and cluttered experiments that really only converged as a new orthodoxy with the articulation of Washington Consensus in the 1990s (Harvey, 2005).

The Post-Washington Consensus aimed at addressing some of the limitations of the Washington Consensus as an emerging global development agenda by situating international financial institutions and bilateral and multilateral development agencies in a pivotal position to foster development through participation, poverty reduction and empowerment. Thus the policy reformation of poverty reduction at the global level under the Post-Washington Consensus has relevant and practical implications for global political economy in general, and poverty and inequality in particular (Weber, 2002). Microfinance/Microcredit in this regard has become a key poverty reduction tool globally since the 1980s. As part of the Post-Washington Consensus policy framework, microcredit has been the preferred approach for international development institutions and a central part of national development frameworks, remaining also a key strategy within the operational portfolios of NGOs working in development (Weber, 2014) in order to facilitate women's access to economic opportunity targeting them as agents of development through such programs (Picciotto, 1998 cited in Bergeron, 2003). However, some critical viewpoints emerged in the debate about microcredit. For instance, microcredit can be seen as the new financial technology of the Washington Consensus's policies marketed directly to the poor which is used by the Bank as the governing mechanism of twenty-first-century global capitalism (Flynn, 2007). The discourse that supports this new financial technology for development would be that "the approach will allow the poor to be a part of the global marketplace, access consumer goods, and be lifted out of poverty" (Flynn, 2007:114).

However, there is an important debate about the issue. According to Angelis, for instance, NGOs place themselves as pivotal forces that act as providers of finance, programs supervisors and regulators of market, and "consciously and actively promote neoliberal state, business values and agendas" (Angelis, 2005: 240). Other scholars maintain that neoliberalism implies that NGOs are authorized by international agencies whose clients are subjected to act in accordance with the values of discipline practiced by the organizations. As providers of credit, NGOs in Bangladesh have tremendous power to regulate people's (clients') behavior, and subjugate them to NGO mandates and priority (Karim, 2008), and oblige the clients to abide by the organizational norms. According to Rankin (2001), through the NGO programs

neoliberalism has created new ways for rural people to access new routes of capital circulation. Mohan & Stokke point out that the donor-led proliferation of NGOs has become a technology for expanding the market beyond its traditional boundaries and serving as agents of imperialism (Mohan & Stokke, 2000; Harvey, 1989; Harvey, 2003), while other scholars Elyachar (2005) and Karim (2011) suggest that NGOs are facilitating the process of free market throughout the world, especially through microcredit programs. Against this backdrop, NGO interventions with microcredit programs for the promotion of poor women in rural Bangladesh demands a thorough explanation as to whether market based microcredit programs under the veneer of neoliberalism actually yields any remarkable benefits for the program participants.

### **3.2. The Theoretical Approach**

Microcredit as a new phenomenon has been a recent developmental discourse and occupies a significant place in development literatures because of its prominence as a successful development model which is said to have contributed to remarkable changes in the lives of the poor people in many developing countries, particularly in Asian and African countries. It is also evident that this microcredit model of development has not just been confined to its origin of Bangladesh rather it has been replicated in many poor countries as well as some other developed countries of the world. Those countries have applied this development intervention programs and claimed to have achieved outstanding success in poverty reduction. As a promising development model the success history of Grameen Bank's 'minimalism' has captured attention of scholars, triggering huge debates regarding whether, how and in what way microcredit has been an effective development model, along with how and to what extent it has brought success for the development of poor people in general, and the poor women in particular. As a consequence, microcredit phenomena have become the centerpiece of the development debate and political-economy analysis. A wealth of literature on microcredit (Khandker, 1998; Hoque, 2004; Khandker, 2005;; Molla et al., 2008; Hoque & Itohara, 2009; Mazumder & Wencong, 2013) reveals that microcredit programs in Bangladesh have been playing a major role in alleviating the poverty of rural women through self-employment and income-generating programs. The current academic discourse indicates that microcredit has been an effective and sustainable development intervention tool for tackling poverty and reducing gender inequalities as well as for improving women's bargaining power in the family sphere through income-generation activities of the target population. The main focus of the 'minimalist' microcredit program interventions is to streamline poor women into the developmental process, aiming to promote equitable and sustainable social progress because

“the emancipation of women is an integral part of social progress, not just a women’s issue” (Sen and Dreze, 1995, cited in Fernando, 1997:151).

This groundbreaking social innovation technique, therefore, for empowering poor women by incorporating them in group-based income generation microcredit programs can be considered a new orthodoxy in the development discourse (Fernando, 1997). In recognition of the unprecedented success of microcredit programs, notably in 2006 the Norwegian Nobel Committee jointly awarded the Nobel Peace Prize to Professor Muhammad Yunus and Grameen Bank of Bangladesh for their efforts to “create economic and social development from below” (Daley-Harris, 2009:1). Aitken (2013) argues that this process of development from below is a conversion of the ‘poorest of the poor’ into financial assets bringing them into the realm of market. The market based microcredit serves the poor people by incorporating them into credit practices that are fully ensnared within global financial markets and has been understood as a particular form of neoliberal accumulation. However, McDermott (2001) points out that microfinance itself rightly fits within the ongoing neoliberal framework, and is firmly embedded in the notion of self-reliance and the concepts of free-market capitalist approaches endorsed by the global North. Keating, et al. (2010) maintain that microcredit approaches are deeply grounded in the political rationality of neoliberalism and looks for market-based solutions to a wide range of problems like poverty and unemployment and develops a justification of individual liberty and responsibility rather than public responsibility through the application of self-help strategies.

NGOs as providers of development policies and models have been a popular vehicle for development and are considered legitimate channels for reaching the poor with vital service deliveries, which thus have gained huge recognition worldwide. At the same time, it has also sustained fierce criticism from academics and development analysts. They are serving as active agents for development and change, and hence have been preferred route through which development programs are designed and implemented. According to Fisher, NGOs are preferred by the development agencies as an alternative channel to integrate individuals into market, to deliver services, and to involve local populations in development projects (Fisher, 1997) as synchronizing their purposes, ideologies, policies, and interests with that of the neoliberal development agendas through widely recognized and extensively used poverty alleviation strategy of market-based microcredit programs. According to Flynn (2007), microcredit is one of the most appropriate ways for global financiers to access a previously untapped market, offering them the opportunities to have both profitable and attractive



margins. NGOs in this regard function as the purveyors of neoliberalism by following and applying the policies and strategies best suited to the ideologies of neoliberal development. According to Rankin (2001), the NGO interventions of microcredit in the context of neoliberal policy of the global North can be recognized “as a state strategy that constitutes social citizenship and women’s needs in a manner consistent with a neoliberal agenda” (p. 20).

Against the backdrop of this debate, the study has made an attempt to evaluate the policies and practices of microcredit programs of two widely recognized NGOs in Bangladesh— Grameen Bank and BRAC—and the possible effects of microcredit on the lives of the poor women in rural Bangladesh. Moreover, the study has tried to explore whether poor women’s’ participation in microcredit programs could yield any remarkable outcomes for their families, and which groups of women in the villages on which the field work has been focused benefit from participating in microcredit programs. In this case, Foucault’s notions of disciplinary technologies (1977a) and governmentality (1991) have been applied as an analytical framework for delving into how women’s economic behavior is regulated by the microcredit policy of Grameen Bank and BRAC, and whether and how the control of women’s economic behavior could bring any remarkable outcomes for the alteration of their lives in the context of rural society in Bangladesh. Moreover, the two concepts of Foucault have been applied in the study in order to better capture and explain the real image of how the poor women continue to stay in the microcredit programs complying with the program discipline of the NGOs and contribute to their development through poverty alleviation and empowerment by spurring self-entrepreneurship and manage their development in a self-regulated process.

Michel Foucault (1977a) used the term disciplinary power/technology to explicate disciplinary procedures followed by the agencies, institutions, organization and programs in a particular social setting, albeit differently. Discipline is a form of power that is exercised over one or more individuals in order to develop their capacity for self-control, ability to act in concert, and render them amenable to instruction (Hindess, 1996). It is a technique which functions as continuous surveillance and sanctions punishment for those at fault. The disciplinary power/technology operates through hierarchical observation, which is the instrument of discipline. The goal of this process is to make surveillance an integral part of production and control (Foucault, 1977a). In this technology the disciplinary apparatus is a single gaze – ‘the eye of authority’ –which continuously observes everything without the visibility of the subjects (Foucault, 1977a). But the idea of disciplinary power/technology is not separate from the concept of governmentality because they are interlinked.

Michel Foucault introduced the term ‘governmentality’ in the 1970s in analyzing political power (Rose, et al., 2006), which was “understood in the broad sense of techniques and procedures for regulating human behavior” (Foucault, 1997:82). The idea of governmentality is conceived as a mode of political rationality and a way of governing techniques directed at managing the self (Foucault, 1991). With the development of liberalism, this form of governmentality “had become the common ground for all modern forms of political thought and action” (Rose, et al., 2006: 86), and also has become “a core concept within a wide range of studies of power, order, subjectivity and resistance” (Larner and Walters, 2004:3). It is concerned with ordering people and things (Larner & Walters, 2004) by a form of surveillance, and control over the behavior of the subjects (Foucault, 1991). Governmentality has a more specific reference to a new way of thinking about and exercising power (Larner & Walters, 2004). According to Foucault, governmentality refers to the “ensemble formed by the institutions, procedures, analyses and reflections, the calculations and tactics that allow the exercise of this very specific albeit complex form of power...” (Foucault, 1991:102). By the term ‘government’, Foucault means “conduct” – or more precisely ‘the conduct of conduct’ – which is a kind of activity that shapes, guides or influences the conduct of some person or persons (Foucault, 1997; Gordon, 1991; Lemke, 2000; Lemke, 2013). The “conduct of conducts” refers to the exercise of power and management of possibilities in which the conduct of individuals or of groups might be directed (Foucault, 1982). Governmentality is therefore quite a different form of power; one that seeks to guide human beings (Lemke, 2013). As pointed out by Lemke, neoliberal governmentality not only harnesses and controls the individual’s body, but also oversees and subdues the collective body in terms of self-regulation and control by inculcating neoliberal norms and disciplines in social subjects in order to create “economic-rational individual” (Lemke, 2000:12).

Being influenced by the Foucaultian concepts of disciplinary power and governmentality, I have made effort to evaluate the microcredit policies and practices of Grameen Bank and BRAC. Both the notions of disciplinary power/technologies and governmentality have been applied to analyze the possible strategies of NGOs in the operation and management of microcredit for poor women in rural Bangladesh against the background of neoliberalism in order to understand their strategies for the development of the target groups, and to investigate how this policy approach influences the financial behavior of the clients and affects their lives. I have also analyzed social capital in terms of norms, networks and trust in order to explain the nexus between microcredit programs and the construction of social capital by the poor women

themselves. I seek to discover whether microcredit programs have reinforced the existing social relationships among the rural poor women that contributed to the success and sustainability of programs. Furthermore, the theoretical background of agency has been applied to analyze the concept and practice of empowerment so as to understand whether poor women's participation in microcredit programs have improved their freedom and autonomy in the households and in broader society, resulting in the improvement of intra-household gender relationships.

### **3.3. Review of Existing Literature**

Reviewing the relevant literature is the most meaningful way of organizing the idea of research in a logical frame and functions to demonstrate underlying assumptions behind the general research questions and helps the researcher identify some gaps in previous research (Marshall & Rossman, 1995). As explained above, development through microcredit is currently a contested issue amongst scholars. Current findings suggest that most of the studies focused on the empowering effects of microcredit on women, and some of them called attention to the issue of poverty alleviation. The results of those studies are mixed and varied. As such, some relevant articles on microcredit have extensively been reviewed in order to identify knowledge gaps in the existing literature.

One study by Osmani (2007) reveals that microcredit extended to poor women to improve their income earning capacity may increase their ability to enjoy greater power in the household. Credit enables women to earn cash income for the family, which has immediate effect on raising their self-esteem as well as their image or social standing in the eyes of others. Thus the credit is expected to have an empowering effect on women. He therefore concludes that participation in credit programs leads to the improvement of women's breakdown position, and hence greater bargaining power within the household. Women's bargaining power could be improved even further if they were able to be fully and independently involved in credit-financed activities without depending on their husbands (Osmani, 2007).

Goetz and Gupta (1996) give a negative reflection on the effect of microcredit for the empowerment of women by using a five-level scale ranging from "no control" to "full control". These indices of loan control are full control, significant control, partial control, very limited control and no involvement. By no control they mean women having no knowledge of the use of loan or contribution in terms of the activities they undertake with the credit; whereas full control indicates the total productive process including potential marketing activities. They

focus on the degree of control that women have over their loan use, which they call the borrower-woman's "managerial control" over their loan use.

Goetz and Gupta (1996) also draw the conclusion that most women have a minimal level of control over the use of loans, which has a damaging impact on the overall welfare of women so long as repayment is concerned. The transfer of loan control generates tension within the family, because men who end up appropriating the loans may be unwilling or unable to repay the loans, thus women may end up being forced to raise money for repaying the loan at the expense of being hungry or by selling assets. In many cases tensions increased within the household when women pressured their husbands for money to repay installments, which sometimes resulted in domestic violence. Their focus is not only on the empowerment, but also the managerial control of women who rely on loans. According to the criteria they set for the study, they found that less than 18% of women in the sample have "full control" over the loans that they borrowed from the programs. Likewise, approximately 39% of women have very little control or no control at all over the loan use.

Ackerly (1995) used the indicator of "accounting knowledge<sup>5</sup>" to measure empowerment. His study on Grameen Bank, BRAC and Save the Children Fund (SCF) considered loan-borrowing women's knowledge about accounting for her loan activity. He found that GB borrower women's are less involved than SCF borrowers in labor, buying, selling and accounting for their loans, which significantly impacted empowerment. Thus selling and accounting participation of borrowing women contributes considerably to the increase of knowledge. His analysis shows that production alone does not contribute to empowerment; rather, knowledge and empowerment come through the ability to gain access to the market.

Hashemi et al. (1996) in their study on Grameen Bank and BRAC present the positive impact of credit on the empowerment of women. They find that credit programs have a significant effect on all the empowerment dimensions, which they set in their research except for two – relative freedom from the domination by the family, and politico-legal awareness on the composite empowerment score. They also came to conclude that regular access to credit often helps families avoid serious economic distress because the involvement in credit programs does in fact help to empower women. Credit programs therefore offer women an opportunity to gain

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<sup>5</sup> In Bengali the term 'accounting' can refer to book keeping, but generally it means the calculation for the most profitable quantities for production, buying and selling account. Also see Ackerly (1995).

access to economic resources, and thus enable them to overcome gender barriers to wrest back a degree of control over their own lives.

Pitt et al. (2003) in their study examined the effects of male and female participation in group-based microcredit programs on various indicators of women's empowerment for three programs by Grameen Bank, BRAC, and BRDB's RD-12 project. They set ten factors for the measurement of empowerment to evaluate the differential impact of men and women's participation in microcredit programs. Those are all variables (factor 10), purchasing, resources, finance, transaction management, mobility and network, activism, attitude and husband's behavior, family planning and parenting issues. They find a positive correlation between women's participation in microcredit programs and their increasing empowerment. After participating in such credit programs, women experience a greater role in household decision-making. They have greater access to financial and economic resources, increased social networks, and bargaining power in comparison with their husbands and enjoy more freedom of mobility (Pitt et al., 2003).

Schuler and Hashemi (1994) examined the effects of the participation of women in rural credit programs on contraceptive use and on variables related to women's empowerment. They conducted their study on two programs of Grameen Bank and BRAC. They reveal that participation in credit programs empowers women by strengthening their economic roles in the family. The findings of the study also suggest that Grameen Bank programs influence their borrowers' contraceptive use by promoting family-planning values. BRAC programs also increase women's mobility through their attendance in the regular meetings that help equip women with skills and to become more self-confident. Schuler and Hashemi (1994) set five control variables in order to distinguish between the effects of participation in credit programs and the effects of other variables that are believed to have influenced women's contraceptive use in rural Bangladesh. Those variables are respondents' age, number of years of formal education, their housing type as a dummy variable and access to family planning services.

Amin et al. (1995) conducted a similar type of study as Schuler & Hashemi (1994) on Grameen Bank, BRAC and DRDB in Bangladesh, presenting a positive result on the participation of poor rural women in income generating activities. Participation in the program is associated with increased levels of contraceptive use (and thereby lowering the fertility rate) and an increase in the level of empowerment. They also find that household income improves when the number of loans increases, resulting in the greater physical mobility outside the home. This

also provides women the opportunity to talk to people outside of immediate family relations, an increase in the quantity and quality of household items purchased, greater participation in health-related decisions, and an increased attendance at political meetings. The study also reveals that participation in microcredit programs strengthened both the economic security and welfare of the poor women, raising their level of confidence allowing for greater empowerment and self-reliance. Thus these three organizations – GB, BRAC and BRDB – through their programs contribute to the expansion of women's empowerment.

Schuler et al. (1996) in their ethnographic study explore the issue of domestic violence against women; their economic and social dependence and the possible role of Grameen Bank and BRAC in reducing the vulnerability of women to violence. Their case studies suggest that women who earn modest amounts of income and have some assets of their own are more likely to become victims of violence as compared to those who have nothing of their own and are completely dependent on their husbands. When women begin to earn some independent incomes on their own and enhance their mobility in the wider society, conflict situations between husband and wife can potentially develop. This means that the greater accessibility of women to credit-operated programs and their implication in income-generating activity, the greater their level of violence against them is observed (Schuler et al. (1996); though the levels of violence against women may vary from case to case.

Pitt and Khandker (1998) evaluate the effects of three group-based credit programs of GB, BRAC and BRDB's RD-12 in Bangladesh. The findings of their study demonstrate the significant effects of GB's microcredit loans in improving the literacy of girls. Mothers drawn into self-employment activity may lead to a forced compensation by her daughters to engage in household production such as child care and food preparation. They draw the conclusion that credit is a significant determinant of many crucial outcomes such as household expenditure, non-land assets held by women, male and female labor supply and boys' and girls' schooling. Moreover, credit provided to women was more like to be effective than credit provided to men to influence these outcomes.

Kabeer (2001) conducted a study on the Small Enterprise Development Project (SEDP) in Bangladesh. The major finding of her research is on the gendered division of labor among male and female clients of SEDP. Kabeer (2001) sees that women are restricted to peripheral 'female' occupations close to household such as paddy husking, poultry-raising, and homestead-based works; whereas male clients are more likely to engage in external activities

of commerce and other works outside home. Later she comes to a conclusion that this gendered occupational structure suggests the observance of *purdha* norms which regulates and constrains women's appearance in public spaces and restricts their ability to transact freely in the market place. She finds that adherence to *purdha* is a voluntary faith in status-norms rather than the direct manifestation of male control over women. She finds that access to credit enhanced their voice in household decision-making, indicating that expenditure patterns within the household were differentiated by the gender of the loan borrowers (Kabeer, 2001).

Rahman (1999) gives a contradictory view regarding the potential effects of microcredit on rural poor women. As revealed by his research in Bangladesh, he speaks of a *hidden transcript*<sup>6</sup> conceived by Grameen Bank staffs. Targeting women as potential credit-clients is in fact a strategic choice by GB because they are apparently facing increasing loan-repayment problems when dealing with the male clients. The GB staffs and borrowers recognize that women are often found in vulnerable positions due to their limited physical mobility and culturally-patterned behavior such as shyness and passivity. This ethic is closely connected to the responsibility of social *collateral*<sup>7</sup> for instance, collectiveness, mutual trust and social reputation. He argues that social collateral as a strategy for ensuring the timely repayments may actually escalate violence towards female credit-borrowers.

Bernasek (2003) claims that there has been some improvement in women's social status and their empowerment within the family owing to women's involvement in Grameen's credit programs. Women now contribute more to the family financially, exercise more power in the household decision-making, and have relatively more control over important areas of their lives such as contraceptive use, ownership of land, and so forth. He further argued that microcredit has greater potential for improving women's socioeconomic status and empowerment through lifting their families out of poverty.

Amin et al. (1998) find a positive relation between NGO-membership and women's empowerment. This may indicate that their increased contribution to the economic survival of their families is directly correlated with their increasing empowerment. This also reinforces

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<sup>6</sup> This concept was originally conceived by James Scott (1990). Hidden transcripts provide a means for the elites to conspire over the affairs and make secret decisions. On the other hand, it provides a means for subordinates to covertly express their antagonism toward the dominant and strategize resistive actions while overtly complying with the dominant outside of their hidden transcript.

<sup>7</sup> Rahman (1999) defines social collateral as an organized social pressure from group members as security for repayment.

credit related movement of the women outside their families and their participation in NGO-promoted endeavor to raise consciousness about microcredit and female empowerment. They show that women have become more confident, assertive, intelligent, and are more conscious of their rights due to participation in NGO credit-programs. These NGO programs both satisfy women's financial needs, and also works to empower them and their families.

Mahmud (2003) confirms the positive effect of microcredit programs on empowerment. Female participation in credit programs increases their access to resources like self-employment and women's mobility and access to certain public spheres such as NGO offices and healthcare centers. She argues that the positive effect of participation in credit program remains small since women's access to more remunerative wage employment and their mobility in hitherto male-dominated spaces has not increased. She further argues that women's potential for exercising agency is enlarged due to their participation in microcredit programs if they actively engage in intra-household process, which plays a part in determining welfare. Our qualitative study (Al-Amin et al., 2013) on Grameen Bank and BRAC shows that microcredit programs have little impact on the empowerment of poor women in Bangladesh, and microcredit interventions alone cannot empower women due to a patriarchal social structure. The effect of credit is therefore not remarkable unless concomitant interventions are made at different levels of women's social life.

Jahiruddin et al. (2011) mainly focused on the effect of microcredit on poverty. They argue that poverty among a section of credit borrowers can in fact worsen under circumstances, such as a delayed return from investment in microenterprise, suffering financial shock at a primary stage of the business, or the anticipation of loan money for meeting emergency needs. They claim that microcredit has led a section of borrowers in certain socioeconomic conditions to experience continuous pressures for on time repayment, creates uncertainty and anxiety about the future, along with the potential social embarrassment of being loan defaulter rather than guaranteeing economic benefits to poor women. Mazumder and Wencong (2013) in their quantitative study explore the positive relationship between poverty and poor women's participation in microcredit programs. They assess the impact of credit programs by comparing different situations such as the change in income, assets development, standard of living, and the socioeconomic status before and after their involvement in credit programs. Their study reveals that microcredit tends to have an impact on household income and minimize poverty to a reasonable extent.



Hoque's (2004) quantitative study looked at the relationship between microcredit and poverty alleviation by using a unique data set about BRAC. The analysis revealed that BRAC microcredit programs has a negligible impact on the reduction of poverty for loan-borrowing households. The results of the regression analysis suggest that the effects of microcredit on consumption at household levels are insignificant. Similarly, Khandker's (1998a) study based on a household survey of three programs of Grameen Bank, BRAC and Rural Development Project 12 (RD-12) in Bangladesh argues that microcredit has the potential to significantly reduce poverty. Microcredit programs were found to be important for rural women who were previously excluded from the public domain, but who sought entry into gainful economic activity in the job market. He also argued that women who participated in the microcredit programs also increased their net wealth and status within the household, and improved the lives of their children. Another quantitative study by the same researcher (Khandker, 2005) examines the effect of microfinance and poverty alleviation by using panel data from Bangladesh. He claims to have resounding programmatic effects on people accessing microfinance, especially female participants. On the basis of his statistical results, he concludes that microfinance contributes to poverty reduction amongst poor borrowers in the program villages, raising per capita household consumption. Karim (2008) conducted a study from a different theoretical approach in order to explore the workings of microcredit on poor women's lives in rural Bangladesh. In her ethnographic study focusing the effects of microcredit on gender relations in rural Bangladesh, she examines how microcredit programs of Grameen Bank, and other three NGOs instrumentally appropriate rural women's honor and shame in the furtherance of capitalist interests. She also explores how poor women's involvement in microcredit programs accelerated the expansion of globalization and neoliberalism in Bangladesh by appropriating the pre-existing forms of shaming by NGOs for the collection of loan-repayments from the credit borrowers.

There seems to be a departure from discourse on poverty alleviation, empowerment, gender relations and women's fertility practices, to a focus on social capital formation by NGO microcredit-programs intervention. Dowla (2005) in his study examines how Grameen Bank creates social capital by constructing horizontal and vertical networks that fostered a new level of social trust to solve the collective-action problem of poor people's (lack of) access to capital. This study focused on the positive side of microcredit, which seems to furnish a single-sided explanation on the issue, while the alternative "dark side" of social capital is not explicated, which the author himself candidly admits. Uddin's (2014) ethnographic study on Grameen

Bank and BRAC examines how group-based micro-lending contributes to the strengthening of women's social capital at local level. He argues that there exists an ambiguous relationship between women's involvement in group based microcredit programs and the facilitation of social capital. He suggests that group lending mechanisms functions as an entry route for female borrowers to access the credit market, but NGOs appropriate this mechanism as an instrument for promoting their governance and disciplinary power over loan-borrowing women in order to secure their capitalist interests through the timely collection of installments.

From reviewing the existing literature on the effects of microcredit on poor women's economic and social life, both optimistic and pessimistic outcomes can be garnered. In some cases study findings remain controversial as varied methods are applied, thereby producing differential outcomes. However, the major findings of the past researches do not adequately reflect the actual impact of credit on the loan-borrowing women for various studies consider focusing on the different issues from different point of views that might have overlooked certain occult facets of microcredit programs, producing one-dimensional perspectives. As a result, there may be different argument on the performance and effects of microcredit on poor women's lives in the context of rural society in Bangladesh. Likewise, the success of microcredit programs has drawn much attention from many researchers in a wide range of areas such as women empowerment, poverty alleviation, social capital formation, group-based lending in microcredit programs, women's bargaining capacity in the familial decision making process, impact on female education, and so on.

Doubt and controversies shroud the outcomes of some studies on microcredit in Bangladesh. Some of these studies have been conducted by a host of NGO staff, or by consultants hired by NGOs and international aid agencies (Karim, 2008). Against this backdrop, I have focused my study on the unseen faces of microcredit programs that most of the studies have omitted from consideration. Therefore, my research attempts to fill in the lacuna of the existing literature by looking at the issue from a different approach. My position as a researcher in this regard to unravel the underside of the microcredit programs which is a crucial aspect of development studies.

### **Socioeconomic Background and Lending Processes of Microcredit in the Study Area**

Every geographical region has a distinct social and cultural background in which people are born and brought up. The area where my study was conducted was no exception. Therefore, it is relevant to depict the socioeconomic condition of the study area for the purpose of understanding the situation of poor women living in that particular geographical location. This section of the dissertation provides the social background of the study area along with the socioeconomic profile of the respondents. In addition to this, the developmental trajectory of microcredit in the context of neoliberal regimes in Bangladesh will be discussed along with environment of the study area. Similarly, how the lending processes of microcredit programs of Grameen Bank and BRAC have been going on in the program villages is briefly explained as an introduction to the analysis of data in the subsequent sections dealing with different issues pertinent to the study.

#### **4.1. Social Background of Study Area**

Sylhet is one of eight major Divisions with different administrative zones called District and Upazila. Division is the highest tier of local administration which is named after the major city, Sylhet for instance, that serves as the administrative headquarters of the Divisions within its jurisdiction, while District is sub-divided into Upazila. Under an Upazila there are Unions that consist of several villages. The typical village in Bangladesh consists of a several neighborhoods, locally known as *para*<sup>8</sup>, which in turn are composed of groups of homesteads or *bari*<sup>9</sup> (Chen, 1986). The location of Sylhet is in the North Eastern region of Bangladesh bordered by India in the North and the East. It is a landlocked region that boasts of beautiful natural landscapes. There is a vast swathe of marshland in the greater Sylhet region, with the remaining areas comprised of hilly terrain. There are a large number of tea gardens in the mountainous areas of Sylhet located in different places of the region. From time immemorial,

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<sup>8</sup> In the rural area a neighborhood is called *para* which consists of several homes in a row. Sometimes it is named after the family name of a reputed person. But currently the traditional system has been eroding due to changing social structure in Bangladesh.

<sup>9</sup> In the traditional culture of Bangladesh *bari* is an important unit of identity and status. Each *bari* consists of several houses in which people live in collective way. Most often people live in a *bari* who belong to the same *gusthi* (lineage). A group of households or families may comprise a *gusthi* (Chowdhury, 1982).

Sylhet has been known for its traditions, customs and culture enriched with different identities. As a tea-producing region, the eminence of Sylhet is widely celebrated across the country. Bangladesh exports tons of tea to many markets; accruing for the national exchequer important economic contributions. In addition to producing natural gas, the lion's share of tea is produced in Sylhet. Bangladesh also has a long history of migration and a reliance upon overseas remittances (Miah et al., 2014). Thousands of Bangladeshi expatriates originate from the greater Sylhet. The largest number of people from Sylhet living abroad is in the United Kingdom (Gardner, 1995). This region plays a vital role in the national economy of Bangladesh through contributing large amount of remittances to the nation's foreign exchange reserve (Hossain et al., 2011).

The two villages of Sylhet Sadar Upazila<sup>10</sup> named Chatal and Kazirgaon have been selected as study areas. According to the Union Parishad<sup>11</sup> official record<sup>12</sup>, the total number of population in Chatal village is around 1638, with the ratio of male to female inhabitants being 617 and 1021 respectively, while the total number of population in Kazirgaon village is approximately 1150, with male and female population being 600 and 550 respectively. The total number of households in Chatal village is 243, while in Kazirgaon it is 115. The statistical information used here from the official survey of Chatal and Kazirgaon Union Parishad officials on their own initiative; it is not the result of the national population census. I have used the up-to-date official statistics provided by the Union Parishad. Every Union Parishad has its own statistics on the population and total number of households, which were mostly accessible and reliable. The limitation of accessing the national census data is that village level data was not readily available. This is why Union Parishad conducted demographic surveys on the village on its own accord. However, it is worth mentioning here that Chatal and Kazirgaon are two separate villages situated far from each other. Chatal village is a bit near the city whereas Kazirgaon is somewhat further away.

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<sup>10</sup> It is the third tier of administrative as per rank remaining under the District and all Unions and villages are under the Upazila. The Upazila has a direct control over the Unions in terms of resource allocations and overseeing all local level administrations.

<sup>11</sup> It is the lowest tier of administration that maintains the local governance and allocates resources and development funds with the help of Upazila administration.

<sup>12</sup> Union Parishad conducts census in its own initiative for keeping the up-to-date information about the population living in that area. The census done by the Union Parishad is the presentation of current socio-demographic profile of the population.

The average rural society in Bangladesh – particularly Sylhet – is preconfigured by distinct norms and customs. The society is bounded by a traditional social structure characterized by strong kinship relations, a mixture of joint and nuclear family structure, and close-knit social ties among the rural community. Empirical evidence indicates that the joint familial structure is gradually eroding and shifting into nuclear form due to economic reasons. One of the underlying reasons for this is because living in a joint family is costly and in many instances appears to be difficult to manage when the number of dependents is increasing, while the number of income-generating persons is limited. Besides, society is also changing due to the influence of modernization, which indelibly contributes to the shift away from joint family structures. Traditionally, women rarely visit public places without putting a veil on their faces, and without a male person being with them. This is not atypical in rural Bangladesh. People in this region are far more religious, and women tend to retreat from “male domains” of society due to the practice of stringent *purdah* norms. *Purdah* is a complex institution that entails restrictions on women’s physical mobility and dressing. It denies women certain opportunities, and at the same time confers upon them the social distinction of a protected group (Cain, 1979). Women are never seen visiting any rural market place as it is considered the public domain of men. Thus they are secluded from the public male sphere. Market activities are the exclusive domain of men. Men do all the shopping for household items and all the major selling including both agricultural and nonagricultural produces (Chen, 1986). Women are naturally expected to remain in the “female-dominated” sphere of homesteads, and are only permitted to move about at specific times or for specific purposes (Chen, 1986) such as visiting relatives or any other places in the vicinity for a particular occasion. They are not allowed to appear in public or converse with unacquainted people without good reason. Thus talking to such persons is often considered a social taboo, and is never seen positively. The most rigid societal rules force adult girls or young ladies to remain away from strangers and talking to them, and when such social norms are transgressed, it may result in stigmatization or insults by members of the community. Field level observation and experience confirms that even the female children in rural areas of Sylhet typically feel shy when appearing before unacquainted persons. Their prying into the affairs of unacquainted persons is suppressed by the societal rules hampering their spontaneity to mix with people from different walks of life, which in turn fosters a narrow emotional world and prevents their full integration into the wider society.

There is an amalgamation of different religious communities in the region. Muslims comprise of the majority population, Hindus as the second major minority, with Buddhist, Christian, and

other indigenous communities such as *Khasia* and *Manipuri* constituting the remainder. The vast majority of people in rural areas are engaged in predominantly agricultural occupations. The village depends on rice cultivation for subsistence, which reflects the true image of most of rural Bangladesh (Cain, 1977). The major crop produced in this region is paddy (rice). In addition, some people also grow vegetables in the homestead and on land near homes, but this is not the common picture of the area. It is worth mentioning that land in rural areas is highly unequally distributed; three-quarter of the landholders are comprised of small and marginal farmers who have less than 2 acres of land and own only 20% of the land (Malhotra & Kabeer, 2002), while large farmers having over 10 acres of land constitute 2% of the landholders, but own more than 20% of land (Rose, 2002). Sylhet is not atypical in terms of the ownership of land by different categories of people because rural society in Bangladesh represents the strong features of asymmetric land distribution, which is the backbone of rural economy.

However, in the social structure of the study area it is difficult to find any women working in the field like their male counterparts. Societal norms customarily do not allow women to undertake and accomplish any work that is not assigned for them. There is acute division of labor and some works are strictly feminized, and hence are considered to never fall within the spectrum of men's work. Women usually labor on household activities, spending most of their time caring for children and doing other work in the home space. Cooking is undoubtedly the most important task amongst all of these chores. Women's work is seen in the context of a system of male dominance, which manifests as a form of patriarchy. The major occupational groups in the region comprises of people—are agricultural workers, fisherman, CNG auto-rickshaw driver, battery propelled three wheeler driver, rickshaw puller, fish trader, mason, hawker, vegetable vendor, grocery shopper, tea staller, and a number of the people are automobile mechanics, and so on. Some people are seen to work in automobile workshops close to the city as assistants. In some cases the occupation of the people may change depending on the variation of the seasons<sup>13</sup>. A vast majority of male persons in this area are engaged in these occupations, while female population is involved only in household activities as housewives without any exceptions. A negligible number of the women claimed to have been engaged in making mats with local raw materials as a secondary career because mat-making is typically a feminized occupation. While the production of mats falls within the responsibility of women, men primarily engage in the selling of the goods in the marketplace. Essentially, it

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<sup>13</sup> People are often seen to work in different sectors according to the availability of work. Some people change their occupations due to seasonal variations or opt for a different occupation for temporary reasons.

means that women are the owners of production, but they are not the controller of the finances accrued from selling their produce as the control of money typically remains in the hands of men.

A gendered division of labor is therefore culturally structured and embedded in the psyche of individuals, keeping many women away from much of the work done outside the household precinct. Women tend to specialize in some specific types of work that keeps them close to the homestead. The kind of tasks women are commonly seen to perform include: paddy processing and winnowing, paddy boiling and then drying in the sun, house cleaning, floor sweeping, cloth washing, and cultivation of vegetables<sup>14</sup> in the homestead for meeting household needs. Women's participation in direct economic activities seems to be rare in the context of the rural setting in this region, with the only exception being women who have no persons capable of earning income for supporting the family<sup>15</sup>. In these circumstances, they are forced to do any work for their survival regardless of strict social norms. This is obviously evident in several female-headed households<sup>16</sup> lacking in workable persons to provide for the family. In such households women have no choice but do work, which places them in an equally unenviable position in society. Despite poverty and the social vulnerability of those women, they cannot defy *purdah* because braving *purdah* norms for the necessities of life is tantamount to flouting the religion, which often ends in tolerating the social stigmatization and chastisement. Women in this rural setting have to maintain proper decency, dress code, and religious customs.

Educational opportunities in this region are ostensibly harrowing. Government-led primary education policy declares emphatically: 'universal primary education and education for all', but a reverse-reality is found in the study villages. A remarkable number of children are observed to have dropped out of school before they have finished the primary level of education. Parental outlook towards female education is not positive. In the poorer sections of society female education is often discouraged due to want of money as well as the lack of

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<sup>14</sup> In rural areas people grow vegetables in their homestead or on nearby land. They do it only for satisfying the familial needs rather than for commercial purposes. It is often observed that people sell their excess produce in the market after meeting their own requirements which does not necessarily mean that production is engaged in for purely commercial purposes.

<sup>15</sup> Extremely poor families typically have no able-bodied breadwinner. As a result, they often undergo severe economic hardships.

<sup>16</sup> The number of female-headed households is not known. I found some women who were the heads of the family because of being widowed and having no income earning persons in the family. They are bound by the reality of maintaining their families all by themselves. Female-headed households are typical examples of acute social vulnerability encountered by poor women.

proper awareness about the benefit of education to enhance their social and economic development. Furthermore, they consider female offspring as an encumbrance for the family, thus seeking to marry them off as soon as they reach puberty. In addition, there is also a disparity between the male and female literacy rate in this region. The total literacy rate is approximately 51%, while the male and female literacy rate is about 54% and 49% respectively (BBS, 2011). In the two villages there are only two standalone primary schools and one Madrasa<sup>17</sup> to provide basic primary education for the children of these regions. Besides, there are a few BRAC operated elementary schools in the areas for providing some basic education to the children of poor families. Children from more affluent families do not typically go to the NGO operated schools in the belief that only children from poorer families go to these schools. There appears to be the impression amongst wealthier families that going to such schools may demean their social status. There are several religious institutions such as mosques in the villages, given the predominant social and religious context of the people in this locality. Given that only a minority of individuals professes Hinduism as their faith, most of the villages do not have temples for their worship; only 1 exists in the one of villages I researched.

The social organizations that engage in social development and voluntary action appear to be absent in these areas. No sports or youth club exists in the villages. One of the key reasons for the lack of clubs and community development organization under local people's own initiatives lies in the heart of the problem of poverty, difficulties in sustaining their lives, and scarcity of available time for recreation. The only source of amusement for people is television; with this common mode of entertainment being found only in affluent households. Men usually spend their leisure time in the local market place or in front of tea stalls gossiping with fellow members of the neighborhood. Rural people usually have leisure time in the afternoon as most of the activities are normally done in the early hours of the day such as labouring in the paddy field in the case of men, while women finish most of their tasks before mid-day. The people who are involved in non-agricultural activities usually do not have any specific hours for their entertainment. In many cases, if men have no work they end up staying idle at home. The supply of electricity in the village is most often out of reach for the poor, while people who possess the financial wherewithal may access such services. Safe drinking water is derived

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<sup>17</sup> Referring to an educational institution that provides religious education to students. In the context of rural society and even in the context of greater Bangladesh students from poor socioeconomic background generally get admitted to Madrashes for obtaining education. Though Madrasha education is endowed with equivalent value as modern forms of general education, students who graduate from such institutions appear to have limited access to the job market due to societal variation and perceptions of people about this type of education.



from singing deep and shallow tube-wells by the local people in their community. Most of the poor people report having used water from the tube well of the next-door neighbor. Furthermore, the communication system in this area is relatively good compared to other remote rural regions of greater Sylhet given that the area is close to the divisional city. The available mode of public transport in this region is CNG auto-rickshaw, rickshaw, and vans. Country boats are seen to ply in the various water bodies during the rainy season.

There are a number of NGOs working for the development of poor people; particularly poor rural women. As mentioned previously, the more notable ones include BRAC, Grameen Bank, ASA (Association for Social Advancement) and FIVDB (Friends in Village Development Bangladesh) in common. All of the NGOs stand for equal opportunities for women, and thus offer microcredit programs for these poor women<sup>18</sup> to lift their lives out of poverty with the explicit agenda to empower them through self-help projects. Amongst all these NGOs, Grameen Bank and BRAC are more common, while ASA and FIVDB also have gained prominence for offering credit to both men and women for the purchasing of motor vehicles or floating other business propositions with their clients under small and medium entrepreneurship (SME) projects. I also learnt that people take loans from ASA and FIVDB to send prospective individuals in the family abroad in the quest of better future for everyone.

## **4.2. Socioeconomic Profile of Respondents**

This study was done in one of the typical rural societies in the Northeastern region of Bangladesh that comprises a significant portion of the population mired in chronic poverty. By categorizing loan-borrowing poor rural women into three groups such as the-lower income group, the middle-income group, and the higher-income group, the average monthly income was calculated on the basis of the household's income contributed by any able-bodied person in the family. From the survey data it is found that around 36% of households has an average monthly income of about tk. 7719 (around \$100, here \$1 is equal about 77 Bangladeshi Taka), while 44% of households has an average monthly income of Tk.15430 (about \$200), whereas only about 20% of households has an average monthly income of Tk. 29739 (approximately \$ 386). The monthly income of the middle income groups is double than that of the lower income groups, whereas the income of the higher income groups is almost two times of the middle

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<sup>18</sup> According to NGO officials, they target the poorest of the poor women as their program participants, but in reality the fact is otherwise in the sense that they prefer poor women who most likely possess the financial capability to repay the loan within the stipulated time. For the convenience of realizing the effects of credit on the life patterns of the poor women I have categorized them into different income groups.

income groups and about fourfold of the lower income groups. The information regarding the family income of the respondents was based only on the total family income contributed by all income-generating members of the households including women; although female members of the family typically do not have any direct financial contributions to the household income as compared to the other male members of the family.

The following chart<sup>19</sup> (Figure 3) presents the educational status of poor women in the study areas. The survey data indicates that slight more than half are only able to place their signarure, and possess some accounting knowledge that they learnt from NGO staffs, which in many cases is mandatory for every women in order to collect and deposit money. Around 38% of women have completed primary education, while a negligible portion of them (around 6%) has finished their secondary level of education. Few women have a secondary education to their credit, and an equally insignificant percent of respondents have completed an undergraduate-level of studies. This is generally indicative of the overall educational scenario of Bangladeshi poor women in rural areas.

Figure 3: Education of respondents

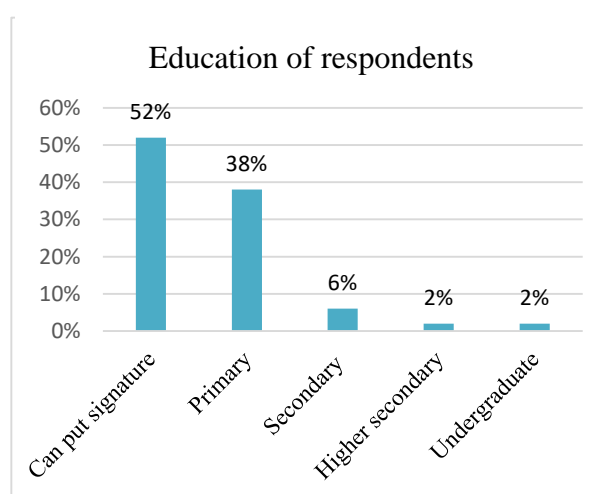
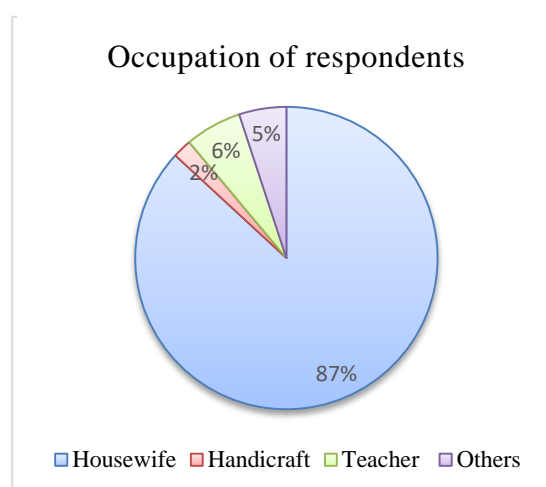


Figure 4: Occupation of respondents



The pie chart<sup>20</sup> (Figure 4) provides the information about the main occupational configuration of the respondent women in rural Bangladesh in which the study was done. The occupational configuration more or less corresponds to the typical type of work done by the “female section” of society.

<sup>19</sup> Source: Adapted from field interview data.

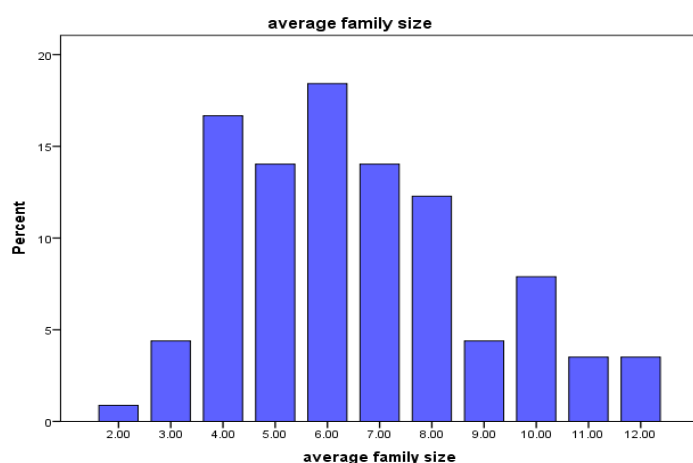
<sup>20</sup> Source: Adapted from field interview data.

The survey data indicates that around 87% of women were homemakers<sup>21</sup> while only a small portion of them were engaged in making handicrafts amounting to about 2%. Around 6% of women were school teachers, which is an exception to this category because it was found that some primary school teachers were involved in borrowing loans from Grameen Bank that does not represent the general picture of poor women's occupational structure in rural Bangladesh. The teachers were not the inhabitants of the village; they live in city and come to the village school to teach.

The average length of women's involvement in microcredit programs was about two years. Around 58% of women were involved in the microcredit programs of either Grameen Bank or BRAC for more than two years, 24% for well over seven years. And 10% were involved in these programs for more than twelve years, while this figure was about 4% for those clients who received loans from NGOs for well over seventeen years. The same proportion (4%) had been involved for more than twenty-two years.

Bangladesh is a densely populated country with about 1, 222 people living in per square kilometre (WB, 2015), while the number of people living in per square kilometer in Sylhet Sadar Upazila is 1, 528 (BPD, 2015).

Figure 5: Average family size of the respondents



<sup>22</sup>The histogram reflected in Figure 5 reflects the average family size of the respondents. According to the Bangladesh Population and Housing Census, the average family size in Bangladesh is 4.4 (BBS, 2011a) and the same in Sylhet Sadar Upazila is 5.68 (BBS, 2011b), while in the study area the average household size has been calculated to be around

6.5, which is much higher than the national average. Perhaps the main reason for the larger household size might be due to the social and economic structure of rural society. In the rural areas in Bangladesh poor women tend to prefer sons, thus contributing to the increase of the

<sup>21</sup> Women feel comfortable designating themselves as housewives. In rural society large sections of women are engaged solely in household activities; only in very rare cases do they have secondary occupations. I also found a small percentage of women who made handicrafts, but this was found to be a secondary occupation.

<sup>22</sup> Source: Adapted from field survey data.

family size. It should be noted that preference for sons is a more or less common demographic preference of the people among all sections of population in the country. However, rural people still consider the son as the most important asset for the family from the perspective of economic and food insecurity.

In the context of Bangladesh, boys are more valued than girls in terms of their contributions to the household both in tangible and intangible ways. Moreover, when girls reach puberty they are married off to another family and leave their parents' home to live permanently in their husbands' abode, while boys remain in the parent's family home even after marriage. Getting a daughter married off is both a financial burdensome and an onerous duty for parents since marriage costs a lot in the form of transactions, dowry, hospitality management, and giving gifts to the groom's relatives. In some cases it also happens that parents have to pay dowry money to the daughters' husbands on different occasions and under various pretexts. As a result, poor women prefer to have son, deeming daughter a burden for the family. On the other hand, boys are treated as the most important contributor and asset to the family. This kind of judgmental perspective sheds lights on the subjective dimension of poverty of the rural poor. Women consider sons as a potential income-generating person in the family that contributes to gathering food and as providing necessary support to meet the basic needs of family members. Girls are not expected to fulfill this role due to their socially-insecure status and vulnerability compared to boys. Thus women suffer insecurity in the domains of income, food, and other items essential for maintaining life. In rural Bangladesh male children are valued more than female children (Islam, 1983), and sons in this regard are perceived as economic assets for special consideration (Mizan, 1994). Bangladeshi parents have indeed tended to show a strong and sustained preference for sons (Fraser, 2010).

### **4.3. Development Trajectory of Microcredit in Bangladesh**

Bangladesh came into being as an independent state in 1971 after ceding from Pakistan. As a newly-born war-ravaged state, Bangladesh came to be known as a test case for development. Consequently, the international donor community has been a development partner of Bangladesh (Nag and Salimullah, 2006). Subsequently, Bangladesh became one of the member countries that adopted the Bretton Woods Institutions — sponsored structural adjustment program (SAP) and joined the BWIs, World Bank and International Monetary Fund (IMF) — on August 17, 1972 (Bhattacharya and Titumir, 2001). Developing countries seeking loans from these institutions are required to adopt structural adjustment programs as a precondition

for the transfer of funds (Sparr, 1994), and the governments of those countries are obliged to reshape their economies to become more market-oriented (Sparr, 1994; Maclean, 2007). The poverty alleviation programs of the World Bank started in the early 1970s had created widespread discontent due to rising poverty and inequality, resulting from a failure of the “trickle-down” effect that allegedly characterized modernization processes. As a result, development NGOs enjoyed a favorable environment in terms of funding and policy support (Muhammad, 2015) in order to combat poverty and inequality. Bangladesh as a poverty-stricken new state appeared to be an ideal site and breeding ground for NGOs (Muhammad, 2015) because channeling funds through corrupt government agencies most often did not reach the targeted beneficiaries of the programs. Therefore, NGOs have become the best conduit for transferring development funds and policy instruments.

In addition to other social development programs, BRAC as the single largest NGO in the world began microcredit program in 1974; while Grameen Bank started its journey towards development as a project in 1976 (Muhammad, 2009; Muhammad, 2015, also see World Bank, 1998; Barai, 2013; Matsui and Tsuboi, 2015). The project later turned into the Grameen Bank in 1983 when it was transformed by government legislation into an independent bank (Muhammad, 2009; Barai, 2013; Lewis, 2016). Since the 1980s, microcredit/microfinance programs expanded rapidly in Bangladesh following the group-lending model of Grameen Bank. Since Grameen Bank successfully developed and implemented the concept of credit free of collateral (Maclean et al., 2007), it has led to the proliferation of microcredit institutions expanding the microfinance market in Bangladesh (Barai, 2013). As a result, Bangladesh has emerged as the “cradle of the microcredit movement” (Develtere and Huybrechts, 2005: 165), and has engendered a flourishing microcredit market. Since the early 1990s, the NGO sector has become highly polarized, with Grameen Bank and BRAC being the major players in the realm of microcredit business (Muhammad, 2015), microcredit has been placed as an alternative to the dominant developmentalist paradigm of poverty alleviation (Muhammad, 2009). During the 1990s the NGO sector witnessed exponential growth (Davis, 2006) under the framework of neoliberal development policies (de Aghion & Morduch, 2005). The rapid growth of NGOs was therefore led by the prominent NGOs—GB, BRAC, ASA, and Proshika (de Aghion & Morduch, 2005).

Bangladesh as a fertile ground for microcredit did not reach its current level of development overnight. Rather it took time to reach the pinnacle of success after many obstacles, including encountered strong resistance in the context of rural society. The history of launching NGO-

initiated microcredit programs like Grameen Bank and BRAC was not a straightforward one due to staunch opposition from various interest groups and members of local communities – some of which manifested in the form of violent resistance (Lewis, 2016). It initially proved challenging to convince people about the benefit of microcredit. Religious fundamentalists and other influential local personalities spread the rumor that microcredit is unlawful<sup>23</sup> (*haram*). That is why before entering the villages with microcredit programs, NGOs need to carefully consider the local people's sentiments, and take the cultural context into account so as to avoid any awkward situations or misunderstandings. It is worth mentioning here that in the very initial stages of developmental interventions in rural Bangladesh, NGOs faced great opposition and sustained scathing criticism from locals and religious fundamentalist mainly because microcredit programs facilitated bringing women outside the household periphery and into the domain of the public, which is strictly prohibited given the sociocultural and religious context of rural Bangladesh. At the very outset of introducing programs for female empowerment, religious zealots alleged that NGOs are indoctrinating people and imposing Western culture and ideology on women, thereby capitalizing on their poverty. As a result, both the employees of these organizations and its beneficiaries have become the targets of attack in different ways (Naher, 2005). Now there has been a remarkable improvement in this situation, though sporadic examples of opposition to NGO programs are still reported in certain remote parts of the country.

#### **4.4. Microcredit in the Context of Study Area**

NGO officials in the study area are of the opinion that the prior opposition faced by the NGOs be seriously taken into consideration before they begin to float microcredit programs in a new area. At the same time, they focus their attention on the local social and cultural landscape in an attempt to understand the attitude of the people, which paves the way for an amenable social climate to complement their main agenda of microcredit.

My study area in Sylhet is no exception to this rule. As a result, both Grameen Bank and BRAC carefully and consciously took the social context of the program village into special consideration, and commenced the programs in the village in order to reach their goal without disturbance or opposition from influential local persons. BRAC started its program in

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<sup>23</sup> From religious point of view borrowing money on interest is *haram* (unlawful). Islamic religion deters people from offering and receiving interest because the Holy Quran states that Allah has made interest *haram* and business *halal* (lawful). By doing business people can make profit but cannot accept interest, which is a commonly held view of the Muslim population.

Kazirgaon village in 2001 while Grameen Bank embarked on the same in Chatal village in 1988. Both Grameen Bank and BRAC follow and maintain similar strategies when offering programs in a new village given the feasibility and viability of the programs based on the socioeconomic conditions of a particular village.

When introducing microcredit programs in remote rural settings, the manager of microcredit programs seek out the person who has the most clout amongst the poor in the community, and also take cognizance of the significance of building rapport with the local influential persons from the affluent classes that are in the helm position of society. One might question why the program managers look for people with influence or leadership traits in them, and what benefits are accrued to them? One of the main reasons is because rural society is tightly bounded by strict social and cultural norms that by and large do not allow outsiders to access the community as freely as the insiders. Consequently, people external to the area often seek interaction with those people who can give them shelter and support, which implies that power in the context of rural society in Bangladesh lies with the affluent who own land and other material properties. Indeed, other groups of people at the lower strata of society also possess a form of invisible power that they can exert on people within their own circles. Power in this regard is amorphous, dynamic and fluid; possessing magnetic characteristics to attract other people – less so as a form of economic power and more so as social power. As Foucault (2008) explains, power flows through the capillaries of the social body, and “power relations are rooted deep in the social nexus” (Foucault, 1982:343). Hence power operates in such a fashion whereby it percolates from top to bottom. Notably, poor people most often do not manage to mobilize and vocalize their opposition to NGO programs. Some members of the local communities and interest groups are reportedly involved in criticizing NGOs-related programs (Lewis, 2016); these include people such as the religious leaders and local touts.

#### **4.5. Microcredit and Its Lending Processes**

This part of the analysis mainly focuses on the lending processes of Grameen Bank and BRAC in the program villages where the study was conducted. It is found that the delivery of microcredit to poor women follows certain organizational procedures, which is strictly maintained by the management authority of microcredit programs. NGOs are said to be going to the doorsteps of the poor – particularly poor women – to fulfill their immediate needs with credit facilities that are not easily accessible to them. Unlike NGOs, most government organizations often fail to adequately administer in such poverty alleviation initiatives because

of incapacity of the state to meet the needs of the growing population living under crippling poverty and severe social insecurity. Grameen Bank and BRAC have been offering credit to poor clients in the study villages in a similar fashion. Microcredit as the vehicle of development is seen to have gone to poor people after passing through different administrative tiers, starting from the regional head office, area office, and local head office, and then to the local field office, apart from corporate office situated in the capital.

Generally there is a zonal/regional head office in or near the District town, which is responsible for coordinating the entire area and branch offices situated in different places under the greater region according to the vantage of the programs. There is a zonal/regional manager in the regional head office and area and branch manager in the regional offices. Every manager of the area office is accountable to the manager of the regional office. In the parallel manner, there are local field offices situated in different villages where microcredit programs are in operation managed by either Grameen Bank or BRAC – which was the case of my study area. Local field offices of Grameen are designated by the office administration as local center whereas BRAC local office was known as the village organization (VO). A manager at the local head office (which also may be called local coordinating office in my own terms) maintains several villages under which there remains one or more field officers or center managers called by Grameen and program organizer designated by BRAC. The number of managers in the local offices actually depends on the size of the microcredit programs. Branch office managers are the coordinators of the field office who guides and oversees his subordinates working at field level who are vested with the responsibility to vet the suitability of clients to whom loans are disbursed, and to collect installments from the female borrowers, amongst other responsibilities. The branch manager does not deal directly with the loan delivery and repayment affairs; rather he is responsible for scrutinizing the feasibility of the program village(s) before starting the microcredit programs, the subsequent delivery of credit to the borrowers, and evaluating whether the operation of credit in a particular social context is financially and programmatically viable. In certain emergency cases he has to visit the village in order to settle any critical issues reported by the local center managers or program organizers.

In every village there are several centers. The actual number of centers is determined by the number of clients in the village and the demand for credit. Local centers act as a meeting ground for the clients and field officers, which is especially useful for the collection of installments. A chief selected by the NGOs from amongst the poor credit clients runs the local center. The chief's suitability is assessed in terms of her competence in dealing with fellow clients and



potential leadership qualities. The field officers/supervisors negotiate directly with the center chiefs<sup>24</sup> as opposed to individual credit clients as this ensures that some level of distance is created between the institutional lender and the individual borrower. Centers are split into different parts for program expansion when the magnitude of loans sought by the community becomes a bit larger. One of the significant reasons underlying the division of centers in different locations of the village emanates from the motive of the program managers whereby they first consider the financial sustainability of the programs, before factoring in the wellbeing of the poor. When the influence and social standing of NGO staff improves in the village and reportedly in association with other senior loan-borrowing women<sup>25</sup> and those with clout<sup>26</sup>, they usually search for potential locations to hire another center, which helps them to locate the households of credit-clients in the vicinity. Their motive at the same time is also to bring new areas under the coverage of microcredit program, thereby serving twin purposes to increase the outreach of credit and to strengthen their influence among the poor.

The most interesting point is that NGO officials select center chiefs (who must be poor women) based on some specific criteria in which age, intelligence, leadership capacity and familiarity of the lady with the neighborhood is pointedly considered, and placed as the top priority. The center chief is responsible for organizing and integrating all other borrowing women under her own center. The major role she plays with regard to microcredit is to forward the primary recommendation for the allocation and collection of loans to and from other borrowers. Moreover, the center-chief has been endowed with certain degree of authoritative power to identify women suitable for the credit facility, and is entitled to recommend them to the local field officer for endorsement of the loan disbursement. The center-chief is above all a person in a position to influence other women under her charge in a seemingly intangible way, and she plays a key role as an intermediary between the loan-receiving women and the local field officers.

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<sup>24</sup> It is found that field workers of NGOs in the study villages do not directly deal with each and every client unless there are difficulties in recovering installments. All center chiefs are responsible for managing the installment amount from the clients belonging to different groups. NGO staffs have reported that approaching individual clients are psychologically draining.

<sup>25</sup> Senior members of microcredit programs could help rope in prospective clients because of her positive social standing amongst other poor women living in the community.

<sup>26</sup> NGO workers maintain good social relations with the local elite in order to safeguard their own interests. They seek cooperation from influential local people in order to buttress their social image in the village. One of the main reasons for this is because when NGOs fail to recover the loans disbursed, the local elites assist in pressuring the defaulting clients to repay the loan.

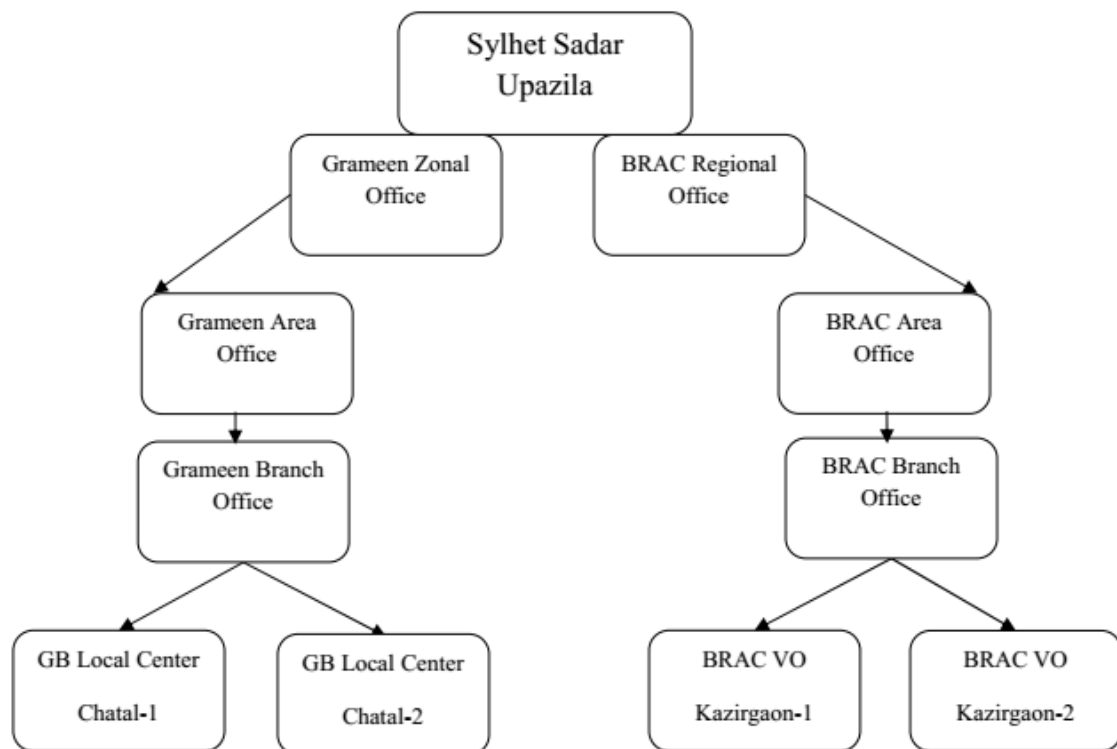
In some cases the center-chief acts as an agent recruited by the NGO officials in order to facilitate their work in the village. Around 21% of the respondent women in Kazirgaon village reported that the center-chiefs are agents of BRAC, and serve the interests of the NGOs at the expense of poor women. Similar allegations were also brought by 18% of the respondents of Grameen Bank in Chatal village. The most notable benefits the center-chiefs have allegedly obtained from the NGO officers are the relaxation of rules for repayment of installments – more leeway is given regarding repayment deadlines. Approximately 29% of the borrowing women reported that while the center-chief pressurized other women to have their repayment-installments ready before the due date, she never bothered about her own installments, though she is busy collecting installments from other clients.

In the local loan center in Kazirgaon village, it was observed that clients were attempting to negotiate settlements or extensions regarding their loans. Unfortunately, the center-chief was unrelenting. She insisted that her intercessions to the field officer about the problems of the defaulting women might be in vain. Her first priority seems to be about securing her own position, before assisting other women under her charge if it falls within her ambit and remit. This delicate “checks-and-balance” relationship is maintained by the center-chief in her negotiations with field officers on behalf of the credit-defaulters. Since the center-chief lives in the same locality, she needs to maintain reciprocal relationships with other women, while at the same time functioning as an agent of the microcredit programs with the lump sum facilitates<sup>27</sup> provided by the NGO. As a result, she faces a dilemma about the maintenance of relationships between client women and field officers.

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<sup>27</sup> It is reported that NGOs offer rent for hiring the house of center chief, which is considered as one of the attractive financial advantages for poor women who acts as a center-chief. Moreover, the repayment rule for the center-chief is reportedly more relaxed, and she is afforded a slightly larger loan size than usual. All credit borrowing women are aware that NGOs keep the center-chief under their control by offering this sort of benefits

Figure 6: Organizational structure of Grameen Bank, BRAC and Microcredit programs



Source: Developed from field work materials

The diagram above shows the official location of Grameen Bank and BRAC-operated microcredit programs in two separate villages that I selected for conducting the study. At the top are the location of these two NGOs in the city and the outskirts of city, whereas the middle position reflects the location of area offices situated in the suburbs, and the branch offices located near the villages. The bottom two diagrams indicate the villages where both Grameen Bank and BRAC have local centers, each headed by a center-chief. The clients of microcredit programs do not have to go to the main office for loans, but they are not always able to receive loans from the local centers. In this case, they have to go to the branch offices in order to make a surety bond with the NGO-authority while borrowing loans with the husbands or other male members of the family. NGOs do not offer loans to any poor women without their husbands, who typically act as guarantors of the loan. I also found one center-chief of BRAC local center in Kazirgaon who worked as the agent of an insurance company in the city. She also had to

take husband<sup>28</sup> with her in order to receive a loan from the branch office. She claims that she can go to the city by herself without any male person accompanying her without defying traditional *purdha* norms, but for undertaking a loan she is obligated to take her husband with her. This phenomenon does not exemplify the actual social reality of poor women in my study area. In a majority of the cases rural women must have a male persons accompanying them while visiting any public domain without exception<sup>29</sup>. This is the general lending structure of microcredit programs of the two NGOs operating in the village.

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<sup>28</sup> Women have to take their husbands with them when requesting for loans because NGOs do not offer loan to women without their husbands, who act as guarantors. This phenomenon exemplifies the patriarchal social structure and reinforces it through the operational processes of microcredit programs.

<sup>29</sup> There are some women who are compelled by sociocultural norms to visit certain places alone conforming to the strict *purdha* norms. Sometimes age is a determining factor for a woman can visit a particular place with or without a male person accompanying her.

### **Microcredit and Social Capital Formation: Why and What For?**

Social capital refers to relations, reciprocity and trust amongst individuals by which they can accomplish common objectives through coordinated actions. Therefore, the idea of social capital has come into prominence as an important component for achieving equitable and sustainable development, participatory democracy, grassroots empowerment, and effective government (Harriss and de Renzio, 1997; Abom, 2004). The concept of social capital has also become central to debates about development (Evans, 1996; Harriss and De Renzio, 1997; Woolcock and Narayan, 2000), which has increasingly been used in the analysis of transitional economies (Fine and Lapavitsas, 2004) as an important aspect of public policy (Montgomery, 2000). In this context, NGO initiatives of group-based microcredit programs have become an accepted intervention tool for the development of poor communities in many countries of the world (Anderson et al., 2002) given its recognition for its proven capacity to build social capital for developmental purposes. The collective identity, norms, and networks of reciprocity form the nucleus of social capital, which is considered to be the most important aspect of development. Thus the building of social capital through microcredit systems has opened up new avenues for development to solve the collective-action problem of poor peoples' lack of access to capital (Dowla, 2006). Therefore, group-based microcredit program is considered an effective policy instrument for fostering and enforcing social capital in the community (Uddin, 2014). This chapter intends to investigate how group-based microcredit relates to the construction of social capital, how this affects the lives of the poor credit clients, and their ability to act collectively in rural Bangladesh.

#### **5.1. Social Capital Theory in Development Discourse**

Social capital has been postulated as the missing link in development (Harriss and De Renzio, 1997; Grootaert, 1998; Fine, 1999; Grootaert, 1997, cited in Ito, 2003; Swain, 2003; Schuurman, 2003; Fine and Lapavitsas, 2004; Fine, 2008; Titeca and Vervisch, 2008; Portes and Landholt, 2000, cited in Maclean, 2010); a potential remedy to the social ills caused by neoliberal policies aimed at getting prices right (Portes and Landholt, 2000, cited in Maclean, 2010). Social capital debate is deemed consistent with the notions of neoliberal (Harriss, 2002) and Post-Washington Consensus agendas (Fine, 2001b) that non-market interventions have a role in resolving market imperfections (Fine, 1999). Where markets cannot operate perfectly,

social capital can correct it by potentially intervening to enhance the working of the market and enriching non-economic behavior or outcomes. This is because social capital is seen as a path-dependent response to market imperfections (Fine 1999; Fine, 2007; Fine, 2008). Social capital in this regard refers to new ways of making society computable and governable (Walters, 2002) and a mechanism to tackle market failure caused by imperfect information and risk (Grabowski, 1998; Moore, 1999; Dasgupta, 2000;; Szreter, 2000). Some critics also argue that social capital is a neoliberal concept that has been used to sell neoliberalism and manage its cost (Harriss, 2002; Fine, 2001b).

The conceptual popularity of the notion of social capital accelerated in the late 1990s (Portes and Landolt, 1996; Woolcock, 1998; Farr, 2004; Fine, 2007), drawing the attention of social theorists. Some of these theorists sought to apply the concept across all the social science disciplines (Woolcock & Narayan, 2000; Fine and Lapavistas, 2004; Fine, 2008; Field, 2008; Uddin, 2014). Social capital as a neoliberal development paradigm has found momentum in the scholarly literature (Fine, 1999; Fine, 2001b; Fine, 2007; Fine, 2008) that supports development through collective-action by accessing a common pool of resources. Social relationships in this sphere are a resource that can facilitate access to other resources (Bebbington, 2002). Policymakers also increasingly rely on theories of social capital for advancing the development interventions that mobilize local social networks in the alleviation of poverty (Woolcock, 1998, Rankin, 2002; Das, 2004). Therefore, a common consensus has emerged amongst academics and development practitioners that social capital can significantly contribute to the alleviation of global poverty through the utilization of trust and norms of reciprocity generated by local forms of association (Rankin, 2002).

The contemporary social capital theory emerged in the 1980s, and comprised the work of the three prominent figures: Pierre Bourdieu, James Coleman and most prominently, Robert Putnam (Portes, 1998; Field, 2008, Smart, 2008). Bourdieu is commonly accepted to have been an early purveyor of social capital and he placed considerable emphasis on the understanding of social class, while attempting to differentiate social capital from cultural and symbolic capital (Fine, 2007). Bourdieu developed the concept of social capital during the 1970s and 1980s, whereas Coleman's endeavor of melding sociology and economics under the banner of rational-action theory influenced both social scientists and policymakers. The concept of social capital in its current form owes much to Robert Putnam, which attracted wide publicity (Field, 2008), and sparked a heated debate about the potential of social capital in development. There are important differences between the scholars in terms of their definitions and manifestations

of the idea of social capital since each of them offers a different level of analysis (Smart, 2008). Bourdieu offered a description about the structured sets of values and ways of thinking which forms the 'the habitus' (Bourdieu, 1977). He gave weight to this view by using the metaphor of 'cultural capital', indicating that groups having distinctive social position enjoy certain types of cultural tastes and preferences compared to others in any given society (Field, 2008).

Bourdieu (1977) initially defines social capital as the capital of social relationships, which will provide useful support in cases of necessity. This is a capital of honorability and respectability, and is often indispensable for attracting clients in socially important positions that may serve as currency in a political career. He deviated from this initial position with the refinement of the former idea of social capital that came as: "social capital is the sum of resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition" (Bourdieu & Wacquant, 1992: 119). Thus social capital lies in the structure of social relationships in different levels and forms. Moreover, a person willing to possess social capital must be related to others who are the actual sources of his or her advantage as social capital indicates resources gained through membership in networks (Portes, 1998). Bourdieu treated the concept instrumentally because he noted that people intentionally cultivate certain relationships in the interest of gaining mundane personal benefits (Bourdieu, 1985, cited in Portes, 2000). Therefore, social capital can seldom be acquired without the investment of some material resources and cultural knowledge in the possession of individuals that enable them to establish relationships with others (Portes, 2000). The structural forms of social capital are conceived for a variety of instrumental and normative considerations. While instrumental ideas of social capital are routines that create an effective culture in the process of cooperative or collective undertakings, normative ideas in the forms of values, norms, attitudes, and beliefs create an effective culture through the feelings of trust and solidarity that encourage cooperative or collective undertakings (Uphoff, 2000).

James Coleman was another influential exponent of social capital. According to him, social capital functions as a kind of resource as involving the reciprocity between individuals and the wider networks of relationships that are managed by a high degree of trust and shared values (Coleman, 1990). Coleman (1990; 1998) defines social capital in terms of its function having a variety of different entities in which two elements are in common: namely, some aspect of social structure, and the ability to facilitate certain actions of individuals remaining within the structure. He (1990; 1998) argues that social capital is created when persons change their

relations in such a way that facilitate action. Coleman (1990) therefore suggests that social capital is “embodied in the relations among persons” (p. 304). Social capital in this case is an important resource for individuals that can affect both their ability to act and their perceived quality of life (Coleman, 1990:317). Therefore, social capital as a community characteristic facilitates or inhibits the innovative and/or risk-taking behavior of individuals or groups (Westlund and Bolton, 2003).

Social capital owes much to Robert Putnam (Field, 2008, Rankin, 2002). He has stood out as a widely recognized proponent of social capital after the publication of his widely celebrated book, *Making Democracy Work* (Putnam, 1993). He defines social capital as “features of social organization, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions” (1993:167). The essence of the social capital theory suggests that people’s engagement in networks and associational life help them develop a set of common values and set of practices of beliefs that can become “moral resources” (Putnam, 1993: 169; Putnam, 1994:10) whose stock increases rather than decreases through proper use; or could also be depleted if left unutilized (Putnam, 1994). More precisely, social capital contributes to collective action by increasing the norms of reciprocity and facilitating the flows of information and developing the mutual trust among the participants which acts as an outline for future cooperation (Putnam, 1993). Putnam asserts that the continuous exercise of community norms and organizational culture is the mechanism that sustains the production and formation of social capital (Putnam, 1993, cited in Abom, 2004).

But Putnam’s concept of social capital has been modified over a period of time, in which he (re)defines social capital as certain features of social life such as networks, norms and trust that facilitate participants to act together in a more effective manner to pursue common goals (Putnam, 1996). Although there is some variation in the refined definition of social capital, the fundamental ingredients have been retained in the new definition. The shared objectives in this regard is important for society as well as individuals for developing a sense of collective identity for achieving common goals that enable the members of the association to achieve better outcomes through engaging in joint efforts. In other words, trust and norms of reciprocity enhance “participants’ taste for collective benefits” (Putnam, 1995: 67, cited in Rankin, 2002). Therefore, according to Putnam (2000) “the core idea of social capital theory is that social networks have value...social contacts affects the productivity of individuals and groups” (p. 18-19).



Putnam (1993) classified social capital in two basic forms – bonding and bridging – while other typologies introduce vertical and horizontal dimensions that facilitate or impede the capacity of communities to mobilize social networks (Putnam, 2000: 23; also see Rankin, 2002:4). The horizontal forms of social capital are commonly found in communities where horizontal ties are strong and norms of community participation within communities exist and tend to generate more equitable and strong democratic composition (Putnam, 1993). Vertical social capital on the other hand tends towards serving the interests of a particular group, which is characterized by patron-clients relations that inhibit development (Putnam, 1993). A typology of social capital has also been developed since the publication of Putnam's book (1993), which introduces the concepts of bonding, bridging and linking social capital (Woolcock, 1998; Gitten and Vidal, 1998; World Bank, 2001a, Szreter, 2002). Bonding social capital refers to strong solidarity among the people of similar demographic features (Putnam, 2000; World Bank, 2001; Field, 2008), while bridging social capital refers to horizontal connections between people of different backgrounds (World Bank, 2001a; Putnam, 2000; Das, 2004; Titeka and Vervisch, 2008; Field, 2008). It is claimed that these features of social capital have important implications for economic development and poverty reduction (Woolcock, 1998). Woolcock (1998) defines social capital as “the norms and network that enable people to act collectively” (p. 226) for achieving mutual benefit. And both bonding and bridging forms of social capital potentially benefits the poor (Das, 2004). Social capital is said to foster a bottom-up approach to poverty alleviation (Woolcock, 1998), which is crucial for long-term development and raising the standard of living for the poor (World Bank, 2001a; Das, 2004). In this sphere the process of connections and cooperation helps people improve their lives (Putnam, 2000; Woolcock, 1998). Putnam (1994) argues that social capital is a “public good” (p. 10) which is “under-produced by society” (Woolcock (1998:156), while at the same time claiming that trust as a form of social capital is a by-product of other collective endeavors such as participation in civic associations. People participating in a group develop intra-group norms and feels moral obligations through personalized networks of exchange, which is what Simmel calls “reciprocity transactions”(Woolcock, 1998:161).

There are also different ideas and concepts of social capital, which mainly expanded upon the notion of social capital as explained by Robert Putnam. Among others, Fukuyama (1995) defines social capital as “the ability of people to work together for common purposes in groups and organizations” (p. 10). Similarly, Bowles and Gintis (2000, cited in Durlauf, 2002) suggest, “social capital generally refers to trust, concern for ones associates, a willingness to live by the

norms of one's community and to punish those who do not" (p. 460). Social relationships are therefore a key component of social capital (Adler & Kwon, 2002) that is further solidified through regular interactions and intimate relationships taking place in certain social and cultural settings. Farr (2004) conceptualizes social capital as a network of associations, activities and relations that bind people together through certain norms of reciprocity and trust which are essential for collective actions or goods by way of other forms of capital. Likewise, the World Bank's (1998, cited in Staveren, 2003) research project on social capital and poverty defines social capital as "the institutions, relationships, the attitudes and values that govern interactions among people and contribute to economic and social development" (p. 1). This is a broader concept of social capital encompassing some crucial components that indispensably constitute social capital. Therefore, social capital enables people to organize themselves to solve local problems (Paldam, 2001) for a common goal achieved through coordinated actions. Therefore, how microcredit as a development intervention tool has brought poor people – particularly poor women – in a forum for collective-action to achieve the common objectives of sustainable development through the fostering of social capital calls for a deeper investigation.

## **5.2. Microcredit and Social Capital: Drawing the Link**

Social capital is regarded as an important dimension of microcredit process (Woodworth, 2008). As the pioneering articulator of microcredit, Professor Muhammad Yunus is convinced that it "gives high priority on building social capital" (Woodworth, 2008:1). Microcredit is small amount of money given as a loan meant for poverty alleviation of the poor, which is disbursed through self-selected groups based on trust and without collateral. The interventions of microcredit is increasing in number and size in transitional economies with the principal objective being to raise incomes and broaden financial markets by providing financial services to poor people – particularly poor women – who otherwise lack access to capital markets (de Aghion and Morduch, 2000), and have difficulty obtaining credit from Banks (Anthony, 2005). Mohammad Yunus (1999) started the Grameen Bank of Bangladesh in 1976 with the philosophy of making capital available to poor women by forming small groups of borrowers from the same community to serve as a collective source of collateral to compensate for the individual's lack of financial collateral. In the 1990s, the World Bank and other donor agencies opted for microcredit programs as a standard policy intervention for poverty alleviation that enables poor people to access to financial services, and has sought to contribute to gender empowerment in developing countries (Binswanger and Landell-Mills, 1995; Mayoux, 2001,

2002). Social scientists and development practitioners have pinpointed that the forms of capital in the common development theory (namely natural, physical and economic) lack a crucial component popularly known as social capital that indicates networks of relationships, norms, and nurtures values that encourage collective action (Bastelaer, 2000).

However, microcredit programs constitute groups for the provision of loans to poor clients under certain terms and conditions that they have to comply with to stay in the programs. This group-based policy of microcredit programs is considered important for creating and enforcing the social capital of the community participants. Provision of credit through self-selected groups and joint responsibility is the main pillar of microcredit programs, and it ensures its sustainability and propagation through client-participation in the weekly repayment meetings (Stiglitz, 1990; Holt and Ribe, 1991; Yaron, 1994; Larance, 1998; Anderson, et al., 2002; Dowla, 2006). The set of formal rules and norms are the fundamental base through which microcredit programs regulate public life in society which the World Bank calls 'macro level social capital' (Quinones Jr. & Seibel, 2000).

The microfinance market is overcoming the challenge of financial constraint faced by poor communities through utilizing the social capital generated by the poor clients themselves to ensure the success of the lending programs despite having no financial collateral. Grameen Bank's microcredit program as proposed by Professor Muhammad Yunus' innovative idea has proved that providing credit exclusively to the poor can be a viable form of developmental intervention (Quinones Jr. & Seibel, 2000). The microfinance programs are currently dominated by the 'financial self-sustainability paradigm'. Within this paradigm women's participation in group-lending processes is promoted as a key strategy for increasing financial sustainability and poverty alleviation by drawing on the idea of social capital. Promoting women's empowerment automatically strengthens this social capital through the group-lending mechanism (Mayoux, 2001). The existence of social capital in the forms of local networks and norms of association is recognized as a good substitute for financial collateral in the selection of beneficiaries of credit delivery and recovery (Mayoux, 2001). Group-based microfinance is therefore considered significantly beneficial for women given its contribution to poverty alleviation and empowerment through mutually interlinked virtual spirals (Mayoux, 1998).

Microcredit adopts a dual approach in the process of its loan delivery mechanism: group lending and credit, which is 'a strategic research site' (Woolcock, 1998, cited in Maclean, 2010) for a connection between social capital and economic capital (Maclean, 2010). In the provision

and operation of microcredit, small self-selected groups are formed that guarantees the economic collateral because credit is disbursed without collateral. Loans are offered to a group on its own liability and all members are jointly liable to pay the loan in time, ensuring the timely recovery of loans. The group function is based on solidarity, reciprocity and trust. Therefore, this system of loan-delivery techniques ultimately contributes to reducing the transaction costs of the organization as members themselves collect repayment installments at weekly gatherings in the center chief's house, making the provision of minimal credit financially viable (Johnson and Rogaly, 1997; Ledgerwood, 1999). The success of microcredit programs is measured in terms of the outreach and repayment rate (Johnson and Rogaly, 1997; Ledgerwood, 1999), and the microcredit institutions are said to be financially viable on the basis of the savings and interest rates that can cover the cost of loan, and administration without the need for subsidies (Yaron, 1994).

In addition, it has been argued that social capital embedded in the local social setting is a good starting point for fostering women's development by incorporating them in developmental initiatives where they are the 'entrepreneurs of themselves'. Women's access to credit removes certain social barriers and enables them to participate in developmental activities. Women's traditional role in the family and community ensures that they have strong networks that can potentially be harnessed for the promotion of development. Besides, women's indigenous survival strategy is equally essential as well as important for catalyzing development by utilizing the inherent potentiality and value of women's social capital in order to promote income-generation through credit-loan provisions. Microcredit programs help by recognizing women's role in development without necessitating their engagement with (typically unpaid) domestic labor (Molyneux, 2002). Providing loans to groups of poor women can allow microcredit programs to increase repayment yields even from clients who would ordinarily have been deemed too risky. This group-lending mechanism is often lauded as the key to the success of the programs (de Aghion and Morduch, 2000). Thus group-based programs are claimed to build social capital through strengthening women's economic and social networks (Mayoux, 2001).

Moreover, microcredit programs have used existing social structure or formed women's self-selected groups in order to ensure the timely repayment of loans through peer pressure, in which the problems of asymmetric information is a distinct disadvantage (Llanto, 1990; Hoff and Stiglitz, 1990, cited in Yaron, 1994). Similarly, improving the access of the poor to basic financial services aimed at promoting economic growth and poverty reduction is an explicit

objective of the World Bank, and market-based microcredit programs have achieved remarkable success by offsetting the borrower's lack of collateral through such a group-lending mechanism (Gallardo, 2001). In this context, the main attempt of this part of the dissertation is to elucidate whether microcredit programs foster social capital amongst poor rural women, and how this affects the life of those credit-clients. Similarly, a particular focus is given on whether the process of social capital formation contributes to the development of poor women in the sense of collection action and solidarity by group memberships in credit programs, and finally how networks and collective-action facilitate mutual cooperation amongst group members by accessing to credit facilities.

### **5.3. Construction of Self-selected Group and Delivery of Credit**

Academics and policy analysts generally consider the lack of access to credit as hindering the development of the poor. Given this, the pioneer of microcredit Professor Muhammad Yunus has argued that credit is a human right (Yunus, 1986; Yunus, 2004; also see Hudon, 2008; Roy, 2010; Gershman & Morduch, 2014). Drawing upon this philosophy and by treating women as the poorest of the poor, microcredit has primarily targeted them for credit-loans. When a commercial Bank loan is not viable for poor women, NGOs are at their doorsteps offering credit without collateral or through social collateral. When women are alone, they cannot get access to credit; but when they band together with other women in a group they can and have access to credit. Indeed, in the recent parlance of development it has become fashionable to mobilize local social networks for the alleviation of poverty (Rankin, 2002).

Microcredit programs of Grameen Bank and BRAC maintain some preliminary processes prior to the allocation of credit to women. It is observed in the study villages that microcredit programs primarily select the target group on the basis of the organizational criteria. In this case the key point of consideration is the characteristics of the clients. It means that microcredit programs generally prefer clients who have the ability to repay the loan. According to the field workers of the programs, the client's current economic and social condition is the main criteria for the assessment of loan-suitability. How this is done, and who does it is a basic question for investigating the issue. It is found that in the study villages that microcredit programs select a center-chief for every center in the villages on the basis of their personal choices (see details in chapter 4). As a member of the program herself, the center chief acts as a bridge between the field workers and the local clients involved in the programs. She also holds responsibility for organizing and maintaining all the groups of women under her center, and is in charge of

identifying and certifying members who are eligible to undertake a loan. The formation of women's self-selected groups is a general process of microcredit programs, without which loans are not usually offered. Every group consists of five to six self-selected members. Women's economic interests therefore compel them to be self-motivated when forming groups in order to satisfy their needs of credit. The formation of groups by the clients in a self-selected process is a *sine qua non* for every member before borrowing loan. One of my respondents of Grameen named Tanjina (age 23) was interviewed in her residence at Chatal village on May 14, 2015. She said about the formation of groups for borrowing loan:

“When we are in need of loans, we go to the center-chief. She suggests us to manage group members for borrowing loan. She sometimes helps us form a group of five to six women. Loans are not given without a group. The formation of groups is a necessary condition for the NGOs. Sometimes we have to wait for many days to borrow loans due to the dearth of required number of group members. Sometimes it is difficult to manage group members. We need money immediately but NGOs do not care about our problems. They take steps for disbursing loan as per their rules and requirements.”

It is worth referring to the fact that women interested in undertaking a loan do not directly go to the NGOs. Rather they have to go to the center-chief in their area who is the intermediary between the NGOs and the clients. Women are supposed to form the group by themselves but sometimes the center-chief intervenes in the formation of a group when women fail to find enough members. Every group has a group leader designated as the chairman, and the woman in second position is called the secretary, while the rest of the clients are simply called members. BRAC on the other hand designates the group leader as the village organization (VO) president, VO secretary and VO member. Aside from nominal variations, there is in fact no functional difference between the group representatives between Grameen Bank and BRAC. The group leader is also responsible for the collection of installments from fellow members in her group and organizes other group members before the repayment date so that every woman appears in the center with her repayment-installment. Female credit clients have reported that they have to wait for a month or more to get a loan from NGOs, which they have repeatedly complained about. The field managers of microcredit programs take care when offering loans in order to ensure financial capability of the clients regarding timely repayment. Approximately 91% of the respondents have confirmed the prevalence of this phenomenon when asked about why NGOs take time to disburse loan.

The process of loan-delivery is not an easy one for poor women. Every woman seeking to undertake loan has to obtain a recommendation from the center-chief before taking a loan, and other members of the group also have to put a joint signature<sup>30</sup> for recording in an agreement book. Nobody can borrow loans without the joint signatures of the group members, whereby the recommendation of the center-chief is equally important for serving the purpose. Every member of the group usually gives their signatures without any difficulties. After the formation of group the loan is disbursed to them. A remarkable number of the respondents also reported that the field workers of microcredit programs typically tend to accord certain special privileges to the center-chief. These include the offering of big loans, and the paying of rent for using her house as a local center (see details in chapter 4).

It is also observed in the program villages that the microcredit NGOs do not offer loans to individual women. One of the most important reasons underlying the fact is that the field workers of microcredit programs do not know everybody in the program villages whereas center chiefs, other group leaders, and group members are familiar with women in the neighborhood as they all live in proximity with the broader community. It is found in the study villages that the idea of “self-selected” or so-called “solidarity groups” is not without problems in actuality. A respondent named Swapna (age 29) of Grameen Bank said, *“Sometimes women can borrow loans without joining any group if they have income-generating individuals in the family. NGOs give priority to those who have relatively good financial standings. They always consider their own interest.”* This remark indicates that there are certain economic and commercial reasons behind this rationale, which points specifically to the commercial viability of the microcredit programs. Around 31% of the respondent women have reported that the group-lending mechanism is not functioning properly because some clients can borrow loans individually, thereby violating existing group norms and the self-selection method. Both Grameen Bank and BRAC field managers also admit to instances where the group-lending norms of microcredit programs have been violated. Often, the regulations of microcredit programs are not strictly observed when offering loan to women who are likely to be able to maintain regular repayment given their better financial status. Empirical evidences reveal that the formation of groups is strictly maintained for the middle and lower income groups, while upper income groups may sometimes avoid this hassle and undertake loan without joining any

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<sup>30</sup> All group members must input their signature for clients intending to undertake a loan without exception. Nobody is offered loan without the collective agreement of the group, who for their own interests forward a recommendation for the clients interested in borrowing credit.

group. It means that microcredit programs often offer loans to women on the basis of the existing economic and employment status of the household-head in order to prevent the rate of defaults. Therefore some women can join the programs without being a member of any group because the surety of repayment to the creditors is guaranteed by their current economic status. For example, women who have sources of regular income are afforded priority for undertaking a loan, and recommendations by the center-chief are typically expedited for the financially better off women<sup>31</sup>. Very poor women are always considered risky, and therefore, the center-chief is less likely to be willing to recommend her in the interests of being on the safer side regarding issues of adequate and timely repayment. Moreover, NGO policy discourages the offering of loans to more than one person<sup>32</sup> of the same family given the likely burden of the clients regarding repayment, which is indicative of the commercial-oriented disposition of the microcredit programs. Besides, specific attention is paid to certain special clients such as those who are already financially stable rather than economically vulnerable ones who are considered to be at risk of defaulting. Moreover, if the husbands of the clients have extensive involvement in regular wage-earning activities, the conditions for receiving a loan are further relaxed. In the entire loan delivery mechanism, microcredit programs lay an emphasis on the status and capability of the clients, which once again questions the main motive of the NGO initiatives for the development of poor women. NGOs, on the one hand, focus on the recovery of loans and consider the commercial viability of the programs, with the center-chief on the other hand investigating the existing financial status of the women before offering loans. Furthermore, when forming self-selected groups, women prefer to choose the clients who have the capacity to repay the installment in time and avoid complications. Therefore, the self-selection processes in addition to commercial nature of microcredit programs has led to the exclusion of the poorest of the poor women from the programs.

Furthermore, the self-selected group mechanism of microcredit programs have brought poor women in a cooperative forum in which every woman is responsible for helping each other only in the repayment of installments on the scheduled loan-recovery date. Women normally have to return the loan installments once a week; which means four installments a month. Being

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<sup>31</sup> The poorest women are often excluded from the programs due to self-selection processes as well as the commercial motive of the NGOs. Center-chiefs sometimes choose the financially capable ones among the poor women in order to avoid the hassle and stress of loan collection for repayment. As a result, exclusion and inclusion errors sometimes occur in microcredit programs, with the ultimate benefit going mostly to the NGOs.

<sup>32</sup> NGOs do not offer loan to more than one person in the same family due to higher propensity for being loan default. Therefore, they keep the number of the member limited only in one from the same family.



in a self-selected group means that women in the program villages have been able to develop the norms of reciprocal relationships amongst themselves through the involvement of microcredit programs, though this form of social interaction had existed in varying degrees within specific spatial location, and at the informal level before joining the programs. By incorporating women into the self-selected groups this kind of reciprocity has been reinforced and expanded. Women in rural social settings have labor for the individual benefit for the family, but microcredit programs have cultivated the spirit and ethic of working for the collective and common good as credit binds them together. Through talking to female clients of the programs who shared their lived experiences with regard to the issue, the mixed outcomes of group-based microcredit programs have been realized. The participants of microcredit programs are now infused with cooperative norms, and have been maintaining trusting and reciprocal relations with one another, which works best for the development of those poor women who previously have been out of the orbit of social development. While norms of cooperation, network, trust, and reciprocal relationships are supposed to be the main building blocks of the women's self-selected group, at the same time the lived-experiences of women and my observations in the field also presents different arguments which will be analyzed in the subsequent sections.

#### **5.4. Self-selected Group and Reducing Transaction Costs**

Field level observations and shared experiences of the poor women indicate that the microcredit programs lay the responsibility on the shoulders of the clients to form self-selected group before offering loans for a variety of general and specific reasons. There are no hard and fast rules for the formation of group. It depends on the number of members of the group to be required at a particular time. Some of the groups are homogeneous<sup>33</sup> and some of them are heterogeneous<sup>34</sup> in character. Women tend to seek assistance from the center-chief and group leader in constructing a group owing to their oftentimes inability to find and consolidate the required number of the group members. While talking to center-chief, I was informed that

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<sup>33</sup> There is no established rule that all group members have to be in similar social or economic statuses. Different women borrow loans at different times depending on necessity. In this case the most important issue is to borrow the loan as soon as the group is formed. The homogeneity of the group is not fixed for the smooth operation of the programs.

<sup>34</sup> It has been observed in some cases that poor some women try to avoid the poorest women from being included into the group in order to avert any complications during repayment because of the heterogeneous character of the group. They often seek to incorporate members who have more or less equal status into the group. However this is not always possible, and given the urgency of borrowing loans, women end up forming groups regardless of their current economic condition.

some clients<sup>35</sup> are difficult to manage because they often fail to repay the loan by the due date. Therefore, when a member of the group honors his loan-repayment, the pressure on the center-chief and group leader is reduced. I talked to one recipient of Grameen Bank's microcredit program named Shilpi (age 20) in her residence in Chatal village on May 11, 2015. She said, *"They [NGOs] benefit much from the group. There is no pressure upon them. We did their tasks."* Another member of BRAC named Amirun, aged 60, who was interviewed at her residence on the 23<sup>rd</sup> of June 2015, who said, *"NGOs construct group before offering loans for their own advantage. If they give loans to several people together, they benefit. Proffering loans to any person individually is a problem for them, especially regarding the recovery of the loan. Groups are therefore constructed to act as a social guarantee for the security of loans."* The opinions given by the respondents indicate that by constructing groups, NGOs not only reduce the risk, but also the worry and tension related to the recovery of loan. One of the respondents of Grameen Bank named Nazma (age 35) spoke about the issue of loan-repayment for defaulting group members when she had been interviewed on June 28, 2015 in the following way:

"They [NGOs] tell us to repay the loan on time. They say that you have to make the timely repayment of loan. Otherwise the entire group will be denied loans in future. If any one member of the group fails to manage the timely repayment of installment, you have to pay for her. We somehow manage the repayment amount for the default members in order to stay on the safe side and uphold our reputation. We also fear that we will not be given loans in future. So we maintain the regular repayment of loan at any cost."

If any member of the group fails to repay the installments on time, other women are compelled to pay for the defaulting members given the fact that the latter is obligated to make the next repayment for one who has paid-forward the estimated amount for her. The process of bearing the installments for defaulting members is an informal and individual process, although in certain instances NGO workers orchestrated it. Therefore, joint liability in microcredit programs is one example of successful micro-lending for poor women in rural Bangladesh from an economic point of view. NGOs seek to maximize the loan-repayment yield from the poor women who undertake loans from microcredit programs, which contributes to the increased

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<sup>35</sup> It is reported both by NGO workers and respondent women that there are some clients who often fail to repay the installment in time. As a result, poor women try to avoid such clients in their group formation, while at the same time NGO workers are also less willing to deal with such clients due to their inability to repay the loan in time which is considered psychologically trying and risky for them (NGO workers).

economic portfolio of the programs. NGOs place direct pressure upon the center-chief and the group leader in mandating that if any one of the group members fails to repay the loan, the final liability will be on the group. Therefore, group members (in safeguarding their own interests) put pressure upon the defaulters or pay for them so as to ensure future access to loans from such organizations. This way microcredit programs have shifted the risk and responsibility of the program managers onto the shoulders of the clients, ultimately safeguarding the financial interests of the programs. Rahima (age 60) was one of the respondents and clients of Grameen Bank. She was interviewed at her house on June, 13, 2015. She explains why NGO workers instruct client women to form groups:

“Through the group the responsibility of one person is laid on another one so that nobody can evade the installment. If one cannot manage the installment, another one will collect money for the defaulting one. They [NGOs] impose their responsibilities on us. We take our own risk due to problems. They have no risk and responsibility.”

Moreover, loans are not distributed to poor clients without the collective signatures for all loan-seeking clients in the group. This is because it is often difficult for microcredit NGOs to collect repayments from individual clients on account of their inability to pay back the loan in time. Hence, all group members have to put a joint signature for the borrowers. Therefore, group lending is a far more effective strategy for the recovery of loans, in which group pressure by local women acts in a way to ensure the timely repayment of loans. Women in the group force defaulting members to pay the installment amount back; even to the extent of getting them to sell their household possessions (such as cooking utensils or clothing). When one member of the group fails to repay the loan, the rest of the women in the group keep pressuring her in fear of being denied future loans from the NGOs for the rest of the women. As a result, women in their own interest put collective pressure on other women so that the regularity of repayment is strictly maintained and guarantees access to future loan disbursements. In this case, the remark of one of the respondents of BRAC named Piara Begum (age 35) is quotable here. Piara was interviewed at her residence on June 19, 2015. She explains how women put pressure on the defaulting members:

“If one cannot pay the installment in time, all other women in the group go to her home and force her to pay back the installment amount. Sometimes it happens that they take household materials and cooking utensils, hen, and chicken away from (her) home in order to get the money equal to installment amount. We even stop talking for this for long time because of coercing the clients.”

One member defaulting in a group is tantamount to the entire group defaulting, which tarnishes the group's reputation and puts the entire group at credit risk. Therefore, other groups who are involved in the programs become aware of the consequences of the defaulting group. Therefore, every group has the primary motivation to ensure regular repayment, even if this comes at the expense of worsening social and inter-personal relationships with the group members who live in the same neighborhood. Peer pressure in this case is very much effective for the recovery of loans from the poor clients, which keeps microcredit field workers on the safe side, fulfilling their financial target of maximizing the loan-recovery rate. Borrowing women give the highest priority to their collective and common interests of obtaining further loan and also for staying in the programs. This way group-based microcredit programs function as the social glue for women to stay together and maintain access to the collective interests of credit, but it does not ensure the norms of collective-action in the sense that could contribute to the development of community in a concerted way. Although poor women involved in microcredit programs have been able to develop some degree of social capital, they have not been able to strengthen it due to continuous economic pressure related to the repayment of loans. This is because the relationships they have developed through regular interactions have been negatively influenced due to peer pressure for loan-recovery. As mentioned earlier, microcredit programs place their focus on the timely repayment of loans through the self-selected groups, which does not necessarily ensure the collective wellbeing of the poor women. Therefore, groups in this regard have been instrumental in minimizing the risk of loan defaults and increasing the rate of loan recovery from the poor clients.

One of the most striking aspects of the formation of groups lies behind the motive of the microcredit field workers, who place priority on the recovery of loans for the sustainability of the programs, and hence expand the outreach and frequency of programs in the rural areas. When I wanted to know more about the function of groups in the lending process, one of my respondents named Farzana Begum (age 35) interviewed at her home on June 23, 2015 said, "Group lending is a NGO strategy in which one member can help another one. If one of the members cannot pay back the loan by the repayment date, another one will pay for her." This means that if any member of the group cannot repay the loan another one of the group takes responsibility for repaying the loan for her, which can cause friction amongst the group members (see details on section 5.7). Groups typically bind 5 to 7 people together under the norms of cooperative relations for collective social development, which creates further problems for other members of the group when one of them fails to make the repayment by the

stipulated date. Other members experience psychological and emotional distress, as they are likewise poor and needy in the same degree. While this mechanism may provide temporary relief for the defaulter, it places undue pressure on the other members of the group.

The poor credit clients repeatedly stated that offering loans to individuals is not in accordance with NGO norms. Lending in a group is a NGO strategy to minimize the risks of loan-defaults and to reduce transaction costs. All group members become the bearers of risk, whereas NGO workers remain relatively care-free regarding the collection of installments for the fact that the main responsibility for ensuring the repayment on a specific date rests fully on the groups and center-chiefs who control all the women in a group. I asked my respondents: Why don't NGOs offer loans to poor women individually? One of the respondents named Rayhana (age 35) under Grameen Bank gives her opinion with regards to the formation of groups and group liability for loan-repayments when she was interviewed on June 27, 2015. She said:

“NGOs are using thorns to take out a thorn. They [NGO workers] ask us to form groups for their own interest. If one cannot pay the installment another one will pay for her. They do not take any risk. Money is theirs. Risk and tension is ours. NGO-bosses get all the members of a group in one place. They do not have to go door-to-door. It is difficult for them. Some women may not be available at home. They know it. All group members gather in center-chief's house on their own accord. Everybody is compelled to go to the local center. While one person can find ways to evade repayment, a group of people cannot escape. A group functions as the companion of others. If one person of the group is found, other members of the group can be traced too. This is the reason why they [NGOs] do not offer loans individually.”

This opinion of the respondent is rather astute. It is immediately obvious from her statement why microcredit programs suggest that clients form self-selected group before lending to poor women. Groups are instrumental in minimizing the risk of loan-default, increasing the rate of loan-recovery from poor clients. One of the respondents named Jamirun (age 40) of BRAC whom I interviewed at her residence on July 29, 2015 said:

“They [NGOs] constitute groups for the advantage of collecting loan-repayments. If one cannot pay the loan, all other members put pressure on her. It keeps everybody under stress. Consequently, they become obligated to pay up the loan. NGO workers say that if one cannot pay the installment, others will not be given loans. They warn that they will not offer loans to us in future if there is a defaulter.

These remarks indicate that in the interest of recovering loans, NGOs ask the clients to constitute groups, which keep them under strict regulations and fosters group discipline. Therefore, providing loans to poor women in a self-selected group has been the dominant feature of microcredit programs, which is the indicative of the risk reduction policy of the microcredit NGOs like Grameen Bank and BRAC by way of putting liabilities on clients themselves. In some exception cases, however, it is found the group-lending rules and regulations are not properly adhered to depending on the financial and employment status of the household-heads (usually husbands) of the borrowers. This reflects the NGO policy of checking the moral hazard of the clients and reducing transactional costs. I also asked the field officers of microcredit programs some questions in a similar fashion that I had with the respondents: why don't you provide loan to poor women individually? One of the field officers of BRAC that had been interviewed in his office room on August 21, 2015 replied:

“It is difficult to pay door-to-door visits to all of the clients. Often they are not available at home. Poor women have no trace. Through group-formation, one woman can watch over another one. They come to one place on the repayment day. Everybody knows the date. Besides, the center-chief lady and group leader is responsible for assembling all of them.

I probed further: what benefits do NGOs accrue through group-lending mechanisms?

“A group is like a network. It binds all members together, and passes information to other members in the group too. A group takes responsibility for the repayment. Poor people are very cunning. Sometimes it is difficult to catch them. Moreover, there have been times when they even brawled with us when pressuring them for repayment! Making a row with credit clients can tarnish our reputation in the village. Both husbands and wives get involved during some conflicts. It creates further problems. If we have bad relations with the clients in the villages, it will be difficult for us to keep the programs in operation. Offering credit in a group has been very effective. We are not directly involved in any altercations. They take their own responsibilities. They are now habituated to do it this way.”

The information provided by both BRAC field workers and microcredit clients bears a striking resemblance in their meaning, expressions and experiences. In the social context of rural Bangladesh, outsiders are certainly not expected to be antagonizing the local community, let alone women. In this social background, microcredit programs dealing with the poor clients

require cautionary measures to be taken, and group lending is one of the most effective techniques to manage both credit and the clients. NGO field workers informed me that new recruits were left with strict instructions to carefully consider the local social and cultural context into account before introducing microcredit program to new areas. Group lending is therefore a successful mechanism introduced by microcredit NGOs for the recovery of loans given the social and cultural context of rural society in Bangladesh. Rankin (2002) in her study in Nepal found that group lending is a successful strategy for the sustainable management of microcredit programs, through which the onus of the NGOs has been shifted onto the shoulders of the credit-clients. The most important point to support the fact is that the formation of women's self-selected group is a governmental strategy to ensure the recovery of loans from the poor clients in due time. Collective instead of individual responsibility for the repayment of a loan functions as pressurizing mechanism that facilitates the collection of money from clients. Therefore, group lending is a process by which microcredit programs ensure the timely repayment of loans by using peer pressure upon clients who are not only the beneficiaries of the programs but also the bearers of risk. Every member of the group is responsible for the repayment of loans by a specific date, which means that if any one member of the group fails to repay the installment in time other members of the group<sup>36</sup> have to pay the installment on behalf of the defaulters. It is women who take on the risk and bear the responsibility, while field workers are only responsible for lending and collecting money. The latter are insulated from the clients, and can avoid direct conflict or tension with them, thereby keeping their own position secure and reputation intact and enabling them to further entrench their position and agendas in the program villages. In this unsentimentally calculative manner, they increase the number of the clients, expand the outreach of the programs in the new areas, and ensure the sustainability of the programs. It is important to remember that the viability of microcredit programs depends on the clients contributing to the increase of the financial health of such programs through regular and timely repayment despite their poverty and toil. The question of how self-selected groups in microcredit programs contribute to developing a sense of solidarity, enforce the network of reciprocity, and produce meeting norms calls for deeper analysis.

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<sup>36</sup> It is NGO regulation that if any member of the group fails to repay the installment on time, every member of the group is liable for the repayment of the defaulter's loan; which is popularly known as group joint-liability.

## **5.5. Norms, Network, and Trust: How does it Work?**

As defined by Robert Putnam (1993), norms, networks, and trust are the most basic elements of social capital that provide individuals the opportunity to develop a collective identity for achieving shared wellbeing through coordinated actions. This section focuses on how microcredit programs have produced these three essential aspects of social capital through the operation and management of credit. I have shed light here on the aspects of group meetings of women, the solidarity amongst them, how networks of women functions as an information base for credit clients in the group, and whether it has yielded any remarkable benefits for the women.

### **5.5.1. Meeting Norms and Myth of Solidarity**

It is claimed that microcredit programs have produced meeting-norms among the clients through compulsory participation in weekly center meetings and imparting training to them at scheduled times set by the respective programs in the villages. However, it was found that meetings are no longer a part of the programs, though at the initial stage of the programs such regulations were in force. Nowadays the clients only have to go to the center when making repayments; there are no more special meetings that provide additional information or create awareness. As a researcher and direct observer, I have been able to observe and experience the manner in which NGO workers deal with clients at the local centers of both Grameen Bank and BRAC during several loan-recovery meetings. The prime concern of the meeting is to ensure the continued viability of the clients to repay the installment, which is the indicative of the borrowers' regularity in the repayment processes so long as it is the major issue of the programs. Even poor women hold the view that appearing at the meetings is solely for making payment, and not for any educative purposes that could potentially prove effective for ideational changes and positive attitudes towards their lives. In this case, microcredit programs cannot develop the idea of social solidarity amongst women by providing them the impetus or willingness to engage in selfless cooperation for their own collective benefit. Solidarity is the basic building block of a group that further binds all other individuals into a set of values permeating every member's life. Group-based microcredit programs appear to have infused the idea of self-interest among the clients rather than a selfless attitude. Even though the program did not harbor any intentions to nurture such anti-social values, the practices of the programs have created a field of action that encourages self-interested behavior. As a result, the sense of solidarity amongst poor credit clients has not been engendered to such an extent



whereby it can effectively unite women altruistically to work for the collective good of the locality.

I felt it would be pertinent to ask my respondents whether they had to attend center meetings, what topics were discussed and what activities they engaged in. The answers of the respondents were negative, and therefore, do not support the idea that microcredit programs foster the development of meeting norms. The respondents also said that on repayment day in local center, the credit clients are strongly urged to pay the loan on time along with a stern reminder about the negative sanctions in place for defaulters. One of the respondents of Grameen Bank who preferred to remain anonymous remarked in an interview on May 24, 2015:

“No meeting is held in the center nowadays. We heard from senior members that there was a meeting held in the center long ago. We just go to the center for repaying the installment. We go there every week. Nothing is discussed in the center gathering. Officers only instruct us to pay the loan on time. They at times tell us to use the loan money for income earning activities. But they never ask what we do with the money. Then again, not all women have to go to the center. Some women send the money and deposit book through other people. They do not ask why those women have not come to the center in person. They only want the installments on time.”

The meetings arranged for providing educational information and building awareness among the poor clients appear to have been mere program rhetoric, justifying the economic motive of maintaining good financial health through its expansion into other villages where the credit market remains untapped. Evidently, equipping credit clients with the necessary skills and training to sharpen their business acumen and entrepreneurial capabilities is not a reality of the microcredit programs in my study villages. Consequently, a large section of poor women is left in the periphery of development due to a lack of necessary skills and competence for engaging in any productive economic activities. The microcredit programs have instead given rise to the perception amongst women that NGOs are only offering credit for their own financial interests. Loans are taken due to necessity, which does not allow for the engendering of solidarity and collective-action amongst the poor women. Therefore, the regular meeting norms and educative training aspect for women could have provided an impetus for the development of a collective identity by the poor women. This unfortunately did not manifest in the program villages that I observed.

### 5.5.2. Information Network and Economic Outcomes

As mentioned at the beginning of the analysis, women's self-selected groups consist of several members. Every member has important responsibilities; one of which is reminding each other in the group of the loan repayment date. Members of the self-selected groups are the main networks that transmit relevant pieces of information to other women in the group. They primarily relay repayment-related information to each other to ensure that they keep aside enough money to cover the loan by the due date. Borrowing women belonging to a group visit the group members' house before the deadline to remind them of their installment responsibilities. This is the only function of the network that poor women have; to maintain the collection and repayment of loans, providing them with the added advantage of continuous communication with other women in the group living in the same neighborhood. The purposive and one-dimensional function of the network as used by the NGOs – namely to provide information and timely alerts regarding loan repayment – cannot produce positive long-term outcomes for the poor women, and is ill-conducive for cultivating proper networks of solidarity amongst them. Even the center-chief lady warns other clients under her control to keep the loan money ready in order to safeguard her position. Information dissemination is performed by going door-to-door, since the clients typically live in close proximity within their neighborhood. I wanted to know more about the responsibilities of group members, and I asked a respondent under Grameen Bank named Sureza (age 38), who said, *“Before the day of repayment, the group leader visits the clients home to remind them to prepare the installment. Sometimes other members of the group also chip in with a reminder. They do not provide us with any other information aside from dates and amount of money.”*

Besides, women have not used networks for accessing information about markets, education, awareness, or general knowledge that could enable them to advance their social and family position by engaging in more gainful economic activities. As a result, women's social networks have not been as effective in fostering access to common resources in these aforementioned forms, creating confusion over the potential power of network relations for serving their collective interests through the exploitation of common resources like credit. Network as a base of relations has multiple functions. One of the most important functions of them is the social connectivity; through which an individual can enter the space of the opportunity of the world. Asymmetry of information is one of the most prominent problems involved in credit market transactions (Mathew, 2006), and is considered a barrier to development, which microcredit programs (by constructing women's self-selected group) can overcome. But my practical

observations and experiences of female participants of microcredit programs reveal that the function of network built through women's loan borrowing group is a target-oriented mechanism serving the covert motive of increasing the sustainability and outreach of the programs. By way of minimizing the risk of default by strong norms and dense networks of reciprocal engagement (Putnam, 1993), network of relationships among credit clients have provided one-sided benefits to microcredit programs instead of the poor women they claim to serve. Furthermore, through the vertical link of communications a patron-client relationship has begun to emerge between the poor women and program workers, while in regards to horizontal networks poor women have also developed relationships of a similar kind with the center-chief. It is reported that the center-chief is at times biased in her decision-making and choices for loan-suitability. She often favors the better-off clients amongst the poor, while the very poor have become much more dependent on her; thereby reinforcing the patron-client relationship with the poorest.

### **5.5.3. Credit Relations and Reciprocity of Trust**

Microcredit programs are based upon mutual trust with poor women. Respondent women in microcredit programs report that they have developed trust amongst themselves in their self-selected groups to some extent, but after certain points it has been breached due to someone's failure to repay the loan in time. There is a common saying amongst poor clients that, "Once the trust is lost it cannot be retrieved again because broken glass cannot be set together." Some members of the group have repeatedly failed to make regular repayment, which causes discord with other clients about their own ability to repay the installment and continue to participate in the programs. As mentioned earlier, group members have to put signatures for other members so that NGOs may proffer a loan. Through joint-liability women have developed mutual trust that acts as a base for further access to credit and cooperation. However, the foundation of trust gradually erodes as some of the members repeatedly become unable to maintain the timely repayment and therefore end up defaulting. Rahima of Grameen Bank has said with regard to the reciprocity among the group members in the following way:

"If any one of the group members fails to repay the installment within the stipulated time, the group leader recommends that she is to be excluded from the group. As a result, it spoils our cordial and reciprocal relationships. The relationship goes from bad to worse because of this. Sometimes we even stop talking to them. Nobody can understand how someone is like without mixing with her. At primary stage, we have trust in the fellow clients but later there develops mistrust and doubt. This is because

some of the clients get more privileges from NGOs than others. Some members cannot pay the installment on time.”

From the reality it can be argued that the level of trust amongst women is lower when the rate of defaults among the group is higher. It may be assumed that if the repayment is regular, the level of trust among the clients remains high given the fact that everybody is equal in terms of repayment. The borrowing women have said that clients being regular in repayment processes might have improved the level of their trust among the group members. Moreover, a majority of the poor women are found to have been skeptical about the role of the center-chief who, according to them, is not neutral in her actions in the sense that she recommends for the disbursement of loan to women who are generally better off. Actions of this kind by the center-chief creates doubt among women who have not been able to undertake loans due to the former’s reluctance to approve their suitability for its disbursement.

Respondents report that some clients – being at their wits end – have resorted to offering the center-chief bribes<sup>37</sup> in cash. The field officer of BRAC in Kazirgaon village later confirmed this, and he also informed me of that one center-chief named Hawarun who continued her tenure till last year had been removed due to allegations of corruption. She allegedly took bribes from the clients seeking loans from BRAC. A considerable number of women (approximately 41%) has reported that the center-chief strongly recommends the person who bribes her for loan-suitability, and helps relatively wealthier women to access loans individually after receiving kickback from those clients. This information is supported by both Grameen Bank and BRAC microcredit clients, which they allege has developed mistrust among them and has ruptured interpersonal relationships. Therefore, no laudable benefits from participation in microcredit programs has been achieved, which in turn testifies to the murky success of the programs in developing mutual trust amongst the poor clients or fostering collective actions for the development poor women in rural Bangladesh. It is also revealed that both center-chief and the clients are at risk of losing their credibility due to their respective performances in regard to credit delivery and repayment. The center- chief has lost her legitimacy amongst the clients, while clients have lost their reputation amongst group members. Moreover, the microcredit field managers have also failed to build trust amongst the poor women because of their self-serving behavior that they have demonstrated in the

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<sup>37</sup> A significant number of respondents alleged that the center-chief takes bribes to facilitate a recommendation for their suitability to receive loans. In some cases poor women under severe financial crises need loans urgently but they find adequate numbers of group members, which forces them to offer kickbacks to the center chiefs.

processes of allocating loans and collecting repayments. As a result, there is growing mistrust between the clients and NGO workers. One of the clients of BRAC named Amirun (age 60) shared her experience of conflict with me at her residence on July 29, 2015. One day she paid her installment as per normal, but the field officer refused to acknowledge that she had recent paid the reflected amount. In this situation she lost her temper, and started to chase him with a billhook. She puts her experiences as follows:

“It was about fifteen or sixteen years ago. That was the repayment day. When Sir [NGO worker] came, I paid him two installments of tk. 700 together. But he denied that I paid him money, while leaving the village in the afternoon. Then I had massive quarrel with him. He refused to admit that I paid him the money. Instead, he scolded me. Then I chased him with a machete. After the incident, he again came with his office boss, and after more thorough calculation found that I had indeed paid him the money. Then a lot of people from the locality gathered around the area. I felt embarrassed by this after seeing the huge crowd.”

This was not the sole incidence of conflict between clients and NGO workers. There are different levels of chaos taking place in the center meeting meant for collecting loan-repayments. A vast majority of women who receive loans from Grameen Bank and BRAC has been found to be critical and skeptical about the activities of the NGO workers. One of the clients of Grameen Bank preferring anonymity expressed her opinion with regard to the relationship with the field officer in this way:

“They [NGOs] have not come here to benefit us. Rather they are here for their own interests. We need money for our survival. They need profit. Are they our well-wishers that will do the good for us? In the past we borrowed money with interest from local usurers, now we take from NGOs. We have not found an iota of geniality in their actions for us. They force us for repayment. They can even point a knife at our necks when demanding money back from us. How can we trust them? Our situation is like facing a crocodile in the water and a tiger on the bank.”

The statement given by the respondents is telling evidence of the frail base of trust between the clients and the NGO field workers because they have failed to build reciprocal relations of trust amongst the poor women through the fashionable developmental tool of microcredit. Moreover, poor women are skeptical about the motives of microcredit field managers. They could not develop trusting relationships with the clients due to their over-emphasis on repayment, and thus have lost the trust of women in poorer social categories. The stringent

conditions for paying the loan back within the scheduled period has weakened the relationships with the NGO field officers, which casts doubt about the potential of social capital to solve collective-action problems. I talked to NGO field staff in order to solicit their perspectives. One of Grameen Bank's field officers said very frankly, "What is done behind our gaze is not a concern. Different people have different mindsets, attitudes, and etiquette. The poor people need money, and we simply provide it to meet their needs." Microcredit programs have brought poor women into the field of mutual social relationships, on the one hand, enabling them to lay the foundation of trust at the beginning, while on the other hand, it has also created mistrust, doubt, and conflict. As a result, the stated commitment of microcredit programs to swelling poor women's social capital in joint-liability credit loans in an inclusive process remains a contentious issue. Poor women's participation in microcredit programs is expected to reap the highest benefits for the development of society only under certain conditions that ensure an enabling environment for both NGOs and clients in terms of mutual understanding, and the reciprocity of trust for achieving the collective wellbeing of these targeted community.

## **5.6. Social Capital and Existing Relationships**

Bangladesh is a traditional society that emphasizes strong kin-relations with members of the same community (Cain, 1991; Ellickson, 1988). Reciprocity is a part of human interactions, while cooperation is ubiquitous in social life (Anthony, 2005). The norms of generalized reciprocity is a highly productive component of social capital, which can more efficiently be used to resolve problems of collective-action, and kinship ties in this connection have a special role to play (Putnum, 1993). The female respondents I interviewed confirmed that people in the neighborhood are familiar with each other, and maintain everyday interactions with them. The study villages traditionally observe close social ties and kinship relations, which typify the general picture of social relations in rural society in Bangladesh. In this social setting, everybody knows each other living next door and in the broader community. Only in some exceptional cases does one find strangers living within the village community.

Almost all women knew each other before joining the microcredit programs because many of them had been introduced to the programs after being recommended by their kin. Some of the clients were sisters-in-law, mothers-in-law, aunts, or daughters-in-law who live in or around the neighborhood. Only an insignificant number of respondent women said that they were not familiar with the other group members before joining the microcredit programs. Some of them have come to these villages as brides, but they are few in number. In rural society a newly married bride is not expected to visit the neighborhood without permission from her husband

or senior members of the family. Doing so is frowned upon by other members of the community too. When the bride becomes a mother of children she can go out and visit neighbors beyond the next doors. Informal social relations among the rural poor women prevail, and after joining the credit programs of Grameen Bank and BRAC their relationships have turned into regular and formal interactions, reinforcing the give-and-take nature of their relations to a great extent. There have been relationships and acquaintances between the women in the villages long before their participation in microcredit programs, but after joining the group-lending system they have been able to meet and mix with new people in the villages. One of my respondents named Tanjina of Grameen Bank shared:

“After my marriage, I came to my husband’s home here in this village. I did not know many people but only a few living next-door to me. Now I know many people [women] due to my involvement in credit programs. I have to go to the center and the center chief that I did not know before. Moreover, we have to join the group. We maintain communications with the group members for repayment.”

Most of the women are already familiar with one another in the community, with only a handful remaining unacquainted. The main reason for this is that young ladies in rural areas do not usually visit places in the community without a specific purpose. However, rural communities already have a culture of cooperation and tend to help other people in the community where necessary. In rural Bangladesh, borrowing from others is not unusual. Many of the transactions are made within kinship groups and family members, while some of them are patron-client relationships (Dowla, 2006). Poor social and economic conditions of the people force them to be dependent upon others for a variety of material and nonmaterial needs. Rural social structure fosters informal relationships amongst the community members. NGOs in this connection very finely and artfully happened to reinforce and utilize these existing social relations through microcredit programs, which bound all borrowing women in regular social and economic relations. Lazar (2004) argues that they [NGOs] “rely upon women’s existing networks of family and friends, and associated cultural understandings and obligations, in order to ensure loan repayment” (p.10). What were once occasional and informal relations have now become regular and formal relations in an organizational and structural manner. It is worthwhile to mention that poor women usually do not have any scope to be in a formal organizational structure where sustained economic exchange is maintained. Microcredit programs provide the space for these women to have a platform where they have to make a scheduled visit in a regular process, opening up a new world of social and economic relations. Although these new

dimensions of social and economic relations have been created, there has been the reverse effect for relations between poor women after entering the new arena of interactions. This is credit that causes conflicts among the clients at one point whereas in the opposite case builds the base of cooperation. The conflict and cooperation centering on the borrowing and paying the loan money back has been the unfortunate reality of the poor credit-borrowing women within the dynamics of social interactions and new spectrum of relationships. The next part of the analysis follows the processes of how microcredit programs have developed new dimensions of social relationships juxtaposing the conflicts of interests and norms of cooperation, and how that contributes to reinforcing the existing social capital that poor women generate amongst themselves.

### **5.7. Juxtaposing Conflicts and Cooperation**

Microcredit programs have produced norms of cooperation among the poor credit borrowing women in rural Bangladesh through the group lending processes, which has been a much claimed issue in the field of contemporary development studies. In this context the main point of investigation was whether microcredit programs have produced cooperative norms and unity among the poor women. It is found in the study areas that Grameen Bank and BRAC offer microcredit to poor women by constructing self-selected groups that provide women with opportunity to help each other out in times of need, mainly in the forms of financial cooperation. As a process every member of the group is liable to bear the responsibilities of other members in the case of urgent necessity, which is the practiced norms of the groups to be followed by clients. In this connection “group members cooperate due to pressure within the group” (Paldam, 2000). When any one member of the group cannot pay the installments other members of the group are compelled to help the defaulting client on condition that she repays the same amount for other members on the next repayment day. The center-chief has to pay door-to-door visits to the clients before the day of repayment to remind them about keeping the installment amount ready. They primarily try to borrow money from other informal sources like relatives and neighbors. If they are unable to collect sufficient money for repayment, the fellow clients have to repay the installment for the defaulter, which is a process of group liability. This way the processes of intercommunication and reciprocal relationships with female credit clients has produced a sense of cooperation and camaraderie among the poor women – although as mentioned before these mutual interpersonal relationships among the rural poor is nothing new– the existing system of relationships have reached a further point of development which gives women an added impetus to deepen and expand the scale of social



cooperation. I asked a number of questions to my respondents in order to obtain their opinions with regard to the group lending. I asked them these questions during in-depth interview: Do you have any problems borrowing loans in a group? What do you do if someone in the group fails to repay the installment in time? Do you have any problems with the defaulting group members? Different opinions came from the respondents mainly related to the group lending processes. One of the respondents of Grameen Bank named Mayarun Begum (age 35) was interviewed on June 17, 2015. She explains about group lending in the following way:

“We are members of the same community and know each other. It is very natural that our neighbors will come forward to assist if we get into trouble. Lending in a group has its merits and demerits. If any one of the group members cannot pay the installment, we help her out. But most often it happens that we have no additional money at hand, how can we help others? In this case there is conflict amongst the group members, which center upon the repayment. Despite that we are all stand with one another in sorrow and happiness.”

Poor women involved in microcredit programs most often brawl with other members due to issues of loan repayments. It has already been mentioned in the foregoing section that the microcredit programs of Grameen Bank and BRAC constitute the self-selected group before offering them loans, thereby shifting the onus and responsibility of the NGO-workers onto poor credit clients. When women take on this group liability there often develop other aspects of problems related to making timely repayment. Poor households do not all have the same economic status as there is often a lack of income earning persons. Consequently, the timely repayment of loans is typically difficult for many of them, which sometimes escalates into chaos and conflicts among the members, eroding social relationships. A majority of the respondent women have reported that the only locus of conflict is the inability of some group members to repay the installment of loan in time. They also argued that if the group members are weak in terms of financial capability other members of the same group usually do not trust that member. Sometimes the rest of the group members hurl vulgar language at the defaulting member, further compromising the hard-won interpersonal relationships and loosening up the social bonds instead of strengthening and deepening them. One of the respondents named Ful Banu (age 40) of BRAC explains the problem:

“We have problems regarding group lending. Everybody is not equal. Some women cannot pay the installments on time. Then we end up managing money for them. It becomes an additional burden for us. Sometimes we are not even able to cough-up

money for our own installments. How can we bear the burden of others? If you have the financial ability you can pay for others, but the center-chief pressures us to pay the loans for others, including our own. We exchange hot altercations and sometimes quarrels with the defaulting group members. We tell them four women have been punished for one woman. If one cannot make her payment on time, others may encounter problems in borrowing loan. Why should we be deprived of borrowing loans because of others?”

These are the authentic feelings and expressions of poor rural women who have experienced this situation through prolonged involvement in microcredit programs of Grameen Bank and BRAC. Intra-group conflict has been a regular occurrence amongst clients of microcredit programs. It is reported by the clients that women are not equal in terms of their financial capability, which has put them in a vulnerable position in the group vis-à-vis repayment. One does not want to bear the responsibility for paying the installments on behalf of defaulters. As a result, the conflict has been a continuous phenomenon amongst the poor clients, adding a new dimension to their social reality. One of the members of BRAC named Khatun (age 50) has shares her experiences on borrowing loans in a group as:

“Embroiding ourselves in quarrels is a regular occurrence. Our relationships have become embittered, Sir. Say, the day before the repayment date, one leaves somewhere else keeping the house under lock and key. Then we pay the installment for her by splitting the cost with one another. Sometimes when we fail to collect money for the repayment, someone ends up leaving the village. Such incidences have happened many times. We stop talking to those clients for a long time. We sometimes say we do not even want to see their faces. If you have shame, go away from here. Sometimes we feel bad after hurling harsh words at them.”

This is not an isolated case in the context of my study areas. There is a wide range of similar issues where poor women end up undergoing a critical episode of their lives. I asked a question to my respondents to garner their opinions about the advantages and disadvantages of group lending and their subsequent impact on their lives. Many of the female clients opined that borrowing loans in a group is not good given the fact that some clients deliberately leave the repayment risk to the other members of the group. They know that group members are responsible for paying on behalf of the defaulting members, which causes further problems in the group. One of the respondents of BRAC named Amirun (60) mentioned that “some members in the group take advantage of the collective liability of the group. They do not even

try to manage the installment; simply pretending instead that they are not able to repay. This is very bad. Other good clients have to suffer for this.” She further shared her experiences about how group lending causes conflicts and erodes social relationships:

“Our relationships with many people [women] have turned bad due to credit. I strongly recommended a woman named Piara for joining the microcredit programs. But she left home on the day of repayment. She went to another village, which is around three kilometers away from here. Then I went there on foot to collect money. I even went to fetch money from her parents’ home for installments!”

This is the social reality of poor women borrowing loans from both Grameen Bank and BRAC. Conflict and cooperation is a general social process experienced by every member in the society, but microcredit has paved the way for its regular occurrence. While cooperation is generally understood as a positive phenomenon for other members of the lending groups, conflict is an underlying process that grows out of it. This way microcredit programs have given rise to conflicts, and at the same time have produced cooperative norms among the poor credit clients, meaning that every system has some drawbacks residing in the system itself. NGOs through microcredit programs have brought a considerable number of poor women in a forum of interest under the banner of development through the self-selected group mechanism, which has opened up new dimensions in the arena of social interactions and mutual relationships. Microcredit programs, on the one hand, have helped intensify the social relationships amongst credit borrowing women, while on the other hand, have greased the wheel of the system to erode the social relationships of the program beneficiaries. In this context, how microcredit programs contribute to fostering the base of a just society free of discrimination and inequality by creating, reinforcing and utilizing poor women’s social capital calls for deeper analysis.

## **5.8. Social Capital and Reinforcement of Inequality: Does Microcredit Contribute?**

The main philosophy of NGO-promoted microcredit programs is to alleviate poverty of poor women in order to achieve sustainable and equitable social development. Women’s involvement in the income-generation projects of microcredit offers promises to cultivate social and gender equality by way of bridging the widening gap between rich and poor, and reducing male and female disparity in terms of their access to important social and life-sustaining amenities. Against this backdrop, the objective of this section is to offer an analysis as to whether microcredit programs have the potential to reduce the social and gender

disparities through the rational operation and management of credit. I question whether microcredit programs can achieve this goal by overemphasizing the recovery of loans and identifying clients on the basis of their higher socioeconomic status (meaning they are typically able to pay back the loan in regular installments within one year). The respondent women as well as NGO workers have informed me that they visit the loan-seeker's house before the loans are approved for disbursement. They estimate the price of the available property in the poor woman's possession, because they consider the existing asset base as a guarantee and safeguard for the recovery of loans in the event that the clients end up defaulting. Even the type of house the poor women belong to is taken into consideration before loans are offered. Loans are only offered after thorough scrutiny. Every program participant has to undergo a double screening test before borrowing loans – one is by the field workers of NGOs and the other by the center-chief of the respective center. Assessments of this kind are intended for identifying the most reliable clients for microcredit so that the recovery of loans is hassle free, and so that NGOs do not suffer any losses in order to make the programs successful.

It is found in the study areas that Grameen Bank and BRAC's microcredit programs tend to be biased in their selection of clients, which ultimately excludes the poorest women from the programs. The primary selection process of the clients indicates that NGOs have a specific preference for those who have regular income and capable wage-earning person in the family when offering loans. At the same time, the center-chief also typically recommends women who have a more favorable financial standing compared to others, which further contributes to inclusion and exclusion errors. One of the clients of BRAC named Khatun (50) who was one of my respondents told me:

“They [NGOs] verify the existing family conditions, such as houses, number of children, and the number of income-earning persons before offering loans. They give loans if the family condition is good. They do not offer loans to those who have no saleable assets in house, such as a television. They say that there is nothing in your house to sell. So you will not be provided a loan.”

It has also been found in the program villages that the main motivation of NGOs is to expand the programs in the broader areas with the maximum repayment rate so that the programs become successful and sustainable. In this case NGO workers keep in mind the eligibility criteria for the selection of clients so that the regular return of repayments is ensured on time. According to the description of many female clients, all women are not given equal opportunity in accessing credit, and equal amounts of loans is not offered to them. I asked respondent

women whether NGOs give equal importance and opportunity to every client when they request for a loan. In a reply one of the respondents named Khatibunnesa (age 45) of Grameen Bank has said:

“When offering loans NGOs take measures on the basis of the current condition of the clients. Those who have good financial conditions are given more money. And those whose economic condition is not as good are given less amounts of money. Sometimes NGO-bosses take a long time to provide loans. They do it intentionally so as to vet the eligibility of the clients. Even if they offer loans, it is a very small amount. We cannot meet our needs with this small amount. It is used up for meeting immediate needs. Those who have good income, assets and earning members in the family are given relatively large amount of loan. They can use the money for business and other income-generating activities. They [NGOs] are just adding oil to the oily head [NGOs prefer offering credit to those who are already better off].”

The experiences and ground reality of the credit-borrowing women indicate that the process of providing loans to them operates in contradiction to the moral philosophy of the microcredit programs, which explicitly aims to promote sustainable development for poor women. As a result, the pro-poor policy of social development by NGO interventions through microcredit programs is called in question. Moreover, the center-chiefs also play a rather dubious role, as they tend to recommend the more financial stable amongst the poor women for loan-disbursement rather than the poorest women, which exacerbates social cleavages instead of minimizing and bridging them. I also found an exceptional case in Chatal village where Grameen operates its program: Grameen offered loans to some women<sup>38</sup> who were not clients of microcredit programs for the reason—those women already possess a good asset base and substantial monthly income. They were employed in a government-run primary school in that village, but despite not being inhabitants of that village, they were still offered loans. It is not relevant to mention here why those women borrowed loans from NGOs in spite of them having better economic conditions. I asked: why do NGOs still offer loans even though you are not the target group of the programs? One of them preferring anonymity explained:

“We are doing a job here in the school of this village. We have the financial ability to pay back loans. NGOs know it well. They do not have any problems recovering loans

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<sup>38</sup> Those women live in the city and come to school in the village daily. As they work as teachers in the government primary school, they cannot leave without paying up the loan. They also have to pay the installments in order to maintain their honor and prestige.

from us. Our installments are kept ready well before the repayment deadline. They do not have to come to us for money. We do not have to go to the center either. The center-chief comes and takes our book with the installments on the repayment date.”

This is the practical scenario of the program village. Making and breaking rules by the organization lies in the structure of the programs in order that the fiscal interest is properly served. This might be an exceptional case, but it reflects the hidden motive of the programs. Not only do NGOs consider their own interests, the center-chiefs also prioritize their convenience for loan-recovery. Therefore, they are more willing to forward the recommendations of clients who possess the financial ability to make timely repayments. The recommendations of the center-chief in this connection is very important for receiving loans from NGOs, as these are expedited for approval and disbursement. It has been reported by significant numbers of women both from the middle- and lower- economic statuses that the center-chief supports and forwards recommendations in favor of the clients who have regular repayment capacity, advocating to the NGOs on behalf of them to receive substantial amounts of loans, while only small amounts of loan are recommended for relatively poor clients. One of the group leaders named Achia (age 30) of BRAC told me of the following:

“If we have faith that one is able to pay back the loans, we make our recommendations on behalf of her. If we can feel that she does not have the capability to repay the loan, we ask NGO bosses to make a decision as to what they consider good. We do not reject them directly.”

NGOs offer small amounts of loans to poorer women instead of comparatively big amounts at the beginning, which functions as a sort of test by NGO-workers to justify whether they can repay the loan on time and continue the installments regularly. While a certain amount of money is provided to relatively wealthier women with much interest, it may fail to reduce the level of social inequality amongst the poorer classes, and rather has reinforced class-differences instead. Therefore, the promise of building social capital through the operation and management of microcredit programs for the development of the poor women in rural Bangladesh – particularly in my study areas – have fallen short of expectations on account of the program structure and design, which fails to incorporate the neediest women into such programs. At the same time, it is true that microcredit has been a proper channel for the entry of the poor women into the domain of the market, and has made them consumers of the market economy by easing their access to credit. However, in the design and structure of microcredit programs there remains the kernels of social and gender inequality. Although the overt

intention of microcredit programs is not to reinforce existing inequality, the structure, design and commercial nature of the programs results in microcredit programs cultivating social inequality in itself. Most importantly, the criterion for suitability is based on the capability of the poor women to repay their loan-installments rather than on the basis of the level of vulnerability (or necessity), which is also considered to be another factor that reinforces the prevailing social disparity. While social capital as a neoliberal development intervention tool constructed through microcredit programs has been a good strategy for the recovery of loans from poor clients, it ignores the most important aspects of equitable social development by integrating all poor women. The process of providing and recovering loans from poor clients has, however, facilitated the process of producing social class differences. Instead of targeting the most vulnerable, NGOs seem to prefer selecting relatively well-off clients among the poor in order to ensure the financial viability of microcredit programs. Moreover, the microcredit programs of Grameen Bank and BRAC do not challenge the existing social disparity for they focus their attention on the economic pay-off of the programs, which inexorably amplifies the divide between the gendered social classes. If the existing pattern of disbursement and repayment system continues without any necessary modifications, positive developmental outcomes for poor women would be difficult to achieve.

The findings of the study suggest that microcredit programs reinforce and utilize the existing forms of social capital for the purposes of the management and operation of the programs, whereby the potential risk of the clients' moral hazards, as well as the transactions costs involved are mitigated through the self-selection process engaged by the poor women themselves. There remain inclusion and exclusion errors in the organizational structure of the programs due to NGO preferences, which choose relatively "safe" clients defined in terms of the number of regular income-earning persons in the family and their existing asset base. Moreover, the group liability method escalates conflicts among the clients; and while cooperation in the form of helping defaulters repay their debts has to some extent been engendered, it is not a spontaneous outcome. This means that NGOs instruct group members to foot the installment on behalf of the defaulting members, as the whole group is liable for the repayment. Furthermore, the existing forms of inequality have not been challenged and instead appears to have been reinforced along class and gender line. Besides, among group members there prevails a form of envy, hostility, and misunderstanding that centers upon the repayment of loans. Therefore, microcredit often serves as a mechanism to produce and reproduce conflicts and inequality (Geleta, 2014).

### **Disciplinary Technologies and Maximization of Recovery in Microcredit Programs**

Microcredit programs have gained huge prominence and attention for the high recovery rate and sustainability of the programs for banking on the poor; particularly poor women. Microcredit NGOs consider women as convenient subjects for the viability and sustainability of the programs given their greater propensity to pay back loans (Rankin, 2001; Havers, 1996). While the poor are not bankable and hence are denied to have access to credit services, microcredit programs have proved to be successful initiative. Since conventional banking systems do not offer credit to the poor given their lack of financial and physical collateral, microcredit programs have successfully incorporated those clients into the market while boasting an impressive recovery rate. Against this backdrop, the principal focus of this chapter is to offer an analysis as to how microcredit programs have been able to ensure maximum recovery from the poor clients in my study areas. Moreover, I seek to investigate how microcredit programs regulate clients in order to check their moral hazard, how poor credit clients are kept under continuous surveillance in a subtle and self-regulated way, and whether sanctions have been imposed on defaulting clients.

#### **6.1. Coercion and Discipline in Microcredit Programs**

The disciplinary technology of power is one of the major aspects of Foucault's intellectual contributions. Discipline is the technique and practice of correcting both individuals and populations (Dreyfus and Rabinow, 1983). This technology of power emerged in the eighteenth century and rapidly developed in the nineteenth century as a practice in different institutions. It is not simply confined to the prison setting; many aspects of disciplinary techniques are established practice in monasteries, armies and workshops. Subsequently, such disciplinary techniques morphed into general formulas of domination (Foucault, 1977a). Discipline is a type of power comprising a whole set of instruments, techniques, procedures, levels of application and targets (Foucault, 1977a) aimed at improving the operational efficiency and profitability of the apparatus of production in a particular institutional setting (Smart, 1995). What operational efficiency do microcredit programs possess for achieving the highest possible return from the target groups, and how do they enforce organizational discipline? How do microcredit programs compel poor women to comply with the NGO-discipline for paying up



installments in a given timeframe? How do field managers of microcredit programs deal with the clients? All these questions are addressed in this section of the dissertation against the backdrop of the disciplinary technology of power.

Information gleaned from the NGO workers suggests that the field assistants of microcredit programs who deal directly with poor women face serious pressures from their respective offices to ensure the highest recovery rate, which in this case obliges them to coerce poor borrowers into paying back money within the given time in order to safeguard their occupational position. They ultimately put severe pressure on the clients since they are accountable to their organizational superiors. This is a chain process that affects not only the credit clients but also the field-level employees of the microcredit institutions. As I have observed the loan-recovery meetings of both Grameen Bank and BRAC, it has offered me the opportunity to have some practical knowledge and understanding about how the loan-recovery system works in the program villages. This opportunity has paved the way for me to experience the situation in one of the centers of Kazirgaon where one field worker of BRAC was present collecting installments from the clients. Several groups of women were also there, and some of them were trying to explain to him their reasons for being unable to make repayment that day. They were hoping make the repayment on the next reimbursement day. As an observer, I noted down what the field manager said:

“I will not listen to any of your words. I only know you have to pay money today. But I do not want to know how you will manage it. This is not my concern. I cannot lose my job for you. I have not been given the job for helping you here. When you take out a loan you feel better, now you have come to bargain with me. If I lose my job, will you feed me? I am here. Go and find money from wherever you can. I will not go without receiving the money. I will be here all night if need be.”

The statement of the BRAC field manager reveals that taking money from the poor women on a scheduled payment date is the main motto of the programs regardless of whether the clients are able to pay on that day, thereby binding poor women into the NGO disciplinary system. This NGO discipline forces all borrowers to comply with a strict timeframe for borrowing and returning loans under the terms and conditions of the program, with transgression of the rules of the programs leading to the exclusion from future participation. I wanted to substantiate my field notes with the opinion of NGOs workers. I subsequently had an informal talk with another field officer from BRAC. I asked him several questions regarding how he ensures the timely repayment of loan from poor clients. What is his level of accountability to the senior

management with regard to the recovery of loan within the stipulated time? Do they face any official obligations for the recovery of loans, and how do they handle them? He said in his reply to those questions:

“We are instructed by the office boss to ensure the timely recovery of loans at any cost. If we fail to fulfill the target, we are accountable to the senior managers. We are always in fear that we are going to lose our job if we fail to recover the loans on time. In this situation there is nothing we can do but force clients to pay up the installment. We do not leave the clients’ home until we receive the money. We pursue [adhere to] the clients until the money is paid. We even go to them up to five times!”

It is found in the microcredit programs of my study villages that the disciplinary norms of the programs are strictly applied to the clients by imposing strategies of social collateral through group lending in which women have been inculcated with the sense of responsibility for aiding other members of the group. This way microcredit programs secure repayment of loans at the expense of joint liability. It has already been discussed in the social capital section how microcredit programs operate by forming self-selected groups to minimize the risk of defaults, which thereby ensures the economic pay off and sustainability of the programs.

I asked my respondents about how they maintain timely repayment, and whether they have any problems complying with the rigid weekly installment. Besides this, I also wanted to know what strategies the microcredit programs of Grameen Bank and BRAC adopt for the timely collection of loans, and how they encounter them if they do not have the scope to manage the repayment amount. The experiences of the clients are far more critical as they are the main beneficiaries of the programs and the bearers of risk and responsibilities. Their responses indicate how the borrowers are forced to comply with the NGO norms of discipline, even if it comes at the cost of intra-group conflict and psychological stress due to repayment pressures. How women experience conflict and (yet) continue participating in the programs abiding by the stringent rules of the programs has come out in the story of one of the Grameen Bank members named Achiya Khatun (age 45). She expressed her opinion in this way:

“That day was Wednesday. It was the day for making repayment. But I could not manage the money for installments in spite of my efforts to save for it earlier. I could not even manage to borrow from other sources. That is why I thought of going to the NGO office beforehand in the hopes of making the office boss understand. But I could not make him agree in any way. Rather he said, “If you cannot pay the money, I will tie you in the Bank.” I lost the ground from under my feet after hearing this and

immediately left the NGO office. I went back home. Then I took out money from a money-lender in the village on interest. I have paid back money going to the office. Since then I started feeling dizzy. The words of that officer still continue beating into my ears. I became senseless after coming back home. Saliva was foaming out of my mouth. Then I was taken to Osmany Hospital [government hospital in the nearby city] for admission and kept there for four days for treatment. Since then, high blood pressure has been detected.”

This is just one of the lived-experience of credit borrowing women who have faced the severe stipulations of NGO microcredit programs with regard to loan repayments. This is not an isolated case. When women borrow loans, they have to undergo certain kinds of test to prove their eligibility for the program. Some of the criteria include having at least one regular income-generating source in the family. Aside from this, the existing properties of the clients are carefully evaluated by the program field workers such as household items and other valuables that they may consider as a form of security for the loan. This is one kind of invisible self-regulated technologies that control credit clients in terms of their financial possessions and retain them in the programs. The NGO interventions of microcredit programs has proved to be a shrewd way of accessing the poor sections of society by incorporating the program participants into a disciplinary surveillance process; thereby transforming them into docile or submissive entities amenable for the smooth and sustainable propagation of the programs, which is ultimately aimed at maximizing the financial interests of the NGOs. This process of program discipline has made the poor credit borrowing women in rural Bangladesh a submissive social object, and has eroded their spirit instead of encouraging them to live with dignity in society. This is because the norms produced by the program have been detrimental to the women’s self-esteem and self-confidence. Moreover, NGOs seek the assistance from local elites in taking back loans from the defaulting clients. Through this, they employ social pressure to ensure the timely recovery of installments.

Grameen Bank’s field manager shared his experiences about the dealing of microcredit and loan-recovery in the following way: *“We impose serious pressure on the clients from our institution and try to recover the loan in a good manner. If our attempts fail, we seek cooperation from influential local people. We discuss the issue and try to convince them.”* Why NGOs seek cooperation from local influential people is an important point to be noted down for understanding the disciplinary process. Often, they arrange meetings with local leaders and neighborhood representatives to settle issues of loans. NGOs usually do not directly interfere

in the affairs of loan collection, especially from defaulting clients<sup>39</sup> because this responsibility lies with the local center chief and/or the group leader who assists the program workers. Powerful local elites also help collect loan repayments from the defaulting clients if need be. They seize whatever materials the poor women have in their possessions; these include household items, cooking utensils, furniture, cows, goats, and even tin rooftops. Local people consider the honor of the neighborhood at stake when there are defaulters unable to repay the loan, which is tantamount to the denigration of their village's image and status. So they arbitrate the conflict between women and NGO officials, often scolding the client women or hurling invective at them. One of the respondents of BRAC in Kazirgaon (age 39) named Shiri Begum shared with me her unpleasant experiences:

“There is nothing to say as forgiveness to NGO officers. We have to pay back loan. If there is no money, they go for our household items. They will take those items away in place of money for loans. The wife of the man next-door died because of the tension created over loan-repayments.”

In the practice of financial transactions no flexibility or leniency is given to the clients to ensure the sustainability of the microcredit programs. From the clients' point of view it can be argued that the rigidity of the program requirements in connection with loan-recovery has hindered their ability to realize the actual benefits of microcredit. Too much regulatory discipline is not beneficial for the poor; particularly for the very poor. Instead, it has brought negative effects for the clients. It can be argued that the incorporation of rural subjects into developmental discipline through the instrument of microcredit has led to the exclusion of the poorest of the poor women from the programs. Microcredit NGOs like Grameen Bank and BRAC are found to have prioritized the economic aspects of the programs when offering loans in order to secure highest margin of profit from their investment by looking at the financial security of the borrowers. Therefore, the loan delivery system has primarily focused on the existing asset base of the clients as a safeguard for loan-recovery.

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<sup>39</sup> NGOs place clients in two categories (such as 'good' or 'bad') on the basis of their repayment performances. There are some clients who have repeatedly failed to repay loans. In this case the NGOs remove those clients from the program. They do not drop the clients by remitting the loan still due to pay. In this situation they take every possible action to recover the loan from the poor clients, and oftentimes there are some clients' husbands who cause conflicts with the NGO workers. Seeking help from the local elites is a last ditch attempt made by the NGO officials. In the rural society of Bangladesh, people value the status of their own community. Any kind of activities by the local people that may tarnish image of that community is not welcome. NGOs therefore sometimes exploit traditional sentiments that value the code of honor. It is also reported that NGOs treat local influential people particularly well, sometimes even co-opting them into working for NGOs by offering attractive payments.

## 6.2. Security Deposit and Disciplinary Power

It is learnt from the respondents that before offering loans to poor women, NGO workers of Grameen Bank and BRAC advise the poor women to deposit money in the respective NGOs by opening an account<sup>40</sup> in the NGO office which, according to BRAC officials, constitutes around 10% of the loan. Opening an account for borrowing loans is a mandatory condition for all new and old clients of Grameen Bank and BRAC. Almost all respondents have said that they have to deposit at least **double** the amount of each installment before getting loans from NGOs. This is just a general prerequisite for the microcredit programs that is strictly maintained by the program organizers. Moreover, the household assets in the form of homestead land, amount of gold<sup>41</sup>, and number of income-earning person in the family (if any) is seriously considered before disbursing the loan. When I talked to my respondents, they have said that these things are a form of collateral in order to be eligible for a loan, even though microcredit programs claim to operate independent of the need for collateral from poor clients. I also asked NGO workers to verify the opinions of the credit clients. They have said that security for the recovery of loans is a program concern, and therefore, a minimum amount of properties in the possession of the clients is considered necessary. This sort of practices in microcredit programs is indicative of the security measures taken by microcredit NGOs to curb the moral hazard of program participants, which ensures its successful propagation and expansion into new areas. When I again asked my respondents why these things are considered essential for the disbursement of credit to the poor women, all of them have said that these assets guarantee the return of loans in case of their failure to repay them. One respondent named Achia Khatun (age 45) of Grameen Bank spoke of her experiences:

“We have to pay the installment in time. We bring money from one person and then give it to another person. Is there any way for not repaying the loan? We have to repay the installment by selling land, gold and even blood. Nobody is spared. No mercy! No kindness or love! They [NGO workers] are so cruel.”

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<sup>40</sup> All clients of microcredit programs are advised to open an account with the NGOs before borrowing loans in order to deposit some money as collateral. This happens in spite of the fact that NGO microcredit loans have been glorified for allegedly being collateral-free. In my study villages at least, this myth has been exposed.

<sup>41</sup> Gold is a precious metal that all classes of women cannot possess. Although in Bangladesh every married women has at least a minimum amount of gold in the form of rings, earrings or other jewelry. NGOs primarily try to ascertain whether poor women have gold or other valuables in their possession so as to ensure the financial status or security of the clients. It does not necessarily mean that all women must have gold in their possession. This is just one of the assets that NGOs take into consideration before offering loans to poor women.

Moreover, it has been reported by a significant number of the respondents that program workers in many cases go to a credit-client's home to assess the existing assets and valuables they possess if they have repeatedly defaulted on their loan-repayments. The household items and other valuable assets in the possession of poor women are considered by the NGOs the last resort to recovering loans from them. It is also been learnt that Grameen Bank and BRAC do not offer loans to poor women without estimating the value of existing properties and other items worth selling for making up the loan. The actual seizure of properties from the defaulters is done in a very subtle way, which keeps the program managers in a safe side and seemingly beyond reproach. With the exception of a few who belong to upper-income bracket, almost every woman in my study areas have said that influential local members are involved with NGO workers in sequestering the properties from the households of poor women as a substitute for repayment. A considerable number of respondents reported that the NGOs have an interest in seeking the cooperation of people with significant clout in the villages, and therefore offer them special treatment and personalized care in their offices. Some of the women (about 31%) also alleged that NGOs offer monetary benefits to local touts who end up working favorably with NGO officials. Whenever NGO workers fail to obtain the loan-repayments from the clients, they look for a better solution to reduce the financial deficit by petitioning influential people within the community to assist with the loan-recovery. This process functions as a disciplinary mechanism that binds poor women into the structure and stricture of regular financial repayment. It has also been informed by some of the clients (around 24%) that women who are more financially secure do not typically disclose NGO secrets; such as for example the hegemonic role of NGOs in recovering loans from the poor clients for the fact that they are given unfairly large loans compared to the poorer women. Women<sup>42</sup> who receive these big loan with relaxed repayment conditions are reported to support the initiatives and programs of the NGOs. While talking to poor women, I found that they had negative views about microcredit because of the rigidity of the programs. One of the clients of BRAC named Amirun has said:

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<sup>42</sup> There are some women among the poor section who are the clients of microcredit having higher income than other poor women. For example, there are some women who have a husband and working children, which ensure that the income of these households is regular. As a result, the repayment performance of these clients is better than any other income group from the middle or lower income brackets. There is also evidence that some women's family members live abroad, and they borrowed loans from NGOs to repair their houses. In this case the repayment of the clients is regular and recovery of loans does not face any difficulties.

“If *Azrail*<sup>43</sup> [the angel of death] is to come, he will stop coming as he can see the NGO workers [installment collectors]. Even *Azrail* fears the microcredit workers. They are more powerful than *Azrail*. *Azrail* may be kind too but not the NGO workers.”

The experience of the poor women with microcredit shows their resentment with the rigid repayment conditions of the programs, which forces clients to adhere to the disciplinary norms of the NGOs. NGOs have bound women under certain rules and regulations through the management of credit, and in that way women have been more amenable to discipline. From a strategic point of view this disciplinary operation can easily be conducted on the women by systematically integrating them into the financial and economic networks of microcredit organizations, which ensures the development of discipline on a long-term basis (Brigg, 2001).

### **6.3. The Sunset Law: A Summary of the Opinions**

One day at around 10 a.m., I entered the village to interview some respondents I had previously selected. I went to a borrower's home where I met her husband. He was sitting on a wooden cot inside his house. He was a mason in profession. That day he was off work. At one stage I approached his wife named Sufia (age 39), who was my respondent, to have a talk with me. Before I managed to talk to his wife, the man very enthusiastically began to talk about microcredit:

“Microcredit programs have introduced the British Sun Set Law again, though the British rulers left the region long ago. Once when there was British rule in the then Indian Sub-continent, the British rulers introduced the Sun Set Law for collecting revenues from the subjects. They set conditions that the subjects had to pay their dues before the sunset. NGOs nowadays have introduced the same system in the rural areas again in the same vein, but under a different name. By visiting the poor women's houses they encourage them to borrow loan. When the number of credit borrowing members increases, they change the attitude and make a complete *volte-face*. Sir, you do not know the character of NGOs. They will do anything to back money from the poor clients.”

This is simply the summary of a candid opinion of a man whose wife is a microcredit client of Grameen Bank in Chatal village. When Grameen Bank workers come to a new house to garner participants they highlight a lot of positive aspects underlining the benefits of microcredit that

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<sup>43</sup> The angel of death takes life away from human beings and is greatly feared. NGOs workers are compared with the angel of death given how they put serious pressure on clients for repayments, in which case the poor clients face existential hardships when they cannot manage the amount of installment to repay the loan.

sounds very enticing. However, once they get involved in the programs they start to realize what benefits are accrued to them in this economic venture. Everybody has to make the repayment within the scheduled time. Nobody is spared from these inflexible rules<sup>44</sup>. The saving of money for installments is relatively easy for the higher-income groups, while it is difficult for the middle and lower income groups due to the lack of regular income. It is learnt from respondents that the NGO workers do not leave the village without money. About 89% of the respondents said that they remain sitting in the house till evening and well into the night if need be, demanding repayment. In this situation poor women do not have any option but to collect money from other sources<sup>45</sup> in order to appease the field workers of the programs. This way the coercive manner of repayment has been a successful technology for obliging clients to maintain scheduled payments. The experiences of a female credit-client of Grameen Bank named Hena Begum (age 40) is mentionable here:

“We have severe problem paying up the installment. We can die but cannot stop making the repayment. If there is dead body in the house, we still have to pay the loan first, before we can bury the dead body. NGO workers come and sit in the house on the repayment date. They do not leave the house until we pay the loan. We have to pay back the loan at all costs.”

This statement testifies how workers of microcredit programs put serious pressure upon clients. Many borrowers have claimed that their lives are at stake due to pressure to repay NGO-loans. In the rural areas poor people usually lack the capacity to save cash because of the paucity of regular income and extensive financial crises and growing needs of the family. NGOs do not take into consideration cases where women are only given a short span of time to repay the loans, forcing poor women to meet the repayment deadline despite the extra burden that these women carry. I asked my respondents about what NGOs do if they fail to manage the repayment in time. One of the respondents of BRAC named Mina Begun (age 39) describes her experiences in the following way:

“NGO workers do not go until we pay up the money. They do not go despite night appearing. I have a heartrending story of my life. That was a repayment day when my

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<sup>44</sup> It is observed in the practical field of investigation that the poorest of the poor are always in economic hardship whereas those who are relatively good in terms of income status can repay the loan without sustaining stress and difficulties.

<sup>45</sup> If the clients fail to collect money to pay the installments, they go to relatives and neighbors to borrow money. Sometimes they borrow from other NGOs because repayment on some occasions is made by cross borrowing. They also borrow money from local money-lenders to meet the repayment deadline.



father passed away. Even that day they did not agree to go away without money. My father was about to breathe his last, yet they were sitting in the house. We all were crying but they had still been sitting there. Then my moribund father was whispering to me: 'You would pass your entire life through the sufferings of loan.' You have no time to give water into your father's mouth. My life is passing through sorrow and sufferings indeed!"

There is a common saying in the entire villages of both Kazirgaon and Chatal that NGOs take money back from the borrowers, keeping the dead body on the ground. It means that when someone dies people naturally becomes very sad and other fellow members of the society become very sympathetic towards the members of the deceased family as well. At least for few days members of the neighborhood usually cooperate them and help them out with succors. But even in this sorrowful situation NGO workers have shown no mercy to the borrowers simply because they prioritize official norms that bind clients into a disciplinary system. In this manner, poor women have been set to follow and maintain the conditions of the programs, which ultimately make them docile and subject to particular norms and values nurtured and practiced by microcredit programs. From the practical ground and lived-experiences of poor women involved in microcredit programs, the reality points to how NGOs like Grameen Bank and BRAC give highest precedence on maximizing the financial returns of the programs at all costs. Rumena Begum (age 36) of Grameen Bank said:

"I am very exhausted saving for the installment. I have to think of the installment before everything. What is gained is not necessary to know. This is not the concern of the NGOs either. Their concern is to take back money. Storm blows over my head on Sunday and Monday [before the repayment day]. I go to the center by managing the installment amount at any cost. If I cannot manage the repayment, NGO workers will arrive at my home and keep sitting until the money is paid. We have to pay back money in time, no matter whether we have eaten or not. We get into do or die situation. We cannot escape the repayment even in a particular case. We just have to pay as we all know."

This statement indicates that how poor women have been forced to repay the loans in time even at the expense of their lives. The life of the poor clients has been fixed into a cycle of loan repayment, borrowing from and paying back other people, while at the same time this disciplinary process has fostered cross-borrowing from formal and informal sources rather than reducing the level of dependency on other people for financial assistance. What necessary steps

do NGOs take in the case of failure to collect repayments? Shimul (age 32) of Grameen Bank shared her experiences with me:

“If somebody cannot pay the money, NGO workers come home and take that women away to the NGO office. Once the NGO workers took my mother-in-law from home because she failed to pay the installment. My husband was working. When he came from work, he went to the NGO office to bring her back from there. When the NGOs do something like this, nobody can do anything. Local elders have acquiescence with them. They speak for the NGOs, not for us. They also admonish us by saying: ‘why do you take loans that you cannot pay back? You have tarnished the image of our community.’ We have to pay money at any cost. They [NGO workers] intimidate us with the threat of property seizure. We have to pay money by even selling our household materials. We borrow from other people to make up for the loan-amount.”

Microcredit NGOs do not give any leeway to the clients to pay the loan money back on any other day except the repayment date. They rigidly bind poor clients into a specific time schedule and force them to follow fixed deadlines. In cases of failure to repay loans, they compel women by social and group pressure to pay back the required amount. The threat of legal action and browbeating of the NGO workers has been reported by many women who have been at the receiving end of the hegemonic power of the NGOs and their administrators during loan collection periods.

#### **6.4. ‘Blood Suckers in the Village’**

There is a popular perception amongst people in the villages that NGOs are bloodsuckers. They have entered the village not for the benefit of the poor but for the exploitation of poor people by offering them credit. NGOs have set a trap that poor people have unwittingly been ensnared in due to their poverty. The role of NGO microcredit intervention programs by Grameen Bank and BRAC has been severely questioned by the very beneficiaries of the programs. The lived experiences of the poor credit clients are the critical point of discussion for a more holistic understanding of the situation. A good number of women borrowers, including even male household members, have registered a negative opinion towards the microcredit programs of these two NGOs in regards to their harsh methods of loan-recovery and management. People are very much aggrieved with Grameen Bank and BRAC for their overbearing practices. When I started my first mission for data collection I entered Chatal village where Grameen Bank has been operating microcredit programs for nearly 28 years. I entered the house of one of Grameen

Bank's borrowing client named Piara (age 48), where she offered me a seat. Even before I proceeded to the in-depth interview, she began talking about microcredit:

"I have many bitter experiences about microcredit [*kisti*]. I am an old client of microcredit program of Grameen Bank. I wanted to improve my life by joining the credit program. It has not been possible. It is not a good way to bring about changes in life. It may be good for us only when they [NGOs] consider our problems. They never do it. They [NGO workers] are like leeches that suck our blood. If they do not get money, they never go away. They are like superglue: once stuck, it cannot be removed. By joining the credit program, I have expended all my blood. All of my energies have been depleted due to credit. Everybody is feeling like me. We have no way to get out of this cycle because of our problems."

Both Grameen Bank and BRAC are resented by numerous respondents because of the former's domineering and exploitative practices in the villages. I asked my respondents about why NGOs would offer loan to the poor women without their interests. Every woman has said that at the beginning microcredit programs only present the positive side of their scheme such as good prospects for clients, but after the loan has been offered the gravity of the problems begins to escalate as with the progress of the repayment, which gradually becomes critical. One of the main reasons for the severity of the problems encountered by the clients is the repayment of loan in a certain time frame, which most of the women find difficult to meet. Microcredit NGOs have the major intention to take money back from the clients regardless of whether they can repay the money in time or not. As a result, it has triggered the question as to whether the role and practices of the NGOs by way of microcredit programs are in fact intended for bettering the lives of the poor women in rural Bangladesh. The role of microcredit programs of both the NGOs has been very questionable due to its stringent repayment rules that have bound poor clients into a disciplinary system by capitalizing on their traditions and values.

### **6.5. Women's Shame and Sense of Prestige as a Form of Discipline**

Women in Bangladesh society and culture nurture distinctive traditions and values. In the context of rural society in Bangladesh, women have a different sense of prestige and honor. They also receive differential treatment from the society. As a highly male dominated society women are seen as subordinate entities in the family, and even in the broader society, which produces particular sets of values for women. The subordination of women in this case refers to their inferior position compared to men (Sultana, 2011). While men are allowed to exercise greater agency in his range of choices as a member of the society, women cannot do the same

because of the societal norms and traditions. In this social setting what is convenient for men to do is deemed difficult for women given these cultural and customary traditions of the society. Feldman & McCarthy (1983: 951) point out that the Islamic dictum for women are generally to be “shy and have shame” leads to the norms of showing respect to the elders by keeping quiet and keeping one’s head covered in their presence. In the rural society of Bangladesh, women were commonly identified with modesty and purity (Blanchet, 1984; Kotalova, 1993; Mandelbaum, 1998, cited in Rahman, 1999). The practice of these norms has made them inferior vis-à-vis their male counterparts. Women are generally characterized by society as weak, timid, feeble-minded, inactive, subordinate, submissive, delicate, and dependent. They are also stereotyped “as passive, docile, silent, illiterate, and keep them invisible, voiceless, choice-less, faceless as objects of men in the society” (Rouf, 2013: 75). Furthermore, while men can sometimes violate the norms of the society, women who do the same are stigmatized more severely, and sometimes suffer social punishment such as “isolating ones family in the village” (Karim, 2008: 10).

It is because of these gendered sociocultural norms that force women to maintain and uphold the traditional norms and values. In the opposite case they have to pay the price<sup>46</sup> for their indiscretions. In this social and cultural backdrop microcredit programs have appeared in the villages with their mission drift of poverty alleviation and empowerment of the poor women. This traditions and societal norms have paved the way for microcredit programs to operate with them as a convenient way overcoming the social barriers encountered in the rural social structure. During my data collection session I asked my respondents why microcredit programs offer loans only to poor women instead of men, though they know that women do not use the loan and cannot have any control over it. One respondent named Asmatun (age 37) of Grameen Bank said in response to my question:

“Women can easily be found at home. They usually do not go far away from home. Most of their time is spent staying at home. Moreover, women feel very shy in front of men. They are submissive and humble. Women do not argue with men. They [NGO workers] can say something to women and cannot say anything to men. If women row with men, it will taint the image in the society. People in the neighborhood also will spread scandals [*durnam rotabe*]. If men pick quarrel with other people, it is not a

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<sup>46</sup> Women who are not conforming to the norms and values of the society are often ostracized; with local elites, religious fundamentalists, and theocrats urging people not to interact with them. Consequently, they live in the village as an “isolated family.”

problem. If women do anything wrong, the entire society will cast aspersions [*ninda dibe*] on them. They even cannot show the face in society. They lose their face in the society. Women can easily be controlled. For that reasons, they [NGOs] offer loan to women instead of men.”

Rural social structure is complicated in nature, and is characterized by highly rigid cultural values that have segmented society in terms of gendered norms, which is valued by the fellow members of the society. Grameen Bank and BRAC have come to these villages to operate microcredit programs in this social context, which has provided the programs a base for capitalizing women’s traditional norms and values aimed at maximizing the financial benefits of the programs, increasing the economic portfolios of the microcredit institutions. One of my respondents also has said with regard to this issue:

“Poor women have nothing but their prestige. God is the owner of honor and dignity [*man-shamnner*]. We have to guard it. Otherwise we have to be accountable to Him on the Day of Judgment [*keyamater din*]. We cannot sacrifice our prestige [*Ijjat*] due to loans.”

This is the situation of women who always place serious importance on their social and religious standing more than anything else. The strict observance of such values has furnished an enabling environment for these microcredit programs to reach the apex of success. Moreover, there are also allegations that field level workers in the program villages verbally abuse women in front of other clients, causing the victims to be more amenable to the discipline of the programs. A remarkable number of respondents have said that NGO workers hurl insult and rebuke defaulting clients in front of the gathering of women in the local center. This has a damaging effect on their psychology, resulting in the denigration of their reputation and credibility amongst other clients. The clients of microcredit programs are always struggling to meet repayment deadline. Remaining in the credit programs has been a major concern for many of the poor clients because of two considerations: saving the face and honor in society as well as having the image intact among the group members which may malign in the neighborhood. If the image of any women in the community is tarnished, the possibility lies there for them to have difficulty securing the future cooperation of other members of the neighborhood during periods of crisis. For fear of being ostracized, poor women try to maintain NGO-discipline at a heavy psychological cost. Despite facing the problems of borrowing and repaying loans, many poor women have been in the microcredit programs as a part of peer motivation. Microcredit in this regard is, at least, the possible alternative to meet their immediate economic

crisis in which case women have been striving to uphold their reputation untainted amongst fellow members in the fear of being dropped out of the programs even by complying with the stringent rules of the programs. I also asked my respondents in order to know about what problems they encounter in case of being unable to make the repayment in the given time limit and how they negotiate with the NGO workers with regard to the issue. One of them named Gulecha Begum (age 41) of Grameen Bank member in Chatal village has described her experiences as:

“If there is no money for paying the installment, they [NGO workers] call the clients in the center. They affront us in front of all. They keep us standing. Then they ask: ‘Have you consumed the money? As you have consumed money, why can’t you pay now? Whatever problems you have, there is no exemption but pay the installment.’ Sometimes they say: ‘shame on you! You poor people are very bad. You have no character. Your character will not be good even after washing with soap and detergent.’ We cannot put up with their insults. Paying money is better than bearing their slander to save honor [*samman*].”

Microcredit programs have been a thriving success through capitalizing on the women’s vulnerable social position<sup>47</sup>, and their traditions of being submissive to their male counterparts. Women can easily be disciplined by incorporating them into the regulative process introduced by the NGOs through the microcredit mechanism. Almost every woman client of both Grameen Bank and BRAC has maintained that microcredit programs have imposed serious control over the borrowers in order to keep the recovery rate high which, at the same time, helps expand the coverage in the broader areas. In this case, providing credit to the poor women is the best possible way for the success of the programs where women’s cultural values have been taken as strategic point for regulation and manipulation through the management of credit. In this entire process women are the subject of regulative practices of microcredit programs. Women’s shame and sense of prestige has been used by microcredit programs as mode of discipline which has made them more obliged to the NGO-norms of being regular and systematic. Karim (2008) in her pioneering study indicates how microcredit NGOs use shaming as an instrument of social control of poor, particularly poor women for the furtherance of capitalist interest. Women are the traditional custodians of the honor and shame of the family and give highest priority to uphold these codes, which are instrumentally appropriated by the NGOs for the recovery of

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<sup>47</sup>The level of vulnerability among poor women is different from that of the educated middle-class women. While poor women are economically vulnerable, the educated middle class women are social and culturally vulnerable.

loans. This way microcredit programs have reached even the remotest regions of the countryside where no other financial organizations are available to offer so-called non-collateral loans to poor people. This field of opportunity has provided the basis for microcredit NGOs to go unchallenged and created an enabling environment for dealing microcredit programs with the poor to reap the highest possible profit. Moreover, most of the women fear losing membership from the group due to non-regularity of the repayment. As a result, they try to adhere to the norms and code of conduct set for the borrowers to maintain continuity in repayment even at the cost of sustaining severe psychological stress in order to avoid official sanctions. One of my respondents named Piara (age 45) of BRAC said:

“We pay back installment due to fear of prestige [*Ijjat*]. We do it lest other people should hear it. Honor is greater than life. Paying back money is my gain. It will save my face in front of others. I think again if I do not pay now, next time I will not be given loans. So I do not let my book have a red scratch. Having red marks in the book is not good for the clients.”

During the loan collection day in the center, poor women who have borrowed loan were observed to have been very humble in front of NGO officials because being a loan defaulter is an offence to them, and therefore, arguing with the field staff is a violation of both official as well as societal norms that increases the likelihood of tarnishing their images in the community. Taking the advantage of rural women’s cultural traditions NGOs adopt an authoritarian disposition while collecting installment from the clients. No considerations are given to request for deferred payments. One of my respondents, Abida Begum (age 40) of Grameen Bank has said with regard to the recovery of loans by NGO workers:

“If I cannot repay the loan, Sir [NGO worker] comes and sits in the house. If there is no money then he tells me to sell ducks and hens if there be any, and pay the money. He will continue to be sitting until the night. Due to fear of shame and disgrace [*lajja-sharam o opomaner voye*] I try to keep the repayment ready beforehand if possible.”

The loan-borrowing women pass their time in fear due to their inability to manage installments amount in time. The degree of fear and tension escalates as the repayment date approaches. The main fear that grips them is the insult and disgrace they potentially face. NGO officials call the clients in the center and use profanities in front of others so that the rest of the women present learn of the consequences of defaulting. They do it intentionally in order that everybody remains aware of their responsibilities for repayment. While talking to the NGO workers of both

Grameen Bank and BRAC they shared with me that using rough language is simply a strategy to make women more amenable to the disciplinary processes of the NGOs, which has left a negative impact on their lifestyle and has changed their mindset. It is found in the study villages that traditional values of poor rural women have functioned as the main forces for microcredit programs and have instrumentally been harnessed for the purpose of recovering loans. In this case women are the strategic choice of microcredit programs, while men are strategically excluded. Rahman (1999) in his study on Grameen Bank also similarly found that they select poor women for the convenience of the programs given women's social and cultural context in the greater society. He argued that poor women were conducive for the targeted operation of the programs because men were regarded as being more arrogant and difficult to deal with. Moreover, women tend to be shy and submissive, and are more easily traced. Discipline is therefore more actionable on women rather than men (Rahman, 1999). Women as social subjects can easily be disciplined and controlled for achieving the economic ends of these microcredit programs.

Furthermore, the group-based loan-delivery system has been an appropriate technology for the surveillance of clients, binding them under tight regulation. It has diminished the potential performance and prospects of credit for yielding the best positive outcomes on the life patterns of the poor in the long run. Besides, the timely repayment of loans by the poor women is a defense against the traditional honor code of family, prestige and shame. All women in the context of Bangladesh, particularly in rural society pass through same experiences of feeling prestige, honor and shame irrespective of their class position. So in this case, microcredit NGOs can easily capitalize rural women's shame and prestige as a disciplinary technology of power for regulating the financial behavior of poor clients. Discipline is a means of control and a method of domination (Foucault, 1977a), which can easily be conducted on women to secure the highest rate of loan-repayments from them.

## **6.6. Group and Permanent Resident as Surveillance**

Group lending has gained much currency in many of the microcredit programs – particularly in the programs of Grameen Bank and BRAC – because of its capacity to reduce loan risk and expand the programs in new areas of opportunity where microcredit programs are the only competitors of themselves. It is already mentioned in the preceding section on social capital that microcredit programs prefer to form women's self-selected group before offering loans. The formation of self-selected groups is the major strength of microcredit programs by which NGOs



have been able to ensure the maximum recovery rate from the poor clients. In the entire process of the formation of groups certain motives have been nurtured by the program workers that prop up their financial interests with the exponential growth of credit markets in the typical rural areas. One of Grameen field managers has said, *“A group is a surety. It is a collective responsibility. Group members work for one another for their own interests. The interest of getting further loans.”* Therefore, a group is a security. It is functional. A group acts as surveillance for members to watch other members in the group. It is just like the panopticon observing the movements of other clients of the group so that everybody comes under constant scrutiny and nobody can escape the area without repaying their loans to the NGOs. If any member default, other members of the group put pressure<sup>48</sup> on the defaulters for their own interests. Therefore, watching over other clients in the group is a good strategy for microcredit programs to ensure the return of loan money from the clients, thereby keeping the financial portfolio of the programs on target.

The surveillance technique in the microcredit programs is not only applied to clients at the lower level, but also at the workers level through continuous observation by the management authority of NGOs. The higher authority keeps the middle-and bottom-level staff of the organizations under close observation by applying multistage surveillance. In this process, clients are being observed by the group members in order to safeguard their own interests. The whole process is one of surveillance for observing and regulating the behavior of the clients so that nobody can escape the eyes of the NGO authorities, and thereby are forced to conform to the disciplinary norms of the programs. Disciplining the clients through continuous surveillance is an extraordinary technique of power that provides the procedures for coercing the individuals [clients]. This hierarchical surveillance ensures the relations of power and visibility of the clients (Foucault, 1977a; Escobar, 1995) through subtle observation without their knowledge. I posed the question: why microcredit programs supports the formation of groups before offering loans, and one of my respondents told me that, “a group binds five women together, each acts as a witness for another so that nobody can leave without paying back the money.” Therefore, the group policy of microcredit programs effectively functions to control and direct the movements, along with identifying the spatial location of the clients. Through the group-

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<sup>48</sup> Groups are an NGO strategy by which timely repayment is ensured by the clients. NGOs have instructed the clients to collectively manage the timely repayment of installments. If one group member fails to pay up the installment other members are obliged to pay for her in order to avoid the risk of group default. Poor clients, however, for their own interests pressure other members to pay the installment in time which in turn causes conflicts among the members. (See more details in social capital section).

lending technique credit-borrowers have been kept under serious observation by a veiled system of surveillance. A group is like a technology of surveillance by which the clients are exposed to visible observation and keep other members aware of repayment dates, and at the same time watches one another with regard to their regularity in the repayment practices.

Moreover, NGOs do not offer credit to women living in a rented house or who are not permanent inhabitants of the locality given the possibility that they may flee the area before paying back the loan. In rural society it is rare to find people who live in a rented house. Because culture does not favor inviting strangers to live in the same house where women and girls live under the same roof. Since there are few outsiders who come to the study villages for employment or gainful economic activities, it is rare to find rented houses. An exceptional case was found in the Chatal village, where a few people from other economically downtrodden regions migrated to live, but none of them were the clients of microcredit programs. There were no rented houses or outsiders in the Kazirgaon village as this was more remote from the city. It is an interesting point to mention here that local residents living in the narrow radius of the neighborhood act as a surveillance for the guarantee of loans, and “this surveillance is based on a system of permanent registration” (Foucault, 1977a:196). If poor women, who are willing to take loans from Grameen Bank and BRAC, have no permanent residence in the village they are not offered loan due to security reasons. There are some reported incidences of poor women leaving the village without repaying if they are not the local residents. For the local residents, there is a lesser likelihood of them leaving the village. They mostly live in their husbands’ ancestral homes, which becomes their permanent abode. This is a very typical case in the context of rural society in Bangladesh, particularly in the study areas. Microcredit NGOs take the issue of local and non-local residents into account in ensuring the maximum security of loan-repayments. I asked my respondents why loans are not offered to tenants and unmarried girls in the village. One of the credit clients of Grameen Bank named Gulecha aged over 41 furnished her opinion:

“Only a few people live in rented houses in our village. If some of those people want to borrow they are not given loans. NGOs do not offer those loans because they may leave the village without paying the money back. Besides, unmarried girls are also not given any loan, as they go to the husband’s home after marriage, which causes problems for the repayment [*kisti*]. They [NGOs] do not take the risk of offering loan to floating people. Those people cannot be watched and controlled.”

This statement is clear indication of the strategies employed by microcredit programs, which is applied for the recovery of loans and maintain the clients by setting a social surveillance in

which process the temporary residents and unmarried women have no place given their residential and marital status. If the clients are non-residents living in a rented house they might be going away from the village putting other group members at loan risk, which is regarded as potential threat for the sustainable group-lending processes developed by Grameen Bank and BRAC in my study areas. Generally, people renting housing are assumed to have less commitment to local residents, which might exacerbate the moral hazard of the tenants. Furthermore, such people are assumed to not be as familiar to and with all other women in the area given their temporary inhabitation status. Women having permanent residential status on the other hand have a much greater psychological attachment to fellow members in the neighborhood. Consequently, they are unlikely to do anything that violates the citizen code of conduct. Local residents know everyone and cannot escape the eye of others. They live within proximity of sight, which enables them to keep an eye on other female clients. Similarly, unmarried girls are also considered temporary residents in the neighborhood given their marital status, which leads NGO workers to exclude them from the programs to safeguard the financial interests of the organizations. This reason is supported by NGO workers in the view that if women leave their parental homes without paying the loan money back the latter face problems regarding collecting repayment, thereby putting their position at risk in the institutions. When I talked to NGO field staff they also confirmed that giving loans to temporary residents such as tenants is not the policy of microcredit programs for the likelihood that they might abscond on the sly without repaying the loan.

Likewise, microcredit programs also do not offer loans to widows and people aged over sixty years. Widows most often have no income-generating persons and cannot make financial contributions to the family. As women are not employed in any economic activities they are naturally not able to earn money like that of a male person in the family. This is something that microcredit programs take into particular consideration so as to avoid financial losses being incurred by the programs. Besides, elderly people (aged over 60) are not offered loans given their physical and (lack of) employment status, although they deserve to be the clients of the programs considering the difficulties that they are likely to face (given their frailties). It is also difficult for programs workers to put pressure on such clients<sup>49</sup>, especially since such people cannot systematically be controlled due to their liminal social position.

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<sup>49</sup> In some cases NGOs offer loans to widow if she has income-generating people in the family like adult sons.

## 6.7. Savings and Deposit Books as Surveillance and Discipline

From the information given by my respondents, it can be summarized that microcredit programs force poor clients of the programs to save money that apparently seems to be a good practice from the salutary perspective. How and why microcredit programs have obligated<sup>50</sup> poor women to save money for the NGOs is a point of investigation. It has already explained that the poor women interested in borrowing loans from NGOs primarily need to register for a savings and deposit book to be regularly maintained by the clients for the entire loan-repayment period. The book is an official record preserved and maintained by the NGO officials in order to confirm the continuity of the payment of installments. All women who take loans commonly know this book – which they strive to update and account for regularly – as *boi*<sup>51</sup>. A savings and deposit book is a documented form of calculating the amount of money paid in installments at various phases, which ensures the regularity of the clients in the loan collection and repayment processes. Poor women who once had no scope to save money now have at least developed the norms of savings. Besides, NGOs are also drumming out the Deposit Pension Scheme (DPS), which is meant for the wellbeing of the clients. The clients have to maintain savings and deposit books that they use for saving money and, therefore, are happy. Through these savings and deposit books NGOs examine the clients' activities within the repayment processes, which is a kind of surveillance for watching out the clients. Foucault (1977a) in this regard argues that “the examination that places individuals in a field of surveillance also situates them in a network of writing; it engages them in a whole mass of documents that capture and fix them. The procedures of examination were accompanied at the same time by system of intense registration and of documentary accumulation” (Foucault, 1977a:189). Similarly, a book is an indicator of the whereabouts of the clients, and has potential to identify whether clients have paid the installment in time. The absence of a book means the absence of borrowers. Likewise, the savings book not only keeps a financial record of the clients, but also works as a system of information and performance indicator of them which creates new forms of power and governance, and new kinds of subjectivities (Shore and Wright, 2015). Most often the book is more important than the person, because the book bears testimony to the clients'

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<sup>50</sup> NGOs compel all their clients to open an account in the office to deposit money, which actually functions as a preemptive measure to prevent loan defaults. Even before borrowing the loan, clients have to deposit money in the NGO account before the loan is disbursed to the clients.

<sup>51</sup> . The Bengali word *boi* means book in English. Every client of microcredit programs has to keep a book for the recording of repayment, savings, and deposits. It is popularly referred to as *boi* among the microcredit clients, as it determines the repayment regularity of the clients, and their subsequent financial behavior.

regularity in making repayments. A book is a powerful guide that enables the imposition of control upon the clients. In this case one of my respondent's remark is quotable here:

“The book [*boi*] is more important to them [NGOs)]. They can understand by the book that we are paying the installments regularly. Sometimes we cannot go to the center for paying the installment in person. In this case we send the book with installment money by way of the other. The presence of the book in the center is similar to the appearance of the clients.”

The savings and deposit books have the power to bring the clients of the center on the repayment date independent of whether the clients are able to pay back the amount. Every client has to maintain two books at one time for loan collection and repayment, which not only has put poor women under a system of surveillance, but also has bound them by an unseen disciplinary power for appearing at the center meetings arranged for loan collections. It is learnt from the respondents that if any member fails to appear at the center in person for paying the loan, she has to send the book with repayment by way of other members of the groups with their signatures. In this case books are important entities that bear the official record of payment made by the clients; the individual himself is seemingly less important. Nonetheless, the clients cannot continuously be absent from center meetings. Savings and deposit books act as records and disciplinary technology for the clients who have to maintain that from the beginning to the end of the loan collection and repayment processes. The power of the books is invisible but the physical appearance of the clients or the books at the center is compulsory, thereby integrating the female clients into a disciplinary system. Therefore, disciplinary power is exercised in an invisible way, while at the same time it imposes on the subjects a principle of compulsory visibility which assures the hold of the power being exercised over them (Foucault, 1977a).

The system of ‘book-keeping’ (Foucault, 2008) bears the track record of clients, thereby helping NGO workers to identify the good and bad clients as a form of reference. It also functions as a means of control over the clients, which aims at increasing the profitability of the programs by maximizing recovery. A good book functions as a point of reference for the clients as well as a mechanism for the microcredit programs to ensure the repayment in a rigorous disciplinary process. A book keeps the financial records and also has the power to trace the clients indicating whether clients are regular in their transactions and pay the loans by the arranged time frame set by the NGOs. This ‘saving practices’ in a prescribed book is a system of ‘auditing’ the clients, which is a form of “government” to which the clients are subject (Rose, 1999), and a technology for producing calculative, responsible and self-

managing subjects (Dean, 1995, cited in Shore & Wright, 2015). The next course of action is set for the clients in the form of positive and negative sanctions following the status of the books (labeled as ‘good book’ and ‘bad book’ indicating ‘good clients’ and ‘bad clients’) in terms of their repayment performances.

## **6.8. Punishing the Poor: Default and Drop Out**

Why microcredit is offered to poor women is more or less a settled issue, though controversies are still revolving around the academic circles about the intention of microcredit programs centering on the credit delivery and management mechanism practiced by the NGOs. Microcredit programs claim to focus upon the mainstreaming of women in development because of the latter’s relatively disadvantaged social position, poverty and vulnerability in comparison with their male counterparts. The idea of microcredit initiatives for the development of poor women to integrate them into income-generating activities has widely been accepted as a good strategy for the alleviation of poverty and for their empowerment. But the claimed successes calls into questions why microcredit programs punish poor women if they default, resulting in drop outs from the programs. An attempt has been made to explore why women meet severe consequences when they cannot make repayment or end up dropping out of the programs.

In this subsection of the analysis, I wanted to find out the obverse side of the issue by addressing some relevant questions that critically scrutinize the main factors underlying these phenomena. In fact, I asked my respondents about what disciplinary measures NGOs take if any members of the programs default and cannot maintain the regularity of repayment. At the same time, I also asked whether NGOs remit loans if someone cannot repay. The majority of respondent women said that NGOs do not take their problems into account when they run into trouble making repayments. Rather, they force clients to make the repayment, even by taking households items belonging to the clients. Moreover, they deduct the required amount of installments from the deposit and make the adjustments of the loan and finally drop the clients out of the programs after all of the loan has been repaid. I also asked microcredit field workers of both Grameen Bank and BRAC what necessary steps they adopt when clients default, and what they do to retain them in the programs given that development of the poor is the main objective of the interventions. In the same vein, I also asked whether they exempt any clients if they are completely unable to make repayment. One field manager from BRAC put forward his opinion with regard to the issue as:

“We deal with a variety of poor people. There are some bad clients in the group too. They are like germs. Nobody can go with the germs. One will spoil others. So we leave them out in order to be free. We do it for the betterment of our programs. We try our best to collect the required amount of loans. Then we make the adjustment from the deposit that the defaulting client has saved. Finally we drop them out. This is also our strategy to keep the program running. The rate of our success is bigger because of the rigid policy.”

I wanted to know the opinion of the field workers of Grameen Bank and BRAC on whether systematically dropping certain clients out of the programs constitutes a form of punishment. The opinion of one of the field managers of Grameen Bank goes like this:

“If somebody takes a loan from any commercial Bank, she cannot help but pay the loan. Who has the power to avoid paying the loan? In the case of a default, the Bank will crack down on the clients, file a criminal case against them and put legal pressure for the recovery of loan. If one cannot pay money, it is also in this case like a criminal act and that should be prosecuted like an offence.”

Microcredit programs have some specific rules and regulations that every client has to adhere to accordingly. Contravention of these rules by any client deserves punishment. In this context, I questioned my respondents about whether they encountered any legal action by NGO authorities in the case of repeat defaulters. One of the client women named Nehar Begum (age 40) of Grameen Bank has said, “NGOs threaten to register a case against clients who become defaulters. Some people in the neighborhood also help them in such cases”. One of the field managers of BRAC also said, “Local influential people have social power which can be used to control the clients in cases of default. We try to ensure the recovery of loans by applying our institutional and social power. Social power is more important and effective to put psychological pressure on the default clients.” This way NGOs may exercise power over the minds of the clients in shaping their fiscal behavior and recovering loans when some women due to severe financial constraints repeatedly fail to meet repayment deadline. Power in this connection is a process that does not occur in a vacuum. It requires space and interactions, and contributes to the shaping of individuals’ behavior. Power, therefore, circulates through the social body and functions in the form of a chain, and is employed and exercised through a net-like organization (Foucault, 1977b: 98) like microcredit.

Moreover, microcredit programs have labeled women in two distinctive ways for the convenience of managing credit, thereby helping program managers identify and exclude clients

from the programs. There are ‘good clients’ and ‘bad clients’ in terms of their repayment-related performance. Good clients are those who have regular repayment records, keep continuous installments as per the reimbursement schedule, and have no red ink blemishes in the savings books. Clients who repay loans on time and who have no red mark in their deposit books are called ‘good book’ and the clients are called ‘good clients’, while clients who default on the timely repayment of loans are marked with red ink in the books (bad book), and those clients are labeled ‘bad clients’. Red marks signify the negative performance of clients, and function as an alert to remove them from the programs for being defaulters, while a good book designates the positive performance of women with the reward of retaining them in the programs. Good clients are rewarded with handsome amounts of loans or other economic incentives in the interest of retaining them in the programs, while bad clients are forced to drop out. For keeping the good clients in the program Grameen Bank offers tk. 3000 to them as a reward for good financial behavior and fair transaction of money. BRAC does not have such provisions to reward clients in order to keep them in the programs. It is also learnt from the respondents that microcredit programs place particular importance on those clients already possessing a good social and economic status to ensure they can repay the loan and complying with the stringent conditions attached to microcredit programs. While on the other side of the issue, poorer women have generally been unable to maintain the rigid condition of the programs, and end up defaulting and removed from the programs. In this context, retaining some clients in the programs is one kind of positive incentive encouraging some women to stay in the program and provide them with loan facilities. On the other hand, leaving some poor women out of the programs is a form of punishment that forces them to be socially and economically isolated. The statement of one of the Grameen Bank’s clients named Jhumera (age 37) reveals how punishment to the poor women is meted out:

“NGOs retain the good and old clients. They are given loans by force. They do not let them drop out of the programs. And those who cannot pay back the installment, they [NGO workers] somehow manage to get the money and drop them out of the programs. After getting the money back, they cut their names.”

Keeping good clients who can regularly maintain the payment of loan in the program is a strategy of microcredit NGOs that considers the financial viability of the programs, whereas those who cannot pay back loans are meted out punishment by dropping them out of the programs. As a result, every female client is compelled to pay the installment amount back in the fixed time schedule in order to avoid the coercion of the program workers. The field workers



of both Grameen Bank and BRAC have told me that they try to retain the clients in the programs, but finding no alternative they eventually drop them out. In this regard one BRAC staff has explained the drop out policy of the program as follows:

“We increase the amount of loans for good clients. It is a positive incentive for them. Those who are bad clients [defaulters], we try to motivate them to continue repayment for staying in the program. When there is no way, we drop them out after the recovery of loan. Drop out is one kind of punishment for the default clients. There is also reward for the clients having good repayment records.”

The classification of clients in terms of their repayment performance is made by the NGOs based on their financial behavior that takes the forms of reward and punishment. In this process, punishment is non-conformity to the rules which disciplinary power seeks to correct through its exercise. This discipline as a technique operates not only through punishment but also through gratification, with reward for good conduct or practices, and punishment for bad behavior (Foucault, 1977a). Both types of sanctions is practiced in the disciplinary norms of microcredit programs given the fact that disciplinary punishment is essentially corrective (Foucault, 1977a:179). It is also found that the remission of loans for defaulters is not considered, even in severe cases. Indeed, the policies of microcredit programs do not maintain any provisions of this kind. However, my field experiences confirm that the main motivations of the microcredit field-workers in practicing the disciplinary norms for the clients lie behind their accountability to the higher authorities of rigid NGO-administration, and their positional vulnerability in the employment territory has a direct effect on the economic behavior and lifestyle of their credit-clients, further aggravating their life-conditions. The program discipline has an adverse impact on the lives of many poor women, particularly the majority who struggle to cope with the interventions. As a result, how microcredit can achieve its stated mission of poverty alleviation and the empowerment of women calls for a deeper analysis.

### **Microcredit in Market Rationality and Regulation of Rural Financial Market**

Bangladesh's economy is characterized by unfavorable per capita land, low per capita income, widening income gap, high levels of unemployment, low productivity coupled with endemic poverty and deprivation (Ahmad, 2007; Kumar et al., 2013). Bangladesh is dominated by the rural economy (Alam, et al., 2015). A significant portion of rural production is still based on subsistence farming. Despite this, the rural economy still plays a significant role in poverty reduction and economic development (BBS, 2014). The majority of rural people is poor (Alam, et al., 2015), and belongs to the categories of landless laborers, small farmers, fishermen and rural artisans (BMOP, 2005), where millions of women face social exclusion from partaking in economic activity (World Bank, 2008). They therefore tend to suffer more than men (Khan, 2001). These people only possess assets with low productivity – if any. They have few relevant skills, and most often have no regular full time job, or engage in very low paid and menial odd jobs (BMOP, 2005). Unemployment and underemployment is a fundamental aspect of rural poverty in Bangladesh (Ullah & Routray, 2007). Due to their lack of access to the market and formal occupation, along with their limited capacity to accumulate assets for the protection against future shocks, a significant number of people have remained out of the mainstream of development.

Taking the issue of poverty into developmental concern, microcredit has been promoted as helping the poor take up self-employment on the micro-scale with a view to improving their living conditions (Ahmad, 2007). Microcredit in this regard acts as a capsule for the poor to heal the wounds of poverty. How microcredit – under the banner of neoliberal development policies – operates for the advancement of the poor is a question that needs to be answered in order to understand the effects of credit on the life patterns of its beneficiaries. Therefore, the main objective of this chapter is to offer an analysis as to why and how microcredit programs have reached the poor sections of society and become a successful business venture by taking advantage of the material poverty in my study areas. Besides, how microcredit programs regulate the economic behavior and lifestyle of poor clients in typical rural areas through commercial transactions, and how NGOs compete when several NGOs offer microcredit programs in the same village will be further explicated in this section.

## 7.1. Poverty and Regulation of Finance for the Poor

This part of the dissertation seeks to offer an analysis based on the field data and lived-experiences of the borrowers of microcredit. Credit-borrowing women in my study areas are forced to borrow loans from NGOs due to the continuous economic crises encountered by them. One of my respondents from Grameen Bank named Achia Khatun has said about microcredit programs, “*Credit has been created out of crisis. Nobody takes a loan if she does not get into trouble. When we get into trouble we borrow loans. NGOs take advantage of the needs of the poor.*” Why poor people get involved in microcredit programs instead of borrowing money from other sources is a critical question. Regarding the informal moneylending market, it is an open secret business in which poor women have no free access due to socio-religious<sup>52</sup> views held against this system by rural society. Despite this business still functions on a small scale in underground, avoiding the scrutiny of the masses. Microcredit programs of NGOs on the other hand have now become socially accepted forms of economic transactions handled meticulously by the programs workers. Poor women having no alternative means take loans from NGOs in order to meet their financial needs. No other forms of economic organizations except NGO-promoted microcredit programs have managed to reach the doorsteps of poor clients with the offer of money.

Moreover, poor women without collateral have no access to commercial banks. NGOs have offered them loans without financial collateral (based on so-called social collateral<sup>53</sup>), though this does not reflect the full image. The reality indicates the inverse. I posed this question to my respondents after hearing their critical views about the NGOs: why would NGOs give you loans against their own interests? One of the clients of BRAC shared her grievances with the programs: “*We borrow loans from NGOs because they are available in the village. No other bank gives loans to the poor. But NGOs put serious pressure for loan-recovery. It is indeed a problem for us.*” Poor people borrow loans from NGOs because they are the most convenient

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<sup>52</sup> In the context of Bangladesh, borrowing money from local lenders is not positively seen. Even in the Holy Quran it is discouraged as it states that god has made business lawful but interest unlawful. Despite this, moneylending is an open secret. When NGOs started to offer credit, people opted to borrow from NGOs rather than moneylenders, but the latter continued to exist. Microcredit has therefore fostered a dual financial market in my study areas—one formal and one informal. Formal markets include the NGO-promoted microcredit programs, while informal markets comprise local moneylenders.

<sup>53</sup> Rahman (1999) uses the term ‘social collateral’ to refer to the group-liability of women borrowing loans from NGOs (Grameen Bank). It is said that poor women are given loans without physical collateral instead of social collateral in which case every woman has to bear the responsibility of the timely repayment of loans is utilized.

and accessible source of quick credit. Rahima of Grameen Bank in Chatal village, gave her opinion about microcredit in the following way:

“NGOs are doing business with us. Our poverty is their strength [capital]. They come door-to-door offering credit. When we join the credit program, they change their faces. They can do whatever they need to do for taking back money. They make tons of money by exploiting the poor. The rich people make money sitting in an air-conditioned room. NGOs are getting richer with our money. Nobody understands how they exploit us. The amount of money we pay as installments is not so big, but gradually we become destitute instead of becoming better. While the NGOs become bigger, we become pauperized.”

Rahima was one of the top most senior members of Grameen Bank who has been involved in the programs for well over 22 years. In one sense she could be said to be the living history of that village. She had joined the microcredit programs of Grameen Bank when it first came to the village. According to her, poor women cannot benefit from microcredit programs due to the excessive financial regulation and the profit-seeking motive of NGOs. The operation and management of the programs indicates that NGOs have become successful players of developmental interventions, and have made the reach of the programs extensive through the commercial venture of microcredit. Bringing women into the credit-market in this way has specifically been a success for credit-giving NGOs and Grameen Bank (Muhammad, 2007).

## **7.2. Financial Market in the Untapped Rural Areas and Conflict of Interest**

NGOs such as Grameen Bank and BRAC have the maximum coverage of microcredit in rural areas due to its outreach and success; and while there remain untapped areas, this portion is small relative to the total number of poor women in the country (Ahmad, 2003; Bose et al., 2009). I wanted to know why my respondents borrowed loans from NGOs instead of informal moneylenders. All of my respondents have said to me that they borrowed loans from NGOs because of their availability and accessibility at the doorsteps of clients with their service delivery. Borrowing money from NGOs is easier and more convenient than taking from informal lenders, and informal lenders are not socially desirable as they lend money at exploitative rates of interest (Hashemi and Morshed, 1997). Moreover, while microcredit NGOs have been competing with one another through credit programs, the terms, conditions and regulation policies of the various NGOs are functionally similar.

As I conducted my study on the microcredit programs of Grameen Bank and BRAC, my main intention was to accurately reflect how female clients experience being involved in the microcredit programs of these two NGOs, while supplementary questions related to the cross borrowing were also posed. I again asked my respondents why they do not take loans from commercial banks instead of NGOs. In this regard they replied that borrowing money from commercial banks is problematic for the poor. They argue that conventional banks offer loans only to rich people and businessmen. Besides, they do not deal with the poor, as they typically have no assets or liquid cash that can guarantee the security of loan repayments. Indeed, commercial banks are not even present in rural areas. At the same time, borrowing loans from local moneylenders is not encouraged for poor clients given the exorbitant rate of interest and harsh conditions of repayment. If somebody takes a loan from local agents she has to pay tk. 100 per month against tk.1000 with no reduction from the principal amount, which has to be paid at the end of the year or any time as per convenience of the clients. Until the principal amount is paid the clients have to continue the payment of interest every month according to the agreement with the money mongers. If somebody cannot pay the amount of money borrowed, she has to continue the interest year after year, keeping the principal amount intact, which makes the clients more vulnerable. For example, if someone borrows tk. 5000 she has to pay the interest of at least tk. 500 per month against the given amount, and the total figure would not change until the principal amount is cleared off. As a result, it has been convenient for poor female clients to borrow from NGOs due to their proximity and the putatively flexible terms and conditions vis-à-vis local moneylenders.

It is found in the study villages that microcredit NGOs do not have any competitors aside from other NGOs. It has been reported, however, that some NGOs introducing microcredit programs to new villages had come into conflict with well-known local moneylenders. Unsurprisingly, the presence of NGOs' microcredit programs in the rural untapped market was not welcomed by many of the local moneylenders who see NGOs as their competitors in the rural money market. Some of the local people in Chatal village initially spread rumors alleging that NGOs were non-Muslim agents that had entered the village to convert people to Christianity. In spite of this, NGOs have been able to maintain their position in the villages with the help of other influential persons who were not involved in moneylending. One of my respondents of Grameen Bank in Chatal village named Rahima told me of that:

“When NGOs came here, some people did not welcome it. Several male elders of the village dissuaded us from borrowing loans. They forbade us to borrow loan. They told

us that if we took loans, then our bodies would be covered with black clothes after death. You will be put in the grave wearing black clothes. This is Hinduism [*Hinduani*]. This is the American business of interest [*shudder karbari*]. If you die, then the grave will not receive your body for rest therein. The elders of the village had resisted the NGOs because they lent money on interest. Their business would suffer losses if the NGOs come.”

The statement given by a senior participant of Grameen Bank’s microcredit initiatives indicates that some people had appealed to religious and emotional sentiments amongst the poor women so as to discourage them from joining the programs. According to Muslim traditions, when people die they are laid to rest in a grave by covering the deceased body with white coffin clothes after the holy shower. Although there are no religious prohibitions or significations, the color black is typically associated with negative connotations, especially regarding issues of death. Black is the symbol of sin in this context. Aside from this and from the religious point of view, interest [*shud*] is strictly forbidden as stated in the Holy Quran. It referred to as unlawful [*Haram*]. It has also been said that credit is *Hinduani*, which means that if people borrow credit they are implicitly supporting the Hinduism. This is how local moneylenders attempted to deter poor women from borrowing NGO-credit. Braving such social resistances, NGOs have been able to entrench their position in the villages and expand their programs even further for the fact that financialization in the form of microloans can potentially knit populations more tightly into the fabric of formal credit practices, which as a commercial practice is capable of drawing on private capital markets (Aitken, 2010).

It has also been reported by the respondents of BRAC in Kazirgaon that NGOs collaborated with influential local elites in order to entrench their position in the villages. People with clout in the villages are treated particularly favorably by NGO officials in the hope that programs can operate unhindered. NGOs also seek cooperation from the local senior citizens, who assist with recovering loans from clients who repeatedly default. One of the field officers of BRAC has said, “*We take the socioeconomic conditions of the project area into account. It is difficult to enter a new area without the knowledge of the local elites. We seek help from them so that we can operate the program without any resistance.*” Against this social backdrop, microcredit programs of NGOs like Grameen Bank and BRAC have successfully survived and become a common development intervention tool for many of the poor women because of its availability and (purportedly) flexible borrowing conditions, which does not exist in the informal lending system. Consequently, microcredit has been accepted as a convenient method of social

development by its recipients, and has reached even the remotest regions of the rural society. The operation and management of microcredit with poor clients, however, contributes to the expansion of financial transactions in rural areas through the offer of new contractual terms and conditions, and financial services to larger clienteles (Gonzalez-Vega, 2003).

There is also evidence that sustainable and inclusive developmental efforts have encouraged the existing development agencies to search for alternative means to incorporate individuals into the market and involve local people in such projects (Fisher, 1997). A field staff of BRAC reported that NGOs usually avoid operating the programs in regions where communication is not convenient. This is because NGOs such as Grameen Bank and BRAC consider the local social and economic context, the prospects of the programs, and the repayment capacity of the clients when expanding the program coverage gradually to new areas. Microcredit NGOs therefore utilize the embedded cultural and economic interrelationships to enhance their success in market-oriented terms of profit, repayment of loans and accumulation of capital (Lazar, 2004). One of the BRAC field workers shared his views with me regarding the issue of selecting a new village as an area of credit operation, given the distance and location of that area. If the area is far beyond the midpoint of the regional NGO office, then they choose an area nearer the sub-regional office, as going to remoter regions increases the potential risk for fieldworkers collecting loan-repayments. According to him, distant places are not a problem if the overall social and economic condition of the village is promising, and if there are considerable numbers of the clients for the operation of the programs. They verify the current economic status of the poor by conducting surveys<sup>54</sup> before operating a program in a new area. One of my respondents of BRAC preferring anonymity spoke about the operation of credit programs in the villages:

“I borrowed loans from BRAC by hiding my address. I live in the neighboring village, which is poor compared to this village. NGOs do not offer credit programs in my village. I bribed the center-chief with tk. 500 to convince the field officer for offering me a loan. Now some of the women also take loans from BRAC operated in this village because there are no credit programs in our village.”

This statement is indicative of the commercial nature of microcredit programs, and this is not the only case where clients end up offering bribes to center-chief in seeking approval for loans.

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<sup>54</sup> NGOs conduct surveys before offering credit programs in a new area, which includes the current economic conditions, income, assets and other valuables in the possession of potential clients, including the number of family members and income-earning persons in the family.

About 33 % of the respondents from two centers of BRAC and around 29% from both centers of Grameen Bank reported that they have to bribe the center-chiefs in order to secure a loan. However, the programs consider the demand-side before reviewing the supply-side to ensure the feasibility of the programs in the credit market. Poor women in this regard have no other alternative but to borrow from NGO-provided microcredit to support their needs. NGOs also have forwarded directives for the field managers to increase the program coverage. One field officer of BRAC has said, “The policy of the institution is to increase the coverage. The expansion of the market is to increase the market portfolio.” Aitkin (2010) has argued that microcredit is finance capital that is to be invested in micro-markets with macroeconomic pay off. It is an attempt to integrate poor populations who have no access to credit fully into formal fiscal practices, and is also an experiment in fitting microfinance into global financial markets as an investable asset. One of the field workers of Grameen Bank was asked: Do you think that NGOs are marketing credit to the poor? He has said, *“Of course, this is a credit market. It is a business, not a charity. Commercial banks are not giving credit to poor people. We are going to them with the credit. It is an alternative financial market for the poor.”* Microcredit, therefore, has been an alternative financial intervention specially designed for the poor, which suits their needs in terms of their current employment and income status beyond the conventional banking system. Consequently, the rural poor in Bangladesh have become an appropriate agent and target group for the profitable investment of credit, aimed at the expansion of markets to broader clienteles.

### **7.3. Market Rate of Interest and Hidden Charge: Lack of Consciousness?**

Microcredit programs claim to provide financial and nonfinancial services to the poor – particularly poor women – under certain terms and conditions followed by the clients in order to access these facilities. It has already been mentioned in the foregoing section that NGO microcredit programs have been providing credit services to the doorsteps of poor people, which the conventional banking system excludes due to their lack of collateral. The main objective of microcredit is actually to alleviate the poverty of the poor by easing their constraints in the credit market, thereby generating self-employment and increasing the productivity and earnings of the poor (Latif, 2001). Moreover, NGO policy has an aim to reduce the gender-gap for sustainable social development. How poor women get implicated in the financial system of Grameen Bank and BRAC in two villages of Bangladesh is a question that I shall seek to answer. Poor women take loans to satisfy the immediate needs of the family. In this regard it can be said that when money is needed to weather a crisis, nothing is more



important than obtaining this means to survive. I have found among the credit clients in my study villages that are often unaware about how much money they pay back grossly to NGOs relative to the amount that was borrowed. The amount of money borrowed has to be paid in forty-six installments in a stipulated year. In this case NGOs take six installments more than the given amount.

Moreover, clients have to deposit 10% of the loan they apply for, which is a preemptive measure adopted by NGOs as a guarantee of loan. Approximately 69% of the respondents both from Grameen Bank and BRAC have reported that they are not given any interest for their deposit, while rest of them could not say anything about the issue. The issue of the interest rate of NGOs calls for a deeper explanation in order to ascertain the intentions of macro-business with microcredit. I cite here the example of one respondent named Dilara (aged 40) who took loans from Grameen Bank in Chatal village. She borrowed tk. 50, 000 (around \$ 650), which has been paid in 46 installments in a stipulated year. She had to deposit tk. 2000 in advance as security for the loan, though it is claimed that credit is given to poor women without collateral. Therefore, collateral-free credit simply reflects program rhetoric in a bid to garner national and international attention, rather than the actual reality. Dilara told me that she has to deposit tk. 100 per week amounting to tk. 400 a month which amounts to tk. 4800 a year, while depositing tk. 200 a month for the deposit pension scheme (DPS), totaling tk. 2400 in a year. The total sum of savings and DPS repaid to the NGOs by Dilara is tk. 7, 200. Against her loan of tk. 50,000, she had to pay tk. 1,350 per week as installments, with the total coming to tk. 5,400 in a month. After the full payment of money over aggregate 46 installments the total figure stands at tk. 64,800, which is tk. 14,800 more than the principal amount initially disbursed to her. Here the rate of interest of NGOs is calculated to be around 30%, while commercial banks<sup>55</sup> charge around 16%. So the rate of interest of NGOs is nearly double than that of the commercial banks. I have cited here the most typical example and experience of a borrowing client, which represents the general predicament of the poor clients. Almost all the women under Grameen Bank and BRAC programs had similar stories to share. According to the estimate of NGO-workers, they charge only 20% interest against the loans they offer to the poor women. The difference between official estimates and my own calculations is nearly 10%. It has been found that while the interest rate charged by NGOs is below the rate offered by local moneylenders, it is well above the market average for commercial banks. Rosenberg (2007) in this connection

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<sup>55</sup> I talked to a manager of Sonali (government) Bank in my University to find out the average interest rate.

opined that the “higher charges to borrowers correlate directly with higher profits captured by investors, including private investors” (p.10). Therefore, primary investors earn the highest profits from their investment.

Likewise, poor credit-borrowing women have to deposit money in a savings account and for the DPS, for which NGOs do not pay a reasonable amount of interest to the clients. Almost all of my respondents have admitted that they do not know how much money NGOs take from them as interest. The clients are unaware that NGOs have been taking more money from them relative to the loan amount, and many do not even know how to calculate the interest rate. Due to the lack of proper education and accounting knowledge, their husbands also do not know how to calculate the interest rate. I quote Dilara’s statement again with regards to her knowledge (or lack thereof) about the interest rate:

“I have DPS and savings. I do not know how much the interest rate of NGOs is. I do not even know how much interest is paid against the savings. DPS has to be intact for twelve years. If somebody wants to leave the programs after paying back the loan, she is given only the principal amount, not the interest.”

Not a single woman that I interviewed could say whether they had been given interest (as per their calculations) for the amount of money they deposited in the NGO account. NGOs take full advantage of poor women’s ignorance about these economic transactions. Their lack of accounting knowledge regarding financial transactions works in the NGOs’ favor, and thus enables them to exploit poor clients, as most are unfamiliar with the various calculations and the actual rate of interest. NGOs also apply hidden charges to the clients; these miscellaneous expenses are incurred when opening a savings and deposit book, purchasing stamps and pens, which typically costs around tk. 500. On the other hand – and although giving money to the center-chief is not mandatory for clients – she is often given around tk. 500 for expediting loans for eager clients. Nearly 35% of the respondent women reported that they have to pay money to the center-chief when seeking recommendations for loans from the NGOs. 20% of the respondents informed that they usually pay around tk. 1000. I found a gap between the words of NGO workers and the clients about the charges levied for loan disbursements. While NGO workers concede that they apply the bare-minimum service charge for clients, almost every respondent insisted that such service charges are exorbitant and unnecessary.

In similar fashion, Shimul from Grameen Bank’s program in Chatal village opines, “*We are not given any profit for the savings. They [NGOs] give that money to other people as loans*

*from the profit they make. They make profit against profit.*” The statement indicates that poor women have different opinions and sometimes do not have clear idea about whether NGOs give them interest against their savings and DPS. Even NGOs have not clarified the issue about the rate of interest and amount of profit given to them against their savings and DPS. As a result, there is confusion amongst the clients about the savings and deposit scheme, and whether it is there to protect the interests of the clients. Some of the women feel that NGOs have only been increasing in size and gaining profit by exploiting poor people and their money, but they have nothing to do because of their social and economic condition. Shimul of Grameen Bank member has put her straightforward opinion again as the following:

“NGOs make profit. They can make 100 taka by taking 10 taka from 10 persons. They offer loans according to their vantage and take money back bit by bit. But at the end, it becomes huge. They keep money from us for savings on account of their security and profit.”

The poor people have no concrete idea about how NGOs engage in financial matters with them. A majority of the women have said that profit and losses is not their concern so long as they exist in a condition of necessity. Poor women have to repay small installments to NGOs bit by bit, but at the end it snowballs into a significant amount. The reasons why NGOs use small installment-repayments are twofold: One is to reduce repayment pressure, and the other is because taking small amounts of money each time from clients ensures that they are less likely to realize the actual total amount that ends up being repaid.

Microcredit NGOs have developed a successful strategy for engaging in economic transactions with the poor, and have been able to formally incorporate sections of the rural poor into their credit operation and management systems. Furthermore, given that the rate of interest<sup>56</sup> imposed by informal moneylenders is too exorbitant (approximately 120%), NGOs have found a renewed impetus to offer their credit services at the doorsteps of the poor. The lack of economic institutions in the villages that could offer “collateral-free” loans to the poor further ensures their dominance and monopoly over the rural credit-market. Poor women who participate in microcredit programs often continue in the programs for many years despite the lack of significant improvements to their life chances. Indeed, the question of how NGOs

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<sup>56</sup> If somebody borrows money from local moneylenders she has to pay tk. 100 per month against tk. 1000. The borrowers have to pay the interest rate until the loan is paid with the principal amount being intact.

calculate the interest rate (which they claim to be “attractive”) against the savings and deposit of the clients’ needs to be further investigated.

#### **7.4. Interest against Deposit and Savings: Much Ado about Nothing?**

Credit is offered to poor women following the general system of economic transactions according to commercial rates. But it is not immediately obvious how much interest is given to the clients by the NGOs relative to their savings and deposit pension scheme (DPS). In this connection, I have contradictory information coming from clients and NGO workers about the effective interest rates. According to a majority of the respondents, they are not given any interest, or at least they are unaware of it. Grameen Bank and BRAC field staff, on the contrary, claim that they pay interest to their clients relative to the savings and deposit scheme. The respondent women have alleged that NGOs have use the savings and DPS money to circulate money in the market, and that the amount of interest given to the poor clients is not proportionate to the amount deposited. Having replaced to some extent the practice of informal moneylending in rural areas, NGOs take advantage of the non-availability of financial services in the villages to further entrench the operation and management of credit programs. However, this forces clients to engage in cross-borrowing to meet the weekly installments due to repayment pressure.

A majority of the respondents argued that borrowing loans from local lenders is more convenient than borrowing from NGOs because of their ability to provide loans that suit local social conditions.<sup>57</sup> While interviewing the BRAC field workers, I came to learn that BRAC offers 6% interest against the savings and deposit scheme, which is given back to the clients when they complete the total repayment of the loan at the end of one year. If a client, for example, takes a loan from BRAC she has to pay approximately 30% interest for the borrowed amount, while BRAC gives the clients relative to their savings and deposit scheme a flat rate of 6% interest, which is five times less than the NGO interest rate charged for the clients. Grameen also follows a similar method for calculating the interest rate.

NGOs have been beating their drum to attract poor people to join the savings and deposit scheme given that the poor rarely have the opportunity to save money. Participants become involved in these microcredit initiatives, but after joining the programs things begin to spiral

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<sup>57</sup> In order to borrow loans from NGOs, potential clients have to undergo a tedious process – including official formalities – creating annoyance for them. Apparently, the repayment pressure is less if they borrow from local moneylenders. Poor women can repay the loan once in a month if they so desire.

out of control. Microcredit is like a sweet ball for the poor people before it is eaten, and it starts to taste bitter after they swallow it. The resounding success of microcredit programs depends on the clients' loan-repayment performance, while the other aspect of the programs' financial sustainability relies on the money deposited by clients in the savings and deposit pension schemes. The declaration of NGOs about the profit given to the clients appears to be much ado about nothing; in reality the amount is rather trifling, and it is not even in proportion with the actual amount of money deposited. Exploiting the ignorance and apathy of the rural poor appears to be a profitable strategy for some of the NGO-run microcredit initiatives.

### **7.5. Regulating Movement and Consumption Pattern of Clients**

It is said that microcredit has enabled poor women—who due to cultural and customary practices of society tend to be confined to the home—to have greater mobility. The success of microcredit programs in this sphere lies in the fact that it has brought women out of the family precinct and into the domain of the public through activities such as visiting the NGO office (See Kabeer, 1998; Mahmud, 2003). It is true in the sense that they have to go to the local loan center for repaying the installment and also to the NGO office for borrowing the loan. Other than these two specific activities, the mobility of women has in fact been restricted due to the stiff rules and regulations of the microcredit programs. Repayment on a weekly basis is a regular practice of microcredit programs, which every client has to maintain very strictly without exception.

It is found in the study villages that the credit clients have to make sure they repay their loans if they want to leave their homes to visit the relatives or for other purposes beyond the community. The clients have to seek permission from the center chief if they want to visit their relatives, and can only proceed after confirming the payment of the stipulated installment amount to the center-chief along with the deposit book. Clients who leave their homes without the permission of the center chief and who fail to have their installments ready are called in from wherever they live. Microcredit programs in this way have regulated the movement of women beyond their neighborhood to guarantee the recovery of loans. Such restricted practices limit their access to various social spaces and hinders their normal day-to-day movements. Thus the loan recovery and management system of microcredit programs may be conceived as a technique for governing the clients, which has brought extensive success for the NGOs and brought all client-women into a narrow space of society in a systematic way. NGOs are playing an increasingly important role in the process which Foucault calls 'governmentality' (Bryan,

2002). Therefore, regulating the movements of women is one of the strategies to make them docile and submissive to the official rules and regulations of the NGOs.

Even the consumption patterns of poor women have technically been controlled by NGO workers and the next-door neighbors of the clients. I asked my respondents: How do other people react when you eat good food or entertain guests, even though you cannot pay the installment in time? One of my respondents of Grameen Bank named Shimul shared her experiences in the following way:

“We rarely invite guests. If somebody comes unexpectedly, we have to entertain him or her with some food. People [neighbors and clients] verbally abuse us when guests visit our home and something is prepared for them. They say: ‘you are cooking good food for guests and entertain them but cannot pay the installment. Why have you arranged so much food for them?’ They are the NGO workers and local people who are the members of the group. The people of the neighborhood even badmouth us because of this. NGO workers behave very badly. We have to swallow their insults.”

In the rural society of Bangladesh people tend to be hospitable, and they welcome guests who may visit their homes on any particular occasion. Poor people are most often not able to arrange a variety of delicacies for guests, but they still try to cook some good food. Microcredit programs appear to have limited their clients’ choices by imposing social restriction on them. The main reason why microcredit programs have controlled the consumption patterns of the poor is to ensure the timely recovery of loans from the poor clients regardless of whether they have their ability to afford food. At least 9 out of 49 respondents have reported experiencing such incidences.

## **7.6. Governing Clients through Mobile Phone**

Nobody can doubt the fact that mobile phones have become one of the most effective communication technologies today. A mobile device ensures that information can be transferred to a large body of people within seconds, and the location of the bearer can easily be detected. It is found in the study areas that mobile phones have been successfully used to trace the whereabouts of clients to identify whether they have been making regular loan-repayments. This controlling mechanism has been found in the case of Grameen Bank. Their microcredit program obliges clients to buy a mobile SIM when they undertake a loan. NGO field workers whom I spoke to admitted this, but claimed that this was just an experimental initiative of Grameen Bank, and not the part of the general microcredit policy *per se*. But it is

not known whether this policy of selling mobile SIM to clients is prevalent elsewhere in other Grameen microcredit programs. BRAC also took some similar initiatives, although currently the policy is not in operation due to concerns raised by the clients. According to respondents, Grameen Bank takes tk. 250 for a mobile SIM (which sells for just tk.100 in their designated outlets in the city) even though it is tk.150 more than the market price. BRAC once sold clients a mobile phone costing tk. 1000 in order to have continuous observation and regulate the movements of their clients. While Grameen Bank is a partner of the Grameen Phone mobile company; it is worth mentioning that BRAC has no such affiliations.

Approximately 26% of respondents feel that Grameen Bank has been selling mobile SIM to clients for their own interests. Selling mobile SIM obviously is motivated on the one hand to generate profit, and its secondary function is to regulate the clients in order to know whether they have been following the repayment schedule. As most of the poor women do not have mobile phones, therefore making it difficult for NGO workers to communicate with or trace their clients at any particular time. Having a mobile phone is the easiest way to communicate with the clients in case of necessity, and hence has reduced the physical distance between NGO workers and the clients. Mobile phones may therefore be conceived as a new governmental strategy of microcredit programs in order to keep the clients under close supervision and govern them at a distance to ensure the successful recovery of loans by the repayment date. A mobile phone functions as a technology for regulating its owner through network surveillance. Now in the rural areas Multinational Corporations like Grameen Phone Company have been reaching out to poor customers by way of microcredit programs, although a fair number of rural people possess mobile phone. The basic difference between having a mobile phone out of personal choice and selling the same for specific institutional reasons remains in the economic purposes to be served by the microcredit NGOs. Grameen Phone (GP) is the largest mobile company in Bangladesh and is a joint venture with a Norwegian telephone company called Telenor (Muhammad, 2009, 2015; Karim, 2011), which has been operating mobile communication networks in many countries of the world including Bangladesh via its indigenous name Grameen Phone. Microcredit has been promoting this multinational business in the remote rural areas through the operation of credit, while looking at the needs of the clients and serving the commercial purpose of the organizations. The experiences that the poor women shared with me during my stay and interviews with them in the villages indicate that not a single woman has bought the mobile SIM willingly; rather they have to buy it for the sake of complying with the conditions imposed by microcredit field workers. Almost all women

reporting the case were aggrieved with the Grameen Bank field workers for compelling them to buy a Grameen mobile phone SIM. Thus the newfangled policy has contributed to the promotion of a corporate business culture in the remote areas of rural Bangladesh. This way microcredit programs have been successful commercial enterprise by developing different strategies for entrenching themselves in the rural financial market.

### **7.7. Credit Competition in Rural Market and NGO Strategies**

The field experiences and shared opinion of NGO workers indicates that the once-untapped rural financial market has now become a field of business for microcredit NGOs. This was done through door-to-door visits in the villages to offer small quantities of credit to poor women for their social and economic development. Nowadays NGOs have been competing with each other, as several NGOs offering various microcredit programs have been found in the same village. Therefore, the rural financial market has become very competitive for NGOs, which requires different business strategies and techniques to entice clients to join their programs in the rural areas. The president of the World Bank, James D. Wolfensohn (1996, cited in Brigg, 2001) stated that:

“Microcredit programs have brought vibrancy in the market economy to the poorest villages and people of the world. This business approach to the alleviation of poverty has allowed millions of individuals to work their way out of poverty with dignity” (p.247).

My observation and shared experiences of the clients with regard to their involvement in microcredit programs present a different image from the picture painted by the president of the World Bank. I have found in study villages that NGOs are in full competition with one another for the expansion of their programs, which was once beyond the spectrum of the formal fiscal market. The main strategy of NGOs working in my study areas is to attract clients and increase their participation with the aim of maintaining a high loan-recovery rate and accumulate capital.

I asked NGO workers: how do they compete when several NGOs (such as Grameen Bank, BRAC, ASA, and FIVD, B) come to operate microcredit programs in the same village. They told me that sometimes they have to alter their policies in order to convince clients who have borrowed from other NGOs to “defect”. One of the most easy and flexible policies of BRAC remains in the loan collection processes. In some exceptional cases, BRAC collects installments from clients on a monthly (instead of weekly) basis, although given that this a



rather recent introduction the clients only consider this a temporary relief from their problems. Likewise, Grameen recently reduced the number of installments from 46 to 45 to appease clients who have struggled with repayments. In order to sustain their position in the credit market, one of the most innovative policies of Grameen is the extension of the repayment schedule – this is done by offering soft loans to ensure that the last installment can be recovered from those who have failed to reimburse the money within the given one-year time schedule. Grameen's new policy seeks to offer different types of loan with greater flexibility to a wider range of clients from various income strata. Moreover, both Grameen Bank and BRAC have been competing to offer credit to poor women by increasing the amount of loans according to the income and economic status of the clients. One of the most lucrative strategies recently developed by BRAC is called 'Reducing Method', which was not yet in practice when I conducted my data collection. I only came to learn about the recently introduced system after corresponding with some of my respondents for the second time. BRAC started to apply this method from January of 2016 to attract clients. In my own terms, I refer to this as the 'Consoling Method' to satisfy clients with nominal services. Here the 'Reducing Method' can be defined as a process through which the rate of interest gradually tends to decrease proportionally with the diminutions of the principal amount of loan. This new policy of BRAC has not been fully operational because of technical reasons; thus far only 25% of the clients have been brought under this scheme.

Regarding the loan-delivery policy, BRAC field officers informed me that they consider the needs and abilities of the clients with regards to repayment from a market point of view. According to them, many NGOs are now in operation and poor people have many options to borrow credit. As reported by BRAC field workers, while NGOs are very much rigid in their rules to ensure the timely recovery of loans, they are increasingly showing some flexibility in other aspects as well. Since clients have shared that one of the main reasons for defaulting is due to their difficulty repaying the loans on a weekly basis, BRAC has experimented with operating monthly repayments by taking four installments together in a bid to retain their clients. This is still not yet a pervasive practice of the program. Indeed, field workers from both BRAC and Grameen Bank have opined that microcredit projects are primarily a business venture, and that the guiding policy and philosophy underlying the market economy is to expand its program portfolio by increasing the number of clients. In this manner, NGOs have thus been able to remain commercially viable despite intense competition through seeking maximum profit from micro-investments.

The provision of micro-capital to improve economic growth and alleviate poverty represents a microcosm of the dominant economistic-developmental approach, and resonate with aspects of modernization theory. Efforts to integrate subjects into the developmental project of microcredit signals the operation of related processes of subjectification and discipline. Thus the focus on income generation, self-employment and the encouragement of developmental subjectivities synchronizes with the microcredit approach (Brigg, 2001). Microcredit has become a fashionable mode of development for promoting entrepreneurship amongst the poor, where poor people become the 'managers of their own enterprise'. Through the operation of credit in rural market, NGOs have been able to become a profitable business enterprise as well as expanding its operation in even the remotest villages traditionally excluded from the formal financial market. I talked to NGO staff working with poor clients at field level in order to understand the difference between NGO-operated microcredit and conventional bank credit in terms of their interest rate and financial transactions. They have stated that NGOs have been providing 'home-loan services' to the poor without collateral, while the conventional banking system does not allow poor people access to loans. Prior to NGO service-deliveries, the rural poor therefore had no access to capital or credit, which has contributed to their successes in the villages. Rankin (2001) argues that poor women's participation in microcredit developmental-intervention programs is considered the most viable strategy to enhance the financial sustainability of their programs, which ultimately contributes to the broader goals of expanding financial markets to areas that fall beyond the purview of conventional capitalist-commercial markets. This way rural areas have become a flourishing theatre for NGOs to achieve the oft pronounced development goals of poverty alleviation and the empowerment of poor people, thereby promoting the neoliberal agendas of fashioning and deepening self-regulating markets at the village levels (Kalpana, 2015) in Bangladesh.

### **Agency, Empowerment and Intra-Household Relations: Expanded or Exacerbated?**

The empowerment of women has been incorporated into the parlance of development as a crucial issue given women's disadvantaged and vulnerable social position vis-à-vis men in much of the developing world. Therefore, the discussion on gender and development has come to focus on the empowerment of women, and has become central to the developmental discourse (Parmar, 2011, see Sen, 1999). Moreover, social and economic inequalities further compound their lack of support for fundamental functions of a human life (Nussbaum, 2000). Besides, "development policies and programs tend not to view women as an integral to economic development process" (Mehra, 1997:136). As a result, over the past two decades development policies have become increasingly people-centric, given how NGOs have demonstrated an interest in improving the economic wellbeing and empowerment of the poor – particularly poor women (Mehra, 1997). Therefore, development policies and frameworks have been designed to integrate women in social and economic development activities so that they can lift themselves out of poverty and thereby empower themselves.

In the context of Bangladeshi women, empowerment has been one of the declared goals of national development, and microcredit/microfinance is playing a leading role in order to achieve this goal (Ali and Hatta, 2012). In the development intervention programs of NGOs, microcredit has been a popular tool to incorporate women into the field of economic activities and market transactions, although it remains controversial whether and (if so) how microcredit has contributed to the empowerment of women and the promotion of gender-equality in the family. Therefore, the main objective of this chapter is to explain how women construct their views about empowerment and the formation of agency with regard to their actual position in the household and in the broader community. Besides, this section is devoted to analyzing whether microcredit has reduced the level of asymmetric gender relations and improved women's fallback position and status in the family. Moreover, attention has also been drawn to ascertain if women can develop greater freedoms of choice and autonomy, and how they negotiate traditional norms and values in order to cope with such interventions, and whether microcredit has brought stability in the family of the poor women through their involvement in income generation activities and their economic contributions to the family welfare.

### **8.1. Agency, Empowerment, and Perception of Women**

Women and men differ in their ability to make effective choices in a range of spheres across all countries, with women typically at a disadvantage (World Bank, 2012). The differences in outcomes emerge because women and men have unequal opportunities to exercise agency (World Bank, 2012). As a result, the concepts of agency and empowerment have drawn huge attention in the developmental literature and policies aimed at poverty reduction (Samman & Santos, 2009). The concept of empowerment is connected to terms such as “agency, autonomy, self-direction, self-determination, liberation, participation, mobilization, and self-confidence” (Ibrahim & Alkire, 2007:6, see Narayan, 2005). The fundamental idea of empowerment lies in the notion of power, which refers to the ability to make choices (Kabeer, 1999; Kabeer, 2005). Empowerment therefore refers to a person who was previously denied the freedom to make choices to acquire such an ability (Kabeer, 1999). Empowerment can broadly be defined as “the expansion of freedoms of choice and action to shape one’s life. It implies control over resources and decisions” (Narayan, 2005: 4). It underscores the fact that individual agents are already situated in social contexts that determine how much control they actually have over their own lives (Koggel, 2007).

The agency of an individual develops within the structure of a particular social context. Empowerment takes place within a specific social and cultural environment. Agency as another dimension of power refers to people’s capacity to delineate their own life choices and to pursue their own goals even in the face of opposition (Kabeer, 1999). Agency refers “not to the intentions people have in doing things but to their capability of doing those things in the first place” (Giddens, 1984:9). For Sen (1985) agency is “what a person is free to do and achieve in pursuit of whatever goals and values he or she regards as important” (p. 203). Agency in this regard does not only mean the opening of a wider range of opportunities through which people can make choices. Rather it is a process of having the effect of power to remove barriers; the ability to make use of the opportunities, and to be free to participate in economic, social and political institutions (Koggel, 2007). Therefore, agency enables an individual to develop the capacity to bargain, negotiate, and resist in different spheres of interactions. Likewise, empowerment is the capacity of women to increase their self-reliance, their right to determine choices, and their ability to influence change by achieving control over material and non-material resources (Moser, 1989). Thus agency is exercised by utilizing resources (such as credit) as a medium (Kabeer, 2005). Giddens (1986) identified resources as a medium through which power is exercised. Liberal feminists hold that the empowerment of women expands the

options of women beyond the domestic and into the public domain (Rowland-Serdar & Schwartz Shea, 1991). Women's empowerment, therefore, can be defined as "the capacity of women to be economically self-sufficient and self-reliant with control over decisions affecting their life options and freedom from violence" (Rao and Kelleher, 1995, in Banu et al., 2001: 30). Many argue that empowerment requires economic resources to improve people's opportunities and gain better income. Microcredit, for example, has the role in empowering the poor, particularly women (Mayoux, 2000; Malhotra et. al, 2002). Women's agency in this situation is very much important for freeing them from the social constraints of patriarchy, poverty, ignorance and lack of mobility (Aslanbeigui, et al., 2010).

Poor women are seen as disadvantaged and discriminatory subjects of societies in the 'Global South' and, therefore, are primarily targeted as the developmental agents of their family and community (Lüddemann, 2016). Power is understood as a kind of interface between agency and structure, and empowerment is a process that requires a shift in both dimensions (Pettit, 2012). Therefore, power can influence both agency and structure in the form of power over (the ability to act something), power with (collective understanding and action) and power within (dignity and self-esteem) (Rowlands, 1997). According to Foucault, power refers to the rule of individuals over other individuals, and thus these are social relations in which "certain actions may structure the field of other possible actions" (Foucault, 1982:791). Power relations are not separated from social relations; rather they are the conditions of possibility in the society as such (Lüddemann, 2016). The relation of power becomes discernible in the implementations of new programs and practices such as microcredit programs, where the subjectivization of the borrowers and clients is crucial for the operationalization of the discourses of development (Lüddemann, 2016). From another dimension, the concept of governmentality refers to the range of knowledge and techniques directed at managing the self through the regulation of everyday conduct (Foucault, 1991). The concept of governmentality allows us to examine "the constitution of new political forms and levels of the state such as the introduction of systems of negotiation, mechanisms of self-organization, and empowerment strategies" (Lemke, 2003:10). Kothari (1986) has argued that empowerment advances through a decentralized self-government. Therefore, the empowering instrument of power demonstrates the ways "individuals and social groups are governed by freedom and choice" (Lemke, 2013:37). Since the neoliberal ideologies of individualism have been successfully combined with empowerment strategies (Woehl, 2007) and is frequently equated with getting women into market (Bergeron, 2003), how NGO interventions of microcredit have contributed to achieving

their stated goals is a point that needs to be investigated. Therefore, this chapter analyses how rational profit-oriented microcredit programs have contributed to empowerment and the development of agency amongst poor women by incorporating them as individuals into income-generating projects as an ‘entrepreneur of the self’.

There are academic and policy debates about whether microcredit can effectively serve as a viable developmental intervention tool to overcome gender inequalities. Moreover, it is also claimed that microcredit has challenged the world of gender inequality by extending loans to poor women in a formal way that was once impossible. Given how it was initially proven that women were not only good borrowers but also good repayers of loans (Yunus, 2003). Many authors have used this premise to conclude that the participation of women in microcredit programs has encouraged them to participate in the public domain, reduced their exposure to violence, sharpened their decision-making capacities, engendered self-esteem and courage, and improved opportunities to exercise agency in household interactions (Hashemi et al., 1996; Kabeer, 2001; Pitt et al., 2006; Mahmud, 2003).

NGOs like Grameen Bank and BRAC profess the common objective to empower poor women by spurring employment generation through microcredit programs to overcome their limited access to credit and situate them within the mainstream of development. Therefore, the integration of women in gainful economic activities has been the main thrust of microcredit programs. Importantly, alleviating the poverty of their clients’ remains the core objective, while empowerment is assumed to be an indirect outcome of such programs.

I wanted to know the client women’s perceptions about empowerment and how they construct their views with regards to such issues. My respondents felt that money was one form of empowering women. According to one of my respondents of Grameen Bank, “Money is the root of everything. Everything is possible if there is money”. Another respondent of BRAC has said, “Power lies with those who can spend money and thus can be empowered.” I also asked my respondents about who spends money for maintaining the household. Many respondent women said that they do not have control over money because of their inability to contribute financially to the family. A client of Grameen Bank named Lalbibibi said, “*My husband earns money and he maintains everything in the family. I have to depend on him because I do not earn money and cannot use it the way my husband can.*” A vast majority of poor women are found to have been dependent on their husbands for economic and other related support. Their control over expenditure is apparently limited or nonexistent given the fact that they could not

directly contribute to the economic wellbeing of the family, despite being key service providers at the household levels. Only in a small number of cases I have found women who have no able-bodied person in the family maintaining control over household expenditures. Indeed, it appears as though their male counterparts have set an invisible demarcation, which restricts their ability to engage in economic transactions. As a result, their access to the market domain in terms of economic transactions is blocked, hindering the development of their social and economic agency.

It has also been found that women's equal access to the labor market and relevant economic or employment activities have virtually been gridlocked due to societal norms and values, which discourage women from entering into any kind of business that fall within the traditional purview of the "male domain". Consequently, women's world of work is limited to the boundary of the homestead, thereby transforming them into passive and submissive objects. For example, income-generating projects driven by microcredit ended up being completely managed by the husbands, leaving women with little control over how the borrowed credit has been utilized. Poor women in this case are unable to contribute directly to the household income like that of their male counterparts by way of engaging themselves in economically productive activities. Therefore, their social and economic agency has not been developed to their full potential, which might lead to their empowerment. Most women were not involved in the income-generating activities of the households, but were simply the technical conduit for undertaking loans, which did contribute to the development of their agency. The rigid traditional norms and values practiced in rural Bangladeshi society, including patriarchal attitudes towards females, and the lack of employment on the part of women are some of the negative factors that inhibit the development of women's social and economic agency. This is something that microcredit programs could not address properly due to the lack of educational programs that might catalyze ideational changes between the male and female populations in rural society. This is important, since financial autonomy is considered one of the prerequisites for the emancipation of women in society. However, microcredit programs have mainly focused on the timely recovery of loans, thereby making clients even more dependent on their husbands and subject to NGOs discipline instead of creating an even path for their empowerment through self-employment programs. Consequently, women have not been able to develop their inner potential, which could effectively be utilized in order to increase their status in the family and society, and therefore, contribute to the improvement of intra-household gender relations.

Since power accrues to those who generate their own income and control over it through direct contributions to family welfare. Therefore, women having no direct economic contributions to family appear to lack the decision making power in family affairs, which could be enhanced through their contributions to household welfare like that of their male counterparts. Amartya Sen (1990) also maintains that women can participate in the familial decision-making and thus improve their status remarkably if they are able to contribute to family income. It has also been observed that male members of the family primarily do the purchasing of household needs. There are certain specific spheres where women can enact their choices in buying household items, but they typically hinge on their husband's decision. Purchases are of two kinds – small purchases and big purchases. Small purchases include buying food items for immediate need such as rice, lentil, and other groceries from the nearby shops, and cooking utensils, bangle, earrings, cosmetic and junk ornaments from hawkers who sell their products by visiting from door to door. Big purchases include buying important household items such as furniture, cows, goats, house construction materials, rickshaw, automobiles, and so on. Men usually make the final decision regarding big purchases.

A significant number of women belonging to various income groups have argued that both husband and wife should make decisions over family matters jointly for the betterment of the family. Kabeer's (2001) study at a remote village in Bangladesh also found that women prefer joint decision-making rather than taking decision by husband or wife alone. In my study areas, it has been found that most of the women also consider joint decisions to be conducive and constructive for the collective wellbeing of family and children. I asked my respondents whether they felt undervalued if their husbands make decisions alone or when they do not give priority to their opinions, and which way is good for taking the decision regarding the family issues. When husbands make decisions alone they feel inferior, and therefore lose self-esteem and courage to exercise their agency and management of the family. I spoke to one of my respondents whose husband was confined to the bed due to chronic illness. She has been supporting the family in her own capacity because she has no alternative means of help. She complained:

“I am all in all in my family. I maintain my family single-handedly. My husband is sick. That is why, my husband is dead despite being alive. So I have no other choices but to support the family by myself since I have no children who can shoulder the responsibilities of the family. When my husband was in good health, he would do everything. Now I am the head of my family. I run the family by myself.”



This is the real-world experience of the poor credit-borrowing women in rural Bangladesh. Poor women have virtually no choices regarding the practical needs of their lives mainly because of their dependency on husbands or other adult males in the family. Only in some exceptional cases are they bound by circumstance to assume the position of the head of the household<sup>58</sup> due to the absence or illness of their husbands. When women lose their husbands they naturally become dependent on other male members in the family like sons, but there is nonetheless no way of escaping the socially accepted barriers of belongingness to other male persons. I also asked my respondents as a supplementary question about who should make decisions about family affairs. Approximately 47% of them said that husbands or male persons in the family should take decision regarding the familial issues. One of the respondents of BRAC in Kazirgaon village named Khatun aged about 50 has put her opinion in the following way:

“We can make household decisions together with all family members, but it is better if the decision is taken by men in the family like my husband and adult sons since they go to different places and are more informed. They have access to different places and mix with variety of people. They have good knowledge of the outer world. For this reason, they are better decision-makers. If women want to be like men, they have to be given work. If women can earn money like men, they will be of value in society, like men.”

The statement points out that a considerable number of women prefer their husbands and sons to make decisions regarding vital issues of the family. Microcredit has not helped alter poor women's own self-perceptions and belief in their abilities to make important decisions that could reshape their attitude, which is part and parcel for their empowerment and changing status in the family and in broader society. I also asked my respondents which kind of situations should men make decisions. One of the respondents named Achia of Grameen said, *“I don't agree with the view that men should make the decisions, because men don't know the system of running the family. It is women's work!”* Against her answer I again asked her what sort of situations women should make decisions concerning the family affairs? She puts her opinion in a rather sarcastic way:

“I think women are obliged to make decisions in three spheres. Say, doing job: if her husband is unemployed, then women will take up job if they are educated and run the

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<sup>58</sup> Some households are headed by widows following their husband's death, or when they have no other adult person in the family. In this case women have to run the family in their own capacity.

family. If her husband lives abroad, then women will be forced by the situation to run the family. If her husband is a drug addict, he will not be able to think of the family. In that case too women will maintain everything.”

This is just the typical expression of female credit-clients with regard to the issue of empowerment. Although some women prefer to make decisions jointly with their husband’s for the overall wellbeing of the family, the rural culture and society of Bangladesh does not allow women to make any decisions for the family, unlike their male counterparts. Women make decisions on issues related to cooking, along with the routine household chores. What kind of curry is cooked for serving the family is typically the woman’s decision, not the men’s. I also asked my respondents about whether they participated in any electoral processes or casted votes during the local council and national elections. Almost all of the respondents said that they voted for the person who their husbands or male relatives recommended to them. Before the election, husbands and fathers-in-law ask all other members in the family to vote for the person they picked. One of the respondents named Khatun of BRAC again has said:

“I cast my vote to whom my elder brother-in-law ask me to do. This vote does not favor women because it is an election for the men. We are just casting vote to appease our men. We have no personal choice in this regard.”

Loan-borrowing women have given their opinions on their lack of autonomy when casting votes, which influences their political behavior. Moreover, I wanted to know whether poor women participate in any arbitrary meetings held in the community when some intra-community feud occurs. Joining any local issue to be solved is a significant indicator that determines, to some extent, women’s political status in the society. Women in the context of my study areas reported that they have not participated in any arbitration meetings with the community to resolve disputes, primarily because of the gender-biased attitudes<sup>59</sup> of the society. Therefore, women’s political agency is underdeveloped due to the societal attitude of males, even though the government and NGO rhetoric indicates that the political empowerment of women is on their agenda. Men in the family regard women as subordinate entities, which thereby suppresses their social and political aspirations and hinders their ability to exercise their agency in the social, economic and political arenas. Women’s political agency is one of the

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<sup>59</sup> Men in rural society consider that women should not be allowed to cast votes according to their own preferences. Wives in this regard listen to what their husbands or other male elders in the family ask them to do. Underlying reasons behind the fact is that societal attitude towards women are not neutral and even women’s ability and work is not properly recognized.

most important factors that will determine their ability to change their existing subordinate position in both the family and the broader society. From the opinions of the respondents, it can be argued that power lies with those who controls and disposes of money, and that the empowerment of women is ultimately a process that emerges from control over both material and non-material resources and their proper uses by women who are the subjects of this process.

## **8.2. Developing Women's Freedom and Autonomy?**

One of the most important dimensions and indicators of empowerment is the liberty and autonomy of women exercised in different spheres through the actions and interactions, which enables them to have developed their agency for the alteration of their lives. Bangladeshi society and culture has given men and women different outlooks towards life that stimulate them to determine their life choices as per their own knowledge and understanding. Thus, male attitudes towards females has negatively contributed to the sharp distinctions between male and female in terms of a value judgment, which justifies their stanch position with regard to the issue of their lives. I have found in the study areas that women cannot make decisions for the family and cannot do anything without first consulting with their husbands, implying that women's decisions in family affairs are not recognized or valued. In this regard an argument of Westergaard (1983, cited in Naz, 2006) can be presented here, where "there is lack of decision making power and control on the part of the women over the economic life of a rural family because it is men who control the means of production" (p.83).

One day I had an interview with a client of Grameen Bank named Pairun (age 36). Her husband was sitting beside her. He wanted to share his opinion with me concerning who should make the decisions in the household. In his view, "*women should not have the right to take decision. Women have no practical knowledge; they do not know the social reality that they [men] face and try to tackle. Have you ever seen any woman who can do her job nicely?*" Such perceptions of women by men in rural Bangladeshi society are common. Women themselves have also not developed their own ideas about freedom and autonomy due to the cultural constructs and practices that contribute to gender stereotypes amongst women themselves. If autonomy is identified with individual independence, the self-determination of individual women, and the right to individual choice (Mies, 2014), there appears to be a lack of these components in the rural context of the study areas. Some of the women also do not desire freedom, for their mindset has been culturally constructed and developed in such a way that they cannot choose to be as free as their male counterparts. I present the views of a respondents under BRAC

named Nazma (aged around 35), who said, “*Women who think of god and society do not have freedom.*” In her opinion women should not have freedom like men. If women are given freedom, the relationship between husband and wife will be spoiled. I probed further: why do you think that freedom will lead to friction between husband and wife? She replied:

“Women should be under the control and custody of men like her father or husband. Otherwise there is the likelihood of women being spoiled. The time is very bad. Society is ruined. There are no good people in society nowadays. Who saves who?”

This is the attitude of women with regard to freedom in their lives. Freedom and autonomy in any social, economic and political realm is a relative matter because of the variation of the perspectives from person to person. Women’s views with regard to their own freedom is important and has to be taken into account for presenting the issue from the point of view of the women, who actually consider what is really essential for their lives. According to the given statement, it can be argued that women mostly do not want their own freedom as the culture has cultivated a mindset and shaped their beliefs and behavior that they do not challenge. The rural social structure has taught them to be loyal to their husbands or other male persons in the family. The cultural constructions of society has a strong effect on the beliefs, actions and values of rural women, which is something that microcredit program could not break. I asked my respondents about whether they enjoy more freedom after joining the credit programs, and how they could exercise their freedom and autonomy in different aspects of their lives. Hena Begum (age 40) of Grameen Bank has said in response to my question as follows:

“Credit has killed my freedom. It did not help increase my freedom of movement in society. Now I have to bow down my head. My husband always remains in a pensive mood because of this. Sometimes my husband does not give me money for installments. I have to stay indoors for shame due to society and cannot go out. Credit [*kisti*] is a serious curse. It has to be paid even by selling blood. They [NGO workers] give legal threats to induce repayment. We pay the installment in time due to fear of police and social intimidation.”

A remarkable number of loan borrowing women have experienced limits to their movements due to their financial constraints. Only an insignificant number of women who have regular income and repayment capacity do not feel shy being in front of other people in the community, unlike those who cannot repay the loan in time. I have also found that the majority of poor women belonging to middle and lower income group face acute problems related to repayment.

As a result, they try to avoid being in touch with other people because of their inability to repay their loans, which has pushed them to the periphery of society. Normally, the culture and traditions of rural society do not allow women to move freely in society as and how they please. After joining the microcredit programs the scope of their mobility in the neighborhood has increased to a certain level, such as visiting the local loan center with other women. Local center is in center chief's house situated in the neighborhood, which is not far beyond the area of their localities. Moreover, in the local center all of the visitors are women except the local field managers. Women's mixing with other women in the same community does not add significant value to the changing pattern of their cultural attitude and behavior giving them the sense of appearing in public without shame and hesitation. However, the crux of the problem in this connection remains in the perception of women who do not consider their mobility in public places as a good thing. One of my respondents of Grameen named Achia (30) has said with regard to her mobility in male domain as follows:

“I did not get out of my home before taking loan. Nobody knew me. Now people know me as a bad person because I took a loan. People think that I am a needy person on account of my loan borrowing. People underestimate poor and needy persons.”

It is proven that microcredit has the potential force to bring women out of the boundary of the homestead through the obligatory physical appearance at the local loan center, and therefore, has increased their mobility in the society through the networks and organization. But it could not change the views women hold about the expansion of their own individual freedom and autonomy in the realm of social interactions and other significant arenas influencing their life choices. Women are forced to show up at the loan center in order to repay the loan-installments, but no educational and consciousness-raising issues that could have brought ideational changes among them are discussed in the center. Consequently, poor women appear to have not been able to develop their agency and autonomy in the realm of family and even in society due to the lack of proper knowledge and consciousness.

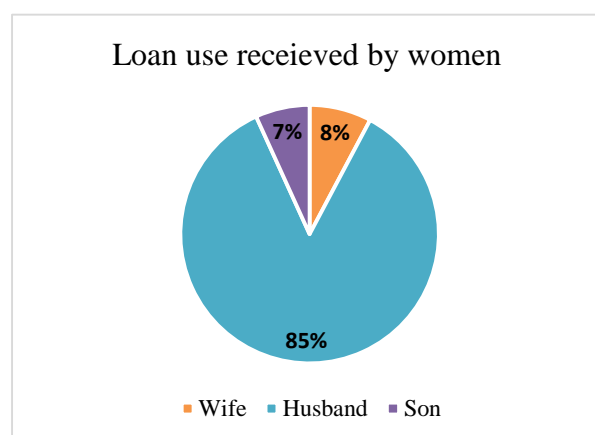
NGOs in the context of the study area are found to have focused on the financial sustainability of the programs instead of directing their attention to creating awareness and building a base of social education among the poor women. Rather they have controlled the financial behavior of the clients through the imposition of stiff organizational rules upon them. Microcredit programs have been successful in terms of repayment based on gendered social norms and traditional social relations, but the major objective of the programs have unfortunately been

overlooked to a large extent. Consequently, women have become disciplined and docile social subjects through the regular repayments of loans by complying with the rigid rules of NGOs instead of being able to enhance their agency and autonomy in the family and society by improving their range of economic options. Fernando (2006) observes that the microcredit programs targeting poor women as clients not only code “emancipation” in economic terms but also “influence the way people construct themselves, their conduct and their relations as free individuals”(p.5). Some studies (Kabeer, 1998; Mahmud, 2003) have explained that microcredit has brought women into the public forum and has widened the horizon of movement beyond the family precinct. My study differs from them on the grounds that women’s moving out does not necessarily signify their empowerment. Empowerment in this regard is how women construct their views on issues of the way they exercise and enjoy freedom and autonomy in different stages of their life cycle.

### 8.3. Loan Collection and Use: Who Bears the Risk and Responsibility?

It is widely recognized that microcredit programs target poor women as their clients on the premise that they are one of the most disadvantaged sections of society, and therefore need to be incorporated into economic activities for sustainable social development. It is obvious that poor women’s integration into development is the basic building block for the equitable social development of a developing country like Bangladesh. From that point of view NGO-promoted microcredit programs have successfully utilized that scope in order to promote and harmonize the development of the society. However, practical experience suggests that since loans are used and controlled by men instead of women, who are supposed to be the targeted beneficiaries of the programs.

Figure 7: Loan use received by women



<sup>60</sup>The pie chart shows that despite poor rural women being the intended beneficiaries of the programs, husbands’ use 85% of the loans, 7% of loans are used by sons of the client-women, and only 8% of loans are actually used by the clients themselves. The statistics indicate that a majority of women are not in the control of the loan and how it is used.

<sup>60</sup> Source: Adapted from field interview data.

My field experiences reveal that at the time of collecting loan from NGOs women take with them their husbands or other male persons of the family who act as the guarantors of loan. NGOs usually do not offer loan to poor women who are not accompanied by a male person or relative. This is the most practiced and observed rule in microcredit NGOs like Grameen Bank and BRAC. Besides, women have to submit two photos of their husband, along with his signature or thumbprint on the documents before a loan may be undertaken. In this context, women are the main agents to whom the loan is proffered, while men act as guarantors of the provided service. In this way women have become an appropriate channel for NGOs to provide loans, since they simultaneously function as facilitators and beneficiaries. Given that women have to open a book with two photos of husband and wife are pasted, which indicates that microcredit programs do not consider women as the most significant agents to target because of their positional vulnerability and (lack of) employment status. As women are not the traditional breadwinners they are not considered ideal agents for providing loans.

Women do not end up using the loans to stimulate self-employment or income-generating activities because of the sexual division of labor that segregates between male and female work. In the context of rural Bangladesh women cannot undertake many kinds of activities (Kabeer, 2001). As a result, they are simply the collectors of loans and bearers of responsibility. In the majority of cases husbands use the loan money on their own accord, while women take full responsibility for paying it back. While microcredit programs purport to empower the poor women by offering them earning opportunities to raise their status in the family and in broader community, the loan delivery and management system in reality has been nurturing the patriarchal social norms and values instead of breaking or challenging the very system. Therefore, microcredit programs have been unable to break the long-practiced patriarchal social structure; and rather have fostered it through the loan delivery mechanism. Most of the authors (Hashemi et al., 1996; Kabeer, 1998), who have depicted the positive image of microcredit on women's empowerment also concede that microcredit alone cannot overcome the deep-rooted patriarchal social structure.

My observation notes reflect how poor women face critical situations on the day of repayment. One day I was sitting in a tin-shed house where a group of women were moving about. The center-chief of BRAC microcredit programs in Kazirgaon village was about to go mad. All kinds of negotiations were ongoing with the center chief. The son of one Tahir Ali was sick and due to that reason his wife could not pay the installment that day. The center chief was still running around trying to convince other women to make repayments. One client lady named

Lal Bibi went into the house of my local guide Gause to negotiate with the center-chief. I wanted to talk to that lady but she declined, giving me the impression that she had lost everything. This is the reality of poor women who borrowed loans from BRAC. In the entire village and in the four centers of Grameen bank and BRAC I have not found any single male person of the family who appeared in the centers to repay the loan. Men are not the risk bearers, putting them on the safe side. Women on the other hand bear the responsibility of repayment, making them more vulnerable compared to men. I asked my respondents about who uses the loans and why. One of the clients of Grameen Bank named Tania said as follows:

“I borrow loans but my husband uses it. I cannot use the loan because my husband is the head of our family. I have no work unlike my husband, and therefore have no money. I have to depend on my husband for the installments. My husband gives me money and I give the money to the NGO. My responsibility is to pay back money at the right time. This is not the responsibility of my husband. He remains care free.”

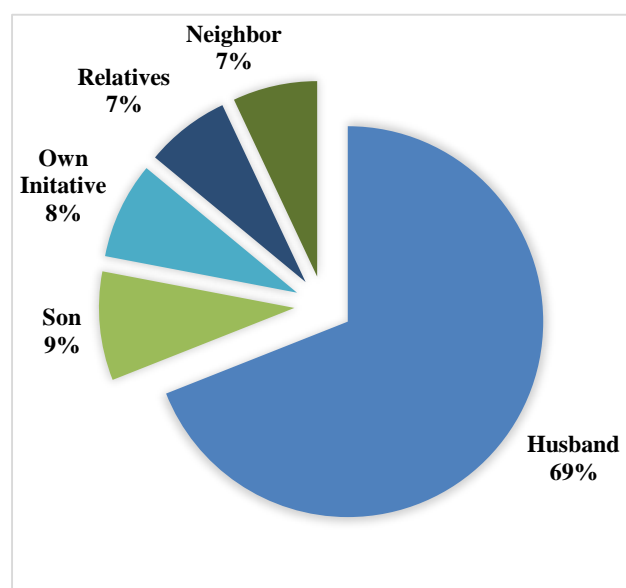
Microcredit has put additional risks on the poor clients instead of empowerment in the transformative sense. Empowerment of women by way of creating employment has been mere programs rhetoric for the fact that microcredit programs have been distracted from the main objectives, which is stated as the social and economic development of poor women. Both Grameen Bank and BRAC have paid full attention to the recovery of loans from poor female clients, thereby digressing from its empowerment philosophy in which process women have become their technical choices for the convenience of the programs. What empowerment signifies depends on the actual status of women in the family and in the broader community. The family is the smallest unit of society, and therefore women's representation in the family reflects their social position. A majority of the poor women have simply borrowed loans from NGOs and given it to their husbands or other eligible members of the households like their adult sons. Borrowing money is the responsibility of women, while repayment responsibility lies with the husbands so long as women do not have income. Simply borrowing money to channel to their husbands' cannot significantly empower women, unless the money is utilized according to the wishes and choices of the wife. Money [credit] is a means of production and women should have control over it. Women in the rural family would not be able to change their lives unless they have more equal control over the means of production.

In addition, about 37% of respondent women said that they suggested using the loan money for income-earning activities such as raising poultry, but their husbands refused to listen to them



or share some of the money with their wives. Those client women told me of that they are expected to defer to their husbands' judgment. In the context of rural society in Bangladesh a woman either has to depend on her husband or adult sons who are the primary breadwinners of the family. Women simply play the role of a wife or a mother. Therefore, women have to depend on their husbands for all material and nonmaterial supports.

Figure 8: Who asked you to take loans?



<sup>61</sup>The pie chart demonstrates that 69% of women borrowed loans after being asked by their husbands, while 9% of them borrowed after being asked by their sons. Only 8% of women borrowed loans on their own accord, while 7% of women were encouraged to borrow loans by their relatives and neighbors respectively. In a majority of the cases it has been found that women did not borrow loans out of their own free will. In majority of the cases

husbands' ask their wives' to take loans from NGOs, even though in some cases they are unwilling to do so as they know that they will have to bear the full responsibility of repayment. Most of the women have the same opinion that undertaking loans might be convenient, but paying back the installments on time is difficult. A remarkable number of the credit clients reported that they have endured bad words or vile language from the NGO workers when they fail to make repayments on time. As a result, even though they are often reluctant to take loans, their husbands force them to do so, which essentially does not benefit women. Traditionally, rural women in Bangladesh are conditioned to regard the familial interests as being one and the same with their own interests (Kabeer, 1991). Besides, women are generally the welfare thinkers and always give priority to the wellbeing of the family and children, which might be another reason to listen to their husbands regarding the borrowing of loans in addition to negotiating family conflicts. My argument in this regard is that female empowerment is a natural process that cannot be achieved through imposing anything against the will of the women. Poor women are on a double-edged sword. If they do not take loan their husbands may

<sup>61</sup> Source: Adapted from field interview data.

reproach them; but when they borrow loans they end up shouldering the risk and responsibility, creating serious burden and stress. Women's social status can be uplifted only when some of the economic control remains in their hands.

#### **8.4. Microcredit: Bringing Peace or Increasing Stress?**

Microcredit initiatives have received huge recognition worldwide for its pioneer and its institution with the jointly awarded Nobel peace prize. The philosophy behind awarding the prize was to establish peace in society through the alleviation of the poverty amongst the rural poor, and to identify poverty as a severe hindrance to development. Development is considered to be a prerequisite for establishing peace, which can be achieved through sustainable development (Sarker et al., 2012). The respondent women have said that while they borrow loans due to their need, NGOs put pressure on the clients to make repayments, which has disturbed the peace of women. Approximately 33 respondent women out of 49 have reported experiencing the negative and corrosive effects of credit on their lives.

A significant number of respondent women complain of suffering various symptoms of different mental and physical disorders, which have allegedly been a result of repayment stress and pressure. They have reported that credit is a curse for them because only they gain pain from borrowing credit. Credit has created mental agony, pain and suffering, trauma and tribulation for the poor women belonging to the middle and lower income category; whereas for the high income group only a fraction number of clients (11 women) have reported not encountering such incidences due to them having regular income coming from different sources. Consequently, they can pay the installments within the given time frame without too much difficulty. Women having regular income-earners in the family are thus able to cope with the terms and conditions of the programs. The situation is far more acute for those having no productive activities or stable income sources. One of my respondents named Achia Khatun (age 45) of Grameen Bank has expressed her opinion about the problems she underwent due to pressure of credit in the following way:

“I did not have mentionable ailments before borrowing the loan. I have detected high blood pressure after taking credit. Pressure has been high due to tension of credit. I feel headache in my entire head because of the installments. I even feel excruciating pain in my head. Sometimes I become light-headed and senseless. Now this problem has been chronic. I am afraid that I will die because of the tensions of loan.”

Poor women have experienced these sorts of problems after borrowing credit from NGOs due to the reasons that making repayment within the short intervals is psychologically trying for the women. When NGOs come peddling credit at the doorsteps of the poor, they try to blandish them in the hope of getting them on board the microcredit venture. In addition, microcredit NGOs are available in the villages, which motivates husbands to encourage their wives to borrow loans after finding them to be the closest and most convenient out of the various providers of services. One of my respondents said, “*This credit [kisti] is not a better way for the poor because it causes mental stress and huge load.*” This is what poor women have opined about microcredit and the related repayment pressures. About 46% of the respondents have reported that when they wake up the tension of repayment is the first thing on their minds. The tension gradually increases as the day of repayment approaches. Nearly 40 of my respondents have said that they have lost their happiness due to tensions over making the installments. 26 out of 49 respondent women have reported that they have experienced physical problems such as headaches, dizziness, high blood pressure, sleeplessness, heart palpitations, chest tightness, nausea, hypertension, anxiety and worry, to name a few. One respondent named Asmatun (age 35) of BRAC expressed her opinion in the following way.

“If I cannot make the repayment, I will lose face in the society. I start thinking three days before the payment date how I can pay the installment. I cannot eat properly. I feel giddy, I feel tense. When I cannot manage the installment, I go to my relatives for money. Tension gradually escalates until I pay the loan. I need to save face first despite my physical and psychological problems.”

This is the expression and lived experiences of credit borrowing women in my study areas who have undergone a lot of loan repayment related sufferings. Microcredit programs have been touted as the most effective tool for poverty alleviation and female empowerment, but the ground level experiences of the clients in these intervention programs indicate that it has increased the level of stress among the poor clients rather than increasing their peace of mind in the family. As a consequence, the recognition of microcredit for establishing peace and stability in the family through poverty alleviation mostly remains an unattained goal for the poor women in rural Bangladesh, particularly in my study areas. I recommend that in order to alleviate the stress of women, it is necessary to practice greater flexibility with regards to the rules and regulations of repayment.

### **8.5. Microcredit: A Means for Conflict Resolution or a Bone of Contention?**

It is widely recognized that some socioeconomic conditions have forced rural poor women to be involved in microcredit programs. Bangladesh is a staunchly patriarchal society with different cultural attitudes and roles for men and women. The relationships between husband and wife often face tension due to the fact that both of them nurture divergent mindsets growing out of sex-differentiated socialization. Besides, patriarchal domination is manifested first through women's positions in the family, and later in the society. Typically in Bangladesh it is women's marital status that defines their statuses within the family (Zaman, 1999a). In this context, their relationships has to be based on mutual understanding and the capacity for compromise between them. Under patriarchy, the wife usually ends up sacrificing more.

In the rural society of Bangladesh, male and female relationships take a different shape, with women being subordinate to their husbands due to their economic dependency upon them. These cultural practices have been developed due to women's lack of direct financial contributions to the family in addition to other factors<sup>62</sup>. As a result, women's position and status in the family has undergone a detrimental transformation, driving women into even more vulnerable situations. Generally, among the poor community women hold the view that being under the tutelage of a husband is better than being single in order to avoid the insults and aspersions of society.

Besides, domestic violence is perhaps the most common element of the set of violence against women because of its far-reaching implications on their overall relative gender status (Toufique & Razzaque, 2011). It is the most specific form of the violation of human rights, and a form of discrimination against women (Khan, 2014). Domestic violence or violence against women are typically used interchangeably (Thiara and Gill, 2010). Domestic violence is treated as a gendered crime, most often committed by men against women (Walby and Allen, 2004). It is often justified as a man's right to control the behavior of his wife (Schuler et al., 1996) as a direct consequence of women's subordinate status in society (Cohen, 2006). Violence against women is a commonplace phenomenon in the sphere of both rural and urban societies in Bangladesh across all social and economic groups (Sarker and Yesmin, 2013), and its increasing prevalence amongst the poorer classes is alarming (Bates et al., 2004). In rural Bangladesh, it has become an accepted form of "culture", and is being transmitted from

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<sup>62</sup> Social practices and the religious beliefs of men and women in society contribute to gendered attitudes, while the patriarchal social structure allows men to dominate and control women in various spheres of their lives.

generation to generation to the point of being institutionalized (Khan, 2005, cited in Sarker and Yesmin, 2013). Thus this phenomenon has become embodied in the *doxa* (Bourdieu, 1977). Wife beating – as one form of domestic violence – is often seen to exist in many poor families, with women as the primary victims. Respondents have recounted violent incidents against women at the domestic level over different family issues. The main reason underlying such violence is usually due to financial issues. One of my respondents has told me of the fact that men have cool head if they have money in hand, but become more hotheaded when finances are scarce.

It has been found in a remarkable number of cases that men have no regular income and end up idling their days away due to paucity of work. One of the main reasons for this is—rural society typically does not allow for regular high-income occupations because of the nature of employment available. That is why people cannot find regular work; and even if they can find work, it usually is not sufficient to cover their growing needs. In this situation the lack of money is typically the cause of their anger, and women become medium through which their frustrations are vented due to the pressure of being unable to provide for the needs of the family. A significant number of women have said that permanent employment and stable income can potentially reduce the level of conflict between husband and wife. They also argue that regular paid employment for husbands alone cannot ameliorate this problem. Wives also need to be employed and contribute financially to family like their husbands, which is much more effective for achieving a balanced relationship between them. I asked my respondents why they consider this a useful strategy. One of them from Grameen Bank named Tanzina shared her views:

“Money is the root of power which is very important for doing everything. Lack of money is the problem like ours. For earning money, we need work. Basically men need work first. They are not supposed to stay idle at home. If men remain work-shy they end up finding fault with their wives. That is why they need to do work which is beneficial for the family and children.”

In this instance, all women irrespective of their income divisions are of the opinion that their husbands should be engaged in regular and meaningful income-generating activity. Respondents claim that unemployed husbands tend to lose their temper more easily, which is ill conducive for harmonious relations within the family. Moreover, nearly 25 of the respondent women argued that they need work in order to be empowered, which they deem to be important

for the equipoised relationships between married couples. A respondent of Grameen Bank aged around 36 who preferred anonymity very candidly said:

“My husband is a lazy person. He goes to work one day and rests for two days. I have never seen such a lazy person in my entire life. Whenever I ask him to go pull a rickshaw [leg propelled three wheeler], he does not pay heed to me. Sometimes we do not have food at home. Children remain unfed. I buy some food items from local groceries on credit to cook for my children. He has no concern about this and remains carefree. The problem becomes acute as the day of repayment approaches. It seems that I have all the problems and he has nothing to do. If I say something, he picks a quarrel and beats me. My life has vanished because of this person.”

This is the scenario of rural Bangladeshi poor women, particularly in my study regions. Poor women in this social and cultural backdrop have joined microcredit programs in order to be self-employed and earn money to contribute to their families. My practical observations and experiences of the credit-client women presents a different picture. Nearly 43 out of 49 respondents have said that after their involvement in microcredit programs, the primary locus of family conflicts centers around credit and repayment. The underlying reason for this is that women are the ones who repay the loans, while their husbands are the ones who generate the money for repayment. However, since men do not go to the center for paying the installments, women as the direct borrowers are the ones who sustain the insults by the microcredit workers. Women therefore also have to bear the added responsibility of maintaining regular repayment, which results in them pressurizing their husbands to generate the money needed for the loan-installments. When husbands cannot collect enough money for the installments, there begins the conflict between them, with many cases ending up in physical violence. This occurs in spite of the fact that women try their best to avoid direct conflict with husbands, given the fact husbands are typically the sole breadwinners in the family.

I can cite here a case of a husband rowing with his wife owing to repayment pressures. One day I was in one of my respondents' house named Gulecha, a credit-client of Grameen Bank in Chatal village. Her husband could not manage money for making loan-repayments on the scheduled collection day. By this time the center-chief lady named Rachana came to remind her to proceed to the center with the installment as time was running out. Gulecha was very angry with her husband, and they eventually ended up quarrelling. Her husband was equally outraged. He was about to beat his wife, but considering my presence there he stopped short from hitting her. From the lived experiences of the female clients it is learnt that spousal violence has become

regular incidence in the study villages. Aminur Rahman (1999) in his anthropological study on Grameen Bank in the village of Tangail in Bangladesh also found that microcredit escalates gender violence instead of reducing its occurrence, and adds repayment-pressures onto the shoulders of poor women. It has been found in the study areas that after joining microcredit programs, conflict in the relationships between husband and wife has been exacerbated due to repayment related pressures. Goetz and Gupta (1996) also found that in most of the cases tensions increased within the household when women put pressure on their husbands for the money to repay installments, resulting in family violence. Issues of conflict and violence occur when husbands cannot manage money and are out of work. There is a general correlation between the level of income and the level of family conflicts. If husbands have stable work and regular income, conflicts are less likely. I wanted to know why husbands fall out with their wives, and their strategies to tackle them. Shimul, a credit-client of Grameen Bank, shared with me the following:

“We did not have contentions and quarrels between us before. Now there are quarrels between husband and wife due to credit. One day I had no money before the day of repayment. The amount of money was spent doing shopping. I told my husband I am a new member, and the day of repayment is tomorrow. If I cannot pay the installment, other members will call me a bad woman. After hearing this, my husband beat me a lot. He never raised his hand on me before this. He did this because of credit. Credit has disturbed the peace of my family. If I cannot make the repayments on time, the conflict between husband and wife continues incessantly. The relationship between husband and wife has turned bad. I have to sustain the beatings of my husband. Once my husband told me to go to my father’s home. He told me to fetch money from my parent’s home. But I did not do so. We squabbled with one another. Then I went to my father’s home and lived there for a year. After one year, my mother-in-law took me back from my father’s home. I came back because I had no other place to go.”

This is just another piece of evidence of violence against women centering on the issue of microcredit. Many women have complained that their husbands have become arrogant towards them after their wives have joined the microcredit programs. Grameen Bank clients have to pay their installments on a weekly basis, which has reinforced the frequency of violence. Microcredit has indirectly contributed to the escalation of violence through the regular-repayment process. The incorporation of microcredit in rural Bangladesh for the development of poor women has given birth to a new dimension of the existing issue of gender inequalities and violence, thereby adding salt to the wound. This means that microcredit has not been able

to heal the wounds of violence against women, but rather has exacerbated problems by introducing new networks of financial inclusion for women in the development intervention programs. Microcredit repayment mechanisms that only provide for a short repayment window threatens women's social and economic security, downgrading their status in the arena of the family as well as in the broader community. From the experiences of the credit-client women, it can be argued that the economic condition of a poor family leads to family conflicts, and women's participation in microcredit programs has intensified asymmetrical gender relations in the form of physical and psychological violence instead of reducing its frequency of the incidence. Microcredit programs have involuntarily sparked off new dimensions of conjugal conflict instead of reducing the level of familial tension. The conflicts between husband and wife have now become a frequent phenomenon, taking place every week just before or on the day of repayment. As a result, their relationship in many instances tends to deteriorate following their involvement in credit programs. From the overall picture it can be deduced that conflict and violence is more prevalent amongst the middle and lower income groups compared to the higher income category because the magnitude of repayment pressure is lower among the latter.

#### **8.6. Secret Savings and Conflict Negotiation**

It is widely recognized that poor people cannot save money so long as the provision of daily needs is their prime concern. Microcredit programs have at least cultivated norms of saving in this sphere amongst poor women. This is a good practice that benefits poor women. But the reverse side of this practice exposes the strategic aspect of microcredit programs, which are intended for the security of loans and smoothness of recovery. When the date of repayment draws nearer women becomes worried about meeting the payment date. Around 43% of the respondents told me that NGO staff taught the client-women to create secret funds unbeknownst to their husbands in order to ensure the timely repayment of loans. This is because if husbands know their wife has money in her possession they may try to take it away from her, which would compromise their ability to make timely loan-repayments and leave her at the mercy of stigmatization by group members or NGO staff. Saving money in a secret fund is therefore one way for women to reduce the interference of their husbands.

It is learnt from the respondents that poor families typically do not have any cash savings at hand. Husbands spend most of their time outdoors, while wives live at home doing household work. This is why they sometimes require small amounts of cash for their day-to-day survival.



When husbands sense that their wife has some money in her possession, he may demand some from her, which can result in further conflicts. Husbands who fail to manage their money on a particular day often press their wives to borrow money from the NGO savings fund. Therefore, NGOs suggest that their clients keep a clandestine fund that can be used as installments in the event that they are unable to raise the required amount by the repayment date. It is reported that husbands sometimes instruct their wives to withdraw money from the NGO saving funds. The situation gets aggravated when wives ignore their husband's directive to draw money from the savings fund. In this case NGO workers encourage women not to disclose the savings fund to their husbands to safeguard their own financial security. About 26% of the respondents said that they [NGOs] do it for their own interest to secure the repayment in time, and women who fail to pay back the loan in time will have the required amount deducted from their savings deposited in the NGOs.

Traditional values and religious practices in Bangladesh frown upon women who lie to their husbands as is considered a sinful act. NGOs suggest that women develop a savings fund to be kept secret from their husbands. Through this savings practices, they create a kind of 'culture of lying' between wives and husbands, which may subsequently stoke conflict. This has added a new dimension in the sphere of social and family relations. It is neither fair nor ethical for NGO staff to encourage women to keep confidential savings funds to ensure the timely repayment of loans. Rather, it should be conducted in a fair and transparent manner in order not to cause confusion or conflict amongst clients and their families.

### **8.7. Credit as Dowry and Conflict Negotiation**

The concept and practice of the dowry in the context of Bangladesh is not a recent phenomenon. Rather, it is an ancient form of marriage transaction (Kamruzzaman, 2015) involving a pattern of marriage payments made for satisfying the demands of the bridegroom during the wedding. The practice of giving a dowry was to assist a newly married couple to start their lives together with ease. However, over the course of time this system has turned into a commercial transaction in which financial considerations receive primacy over the personal merits of the bride (Singh, 2013). Dowry amongst Muslims in Bangladesh is a recent practice, but it was a common phenomenon among certain specific high caste Hindus (Amin and Cain, 1995, cited in Esteve-Volart, 2004). In the past, dowries were given in the form of household goods, but nowadays such transactions are usually made in cash-payments as gifts (Amin and Cain, 1997). In Bangladesh, the dowry system has given rise to various socioeconomic problems with dire

consequences. This customary practice is often seen as a form of gender discrimination against females (Esteve-Volart, 2004). Despite this, the practice of dowry continues to exist in society, as it functions as a form of insurance against divorce for Muslim couples (Esteve-Volart, 2004), and can increase the bargaining power of the bride in the marital household (Zhang and Chan, 1999), and lower the likelihood of divorce (Esteve-Volart, 2003). Dowry related violence against women is extensively embedded in gender norms (Kamruzzaman, 2015), which has become a pervasive phenomenon in rural Bangladesh due to socioeconomic status of women, and particularly amongst poorer community. The practice of dowry provisions have been actively discouraged by the government and other organizations like NGOs. Women are the ones who typically suffer and sustain dowry-related violence in the family, which can result in the break of conjugal relations. In Bangladesh, the form of dowry is now seen as a negative marriage transaction that is prohibited by the state. Moreover, some designated NGOs have also played a remarkable role in discouraging people from offering and receiving dowries, in some cases even providing legal aid to victims. Despite this, the practice remains rife in the poor communities of Bangladesh.

There is a popular perception that whatever is given cordially as gift for the bridegroom during marriage is not considered a dowry. However, and on the other hand, the same “cordial gift” becomes a dowry when it is given against the wishes or (financial) abilities of the bride’s parents. The problem only occurs when the voluntary transaction is made obligatory as an essential part of marriage through the coercion of the bride (Chowdhury, 2010, cited in Begum, 2014). In poorer communities, most of the women become victims of dowry related violence because of their inability to make marriage payments to the bridegroom and his family. Patriarchal social values are intertwined with poverty, lack of education and ignorance, which thereby perpetuates women’s subordination over the decades (Begum, 2012). Consequently, women have fallen victim to such traditional social and economic practices during their conjugal lives. Although the practice of the dowry as a form of marriage transaction is not positively seen, it continues as a practice in society as a sort of open secret. The dowry system therefore increases the vulnerability of women, turning them into burdens for their family (Chowdhury, 2010).

It is found in the study areas that poor people continue to practice this system due to poverty and material deprivation. Poor women in this case become the greatest victims of dowry violence due to lack of money in their parent’s hands. In this situation, microcredit has been chosen as the best alternative to offering dowries to the bridegrooms during or after marriage.

When microcredit was introduced in the village, poor women opted for it as an instantaneous and innovative source for providing dowries through borrowing money from NGOs. This is one kind of coping strategy adopted by the credit-borrowing women when they need to pay money to their daughter's husbands as per their demands. In some cases the newly married daughters of the female respondents are forced to borrow money from their parents. Finding no other alternative – and yet wanting to cement the relationships with the husband and his family members – they place demands on their parents for money in order to satisfy their husbands. The bride's parents not only offer cash to bridegrooms, but also offer marital assets such as furniture, electronic goods and other items necessary for the households.

Several notable instances of this kind were found in the study villages. Amongst them, one center-chief of BRAC took a loan in order to buy her son-in-law a CNG auto rickshaw so that he can have the means to provide for his family. The center-chief's daughter, her husband and one little baby lived in her mother's home. Although the mother does not particularly want them to stay with her, she cannot say anything for the sake of the conjugal security and future of her daughter. The center-chief lady reported that her son-in-law has been a burden on her as he does not drive CNG auto rickshaw regularly. As a result, she has to bear the double responsibility of maintaining both her own family and her daughter's as she is the matriarch. One young lady of Grameen Bank named Shilpi (age 28) who was married off in a neighboring village shared her story of borrowing loans in order to negotiate conflict with her husband and other members of her husband's family. She puts her experiences as:

“I borrowed a loan secretly in consultation with my mother to open a workshop for my brother-in-law. None of my husband's family knew it. Every day my husband put pressure on me to fetch money from my parents' home. As I could not give them money, everybody became dejected. Everyone's face became gloomy for this. My husband did not even talk to me warmly for many days. One day he raised his hand on me. I finally took a loan to get rid of the conflicts and quarrels just to sustain the relationships. I borrowed money in my name. My parents helped me pay the installments.”

This way poor rural women use credit as form of dowry in order to resolve conflicts between husband and wife, and sometimes with members of husband's family. Poor women in this regard have found microcredit to be an immediate solution to their problems. It is learnt from the female respondents that they consider microcredit a palliative for resolving the feuds between husband and wife. A good number of respondent women have reported that they

borrowed money to appease their son-in-law in spite of their unwillingness to give credit money as dowry – which has not only put additional burdens on them – but also paves the way for the son-in-law a new path of seeking financial cooperation from his wife’s parents in case of necessity. A study on domestic violence against women in Bangladesh found that while marriage-related assets may protect women against violence by raising her status in the husband’s family, it might also encourage the husband to demand more, which may lead to further threats or incidences of physical abuse (Toufique & Razzaque, 2011). Cons and Paprocki’s (2010) study in Bangladesh’s remote rural setting also argued that microcredit was effectively reinforcing dowry practices in the village. The experiences of the female borrowers indicates that the system of dowry remains prevalent in the rural society, and NGO microcredit interventions have not sufficiently addressed the issue through creating awareness about this archaic practice. Rather poor women regard microcredit as the easiest way for resolving marital feuds by utilizing money borrowed on credit as a form of dowry to the bridegroom, which functions as a bulwark for the marital security of the bride.

### **8.8. Encountering Social Barriers and Negotiating the Traditions and Values?**

In rural Bangladeshi society, women usually do not visit certain spaces, which include places like the local marketplace, social gatherings for public activities, and places that are dominated men. Women usually remain at home doing household activities, while men engage in activities beyond the precinct of home. Men go to market and buy things from local vendors when doing the shopping. The majority of the work is done by men, and does not fall within the spectrum of women’s duties as designated by the society and its traditions. It is observed that when visiting relatives in distant places, women only go there with their husband, son or other male members of the family. They rarely visit such places alone. It is even found that women who need to borrow loans from NGOs do not go to the NGO area office alone.

My respondents told me that they have no choice but to go to the NGO office to take a loan because it is part of the program requirements to be followed by clients. In this situation not a single woman has said that they could visit the NGO office alone to settle official formalities. They go to the NGO offices with husbands, other family members, or with other members of their neighborhood who also want to borrow credit. In many cases, the perception of women has not changed following their involvement in microcredit programs. Women simply visit the local loan center located within a stone’s throw of their neighborhood. Even in this context they most often do not go to the center for paying installment alone. Given the average age of

the clients, young women most often do not visit any places without any person accompanying them. If the client is aged, the society considers her less able to move around alone freely, while on the other hand, young clients also cannot visit the local center alone. I asked my respondents again why they do not visit any place alone, and how they feel about this. I also asked them whether they have encountered any problems in society after their involvement in microcredit programs. All of them have said that the situation has bound them to be in public places. They did not frequently go out prior to borrowing NGO microcredit. One of my respondents named Dilara (age 45) of Grameen Bank shared her opinion about going out in public places:

“The elders of our neighborhood do not perceive our visits to the NGO office and public places positively. In spite of this, we still go out. They will not feed us. We have to go to the NGO office in front of other men because we need credit. We did not go before. Women have no need to go out aside from an emergency. We have to go out for this credit [*kisti*]. This is not good for women. It has tarnished our image. Some people do not see it positively either.”

I asked Dilara why she feels that going out in public has tarnished her image in the community, since other women like her are involved in the microcredit programs as well. She commented that not all women in the neighborhood have taken loans from NGOs. Those women who are members of microcredit programs also do not like going to the NGO offices, nor do they enjoy presenting themselves in front of the NGO workers, but the social reality dictates that this is one of the only means for their continued survival. I was talking to a young lady named Masuda Akhter (aged about 24) who was a client of Grameen Bank. She spoke about the mobility of women in public places in the following way:

“Women should not go to public places alone, but I cannot avoid going to the NGO office due to my loan obligations. I go to the NGO office and local center with other women. If I go to the meetings of men, people will disrespect me. It will disparage the prestige and honor of my father and brother. My husband performs all outdoor tasks. I need not go out.”

It is true that microcredit has brought women out of the domain of the family for a particular reason, but it has not brought about a substantial change in the outlook towards the life of these women. Women’s visiting of the local center is a calculated strategy of microcredit programs of NGOs in order that women comply with organizational regulations, and does not create any awareness about the benefits of mobility in public places for the poor women. Hashemi et al. (1996) found in their study that women’s involvement in microcredit programs has increased

their mobility in public domain, which has been identified as one indicator of empowerment. However, I argue that women's mobility in a particular social space on a scheduled date does not necessarily ensure their automatic empowerment. If women can visit market places or engage in actual economic transactions, the meaning of mobility would be more fruitful in the real sense. Referring to Adam Smith, Amartya Sen (1999) in his seminal book *Development as Freedom* argues that appearing in public without shame is important factor for development. In the context of my study area, the situation of poor women does not fit into the proposition of Adam Smith.

My study has revealed the opposite aspect of the phenomena, indicating that while women's participation has in certain instances increased their mobility in society, women encounter social barriers and have to comply with the traditional norms and values of society, which prevents them from challenging the patriarchal social system. The problem does not end here. Elders in the neighborhood also raise many questions when women begin participating in microcredit programs. Shimul of Grameen Bank in Chatal village shared what local elders said: *"You have many income-earning people. Why do you and your wife take loans? Drawing loans through your wife will result in socially bad things."* Whereas the husband of that respondent told me that, *"I myself do not call my wife as sweetly as the NGO officials do. NGO-bosses call my wife so enticingly. My wife goes in front of many people that I dislike."*

I have an interesting case to present here. One of my respondents named Tania of Grameen Bank was an undergraduate student at a private University. According to the rules of microcredit programs, unmarried women cannot be offered loans. Tania, however, was deemed an exceptional case given the economic status<sup>63</sup> of her family. Grameen's loan center is situated near a local market place where there are a cluster of shops along with a CNG auto rickshaw stand, and women from the other side of the village have to go to the local center when passing by that local market place. As a university student, Tania had a good social status compared to other women in her community. She went to university everyday by auto rickshaw and mixed with other people too in the university campus. However, whenever she is in her neighborhood her attitude is different because she has to conform to the traditional norms and values of the

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<sup>63</sup> Tania borrowed a loan in her name to help her brother go abroad. Her family income is stable and her brother sends money regularly to maintain the family. Therefore, unlike other middle- or lower-income households, her family therefore does not suffer financial problems.

rural social structure, and acts accordingly. I asked her how she manages to go the local center to repay her loan, as she has to cross a market before being able to reach it. She said:

“I go to the NGO center through the houses beside the market by putting a veil on my face. I do not go through the market or other public places, because people consider it bad. I am a girl of this village. We women do not go to “male places”. If local people see me crossing the market place, the image of my family will be tarnished. As a girl of this neighborhood, I have to consider the honor of my family.”

I found this to be the typical opinion of poor rural women. Women’s mobility in public place is an essential component that influences the possibility for changing their social and economic status, but the way it has been taking place does not necessarily engender the empowerment of women by taking them away from the precinct of home. Microcredit is simply a strategy for NGOs to incorporate women into development activities, but the program structure and system of delivery does not encourage a change in mindset amongst the female clients. When women are able to make economic transactions in the marketplace like their male counterparts, their mobility in the economic and productive sense could lead to the fuller utilization of their potentials. As is mentioned above, female borrowers of microcredit programs usually do not go to the NGO offices or local loan centers alone. However, microcredit programs have created a new social reality that the poor women have to adjust to in order to continue participation in the program. In the rural social context of Bangladesh – and particularly in my study areas – it is found that women have gone to visit their relatives with their husbands or with their family members but after joining the microcredit programs they now go to the NGO offices and loan collection center with other women. They still cannot go anywhere unaccompanied because women strictly observe local cultural values. One of my respondents named Nazma (age 45) has said, “*Women have no freedom like men. We have to ask permission from our husbands if we want to visit our parents’ home.*” Another woman also said, “*A woman who fears God cannot move about without the consent of her husband. To disrespect your husband’s wishes is tantamount to being the anti-god.*” This is the social and cultural context of rural society in which women live their lives. While having informal talks with NGO workers, I learnt that they do not offer any programs that may trigger confusion amongst the local people, forcing the programs at controversies and risk that ultimately may create challenges for the programs to survive. If microcredit programs could engender ideational changes amongst poor clients, the empowerment of the women would be more meaningful in an authentic and transformative sense.

## **8.9. Empowerment and Economic Rational Women**

The key objective of microcredit programs is to create an opportunity for the empowerment of poor women through the alleviation of their poverty. The ground reality revealed implies that the empowerment of women through microcredit programs has been little more than mere development rhetoric because of the fact that the main motivation of microcredit programs is to maximize profit by reducing transactional costs. Women's self-employment leading to their self-empowerment remains a distant reality. Women are the borrowers of loans and the bearers of risk, while men are the controllers of finance and are the ones engaged in credit-driven enterprises. As a result, women have not been able to develop the potential to improve their social position. The experiences of female respondents indicate that they have not been able to improve their fallback position in the family and society because concepts of empowerment such as "agency" and "autonomy" are absent due to their lack of control over loan money, the lack of decision-making authority over familial issues, and the patriarchal attitudes of their male counterparts. In this regard employment and empowerment is simply a rhetorical argument in the context of my study areas, given the social and cultural background that shapes and determines the course of thinking of men and women and directs their actions and behaviors accordingly.

The social construction of gender norms has contributed to a different and gendered habitus, and this is something that microcredit programs are unable to address with the 'credit alone' approach of development in general and the empowerment of women in particular. As Bourdieu (2001) states, "gender is socially constructed and produces a gender differentiated habitus" (p.55), and gendered habitus structures the decisions, behaviors and opportunities of men and women in society. Microcredit programs appear to have failed to challenge the existing system of gender stereotypes due to lack of ideational and educational programs for poor rural women. Therefore, the programs have either implicitly reinforce the traditional patriarchy in society, or kept the system functional by shaping and regulating the economic conduct of the clients. The motives of the programs appear to have increased the organization's financial portfolio at the expense of clients' discipline in the regular repayment processes. Therefore, women are unable to be 'rational economic women' by way of incorporation into microcredit programs (Rankin, 2001) mainly because of the lack of their control over the loan money and access to market transactions.



I also have found in my study that providing credit to poor women compared to men is much more convenient for the NGOs as women have been shown to be more likely to repay their loans. The local managers of microcredit programs have confirmed that the likelihood of moral hazards is lower among women than men because of the social and cultural formation of society which influence the behavior of people. So from a strategic point of view, since women are more easily manipulated (or, coerced), microcredit programs target them when offering loans in order to safeguard the financial viability and sustainability of the programs. Indeed, women are instrumental to the successful operation of NGOs microcredit programs, but unfortunately NGOs have not yet proven successful in engendering empowerment amongst their poor female credit-clients.

Since structural change in society does not occur rapidly, empowerment of women must be conceived as slow-moving but continuous process. Ideational change amongst poor women is a necessary condition for them to achieve empowerment and exercise greater autonomy and agency in their choices and social contexts. Indeed, women's empowerment can only be achieved when they themselves confront the existing norms and culture, to effectively improve their wellbeing (Swain and Wallentin, 2007). Besides, microcredit NGOs have brought women into the arena of the market and construed them as the agents of economic transactions and disciplined social subjects. Women are the ones who are being manipulated and shaped as per the needs of the organization through the operation and management of microcredit programs. Foucault (1977) pointed out that "a body is docile that may be subjected, used, transformed and improved" (p.136). Women have docility who can easily be controlled and used for the convenience of the management of credit since the disciplinary practices engender the "docile bodies" of women (Bartky, 1988:25). This is less so for men, who cannot be used as a convenient agent of development the way women are for the workings of the programs, given the cultural backdrop of rural society.

Microcredit programs have made women submissive and docile through the imposition of rigid practices and obligations that the client women have to abide by in order to survive and remain in the programs. It has transformed them into being the 'entrepreneurs of themselves', in which the disciplinary apparatus is applied for the operational convenience of the programs. Instead of providing an avenue for their clients to emancipate themselves and their families, this mechanism ensures that the economic interests of NGOs are safeguarded, whilst at the same time making women more subservient to organizational norms, thereby obliging them to comply with the NGO mandate. Microcredit has brought new areas under coverage that had

traditionally been beyond the formal economy prior to the emergence of NGOs and their promises to alleviate poverty and stimulate women's empowerment. A market-oriented microcredit approach therefore appears to be unhelpful for the empowerment of their clients for they over emphasize the recovery of loans in seeking to sustain the programs, and it has also failed to furnish a positive educational environment which could potential sow the seeds of autonomy and freedom for poor women in rural Bangladesh.

### **Poverty and Social Vulnerability of Rural Poor Women**

This section of the dissertation goes on to analyze the nexus between poverty and social vulnerability of rural poor women in the context of Bangladesh. A special focus is afforded to the link between poverty and credit, while looking at how credit as a new economy in the rural social setting has been a coping strategy for many of the poor women. Furthermore, the use and management of credit by the clients so as to ascertain whether poor women's participation in income-generating projects could reduce the level of poverty and vulnerability of this target group through their involvement in market-based microcredit.

#### **9.1. Poverty and Vulnerability Nexus**

In contemporary developmental thinking, poverty alleviation has been a major concern given the multifarious negative effects on the progress and development of a country. Thus developmental policy has increasingly been linked with poverty reduction (Dutta et al., 2011), drawing the attention of academic scholars and development practitioners. Nonetheless, there remains recognition that reducing the level of poverty alone may not be the most holistic or robust approach to sustainable development (Dutta et al., 2011). Amartya Sen (1999) in *Asian Week Magazine* suggests "... [that] the challenge of development includes not only the elimination of persistent and endemic deprivation, but also the removal of vulnerability to sudden and severe destitution". The World Bank (1998, cited in Dutta et al., 2010) in the same vein argues that "protecting vulnerable groups during episodes of macroeconomic contractions is vital to poverty reductions in developing countries" (p.1). It is seen everywhere that poor people are more vulnerable to risk because they are not able to save enough money to prevent any exogenous shocks (World Bank, 2001). They spend the lion's share of their income covering food cost requirements. As a result, they cannot save adequate amounts of money to bear necessary costs such as educational expenditures for children, medical costs for their family members, or even for their own subsistence. In such circumstances they are said to be vulnerable to economic shocks during periods of crisis because of their inability to mitigate this condition with spare financial resources. Therefore, vulnerability is not only the result of exposure to risk; rather, socioeconomic processes are also vital in determining the ability of people to address these risks (Chambers, 1989).

There has been lavish use of the words ‘vulnerable’ and ‘vulnerability’ in academic writings, and these are common terms in the existing lexicon of development. Vulnerability is not identical to poverty. While poverty means a lack of available resources to support and satisfy the needs of a person or household, vulnerability refers to the defenselessness, insecurity and exposure to risks and shocks rather than lack or want (Chambers, 2006). Therefore, vulnerability is the possibility of suffering a decline in wellbeing dropping below the poverty threshold (Yves Duclos, 2002). There is actually no straightforward definition of social vulnerability because of its multidimensional nature and multidisciplinary perspective. A number of disciplines such as economics, anthropology, sociology and even engineering use the term vulnerability (Alwang, et al., 2002; Adger, 2006). Generally, the term “vulnerability” is related to climatic issues and the subsequent hazards people face, in addition to food insecurity (Dutta et al., 2011).

The conventional understanding of “vulnerability” has taken on a wider shape in the formation of social, economic and political perspectives over the course of time. The reason why “vulnerability” is interconnected with the impoverishment of people owes to the lack of a capacity to augment their income, built assets for the households, increase the knowledge required for improving personal skills and competencies, and thereby develop career opportunities and prevent social and political hazards. As a result, the shift in focus from the environmental vulnerability of people to social vulnerability under specific conditions has drawn much academic and policy attention, taking into consideration the development of poor people through poverty alleviation by increasing income or raising the level of consumption that minimizes their vulnerability. Poverty in this case is “deprivation of wellbeing” as defined by the World Development Report (World Bank, 2001a:15). Therefore, poverty refers to the forms of economic, social, and psychological deprivation experienced by those people who lack adequate ownership and control over or access to resources to maintain minimum individual-or collective-levels of living (Ullah & Routray, 2007). Poverty is an ex-post measure of a household’s wellbeing, which reflects the present state of deprivation, lack of resources, or capabilities to satisfy current needs. Vulnerability, on the other hand, may be construed as an ex-ante measure of wellbeing not by considering how much a household is currently well off but by considering the future prospects of those households (Chaudhuri, 2003).

Moreover, vulnerability is also linked with the notion of food insecurity in the households or in personal levels, which is the limited or uncertain ability to acquire food in socially acceptable ways (Jalal et al., 2015). In many developing countries of the world, food insecurity is a

prevalent issue and a cause of concern for governments to tackle. Some strategies include intervention programs in the form of food aid and food relief, and the supply of other materials necessary for satisfying urgent needs during periods of crisis. More specifically and with reference to Bangladesh, the ultra-poor women are especially vulnerable to poverty and food insecurity, and they generally have been excluded from recent improvements in the hunger and poverty rates in their country (McIntyre et al., 2011). There is also increasing attention from researchers investigating the underlying connections between vulnerability and food insecurity, which are often caused by disease, war or other factors (Sen, 1981). Entitlement-based explanations on vulnerability focus almost exclusively on the social aspect of institutions, such as wellbeing, class, social status and gender as important variables for analyzing the situation, while other vulnerability research on natural hazards developed integral knowledge of environmental risk based on geographical and psychological perspectives in addition to social indicators of risk (Adger, 2006).

Vulnerability is the likelihood of a household falling into poverty, given the present status of the household (Abraham & Kumar, 2008, also see Dutta et al., 2011). Prowse (2003) describes that when vulnerable populations meet with some hazards or risks, the result is disaster like poverty and deprivation. Hence, the vulnerability of people to poverty and their exposure to other social and man-made risks not only reduces their capacity to ensure their personal and collective wellbeing, but it also impedes development in both the collective and concrete sense. Therefore, risk reduction and hazard prevention in situations created out of the sociocultural milieu or institutional system of governance requires a comprehensive vulnerability assessment framework, which has been of growing concern to many in the developing world. Consequently, “the concept of vulnerability has been a powerful analytical tool for describing states of susceptibility to harm, powerlessness, and marginality of both physical and social systems, and for guiding normative analysis of actions to enhance wellbeing through reduction of risk” (Adger, 2006:268). Amartya Sen (1999) contends that poverty is the result of the capability failure of an individual, resulting in the reduction of wellbeing. In this connection poverty describes the current status of a person concerning the attainment of a critical level in certain dimensions like income (Abraham & Kumar, 2008).

The most vulnerable individuals, groups, classes, and regions are most exposed and yet have the most limited coping capacities, meaning they are double disadvantaged (Watts & Bohle, 1993).

Moreover, vulnerability exists in a multidimensional social space that is defined by political, economic and institutional capabilities of people in particular places at particular times (Watts & Bohle, 1993). Similarly, in the South Asian context “vulnerability is the space of partial enfranchisement without secure entitlement” (Watts & Bohle, 1993:119). The entitlement failure of a person offers him limited scope to social and economic space thus pushing him to poverty and vulnerability, as he cannot secure entitlement to a minimum level. Vulnerability is not the only cause of poverty but it can also reinforce the income processes, which contributes to poverty and further diminishes the expected welfare of the poor (Murdoch, 1994). Thus vulnerability is actionable in a more critical social and environmental condition and increases the prospects of an entity falling below the poverty threshold.

However, poverty and vulnerability is context specific because of its relative nature. So understanding poverty and vulnerability in the context of a traditional society like Bangladesh requires understanding the society’s cultural background and customs practiced by the people in that particular social setting because vulnerability is “embedded in complex social relations and processes” (Hilhorst & Bankoff, 2006, cited in Singh et al., 2014:73). The past history of society and the perception and knowledge of people is necessarily an important factor for explaining the experiences of the poor people in order to appreciate the concept of vulnerability. Cain (1983), for example, brought to attention two fundamental spheres of risk in rural Bangladesh that pushes poor women to be vulnerable: these critical risks take the form of, firstly, the patriarchal social system expressed through gender based differences in wage rates and access to and control over resources, and the other is rooted in property rights. Thus vulnerability is the byproduct of social, cultural, and political institutions. It results from social inequalities and patterns of social relations manifested in the root of social structural barriers that are resistant to change (Singh, et al., 2014). The social system contributes to the production and reinforcement of poverty and vulnerability of people through various mechanisms employed for the distribution and management of resources.

The concept of social vulnerability is the construction of characteristics of a person or group in terms of their capacity to anticipate, cope with, resist and recover from the impact of hazards. Therefore, social vulnerability is the combination of factors that determine the extent to which a person’s life and livelihood is put at risk by a distinct or identifiable event in society (Blaikie et al., 1994, cited in Singh, 2014). Moser (1998) defines “vulnerability as insecurity and sensitivity in the wellbeing of individuals, households or communities in the face of a changing environment” (p.3). Vulnerable individuals, households, or communities that encounter

adverse situations often find that their relative wellbeing falls short of the minimum for survival and are typically unable to cope with the emerging shocks and hazards. The most important facade of the problems is associated with the assets available in the possession of individuals; households and communities that can help overcome their vulnerability.

According to Moser (1998), vulnerability focuses attention not only on the identification of threats but also on resilience and responsiveness, in exploiting opportunities, and in resisting or recovering from the negative effects of the changing environment. Moser further asserts that vulnerability is linked to asset ownership. Therefore, people having more assets tend to be less vulnerable (Moser, 1998) because a greater proliferation of favorable assets is associated with lower incidences of vulnerability (Bernard, 2004). Kuhlecke et al. (2011) in their study of European countries find that vulnerability is highly dependent on local conditions such as spatial, socioeconomic, demographic, cultural and institutional contexts. Socioeconomic factors are associated with different combinations of poverty and economic vulnerability (Whelan and Maitre, 2010) that is affected by a number of factors such as economic resources, power relationships, institutions, or cultural aspects of the social system (Lundgren & Jonsson, 2012). Vulnerability can be traced to multiple factors rooted in physical, environmental, socioeconomic and political causes (UN, 2003).

Moreover, there has also been reference to gender-based discrimination in the household decision-making processes and their impact on a households' ability to command productive resources (Dwyer and Bruce, 1988; Sen 1990). Similarly, there is evidence that vulnerability is linked with the household structure, the needs of children or the elderly, and the frequency of family violence (Harris, 1981; Evans, 1986). Many other factors are responsible for contributing to vulnerability including poverty, hunger, rapid growth of population, asymmetric gender relations, paucity of access to labor market, poor health conditions, low levels of education, lack of access to or control over resources, (Bernard, 2004; Singh, et al., 2014; Dutta et al., 2011).

Women in the context of rural Bangladesh are considered distinct social entities having asymmetric gender relations in the households and restricted mobility in the wider society, limiting their prospects for integration in the development processes. The space of a female's engagement in the gainful economic activities and other productive work that could presumably yield immediate returns are remarkably narrow, though their contributions to family services in the form of unpaid labor significant. Gender disparities are reflected in

different levels of programs ranging from state action to the implementation of those programs for the development of the poor. The forms of gender disparity is manifested in the employment opportunity, education facilities, health care services, social security, access to public goods and services and so on. As a result, women have systematically been marginalized in the society and remain in the confines of the household, which forces them to be more dependent on male members of the family. As women have no available resources at their disposal and are not directly involved in any income-generating activities, they remain vulnerable compared to their husbands and males in general.

NGOs have come forward to provide the necessary services for women in order to alleviate poverty and reduce the level of their vulnerability through microcredit as a neoliberal development intervention tool. The main focus of the following section is on the nexus between poverty and vulnerability of women and how microcredit programs have actualized to their stated goals while also taking into consideration other dimensions of problems engendering poverty and their associated effects. Drawing upon the theoretical underpinnings of the above, I have made efforts to assess the impact of microcredit on the reduction of poverty and vulnerability of the poor women in rural Bangladesh.

## **9.2. Poverty Alleviation and Credit Relations**

The concept of poverty has divergent meanings, given its dynamics, intricacies, and definition (Ullah & Routray, 2007), and different people view poverty in different ways (Westover, 2008). Moreover, poverty is a contextual term in the sense that the experience and magnitude of poverty differs from person to person since poverty is not experienced in the same manner. There is also wide range of variation in the experiences and corrosiveness of poverty in terms of gender, age, and socioeconomic background of individuals, geographical location, health conditions and educational background, amongst others,

Bangladesh is in such a condition hosting a large swathe of its population in a traditional rural economy, engaging many of the population in low-return employment, with women being the most vulnerable social entity due to their relatively disadvantaged position in the households and in the society. Besides, rural society is characterized by extremely unequal access to land, which in this context is the backbone of the economy and also a critical productive resource (BBS, 2001, cited in Ullah & Routray, 2007). Well over 50% percent of rural households are functionally landless (Ullah & Routray, 2007). The rural community consists of various categories of people in which small class of substantial landowners has developed a wide range



of roles in rural society as land-leasers, moneylenders, merchants, legal authorities and village leaders (Siddiqui, 1996). Besides, the poor people in Bangladesh are more likely to belong to households with many dependents, lower education level, engaged in low paid daily wage labor, own little land, and are usually less likely to receive remittances (Zaman, et al., 2012). Underemployment and unemployment are the manifested features of economic life of rural people in Bangladesh (Rose, 2002). With this backdrop, lifting a large section of rural population-the rural poor women in Bangladesh-NGOs have been in the front line of alleviating poverty among women and mitigating their vulnerability in this social context with microcredit interventions.

A large number of NGOs have been working in Bangladesh since the last three decades aiming to alleviate poverty of the mass population in rural Bangladesh (Ullah & Routray, 2007). Many microcredit NGOs have been in operation in rural areas, mostly targeting women as the most deserving beneficiaries of these intervention programs on the premise that they have limited access to credit and labor market, enjoy bare minimum facilities and also have lopsided gender relations in the households. As a result, microcredit has been a pervasive phenomenon and a popular tool to heal the wounds of poverty and reduce their vulnerability, though the effects of microcredit on poor women remains contested. Different arguments regarding the impact of credit on poverty alleviation in Bangladesh exist, but they are not clear-cut (Zaman, 1999b). There are studies that confirm the potential that microcredit has to significantly reduce poverty by integrating poor women in the programs (Khandker, 1998; Khandker, 2005; Khandker & Samad, 2013). There is also supporting evidence demonstrating the potential impact of microcredit on reducing the vulnerability of the poor. Some authors found that the provision of microcredit is positively correlated with strong crisis-coping mechanisms, asset building capacity, diversity of income-earning sources, and improved status of women (Hashemi, et al., 1996; Montgomery et al., 1996; Murdoch, 1998;). The findings of another study confirm that microcredit has given its clients the ability to cope with calamities during the devastating floods and reduced their vulnerability, while contributing to raise income levels and savings of the poor women (Latifee, 2003). The following section offers an analysis of the effects of credit on the clients and their households in terms of poverty and vulnerability reduction.

### **9.3. Credit as Coping Strategy and the New Economy**

Most of the poor women in rural Bangladesh, specifically in the study areas get involved in microcredit programs of NGOs only under certain critical social and economic circumstances,

which otherwise is assumed to be difficult to access. Microcredit is rooted within a broad range of social, cultural, economic and ecological realities (Cons and Paprocki, 2010). Moreover, the poor do not have access to the formal financial institutions due to lack of collateral and are forced to resort to informal credit market such as money lenders (Mallick, 2011). Therefore, accessing the opportunities to credit enables them to have the prospect to get out of financial difficulties, mitigate hardships and overcome any other problems encompassing their lives. NGOs going door-to-door of poor people has provided them the opportunity to think of their future in a renewed way. Many of the women take loans with the primary purpose of satisfying their basic needs to survive. Our moral philosophy and general understanding creates a space for thought and gives us further impetus to think that every human being has a right to survive, but in a different way given the magnitude of the problems, criticality of the conditions underlying with them, experience of hardships, means of survival and technology for tackling those situations which continue to plague humankind. As mentioned above poor people have truly not any access to formal commercial financial organizations that can offer them credit in a soft and flexible condition as those [NGOs] now have been at hand.

To make matters worse, there is no such organization that provides services to the poor that suit their needs with some degree of flexibility. NGOs, in this convoluted situation, have been flexible financial managers that are able to meet the immediate needs and other life sustaining necessities. Practically, although it comes out to be an implausible statement, in the rural society of Bangladesh there seems to be no other better alternative form of social and economic organizations aimed at serving the poor by providing them with financial supports in order to promote their social and economic conditions with the interventions of credit facilities as the NGOs are currently doing at those levels.

In the study areas once there had been the prevalence of the so-called informal money market operating behind the curtain and those are still in existence, although only reportedly on a small scale.<sup>64</sup> Persons who were involved in this business are popularly known as moneylenders; trading money with the poor in the form of usury capital. This informal system of money market has not found wide acceptance. There is a saying in the village that “taking money on interest from local moneylenders is like opening the door of the hell for the receiver himself.” Despite this, such financial transactions continue to operate in an open secret way. Since the

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<sup>64</sup> Local moneylenders once had been prevalent in the rural areas but now a days they have been operating their money making business at small scale due to appearance of NGOs with credit in the rural market.

demand side of the poor people was the merit position for those money mongers who had cheated money out of the poor by applying exorbitant interest rate.<sup>65</sup> Poor people end up as victims when they face no other alternative means of survival except to take a loan from local informal moneylenders. This is also another context to reinforce and buttress the argument for the emergence of NGOs in the village, paving the way for poor women's participation in microcredit programs.

Currently some prominent NGOs like Grameen Bank and BRAC, are working in the villages with the mission of serving the poor women with the delivery of microcredit that has largely replaced the informal moneylenders. The emergence of NGOs in the villages ushered in a new episode of social and economic transitions pervading the poor women's lives. The women have been striving to adapt with this new economy. I have designated this economic system of microcredit specially designed for the development of poor women as the 'New Economy' given the fact that women's involvement in this burgeoning rural economy has created new social reality for them, which have been explained in the succeeding sections on the basis of the felt experiences of the female microcredit clients.

### **9.3.1. Emergence of the New Economy: Drawing on Clients' Views**

It is relevant to take into account the information of the husbands of female credit clients. Although women are the target groups of microcredit programs, the use of the loans remains in the control of husbands. In this case, the experiences and opinions of husbands with regard to the effect of credit on their lives is in no way a less important matter. I will describe the responses of some of my respondents' husbands. The start of the story is: one day in the late morning I, along with two of my wonderful research assistants, went to one of my respondent – Shimul's home in Chatal village. When we entered her tiny tin-shed house with only one living room for all of them, we found her husband was asleep on a wooden cot and her little baby was continuously crying lying on the floor for food. At the same time, the client lady was poking fire with a stick in the earthen woven, while cooking something within the space of the main living area. She tried her best to pacify the crying baby but it was to no avail. I requested one of my research assistants to go to a nearby shop to buy some chocolates and potato chips for the baby so that she could be appeased soon in an attempt to ease the situation. The lady seemed to have felt shy and guilty of being stung by morality for some of our time was already

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<sup>65</sup> The interest rate charged by the local moneylenders is much higher than that of the NGOs. Despite this people used to borrow from them because of the lack of better alternatives. Now NGOs have replaced them by offering credit to poor women under more flexible terms and conditions, though the old system continues to exist.

lost without results. The sign of innocence was vivid in her face. Sensing her shyness and feeling of guiltiness, I took the opportunity to show my sympathy to her by word of mouth. The man was still sleeping. The lady was in a mood to talk to us but the situation did not favor her to continue a conversation with us.

In the meantime, the man woke up and greeted us with a question about how he could be of help. I introduced my two research assistants and myself before expressing our purpose to visit his house. He said, “My wife is busy today managing two of our crying babies. That is why she is not in a position to continue talking to you. Better you talk to me today and then please come tomorrow morning to talk to my wife so long as you need. We are ready to help you to give you the piece of information you need for serving your purposes. We were just looking forward to having an opportunity to disclose the secret of the NGO activities with microcredit.” He began his story about the microcredit and his experiences with regard to the borrowing and paying back the loan. Her mother was also present there who had a long 22 year of involvement in microcredit programs of Grameen Bank. He started to put forward his opinions and experiences about microcredit programs of Grameen Bank that goes as follows:

“*Samity*<sup>66</sup> [group-lending] means loss, and your life may vanish too. They [NGOs] show us milk and give urine<sup>67</sup> [They show us the best but give us the worst]. There is no resemblance between their words and deeds. We borrow loans out of economic necessity. There is no benefit from what we do with the credit money [*kistir takay*]. If one fails to repay the installment in time, they say: ‘you feel comfort while eating; don’t you feel the same as you pay back?’ If somebody cannot pay the installment, she is insulted in such a way. I got a good lesson after my wife joined the group. There is no happiness in our lives. Credit has spread salt on the wounds of our checks. That means hardship after hardship, burden after burden due to loans. Credit is the killer of happiness. It has taken away all the vitality from our lives. We have been surviving on God’s pity. No NGOs can give comfort to people. Thousands of people are being held hostage by NGOs under the heap of installments [*kisti*]. Whoever I have seen could not be happy in life with loan money; those that have no loan obligations is happy. They have no problems. All my comforts have turned into discomforts. Credit is the curse of

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<sup>66</sup> In the program village group-lending is popularly known as *samity* because poor women have to form a group before being able to undertake a loan.

<sup>67</sup> In Bangladesh the word has negative connotation. It means that NGO workers try to convince prospective clients that loans are useful for lifting their life out of poverty, but when the women join the program their [NGO workers] attitude is different as to recovering the installment from the clients.

our lives. I want salvation from God. I will do *taoba*<sup>68</sup> [want redemption] to God after paying up the loan.”

This is just a summary of the experience a husband had from his wife’s participation in Grameen Bank’s microcredit programs. It is worth investigating why poor people get involved in microcredit programs despite having problems. The straightforward answer lies in the realities that force them to be involved in these poverty alleviation projects. Because poor people in the rural areas currently have no better choice besides credit. Approximately 68% of respondent women of both Grameen Bank and BRAC regardless of their income groups have said that they have not been benefitted from engaging in microcredit programs, but rather it has created multiple problems mainly related to repayment of the loan. There hardly exists any cases in which microcredit is ensured to work without leaving an additional burden on women borrowers. This is because most often the loan money ends up consumed for satisfying priority needs and used for activities that provide no remarkable immediate returns. This in turn gets them into trouble when they have to repay the loan. Most of the women have borrowed loans in order to cope with economic and other family crises. I asked my respondents several relevant questions. Why do you take loans from NGOs? Do you benefit from credit and how? Do you have any problems repaying the loan, and how you manage them? I got some striking information against these queries from the respondents. Among them, one respondent named Nehar Begum (age 40) of BRAC puts:

Would you borrow money from others if you have money in hand? My husband was unemployed for long time. We had no money in hand. Nobody lent us money. I borrowed loans from BRAC to start a business for my husband. Before taking a loan, I thought it would be good for us. After borrowing the loan, the problems had begun with the installments. We got into the loan cycle as soon as we had finished one installment. The week comes sharp. When the loan [*kisti*] is over, I again take another loan. Credit has bound our hands and legs.

This is a telling experience of one of the respondents among many others that are in a similar situation. Achia Khatun (age 45), one of BRAC members of microcredit programs who took a loan to purchase a rickshaw for her husband reported to have faced problems while repaying the loan because the earnings from pulling a rickshaw were insufficient to maintain household expenditures, and it was thus difficult to save even a small share of it to repay the loan. As a

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<sup>68</sup> In the religion of Islam *taoba* is important for getting rid of sin. Making *taoba* means to abstain from doing any misdeeds and to never repeat that error again.

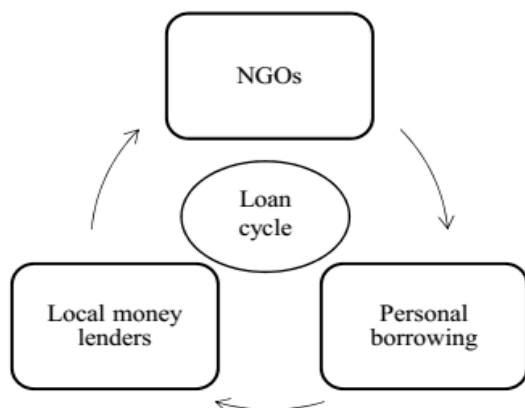
result, they have to comply with the conditions of repayment by borrowing from others on a weekly-installments basis. All poor women who opted for microcredit were forced by the crushing reality of chronic poverty, and were also influenced by other women in the villages. Some of them remained uninvolved in the beginning due to information asymmetry about the costs and benefits of credit. Eventually, however, they still became members of microcredit programs of Grameen Bank and BRAC when word spread that many woman from the same locality had joined the program. It was also learnt that some women encouraged other women to borrow loans from NGOs in order to increase the number of the group members, which later caused frustration among some women because of the failure to reap expected benefits from credit-driven small business. Peer influence in addition to longstanding economic crisis and dearth of regular income for the most part in the poor family have been the main motivations for women's participation in microcredit programs. The general theory works perfectly here that money matters to everybody irrespective of age, gender and class: but it matters most when the need is acute; demand is high and the supply of materials to fulfill the needs is low. Another respondent said:

“Would I take a loan for fun, Sir? I take loan for greed. Now I am thinking if I should sell my home and house. I don't understand income and expenditure. Everything seems to be equal. I could not make any profit from loans. Just surviving somehow by eating is the profit. I have already suffered losses after taking loans.”

Poor women's participation in microcredit programs has not enabled them to gain as much profit as needed to support their families. The amount of money they borrow from NGOs is often not enough to start a good business with the likelihood of achieving positive outcomes. Sometimes they undertake enterprises that incur losses for maintenance and operations. One of the examples of this kind of employment initiative is CNG auto rickshaw that incurs maintenance cost that is often huge and not easily recoverable from income. In this critical context they once again take loans in order to keep the vehicle in operation, creating continuous crises. A significant number of women who have been involved in microcredit programs for more than two years have shared the opinion that microcredit did not yield any remarkable benefits for their lives. One of the clients of Grameen Bank named Farzana (age 37) expressed her opinion with regard to the changes in her life after joining the microcredit programs: “I have been involved in credit programs for nearly 7 years. My life does not experience any changes but borrowing and paying loan money back from NGOs and others. My life is bound up with credit. I don't understand any changes in my life.” Thus lives of many poor women are

on the rotation of taking and repaying the credit borrowed from NGOs or from other informal<sup>69</sup> and private sources.<sup>70</sup>

Figure 9: Loan cycle of credit clients



<sup>71</sup>The flow chart demonstrates that poor credit clients are on a rotational process of borrowing and repaying the loan. They borrow loans from NGOs and pay for the installments by borrowing from informal sources such as relatives, neighbors and local moneylenders. Therefore, the supposed income generation project does not yield any immediate return that contributes to the wellbeing of the family. The project takes a long time before reaching a certain point for yielding fruitful results.

Clients have to continue taking on loans whether they reap benefits from their undertakings or not, sometimes by substituting the repayment of the loan of one NGO by borrowing from another one, most often without the knowledge<sup>72</sup> of the field workers of microcredit programs. Moreover, personal borrowing from relatives and neighbors without interest is a regular and pervasive phenomenon. These way women borrow and repay money that do not give them any long-term solution to the inflicting poverty. Microcredit in this regard has been a process where poor women have been bound, keeping poverty stable for many of the clients or in some cases exacerbating the existing situation. Thus the findings of this study coincide with that of Jahiruddin, et al., (2011) who argue that microcredit has no significant impact on poverty alleviation of poor women or otherwise exacerbates the situation of poverty. Borrowing and paying back loans is a continuous process by which poor women lead their lives. They take loans from NGOs and repay the installments from other sources in many instances. They, therefore, are in a loan cycle which Karim (2008) coins in her innovative study on microcredit

<sup>69</sup> Poor women tend to borrow from local money mongers for repaying the installment and satisfying immediate needs. At the same time, they also borrow from other NGOs without the knowledge of the NGO workers. Repayment pressure of microcredit programs has fostered cross borrowing in the program villages.

<sup>70</sup> Private sources refer to borrowing from relatives and neighbors. When poor women face problems managing money for repayment they try to borrow from private sources. In the context of rural society in Bangladesh the culture of personal borrowing is a common practice irrespective of rich and poor.

<sup>71</sup> Source: Adapted from field interview data.

<sup>72</sup> It is reported that NGO workers most often discourage their clients from taking loans with other NGOs in fear that it will lead them to default on their loans while juggling installments for several NGOs. NGO workers deter their clients in the hope that they will stick to only one microcredit program. But the reality forces poor rural women to engage in cross borrowing to meet the repayment deadline.

as the micro debt. The poor women are overburdened with debt, and this according to Hulme and Mosley (1996) lead poor households to become even poorer.

Microcredit has been turned into a labyrinth for many of the poor women, where they are unable to escape once they have entered the process. One important quote from a respondent named Piara Begum (age 45) of BRAC in Kazirgaon that encapsulates this argument is, “God has created this loan [*kisti*] to take human beings away from the world soon. We rotate in the cycle of debt all the year round, there is no benefit.” About 71% of respondents said that they have joined the microcredit programs in hopes of gaining benefits, but the problems begin thereafter because they are unable to earn the expected outcomes from using loan money. One respondent of Grameen Bank named Nazma (age 35) spoke about her experience of microcredit: “Borrowing loan is just a means for mere survival. It is not a sustainable solution to the promotion of life condition. Loan does not save our lives, but helps just to survive. So, we do not understand the profit and loss from loan.”

Poor women that are failing to mitigate their economic crises and are trying to manage other life sustaining necessities, opt for borrowing loans from NGOs to cope with the situation. Although primarily the credit is considered good for the progress of their lives, the ultimate result is worst, especially for those who have no regular income or any productive business activities as it stands. Consequently, their situation gradually becomes more vulnerable against any exogenous shocks. This is indicative of the poor performance of microcredit used by the unskilled and non-literate people in rural areas. I can present a relevant statement of one of the respondents who has been involved in microcredit programs of BRAC for well over twelve years named Mayarun (age 36). She in this case puts:

“Sir, nobody takes a loan if she does not get into trouble. Credit is grown out of crisis. We use credit for our problems. Finding no substitute and falling into trouble, we borrow loan. I cannot even make a profit of one taka. It increases the load on my head. Money is exhausted as soon as we bring it in. Who else will help us? We all live on loans. We borrow because we are compelled. This loan is no good way for the poor. Credit has degraded our conditions instead of making it better for us.”

Almost all women have said to me that they take on loans from NGOs because of the associated services available to their homes that no other organizations provide. Women trying to alleviate their poverty through means of microcredit get into loan cycles and find themselves stuck in a poverty trap. The potential danger lies in the economic relations of women with the delivery



mechanism and management of credit by the program managers and the clients themselves. Thus they are entangled with poverty and loans, and have no safe exit from these difficult social and economic processes. About 78% of the respondents told me that they are continuing the repayment of loan, and have just been surviving somehow on credit with no remarkable gain but rather, pain. This is actually the picture of rural poor women who have found microcredit to be a new way to overcome their economic problems, but which thereafter overturns into an ‘economy of burden and risk’<sup>73</sup> for a substantial number of female borrowers in rural Bangladesh.

#### **9.4. Loan Use and Management: Who supervise?**

From field level observation and interview reports, it is revealed that there exists a large gap between the commitment and use of loan money by the poor women. In the majority of cases it has been found that clients’ promises to the program officers about the utilization of loan money when borrowing the loan is starkly different from what they actually do in the practical field. Female borrowers in this regard have been dealing strategically with the field level officers at the time of borrowing for the reason that prior to offering loans to poor women, NGOs admittedly look for reasonable grounds to disburse the loan that in actual fact is meant for income generation activities undertaken by women. As women in the rural society of Bangladesh are beset with multiple problems embedded in certain socio-religious and cultural circumstances, they utilize various coping strategies to face these problems.

Moreover, poverty is a long-term problem with no short-term solutions. Women in poverty naturally cannot think of future prospects other than satisfying their immediate needs. In these circumstances what they are seeking is an easy and immediate solution to their problems underlying in the social and economic structure of the society, and find the best palliatives of microcredit given that it has been easily accessible to them since there seems to have no other public finance and service delivery schemes in the rural structure of Bangladesh, particularly in my study areas.

A significant portion of women that take loans in this rural structure live in severe destitution, subordination and vulnerability. As a result, they adopt mechanisms that can at best alleviate their hardships and miseries. They consider and choose to borrow loans from NGOs in order

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<sup>73</sup> Most of the poor women find repayment pressure an economic burden and pass through hardships and difficulties for facing continuous economic crises. When they borrow loans from different sources to pay up the initial debt they get into further financial trouble, increasing their social vulnerability

to overcome immediate financial difficulties they face in their lives. Credit is the crucial and core issue in the lives of these women, and has also become a godsend to most of the poor women who do not have good substitutes to formal credit other than NGO-credit.

Table 9.4.1: The amount of loan borrowed by women clients in the last three years<sup>74</sup>

Poor women's income group	No. of clients (%)	Individual average loan borrowed in last three years (BD Tk.)
Upper income	11 (22)	54,728
Middle income	16 (33)	25,938
Lower income	22 (45)	12,955
Total	49 (100%)	-

Source: Adapted from field interview data

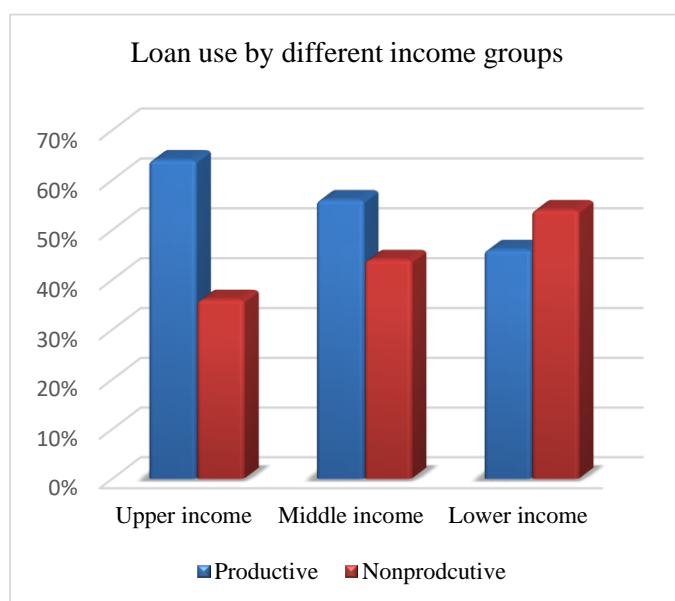
From the above table it is observed that 22% of upper income poor borrowed tk.54, 728 on average individually for the last three years, while the amount of borrowing was tk. 25, 938 for the middle income poor whereas the amount of individual average of loan was 12,955 for the lower income poor. Moreover, it is found in the study villages that poor women have used loans for multifarious purposes that include productive and nonproductive activities.

<sup>75</sup>The bar chart (figure 10) shows that the different groups of poor women used their loan money to meet their differing needs. It indicates that around 64% of upper income poor women used loans for productive purposes, while about 36% of the same group of women used it for nonbusiness activities. For the middle-income group, approximately 56% used credit money for income generation activities and about 44% of them for noneconomic function. Similarly, nearly 46% of the lower income group utilized the loan for productive purposes whereas about 54% of them used it for nonproductive activities.

<sup>74</sup> The information given by the respondents regarding the amount of loan borrowed from NGOs is from the last three years, as many of the respondents could provide the information of more than three years.

<sup>75</sup> Source: Adapted from field interview data.

Figure 10: Loan use by different income groups



When credit is used for non-economic activities, it does not yield remarkable benefits for the poor households in terms of poverty alleviation and protection of exposure to vulnerability. A host of sectors have been identified, though they are not prevalent in terms of duration, frequency and sustainability of the work, whereby loan money has used by the women and their

family members in the study villages for productive income generation activities. The activities that suit the productive effort of the poor include the purchasing, repairing, and leasing of CNG auto rickshaws, buying sewing machines, purchasing cows and goats, venturing into small businesses, running a motor workshop, furniture and carpentry, agricultural activities, grocery or provision stores, vegetable vending etc. Noneconomic and unproductive activities include paying back informal loans borrowed from neighbors, relatives, or even from informal moneylenders, bearing the marriage expenses of daughters (including providing dowries), household consumptions, bribes<sup>76</sup> to resolve land disputes, paying back loan incurred by husband before his marriage, medical treatment for family members, helping relatives go abroad, building and repairing of houses, purchasing corrugated tin (for rooftops) and sinking tube wells in the home (for safe drinking water). These are some sectors that cover the realm of loan used by the clients, which indicates that most women borrowed loans for meeting immediate needs regardless of future consequences. The lack of monitoring or evaluation of the so-called income generation activities by NGO workers indicates that the organizational commitment to oversee the successful implementation of credit-driven initiatives undertaken by the poor women remains rather distant from the reality, which, in many instances, ultimately ended in unsuccessful project.

<sup>76</sup> It was found in Kazirgaon village that one of the respondents named Lalbibí borrowed tk. 30,000 from BRAC to bribe a local leader to settle the dispute over her homestead land. It should be noted that no other respondents from Kazirgaon and Chatal reported of such incidents.

In a sex-segregated and highly labor differentiated society, women are supposed to carry out activities within the boundary of the homestead such as poultry raising, vegetable cultivation, making handicraft, embroidering quilt, making garments with sewing machines, animal husbandry within the periphery of home, and any other skills of similar variety that potentially accrues economic benefits to their households. However, most of the work agreed to be undertaken with credit falls under the realm of men's work, which is usually more laborious and cumbersome compared to ones performed by women. For example, the responsibility of driving a CNG auto rickshaw or a leg paddled three-wheeler (which is popularly known as rickshaw), cow-goat rearing and cattle grazing rest with men; fellow members in the society are less likely to accept a woman engaging in such activities.

However, the issue of the proper utilization of loan money has not been taken into account by microcredit programs *per se*, in many instances turning a blind eye to what women do with the loan instead. When asked whether they note the type of activities or enterprises undertaken by the poor women, both Grameen Bank and BRAC field officials said that at the very beginning of the loan-suitability process they already ask the clients what the loan money is intended for during the house visits. After the disbursement of loans, however, they do not follow up with how the loan money is used, which in this sphere indicates that offering and recovering loans to and from the poor clients is the first and foremost responsibility of the local field staff, regardless of whether the clients are benefitting from joining the programs. Consequently, the alleviation of poverty of the rural poor women through the so-called income generation microcredit projects remains an unfulfilled promise due largely to the improper management and sheer lack of supervision by the NGO authorities.

### **9.5. Market Saturation and Low Return Investment**

It has already been explained that most of the loan money is either not properly used for income earning activities or is invested in low-return businesses. There exists the potential danger of clients falling into crisis in future if there is no return of profit relative to the investment. This is one of the explanations for the poor performance of credit, while other possibilities remain in the misuse of loan by the clients. Furthermore, the poor client women are at best semi-skilled workers, and are therefore rarely able to do any production-oriented activity that could return more output as opposed to the money invested. As a result, they end up selecting the kind of activities that suits their limited skillsets, which means that effectively poor women who are simply the entrepreneurs of such businesses only in name, not in practice. At the same time,

when many people in the same community engage in similar forms of business or activities of this sort, there develops market saturation and therefore plummeting the level of profit. For example, it is seen in one of the study villages where a good number of Grameen clients' husbands have been trading fish in the same locality, leaving some other traders in a difficult situation due to oversupply of fish relative to the demands to the local people. Hume (2000) terms microcredit as *micro-debt* and argues that micro-debt does not produce favorable results for poor people working in low-return activities in poorly developed but saturated markets.

Only an insignificant number of the borrowers (about 12%) used their money in farming activities and buying cows. Activities of such type takes a long time to gain profits, and contributes nothing to alleviating of the current crisis. In this practical situation women become more vulnerable to various kinds of potential problems, further aggravating their economic and social conditions. The repayment also begins immediately after sanctioning the loan, in which case women have to pay the installment from the loan money *per se*. The loan recovery system of NGOs has put serious pressure on them to continue repaying the installments within the stipulated deadline, which means that ever so often, poor women are unable to earn sufficient amounts of money from the various activities they engage in to repay the loan on time.

Moreover, women under the study are of the opinion that when money is given reasonably in a big amount the potential output from investing this is expected to be far more than a small amount. The reason is because the small amount of money gets drained rapidly due to day-to-day expenditures even before it can be invested into productive enterprises that could guard against instances of financial crisis and food shortage. A respondent named Nazma (age 35) of Grameen Bank said, "*Lesser amounts of capital cannot garner significant output.*" Many women have complained that it is not possible to do business with small amount of money from NGOs, and not even possible to make a profit from it. Rumena Begum (age 29) of Grameen also said as follows:

"There is no benefit from petty businesses. It incurs a huge loss. I have to repay the loans and I end up sustaining severe hardship. My husband has no job. I have paid the loan for five months by borrowing from others. I have increased my burden instead of earning money through credit. It so happened that some valuable things of my marriage have been sold off in order to repay the loan."

A marginal amount of money is not sufficient to initiate sustainable business ventures that may ensure a minimum income for a poor family. Many respondent women have said that investing

money in high yielding activities is far more effective in gaining economic returns compared to using it for satisfying immediate family needs or to finance other low return businesses. It is found that if the money borrowed from the NGOs is invested in income earning employment, for example, hiring and driving CNG auto rickshaw, it could provide some family income. This type of daily wage earning activities has the potential to contribute to regular income (provided that the person operating this vehicle actually goes to work!). Since this sort of enterprise requires a reasonable amount of capital, which not every household can manage to start such projects due to the limited amount of credit. Moreover, investing money in a low return business cannot create economies of scale for the poor because business with a small amount of capital cannot yield good returns for its investors. Therefore, money cannot turn into commodity because the loan money is used for petty businesses instead of it functioning as rational capital in a continuous productive processes, rather it has been used as an immediate solution to reduce the hardship and poverty of the rural poor.

## **9.6. Reduction of Poverty and Vulnerability: Microcredit is a Means?**

The core objective of this sub-section is to delineate whether poor women's participation in minimalist microcredit programs has contributed to the reduction of their poverty and vulnerability. The extent to which poor women have been able to achieve the beneficial outcomes after joining the microcredit programs calls for an explanation.

### **9.6.1. Income, Savings and Economic Crisis**

Economy is the backbone of individuals and households, and is crucial for the advancement of a society. My findings indicate that when poor women fall into economic crises they try to manage the situation by borrowing money from other persons in the neighborhood or from NGOs to apply for a loan. People in the neighborhood help others who are facing financial crises. They satisfy their current needs taking money from them. Savings is deemed difficult where necessity dominates every aspect of their lives. Poor women are not in a position to keep a savings fund but what they conceive as the savings is the collection of money for making the repayment of loan. Nearly all of my respondents have said they have no savings, although they have the desire to save. They have aspirations and hopes to save money for safeguarding their future. One respondent woman named Kadrunnesa shares: *"The poor cannot save money. We live from hand to mouth. Our struggle is to save our lives from destitution, not to save money."* The experiences of the female credit clients indicate that saving money is more than a myth for the poor. The question of savings becomes relevant only when the level of income is up to

certain point to meet their basic needs. If the poor households have a regular income, they can at least manage to save a bare-minimum amount to meet future crises such as food shortages.

But the practical situation of the poor women is different from what has been portrayed in public attention (Pitt & Khandker, 1998; Khandker, 2005; Mahjabin, 2008; Khandker & Samad, 2013). The underlying reason for the inability of many of the poor families to save money is due to the dearth of income-generating activities undertaken by them because loan money has been used for consumption and for other non-economic purposes, and yet timely repayment is strictly observed and enforced by microcredit NGOs. Therefore, the misallocation of loan money by the borrowers together with the stringent discipline of repayment has reduced the potential of poor women in raising their income levels and being able to save money (Chavan & Ramakumar, 2002). Moreover, small amounts of loan money often cannot generate considerable amounts of income. As a result, they have spent loan money on activities that most often do not produce any remarkable financial outcomes for the households, creating confusion about the potential of credit driven undertaking which in turn leads most of the clients to be crestfallen, reducing the possibilities of generating income to pay loan, and improving regular saving practices. Thus their level of poverty remains constant or worsens, causing serious incapability to cope with vulnerability during periods of economic hardship. I asked my respondents these questions: How do you save money for the future? How do you repay the installments while experiencing continuous economic crises? Shiri Begum (age 36) of BRAC illuminates:

“I pay installments of tk. 4200 per month. By savings I mean the collection of money in hand for the repayment of loans. Savings is what my husband gives me from his earnings. This savings is made only for the payment of installment. I save money by cutting down on the intake of daily meals. I buy clothes for my children with tk. 200 instead of tk. 1000 so that some money can be saved for repaying the loan. Nothing is saved for future. What is future of the poor?”

I asked my respondents what they do if they cannot manage to save the amount of money for the installment. Most of them explained that they mostly borrow money from informal moneylenders at high interest, though as mentioned earlier the prevalence of informal money dealers has dwindled somewhat due to the appearance of NGOs. One of the respondents of BRAC named Swapna (age 31) adds:

“I took loans from Grameen Bank to buy cows for tilling the land. We have no land of our own. So I bought cows to cultivate others’ land. I have bare minimum earnings. I am just surviving anyhow. I cannot save money. What I save is meant for paying up the loan.”

Most of the respondents have shared with me their inability to save money for future protection because they are always fighting dire poverty. “*Saving money is nothing but a nightmare*”, said one of the clients of BRAC. The conceptual meaning of savings has narrowed for poor women: they believe that “savings” simply refers to collecting money for the installment-repayments. One respondent has said, “*Household [shangsher] means stomach which is difficult to fill. We have to pay the loan in spite of keeping the stomach empty. How can we save?*” In this context poor women never think of savings so long as they live from hand to mouth. The perception of savings to almost every woman under the study areas indicates that the savings are made only for paying up loans. It does not necessarily mean that they save money from their incomes; rather they most often keep money in hands for the repayment from sources beyond the earnings. However, microcredit programs in this regard have at least successfully produced savings norms among the poor women in order to have the guarantee of loan.

### **9.6.2. Food Insecurity and Coping Strategies**

It is found in the program villages that during food shortages poor women go to other neighbors to request for foodstuff such as rice, pulse, potato, onion, and garlic – essential items for preparing meals. In rural society, poor people are especially predisposed to sharing life-sustaining necessities. Usually in the rural areas, neighbors and relatives offer their assistance to people of the village, especially when they are in want of anything. This is very common in rural areas, though this is less apparent in the highly individualistic and rational metropolitan areas. Moreover, most poor people buy food and other necessary foodstuff from the local groceries on credit. Most critical situations arise when a family member falls ill and cannot see the doctor due to a lack of money, falling short of their regular income. In this situation, borrowing credit from NGOs is considered the best way to tackle the immediate shortage of cash. While on the one hand, it is evident in a significant number of cases that poor women substitute nutrition enriched food such as meat, eggs, fish, and milk for various low calorie items because they struggle to afford them. On the other hand, low-priced food items such as leafy vegetables, palm kin leaf, vegetable cultivated in their own piece of land, and dry fish are added to the daily food chart.



The quality of food is subject to change only when household incomes increase, which is a rare event in the context of the lower-income poor. The situation turns severe for households where the husband is the sole breadwinner. It is often found that women who have both a husband and a working son in the family enjoy relatively good standard of living compared to women who only have one breadwinner in the family. Families with a large number of dependents tend to be far more poor and vulnerable. Women who are the head of the household with non-working husbands' are the most needy, as they have to bear the brunt of both loan-repayments and family expenditures. The statement of one respondent named Nehar Begum (41) of Grameen aptly explains:

“We have limited income. It is difficult to manage food according to need. During the rainy season, it becomes even more difficult. Now it is rainy days. My husband has no work. We buy food to eat from the local shop on credit. We clear off the dues in the shop when it becomes huge by taking loans from NGOs.”

It is found in a considerable number of cases that poor households cut down their expenses on food items by forgoing daily meals or removing necessary food items from their diet. I asked the respondents: How do you repay the loan if you do not save money? One respondent named Rayhana of Grameen Bank replied, “Loan is paid out of whatever my sons earn from daily laboring.” I probed further and asked what she would do if she had not been able to secure a loan. In her reply she has said, “*If there had not been any loan, we could eat fish and vegetables*”. Many poor households remain in dire straits due to persistent poverty associated with the paucity of income in a particular period of time in the year, especially in the rainy season. As a result, their meager income derived from daily wages plummets below the minimum, rendering them in an even more vulnerable situation. It has been shown that poor households to adopt various strategies in order to cope by reducing the expenses on food cost, eating seasonal vegetable as food, borrowing loans from neighbors and NGOs. During the rainy season, they grow leafy vegetables in the homestead so that they can take this as food. One respondent named Nazma (age 35) was asked: say, you have tk. 500 and you either have to repay the loan from here or buy food. What would you do now? She said, “*It is better to repay the loan. Not better to shop. There is no rice in the house. Yet, we will not spend the loan money.*” The priority of all women is to pay the installment on time, to the point of forgoing the daily intake of meals. Another respondent named Dilara of Grameen Bank spoke about her coping strategies during food shortages:

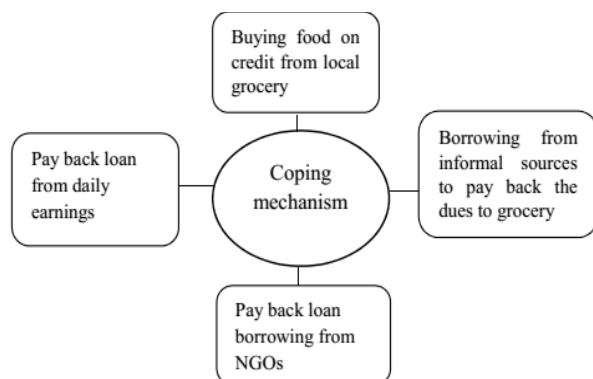
“I reduce the amount of meals I eat so as to repay the loan money. I cannot save money and store food. We just live from hand to mouth; income and expenditure remains the same. Sometimes expenditure is higher than the income as we borrow from others to satisfy our needs. The stomach does not understand our problems.”

NGOs in this connection have become a convenient source of credit that women use in order to satisfy their immediate needs, but in the long run this strategy is not beneficial mainly due to the misallocations of loan money. As a consequence, most often they fail to manage proper diet, and in some cases they even cut down the amount of meals in order to offset the food shortage. One respondent named Rayhana (age 35) of Grameen has told me of her survival strategies during food crises:

“We wanted to eat fresh fish but ate dry fish [*shutki*] instead; eat rice with salt instead of vegetable. Poor people have no life. They are dead in spite of having life. Always remain dead, but nobody comes to bury. Sometimes it happens that I could not manage food in time. We take breakfast in lunch time and lunch at dinnertime to offset food shortage. Eating on time rarely happens in our lives.”

It is evident that women in the higher income groups generally have not reported experiencing any severe food crisis, but one problem they have encountered is the inability to afford vitamin-rich food because of the variation of income at different times. If the income of the main breadwinner is regular and stable, they are able to provide themselves and their children with 3 proper meals as per need. Moreover, some respondents in these income categories have experienced difficulties during the slack season, when gainful economic activities are less readily available compared to peak season. In this case they tend to become more vulnerable to poverty and social insecurity, and many end up seeking loans from NGOs and also from other relatives or neighbors to salvage the situation.

Figure 11: Coping mechanism of credit clients



<sup>77</sup>The scheme shows the coping mechanism of the poor women for food consumption and repayment of loan. They buy food from local grocers on credit, and in many cases they borrow money from both NGOs and informal sources such as moneylenders or relatives to pay back the dues to the groceries.

### 9.6.3. Asset Building

It is learnt from the poor women that they have borrowed loan mostly for meeting immediate crises. Approximately 23 out of 49 of the respondent women have not used the loan money for income generation projects, while about 26 of them have invested money in petty businesses. Spending money on non-income generation activities does not yield any return, while investing money in small enterprises has little potential to return significant profit. Therefore, they were not able to earn sufficient money to be able to save the profits or build any assets through the micro investment. One of the main reasons lies behind the fact that the amount of loan invested for income generation is not significant enough to generate capital or assets after deducting household expenses. Most of my respondents regardless of their income category expressed the same opinion about building assets from credit-driven activities. Yasmin, aged 35, of Grameen Bank said as follows:

“Borrowing and paying loans back is the greatest asset. There is no scope to increase any other assets. What we get from credit goes to the NGOs as installments. We had no better sources to borrow money before joining the programs. Now we can borrow money. This is our benefit.”

One of my respondents named Kadrunnesa (age 43) of Grameen Bank shared her opinion with regard to building assets with the profit from microcredit: “*We borrow loans to satisfy our consumption, bearing the cost for medical treatment and for personal expenditures. How can we make profit and build asset?*” Almost all women who were identified as the lower and middle income groups have not been able to build any assets from their activities. This is

<sup>77</sup> Source: Adapted from field interview data.

because about 44% of the clients of middle income categories and 54% of the clients from lower income group used loans for non-income purposes, while nearly 56% of the middle income ceiling and 46% of the lower income categories invested their money in different low return income earning activities which yielded no considerable outputs. It was nonetheless observed that certain households with more than one income source could afford basic household appliances, low priced furniture such as wooden hangers for putting clothes, wooden cots and a few chairs. Some of the women belonging to this status group also claimed that majority of the items available in the houses were bought with other familial income that does not necessarily have to do with the profit from microcredit. They can rarely afford to purchase some of their favorite items like gold necklaces, earrings, nose pins and other luxury goods for the households with the profits from microcredit driven enterprises. Needless to say, purchasing land with the profits of microcredit initiatives is completely out of the picture.

#### **9.6.4. Children Education**

There are arguments that microcredit has increased the income and earning capacity of the poor women, and therefore, raised their status in the family and society. Women's involvement in microcredit programs has enhanced their ability to contribute to aggregate family income, ensuring the wellbeing of the family, particularly the children. As a result, they have advantage of educating their children, which would be a form of their future protection in kind of human capital. This way the poverty and vulnerability of poor women would be checked and minimized. The study findings suggest that a majority of poor women are not able to send their children to school, even though the education at primary level is provided free of charge courtesy of the government. A remarkable number of children are reported to have gone to school only occasionally on account of harmonizing the family labor with the school hours, while at the same time their parents are not even so sincere to motivate them for schooling since they need all the help they can get. Most school-aged children have been seen working with their fathers to generate additional income for the family. Microcredit programs in this case have not been influential in creating substantial awareness among the poor people about the necessity of education and to prevent school-going children from dropping out. The findings of this study are therefore opposed to Pitt and Khandker (1998) who maintain that microcredit encourages poor children to attend formal schooling due to poverty being alleviated and increased family income and savings.

The rate of children dropping out of school has a direct positive link with the microcredit and income generation projects. A significant number of respondents mostly belonging to the

lower-income group maintained that children stopped going to school due to pressure over credit-installments. Children from the poor family were engaged in activities of the family together with the father or elder brother who are in the employment of various forms. When male children have gone to school, girl children have to help their mothers with household chores. This demonstrates how gender inequality is already being produced and reproduced at an early stage, which is not uncommon in poor family.

In many cases the children of the poor clients have not been able to cross the boundary of primary school. Some of them completed their primary education, but many struggle to finish it. From the experiences of the poor credit clients, the claim made by the managers of microcredit regarding the contribution of credit to the facilitation, enhancement and encouragement of education among poor family empirically proves to be vastly exaggerated. In this practical situation the quote from a Nehar Begum of Grameen Bank is poignant:

“I stopped education of my one daughter and one son out of necessity. I have hopes and dreams like other people that my children will be educated and take up a good job in future. We have no such ability to educate our children. We surrender our lives to need and relinquish our hopes. Our dreams will never materialize. Need and necessity will not leave us. So hope will remain as merely hope forever.”

A considerable number of the poor women have surrendered their aspirations to the harsh reality of poverty, and could not educate the children despite having a deep appreciation for the value of education. The reality forces them to refrain from sending their children to school so as to engage them in productive income-generating activities for the family. One of the respondents named Achia Khatun (age 45) of Grameen said regarding her children's education, *“Two of my children read before, now one. I have to pay money for many installments [kisties]. I stopped my daughter Marufa's study due to that reason. I could not get her admitted into class six. Now she is not going to school.”*

Another respondents from Grameen Bank named Gulecha Begum (age 35) added: *“I could not educate my son due to poverty. I got my son illiterate in my own hand. I took loans to buy a cow. He [son] is grazing the cow in the field. When it will gets fattened I will sell it to clear off the loan.”*

There are other incidences of such kind to support the fact that women involved in microcredit programs could not manage to educate their children due to their chronic poverty. Microcredit in this case has not enabled those families to provide basic education to their children. Nazma

Khatun (age 35), one of my respondents of BRAC has said about her sorrow for not being able to educate her daughter:

“I married off my daughter early due to want. If she had not been married, she would continue her studies. One member of the family has now been cut back. She will eat good food, put on good clothes in her husband’s house. She has to undergo hardships if she were to live with us. At least let my daughter be happy.”

The statement of the respondent indicates that chronic poverty and persistent crisis force the poor people to stop education of their children and even in some cases they get their daughters married off earlier than usual in order to cope with the poverty. Although in Bangladesh early marriage is discouraged and child marriage is prohibited by state law, among the poorer sections the practice of marriage is prevalent due to poverty and other social vulnerabilities. Microcredit in this sphere has not sparked enough awareness about the negative impact of early marriages.

#### **9.6.5. Health Care**

The rural people in my study areas have reported to use slab latrines and soap after using the toilet. They learnt it from the health workers of NGOs<sup>78</sup> who have encouraged and made them aware about the benefits of cleanliness. Even in the Eighteen Decisions<sup>79</sup> of BRAC has written about various awareness raising rules including the one of being clean and tidy but they are not effective due to ignoring the aspect by the NGO workers. A vast majority of the respondents have reported that they are not focusing their attention on this issue. Some senior members of the programs have said that at the beginning of the programs NGO workers talked about health and related issues, but nowadays they do not say anything about it<sup>80</sup>. They go to a doctor when they fall sick. But in majority of the cases they go to the local medicine shop to take medicine from the shoppers who are not trained in any field of medicine and not even know anything about the side effects of different medicines when applied on the human body.

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<sup>78</sup> There are some family-planning NGOs that work with the reproductive health of rural women. They encourage them to have healthy lifestyle. These NGOs are not in the village, remaining in the city instead.

<sup>79</sup> BRAC has Eighteen Principles that the clients have to maintain for the repayment of the loan. One of them encourages people to be clean and tidy, and is aimed at raising health awareness among the clients.

<sup>80</sup> NGO workers confirmed that when they offer a program they discuss the issue to raise awareness among the rural people. BRAC also has health and education programs but they are not the part of microcredit programs, while Grameen does not have any programs of this kind.

Sometimes it happens that they go to the quack seeking treatment for minor ailments such as fever, cold, cough, skin problems, headache, blood pressure, gastric and the like. Even the respondents in the middle- or upper-income groups are unable to bear the expenses for treatment at private hospitals because of the exorbitant consultancy fees and huge diagnostic bills. On the other hand, in the case of chronic diseases they prefer to go to government hospital in the city, but the poorest women cannot afford to visit the public hospital located in the city, let alone going to private hospital. Poor women typically end up going to the local dispensary for medication due to their inability to see a consultant doctor in the city and even sometimes cannot go to the government hospital for the same reasons. One of my respondents named Howa (age 60) of BRAC describes the story of her nephew's treatment in the following way:

“Once my nephew was very sick. I took him to the doctor. He was not recovering. I was running around. I go to Osmani [a government hospital] again. Doctor says that it will require a lot of money. We get into trouble. I take money from various sources to treat my nephew. We come back home after the operation of my nephew. I borrow loans from the NGO to pay back the money that I took from others. I also borrow loans by way of my daughter and daughter-in-law. Then I repay every body's money. I pay the money for installment despite remaining unfed.”

The story is the evidence of the inability of the poor households to treat their family members and themselves when falling sick. Therefore, seeking treatment for any chronic diseases is problematic for many poor households. If they ever seek any treatment for curing the diseases they have no substitute to borrowing loan from NGOs. When they fall in any critical diseases they, therefore, become more vulnerable to tackle the chronic health conditions.

#### **9.6.6. Living Condition and Quality of Settlement**

Housing settlements in the rural setting in Bangladesh is different from that of the city. Almost all houses are built with wood and bamboo, with a corrugated tin rooftop and an earthen floor – although some people having good financial ability live in houses made of brick. There may also remain some other variations of the features of the houses in different regions. Only a few people can afford to construct a brick house because construction materials are too expensive. The same situation is true for my study areas, whereby almost all respondents live in earthen tin-shed houses surrounded by a bamboo fence. In a limited number of cases (some of the higher and middle income groups), there were houses with brick walls and unpaved floor. Some of the clients have reported that they have built their houses by combining their own savings with a loan from the NGOs.

Many of the poor live in unpaved tin-shed houses and in appalling conditions with the lack of necessary sanitary facilities. There is a dearth of sufficient items like furniture and cots for sleeping. In most of the houses, housemates live huddled together with the same-sexed family members in one cot<sup>81</sup>. The inside of the houses are damp and dark due to insufficient light entering the houses. In spite of that those people have become accustomed to living in such grimy conditions, as they have no better alternatives. There is no electricity in some houses, even though the supply of electricity services is available in the area.

The physical condition of the houses becomes extremely squalid during the rainy season, when the sufferings of the people is more pronounced than any other time of the year. Winter is a no less painful situation for them due to the continuous chill in the houses caused by wind piercing through the perforations of the bamboo-fenced wall. They sometimes experience devastating destruction left by the natural disasters like floods and storms damaging the houses and blowing away the rooftops. In this grave condition, they borrow loans from NGOs to repair and reconstruct the houses when they are not able to manage with their own meager cash capital. In this case borrowing credit from NGOs is supposedly an innovative solution developed by the NGOs to provide current solution to woes of the poor. Women are often given loans for the construction of their house, which offer no direct monetary returns, forcing many of them to experience a huge burden of loans later. Therefore, the shock-bearing capacity of the poor women in such situations appears to be very limited, possibly leaving them more vulnerable to tackle the crises.

However, the best outcome of credit is manifested in the smoothing of consumption of the middle income and higher income groups of the poor, while the situation of the lower income group remains critical. Both middle and lower income groups are susceptible to social and economic vulnerability at any critical juncture. Moreover, the food consumption of those groups is ensured at the expense of huge load of work and loan, which is just one of the many dimensions of poverty. So the impact of credit is partial and minimal to the alleviation of poverty (Murdoch, 1998), depending on the current occupational and employment status of the clients and the nature of the investment of credit. In many cases credit has not been very

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<sup>81</sup> Particularly in the rural areas several people sleep in the same bed depending on the number of family members. Privacy of the individual in this case is not properly maintained due to limited space and number of beds. Bed sharing is therefore a commonplace phenomenon, especially among the poorer classes.



effective for the very poor class, among them women are the biggest losers despite being the nominal beneficiaries of microcredit programs.

The overall analysis reveals that the effects of credit on the alleviation of poverty is more discernible on the group of women who already possess their own asset base, financial back up, income earning capacity of male person in the households, and some cash money at hand, which in addition to credit has the potential to contribute to the gross family income, and thus help build asset base for the households and increase the shock bearing capability in any dire situation. Credit alone cannot alleviate poverty or reduce the level of vulnerability of poor women given the fact that most of the poor families could not use credit properly due to severe economic crises that compel them to spend credit money for satisfying immediate needs. Besides, poor clients have no proper education and skills to operate any business that requires technical knowledge and competence, which in association with their continuous economic crises contributes to further falling into poverty and vulnerability. However, microcredit is found to have been effective only when the loan money is invested in productive activities in addition to the existing asset base and cash capital in the hands of the poor clients.

### Conclusion

Microcredit is largely regarded as an appropriate instrument for the development of poor people by integrating them in income-generating activities, and credit is increasingly becoming a crucial institution for the rural poor in developing economies (Chavan & Ramakumar, 2002) like Bangladesh. This study reveals that in the practices of development for the poor, harnessing social capital generated by poor women themselves has proven to be a shrewd strategy for safeguarding the financial imperatives of both Grameen Bank and BRAC. The power and potential of credit to bring poor women into the arena of formal markets is remarkable given the fact that they had no prior access to the money market. Microcredit in this regard acts as an entry route for poor women into capital market and credit practices. The most attractive strategy of microcredit programs is the group lending process, introduced and styled primarily by Grameen Bank and replicated by other NGOs like BRAC has been a governmental strategy for securing the success and sustainability of the programs.

Moreover, microcredit programs prefer offering loans to groups of self-selected poor clients, as this ensures a constant flow of interaction and surveillance. This is the perverse form of “social capital” that is engendered in the reality of poor rural women by microcredit programs, and this works in the financial interests of NGOs as it minimizes the risk of defaults by shifting the onus and responsibilities of repayment onto the shoulders of poor women, thereby ensuring highest economic pay off at the expense of the joint liability of poor women. The self-selection process for the delivery of loans by NGOs, on the one hand, has fashioned a new dimension of social interactions in the form of conflicts centering on the scheduled repayment rituals, while on the other hand, producing norms of cooperation amongst the poor clients. The main focus of microcredit programs is therefore on the timely recovery of loans in which a group functions as a safeguard for reducing the transactional costs of the NGOs.

The study also indicates that microcredit programs could not produce meeting norms, and hence appears to have failed to significantly develop the sense of solidarity amongst the clients that could contribute to the development of the poor community in a collective and sustainable manner. Besides, microcredit programs have used the network of women to ensure that information about on-time repayment is disseminated and reinforced, instead of using such social links to spread educational messages that might help empower these women. This one-

dimensional use of the networks has failed to achieve the optimal economic outcomes for the poor because it has not been able to overcome the information asymmetry that continues to exist. Likewise, microcredit has developed patron-client relationships at both the vertical and horizontal levels – in which NGO workers act as patrons and the poor women become their clients. The study also reveals that the self-selection processes, coupled with biased NGO preferences, ensure that the poorest of the poor women end up being intentionally or unintentionally excluded from the programs. This in turn reinforces the existing social inequality rather than leveling the class and gender based social disparity in the rural social structure. Microcredit has therefore failed to challenge the existing social inequality, and rather has fostered the process along class and gender line.

The most powerful strategy applied by the microcredit programs for the recovery of loans from the poor clients is through the disciplinary technologies of power. Microcredit programs bind all poor clients into NGO-discipline for the recovery of loans by the clients through the rigid policy for repayment. The findings of the study confirm that NGOs force clients to comply with the norms of the organizations that prioritize the financial sustainability of the programs at the physical and psychological expense of the clients. Most often, NGOs coerce the clients for loan repayments, and disregard the problems of the borrowers since their target is to maximize the economic portfolio of the NGOs, for which they impose program discipline on the clients and bind them into NGO mandate. The disciplinary technologies of power have been very effective for the successful recovery of loans from the poor clients as such techniques are supposedly much more actionable on the female clients because women are more amenable to discipline. The study also demonstrates that microcredit programs oblige the clients to deposit money as a necessary condition for borrowing loans, which functions as a security and disciplinary measure adopted by NGOs. It also shows that NGOs play a coercive role when recovering payment from clients, and they have been known to seize properties from the clients' possession in the event of their failure to maintain timely repayment.

Through the operation and management of microcredit, NGOs have produced particular norms that have brought success for the programs in terms of coverage and profit maximization by ensnaring the poor women into formal credit practices and obliging them to comply with institutional rules and regulations. Women's sense of honor and shame has also been capitalized upon by the NGOs as a form of discipline as they are the traditional custodians of familial prestige and are typically socially and culturally submissive. Therefore, microcredit as a neoliberal development intervention tool has created women as social subjects and instilled

the norms of discipline into them so that they can make regular repayments and manage their own development by entering the formal credit market.

Given the fact that microcredit programs do not offer loans to temporary residents or tenants. Group-lending and the permanent residential status of the clients functions as a form of surveillance for monitoring clients in the repayment processes and their subsequent financial behavior. A group is a strategy that acts as the eye of the NGO authority to observe whether clients are paying their installment regularly. Likewise, every client has to maintain a savings and deposit book for borrowing and paying loans, which is testament to the clients' regularity in the repayment of loan. This way the entire process of loan-recovery is designed to serve the commercial interest of the programs. In cases of failure to comply with NGO rules and regulations, the clients forced to drop out from the programs, although there are also rewards for good performance in the repayment of loans.

In the rural social structure there is no competing economy in a formal shape aside from NGOs. As a result, they have been able to reach the doorstep of poor people with their service delivery, which is something that no other public organization has been able to provide in their own capacity. NGOs are now found to have been an active advocate for change in poor people's life with their service delivery to fulfill the immediate needs and demands of the poor by providing them with the facilities of credit. The success of NGOs in this regard lies in the fact that poor women have previously had no access to the formal credit market can now access these services. Women who were once housewives have become entrepreneurs and consumers of capitalist products like credit for managing their self-development. NGOs in this connection are in a privileged position to harness the problems of the poor to serve their commercial interests by expanding the reach and frequency of the service delivery even in the far-flung region of the untapped and remote rural areas. This way microcredit as a political tool of neoliberal development has reached even the grassroots level in Bangladesh by synchronizing the needs and demands of the poor with that of the economic interests of the programs, thereby increasing the economic portfolio of the NGOs at the expense of the poor.

NGOs take the advantage of the poverty of the poor because no other formal financial organizations are available in the village. Before, informal moneylenders prevailed in the village; now, NGOs have encroached onto the space of these informal practices, although the former system continues to operate in the background to a smaller extent. Microcredit programs provide their services going to the doorstep of the clients whereas informal money lending in

the context of rural social structure is not positively seen by the members of the society. The main strength of NGOs in this regard is the acceptance of the programs by people and their convenient and discreet service delivery.

The study reveals that microcredit programs charge interest against the loan that is more than the commercial rate even though most clients are unaware how much more interest they have to pay to the NGOs. Most do not even possess basic accounting knowledge that could help them find out the rate of interest they actually pay. At the same time, NGOs offer nominal amounts of interest against the savings and deposit made by clients, which again points to the commercial orientation and profit-seeking motive of NGOs. Furthermore, the managers of microcredit programs go as far as to control the movement and consumption patterns of their clients to make sure they are able to budget their money accordingly and make full and timely installment-repayments. Similarly, NGOs govern clients by selling them mobile phones in order to check on their whereabouts and their repayment statuses. Every action adopted by microcredit programs is intended for the financial security of the programs, and profit from the investment at commercial rates. Likewise, NGOs adopt different strategies for the survival of their programs in the rural social structure in order to compete with other rival NGOs working in the village with similar programs. One recent and attractive credit strategy adopted by NGOs is the reduction of the number of installments by Grameen, and flexibility of repayment from a weekly to a monthly-basis by BRAC. This way rural areas have been flourishing credit market for microcredit NGOs, which integrate poor women into formal credit practices for poverty alleviation and empowerment of this sections of society fostering neoliberalism at grassroots level in Bangladesh by self-regulating markets and infusing risk taking norms into the clients of the programs.

While “empowerment” in the neoliberal development paradigm has commonly been a stated objective of microcredit programs along with poverty alleviation, and integrating the poor into developmental intervention programs like microcredit has been a useful strategy for bringing women out of the family precinct, much more needs to be done if they are to fully realize their individual and collective potentials. For example, while women’s mobility in the arena of society has been increased to a significant level due to involvement in microcredit programs through regular visit in local loan center, but their traditional perception with regard to different issues related to their life-chances has not changed to a level that could significantly contribute to their empowerment.

Most women have been unable to develop their economic, social and political agency due to their lack of full involvement in income-generating activities. Given the social and cultural background of the traditional social structure, most of the family decision-making still lies with male members of the family; female participation appears to be limited. Women's freedom and autonomy is also limited because women are culturally taught to be loyal to their husbands or other male elders in the family. Microcredit programs have been unable to overcome these strong sociocultural and traditional values. Microcredit programs in this case could not bring about an ideational change among the women with regard to their life choices through regular center-meetings and other educational and awareness-raising programs. One of the possible reasons lies behind the fact that women simply borrow and repay the loans, but the use and control of loan money remains with the husband. Women are not in control of credit, which therefore limits their scope to exercise and exert power in the arena of household and related affairs. As women bear the risk and repay the loan, they undergo serious stress which affects their personal and family wellbeing.

The majority of the women are pressurized by their husbands to take loans despite repayment responsibilities lying solely with the wife. Domestic violence is prevalent in the context of rural Bangladesh, and is primarily perpetrated against women. Microcredit and its operational practices have not been able to bring about a change in perception about domestic violence among people through raising awareness. Rather the situation of violence against women has been exacerbated due to women's involvement in credit programs. Where violence against women was in the past an occasional occurrence, after joining credit programs the incidences have become more regular due to disputes over loan-repayments. The study also indicates that dire economic conditions experienced by poor families results in conflicts, and women's involvement in microcredit activities have, to some extent, intensified negative gender attitudes and in the forms of physical and psychological violence instead of decreasing the level and frequency of the incidence. Therefore, microcredit may contribute to an escalation of gender violence (Rahman, 1999). Some factors include the lack of control over loan-money use on the part of women, absence of self-employment, over-regulation by NGOs, and the patriarchal attitudes embedded in the structure of society. Many women still cannot visit public places alone due to strict social norms, since violating the norms of patriarchal social structure contributes to negative sanction for the women.

Moreover, microcredit has created a new dimension in marital relationships with a negative twist. NGOs for the sake of guaranteeing the economic security of the programs urge clients to

save money in a secret fund, creating a culture of wives lying to their husbands. This is not befitting behavior in the context of Bangladesh, and this ultimately downgrades the status of women, escalating the violence against wife. The study reveals that microcredit contributes to fostering the dowry system in rural society, because poor women often use credit as a form of dowry in order to negotiate with the husbands. Consequently, women cannot raise their status in the family and in broader society due to the misuse of credit. Therefore, NGO microcredit interventions have not been able to successfully challenge the century-old practices of dowry. Rather, poor women regard credit as a convenient means for overcoming family conflicts by offering dowry (with microcredit money) to the bridegroom, instead of using it for their own self-improvement and empowerment.

Women are instrumental to the successful operation and management of NGO-microcredit initiatives. Therefore, the empowerment of women remains mere development rhetoric and is not likely to be achieved within a short period of time, because in a traditional society like Bangladesh “social change occurs slowly and radical social change is disruptive” (Bernasek, 2003: 381). Besides, microcredit programs have been unable to challenge the traditional patriarchal social structure, and NGOs have not been willing to initiate awareness drives or campaigns that might bring about a change in the existing system of patriarchy. It can be argued that through the operation and management of the programs according to economic rationality, NGOs have successfully brought women into the arena of the financial market and constructed them as economic agents, which dovetails perfectly with neoliberal ideas of “the entrepreneurial, individual citizen and the privatization of citizenship” (Lazar, 2004: 3). Microcredit as a neoliberal development strategy has therefore expanded the field of market for the new clienteles who once had been out of this domain, where women are the best agents of channeling credit in market rationality and expanding the microcredit market even in the untapped rural areas in Bangladesh by enmeshing poor women into formal credit practices through the development rhetoric of poverty alleviation and empowerment agenda.

Some poor women in the upper- and middle-income ceiling have been able to reduce the level of their food poverty following successful integration and participation in microcredit initiatives, but the situation is more critical for the lower-income group given that they do not derive regular economic returns from the projects in which they have made their investments, and the majority of them have misused the credit. Both the middle- and lower-income groups tend to fall into vulnerability due to the lack of regular income earning activities and capacity to save. Therefore, microcredit is found to have minimal effects on the alleviation poverty of

certain groups of poor women. Credit has become a coping strategy for a large section of poor women as it has replaced the informal money lending business, while reinforcing that very same system due to the severe strains of repayment. Therefore, microcredit has emerged as the new economy in the rural social structure.

Credit borrowed by the poor women has also not been properly utilized by clients for income-generating activities. Therefore, the misuse of credit by clients has not yielded any remarkable social and economic outcomes for a majority of the poor households. At the same time, most of the borrowers have invested credit in low-return enterprises, which further reduces the efficacy of poverty alleviation touted by NGO microcredit programs. The experiences of poor women suggest that there is a sheer lack of supervision by the NGOs over the kind of activities or enterprises that the loan-money is used. NGOs are seen to simply offer and recover loan from poor clients independent of whether it is used for productive activities. Microcredit NGOs like Grameen Bank and BRAC in Bangladesh seem to have claimed their successes on the basis of a high repayment rate and the sustainability of the programs. However, the real impact on the participants has not been adequately prioritized. (Ali & Hatta, 2012).

The general overview reveals that the effects of credit on poor women is more pronounced for the group of women who already possess their own asset base, financial backup, or income-earning persons in the family. The presence of these factors increases the shock bearing capacity of the family during crisis situations. In the majority of cases, poor women use the loan money for meeting consumption and immediate household needs instead of income-generating activities, and therefore are unable to alleviate their economic vulnerabilities. In some cases, the existing poverty has been exacerbated due to the strain of installment-repayments, which forces clients to engage in cross-borrowing. Moreover, poor clients typically do not possess the necessary education and skills to run any potential businesses that require capital, technical knowledge and competence, which leads to even greater potential for subsequent vulnerability.

Credit in many instances has become a burden and risk to a majority of poor households owing to repayment pressures. Therefore, microcredit has minimal effect on the alleviation of poverty and the reduction of vulnerability for poor credit clients given the socioeconomic contexts of the rural social structure in which they continue to live their lives. Besides ‘to govern too much’ (Foucault, 2008) is not likely to furnish the optimal outcomes for poor credit-clients. Since neoliberalism seeks to expand existing markets and create new ones beyond traditional bounds



(Connell, 2014), based on the operational design and management structure of NGOs, it can be argued that microcredit is a political strategy of neoliberalism, which masquerades under the banner of financial inclusion and integration of poor women.

Although in certain specific cases there exists evidence that microcredit has directly contributed to the reduction of poverty and mitigated the vulnerability of poor rural women, this only occurs when women are clearly grouped into categories in order to offer appropriate loans according to their ability and means to make repayments. Women's participation in such NGO initiatives has been said to have given them new hope, better prospects, new thinking, and a better future; unfortunately microcredit programs has not engendered remarkable outcomes for a majority of clients due to the management mechanism of the organizations and its methods of loan-recovery.

Poverty is most often seen as a local institutional problem, while poverty alleviation is a "local institutional process" (Batiaensen et al., 2005:979), which means that how an organization develops the structure and design of the programs is crucial in determining whether the program produces positive or negative outcomes. Institutional processes, can contribute remarkably to the alleviation of poverty through the appropriate utilization of the skills and knowledge from the target population. For example, poor women's indigenous knowledge and skills should be harnessed for productive purposes, which can play a significant role in the alleviation of poverty. How exactly local and traditional knowledge and skills can productively be channeled by engrossing the poor in their own development ought to be a further point of investigation in order to reap the highest positive outcomes from income generation projects of microcredit. Moreover, the forced drop out policy of microcredit programs for loan-defaulters is indicative of the commercial nature and financial motive of the NGOs. Special programs for the defaulting clients could be incorporated into microcredit programs in order to guarantee distributive development and gender justice so as to build the base of a just society. The shortcomings of the operational design and commercial structure of NGO microcredit programs seem to have outweighed the positive effects of credit on the lives of their clients to a large extent, which must be given particular attention if the operation of microcredit for the development of poor people, particularly poor women in rural Bangladesh is to be successful in the years to come.

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## **Appendix**

### Interview Checklist

#### A). Survey Questionnaire

1. Name:
2. Educational qualification
3. Occupation
4. Monthly income (contributed by all earning members)
5. Number of family members
6. Length of involvement in credit programs
7. Total amount of assets (such as land and other assets)

#### B). Interview with the female credit clients

##### (i) Poverty related questions

##### Use of money

1. Why and under what circumstances did you join microcredit programs?
2. How long are you involved in microcredit programs? (asked in the survey)
3. How much loan did you receive first?
4. What did you do with this money?
5. What type of activities are you currently doing with loan money?
6. How much money do you earn from these activities per month?
7. Do you get the required profit from these activities and how?
8. Can you further invest your money in expanding your business?
9. Do you think that your income has been increased by undertaking these income generation activities, and how?
10. Do you use the loan money for the purpose of income generation, if not why?
11. Do you have any savings and how did you save them?
12. How much money do you spend for food per month?

##### Quality of life

13. What are your daily food intake items?
14. Can you manage everyday meal as per your need?
15. What do you do if the necessary food stock falls short?

16. What is the pattern of your house? (just observe and note down)
17. How much money do you spend for buying clothing, household items/furniture and other household materials per annum?
18. Do you have required number of furniture, necessary household items and how do you buy them?
19. Do you have access to safe drinking water and how do you manage it?
20. Do you have sanitary latrine and do you use soap or any liquid for cleaning your hands after using toilet or before eating meal?
21. Can you maintain visiting doctors when you fall sick?
22. What type of doctors you usually visit in this case?
23. How much money do you spend for health and medicine per annum?
24. Do your children go to school, if not why?
25. Do you have any other asset that is bought with your income from micro investment?
26. Can you buy things as per your choice as and when needed with your income?
27. How do you tackle if there arises any financial problems?
28. Do you spend loan money for other purposes than investing in business, and why?

(ii) Loan collection and related questions (clients)

1. What do NGO officials do before disbursing the loan?
2. Do you need to pay any mortgage/ security bond to get loan, if not, why do NGO offer you loan without any collateral?
3. How do you get introduced with the NGO staff for loan and what procedures do NGOs follow in case for disbursing the loan?
4. Do you face any problems in case of getting loan?
5. In what way do you pay the installments, and how do you manage initial installment if the repayment begins immediately after the disbursement of loan?
6. Do you face any difficulties to pay the installments, if yes what problems?
7. What do you do if you become default in paying the loan in due time?
8. What measures do NGO workers take for the collection of loans?
9. How do you deal with the NGO staff if you fail to meet the repayment deadline, and how you tackle the situation?
10. What measures do NGO officials take if you fail to pay the installment in time?
11. Can you take loan individually, if not why, and what strategy do you follow in this regard?

12. Who bears the responsibility if one member of the group fails to pay the installment and what happens in this case for that member if you collect loan in a group?
13. What rules and regulations do you follow in the repayment of loan?
14. What disciplinary regulation (terms and conditions) do NGO impose upon the clients for the collection and disbursement of loan?
15. Do you collect loan from more than one NGO or any other money lenders, and why?
16. How do you maintain the repayment in case of borrowing loan from more than one NGOs or from other sources?
17. Why don't you collect loan from other commercial bank?
18. Do NGO officials monitor your business or any other activities driven by microcredit programs, why and why not?
19. Do NGO officials arrange any meeting for you and do you need to attend the meeting?
20. What do they teach in the meeting?
21. What do you do in the meeting?
22. Why are some clients dropped out from programs if they fails to repay the loan in time?
23. Do you know how much interest you have to pay against your loan and how to calculate it?
24. Do you know how much interest is given against your savings and DPS?

### (iii) Social Capital related questions (clients)

1. How do you borrow loan?
2. Why and how do you form group to get loan from NGO?
3. Why don't NGO offer loan individually?
4. Do you have any problem to collect loan in a group?
5. Did you know each and every member of the group before joining credit program?
6. How and why do you maintain communication with other group members?
7. Do you have trusting relation with each and every member of the group, if not why?
8. Do you think that your social relation has been solidified or eroded due to joining the group lending programs?
9. What do you do when any group member fails to repay the installment in time?
10. Do you have any dispute among yourselves if any one of the group member fails to repay the loan in time?
11. What is the function of a group and how does NGO use your group network, and why?

12. Do NGOs give equal priority to all clients in the group in terms of offering loan, if not why?
13. Do you think that every member of the group benefits equally from joining this program?
14. What type of members is given more priority in the case of allocating loan?
15. Do you have to go to the center to pay the loan in person?

(iv.) Empowerment related questions (clients)

1. What do you understand by empowerment?
2. What does it need to increase power of women?
3. Who takes decision in your family affair?
4. Who, in your opinion, should take decision in all family affairs?
5. In what family affairs can you take decision?
6. Do you have any freedom in the family about making choices?
7. Who asked you to borrow loan?
8. How do you use the loan?
9. Who controls loan and why?
10. Do you use loan money by yourself, if not why?
11. Who pays back the installment of loan and how?
12. Do you encounter any problems in the family while paying back the installment of loan?
13. Do you have any problems with your husband or any other male members of the family over the use and control of money?
14. How do your family member and other people in the community see your participation the microcredit programs?
15. Do you think that your position in the family and society has been improved due to participation in microcredit project, and how?
16. How do you visit NGO office?
17. Can you visit any public place alone, if not why?
18. Can you buy anything as per your choice?
19. Do you face any problems in your family when you join credit programs and collect loan from NGO?
20. How do you maintain the repayment conditions of the NGOs and what happens if you fail to meet them?
21. Did you face any social problems while borrowing loan from NGOs?

22. Do you think that your involvement in credit program has expanded your freedom with regard to your choice, voice and movement in the society?
23. What is the name of chairman of your Union?
24. Do you cast vote in local council and national election?
25. Can you cast vote for the candidate of your choice, if not why?
26. Do you participate in any arbitration meeting in your community?

v). Credit Clients (some general questions)

1. Why do NGOs offer loan to women instead of men despite knowing that men use the loan? What is your view?
2. Why don't you take loan from local money lenders instead of NGOs as you face problems while repaying the installments in short payment date?
3. What NGO officials do when they can learn you are borrowing loan from other NGOs?
4. Can you take more than one loan in different names from the same NGO, if not why?
5. If you have several options to borrow money, say commercial Bank, NGOs and local money lenders, which one you would prefer to serve your purpose, and why?
6. Do you think that NGOs by microcredit can alleviate poverty to an optimum level, how it could be possible, and if not why?
7. Do you think that your relationships with other neighbors and also with the NGO officials have been improved or aggravated due to joining the credit programs?
8. How do other group members in the neighborhood consider if you eat good food and invite guest, though you cannot pay the loan in due time ?
9. Can you leave your place before the day of repayment without informing the center chief or group leader, if not why?
10. Why do you pressure other women in the group for the repayment in time?
11. Do you share any good information regarding any important issue beneficial for life to other women in your group and even in the community, how and if not why?
12. What could be better for you to achieve economic goal and other benefits from microcredit?
13. How do you negotiate any conflict if you have with the people in the neighborhood? Who interferes in solving this issue?
14. What NGOs do for raising awareness among you about social, political issues and involvement in local politics?
15. Do NGOs take any legal actions against any clients being loan default?



D). Interview with the NGO staff (Just local field officers)

(i) Social capital and loan management related questions

1. How long do you operate the programs in the village?
2. What is the name of your office according to location and rank of officer?
3. What do you do before entering the village with credit programs?
4. Do you face any problems with the locals during the operation of the programs?
5. How do you offer credit to poor women?
6. What is the institutional terms and conditions that poor women have to abide by to get and repay the loan?
7. Why do you construct women group for the disbursement of credit?
8. What is the function of a group or group leader?
9. Who bears the responsibility of the group?
10. Why and how do you select center chief? How long does her tenure last?
11. Do you offer training to center chief and why?
12. What is taught in the meeting?
13. What necessary steps do you take if any clients fail to repay the loan lime in time?
14. How do you ensure the highest repayment in time and why?
15. How do you monitor credit clients for the security of loan?
16. Do you offer any loan to individual women without any collateral?
17. How do you maintain the regular collection of loan from the poor clients?
18. What disciplinary mechanism do you apply for the defaults clients and how?
19. What steps do you take if any client repeatedly fails to repay the installment of loan?
20. How do you check and retain the drop out clients and do you have any provision for retaining them in the program?
21. Do you take disciplinary action against the default clients and do you take any legal steps for the recovery of loan?
22. What is your accountability to the higher authority, and how do you manage the senior authority if you fail to ensure the set target of recovery?
23. How do NGO authorities control and oversee the field staff who are dealing with financial matters with the clients?
24. What are the criteria for the selection of women as credit clients?
25. Do you have any provision to offer loan to more than one member of the same family?

26. Which groups of poor women do you identify and select as the credit clients?
27. Do you have any monitoring and evaluation system to manage the income generation activities run by the poor women?
28. What technical cooperation do you provide for the operation and management of loan-driven activities by women?
29. What do you do if you can know that the clients have not used the loan for income generation project, and simultaneously borrow from loan from other NGOs?
30. What does basic difference lies between the commercial credit and NGO-promoted credit? What is your opinion in this regard?
31. How do you compete when several NGOs operate microcredit programs in the same village? How do you control the clients if they leave the village without paying the loan?
32. Why does the group break and what measures you take to check the breaking of the group?
33. What do you do for building trust among the poor clients for their development and which way do you do it?
34. Do you offer any programs for raising social and political awareness among the poor clients?
35. How do you ensure the repayment of the first installment of a new client?
36. Do you offer any incidental or any other consumption loan?
37. Do you apply any service charge for the allocation of loan, if yes, how much and why?
38. How much is the interest rate for the loan? Do you pay interest against savings and DPS of the clients and how much?
39. Do you keep savings and DPS books and why?
40. Why and how do you bring the new areas under coverage of microcredit?

Thank you very much for your cooperation

**A. Sixteen Decisions of Grameen Bank**

1. The four principles of Grameen Bank: Discipline, Unity, Courage, and Hard work: we shall follow and advance in all walks of our lives.
2. We shall bring prosperity to our families.
3. We shall not live in dilapidated house. We shall repair our houses and work towards constructing new houses at the earliest.

4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
5. During the planting seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
7. We shall educate our children and ensure that they can earn to pay for their education.
8. We shall always keep our children and environment clean.
9. We shall build and use pit-latrines.
10. We shall drink water from tube wells. If it is not available, we shall boil water or use alum.
11. We shall not take any dowry at our son's weddings, neither we given any dowry at our daughter's weddings. We shall keep the center free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone; neither shall we allow anyone to do so.
13. We shall collectively undertake bigger investments for higher incomes.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.
15. If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline.
16. We shall take part in all social activities collectively.

#### **B. Eighteen Promises of BRAC**

1. We will not adopt corrupt or unlawful means.
2. We will work hard and improve our conditions.
3. We will educate our children.
4. We will adopt family planning measures and have a small family.
5. We will keep ourselves, homes and surroundings clean.
6. We will always drink potable water.
7. We will always cover our food and wash our hands before eating.
8. We will build sanitary latrines & stop indiscriminate defecation.
9. We will cultivate vegetables around out homesteads and plant trees.
10. We will always help others.
11. We will fight against polygamy and violence towards women.
12. We will be loyal to our Village Organizations and obey its rules and regulations.
13. We shall not sign anything without full understanding what is written.

14. We will attend the weekly and monthly meetings punctually.
15. We will obey the decisions of our Village Organizations.
16. We will deposit our weekly savings regularly.
17. We will repay all loans in time.
18. We will give equal opportunities to girls as well as boys.

Source: Matsui, N. and Tsuboi, H. (2015) “Microcredit, Inclusive Finance and Solidarity”, in Matsui, N. and Ikemto, Y. (eds.) *Solidary Economy and Social Business*, Spring briefs in Economics.

### List of Interviewees

Grameen Bank (Chatal)				BRAC (Kazirgaon)			
Center -01		Center-02		Center-01		Center-02	
Name (Pseudo/Real)		Name (Pseudo/Real)		Name (Pseudo/Real)		Name (Pseudo/Real)	
01.	Khadiza (P)	01.	Shimul (R)	01.	Amirun (R)	01.	Mayarun (R)
02.	Nazma Begum (P)	02.	Piara (P)	02.	Piara (R)	02.	Swapna (P)
03.	Kohirunnesa (P)	03.	Asmatun (R)	03.	Jamirun (P)	03.	Nazma (P)
04.	Rahima (R)	04.	Abida Begum (R)	04.	Ful Banu (R)	04.	Howa (P)
05.	Gulecha Begum (R)	05.	Nehar Begum (R)	05.	Khatun (P)	05.	Nilufa (P)
06.	Tanjina (R)	06.	Jhumera (R)	06.	Achiya (R)	06.	Shehela (P)
07.	Farzana (P)	07.	Dilara (R)	07.	Shiri Begum (R)	07.	Romena (P)
08.	Rayhana (R)	08.	Lal Bibi (R)	08.	Mina Begum (R)	08.	Papiya (P)
09.	Sureza (R)	09.	Pairun (R)	09.	Nazma (R)	09.	Maleka (P)
10.	Mayarun Begum (R)	10.	Hena Begum (R)	10.	Mina Begum (R)	10.	Khodeza (P)
11.	Khatibunnes (R)	11.	Tania (R)	11.	Nazma (P)	11.	Parul Akhter (P)
12.	Achiya Khatun (R)	12.	Shilpi (R)	12.	Nehar Begum (R)	12.	Nasrin (P)
13.	Sufia (R)						