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A Critical Analysis of The Impact of Microfinance on Women's Empowerment in Rural Bangladesh

Figure 1: Nobel Laureate and microcredit pioneer Muhammad Yunus in Bangladesh

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Introduction

Development defined as "a complex process involving the social, economic, political and cultural betterment of individuals and of a society itself" (Young, 1988) has been accompanied by a growing interest in women. The demand of integrating women in the development process of poor countries has emerged from the 1975 United Nations Conference of International Women's Year. Prior to that, development theories have ignored women and gender relations by concentrating on men as producers and household heads. Here, the term "women" refers to the biological definition of what a woman is, while "gender" refers to the different social roles based on sex. An emphasis on gender relations in development processes has finally revealed inequalities between men and women, along with the situation of subordination that women face in developing countries.

Developed by the Bangladeshi Muhammad Yunus in 1976, microfinance has been seen as an important vehicle of women integration in the development process. By providing small loans called microcredit and other financial products such as micro-insurance to the poor, self-employment and entrepreneurship are being encouraged. Strict requirements and conservative practices of the formal financial sector has, for a long time discriminated and excluded women from accessing financial services. Today, microfinance has spread to over a hundred countries with an estimated coverage of 139.9 million clients (Microfinance Barometer, 2019). Of these 139.9 million borrowers, 80% are women and 65% are rural borrowers.

Poor women are at the core of this revolution and their involvement has resulted in an unprecedent increase in funds promoting microfinance as a means to facilitate development. It has become an evidence that "we are all entrepreneurs" (Yunus, 2007), even women in a country described as a "basket case" by Kissinger in 1971. World leaders, CEOs of multinational corporations, feminists, international development organizations and NGO leaders have supported this sector offering hope for poor women's empowerment. Muhammad Yunus and the Grameen Bank ("Rural Bank") that he created were jointly awarded the Nobel Peace Prize in 2006. The Norwegian Nobel Committee celebrated their achievements stressing that "micro-credit has proved itself to be a liberating force in societies where women in particular have to struggle against repressive social and economic conditions".

I believe that the consensus emerging around the question of microfinance has prevented us from an accurate analysis of the situation. The question "*Does microfinance really empower women in rural Bangladesh*?" has led me to challenge the general perception of microcredit as a liberating force for women. My focus on Bangladesh, where the sector has started, helps me to concentrate on one geographical area and one culture that has captured the attention of the whole world. Since microfinance penetration rate is 90 percent in the rural economy (Karim, 2011) it also makes sense to focus on this segment.

The insights gained by investigating microfinance in Bangladesh can be used to understand better how contemporary developmental processes impact gender relations and how already existing gender norms and gender inequality shape developmental trajectories. Gender inequality refers to a "situation in which sex and/or gender determine different rights and dignity for women and men" (European Commission, 2004). I argue that the integration of women in the development processes has done more harm to women and has worsen gender inequality.

To understand if *microfinance really empowers women in rural Bangladesh*, it is, first, fundamental to define precisely what empowerment is. When talking about women in development studies, "empowerment" is very often mentioned and taken for granted. In this paper, I focus and support an

alternative perspective, including Rowland's theory (Chapter 1). I will then work on describing the context and the relationship maintained between microfinance institutions and women in rural Bangladesh (Chapter 2). This chapter provides us an overview of the political and economic context and the socio-cultural norms in Bangladesh that is crucial to analyse accurately the mechanism behind microfinance. The third chapter takes a closer look to the debate on the impact of microfinance on women in Bangladesh. The debate informs us of the current findings and opinions on the topic. In chapter 4, I use the definition of empowerment as a starting point to re-evaluate the relationship between microfinance institutions and women. When taking a closer look to the overall context in Bangladesh, it appears that microfinance does not empower women. Rather this opposite, I will argue that women are instrumentalized for microfinance to gain more power.

CHAPTER 1: What is *women's empowerment* in development studies?

I. Does a generally accepted definition of empowerment exist?

The World Bank has provided a broad definition of empowerment as "the expansion of freedom of choice and action" (Narayan-Parker, 2005, p. 71). In the 1980s and 1990s, the growing interest in "bottom-up" development largely drew attention to this terminology in the development field (Rowlands, 1997). Particularly, the notion of women's empowerment has become central and a new body of literature has emerged regarding its conceptualization and measurement.

Two features emphasize its particularity and enable us to differentiate it from "gender inequality", "women's status" or "female autonomy". Firstly, it constitutes a *process* and not a *product*: people are empowered or disempowered relative to others, or to themselves, in a previous time (Mosedale, 2005). Second, women are not merely beneficiaries, but they are significant *agents* of the process. Kabeer's (2001) definition of empowerment encompasses those two particularities and constitutes a good reference point: "The expansion in people's ability to make strategic life choices in a context where this ability was previously denied to them." By "strategic life choices", she means choices that are critical for people to live the lives they want, such as having children or whether marrying (Mosedale, 2005). It is, therefore, not merely about making "less consequential choices" that would improve quality of life but making choices that are more constitutive of their lives. Also, by pointing out that "this ability was previously denied to them", Kabeer emphasizes another crucial point: to say that someone has been empowered means that this person was previously marginalized (Mosedale, 2005).

Most definitions agree on those different empowerment's features. However, no broader consensus on this concept has been found. As a result, it is still problematic to evaluate and measure it: "despite having identified empowerment as a ... primary development assistance goal ... neither the World Bank nor any other major development agency has developed a rigorous method for measuring and tracking changes in levels of empowerment" (Malhotra et al., 2002, p. 3). According to the World Bank, four key elements make it such a complex issue and ultimately difficult to measure (Narayan-Parker, 2005). First, the concept is *multidimensional*: it encompasses social, economic, political, legal and psychological issues. Second, it is observable at many different *levels of aggregation* such as the household or the community. Third, the *context* plays a crucial role since different social and cultural settings cannot be translated in the same indicators. Finally, it is difficult to determine what, exactly, can lead to those "strategic life choice". The World Bank hypothesizes that it might be related to access to and control over economic and other resources.

Rowlands (1997), argues that the confusion arising around the notion of empowerment, its process and measurement, is primarily due to the confusion around the notion of "power". Empowerment is originally related to the process of gaining power, but what is power? Many theorists defining empowerment have assumed or ignored a clear understanding of it. Yet, it appears crucial to understand what it is in order to capture the different power dynamics at stake in the empowerment process.

Power is commonly defined as the ability of one person or group to get another person or group to do something even if it goes against their will (Rowlands, 1997). Therefore, it is described as "zero-sum": the more power one person has, the less the other has. This form of power is also called "power over" and is generally exercised by dominant social, political, economic, or cultural groups over those who are marginalised. Lukes (2005) shows that power can also be exercised in "unobservable conflict". In

this context, power is so internalised and accepted that it becomes invisible and prevents oppressed people from even thinking of having the conflict.

In the development narrative, women's empowerment is often constructed on a "power over" definition of power: men and manly institutions have "power over" women and, to be empowered, women need to be delegated power in terms of economic and political decision making (Rowland, 1997). Typically, Keller and Mbwewe (1991) defines empowerment as "a process whereby women become able to organise themselves to (...) control resources which will assist in challenging and eliminating their own subordination." Along with those scholars, a large body of literature assume that women need more control of material and immaterial resources to be empowered. But is this truly the case? The next sections will show why, when working on delegating more "power over" to women, development agencies are ignoring the core of the problem.

II. What are the different approaches to women's empowerment in development studies?

In the 1970s, when Third World feminism first considered women's empowerment, it was intrinsically to defend women's equality through a transformation of economic, social and political structures (Mosedale, 2005). However, in the 1990s, when neoliberal economic policies became increasingly entrenched in many countries across the world, empowerment became associated with giving clients freedom of choice and agency to make demands on the market (Jupp & Ali, 2010). Women's empowerment largely aimed at expanding the choices and productivity of women in a context of absence of state responsibility for economic and social support (Mosedale, 2005).

This shift in the concept of women empowerment illustrates two different objectives for aiming at women's empowerment: the *intrinsic reason* and the *instrumental* and *efficiency reasons*. While the *intrinsic approach* only aims at transforming the lives of women by addressing gender inequalities, the *instrumental and efficiency approaches* work on achieving other development goals particularly poverty reduction (Kabeer, 2011). As argued by Kofi Annan (2005), former Secretary General of the United Nations, it is widely believed that achieving gender equality is a "prerequisite" to achieving the other Millennium Development Goals such as poverty reduction, universal education, infant mortality reduction (United Nations, 2005).

The *efficiency approach* supports the idea that women, by their comparative advantage, can contribute to economic performance (Jackson, 1996): "Investing in women can be a cost-effective route to economic efficiency" (World Bank, 1989). For example, improving women's health would be cost effective since it benefits the whole family of the healthy mother (World Bank, 1989). The idea of the *instrumental approach* is that gender issues are instrumental to achieve other development concerns (including poverty). For example, for the World Bank, gender issues need to be addressed to reduce poverty and lead to economic growth. Other examples are the UNFPA (United Nations Population Fund) supporting women's empowerment in order to control population growth or environmental agencies justifying gender for environmental conservation (Jackson, 1996). Oxfam (2017) explicitly supports those arguments: global growth, productivity increase, business efficiency and children nutrition, education and health are part of the arguments supporting women's ability to gain access and control over productive resources.

However, the *instrumental and efficiency approaches* to women's empowerment have also been widely criticized. To borrow Mosedale's words (2005), many feminists accuse development interventions to use the concept of women's empowerment as "a buzzword (…) to add glamour (rather

than value) to interventions that actually seek to achieve a variety of economic and social outcomes"(p. 252). Jackson (1996) argues that even if the *instrumental approach* does empower women it is still problematic. Indeed, the policy and project objectives are different from those of participants and since officials have much more bargaining power than participants, the outcome will be closer to their own objective. For the project to empower women as well as to achieve the official's objective, there need to be much more "struggle, negotiation and compromise" (Jackson, p.491, 1996) despite their very unequal positions. In addition to denounce the instrumentalist approach she defends the view that gendered issues should be given a particular attention and that development in general does not lead to more empowerment.

Jackson (1996) also criticizes this tendency to associate poverty alleviation with women's empowerment. Targeting poverty as a whole ignores gender inequality, and, thus, does nothing to empower women. Men and women experience very differently poverty and, therefore, solutions to poverty cannot be expected to work the same for both. First, she shows how poverty solutions are not necessarily efficient for poor women because different gender expectations and stereotypes are imposed upon them (child rearing, household work…). At the same time, women's challenges are not necessarily related to poverty. For example, she argues that targeting women in the context of microfinance will not save women from the poverty trap as long as gender inequality persist. Indeed, a large proportion of women's loans are invested by their male relatives. Jackson concludes that women's poverty should always be perceived as the consequence of subordination rather than merely the consequence of underdevelopment.

Elson & Pearson's (2014) analysis of Third World women's employment in multinationals illustrates Jackson's point and the importance of taking gender inequality into consideration when empowering women. They argue that global companies hire women in developing countries because they are cheap, nimble and docile. However, they remind us that those women are not *naturally* cheap, nimble and docile but they are trained and *socialized* to be this way by their families. Hiring them for those reasons results in an *intensification* or *recomposition* of gender inequality, which weakens women's position even further. By *intensification* they mean that pre-existing forms of gender inequality are reinforced. For example, some multinational corporations utilize traditional forms of patriarchal power for discipline. On the other hand, *recomposition* means the reproduction of new forms of gender subordination. This can happen, first, through the *recomposition* of *gender ascriptive* relations in new forms. For example, instead of being dominated by male relatives, women become dominated by male managers in the factory. This also happens through relations that are not intrinsically gendered but *bearers of gender*. In this case, women are not directly dominated by men, but they are subject to a new discriminatory system. This is the case, for example with the establishment of a sexual division of labour in the capitalist labour process.

The critics of the *efficiency* and *instrumental* approach show that empowerment should be more than just delegating more power to women. It also requires a systemic transformation of the institutions supporting patriarchy.

III. Can empowerment be better understood by defining power from a feminist perspective?

Rowlands (1997) criticizes definitions of women's empowerment based only on a "power over" definition of power. From this perspective, power involves domination: one group exercises power over the other group. This can be, for example, domination of men over women, women over men or

NGOs over men and women. In this context, women's empowerment threatens men's power since it is considered as zero-sum. Moreover, she warns us of the unstable dimension that a delegated power can take: "If power can be bestowed, it can just as easily be withdrawn; empowerment as a gift does not involve a structural change in power relations." (Rowlands, 1997, p.12).

On the contrary, the feminist perspective proposes a definition of power that is not necessarily zero-sum and does not inherently involve domination. According to this perspective, power can be understood as *generative*: it produces and creates new forms of power. This would mean that one group can be empowered without disempowering another group since empowerment would create new possibilities that do not go against other groups' interests. "Power to", "power with" and "power within" would allow new power dynamics (Rowlands, 1997) that are more fulfilling for each group.

"Power to" is a form of power that creates access to a full range of human abilities and potential without domination. In this interpretation, the group has its own collective agenda and there is no conflict of interests, so power is not a zero-sum. "Power with" reflects the capability to achieve with others what one could not achieve alone. It is often easier to bring structural change at the household, community and macro-level when supported by a group with the same interest. "Power from within" refers to the process of gaining more self-acceptance and self-respect. Women start questioning broader structures and understanding how internalised oppression restricts their exercise of power. Those three types of power are complementary and empower women by making them aware of their own interests and how those relate to the interest of others.

This context involves new power dynamics making a structural change in power relations possible. Gender inequality is not simply *hidden* by delegating more political and economic power to women but is *deconstructed*. Indeed, women believe that they have the right and the capacity to make or influence decisions. On the other side, men's power is not threatened, enhancing incentives to tolerate women's empowerment. Therefore, what counts when talking about empowerment is not only "the ability to make strategic life choice" (Kabeer, 1999) as specified above but also to "*redefine* and *extend* what is possible" (Mosedale, 2005, p. 252). In her definition, Mosedale (2005) put more emphasis on the *expansion of options* that women achieve for themselves and for other women, now and in the future. This can only be done by becoming aware of the "unobservable conflict" (Lukes, 2005) and changing this system of internalised oppression. Therefore, when women's empowerment is considered as a desirable goal in itself, challenging gender norms becomes an essential step.

CHAPTER 2: To which extent are women central to the evolution and sustainability of microfinance in Bangladesh?

I. Was the political and economic context favourable to the evolution of microfinance in Bangladesh?

"In today's terminology, microcredit is, indeed, *female empowerment*." (Award ceremony presentation speech, 2006). Those words claimed by Professor Ole Danbolt Mjøs, Chairman of the Norwegian Nobel Committee, show that microfinance is largely celebrated for its crucial role in women empowerment. The previous sections have attempted to define what women's empowerment is and have shown the difficulties to come up with a generally accepted definition. In the following section,

we will analyse the context in which microfinance grew in Bangladesh and the evolution of this sector. This will show how and why microfinance is related to women and will progressively bring us to evaluate the current debate on its impact on women's empowerment.

Microfinance was first introduced in a disrupted political context that was aggravating poverty especially in rural areas (Mia & Al, 2019). In 1971, Bangladesh finally emerged as a sovereign and independent nation from the Pakistan occupancy. The economy was already completely destabilised when a great famine killed thousands of Bangladeshis in 1974 and, when, one year later, a military coup rendered the Bangladeshi population completely powerless. In this context of political instability and economic stagnation, the poor were excluded from any banking operations and were subject to village moneylenders charging very high rates. The void left by the state enabled NGOs to gain a quasi-sovereign status. According to Karim (2011), they started operating as a "shadow state" taking over many of the services and functions reserved for the state and public-sector institutions such as education, healthcare, road reconstruction and, as explained here, credit provision. They became the only structure providing essential services and employment in the rural economy. Because of their dependence on western-aid organizations, they stand as a "pathway through which Eurocentric development agendas enter rural communities" (Karim, 2011, p.2). These development agendas are strongly guided by modern ideas of neoliberalism and promote efficient, competitive and disciplined producers and consumers.

For all of those reasons, the political and economic climate was very favourable to the emergence of Microfinance NGOs in Bangladesh. The idea of Muhammed Yunus when implementing microfinance in Bangladesh was to find a new approach to help the poor break out this vicious circle of poverty (Mia & Al, 2019). By observing the villagers' hard work, efforts and skills, he realized that they could also become entrepreneurs but that they needed access to loans with accessible terms and conditions (Levin, 2012). After the creation of the Grameen Bank in 1983, the classic Grameen Bank model inspired other institutions such as the Building Resources Across Communities (BRAC), Proshika Human Development Center (Proshika) or the Association for Social Advancement (ASA). This model of microfinance does not require any physical collateral and is generally based on groups of five borrowers meeting regularly with the field managers (Karim, 2011). Only two group members are allowed to borrow at the same time and the rest of the group will be allowed to borrow only if those two repay on time.

II. What does the targeting of women and group lending practice change for microfinance?

To promote microfinance, Yunus (2007) managed to prove that poor Bangladeshi women are "bankable": they have need for loans and pay them back. According to him, neoliberal notions of self-help, individualism and entrepreneurship are also attainable for the poor and, more particularly, for poor women. Yunus (2007) initially decided to target women in microfinance because he argued that poor women are more future oriented and are willing to work harder to lift themselves and their family out of poverty. When a woman starts earning an income, her first expenditures are to support her children and her household while a man will be focussed more on himself. Yunus (2007) believes that it is, therefore, crucial for development to redress gender disparities in finance: prior to microfinance, women constituted less than 1% of all the borrowers in Bangladesh. In addition, most microfinance institutions found that women are more bankable than men because their rate of loan repayment is higher (UN, 2009). Khandker et al (1995) found that 15% of male borrowers had missed payments before the final due date, while it is only the case for 1% of women. Grameen Bank, more particularly,

is widely celebrated for its 98 percent loan recovery, with 97 percent of its borrowers being women. This is generally justified by women's more conservative investment strategies (De Aghion and Morduch, 2004).

The use of group lending practice also guarantees long-run repayment despite the risks taken by targeting the poor without requiring collateral. Initiated by Grameen Bank, this model is based on a joint liability setting where group members are jointly liable to the loan (Simtowe & Al., 2006). Thus, instead of relying on physical collateral required by the conventional banking, those institutions are based on a social collateral. Indeed, it utilises social ties between microcredit borrowers to guarantee moral discipline. As a result, group members monitor each other's investment decisions to ensure that they will not incur a repayment problem. This reduces, in turn, the cost of monitoring by the lending institution (Simtowe & Al., 2006).

According to Chowdhury (2016), the success of this model is to be found in the fact that it counteracts three problems: *moral hazard, adverse selection* and *free riding*. First, since borrowing depends on the other group members, each borrower through peer selection tries to match with members of similar risk type which reduces the risk of adverse selection. Peer pressure and fear of social punishment will subsequently reduce both *ex ante moral hazard*, when a borrower misuses the funds and investments and *ex post moral hazard*, when a borrower diverges the funds for repayment of the loan to other purposes. Finally, those groups, also called "solidarity groups", are assumed to reduce *free riding* because they are based on strong social ties.

III. Is the cultural and religious context favourable to microfinance in Bangladesh?

Despite a political and economic climate favourable to microcredit, Bangladeshi cultural and religious landscape could have impeded the implementation of microcredit. First, Bangladesh is dominated by Islam. In rural Bangladesh, people distinguish between a moral and an immoral use of money as it is imposed by the Quran (Karim, 2011). While the moral use of money refers to the money that is donated to benefit public work, the poor and mosques, the immoral money is used to lend, buy and sell products that has been "contaminated" by charging interest.

In addition to this, Bangladesh is a patriarchal society. Bangladeshi women generally lack any autonomy and depend on their male relatives' decisions. While men generally work outside in activities related to the market, women remain in the private sphere to undertake household activities and take care of children (Yunus, 2007). This results from the notion of *Purdah,* a Muslim practice requiring physical segregation between sexes and the wearing of the burqa in public settings. Women are expected to avoid eye contact with non-kin men, to keep their eyes downcast and voices low. In addition to its physical dimension, the *Purdah* is also spiritual: it requires purity of thoughts and action (Karim, 2011). The religious notions of *honour* and *shame* are also fundamental in Bangladeshi society (Karim, 2011). While the notion of shame (lajja/sharm) is related to women the notion of honor (maan/shaman) is related to men. What is considered shameful for women is continuously rewritten and their behaviour strictly regulated to prevent them from breaking the norms of rural society. Honour and family' social acceptability depend on women's capacity to follow those norms. Not being able to follow them often leads to public shaming from rude language to isolating one's family in the village or accusation of sexual infidelities (Karim, 2011). Despite the domination of Islam and male patriarchy, microfinance and its targeting of women succeeded surprisingly well in Bangladesh.

The beginnings and the evolution of microfinance reflects how and why this sector has been so successful in Bangladesh. Throughout its evolution, women have appeared to play a crucial role on microfinance sustainability.

CHAPTER 3: What does the research on the impact of microfinance on women in Bangladesh teach us?

Since microfinance exists in Bangladesh, its impact on women has been largely debated and no consensus has been reached yet. First, this lack of consensus can be explained by the multi-dimensionality of the concept (Karim, 2011). Some dimensions will be impacted positively and others negatively leading to opposite outcomes. The United Nations (2009) have shown that it is also due to the application of very different methods and indicators to measure and evaluate empowerment. For example, Kabeer (2001) found that most negative evaluations of the impact of microfinance focused on the *process* of loan use while analyses revealing the positive impact of microfinance focused on its *outcomes.* Moreover, women are a heterogeneous category, so the same methodology can also reach different conclusions. Class, religion, economic status, occupation, size of the loan are all factors potentially varying the impact of microfinance on women (Karim, 2011). Microfinance remains widely disputed with each side holding evidence to support their position. Considering the previously discussed scientific approaches, the next section will provide a review of the potential impacts it might have on women.

I. In what ways does microfinance impact positively women?

First, some studies consider that microcredit, by improving income-earning power of poor women, is a means of empowerment. By accessing credit, women are expected to gain greater power within the household since they would be contributing a higher income (Osmani, 2007). Where women themselves use the loans, they are invested in different incomes generating activities such as rearing poultry, fruit gardening, goats and cows, pond fish culture (Kelkar & Al, 2004). Although those activities were already performed before credit provision, women need to earn cash in the context of microfinance. As a result, the “domestic activity” is transformed into a “commercial activity” for sale; enabling women to perform activities outside the private sphere, which is usually reserved to men.

However, it has been largely shown that most loans, despite being disbursed to women are controlled to men. Kelkar & Al (2004) responded to this by showing that controlling the loan does not determine women’s power in the household: by being the family’s source of income, they are already more listened and respected. As shown by a borrower’s quote, their bargaining and status in the household are increased: "I gave (taka) Tk 20,000 to my husband for his firewood business: now my voice is louder than his (in the household)." (p. 3628). As noted by Maiful, another borrower: "We have been talking to you for two hours. This would never have happened if we had not given money to our husbands.” (p. 3629).

Moreover, a large range of studies showed that microfinance is not only beneficial by borrowing money but also leads to wider social and political “virtuous spirals” (Mayoux, 1999). For example, by using various indicators of women’s empowerment and data from a survey carried out in rural Bangladesh (1998-99), Pitt & Al. (2006) showed that women’s participation in microfinance helps to increase women’s empowerment. In addition to expanding their household decision making role and their bargaining power vis-à-vis their husbands, they found that it increases women social network and their freedom of mobility. Using a combination of sample survey and case study data, Hashemi et al.

(1996) found similar results. They argue that it improves women's decision-making, their ability to make purchase, their ownership of productive assets, their mobility in the public domain and their political and legal awareness. Kelkar & Al. (2004) have also observed a reduction in domestic violence. Indeed, the borrower's husbands fear that they would refuse to get another loan if they beat them: "Now if the man shows his temper or shouts at or beats me, I will not borrow money for him from the samiti any more" (p.3628).

Also, Swain and Wallentin (2009), found, over a three-year period, that participating in a self-help group enhances empowerment compared to a non-participating control group. Empirical research shows how, by creating new networks those "solidarity groups" enhance women's confidence, social integration and critical consciousness (Geleta, 2014). Indeed, according to Kelkar & Al. (2004), groups give strength to individuals and help them to increase their dignity and self-esteem. They describe how some of those groups went together to the husband of one them to denounce the abuse of his wife.

II. Does microfinance reach women?

As explained in the last chapter, microfinance is based on the idea that women are "bankable" or "credit worthy". This implies that they have the potential and interest in borrowing and repaying the loans on time.

However, a large body of literature has criticized this belief and shown that Bangladeshi women's status curtail their ability to act as entrepreneurs. Most women do not even have the entrepreneurial potential since the control of the loans remains a prerogative of their husbands or male relatives (Karim, 2011). Goetz and Gupta (1996) found that only 37 per cent of loans were fully controlled by women. Women seem to just be the transmitters of finance to men and serve as a source of income (Geleta, 2014). Even Yunus, the founder of Grameen Bank, has recognised this fact: "Grameen lends money to husbands, but only through the wives. The principal borrower remains the wife" (Yunus, 2007, p.91). In her ethnographic study, Karim (2011) described how Bangladeshi men laughed at her when she asked them whether the money belonged to their wives. They explained her that, since "their wives belong to them, the money rightfully belongs to them" (Karim, 2008, p.15).

In cases where women can keep the loan for their own use, socio-cultural norms still lead to gender-differentiated outcomes (United Nations, 2009). Indeed, women are most likely be disadvantaged compared to men in starting and managing enterprises. Restriction from owning property, controlling means of production such as land limits their success (Geleta, 2014). Mobility restrictions for cultural reasons also restrain market access. Those difficulties often result in the concentration of women in low-intensity, low-demand and low-return activities (Geleta, 2014).

III. In what ways does microfinance make women more vulnerable?

Particularly ethnographic studies have argued that microfinance reproduces and even reinforces gender inequality and hierarchy between women (Karim, 2011). Firstly, women find themselves in a situation where they are doubly oppressed (Khan, 2016). On one side, male kinship within the household pressure them to join microfinance institutions in order to get the loan and blame them if they are not able to repay the loan. On the other side, microcredit institutions, mainly run by men, pressure them to monitor each other and repay the loans. This results in situations of "loan recycling" where women end up borrowing from other programmes or people, deteriorating even more household indebtedness and putting them under more pressure (Rahman, 1999).

Secondly, women also find themselves in a situation where they have to bear a double work burden. In addition to fulfil their tasks in the solidarity groups, and, in some cases, maintain their new business, they must continue to carry their household work (Karim, 2011).

Moreover, many studies have reported an increase in physical violence towards women. Goetz and Gupta (1996) have shown that despite the loans being directly transmitted to their husband, women face more violence if they are not able to repay the loans. Ahmad (2007) found that 60 percent of women borrowers faced an increase in physical violence when borrowing from microfinance institutions. Hunt and Kasynathan (2001) argued that some of them are even violently forced by men to borrow from those institutions in order to obtain money for their businesses.

Finally, some have argued that the solidarity groups can actually be detrimental to women. Instead of bringing "solidarity", they discriminate some of them and lead to division and discord rather than unity. As I pointed out earlier, groups are formed by peer selection. As a result, it has been observed that the poorest women are generally excluded (Geleta, 2014). Therefore, even though microcredit banks claim that they do not require collateral, they indirectly exclude women without property. Moreover, those groups create peer pressure and tensions between the members. They tend to interfere in other's consumption patterns or even shame each other in case of loan default (Khan, 2016). Karim's ethnographic study (2011) describes how, when a woman defaults a loan, the other group members will "repossess her capital" to repay the loan. Public shaming goes from taking away their gold nose-ring (a symbol of marital status for women) to breaking into her house. House breaking is an old tradition in rural societies and reflects the worst shame of dishonour.

Rahman (1999) has also shown that hierarchy in the group reproduces hierarchy already existing in society. Indeed, each group elects one of the group member as the leader and this woman often comes from the dominant lineages in the village. This member will have the responsibility to maintain discipline and attendance at the weekly group meetings. Their status in the village strengthen their authority and increases the pressure to repay the loans (Karim, 2011). Therefore, as defended by Geleta (2014, p. 422), "rather than social integration and cooperation, microfinance has resulted in disintegration of already existing forms of relationships and associations among poor women".

This chapter reviewed pre-existing researches evaluating the *impact* of microfinance on women. They reach completely opposite conclusions, so it is difficult to give a definite answer about whether it impacts positively or negatively women. However, we will work in the next chapter on showing if it *empowers* women or not.

CHAPTER 4: Does microfinance empower women?

Based on the definition of empowerment given in chapter 1, the context in Bangladesh explained in chapter 2 and the debate on the impact of microfinance on women discussed in chapter 3, I will argue that microfinance does not *empower* women in rural Bangladesh. I will first show that each part of the debate, even the one supporting a *positive* impact, provides information defending the view that it does not empower women. To do so, I will support my argument building on Rowland's definition of power (Chapter 1) and the socio-cultural context (Chapter 2).

I will then show that microfinance, instead of empowering women gains more power for itself by instrumentalizing them. Women are instrumentalized for microfinance prosperity and global recognition and used as a strategy for development by microfinance institutions. In both cases, my arguments are supported by the overview given in chapter 1 about the position of women's empowerment in development studies and given in chapter 2 on microfinance and women in Bangladesh. Those two last points will help me explain the broader issue of mutual reinforcement between gender inequality in the developing world and neo-liberalism.

I. Have microcredit helped women to gain "power"?

At first sight, the studies showing *positive impacts* of microfinance on women suggest that microfinance empowers women. Indeed, the results show that microfinance did lead to an "expansion of freedom of choice and action." (Narayan-Parker, 2005, p. 71). As I pointed out earlier, Bangladesh is a society in which women generally depend on their male relative's decisions. The *Purdah* tend to segregate them to remain in the private sphere and to keep their eyes downcast and voices low. Yet, microfinance enables women to be the family's source of income and thus to become entrepreneur or, at least, to be more listened and respected.

In this context, it is assumed that delegating women power, by providing them microcredit and promoting their engagement in productive enterprises, empowers them. This seems to be more related to an empowerment constructed on a "power over" definition of power (Rowland, 1997). The power that they gain is simply delegated through microcredit and can be described as zero-sum: "I gave (taka) Tk 20,000 to my husband for his firewood business: now my voice is louder than his (in the household)." (Kelkar & Al, 2004, p.3628). Thus, it is the detention of microcredit and the opportunity to blackmail their husbands that enables women to be *more* respected than their husband in the household.

However, the delegated power remains very unstable and can be withdrawn at any time. Therefore, I argue that women's "power over" men is extremely dependent on microcredit provision and does not challenge cultural norms and expectations. The ephemeral dimension that "power over" takes appears clear through one borrower's quote: "Now if the man shows his temper or shouts at or beats me, I will not borrow money for him from the samiti any more" (Kelkar & Al., 2004, p.3628). Thus, microcredit makes women's lives easier but does not recognize the underlying factors perpetuating their oppression.

When considering alternative approaches to power ("power with", "power to", "power within") to analyse microfinance's positive impact on women, I argue that it does not empower women. Firstly, women do not gain more "power to". Although they have more access to a full range of potential, this access only relies on their domination over men through microcredit. In the "power to" definition of power, women have their own collective agenda independent from men's interest. Yet, in this context, microcredit is not initiated by women's collective agenda but is a service proposed by NGOs.

Secondly, despite the existence of solidarity groups, they do not gain "power with". Geleta (2014) shows that, by creating new networks, those "solidarity groups" enhance women's confidence. However, "power with" is the capability to achieve with others what one could not achieve alone by finding a common interest. Yet, in this context, I believe that there is no "common interest": women want to become entrepreneur or transfer the loan to their husband. They can achieve that alone and do not need the support of other group members to rise their voice in the household, have more freedom of mobility and, thus, gain more power.

Finally, their gain in "power from within" can also be very contested. As explained in the previous paragraph, their power depends entirely on the reception of microcredit. Thus, it does not help women to understand how internalised oppression restricts their exercise of power. Rather, they understand that they can expand their power by threatening their male relatives of not being a source of income anymore. Clearly, the provision of microcredit involves more "domination" of women over men but is not "generative".

When considering results showing that microcredit *does not reach* women, it is quite straightforward that it does not empower them. Most of the time their male relatives control the

loans and if they do not, socio-cultural norms disadvantage women compared to men in starting and managing enterprises. Although possibilities for empowerment have increased by providing microcredit, gendered socialization still constraints them: they have internalized dispositions that affect their judgments and affect them in their agency. This point puts even more into evidence that microfinance does not challenge gender norms.

Finally, results showing that microfinance has a *negative impact* on women clearly demonstrate that it does not empower them. Instead of gaining "power to", "power with" and "power from within" they have seen their powers considerably decreased. Microcredit doubles their work burden and has created division between women instead of helping them to become aware of their common interests ("power with"). On the contrary, male kinship and microcredit NGOs have gained more "power over" them. Also, hierarchy inside the microcredit groups increases power of some women over other women since their role is to monitor each other.

Each side of the debate leads me to conclude that microfinance does not empower women. So, should microfinance change something in the way it works? Galeta (2014) argues that "microfinance should go further to overcome the embodied barriers that make them vulnerable to and dependent on men's protection". However, I will argue, in the next section, that "going further" might not be the best solution since the structure of microfinance itself *relies on* pre-existing gender inequalities and *take advantage of* them for wider purposes.

II. Does microcredit even work on empowering women?

a. The narrative of women's empowerment: A strategy for microfinance profitability

It is relevant to draw a parallel with Elson and Pearson's (2014) analysis of Third World women's employment in multinationals (chapter 1). In the previous chapters, I have shown how women play a central role in the mechanisms of microfinance: they provide high rates of loan repayment. However, just as women are not *naturally* "cheap, nimble and docile" in global factories (Elson and Pearson, 2014), women's rate of loan repayment in microfinance is not higher because they are *naturally* more "bankable" than men. Yunus does not seem to be aware of that when he argues that women have more "conservative investment strategies" (2014).

I argue that it is the case only because women have been forced by gender inequalities, throughout their lives, to be more disciplined. The notions of honour and shame mentioned previously are prominent in Bangladeshi society and have taught women to remain disciplined and to prevent them from breaking the norms. Not only they have to respect rural norms for their own honour, but also for their family's social acceptability. By creating group lending practices and collective responsibility microcredit NGOs take advantage of those social and cultural norms. Thus, I argue that it is through pre-existing gender inequality that microfinance institutions counteract moral hazard, adverse selection and free riding. To borrow Karim's words (2011), the NGOs create an "economy of shame" where they appropriate and manipulate pre-existing forms of shaming for their own capitalist welfare: the recovery of loans. Under this light, the Grameen Bank's 98 percent loan recovery are not attained because women are more "bankable" than men but rather because they are subject to greater social pressure.

To get back to Elson & Pearson (2014), microfinance logic is comparable to multinational corporations' that employ women in Third World countries to seek higher profits without technological innovation. Microfinance, by targeting women, seek sustainability without physical collateral. Thanks to high loan

recovery, they remain profitable and are continuously supported by foreign aid and multinationals such as Danone or Polli Phone for Grameen Bank (Karim, 2011).

Therefore, the rhetoric of "women's empowerment" serves microfinance to prosper and gain global recognition. Yet, when being aware of the logic behind women's discipline, it appears clear that microfinance does not empower women and takes advantage of their vulnerability. In the next section, we will show that the discourse of women's empowerment does not work for women but for wider development goals.

b. The narrative of women's empowerment: A strategy for development

Just like women's discipline is instrumentalised for microfinance sustainability, women's tendency to "see further" and "work harder to lift themselves and their family out of poverty" (Yunus, 2007) is used for larger development purposes. I argue that microfinance does not empower women for *intrinsic reasons* but, rather, for *instrumental* and *efficiency* reasons. As explained in chapter 1, when "women's empowerment" narrative is used for those reasons, it ends up serving neoliberal economic policies efficiency without being consistent with women's concerns tackling gender inequalities.

Not only microfinance does not tackle inequalities but, as explained previously it instrumentalizes them for different ends. As pointed out above, it is because women have been constrained by gender inequalities, throughout their lives, that they are considered to be a "cost-effective route to economic efficiency" (World Bank, 1996) and that they can be instrumentalized to reduce poverty. Gendered socialization affects women's choice in their expenditures, for example, by prioritizing their household and children before themselves. Again, Yunus (2007), when making this observation fails to consider how it is that women have acquired those particular characteristics.

In this context, instead of considering gender inequality as an issue in itself and women as agents, they are used as intermediaries between their husbands and microfinance institutions. To borrow Rankin's words (2001), microcredit transformed "beneficiaries with social rights" into "clients responsible for themselves and their families". In chapter 2, I explained that, despite domination of male patriarchy, microfinance and its targeting of women succeeded surprisingly well in Bangladesh. It becomes clear, now, that it is because microfinance works *through* male patriarchy and not *against* it.

Thus, although microfinance has been widely cited as an example that can tackle gender and poverty issues simultaneously, the previous chapters reveal that the outcome benefits microfinance institutions while being detrimental to Bangladeshi women.

c. Microfinance *recomposes* new forms of gender subordination

I have demonstrated at the beginning of this chapter that microfinance *intensifies* already existing patriarchal system: women become more oppressed by male relatives. Finally, I will argue that it also *recomposes* (Elson and Pearson, 2014) new forms of subordination that are based on the spread of a new system relying on a deregulated capitalism. Capitalism is an economic system that was initiated in the western world and promotes free markets, competition, profit maximization and private property of means of production.

To borrow Karim's words (2011) "globalization and neoliberalism are brought to the grassroots—the most intimate sphere of the social, the home and women—through the modernist discourse of women's empowerment through micro-credit." By considering individuals as autonomous and rational subjects who freely make choices in the market, this system ignores that individuals are constrained by socio-cultural norms specific to Bangladesh. Those traditions particularly constrain women in many ways, and it is exactly through those constraints that the system is spreading in rural Bangladesh. It is crucial to understand that, without gender inequalities, neoliberalism would be unsuccessful: it works through them and reinforces them. For example, microfinance could probably not work without the *Purdah* disciplining women. Neoliberalism is dependent on gender inequality but also makes women dependent on this system. Indeed, as explained in chapter 2, NGOs operate as "shadow states" in a country where the state has left a void. When "neoliberalism (is) brought to the grassroots" (Karim, 2011), women have no choice but to follow the rules of the free market.

Microfinance works on spreading a deregulated capitalism under the banner of "development" and "women's empowerment". Therefore, I argue that it *recomposes* a new form of gender subordination that is not *gender ascriptive* but *bearer of gender*. In other words, the new form of gender subordination is not about the apparent domination of men over women but is about the introduction of a new culture systematically based on male dominance. As in the case of women's employment in Third World multinationals (Elson and Pearson, 2014), it seems, at first glance, that microfinance enables women to be more independent from men. Yet, it introduces a new system, neoliberalism, that adds another layer to the pre-existing inequalities.

Conclusion

There is an important contradiction between microfinance's rhetoric of women's empowerment and the reality on the ground. I have shown through the example of microfinance that the very essence of "women's empowerment" should be based on new power dynamics and that women's empowerment cannot work without seriously challenging gender inequalities.

Instrumentalising women's empowerment narrative tends to oversimplify its complexity and ends up working within gender inequalities rather than against them. Microfinance does not empower women and even when the impact seems positive, power dynamics and gender inequalities remain unchallenged. On the contrary, I have shown that those inequalities are instrumentalised for prosperity and for different development purposes. In addition to *intensifying* already existing inequalities, microfinance *recomposes* a new form of gender subordination that is based on a neoliberalist system. Although it is supported by a logic of free agents in a free market, it reproduces a culture of male dominance. Therefore, unlike microfinance, I do not believe in the promise of capitalism to poor women in Third World countries. Markets without regulations and protections leave women much more vulnerable and break the notions of solidarity, community, and family.

Microfinance illustrates a more systematic issue regarding gender and development and should not be considered as one isolated case. This analysis suggests a reconsideration of women as *agents* of change rather than *subjects*. To do so, it needs to be recognised that women should not be "integrated" in development processes, but they should be given space to decide what development is for them. This would work, first, by leaving more space for critical researches. What I mean by this, is that researches on development practices should not only rely on development organizations (World Bank, NGOs…) but also on independent scholars. Independent researchers are more likely to denounce injustices, provide different perspectives, and allow dissident voices to raise. Second, local women

must be encouraged to address their problem their own way. Creating space for discussion, mobilization and organization can work with the support of local human rights activists, independent scholars, journalists but also social media. This could support the emancipation of feminist social movements and allow them a greater role. As explained by Silliman (1999, p.46) "While the NGO is an organization, a social movement is an aggregation of people and organizations with a shared set of ideals that seeks to bring about social change consistent with a professed set of values." A social movement would therefore be more consistent with traditions rooted in local identities. As a result, it is more likely to genuinely empower women and provide an intergenerational response to inequalities in poor countries. I am optimistic that women in developing countries will find alternatives going beyond the restrictions of a neoliberal order.

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Figure 1: Skoll World Forum on Social Entrepreneurship. 2012. We Support Muhammad Yunus, Who Is Worried About Grameen Bank's Future. [online] Available at: <https://archive.skoll.org/2012/06/05/we-support-muhammad-yunus-who-is-worried-about-grameen-banks-future/> [Accessed 7 June 2020].