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Research Matters

Bangladeshi Women, Microcredit, and the Political Economy of Shame

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Microcredit, or the extension of small loans without collateral to poor women for income-generating activities, has been celebrated since at least the 1990s as empowerment for women and as a magic bullet to end poverty. One rural bank in Bangladesh, the Grameen Bank that received a 2006 Nobel Peace Prize, is globally recognized for its loan program, reaching more than seven million impoverished female borrowers (95 percent of its clientele) in 2007. A close study of the situation on the ground, however, and a cross-examination of the motivations behind microcredit, raises crucial issues in need of attention.



My book, *The Political Economy of Shame: Gender, NGOs and Debt in Bangladesh* (under review), interrogates the modernist discourse of women's empowerment through microcredit, placing the paradigm in the larger context of grassroots globalization and neoliberalism. Western aid agencies see the postcolonial Bangladeshi state as bureaucratic, corrupt, inefficient, and happy to cede its welfare role to foreign-based nongovernmental organizations (NGOs). Yet NGOs extending microcredit loans in Bangladesh are shifting the welfare of the poor to the welfare of capital. All too often these NGOs operate as loan-sharking institutions with very high interest rates—between 50 percent and 60 percent when hidden fees are included. They also serve as a shadow state, contribute to powerful development myths, violate local norms of cohesion and community, and limit the space for political action that might bring needed improvements.

Research for the book occupied eighteen months in Bangladesh and focused on four of the largest microcredit NGOs in the country. Dominant among these, the Grameen Bank embraced the Women-in-Development (WID) plan of the United Nations and Western aid governments that mandated the inclusion of women in all aspects of developmental work. Thus, the Grameen Bank was re-inaugurated as an ally of marginalized women, capitalizing on development dollars to consolidate and expand its credit operations. Research on the Grameen Bank has been largely conducted by consultants in the pay of development institutions.

The Grameen model has made several major contributions to development theory. The bank has shown to the commercial banking sector that the poor, and poor women in particular, are "bankable." It has proved through its 98 percent rate of recovery (rivaling Citibank's rate) that these borrowers both repay their debt and are willing to pay a very

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high price for it. Grameen has demonstrated that microcredit loan programs facilitate multinational corporations' penetration of the grassroots market, as NGOs help purvey commodities as product tie-ins. Furthermore, microcredit NGOs in rural Bangladesh have transformed the concept of money from its primary function as a medium of exchange into an investment commodity.

In this scenario, women borrowers have resorted to petty moneylending as an economic option that allows them to stay at home while earning money. This is a notable transformation in Muslim societies, where usury is prohibited, but not without its complications. Economists and feminists have argued that the Grameen model promotes "social capital" among targeted women, who are generally organized in groups of five or more and who are made collectively responsible for single-party loans. The group ensures that individuals invest wisely and repay loans in a timely fashion, which the bank assumes will be beneficial for all concerned. Yet what is overlooked is the way individual women and their families are caught in pre-existing webs of social obligations and kin reciprocities that impinge and constrain the choices they may make.

Women are often obtaining loans from six or seven different NGOs, becoming petty moneylenders and "surrogate" capitalists while building overlapping structures of debt and placing themselves at considerable



Grameen "phone lady" who rents cell phone to villagers.

social and financial risk. They are exposed to what a famous feminist scholar has called the "double patriarchy" of the family and the NGO. In 95 percent of the cases studied women are the bearers of the loans, but it is typically their husbands and other male kin who use the loans. And although the men control the monetary resources, it is

the women who remain responsible for the repayment of the loans. When the men default, the women face serious shaming, such as public humiliation, the loss of their nose rings (akin to wedding rings), the repossession of all their assets, and even jail time. The shame from these consequences not only hurts the family unit but also has a ripple effect across rural society, involving people in the long chain of money lending and breaking social solidarities as families and clans become entangled in "shaming" disputes.

In my book, I re-theorize microcredit as a structure of debt that produces new forms of social relations and antagonisms within targeted groups. I examine the asymmetrical power relations that debt exacerbates in a community associated by kin ties and reciprocities. My research shows that the Grameen Bank and similarly structured microcredit NGOs instrumentally violate poor women for profit and weaken poor people's political resistance to globalization. I hope that this research will make scholars and policymakers alike realize the importance of more ethnographic studies to explore the unanticipated consequences of microcredit on the lives of poor women and to help develop more nuanced policies.