The Women’s Poverty–Empowerment Nexus: Engendering Microfinance in the Global Political Economy

by

Mignon Alphonso

B.A. (Environmental Studies), University of Victoria, 2003

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in the Department of Gender, Sexuality, and Women’s Studies Faculty of Arts and Social Sciences

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Approval

Name: Mignon Alphonso

Degree: Master of Arts

Title of Thesis: The Women’s Poverty-Empowerment Nexus: Engendering Microfinance in the Global Political Economy

Examining Committee: Chair: Dr. Lara Campbell
Associate Professor

Dr. Habiba Zaman
Senior Supervisor
Professor

Dr. Brian Burtch
Supervisor
Professor
School of Criminology

Dr. Stacy Pigg
External Examiner
Professor
Department of Sociology and Anthropology

Date Defended/Approved: June 6, 2014
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Abstract

The creation of the women’s poverty-empowerment nexus in development discourses has legitimized the widespread use of microfinance. Despite the success of microfinance in supplying credit, the evidence to suggest it has substantially reduced poverty and increased women’s empowerment is mixed.

This thesis examines the link between trends in the global political economy, microfinance, and gender. To reveal this link, a critical discourse analysis of development discourses and a content analysis of impact studies of the Grameen Bank in Bangladesh and BancoSol in Bolivia are employed to assess the gap between rhetoric and impacts of microfinance. Insights gained from Tanzania provide a deeper understanding as to why, despite the success of microfinance in delivering credit, poverty and gender inequality persist. This research reveals that far from addressing economic and social inequality, microfinance exists and functions within gendered power structures and relationships rather than resolving them.

Keywords: women’s poverty-empowerment nexus; microcredit; microfinance; poverty reduction; gender; development; neoliberalism; governmentality
Dedication

I dedicate this work to the Tanzanian women who gave their time and trust in sharing their perspectives and lives with me. Additionally, I would like to dedicate this work to Muhamed Faiyaz Fazal who not only supported but also guided me in the right direction during my time in Tanzania. Asante sana marafiki zangu!

I would also like to dedicate this work to my friend Greg Smith without whom I would not have been aware of the Water Care and Rural Health Training Project in Tanzania, and Dr. Paul Sunga from Langara College who believed and selected me to participate in the project.
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# Table of Contents

Approval ................................................................................................................................. ii  
Partial Copyright Licence ..................................................................................................... iii  
Abstract ............................................................................................................................... iv  
Dedication ............................................................................................................................. v  
Acknowledgements ............................................................................................................... vi  
Table of Contents ................................................................................................................ vii  
List of Acronyms .................................................................................................................. x  
Glossary ................................................................................................................................ xi

## Chapter 1. Introduction ........................................................................................................ 1  
1.1. Background and Context ............................................................................................... 3  
1.2. Statement of the Problem .............................................................................................. 5  
1.3. Research Questions and Central Thesis ......................................................................... 5  
1.4. Objectives ....................................................................................................................... 8  
1.4.1. Theoretical and Methodological Objective ............................................................... 8  
1.4.2. Policy and Practice Objective ................................................................................... 9  
1.5. Justification .................................................................................................................... 9  
1.5.1. Embedding Microfinance in the Global Political Economy .................................. 10  
1.5.2. Structural and Cultural Barriers to Economic Success ......................................... 11  
1.6. Research Approach ....................................................................................................... 11  
1.7. Thesis Limitations ......................................................................................................... 12  
1.8. Ethical Considerations .................................................................................................. 13  
1.9. Structure of Thesis ....................................................................................................... 14

## Chapter 2. Historical Context and Literature Review ....................................................... 16  
2.1. Trends in the Global Political Economy (GPE) ............................................................. 17  
2.1.1. Global political and economic shifts ...................................................................... 17  
2.1.2. From WID to GAD ................................................................................................ 24  
2.2. Globalization of Microfinance ..................................................................................... 29  
2.3. Microfinance Institutions (MFIs) ................................................................................ 32  
2.4. Evaluation Methodologies ............................................................................................ 33  
2.5. Economic and Social Impacts ....................................................................................... 34  
2.5.1. Economic Impacts .................................................................................................. 34  
Income and Consumption .................................................................................................. 34  
Employment and Vulnerability ......................................................................................... 36  
2.5.2. Social Impacts ......................................................................................................... 38  
Empowerment ................................................................................................................... 38  
Family Decision Making and Control Over Loans ......................................................... 38  
Women’s Exposure to Violence ....................................................................................... 39  
2.6. Do Microfinance Institutions Reach the Poorest of the Poor? ..................................... 41  
2.6.1. Barriers to Reaching the Poor ............................................................................... 41  
2.6.2. The Influence of Microfinance on Society .............................................................. 43  
2.7. Conclusion .................................................................................................................... 44

vii
# Table of Contents

Chapter 3.  **An Integrative Analytical Framework** .......................................................... 46  
3.1.  Rationale for Qualitative Framework ........................................................................ 47  
3.2.  Issues of Trustworthiness, Credibility and Validity .................................................. 48  
3.3.  Limitations of research methodology ...................................................................... 48  
3.4.  Conclusion .............................................................................................................. 50  

Chapter 4.  **Negotiating Discourses: Poverty (the object), Poor Women (the subject), and Microfinance (the technology) in the Global Political Economy (GPE)** ................................................................. 52  
4.1.  Poverty Understandings ......................................................................................... 53  
4.2.  Framing the Problem: The Object Poverty .............................................................. 55  
4.3.  Constructing the Women’s Poverty-Empowerment Nexus: The Subject (Poor Women as Responsible Agents) ........................................................................... 59  
4.4.  Posing the Solution: Microfinance ........................................................................ 62  
4.5.  Microfinance: Governance Technology in the GPE .............................................. 65  
4.6.  Conclusion .............................................................................................................. 68  

Chapter 5.  **Case Studies: Grameen Bank and BancoSol** .............................................. 70  
5.1.  The Grameen Bank, Bangladesh ............................................................................ 71  
5.2.  BancoSol, Bolivia .................................................................................................... 74  
5.3.  Analysis of Findings: Impacts on the Ground .......................................................... 76  
5.3.1.  Impact on Poverty ............................................................................................. 77  
5.3.2.  Impact on Women’s Empowerment .................................................................. 83  
5.4.  Conclusion .............................................................................................................. 87  

Chapter 6.  **Deconstructing Structural Constraints to Women’s Economic Success** ................. 88  
6.1.  Background Context: Tanzania and the Women’s Loan Fund (WLF) Project .......... 89  
6.2.  Gender Barriers to Women’s Economic and Social Success: Observations from Tanzania, East Africa ................................................................................. 91  
6.2.1.  Gender Inequality in Property Rights .................................................................. 91  
6.2.2.  Gender Segregation in Financial Markets ........................................................ 94  
6.2.3.  Discriminatory Norms in Financial Markets ...................................................... 98  
6.3.  Conclusion .............................................................................................................. 102  

Chapter 7.  **Conclusion and Recommendations** .............................................................. 104  
7.1.  Women’s Poverty-Empowerment Nexus ............................................................... 105  
7.2.  Microfinance: Neoliberal Governance Tool ........................................................... 106  
7.3.  Insufficient Evidence: Microfinance as a Weapon Against Poverty ..................... 108  
7.4.  Gender Constraints ............................................................................................... 109  
7.5.  Implications and Recommendations ..................................................................... 110  
7.5.1.  Theoretical and Methodological Implications ................................................... 110  
7.5.2.  Policy and Practice ......................................................................................... 110  
7.5.3.  Further Research ............................................................................................. 111
### List of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>BRAC</td>
<td>Bangladesh Rural and Advancement Committee</td>
</tr>
<tr>
<td>CDA</td>
<td>Critical Discourse Analysis</td>
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<td>CGAP</td>
<td>Consultative Group to Assist the Poor</td>
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<td>ESF</td>
<td>Emergency Social Fund</td>
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<td>FINCA</td>
<td>The Foundation for International Community Assistance</td>
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<tr>
<td>GAD</td>
<td>Gender and Development</td>
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<tr>
<td>GAP</td>
<td>Gender Action Plan</td>
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<td>GB</td>
<td>Grameen Bank</td>
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<td>GPE</td>
<td>Global Political Economy</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>MC2s</td>
<td>Mutual Communautaire de Croissances</td>
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<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>MFIs</td>
<td>Microfinance Institutions</td>
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<tr>
<td>MIX</td>
<td>Microfinance Information eXchange</td>
</tr>
<tr>
<td>MOIs</td>
<td>Members Owned Institutions</td>
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<tr>
<td>NEP</td>
<td>New Economic Program</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organizations (NGOs)</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>PRA</td>
<td>Participatory Rural Appraisal</td>
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<tr>
<td>PRSPs</td>
<td>Poverty Reduction Strategy Papers</td>
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<tr>
<td>ROSCAs</td>
<td>Rotating and Accumulating Savings and Credit Associations</td>
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<td>SACCOs</td>
<td>Savings and Cooperative</td>
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<td>SAPs</td>
<td>Structural Adjustment Programs</td>
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<td>SHARE</td>
<td>Self Help and Resource Exchange</td>
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<td>SHGs</td>
<td>Self-Help Groups</td>
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<tr>
<td>UNDP</td>
<td>United National Development Program</td>
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<td>US</td>
<td>United States</td>
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<tr>
<td>USD</td>
<td>United States Dollar</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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<td>WCRHTP</td>
<td>Water Care and Rural Health Training Project</td>
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<td>WID</td>
<td>Women in Development</td>
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<tr>
<td>WLF</td>
<td>Women’s Loan Fund</td>
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## Glossary

**Globalization**
Globalization is a broadly defined and contested term, but in general it refers to the integration or flows across country borders in terms of “trade, capital flows, aid, and migration ...” (Goldin & Reinert, 2010, p. 6). In this thesis, I refer to microfinance as a tool for enabling the globalization of capital flows through financial liberalization.

**Global South**
A more recent category that replaces the previous North-South divide into two deeming poor countries south of the equator as the Global South, which are exploited by the Global North (rich countries) for their various resources such as land and labour (Karpilo, 2010).

**Keynesian Consensus**
The Keynesian consensus was predicated on an awareness that capitalist economies were subject to economic crises and regularly exhibit “bear and bull cycles” of economic growth. Accordingly, cyclical demand management policies, including demand stimulation and government spending to address unemployment and reduced consumption and/or savings, were instituted by a large number of Keynesian governments (Cagatay, 2003).

**Modernization theory**
Refers to a country’s economic and sociopolitical phase; for instance, the transition from a traditional economy (pre-modern, underdeveloped country) to modern (developed) country. The underlying assumption is that development assistance/aid together with an infusion of technological innovation will shift a country from underdevelopment to a modern developed society (Ingleheart & Welzel, 2005).

**New Economy**
The term new economy “has entailed a re-organization of global social and political relations generally. ...” (Weber, 2004, p. 356). It is used to describe the shift from an economy that relies largely on manufacturing and industry to the service sector, and solidified into formal agreements; for instance, in the “Trade in Services of the World Trade Organization” (Weber, 2004, p.357).

**Neoliberalism**
A political and economic philosophy with origins in the 1930s. Although the term previously existed, it came into widespread use with the rise of Pinochet in Chile and his adoption of economic policies premised on free market fundamentalism and capitalism (Boas & Gans-Morse, 2009).

**Structural Adjustment Programs (SAPs)**
SAP generally contains stabilization programs led by the International Monetary Fund and the World Bank that includes financial liberalization and fiscal austerity measures (Weber, 2004). SAPs are aimed at reducing a country’s fiscal debt by removing or limiting government subsidies to social programs and the introduction of privatization of social and economic services and user fees (Rai, 2002).

**Washington Consensus**
Chapter 1. Introduction

In October of that year [2010] a media storm blew up over the suicides of close to 50 microcredit clients whom, it was claimed, had taken their lives under the duress of crippling debt burdens and coercive repayment tactics initiated by microfinance employees. (Taylor, 2012, p. 2)

This research investigates the microcredit\(^1\)–microfinance\(^2\) phenomenon (hereafter referred to as microfinance). While its many advocates claim that, “microfinance has proved its value, in many countries, as a weapon against poverty and hunger” (Annan, 2005), others suggest that it has done little to reduce poverty. Exploring the relationship between trends in the Global Political Economy (GPE), microfinance, and gender that have led to the prominence of microfinance for poverty reduction and, to a lesser extent, women’s empowerment, this thesis will develop a deeper understanding of the broader issues in the gendered politics of development. Its findings and implications can contribute to a more informed perspective when designing policies and implementing strategies for reducing poverty and empowering women. To examine the relationship between the GPE, microfinance, and gender, I employ:

1. a Critical Discourse Analysis (CDA), with specific reference to documents from the World Bank (WB), the Consultative Group to Assist the Poor (CGAP), and the United National Development Program (UNDP) in constructing knowledge about the link between poverty, women’s empowerment, and microfinance, which occurred at a particular historical juncture; the rise of neoliberal politics in the GPE.

2. a survey of studies on two of the world’s leading microfinance institutions (MFIs)—the Grameen Bank (GB) in Bangladesh and

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\(^1\) Microcredit emerged in the 1980s and was primarily associated with the Grameen Bank. It is the provision of small loans to individuals or groups who do that have assets to attain conventional credit in order “to create income generation activities” (Elahi & Danopoulos, 2004, p. 62). Although microcredit still exists through smaller non-governmental agencies, microcredit and microfinance are now used interchangeably. Microfinance has become the commonly used term among credit providers.

\(^2\) Microfinance emerged in the 1990s and includes, in addition to credit and savings, a host of financial services: credit, various types of insurance, and savings accounts (Martin, Hulme, & Rutherford, 2002). In this thesis microfinance is the term primarily used unless microcredit is the more appropriate term in a specific context, such as an organizational name, a campaign (e.g., Microcredit Summit Campaign), or a conference.
BancoSol in Bolivia—to investigate the claim that microfinance reduces poverty and empowers women; and

3. my personal observations from participating in a Water Care and Rural Health Training Project\(^3\) (WCRHTP) and designing and implementing a microcredit (credit only) project, the Women’s Loan Fund (WLF) in Mwanza, Tanzania, East Africa.

I locate and analyze the poverty agenda in the broader context of development trends, policy, and practices in the GPE. Using Michel Foucault’s concept of “neoliberal governmentality,”\(^4\) I argue that microfinance emerged as a governance technology that has primarily served to facilitate and advance neoliberal restructuring in the GPE, while providing a distraction from its resulting consequences. The move to neoliberal politics includes a shift of responsibility for poverty reduction and gender inequality from States\(^5\) to civil society, and in the case of microfinance, to women in the Global South.

To understand this historical shift, I use Foucault’s notions of a discursive formation—the patterns of related texts, events, themes, and practices referring to the same object (as cited in Hall, 2001)—and governmentality, or as Foucault defines it, “the conduct of conduct’ and thus as a term which ranges from ‘governing the self’ to ‘governing others’” (as cited in Lemke, 2001, p. 191). Therefore, here I refer to the creation of self-disciplined agents as analytical constructs in order to understand how the development discourse and practice of global institutions represent a particular type of governance within the broader context of neoliberal ideology in the GPE, which has serious gender implications on the ground. This chapter begins with a brief overview of the background and context that frames the microfinance phenomenon, followed by the statement of the problem, research questions, and justification. It then discusses the research approach, limitations, and the structure of this thesis.

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\(^3\) The WCRHTP was a partnership project between three Canadian colleges: Langara College in Vancouver, BC; the Assiniboine Community College in Brandon, Manitoba; and Camosun College in Victoria, BC.

\(^4\) Neoliberal governmentality refers to Foucault’s concept of the “art of government,” which includes a variety of control techniques. He coined the term in his College de France public lectures on the historical trends from Ancient Greece to the current neoliberalism (as cited in Lemke, 2002).

\(^5\) Hereafter mentioned as States to denote a nation or region under an organized (sovereign state) government.
1.1. Background and Context

Few ideas have generated as much enthusiasm with donors, bilateral and multilateral development institutions, governmental agencies, non-governmental organizations (NGOs), private investors, multinational corporations and popular media, as microfinance. It has been touted as a mechanism for reducing poverty and empowering women. Recent decades have seen a proliferation of diverse microfinance institutions and programs across the globe, from a mere handful in the 1970s to several hundred in the 1990s, to over 3,600 in 2010 (Maes & Reed, 2012).

Alongside this trend was the proliferation of NGOs, initially to address the issues of poverty, illiteracy, malnutrition, and poor health. However, NGOs later shifted their focus to microfinance. This change was due to the support of the World Bank (WB) and other global organizations for NGO’s delivery of small-scale income-generating projects, starting primarily in Bangladesh (Lewis & Kanji, 2009). The rise in NGOs and other organizations involved in microfinance led to researchers and program evaluators concluding that poor women are more likely than poor men to spend their income on improving their family’s well-being through better nutrition, education, and housing (Nowland-Foreman, 2001). Thus, gender inequality affects the use of limited income, which is intimately connected to poverty reduction. By increasing women’s incomes through entrepreneurial activity enabled by microfinance, donors, governments, and multilateral institutions claimed to be addressing societal issues such as poverty and hunger, disease, and gender inequality (Ampofo, Beoku-Betts, Njambi, & Osirim, 2004; CGAP, 2002). The result was the dominance of a particular concept of poverty over other definitions in conventional development discourses; that is, poverty as an income problem.

Concurrently with these trends in social research on poverty and inequality, feminists as early as the 1970s called for gender-sensitive development policies and practice (Chant, 2003). This led to the following series of shifts in approaches to women’s inclusion in development starting with:

- Women in Development (WID) approach in 1975-85, which focused on redistribution through economic growth and basic needs.
• Women and Development (WAD) approach (1970s onward), which centered on equality in international structures.

• Women, Environment and Development (WED) (1980s), which made the link between the oppression of the environment and women.

• to the current approach Gender and Development (GAD) (1980s onward) which challenges structural and gender inequality and the role of the state in addressing it (McIlwaine & Datta, 2003; Rai, 2002; Rathgeber, 1990).

The evolution of approaches, from WID to GAD, reflects the different assumptions about women’s poverty and inequality, which in theory has reflected a move from women’s marginalization, to integration, to the current trend of gender mainstreaming within development processes and institutions.

Embedded in the approaches that emerged from the 1980s was the concept of women’s empowerment. Therefore, along with the construction of poverty as an economic problem, a new development priority, women’s empowerment, emerged in mainstream development discourses. This created the women’s poverty-empowerment nexus, which further justified the use and spread of microfinance. Microfinance was initially designed to reduce poverty by increasing women’s income, but later also claimed to increase female empowerment. Shortly after the implementation of microfinance institutions (MFIs) and programs, success stories were then promoted to a wide audience through development discourses and mass media. These stories were then taken up by global elites who not only promoted the positive impacts of microfinance on poor women, but also claimed it was a new sustainable method for reducing poverty and inequality (Sengupta & Aubuchon, 2008).

Alongside microfinance success stories was the promotion of low-income borrowers’ high repayment record at high interest rates, which fit well with the neoliberal proposition of financially sustainable development. This led to the WB’s creation of CGAP in 1995 with two main objectives: reaching those in greatest need, and achieving financial sustainability of the MFIs. By December 2011, CGAP committed cross-border funds to microfinance of approximately $25 billion (USD) (Lahaye & Rizvannoli, 2012). Shortly after the creation of CGAP in 1995, the excitement for microfinance led to the
first Microcredit Summit in “to reach 100 million of the world’s poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the end of 2005” (Microcredit Summit Campaign, “History of the Summits,” para. 2). Since 1997, microcredit summits have been held almost every year, from the United States and Canada, to Europe, Africa, Asia, and Latin America, aspiring to reach the poorest, empower women, and build financially self-sufficient institutions [International Center for Research on Women (ICRW, n.d.)]. This focus on the poor, while achieving financial sustainability of MFIs gave energy to the neoliberal proposition that, “microfinance institutions that follow principles of good banking will also be those that alleviate the most poverty” (Morduch, 2000, p. 617). However, the widespread use of microfinance by the development aid industry has led to debates and conflicting evidence about its impact on mass poverty and women’s low social position.

1.2. Statement of the Problem

Although development institutions and private investors have been successful in delivering credit and other financial services through microfinance to the poor and, in particular, women in the Global South, the absence of strong evidence of poverty reduction and empowerment presents solid grounds for questioning its effectiveness. Despite insufficient data and conflicting evidence, the enthusiasm for the application of microfinance remains largely intact. Moreover, there is little information as to why microfinance has not made a substantial impact on reducing poverty or empowering women.

1.3. Research Questions and Central Thesis

Although MFIs are diverse, both in terms of definitions and implementation structures, they claim several common goals: to reduce poverty; target persons from economically disadvantaged classes such as minorities and women, and to serve those who are excluded from receiving credit from conventional banks (Develtere & Huybrechts, 2005). This thesis is designed to address two key research questions:
1. What are the historical trends and underlying assumptions that have led to microfinance as a poverty reduction strategy aimed primarily at women in the Global South?

2. Does the available evidence support the claim that microfinance is an effective tool for mass poverty reduction and women’s empowerment?

To address the first question, this research builds on insights from social constructivist\(^6\) scholarship and employs CDA of WB, CGAP, and UNDP documents. A CDA uses these documents to investigate the ways in which the framing of the problems of poverty and women’s disempowerment has led to the solution of microfinance for addressing it. In addition, Michel Foucault’s (2008) notion of neoliberal governmentalism is used as a framework to historicize and provide deeper insight into trends in the GPE that have led to microfinance. In this way, I illustrate how the structural power of global institutions has played a significant role in constructing particular definitions or knowledge of poverty. Neoliberal economic explanations of the object as a material problem, and the subject\(^7\) as disempowered women in the Global South, exclude other forms of analysis. This framework has produced the women’s poverty-empowerment nexus and used it to legitimize the technology for managing it—microfinance.

I argue that the invention of the women’s poverty-empowerment nexus, which is the assumption that increased income will necessarily empower women, represents a particular technique of governance in conventional development practice. It emphasizes the creation of space for linking private enterprise and civil society, which shifts the responsibility for poverty reduction and empowerment to individuals. This is made possible by aligning a specific understanding of poverty with particular approaches to the inclusion of women in development processes, otherwise known as the WID approach. It ignores the GAD approach, which challenges structural causes of poverty and inequality. The result is a mainstreaming of economic solutions in development

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\(^6\) In this work, social constructionist refers to role of language to construct reality. For instance, how symbolic and structural power channeled through global institutions like the World Bank, in constructing a particular reality and resulting social practices (Andrews, 2012).

\(^7\) Foucault’s term subject also refers to the reader of a text as being “subjected to discourse. ... All discourses, then, construct subject-positions, from which alone they make sense” (Hall, 2001, p. 80).
discourse and practice: reducing poverty and empowering women will be realized by providing credit through microfinance for income-generating activities.

My aim here is to focus on the poverty reduction discourse itself that emerged at a particular historical juncture to reveal whose definitions and perspectives were included and whose were excluded, in order to understand the resulting consequences. The legitimization of certain options, which reflect and reinforce neoliberal restructuring policies shifted responsibility for a social problem to women, who are expected to provide social services through self-employment.

To examine whether the available evidence supports the claim that microfinance is an effective tool for poverty reduction and women’s empowerment, I employ a critical feminist analysis. More specifically, I use the GAD framework of structural power and inequality to understand the results of evaluation studies on the GB in Bangladesh and BancoSol in Bolivia. While existing literature on the impacts of microfinance on clients claims it has contributed to upward socioeconomic mobility, other findings suggest that it has increased poverty and debt, as well as domestic violence and suicide rates among its recipients (Heinemann, 2011; Biswas, 2010). I also use my personal observations and experiences to interpret the impacts of GB and BancoSol on poverty reduction and women’s empowerment (surveyed in Chapter 5), and offer an explanation for the conflicting findings.

While I acknowledge that the inconclusive evidence is partly due to the different approaches and evaluation methods, I argue that, in addition to structural causes of poverty, a source of the disconnect lies in the fact that neoliberal assumptions and policies on which microfinance are based do not go far enough in their evaluative criteria. Thus, the spread of microfinance across the globe is concerning and poses significant challenges for development policy makers and planners, as well as for feminists promoting more contextual approaches such as GAD. Therefore, this work plays a significant role in exposing the consequences of development discourse, policies, and the practice of microfinance, on women’s lived experiences.

The pervasiveness of structural and gender inequalities revealed by GAD analysis and reinforced by my personal experience provides deeper insight into why the
claims about microfinance as an effective tool for poverty reduction and women’s empowerment are unsupported. My findings suggest that unless development policies and practice aimed at poverty reduction address structural and gendered relations of power, they hold limited potential for poverty reduction and women’s empowerment. At best, they only reinforce gender gaps, and at worst, increase them.

1.4. Objectives

The purpose of this research is to explore the link between development trends, microfinance, and gender that enabled the prominence of microfinance and to assess whether the evidence supports claims that it is a viable tool for reducing poverty. This research is not meant to disregard any positive effects that microfinance may have on some women, but rather to elucidate the disjuncture between the development rhetoric on microfinance and its social consequences on the ground. To reveal the inconsistency, I evaluate the trends and discourses within which microfinance evolved, and situate women at the centre of analysis.

By locating and analysing socioeconomic trends in the GPE and their gender implications, I will build upon the GAD approach to enrich the understanding of the sources and impacts of development strategies such as microfinance. By doing so, this research aims to reveal the interrelations among powerful global institutions and organizations such as the WB and CGAP, and the development practice of microfinance with which they interact, in order to reveal the need for more contextualized approaches to achieving poverty reduction and women’s empowerment. Therefore, this research has two objectives: the first is theoretical and methodological, and the second is policy and practice oriented.

1.4.1. Theoretical and Methodological Objective

In terms of the theoretical objective, this research aims to contribute to critical feminist understandings of the structural and cultural barriers preventing women’s socioeconomic success through microfinance. By presenting my observations and practical experience, I aim to demonstrate the importance of context specific
examination of the socio-political ideologies enabling the gender division of power, labour and poverty within which many women are located.

In terms of methodological implications of this research, the literature review (Chapter 2) and survey of the GB in Bangladesh and BancoSol in Bolivia (Chapter 5), as well as observations, are used to show that the current definition of poverty as an economic problem is insufficient to assess the impacts of microfinance on reducing poverty and gender inequality. A deeper understanding of the limitations of the current poverty definition and the methodology for measuring impacts is necessary for the emergence of more contextual definitions, approaches, and measurements. Ideally, this would entail utilizing the GAD approach and qualitative over quantitative methods for evaluating the impacts of microfinance. The aim here is to contribute to the GAD literature by using insights from the ground to demonstrate how political and economic power and ideological forces shape public ideas, values, and beliefs about poverty, inequality, and women’s exclusion within both development discourse and practice, and their gendered consequences.

1.4.2. **Policy and Practice Objective**

Regarding the implications for policy and practice, by situating a CDA of prominent development documents on poverty and women’s realities within the overall framework of Michel Foucault’s notions of a discursive formation and governmentality, this research will provide a deeper analysis of whether microfinance has proved to be an effective strategy for poverty reduction and women’s empowerment. If not, this analysis will indicate some of the reasons for the varying assessments of microfinance as a development strategy. This analysis will lead to a more informed perspective for designing policies and implementing strategies aimed at reducing poverty and gender inequality.

1.5. **Justification**

This research will contribute to both scholarly work on neoliberalism in the Global Political Economy (GPE) as well as policy and practice by challenging the conventional
development discourse and media representations of the effectiveness of microfinance. This will be accomplished by: (a) demonstrating that the creation of a certain type of knowledge about poverty and women’s realities has led to the embedding of microfinance in the GPE, which is highly problematic; (b) showing the evidence supporting the claim of successes is, at best, inconclusive and, at worst, misleading; and (c) providing a context-specific and localized account of the structural and cultural barriers to women’s economic success as they participate in microfinance.

1.5.1. Embedding Microfinance in the Global Political Economy

A particular view of poverty as exclusively a problem of income took shape in dominant development discourse at a particular historical juncture, displacing a more comprehensive understanding of poverty as social and economic exclusion. This led to the poverty reduction agenda within the rise of neoliberalism in the GPE. Economic experts such as Joseph Stiglitz, former Chief Economist from the WB, supported the connection between poverty reduction and income growth through microfinance, which further legitimized it. In the WB report Fighting Poverty with Microfinance, Stiglitz notes “microfinance programs are of great interest to policymakers because of their potential for reducing poverty, particularly among women” (as cited in Khandker, 1998, p. ix). Moreover, there was a shift from top-down poverty reduction strategies, such as development aid, to private initial capital with higher repayment rates. An example of this is the creation of CGAP in 1995, which is now a key instrument for promoting financial deregulation, advice, and investments for advancing microfinance.

The trends in the GPE, post-war restructuring, and a move from the Keynesian Consensus, with its focus on state responsibility for providing social services, to the Washington Consensus, has transferred responsibility to individuals via markets, through macroeconomic policies such as Structural Adjustment Programs (SAPs), Poverty Reduction Strategy Papers (PRSPs), and the more recent Millennium Development Goals (MDGs).
1.5.2. **Structural and Cultural Barriers to Economic Success**

The GAD framework, with its structural analysis of microfinance impacts, provides an infrastructure for better understanding the successes and limitations of microfinance. More specifically, van Staveren’s (2002) analysis of gendered institutions in financial markets outlines three main gendered structural constraints: property rights and entitlement, the labour market, and financial markets. For instance, as the International Center for Research on Women (ICRW) 2012 explains, “in various regions of the world, rural women often tend to crops that are used to nourish their families or sell in the marketplace. Yet just 1 percent of the world’s women own land” (para. 1). As well, governance and corruption issues such as the lack of women’s representation and participation in political and economic decision-making are further barriers for women’s elevation out of poverty and disempowerment (Benería, Floro, Grown, & MacDonald, 2000).

Strategies such as microfinance have the potential to increase gender gaps by burdening women with increased workloads and debt, since they originate and exist within the very power structures they claim to address: poverty and gender inequality. Ultimately, mass poverty reduction requires paradigmatic and institutional changes in global political, economic, and social conditions. The following section outlines the central thesis, and addresses the two research questions.

1.6. **Research Approach**

While quantitative research methods are useful for providing insight into broader policies and processes and their economic and social impacts, they largely ignore women’s voices and alternative perspectives. Purely quantitative research methods are not sufficient to elicit the data needed for a deeper understanding of the context and complexities of women’s realities as they participate in entrepreneurial activities through microfinance. A qualitative approach is more suited to this research because it is concerned with understanding the complexities and the inner workings of cultural and social aspects of societies and the meaning of experience at a particular point in time (Bloomberg & Volpe, 2008; Maxwell, 2005). The qualitative methodological approach is used in this work, along with a CDA of secondary literature from the WB, CGAP, and
UNDP during the period 1990-2010 to map how, through discursive acts, poverty and women’s realities are constructed and enacted as truths and choices, leading to increased support for microfinance.

In addition, this research employs a survey of secondary literature on two MFIs, the GB in Bangladesh and BancoSol in Bolivia, to highlight the disconnection between development discourses on microfinance and its impact on women’s realities. These two cases have been selected due to their pioneering role in microfinance, as credit models that combined traditional financial systems with modern banking. They were also chosen for their similarities; they both quickly transformed from NGOs to commercial banks, achieving great financial success (Campion & White, 2001). These institutions have also been the subjects of a substantial amount of research and thus a large empirical data set of evaluation studies exists, from which this research has drawn.

The third component of the methodological framework is a case study from observations on the ground while implementing the WLF, a small microcredit project in Mwanza, Tanzania in 1999. Observations included women’s increased workload, lack of access to resources, and stress of debt caused by loan repayment. Using insights from the field, I situate my analysis in the GAD framework and critical feminist approaches to argue that structural and gender inequalities inherent in global and local financial markets do nothing to address women’s lack of assets and segregation in small-scale industries, and therefore, create barriers to women’s economic success. While microfinance appears to be a practical poverty reduction strategy, it may actually be reinforcing gender inequality rather than addressing it. This customized qualitative methodological framework, therefore, reflects my critical feminist stance since it aims to make visible the links between powerful global institutions such as the WB, development discourse and practice, and gender consequences on the ground.

1.7. Thesis Limitations

There are a number of ways to conduct CDA, and this research reflects only one of several methods of seeing the relationship among trends in the GPE, microfinance, and gender. In addition, interviews/studies with women themselves are missing from
evaluation studies as revealed in the literature review discussed in Chapter 2 and the case studies in Chapter 5. Related to this, there is no formal documentation of interviews with women I worked and spoke with. Thus, the primary data from my observations and surveys of studies do not capture the extensive and diverse experiences of women participating in microfinance around the globe. Related to this, evaluation studies on the impacts of microfinance are written in English and therefore, fail to include many of the very women, primarily in the Global South, most adversely affected by poverty and participation in microfinance.

Despite these limitations, this thesis provides a holistic picture of the relationship between trends in the GPE, microfinance, and gender implications. It employs an integrative framework that incorporates three levels of analysis: the broader context in which microfinance emerged, evidence from two leading institutions and their report cards on reducing poverty and empowering women, and primary data from personal observations of women’s realities on the ground. My aim here is not to promote the complete withdrawal of microfinance, since fewer and fewer options are available to women (and men) for providing for their families. In this context, microfinance provides an option for some individuals. Rather, my objective is to peel back the layers of power structures on the global, national, and local level, and reveal the gender biases embedded in socio-political and economic processes that prevent women from escaping poverty and disempowerment.

1.8. Ethical Considerations

The purpose for implementing the WLF project emerged out of needs identified by women working on the Water Care and Rural Health Training Project (WCRHTP). Therefore, the interaction with women was not designed to inform this research. There were no formal interviews conducted with women themselves and thus, this research did not warrant the completion of the University’s ethics review requirement. However, it is unfortunate that women who might have wanted to have their voices heard, the positive and negative impacts of both projects, as well as the cultural and contextual issues they face, were not given the opportunity to do so through formal documentation. Careful attention was devoted to removing identity markers, such as names, personal
information, times, and places. As a result, women's voices and thus, their agency, are not formally acknowledged in this thesis. As well, there is the faint possibility that the women who participated in the WCRHTP and WLF project (discussed in Chapter 6) might have influence my perception and interpretations of the projects. To mitigate this, I have dissociated as much as possible the participants and non-participants of the WCRHTP and WLF.

1.9. Structure of Thesis

This chapter outlined the background context and methodological design of this thesis. Chapter 2 provides the historical context of neoliberal trends in macroeconomic policies and shifting approaches to women in the development process, which have led to the proliferation of microfinance as a tool for poverty reduction and, to a lesser extent, women's empowerment. It then provides a broad review of evaluation studies on the economic and social impacts of various MFI's, followed by a brief conclusion.

Chapter 3 provides the integrative qualitative methodological design used in this research. First, it outlines the rationale for the framework and methodological research design, beginning with the CDA used to analyze patterns and themes in secondary documents from the WB, CGAP, and UNDP. Second, it moves to discuss the two case studies, GB in Bangladesh and BancoSol in Bolivia, in this research. Finally, I provide an explanation of a third case study; that is, my observations on the ground participating in the WCHHTP and the WLF. The chapter concludes with a description of the benefits and limitations of the research methodology.

Chapter 4 presents an analysis of the findings from the CDA and uses Foucault's concepts of discursive formations and governmentality as ideological constructs to ground my argument. It begins with an overview of the various definitions of poverty to show how one particular definition has been chosen over others. Next, it explores the construction of knowledge about the poverty and poor women in the Global South. The result is the women’s poverty–empowerment nexus, which is then deployed to support the microfinance solution. The chapter concludes with the gendered consequences.
Chapter 5 presents the findings from studies on the GB in Bangladesh and BancoSol in Bolivia in terms of their economic and social impacts, including the evidence that supports the claim that microfinance is an effective tool for poverty reduction and women’s empowerment. It begins by describing the origins, structures, and institutional success of the two MFIs, and then summarizes both their successes and limitations on the ground.

Chapter 6 uses my observations and experience in Tanzania to help explain the disconnect between the microfinance rhetoric that claims it is a viable poverty reduction strategy and evidence from the GB and BancoSol. First, it provides the background context for my experience in the field while participating in the WCRHTP and implementing the WLF. Second, I embed my observations within van Staveren’s (2002) framework of structural constraints to provide some explanation for the insufficient evidence to support the extensive claims of the microfinance strategy.

Chapter 7 makes conclusions based on the findings and explores resulting implications and recommendations. The chapter first outlines the major findings and conclusions drawn from this research. It then moves beyond lessons learned to policy and methodological implications and presents recommendations for ways forward.
Chapter 2.

Historical Context and Literature Review

Discourse concerns the participants involved, the particular kinds of situations in which text plays a part, and the social systems and structures that bear upon how and what text can mean to those involved... [t]hese are patterned ways of meanings and ways of doing that construct particular values, subjects, and activities ... . (Stillar, 1998, p.12)

Conventional development emerged post-World War II (WWII) with a specific set of policies and practices in the Global Political Economy (GPE)\(^8\). The context of global restructuring post-WWII in the GPE has seen the rise of discourses on poverty reduction, with a specific poverty definition emerging (economic concept), followed by financial strategies for addressing it. One such strategy has been microfinance (credit for income-generating activities). Together with global economic restructuring, there have been several approaches to achieving the inclusion of women in development processes, from Women in Development (WID), to Woman and Development (WAD), Women, Environment and Development (WED), and Gender and Development (GAD). This chapter will focus on the significance of moving from WID, and similar approaches, to GAD. A major theme emerging from the various approaches has been women’s empowerment.

Regardless of the success of microfinance institutions (MFIs) and projects in increasing credit to women in the Global South, impact assessments have yielded conflicting conclusions about its effectiveness in reducing poverty and empowering women; while it has produced some positive impacts for women such as increased income and employment, it has also had negative impacts like increased workload, repayment burden, increased poverty, and even suicide (Taylor, 2012). This chapter

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\(^8\) The policies that emerged post-WWII (termed “Washington Consensus” and its neoliberal paradigm) contained specific economic policy prescriptions including macroeconomic stabilization and liberalization of trade and financial markets, developed in Washington DC and implemented by institutions such as the International Monetary Fund, World Bank, and the US Treasury Department (Busumtwi-Sam, 2008).
maps out the key historical trends in the GPE that are necessary context for understanding the interplay between microfinance, and gender. It begins with a discussion of political and economic trends in the GPE, followed by the concurrent trends in approaches to the inclusion of women in development processes. The chapter then provides a brief overview of the globalization of microfinance and a review of the economic and social impacts of MFIs on reducing poverty and empowering women.

2.1. Trends in the Global Political Economy (GPE)

2.1.1. Global political and economic shifts

Towards the end of WWII in 1945, the rules, institutions, and procedures for rebuilding the global economic system were solidified in the Bretton Woods Agreement; for instance, wealthier Northern countries assumed responsibility for post-war global economic reconstruction (Merrill, 2010). Consequently, in 1945 a number of international regimes and multilateral agencies based in Northern countries were created to coordinate and manage the international monetary and financial system, including the International Organization of Securities Commissions, the International Monetary Fund (IMF), and the International Bank for Reconstruction and Development (part of the World Bank Group) (Cammack, 2004). In 1973, when the Bretton Woods system ended, the main institutions that remained were the World Bank (WB), IMF, and the General Agreement on Trade and Tariffs (now the World Trade Organization) (Cohn, 2010).

With global economic restructuring, debates about what constitutes development—that is, what subjects and objects of development are, and exactly what is involved in the processes of change—have been ongoing (Kusek, Rist, & White, 2004).

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9 Goldin and Reinert (2010) provide five dimensions of globalization: trade, capital flows, aid, migration, and ideas as a framework for analysis of globalization and development. Here, I am focusing on the financial flows through MFIs.

10 Led by Henry Dexter of the US and John Maynard Keynes of Britain, this agreement was signed by delegates from 44 Northern countries in 1944 to regulate the international monetary system by stabilizing currency valuation. The agreement ended in 1973 when the United States terminated conversion from the dollar to gold (Merrill, 2010).
Within these debates were the perspectives emerging from the modernization\textsuperscript{11} thesis versus structuralist-dependency\textsuperscript{12} that focused on what comprised development and underdevelopment (Busumtwi-Sam, 2002). Regardless of the various perspectives, the general consensus was that development involved processes of structural change, in which States play a key role in overcoming obstacles (Gore, 2000).

In the context of the evolving Cold War (1950s and 1960s), the themes that emerged in mainstream development discourses and practices were grounded in the security concerns of Western states (Busumtwi-Sam & Dobuzinskis, 2003). Development practices took the form of assisting and encouraging non-Western societies to adopt Western forms of economic, social, and political arrangements with States playing a key role in overseeing this transformation (Escobar, 2012). This North-South relationship was further reinforced by the Official Development Assistance\textsuperscript{13} (ODA) (also known as foreign aid), which linked Western countries as donors with recipients primarily in the poorer nations of the Global South (Africa, Asia, and the Americas) (Pettiford & Curly, 1999). This link was created to address two resource gaps: (1) low domestic savings and investment, and (2) limited foreign exchange, which would then promote long-term economic growth in the Global South while improving economic stability for donor countries (Jolly, 2007).

From the creation of the ODA, human capital was identified as another key resource gap, leading to the emergence of technical assistance; here, a skilled and educated population was thought to be central to the development of capacities that would move countries from aid dependency, to self-sufficiency (Escobar, 2012). As James Busumtwi-Sam\textsuperscript{14} noted, the result was the transfer of skilled personnel from donor countries to recipient countries, which was justified as capacity development. There was however, a brief period in the 1970s and 1980s, when basic needs—understood as employment generation, income distribution, and poverty alleviation—

\textsuperscript{11} See glossary for brief description.
\textsuperscript{12} See glossary for brief description.
\textsuperscript{13} The ODA system was based on the transfer of financial resources to the Global South and multilateral institutions for investment in physical capital and infrastructure; a means for promoting the strategic interests of donor countries (Jolly, 2007).
\textsuperscript{14} Personal communication, May 2012.
entered development discourse and practices. However, the focus was more on individual states’ objectives rather than global concerns (Gore, 2000). The overall development agenda remained based on achieving economic growth and structural transformation through investment in physical and human capital, in which the state still played a key role.

With the increasing oil prices from the 1970s onward and the ensuing debt crises in the 1980s, budget deficits became unsustainable and inflationary. This trend led to a reorganization of global political and social relationships through macroeconomic policies. The Keynesian Consensus with its emphasis on state responsibility for employment creation, growth, and redistribution, which had been dominant was then replaced by the Washington Consensus, which promoted trade liberalization, fiscal, and financial sector reform, privatization, and deregulation of public resources (Rodrik, 2006). The shift from the Keynesian to Washington Consensus was carried out through the power and influence of the WB and IMF in the GPE and specifically, in the context of the debt crisis in the Global South. Thus, the WB and IMF could leverage control over external finance to encourage aid recipients to accept market-driven economic reforms.

What followed were neoliberal macroeconomic policies such as Structural Adjustment Programs (SAPs), which were designed to bring about privatization of public programs, reduce public spending, and reduce trade barriers (Palan, 2000). Financial liberalization, which entailed removal of capital controls, floating interest rates, savings and investments, and conditions in formal financial markets, and financial sector reform through reduced regulatory and supervisory environment and reorganization of financial institutions, were an important part of SAPs (Baden, 1996). SAPs were carried further in the 1990s due to global economic trends. For instance, large withdrawals of transnational portfolio investments contributed to a series of financial crises in the 1990s—specifically in Mexico (1994 and 1995), in Thailand, Indonesia, South Korea,

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15 The debt crisis started when, most notably Mexico in 1982, Brazil, and Argentina defaulted on their loan (Cohn, 2010) resulting in a rise in unemployment and inflation levels and declining incomes in many Latin American countries (Griffith-Jones & Sunkel, 1986).
Russia (1998), and Brazil (1999) (Cagatay, 2003). The key development issue was how to manage this enormous debt. Consequently, SAPs in the 1990s expanded and were implemented in many regions in the Global South (Bigman, 2002).

By the late 1980s, however, there were adverse impacts associated with SAPs, a rise in poverty and inequality due to decreased access to health care and social services, mass extraction of natural resources for export, and rising consumption leading to increase environmental degradation. In 1987, *Adjustment with a Human Face* (Cornia, Jolly, & Stewart, 1987) was published. This report gave a detailed account of the negative impact of SAPs on health and education; for instance, cuts in health and education made it unaffordable for the poor to access these social services. Due to the gendered positioning of women and men in society, these increased costs more negatively affected women. For instance, women’s greater responsibility for the family’s health care, poor health, and increased illiteracy rates (Jauch, 2012). By the mid-1990s, the negative impacts were becoming irrefutable, which led to mass protest and demands for the abandonment of the WB and IMF institutions themselves (Smith, 2006). In response, the WB and IMF developed a more pragmatic neoliberalism introducing social safety nets in the fight against poverty. From the 1990s onwards, a series of policies were created to address poverty; for instance, the Heavily Indebted Poor Countries (HIPC) of 1996 and HIPC II and the Poverty Reduction and Growth Facility (PRGF) of 1999 were introduced that connected debt reduction, debt relief, and poverty reduction (Bhattacharya et al., 2004). In 1999, PRGF was preceded by the Poverty Reduction Strategy Papers (PRSPs), which were to be drawn up by countries but needed approval from the IMF and the WB in order to qualify for lending (International Monetary Fund, 2009).

Under this new poverty agenda, “... projects were designed to advance income-generation and self-employment, and many included large microcredit components” (Weber, 2004, p, 359). The policy shift to PRSPs (1990s) and the IMF adoption of the poverty reduction agenda prompted the release of the Comprehensive Development Framework by James Wolfensohn of the WB (Owusu, 2006). This document, as Smith (2006) notes, “has since been called a new development paradigm and a new architecture of aid” (p.12). This redefined the donor-recipient relationship as a partnership in development, which gave rise to another theme in development
discourses, as demonstrated in the “Participatory Governance: The Missing Link for Poverty Reduction” report published by the OECD (Schneider, 1999). The report states, “mixed results of conventional poverty reduction strategies are disappointing” (p. 5), and attributes this failure to the lack of good governance. Thus, in addition to participatory governance in the late 1990s, we see a discursive shift toward good governance and linked to poverty reduction.

The emphasis on good governance for poverty reduction included mechanisms to make governance participatory and thus, empower the poor. This entailed a move beyond governments to other actors such as intergovernmental and civil society organizations (Brühl & Rittberger, 2001). As Malaluan and Guttal (2003) argue, the PRSPs were “the newest array of discourse and policy under the umbrella of ‘good governance’, and ‘pro-poor’ growth” in the late 1990s (p. 1). Starting with the 1990 World Development Report, the renewed interest in poverty reduction can also be seen in subsequent development events such as the 1995 Social Summit in Copenhagen, the 1996 OECD Development Assistance Committee (DAC) “Shaping the 21st Century” report, and the 1998 UNDP’s “Overcoming Human Poverty.” Here we see capacity building, empowerment, and accountability linked to supporting the idea of participatory governance.

The effective partnership connection was to be the new design that would allow governments to directly address poverty and inequality by giving a voice to the poor and allowing them to pursue their interests and thus, become subjects of policy processes and partners in institutional innovation (OECD, 2007). The new millennium witnessed a further shift to Enhanced Structural Adjustment Facility, which replaced the PRGF, and the PRSP replaced SAPs. This shift in the development paradigm to poverty reduction included discourses that stressed, “local ownership, enhanced participation and social capital” over “an externally imposed, top-down and uniform approach” (Smith, 2006, p. 12). However, as Duddy (2008) notes, the PRSPs have failed to deliver on their promise to reduce poverty in Asia, Africa, and Latin America.

Related to this trend in the 1990s in the Global Political economy was the shift in interest from donors to civil society participation and in particular, a special type of social capital (Woolcock & Narayan, 2000). From the perspective of donors such as the WB
and IMF, social capital meant a dynamic civil society that would socialize people to the market through acquired behavioral patterns and preferences, and support for social networks. It would also, generate long-term conditions for market-based development by providing a substitute for the state in large areas of public responsibility like health care, and protect against regulatory encroachments of the public sector over the private (Van Rooy, 1998). Finally, from a political perspective, strong civil societies would help address the lack of accountability and transparency in government, and play a major role in advancing democratic reform.

International donors’ interest in civil society participation resulted in the growth of Western non-governmental organizations (NGOs) in development practice (Mitlin, Hickey, & Bebbington, 2007). NGOs served to open up new opportunities for various private groups and social movements to engage in social, cultural, and economic interactions across national boundaries around environmental protection, human rights, and women’s rights (Bendaña, 2006). Consequently, the increased role of NGOs was influenced in part by broader political and economic trends in the GPE; for example, the challenge to neoliberalism from social movements coincided with the growth of NGOs and advancements in communications technologies due to globalization (Petras, 1997). Western NGOs therefore, “stepped in to provide credit, education, healthcare, road reconstruction, and other essential services to rural populations” (Karim, 2011, p. xvii).

From the perspective of policy makers and other development advocates, NGOs were important partners to official aid donors since it was thought that NGOs could deliver aid more efficiently, and mobilize resources at local levels (Lewis & Opoku-Mensah, 2006). Moreover, it was assumed that NGOs could create alternative means of economic and social exchange in recipient countries by facilitating local ownership of programmes. This ‘bottom up’ approach, rather than the top down approach to development where the poor are treated as helpless and needing international assistance from the ground, led to an increase of NGOs in the Global South (Hackmann, 2012). As Muhammad (2009) notes:

Bangladesh appeared to have become a breeding ground for NGOs. Starting from the early 1970s, the number of foreign-funded NGOs had reached 382 in 1990. Within five years the number increased by three times, and by nearly five times further in the next ten years. (p. 35)
For policy makers … the NGO model became an obvious choice for poverty alleviation or reduction, because it makes it convenient to avoid dealing with the structural causes of poverty. Global agencies who represent global capitalism, started pushing peripheral countries to implement their agendas of accepting the Washington Consensus since the early 1980s. (p. 36)

In 2000, the Millennium Development Goals (MDGs) signalled another commitment to the poverty reduction agenda through more socially inclusive development (Craig & Porter, 2003). The global agenda and the MDGs committed all countries, rich and poor, to reduce poverty, increase gender equality and women’s empowerment, and to promote peace, good governance, human security, and environmental sustainability through education, health, literacy, and access to credit\(^{16}\). This included actions to reduce debt and increase aid, trade, and technology transfers to poor countries. This was reinforced through the MDGs discourse in what Roy (2010a) describes as a “kinder moment in conventional development that emerged as neoliberal policies in the 1980s.”\(^{17}\) As Smith (2006) argues:

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\text{despite the alphabet soup of policy changes, the new social policy agenda represented an uncomfortable ‘add on’. … [t]he commitment to privatization, for example, invariably leads to user-fees in health and education, putting both public goods out of reach of large swaths of Africans, especially girls and women and the rural poor. (p. 13)}
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Although the rhetoric of the MDGs is packaged differently from its predecessors, conditionality remains intact through the insistence of the WB, IMF, and other donors on these goals (Randriamaro, 2006). Other distinctive features in macroeconomic and political trends in the GPE were simultaneous approaches and practices to addressing feminists’ concerns about the exclusion of women in development processes. The next section introduces these approaches.

\(^{16}\) Personal communication with James Busumtwi-Sam, May 3, 2011.
\(^{17}\) This is a direct quote from Roy’s lecture, which I attended and recorded.
2.1.2. From WID to GAD

Contemporaneously with the macroeconomic trends in the GPE, emerging as early as the 1950s but more strongly in the 1970s and 1980s were challenges from feminists in the North and South to the marginalization of women in development processes, which led to the Welfare Approach of the 1950s and 1960s. This approach focused on bringing women into development “as better mothers and wives” with top-down strategies targeted at practical gender needs, interpreted as food aid, malnutrition, and family planning (Moser, 1989).

In 1970, Esther Boserup’s seminal publication, Woman’s Role in Economic Development, was influential in the formulation of the original Women in Development (WID) equity approach (1975-1885) (as cited in Rathgeber, 1990). Boserup’s research on agricultural production revealed the effects of modernization and advancement of capitalism on women’s lives by highlighting the sexual division of labour and some of the gendered consequences of agricultural technology (as cited in St. Hilaire, 1993). For example, it showed how female workers are marginalized in economic development because their economic gains as wage earners are minimal compared to those of men (Benería & Sen, 1981). This and other research highlighted great economic and social gender inequality, which led to the link between women’s equal participation in development processes and the benefits of industrial growth.

Policies and strategies of the WID (equity approach) were designed with instrumental objectives such as integration and mainstreaming, rather than focusing on the substantive goals of equity and empowerment. These strategies attempted to address women’s strategic gender needs; that is, women’s triple role as community managers, caregivers, and producers (Rathgeber, 1990). However, as Jahan (1995) argues, the WID objectives did nothing to transform power structures, and measurements were concerned with monitoring institutions’ adoption of WID policies rather than impact on the ground and the voices of women. WID has become known as the “add-women and stir” formula in programs and projects that integrate women in development processes for addressing practical and strategic needs (Sen & Grown, 1985).
Concurrent with the short preoccupation with basic needs in the GPE, there was a shift from the WID approach (1970s onward) to the anti-poverty approach, which focused on redistribution through economic growth and provision of basic needs such as health and other social services (Braidotti, Charkiewicz, Hausler, & Wieringa, 1994). Here, the emphasis was on women’s productive role, while poverty was theorized as a problem of underdevelopment, rather than subordination (Moser, 1993). A further shift within the WID, coinciding with trends in the GPE in the 1980s, was the “efficiency and empowerment” approach to address practical gender needs, which was deemed to be health and other social services. This approach led to projects focused primarily on income-generation and did not deal with strategic gender needs, such as the gendered division of labour (Braidotti et al., 1994). This shift was brought about by concerns generated by the debt crisis of the 1980s, poverty in the Global South, and the effects of cutbacks associated with SAPs (Wiegersma, 1997).

The empowerment approach (see Lycklama à Nijeholt, 1991) is a critique of the interconnectedness of structural power and development, and looks for ways to further women’s empowerment through creating space for the inclusion of women’s voices and choices, and resources to have control their own lives (Jayawardena, 1986). The empowerment approach (within WID) led to what is commonly known as gender planning for addressing inequality in government bodies and projects and programs. This did generate some success for women, including advocacy for legal and administrative changes, women’s integration, and separate departments, projects, and components for women within donor countries government ministries and offices of international development institutions (Wieringa, 1994).

In order to increase women’s economic growth, policies and projects were geared towards income-generating schemes “to help poor women contribute more effectively to meeting family needs by improving their capacity to earn an income through the production of marketable goods and services” (Razavi & Miller, 1995, p. 8). For instance, Kandiyoti (1988) has noted that this has meant an increased workload for women as the responsibility for the provision of social and other services shifts to them, in addition to their unpaid domestic work. Likewise, Moser (1993) explains, the focus on income-generating projects exploited women’s triple role and flexibility of time. The modernization promise of trickle down economic and health care gains for women was
not paying off and women’s conditions were deteriorating further, which led to more adjustments in the form of technological fixes such as solar cookers, social services, and credit, to reduce women’s workloads (as cited in Rathgeber, 1990).

Research in the 1970s and 1980s has provided evidence of the negative consequences of strategies and policies that aimed to integrate women on a global scale, but failed to address gender roles in production and reproduction. Maria Mies’ (1982) important work on the lace makers of Narsapur, for example, provided insight into the negative impacts of development policies. These include increased and extended labour, deterioration of eyesight, the perpetuation of high illiteracy rates, and low levels of knowledge as girls stay home to assist their mothers in production. Thus, the study showed that not only is the working day extended, “but so is the working life of women—from the age of 8 to the age of 70 or 80…women virtually never stop working until they die” (p. 174).

The most recent approach to the inclusion of women in development processes, starting in mid to late 1980s, is GAD, which focuses on the concept of gender; that is, the relations between men and women that affect behaviors, beliefs, and experiences. Kate Young (1997) played an important part in articulating GAD’s holistic approach, describing it as an assessment of “the totality of social organization, economic and political life in order to understand aspects of society” (p. 52). Moser (1989) for instance, drew attention to the need to address both practical and strategic gender needs of women and men in development practices. The gender and development debates between Northern and Southern feminists intensified at the 1985 Nairobi Conference over racial, class, and geographic biases inherent in academic and development discourses and practices (Moser, 1989).

Chandra Mohanty (1988) and other Southern feminists critiqued Western feminist writings on their representation of women from the Global South as poor uninformed victims. The Nairobi Conference saw the emergence of the Development of Alternative with Women for a New Era (DAWN); a network of Southern activists, researchers, and policymakers that have been instrumental in the formulating the idea of women’s empowerment by placing poverty, injustice, women’s basic needs and autonomy on feminist and development agenda (Oxaal & Baden, 1997). DAWN challenged the
perspective behind many development projects and programs targeted at women in the Global South; that is, the main problem is conventional development itself, which is based on economic growth. Instead, they argued, it is necessary to redefine the concept and practice of development based on women’s voices and choices.

Since the 1990s, GAD has shifted its focus from a needs based to a rights-based approach, and towards a deeper theorization of women’s diversities; it seeks to address gender inequalities and redress power imbalances in gender relations (Cornwall, 2003). At the 1995 Fourth World Conference on Women, the Beijing Platform for Action led to the popular concept that women’s rights are human rights, which called for “Action for Equality, Development and Peace.” Women’s empowerment featured more prominently in the Beijing Declaration of 1995, which called for:

... full participation on the basis of equality in all spheres of society, including participation in decision-making process and access to power, are fundamental for the achievement of equality, development and peace.
(UN Women, 1995, p. 3)

...equality between women and men is a matter of human rights and a condition for social justice … . (p. 7)

Further, the Declaration called for power and responsibility sharing between women and men in all spheres (households, workplace, national and international arenas). Thus, the GAD approach has played an important part in raising women’s consciousness around the structural bases of the gendered division of power, labour, and poverty (Kingfisher, 2002). GAD has also promoted stronger legal advocacy for women in inheritance and land ownership, and the initiation of gender training for development planning, gender literacy programs at all levels, employment policies, and project monitoring and evaluation (Jahan, 1995). The GAD approach’s major contribution is the infusion of power analysis of patriarchy, class, age, and the North-South relationship within both feminist and development discourses (Smith, 2008). However, GAD has been criticized for its omission of the ways in which women and men are intimately connected and the inner workings of those social relationships (Baden & Goetz, 1997).
While WID focuses on integrating women into development processes through NGO strategies and initiatives, GAD emphasizes the state’s role in advancing women’s emancipation (Visvanathan, Duggan, Nisonoff, & Wiegersma, 1997). Although GAD has rarely challenged the goal of modernization, it offers potential for social transformation by challenging social and structural bases of inequality and oppression (McIlwaine & Datta, 2003). However, due to this challenge to power structures, it has been largely depoliticized and rejected by development planners and governments and remains primarily confined to research projects, gender policy, programming and projects, power structures and narratives (Parpart & Marchand, 1995). However, GAD has been crucial in linking local context with commonalities among women (and men) to form alliances across difference. It continues to serve as a catalyst for other work; for instance, advocacy around women’s rights as a basic human right, power sharing between men and women, policy and research in reproductive and sexual health, and political violence and peace building.

Regardless of shifting approaches, the common development policy and practice of simply adding women as a category remains dominant. This encourages the implementation of simple programs and projects promoting income generation and technology, which have contributed to the justification and spread of microfinance. However, after decades of struggle to improve women’s conditions through conferences, practical development policies and strategy such as microfinance, there is little evidence to suggest this has contributed to altering oppressive structures. Structural bases of gender inequality, gendered divisions of power, labour, rights and responsibility remain primarily unchanged. Regardless of some gains in law and administrative practice, women continue to suffer disproportionally heavy workloads, poverty, and oppression.

The poverty reduction agenda that emerged in the late 1990s has been accompanied by the adoption of gender mainstreaming approaches and concepts such as women’s empowerment to justify practices such as microfinance. For instance, increasing attention to women’s position in society has partly emerged from research, primarily from Bangladesh in the 1980s, which emphasized that women, as a demographic group, benefitted from microfinance because they are both the most marginalized group, and also the “most effective agents of change” (Moser, 1993). The next section provides a snapshot of the key events that emerged as a result of this
research, which in part conjunction with neoliberal trends in the GPE led to the rise in the use of microfinance, primarily aimed at women in the Global South.

2.2. Globalization of Microfinance

The previous sections have discussed some of the trends in the GPE, which have helped to facilitate the development of microfinance. In addition, the increased pressure from feminists globally for the inclusion of women in development processes, led to rural credit and income-generation projects aimed at women in the Global South. The creation of rural credit projects and programs, from the late 1970s onward, resulted in increasing reports of the positive effects of microfinance on reducing poverty.

Along with the positive benefits of microfinance, women’s excellent repayment record at high interest rates was promoted in development and other mainstream discourses as a method of financially sustainable development (Parmar, 2003). Within this neoliberal trend was a shift in donor priorities from top-down approaches of government aid to private investments, as low-income borrowers—primarily women—demonstrated their repayment capacity. Research on the outcomes of microcredit programs from the Grameen Bank and Bangladesh Rural Advancement Committee in the 1980s-1990s highlighted that women, more so than men, tend to invest their income in better nutrition, education, home renovations, and business growth (Nowland-Foreman, 2001). The research findings on the different use of income between women and men, along with the shifts from WID to GAD, helped pave the way for the infusion of the concept of women’s empowerment. Not only would microfinance reduce poverty, it would address gender inequality as well. These global trends, however, would not have been enough to create the rapid and widespread use of microfinance across the globe without the necessary legal and policy framework to accompany it.

The WB, with the power and capacity to implement the neoliberal agenda of financial liberalization on a global scale played a crucial role; here, the relationship between SAPs, financial liberalization, and microfinance is intertwined. For instance, in 1986, Bolivia implemented the New Economic Program (NEP), an adjustment program intended to stabilize the economy through fiscal liberalization, but it did nothing to
address Bolivia’s deteriorating social conditions, which were the poorest in the region. As elsewhere, there was social protest and resistance to these economic measures in Bolivia (Bigio, 1998), which led to the WB, and members of the Bolivian business community creating strategies for countering resistance to the adjustment process. One example is the Emergency Social Fund (ESF). The ESF included a microfinance component (to create technically simple projects) disbursed through NGOs in the informal sector and cooperatives in mining and agriculture. As Jorgensen noted:

... the ESF approach provided a departure from traditional public welfare programmes; this, ‘new’ approach suited well the objectives of the NEP. ... [t]he relative success of the ESF signalled the possibility of the replication of the approach in other countries ... [i]n particular its financial (credit component) was considered well suited for global replication (as cited in Weber, 2004, pp. 367-368)

Soon after, Social Funds became part of the WB’s lending portfolio and by the end of 1996, “it had approved 51 Social Funds in 32 countries” (Narayan & Ebbe, 1997, p. 2). Thus, the liberalization of financial sectors through loosening state regulations was promoted under the cover of creating an enabling environment for the implementation of microfinance for poverty reduction and women’s empowerment.

Along with the embedding of microfinance components in the WB’s lending framework through social funds, powerful individuals from Bill and Hilary Clinton in the early 1990s, to the current U.S. President Barack Obama in 2012 endorsed the practice (Heinemann, 2010). Although the WB had adopted aspects of microfinance in the 1980s, it was not until the 1990s, roughly the same time as the emergence of social funds, that this public endorsement provided the legitimacy of linking increased credit and income with poverty reduction and women’s empowerment.

This wave of enthusiasm for microfinance was solidified in 1995 with the creation of the CGAP. Created and housed at the WB, the CGAP mandate in 1995 was to foster “the relationship between micro-level credit schemes, macro-level financial sector policy, and the global financial liberalization agenda” (Weber, 2004, p. 360). Today, CGAP “is a global partnership of 34 leading organizations that seek to advance financial inclusion. ... develops innovative solutions through practical research and active engagement with
financial service providers, policy makers, and funders to enable approaches at scale” (CGAP, 2014, para. 1).

Shortly after the creation of CGAP, the first Microcredit Summit in 1997 was held in Washington DC; the goal, to reach “100 million of the world’s poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the year 2005” (Microfinance Summit Campaign, 2013, para. 2). This series of microcredit summits illustrated a solid commitment to microfinance industry by donors, governments, NGOs, and large banks, with the main focus being how to reach those in greatest need, while achieving financial sustainability of MFIs (Nowland-Foreman, 2001). Adding to this microfinance momentum was CGAP’s creation in 2002 of the Microfinance Information eXchange (MIX)\(^\text{18}\), a virtual marketplace linking MFIs to investors, promoting financial discipline for NGOs and providing an online warehouse for data and analysis of impact evaluation (Roy, 2010b).

This focus on the poor, while achieving financial sustainability of MFIs, has given energy to the neoliberal “win-win proposition: microfinance institutions that follow principles of good banking will also be those that alleviate the most poverty” (Morduch, 2000, p. 1). The magnitude of the microfinance industry was evident in the UN declaration of the International Year of Microcredit in 2005. The Microcredit Summit (2006) further boosted the microfinance industry through financial endorsement from some of the biggest corporations in the world. For examples, the International Finance Corporation (a part of the WB) made a $45 million USD investment “which will allow the bank to increase lending to microfinance institutions in Africa and Asia” (MicroCapital Monitor, 2008, p. 2), as well as Monsanto, Barclays, Citigroup, Deutsche Bank, and HSBC (Easton, 2005). The next section reviews the literature of microfinance evaluation impact studies.

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\(^{18}\) MIX was founded with the financial support of “Citigroup Foundation, Deutsche Bank, the Omidyar Network, Open Society Institute, and the Rockdale Foundation” (Roy, 2010b, p. 50).
2.3. Microfinance Institutions (MFIs)

While microcredit is the provision of small loans to individuals within groups for income-generation, microfinance includes in addition to credit, a range of financial services such as insurance and savings accounts (Martin et al., 2002). It also must be noted that microfinance here is defined as conventional/commercial banks or institutions that offer credit with interest rates, as opposed to other types of financial engagements such as monetary gifts and grants to women for self-employment.

Microcredit is not new; traditional and informal financial systems have long existed and still do. There are formal and informal Members Owned Institutions (MOIs) that operate in rural as well as urban areas in many countries in the Global South. For instance, there are Rotating and Accumulating Savings and Credit Associations (ROSCAs) in Mexico based on mutual help (called tandas vivas) where women pool their money and the lump sum rotates evenly between all group members. There are also the Indian ROSCAs dating back to ancient times when rice was pooled among village women on a rotational basis. These MOIs are organized around community-based networks, which help ensure people do not default (Banerjee, Benabou, & Mookherjee, 2006). MOIs also include Self-Help Groups (SHGs), primarily in India, but found elsewhere, where individuals pay a fixed or variable amount to the group fund until there are enough funds to begin lending: many have become linked to MFIs (Rutherford, 1999). Similarly, there are also Savings and Cooperative (SACCOs), which operate like credit unions in Latin America, where they are governed and managed by their members (Serge, 2008).

Finally, Mutual Communautaire de Croissances (MC2s) is a mutual association that was first created in 1992 in Cameroon (in both rural and urban areas) by Dr. Paul Fokam, founded on the idea that, “the victory against poverty (VP) is possible if the means (M) and the competences (C) of the community (C) are combined: (VP=M x C x C=MC2)” (Serge, 2008, p. 2). With the goal of rural development, these associations are created and managed by a community for their specific needs, values and customs (Fotabong, 2011, p. 5). A main feature of these MOIs (informal finance systems) is that they accept various forms of collateral, such as group-based or reciprocal finance, which would be unacceptable to formal institutions (Arun, 2009). Although traditional financial
systems still exist, their integration into modern banking and finance (i.e., microfinance) is relatively recent.

Microcredit owes its origins and popularity primarily to the 1972 Self-Employed Women’s Association (SEWA) in India, 1972 Bangladesh Rural and Advancement Committee (BRAC), 1983 Grameen Bank (GB) in Bangladesh, 1984 BancoSol in Bolivia, and 1992 Bank Rakyat Indonesia (Khawari, 2004; Navajas, Schreiner, Meyer, Gonzalez-Vega, & Rodriguez-Meza, 2000; Schicks, 2007). There are now diverse microfinance organizations across the globe, from non-governmental organizations (NGOs), credit unions, community development financial institutions, large commercial banks, and community economic development (CED) projects or programs that provide credit to the poor—either to individuals or groups for self-employment (Pitt & Khandker, 1998). Aghion and Morduch (2005), Mathison (2005), and Schicks (2007) explain that the various institutions can be grouped into two general categories: (a) charitable MFIs like the Grameen Bank in Bangladesh, financed by donors and private benefactors, and governments that tend to focus on social benefits; and (b) sustainable MFIs, that focus on a positive return on investments/profit motive, such as BancoSol in Bolivia.

2.4. Evaluation Methodologies

Measuring impact is a controversial issue due to the high cost, which leads to short-term impact analysis and standardized measurements such as quantitative data (e.g., surveys), which create difficulties in providing a deeper explanation of the social phenomenon under investigation, as well as being susceptible to various interpretations. The two most common techniques used to measure impacts are the traditional cost-benefit approach and to a lesser extent, the more current Participatory Rural Appraisal approach. However, of the different evaluation methods for measuring the impact of microfinance on poverty and women’s empowerment, quantitative methods like surveys are still predominantly implemented over qualitative methods.

While quantitative methods tend to focus on economic indicators, such as client incomes, employment, and repayment rates, qualitative approaches more often look at social indicators: experiential factors such as women’s empowerment and autonomy.
Among the studies that focus on the social impacts of programs on borrowers, qualitative methods such as formal and informal interviews with broad, open-ended questions are increasingly popular as a way of understanding more fully the experiences and voices of women themselves (Hulme, 2009). As Aghion and Morduch (2005) note, there are few reliable studies that substantiate the effectiveness of microfinance for the poor.

Embedded in quantitative impact assessments of MFIs are evaluations concerned with addressing the two challenges raised and debated by microfinance providers and other advocates at the first Microcredit Summit in 1997: how to serve those in greatest need, the poor, while maintaining institutional sustainability. The answer followed neoliberal ideology: institutions that follow best practices will achieve sustainability and also alleviate the most poverty (Morduch, 2000).

The remainder of this chapter discusses various studies examining the impacts of microfinance on poverty reduction and women’s empowerment, which have used primarily quantitative measurements, though some are a combination of both types of measurement. The first section will discuss the economic impacts of microfinance, followed by social impacts.

2.5. Economic and Social Impacts

2.5.1. Economic Impacts

*Income and Consumption*

On the economic impact evaluation side, most studies measure effects on poverty reduction by using economic indicators such as income and consumption. These indicators are primarily measured through quantitative methods such as surveys that ask before-after questions in combination with financial data collected by the institution itself. Recently, there has been a shift to a mixture of quantitative and qualitative methods in order to acquire a deeper analysis of the relationship between increased income and consumption and poverty related goals, but quantitative data (cost-benefit approach) remains the predominant approach. The indicators—income,
employment, and consumption—are commonly “dependent variables for measuring program impacts” (Devleter & Huybrechts, 2005, p. 169).

Using these economic indicators, many evaluators conclude that MFIs and programs have a positive impact on reducing poverty. Moreover, a study of Bangladesh Rural Advancement Committee (BRAC) members found that lending to women increased consumption expenditures by 18 taka for every 100 taka lent, in contrast with men (only 11 taka), and that children benefited more from women’s spending (Pitt, Khandker, & Cartwright, 2003). Likewise, independent studies of MFIs across the globe concluded that borrowers experienced an increase and stabilization of income (Remenyi & Quiñones, 2000). A wider review of microfinance programs reported positive impacts on income:

- “In India, half of SHARE clients have graduated out of poverty” (CGAP, 2002, Bullet 1).
- “In El Salvador, the weekly income of FINCA clients increased on average by 145%” (Bullet 2).
- “In Vietnam, clients of a Save the Children partner organization reduced food deficits from three months to one month” (Bullet 3).
- In Zanzibar, the 2002 Entrepreneurship Development Trust Fund reported that: “women’s increased income benefits their children, particularly in education, diet, health care, and clothing … 55 percent of women’s increased income is used to purchase household items, 18 percent goes for school, and 15 percent is spent on clothing” (Cheston & Kuhn, 2002, p. 8).
- “Reviewing thirty independent studies of Microfinance institutions across the globe, Remenyi concludes that borrowers experienced an average of 20% increase in income” (Nowland-Foreman, 2001, p. 10).

Not everyone shares this enthusiasm about the effects of MFIs on increased income. Muhammad (2009) notes that in Bangladesh, “1,489 families from 15 villages found only 5%–9% of the borrowers could use microcredit for their economic improvement, and many of them had other sources of income as well” (p. 39). He found that those who benefitted most from credit took out loans for the purpose of lending to others and charged greater interest rates. In terms of financial success only those who already owned property, such as small stores or rickshaws, and resided in the service sector did fairly well. Almost “50% of the borrowers had to take further loans from other
sources ... 43% could not manage loans from many sources and their position deteriorated” (p. 39).

Supporting the lack of evidence of MFIs to reduce poverty is Roodman (2012), who notes studies in India, Mongolia, Morocco, and the Philippines “found access to microcredit did stimulate microbusiness start-ups—raising chickens, say, or sewing saris. But across the 12 to 18 months over which progress was tracked, the loans did not reduce poverty” (p. 1, emphasis added). However, Ledgerwood (1999) notes that there is no real significant gain in net employment, nor is there evidence to suggest that clients’ businesses have grown due to loans from microfinance; it does however, help utilize excess family labour. He concludes that what microfinance does is to help clients survive in times of crisis, like seasonal variation in food supply. Likewise, Wright (1999) explains, “it is important to recognise that there is a significant difference between ‘increasing income’ and ‘reducing poverty’” (p. 1).

In terms of measuring positive impacts on family health, nutrition, and education, evidence is negligible at best (Fernando, 2010). For instance, Hulme and Mosely’s (1996) study on BRAC’s program revealed that given wider macroeconomic trends of inflation, microfinance clients’ monthly income was limited. Copestake, Bhalotra, and Johnson (2001) assessed the impacts of microfinance programs in Zambia and found that some borrowers were worse off; participation in microfinance programs did not yield higher incomes, but instead increased women’s vulnerability because of overindebtedness (Parmar, 2003). The authors conclude that income distribution depends on several factors, including group dynamics, who obtains loans in the first place, who is able to obtain a second loan, and who exits (Copestake, 2002). While studies on the impact of microfinance on income are abundant, there is little attention given to inequality or polarization in terms of who gets credit.

**Employment and Vulnerability**

Alongside income, employment and education are used to assess the effectiveness of MFIs in reducing poverty. Research shows that self-employment has increased the labour force in communities served by MFIs and wages are higher for self-employed clients than those in other employment (Develtere & Huybrechts, 2005). Indeed, self-employment levels among female clients have increased compared to those
of men. For instance, Ahmad (2007) surveyed 2,501 microfinance clients in rural Bangladesh and over 99% were women; out of those, 84% were housewives and 65% were illiterate (p. 39).

The high number of females who now participate in market-oriented activities due to microfinance has raised the issue of women’s increased workload. While some studies reveal that participation in microfinance has increased women’s income, others have noted a rise in poverty through higher debt levels and greater labour (Parmar, 2003). Both advocates and critics of MFIs however agree on one thing: credit is not primarily used for the purpose of savings and investments, which would be a way out of economic poverty. Rather, it is used for consumption smoothing; that is, payment for health care, education, and basic household necessities (Gertler, Levine, & Moretti, 2009; Rosenberg, 2010; Zeller, 1999).

Borrowers from BRAC, for example, experienced a reduction in vulnerability thanks to the levelling out of consumption patterns over the year, the stabilizing of the labour supply, and the diversification of non-agricultural activities (Khandker, 1996). Here, vulnerability is defined as being unable to secure access to necessities such as food, and clothing, or a source of distress that directly impacts an individual or family’s well-being (Swain, 2011). During times of crisis in Bangladesh, such as the floods of the 1990s, MFIs also played an important role by converting their buildings into relief and rehabilitation centers (Morduch, 1999). A study conducted in Ethiopia to assess the coping capacity in conditions of drought and food insecurity revealed that microfinance programs such as WISDOM (World Vision microfinance affiliate) had an important impact on the nutritional level and well-being of female borrowers and their families (Doocy, Teferra, Norell, & Burnham, 2005).

While many impact evaluations and studies have concluded that microfinance borrowers experience improved incomes, these studies do not account for many other variables, including but not limited to: skill level, number of subsequent loans (including from other sources) gender, marital status, technical assistance, and pre-existing level of poverty (Hulme & Mosely, 1996). Evaluation studies that conclude MFIs have increased household income do not generally include broader national economic variables: for instance, the larger economic conditions at the time of study that may have afforded
more male employment and thus, men’s increased contribution to household income. Thus, while it might seem that absolute household incomes have increased, a failure to report associated costs—increase in prices for basic goods or a rise in employment for men in the household—conceals or misrepresents the real outcomes of microfinance on poverty reduction.

2.5.2. Social Impacts

Empowerment

One of the main indicators used to determine the social impacts of MFIs and programs is women’s empowerment. Empowerment represents different things to different people; for instance, the World Bank introduced this concept as a means of measuring efficiency of institutions and programs through gender mainstreaming and integration, while microfinance advocates connect it with increased income (Duffield, 2001). Academics and NGOs who have broader program objectives use it as a sign of social transformation (Duffield, 2005). In this review of evaluation studies, empowerment is used as it generally appears in the literature; that is, as a measurement of social transformation through an increase in women’s decision-making power and equality in female-male relations both in the household and the community.

Family Decision Making and Control Over Loans

There are various indicators used for measuring the empowerment potential of MFIs and programs, including: increased involvement in family decisions; decreased violence through financial contribution to the household; control and use of loans; and increased confidence and self-worth. Extensive research on these indicators has been conducted on MFIs in Bangladesh. Hashemi (1996) found that while some women have relative control over their loans, which had a stronger influence on several economic dimensions of empowerment, others such as BRAC were more effective in increasing health and education, particularly among girls. The economic security women gained from participation in MFIs included increased consumption patterns, increased involvement in decision-making in the household, and awareness of legal and political issues, which led to female participation in public campaigns and protests (Faraizi, Rahman, & McAllister, 2011).
While some researchers have proclaimed positive impacts of credit on women’s empowerment, diverse opinions have entered the debate. Hulme and Mosley (1996), for instance, argue that women exercise very limited control over loan use, and the larger the loan, the quicker men tend to take it; thus, credit has done little to empower them. Similarly, Pitt, Khandker, and Cartwright (2003) did an extensive survey in 1999 of 1,798 households that borrowed from microfinance programs in rural Bangladesh. The women they interviewed reported what happened when they borrowed:

… their husbands knew that they had received this money. Only 17% reported that they had full control over deciding the use of that money: 62% reported partial control and 21% reported having no control at all … (78%) reported that they had at some point been forced to cede money to their husbands and 56% of women replied that their husbands had forced them not to work outside the home. 81% reported that they would not be able to give their own money away at will. (p. 10)

The improved status of female clients, however, is in comparison to other women, not men (Kabeer, 2005). As well, women’s activities are limited to small-scale, customary female employment, such as raising livestock, dairy products, grocery stands, and agriculture, which generates only small amounts of income in the first place. Kabeer’s (2001) research is instructive, she argues that the conflicting conclusions about credit reflect the “differences in the questions asked by different evaluations … [n]egative evaluations focused on processes of loan use while the positive ones focused on outcomes associated with, and attributed to, access to loans” (p. 66).

Women’s Exposure to Violence

Family violence is another indicator used to measure women’s empowerment. For instance, Hashemi (1996) suggests that MFIs have decreased women’s vulnerability to violence. Here, the researchers found that instead of merely providing credit, programs function as a vehicle for transforming women’s lives, encouraging their public appearance at meetings and markets where they have the opportunity to take on leadership roles as well as develop identities outside the home. By providing access to financial resources, researchers claim that women can better manoeuvre around structural and cultural gender barriers; thus, they are empowered to take better control over their lives since their economic power has elevated their positions in their households and communities.
While some studies (Pitt, Khandker, & Cartwright, 2003) report decreases in family violence toward female borrowers, others suggest it has increased (Develtere & Huybrechts, 2005; Schuler, Hashemi, & Badal, 1998). For example, if tension in the household already exists, the pressure of loan repayment puts women at greater risk of violence (Pitt, Khandker, & Cartwright 2003; Kabeer, 2005). If a woman is unable to repay her loan on time, bank employees make site visits to collect repayment, creating additional tensions and conflict in the household through pressure on husbands for repayment. On the other hand, if a woman’s husband refuses to repay a loan he has used, the woman is still responsible for its repayment; thus, women must borrow money from other sources, go hungry, or work extra hours on top of their already large workload (Goetz & Gupta, 1996).

For most of the nearly three decades of microfinance, what have appeared predominantly in popular media, development discourses, and other pro-microfinance literature are women’s high repayment rates. Underneath the discourse and studies (pre-2005) is the fact that programs can also be a source of pressure through their direct challenge to cultural norms, which can cause intra and inter-household tension, leading to violence against women. Therefore, the data on family dynamics and level of violence before and after entering microfinance programs is not well documented, which makes it difficult to substantiate claims made about the connection between increased income through microfinance and decreased violence in the household.

In addition to the domestic strife at home and the stress of repayment demands from the bank, Karim (2008) and Rahman (1998) notes that group members publicly intimidate and shame others who have defaulted on their portion of the group loan, as well as confiscate any belongings that could be sold to recover some portion of the loan. Her study further revealed that NGO headquarters heavily pressure managers to obtain repayment on loans from women borrowers. Likewise, Taylor (2012) noted that in Andhra Pradesh, “close to 50 microcredit clients ... had taken their lives under the duress of crippling debt burdens and coercive repayment tactics initiated by microfinance employees” (p.2).

While neoliberal perspectives that focus on economic impacts of MFIs would see debt repayment as a measure of success, the GAD approach strives to assess the
deeper power dynamics and social impacts it may be having on women and their communities. Although there is no consensus on the empowerment potential of MFIs, many believe that women benefit from their involvement in income-generating activities by becoming aware of socio-economic and health issues; that they adopt family-planning methods, and there is an increase in girls’ education and school-enrolment rates (Develtere & Huybrechts, 2005).

2.6. Do Microfinance Institutions Reach the Poorest of the Poor?

2.6.1. Barriers to Reaching the Poor

People speak of the poor as a homogenous group, and all MFIs to some degree claim to target the poor. Increasingly, however, research has indicated that MFIs have not met their official goal of reaching the poor. The Canadian Council for International Cooperation undertook a review of microfinance programs in 1997 and found that it is not the poorest who benefit from microfinance, but the economically active among the poor—those already involved in some type of entrepreneurial activity (Nowland-Foreman, 2001). Likewise, Copestake (2002) and Vogelgesang (2003) have found in their analysis of Caja Los Andes in Bolivia that “clients with prior loans generate higher sales revenue than others for a given asset level … larger businesses have a higher increase in sales revenue than others” (p. 1). Within the microfinance debate is the question of how to best alleviate poverty. One of the major obstacles examined are the institutions themselves, whether charitable or sustainable MFIs, to effectively reduce poverty. As Rosenberg, Gonzalez, and Narain (2009) argue, sustainable MFIs have a large number of clients, but of those, only a small number are very poor. As sustainable institutions do not aim at the “ultra poor,” a better approach would be alternative, direct forms of assistance (Hardy, Holden, & Prokopenko, 2003).

On the other side of the argument is the preoccupation with institutional sustainability and loan repayments may divert attention from the social impacts of credit activities. These include social and economic relations in the community, such as displacement of workers and income reduction through business competition, and
negative environmental impacts (Tomlinson, 2004). Moreover, MFIs might actually divert resources, in the form of subsidies to MFIs, away from other social programs like health care and education, which might be more beneficial to those in greatest need (Navajas et al., 2000).

Morduch (2000) explains that institutions predominantly concerned with sustainability align themselves with the neoliberal claim that “microfinance institutions that follow principles of good banking will also be those that alleviate the most poverty” (p. 617) and further, that “subsidized programs are inefficient and bound to fail. … [they] most often end up in the hands of the non-poor” (p. 620). Sengupta and Aubuchon (2008) concluded that even in cases where MFIs do not reach financial sustainability, they might still be the best investment for poverty reduction. Although there may be a connection between institutional sustainability and reaching the poor, these neoliberal assumptions are based on “problematic logical extrapolation, inappropriate assumptions, or misreading evidence” (Morduch, 2000, p. 620). Morduch concludes, “it is not profit maximization that makes a program efficient. Instead, what matters is having a hard budget constraint, something possible even with subsidies” (p. 626).

Additionally, Hulme (2009) and Arun (2009) argue that subsidized programs will not necessarily fail to reach the target population, nor will mobilizing savings be stifled by charging interest rates below levels needed for institutional sustainability. For example, the GB, one of the world’s most famous MFIs, is subsidized. Although the claim of the poverty benefits of following good banking principles is supported by neither logic nor empirical evidence, this assumption still forms the core of the best practices by which most MFIs abide (Morduch, 1999). Recognizing the limits of this assumption is an important step toward deconstructing neoliberal discourses on the connection between microfinance, poverty reduction, and women’s empowerment.

Among the various microfinance advocates, there is no general agreement on how best to reach the poor (Schicks, 2007). On the other side of the sustainability debate are those who warn that many NGO MFIs have not been successful because they focus too much on wider social issues rather than on developing useful financial services for the poor (Rutherford, 2009). However, as Mosley and Hulme (2009) have pointed out, in order for microfinance to succeed in reducing poverty through increased
income, applicants must first reach a certain economic level before entering a microfinance program.

2.6.2. The Influence of Microfinance on Society

It is not only the lives of borrowers that are affected by MFIs; non-members also feel direct and indirect impacts from the presence of MFIs in their communities. While Morduch and Haley (2002) in their analysis of the links between MFIs and poverty reduction found indirect positive impacts in the community including better health practices, sanitation, family planning, knowledge and skills, and political and economic awareness, they also revealed direct effects such as the displacement of other poor members in the communities where MFIs are located. Likewise, Taylor (2012) reported that the outcome of trends in the microfinance industry had “heightened social differentiation across rural India on the basis of class and caste” (p.3).

Other impacts of microfinance activities, for instance in Bangladesh, include disruptions of traditional patriarchal customs such as the practice of purdah, which forbids women to appear in public places or have contact with unknown men (Karim, 2011). This allows men to control the primary resources for escaping poverty such as property ownership, income, and employment (Zaman, 1995). As well, education for girls is not considered necessary; women’s financial independence is forbidden, and dowries are collected for girls (Goetz & Gupta, 1996). Although microfinance can provide a challenge to traditional barriers affecting women and, thus, provide an opportunity for empowerment, it may also contribute to conflict for women and potentially increase the risk of violence and cultural imposition. However, regardless of this tension, coexistence and cooperation do exist between MFIs and traditional systems. This coexistence can be seen in the estimated 78% of 6000 villages in Bangladesh where NGOs are located (Develtere & Huybrechts, 2005). Clients of the GB and BRAC in Bangladesh are encouraged to vote; thus, microfinance holds some promise for a move toward women’s empowerment.

While quantitative methods tend to focus on economic factors such as repayment rates, qualitative approaches more often address social and experiential aspects such as women’s empowerment and autonomy. Due to the short-term nature of quantitative
impact assessments, there is little evidence of the long-term effects of MFIs at a local level, much less at a regional or global one. Current evaluations of microfinance fail to extend beyond their project locality to examine broader impacts on social and economic indicators as well as political participation and processes.

Since there are a limited number of longitudinal and in-depth qualitative studies on the long-term impacts of MFIs and programs, the actual impacts on poverty reduction and social transformation remain unclear. For example, Hague and Yamao (2008) have shown, in an MFI it takes “approximately five years for a poor member to work up to above the poverty line, and it generally takes eight years before a member is able to function independently from the institution” (p. 649). As well, the literature on microfinance does not adequately cover the impact of credit on borrowers with ill health, death in the family, natural disasters, and vulnerability to crises (including shifts in macroeconomic policies such as SAPs), or the different impacts on single women compared to those that are married.

Without qualitative and quantitative analysis of five years or longer, the evidence of positive economic and social impacts of MFIs on poverty reduction and women’s empowerment at the household, community, regional, and international levels, will remain elusive. Most evaluation studies continue to be defined and measured using quantitative methods based on narrow neoliberal financial and economic factors of increased income and market growth, while the larger effects of MFIs on poverty and gender inequality) remain unclear. Most impact studies on MFIs focus on results and impacts on an individual or, at best, the household, while research on wider social impacts is largely missing.

2.7. Conclusion

This chapter has discussed some of the global historical trends in the GPE. These trends include a shift to neoliberal politics with macroeconomic policies (SAPs, PRSPs, and MDGs) and the rise of the poverty agenda in development discourses, policies, and practices. Within this context, there was an increased focus to reduce poverty through NGOs. Alongside these global changes were various approaches to
including women in the development process best illustrated by discursive shifts from the “feminization of development” (WID) to the “engendering of development” (GAD) leading to the concept of women’s empowerment. Together, the poverty agenda and the concept of women’s empowerment have resulted in the rise of microfinance as a means to reduce poverty and empower women.

While the WB, multinational corporations, and NGOs have been successful in increasing women’s access to credit through microfinance, evaluation studies have revealed conflicting conclusions. For instance, while the increased supply of credit may have had a few positive impacts for economically active women in terms of increased income, employment, consumption, and limited empowerment, it has also had negative impacts in terms of women’s lack of control over loans, the repayment burden, and risk of increased violence and suicide. Moreover, the voices and experiences of the women themselves are missing in the literature on poverty reduction and women’s empowerment.

The remaining chapters in this thesis are used to advance the argument that microfinance has not produced overwhelming evidence to suggest it is a mass weapon against poverty and hunger, due to the underpinnings of political and structural power that produce poverty in the first place. As well, it has produced new disciplined agents of development (poor women) in the for-profit and non-profit sectors. The next chapter discusses the methodological framework used to make these arguments.
Chapter 3.

An Integrative Analytical Framework

This chapter describes the rationale for the research approach used to explore the link between the Global Political Economy (GPE), microfinance, and gender. See Appendix 1 for the detailed research design and methodological framework used in this work. It includes the specific critical discourse analysis (CDA) used to analyze a collection of key WB documents and a subset of affiliated institutions, organizations, and conferences from 1990 to 2002. The documents and period selected were based on the historical period of the discursive shift to the poverty and women’s empowerment agenda and the subsequent policies and practices that emerged. The aim is to reveal whose voices have been included and excluded in the construction of knowledge about poverty and women’s disempowerment that emerged, and the resulting social consequences of microfinance aimed at women in the Global South.

Following the discussion of the CDA used in this research, Appendix 1 outlines the review and evaluation of published literature on impact studies of two of the world’s most famous Microfinance Institutions (MFIs), the Grameen Bank (GB) in Bangladesh and BancoSol in Bolivia. The results of the review and evaluation of these impact studies are used to explore the claims made by microfinance advocates about its success in reducing poverty and empowering women. A discussion of the third case study used in this research (outlined in Appendix 1), which emerged from my observations and experiences in Tanzania, East Africa while implementing a small microcredit (credit only) project, the Women’s Loan Fund (WLF) in 1999. This case study is used to obtain greater insight into the findings from the survey of the GB and BancoSol as well as provide a better understanding of women’s experiences participating in microfinance sponsored income-generating activities.

Following the rationale for this research approach, this chapter outlines issues of trustworthiness, credibility and validity of this work, and concludes with a discussion of the limitations of the research methodology.
3.1. Rationale for Qualitative Framework

Quantitative methods are most often used where what is being investigated can be presented as organized variables subject to “... only one truth, an objective reality that exists independent of human perception” (Sale, Lohfeld, & Brazil, 2002, p. 44). They are generally used as a method to identify broad correlations and associations between sets of variables and often need to be supplemented by qualitative studies to obtain a better understanding of the patterns and associations under examination (Neuman, 2006). The majority of evaluation studies that attempt to measure the success of MFIs in reducing poverty and empowering women are based primarily on short-term quantitative approaches such as surveys, cost-benefit approaches, and social impact assessments.

Quantitative research methods are useful for providing insight into broader policies and processes, and their outcomes. However, quantitative approaches that assess whether or not MFIs have reduced poverty and empowered women are limited by their positivist empiricist ontology and foundational epistemology and are contingent on the researcher’s assumptions and methodologies used to measure outcomes within a particular timeframe (Spratt, Walker, & Robinson, 2004). Therefore, to a large extent, quantitative methods omit women’s voices due to the lack of tools such as in-depth interviews and long-term impact studies that qualitative methods employ. Purely quantitative research methods are not sufficient to elicit the data needed for a thorough understanding of the complex factors affecting women’s lives, their choice to participate in entrepreneurial activities through microfinance, and the resulting outcomes.

To answer the two research questions, qualitative research methods such as a CDA, survey of the studies on GB and BancoSol, and personal observations from WLF are employed to better understand the cultural and social contexts within which women are located. Qualitative methods add to quantitative research by providing deeper insight for interpreting the meaning of experience (Bloomberg & Volpe, 2008; Maxwell, 2005). Here, Coffey and Atkinson (1996) are instructive; they note that qualitative data “opens up the possibilities for a variety of analytical strategies ... [t]hat is, the analysis of narratives can provide a critical way of examining not only key actors and events but also cultural conventions and social norms” (p. 80). The next section gives a brief
overview of some of the different qualitative theories and approaches used in this research.

3.2. Issues of Trustworthiness, Credibility and Validity

The validity of this research rests on the appropriateness of the methods used for answering the questions under investigation. The first tool is a CDA of key WB, CGAP, and UNDP documents to answer the first research question: what are the historical trends, which led to microfinance as a tool for poverty reduction? The second step is an extensive review of evaluation studies on the GB and BancoSol to answer the question of whether the evidence supports the claim that microfinance is an effective tool for poverty reduction and women’s empowerment. Finally, the case study based on personal observations provides insight into the gap between the rhetoric and results on the ground as well as to provide a more contextual understanding of the barriers women face as they participate in microfinance.

The thesis is methodologically sound in that it uses a multi-layered approach and various primary and secondary sources to provide a comprehensive framework for examining the relationship between trends in the GPE, microfinance, and gender. As well, the integration of three different qualitative methodologies strengthens the rigour and trustworthiness of the study by providing a more balanced picture of the microfinance phenomena—one that can be transferred to similar social phenomena in the broader context of trends in the GPE and gender consequences on the ground. The integration of the three methodologies creates an analytical framework that can be used to scratch beneath the surface of larger trends to uncover how instances of power expressed in text construct a particular reality and perpetuate existing structural inequalities and their resulting social consequences.

3.3. Limitations of Research Methodology

Although this research has employed an integrative analytical framework, it does have some limitations. For instance, some of the limitations are related to criticisms of qualitative research methodology itself, such as one’s own subjectivity, including biases
in research design that led to assumptions, interpretations, and analysis of findings as well as the difficulty of statistically measuring consistencies through qualitative methods. However, the strength of this research’s qualitative approach is that it provides a more detailed and in-depth explanation of the phenomena under investigation as well as highlights the complexities and intricacies that a quantitative approach cannot.

This analysis ultimately rests on the choices of my own theoretical perspective and only represents one view of women participating in microfinance activities, thus excluding the voices of other women—and men. This limitation is offset however, by my case study and observations in Tanzania, which encourage the goals of critical hermeneutics by challenging dominant forms of knowledge and validating diverse sources of knowledge such as marginalized groups. A related limitation of this qualitative research design is the selection of secondary data from the GB and BancoSol, which does not exhaust all possibilities and data from the thousands of microfinance programs across the globe. It also does not include primary data from women themselves. In addition, the authors of the secondary data sources surveyed from the GB and BancoSol also carry bias in what they chose as indicators and methods of measuring success of microfinance institutions. In addition, evaluation studies surveyed are written in English. There were also a limited number of studies with women themselves, which omits the many other diverse voices of women participating in microfinance across the globe.

By selecting the GB and BancoSol, this limitation was mitigated since these two MFIs are by far the most evaluated and studied and thus, include diverse perspectives and numerous studies from which it has drawn. The qualitative research design allowed for flexibility in keeping an open mind, as the research emerged from secondary evaluation and assessment studies. During this stage, there were many conversations and debates about the findings of this research with academics,19 experts in the field, and peers in order to reduce biases and strengthen the findings.

19 I had many conversations with colleagues at Simon Fraser University such as: John Richard from Public Policy who is familiar with microfinance in Bangladesh; Joanna Ashworth, Associate Director from the Centre for Sustainable Community Development and Co-director of the Engaging Diaspora in Development project; Morten Jerven from the School for International Studies; and Shaheen Nanji, Director of International Development.
A further limitation lies in the third case study. In addition to my own subjectivity and the particular feminist perspective that has influenced the interpretation of events on the ground, Tanzanian colleagues have their own inherent biases, which inform what activities, stories, and explanations of cultural, and gender context they provided. For example, what the social activities I was invited to and engaged in, what communities were visited, and whom I spoke with in both urban and rural areas played a role in shaping my perspective and observations. Interpretations and translation from Kiswahili and Kissukuma to English by Tanzania facilitators from the WCRHTP also presented limitations to the accuracy of responses from women themselves. Complicating this is the possibility that certain cultural and political aspects of life in Mwanza were not disclosed or translated due to my position as a visitor from Canada.

Recognizing the limitations of the third case study however, the strength of the findings from the ground resides in the fact that I was not there as a researcher with prescribed methods, questions, and formal notes. The modified grounded theoretical approach of observations and experience allowed for reflexivity throughout the seven months, changing and adapting discussion questions along the way. Being a student and participant in the WCRHTP and WLF project rather than a formal researcher allowed for access to rural and urban communities and invitations to traditional celebrations and homes. If I had been positioned as a researcher, it is likely that the trust and personal relationships would not have developed. This acceptance provided the opportunity to have informal and personal conversations, which provided invaluable insight into the lives and experiences of women.

3.4. Conclusion

Despite the challenges qualitative research methods pose for exploring the interplay between trends in the GPE, microfinance, and gender, the integrative approach outlined in this chapter provides sufficient justification for a comprehensive framework. By drawing on CDA, a survey of secondary data from two of the world’s most famous MFIs, and primary data from experience on the ground, this methodological framework was applied to the microfinance phenomena to reveal the social consequences of dominant development discourses and their resulting effects on women’s realities.
Examining the link between discourse and practice, I recognize that multiple truths exist. However, the goal here is to identify overlapping patterns and themes in development discourse to show whose voices are included and excluded when constructing knowledge about poverty and women’s realities, and formulating particular development strategies. This approach provides a space for alternative perspectives that may lead to new avenues and spaces for producing and negotiating truths about the relationship between the GPE, microfinance, and gender.
Chapter 4.

Negotiating Discourses: Poverty (the object), Poor Women (the subject), and Microfinance (the technology) in the Global Political Economy (GPE)

Using a Critical Discourse Analyses (CDA) of key documents from the World Bank (WB), Consultative Group to Assist the Poor (CGAP), and United Nations Development Program (UNDP), this chapter explores the broader discursive formulations in conventional development discourses that have legitimized and reproduced truths about poverty, the poor, and microfinance as the solution. The result has been the creation of the women’s poverty-empowerment nexus. As Stiller (1998) notes:

"Text [discourse] index and construct power relations, forms of domination and authority; they produce, reproduce, and legitimate ideologies; they mark the ways in which different groups are classified and the way different groups classify themselves and others – they are the product of, and the medium for, our vision and division of social ‘reality.’ (p. 184)"

Michel Foucault’s analytical construct of neoliberal governmentality (2008) is employed to provide an analysis of how the discursive formation, themes, and patterns that created the women’s poverty-empowerment nexus occurred at a particular historical juncture. This thesis argues that microfinance has served as a governance technology that has helped shift the responsibility for poverty reduction and gender inequality from States to individuals, and in the case of microfinance, to women in the Global South.

In order to reveal the trends in the GPE that have led to microfinance, this chapter first discusses the various definitions and understandings of poverty in the literature to show how one particular definition of poverty and the poor emerged out of a host of other understandings in conventional development discourses, and how this has legitimized a neoliberal financial prescription for addressing it. The chapter then discusses consistencies and inconsistencies in the literature, and describes how this
research data moves beyond the normative development discourse to reveal microfinance as a governance technology.

4.1. Povery Understandings

*Attitude and orientation inhere in the text [discourse] because the acts it both records and initiates cannot be separated from the real human agents who perform them in contexts always rife with real social conditions and consequences.* (Stillar, 1998, p.4)

The following is by no means an exhaustive review of poverty definitions; it is intended to provide an overview of the various understandings of poverty that have dominated academic and political discourse over the last three or four decades. Spicker (2007) has grouped these main poverty definitions into three broad groups or clusters. The first is “material need”: specific needs, patterns of deprivation, and standard of living. The second is “economic circumstances,” defined as lack of resources, economic distance, and economic class. Finally, there is “social relationship”: social class, dependency, social exclusion, and lack of entitlement.

The first group, material need or “absolute poverty,” refers to specific or basic needs: a lack of income or resources for attaining basic material requirements such as food, clothing, fuel, and shelter (Øyen, 2006). Another definition within the category of material needs is “patterns of deprivation,” which is commonly associated with citizens’ standard of living; that is, the experience of living with “the minimum acceptable way of life in the Member States in which they live” (Dieterlen, 2005, p. 18). The World Bank adopted this definition of poverty in 1991, which resulted in pinning poverty to the arbitrary figure of one dollar (later two dollars) a day. This definition was associated with the notion of economic class: the expression of peoples’ relationship to the system of capitalist production (Spicker, 2007). The WB has used the standard of living, which measures income and consumption, as an indicator of poverty.

The second group within the poverty definitions is “economic circumstances,” which denotes a lack of resources; understood strictly in economic terms, this means the lack of resources to obtain wants. This definition has led to approaches and strategies to reduce poverty by focusing on income and attainment of basic needs, which implies
the problem, is a material one. Income is the indicator used by many social scientists to measure poverty and inequality (such as in the Gini Index\textsuperscript{20}) (Lok-Dessallien, 1999).

The third group of poverty definitions — “social relationships” — includes a broader range of capability deprivations, inequalities, and exclusions. Within this group is social class, which is the assessment of a person’s socioeconomic status determined by their occupation and relative social status, and dependency, which relates to the extent of their reliance on social benefits (Laderchi, Saith, & Stewart, 2003). Criticism of the material definition of poverty led to the definition of social exclusion, which pertains to individuals, groups, or geographic areas which are materially, socially or culturally excluded from external assets such as land, infrastructure, common property, and credit, or internal assets, like health, education, and housing (Lok-Dessallien, 1999).

Drèze and Sen (1989) argue that both the absence of basic necessities and lack of entitlement to legal, social, and political rights are central to poverty. This social exclusion and entitlement definition (also termed the human capabilities approach) attempts to capture the complexity of poverty that extends beyond the experience of material deprivation to include stigmatization and social rejection. Sen’s capabilities approach has played a major role in theorizing for gender justice (Nussbaum, 2003). The human capabilities approach informs the UNDP’s framework for human development.\textsuperscript{21}

The adoption by the UNDP of this definition and approach to poverty reduction has led to the concept of empowering the poor in development discourses; that is, the poor will be empowered through their participation in civil society and improve in socioeconomic position (Bonfiglioli, 2003). This definition requires a move beyond material indicators such as income to governance indicators, including the degree of civil society participation, and access to information for measuring poverty. In practice, for reasons outlined in the next section, given the dominance of the material—income

\textsuperscript{20} The Gini Index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economic deviates from a perfectly equal distribution (World Bank, 2012).

\textsuperscript{21} Sen’s concept of human capabilities involves “the various rights and opportunities [that] add to expansion of human liberty. … ” (Sen, 2000, pp. 36-37).
approach to and its resulting quantitative poverty measurements in the GPE, advocates (including the UNDP) have tended to use and measure exclusion and human capability more specifically in relation to material needs rather than human capability.

4.2. Framing the Problem: The Object Poverty

Text represents choice. A text is ‘what is meant’, selected from the total set of options that constitute what can be meant. (Halliday, 1978, p. 109)

The various concepts of poverty have led to two opposing approaches: the unified and participatory approach to understanding and measuring poverty. While the unified approach identifies poverty as a simple material issue and thus, proposes clear criteria for addressing it, the participatory approach incorporates diverse definitions of poverty such as the underlying structural inequalities and inherent disadvantages like social exclusion (Laderchi et al., 2003). The implication for measuring poverty has been that the unified approach, with clear criteria, leans toward a preference for quantitative measures like surveys and interviews, while participatory approaches favour qualitative tools like narratives of exclusion. Of the two approaches, it is the unified approach that has become predominant in conventional development discourses and practice and thus, in poverty assessment measurements.

How did the material needs definition and unified approach to measuring poverty become dominant in discourse on development and practice? Øyen (2006) explains: “different actors see different things, emphasize different aspects and develop different paradigms of poverty understanding according to their discipline, position or vested interest. … [t]he understanding of poverty is … fitted into the dominant paradigms of the discipline” (pp. 1-2). Therefore, to better understand the dominance of the material approach to poverty, it is necessary to review the dominant paradigm and role of powerful institutions in the GPE—particularly the role of the WB and the UNDP in giving effect to particular discursive articulations of poverty.

As previously noted, the WB leans toward the material definition of poverty, while the UNDP uses a broader meaning that includes social exclusion; for instance, the “Human Development Report” (published annually since 1990 by UNDP) states that,
“sustainable human development is development that not only stresses economic growth but distributes its benefits equitably” (UNDP, 1994, p. 3). Therefore, the UNDP describes the concept of sustainable human development as widening peoples’ choices by enhancing their capabilities (Razavi & Miller, 1995). However, although the Human Development Index (HDI) potentially represented a shift in attention from economic growth toward people-centered development as shown below, there is a gap between the rhetorical articulation in this development discourse and actual practice.

There are several reasons for the gap between discourse and practice; for one, the material approach to poverty is in line with the dominant neoliberal paradigm in the GPE, which is implemented through the power of the WB and IMF. Emphasizing a broader notion of poverty that incorporates social exclusion as a measurement would require a focus on power structures and inequality, rather than financial prescriptions for individuals. It is therefore at odds with neoliberal politics. As Karim (2011) notes:

Development is a discourse of the social imaginary held together by the discursive power of the first world over the third world. ... [t]he technical management of poverty on a global scale was created after World War II, with the establishment of the International Monetary Fund. (p. 164)

In addition, the disjuncture between the development rhetoric that frames poverty and development practices on the ground can also be attributed to the differences in power between the WB and UNDP; that is, a gap between capacity to generate ideas and to implement those ideas. As the preeminent global development institution, the WB not only possesses the sociopolitical and economic influence to create a particular definition of poverty, but also to implement it. Thus, although ostensibly within the UN system, the WB is an autonomous institution with the ability to raise its own funds in addition to member contributions, and has the power to prescribe macroeconomic policies such as conditional lending in the GPE. In contrast, the UNDP occupies a role of junior partner to the WB. Unlike the WB, the UNDP is a program buried under several

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22 HDI was developed primarily by Amartya Sen based on his capabilities approach. First published in 1990, it measures human well-being indicators such as life-expectancy, health, and education and is used every year to track countries’ progress in these areas (Stanton, 2007).
layers of UN bureaucracy; it lacks autonomy and the capacity to raise its own funds, which severely limits its power (Therrien, 2002).

The gap between development discourse and practice therefore, can be better understood through the extent to which the power and authority of institutions such as the WB and similar institutions like the Organization for Economic Co-operation and Development (OECD) that give effect to a discourse. It is hardly surprising that it is the WB’s definition of poverty and its methodological preference for quantitative measurements of income, rather than the UNDP’s broader definition of poverty as capability deprivation and inequality that has become dominant in the GPE. The result is that even though the UNDP appears to be more sensitive to broader concepts of poverty and produces a Human Poverty Index\textsuperscript{23} (HPI), first published in the “Human Development Report” in 1997, and every year since, it uses quantitative measures based on material standards of living (Despotis, 2005).

There are two different standards: the HPI-I for developing countries, and HPI-2 for developed countries. This means that poor countries are only compared to other poor countries, and richer counties to other rich countries, which creates a double standard. The variation in standards is not based on differences in needs; it is based on the idea that poor countries cannot sensibly be compared to rich ones (Sen, 1983). Moreover, the UNDP’s approach to measuring, the 2010 Human Development Index (HDI) and the 2010 Multidimensional Poverty Index (MPI) still rely on quantitative indicators that do not really capture the broader dimensions of both material and social exclusion (Alkire & Santos, 2011).

Within the context of power and dominance of the WB to construct knowledge, conventional development discourses shifted from an emphasis on growth in per capita income and other macroeconomic restructuring policies like SAPs to \textit{Adjustment with a Human Face} (Cornia et al., 1987), and its subsequent attention to developing pro-poor policies and practices. The framing of poverty and the poor in development discourse at this particular historical juncture, sometimes referred to as the post-Washington

\textsuperscript{23} Developed to supplement the Human Development Indicator. The HPI has three major aspects of human development: “longevity, knowledge, and standard of living” (Despotis, 2005, p. 969).
consensus, helped to legitimize corresponding actions. These included economic prescriptions to bring the poor into financial markets, increase their income and thus, reduce poverty (Therrien, 2002).

This specific type of poverty reduction strategy was further reinforced at global conferences, such as the 1994 Overcoming Global Hunger held in Washington DC, where former President of the WB, Lewis T. Preston declared: “the World Bank—through its commitment to poverty reduction—has long been concerned about global hunger” (Serageldin, 1994, p. 6). He continued:

Hunger can only be effectively addressed through a partnership involving all those concerned. The governments and peoples who face the problem every day are—ultimately—the key actors, but the United Nations organizations, donor agencies, nongovernmental organizations, and multilateral institutions also have important roles to play. (Serageldin, 1994, p. 6)

Power and dominance are (re)enacted not only because the WB has substantial financial resources, but also symbolic power. For instance, the WB has the power to set the global poverty agenda and influence other UN organizations, donor agencies, and multilateral institutions with similar ideologies. Here, it is Lewis Preston of the WB at this global conference who has the capacity to set the agenda for what is to be discussed. The object of global hunger has been selected from a host of other social issues, the subjects are governments and peoples who face the problem of poverty, and only global institutions are represented in the conversation about it.

As head of a powerful global institution, Preston (1994) not only has the power and authority to structure conditional lending through SAPs, PRSP, and MDGs, but also to shape a particular knowledge of poverty as a material concept. As Preston notes elsewhere:

Hunger is sometimes caused by drought, disease, or war ... But the more widespread and deep-rooted form of hunger is caused by people having neither the capacity to produce food nor the income to pay for it. Fundamentally, hunger is caused by poverty. (Serageldin, 1995, p. 6)

This perception is then taken up and distributed by the mainstream media, which plays a major role in shaping public perception and consensus on what constitutes
poverty and the poor. This construction of knowledge about poverty as a simple economic problem is then legitimized by other experts in the GPE; as Spicker (2006) notes, Peter Townsend and 79 other leading academics helped solidify the WB’s preferred definition and unified approach to measuring poverty by signing “An International Approach to the Measurement of Poverty,” which states:

Poverty is primarily an income—or resource—driven concept. … [a]ll countries should introduce international measures of these basic concepts and take immediate steps to improve the accepted meanings, measurement and explanation of poverty, paving the way for more effective policies. (as cited in Spicker, 2006, pp. 240-241)

This definition is significant because Townsend and other knowledgeable experts like him are part of the dominant group of Western elites and academics who represent neoliberal ideology in the GPE. The next section discusses how the dominant definition of poverty is then linked to the poor—and in particular poor women, which creates the women’s poverty-empowerment nexus. It then explores how this nexus led to the technology of microfinance for addressing it.

4.3. Constructing the Women’s Poverty-Empowerment Nexus: The Subject (Poor Women as Responsible Agents)

Text reflects choices about representing the participants, events, circumstances, times, and so on. All choices perform functions – organizing representing and interacting in connection with the situation. (Stillar, 1998, p. 16)

As former WB President, James D. Wolfensohn (2002) stated in a report titled Creating Better Lives for Poor People, “Our shared purpose is to reflect on the Poverty Reduction Strategy Papers (PRSP) … and collectively to develop concrete ways to improve its impact. When I say impact, I mean something very simple—better lives for poor people” (p. 1). Using the highly politically charged “our shared purpose” and “collectively to develop” Wolfensohn, a powerful individual in the GPE, speaks for other Western elites on what constitutes poverty and the poor; that is, something very simple. But Bamberger, Blackden, Manoukian, and Fort argue:
Although women and men share many of the burdens of poverty, they frequently experience poverty differently, have different poverty reduction priorities and are affected differently by development interventions. Usually women and girls bear the brunt of gender inequalities. Identifying and redressing these inequalities tends to have high social, economic and financial returns ... the PRSPs have a weak track record on identifying and addressing gender inequalities. (as cited in Zuckerman, 2002, p. 1)

The construction of the poor and resulting policies and practices is nothing new. As noted in Chapter 2, the construction of the “Third World” woman in the late 1970s and 1980s resulted in the WID approach, with strategies such as income-generation projects to address health care, clean drinking water, and other matters that were considered women’s issues. Increased international attention to the rise in poverty and inequality led to what is commonly referred to as the feminization of poverty, which resulted in the United Nations Decade for Women (1975-1985). This Decade resulted in more projects and programs aimed at women in the Global South, but by the end of this decade there was no evidence to suggest that women’s conditions had changed (Moser, 1989).

The consequence of this was another shift in development discourse and policy from the earlier “agenda-setting,” which brought women’s concerns into the mainstream, to the integrationist approach, which included gender mainstreaming24 (Razavi & Miller, 1995). Gender mainstreaming occurred in three of the largest multilateral institutions in the 1990s: the WB, the UNDP, and the International Labour Organization (ILO). However, as Razavi and Miller (1995) note, “efforts made [by the WB, UNDP, and ILO] to integrate gender in policies and practices led to the proliferation of WID integrated activities, which did not produce significant gains in overcoming gender inequality” (p. 65). Regardless of later conceptual and discursive shifts to approaches for addressing the exclusion of women in development processes, the WID approach remains the predominant strategy since it aligns well with neoliberal preferences for project targeting women’s productive labour, and because it shifts the responsibility for poverty reduction to women.

24 Gender mainstreaming is a concept that calls for “the (re)organization, improvement, development and evaluation of policy processes” so that women are “... incorporated in all policies at all levels and at all stages, by the actors normally involved in policy-making” (Hafner-Burton & Pollack, 2000, p.1).
Likewise, as noted in Chapter 2, NGOs that initially emerged to address social issues of increasing inequality quickly turned to supporting and implementing income-generating programs and projects. This shift is reflected in the rise of the WB’s support for NGO activities, growing from little involvement in the late 1980s, to over 50 percent by 1994 (Adair, 1999). Thus, the trend in WB financed projects coincided with a shift in NGO objectives—from commitment to addressing growing inequality by providing services such as healthcare, to delivering microfinance. A result of the growth in NGOs in the Global South has been the emergence of a large body of poverty research that “reproduces the idea of poverty under multiple categories, such as the poor, the hardcore poor, the marginal, the landless, women, and indigenous people … [which] tend to obscure the structural conditions and class relations that produce poverty in the first place” (Karim, 2011, p. 165). One neoliberal response to NGOs social research, as noted in Chapter 2, has been to create projects aimed at increasing women’s incomes since research findings concluded that it is women more than men who spend their earnings on their family’s welfare.

The women’s poverty-empowerment nexus began to emerge more strongly in development discourses and public media. For instance, global Conference on Hunger and Poverty: Popular Coalition for Action report declared that: “Hunger is the product of extreme poverty. Empowering the poor, especially women, is the key to reducing poverty and hunger” (Serageldin, 1995, para. 7).

Empowerment is more than access to education and health services … addressing all the issues that prevent the rural poor from owning productive land: land reform, environmental degradation … The Bank is working on all these … and most importantly of access to microfinance-credit, especially for women. (para. 8)

Here, the women’s poverty-empowerment nexus becomes an underlying theme in conventional development discourses from the 1990s onward, legitimizing targeted strategies for increasing women’s access to credit for entrepreneurial activities. The next section discusses the ways in which building the women’s poverty-empowerment nexus has led to the justification of a particular financial solution, microfinance. It then moves to discuss Foucault’s notion of neoliberal governmentality to show the connection between trends in the GPE, microfinance as a governance technology, and gender.
4.4. Posing the Solution: Microfinance

Development concepts such as women’s empowerment, which led to the financial strategy of microfinance, emerged within the context of global restructuring in line with neoliberal politics: the move to fiscal and financial sector reform, privatization and deregulation of public resources. The making of the women’s poverty-empowerment nexus within development discourse in this historical context and its accompanying policies and strategies, starts to emerge as early as in the *World Development Report 1990: Poverty* (Squire et al., 1990). The following excerpts from the report reveal the focus on market participation and labour as the solution to poverty:

A review of development experience shows that the most effective way of achieving rapid and politically sustainable improvements...[is] the productive use of the poor’s most abundant asset—labor. It calls for policies that harness market incentives, social and political institutions, infrastructure, and technology to that end. (p. 3)

The poor usually lack assets as well as income. ... disadvantaged households are typically land poor or landless. ...The ownership of assets directly affects income opportunities. ... Without assets such as land, the poor must hire out their labor. Without adequate human capital, they are limited to unskilled work. (p. 37)

Public policy is critical both in reducing poverty, *as measured by income*, and in improving social indicators ... . The two issues—higher incomes and improved social indicators—are clearly linked ... . (p. 45, emphasis added)

In short, growth reduces poverty. (p. 47)

But, page 31 of the UNDP’s World Development Report (WDR) (1990) identifies the diverse causes of women’s poverty and inequality such as cultural and social barriers, but it is economic growth through market incentives for increased income—the Washington Consensus—that becomes the overarching and predominant theme in the report, with the specific approach of microcredit being recommended (Squire et al., 1990). The 1990 WDR report for instance, asserts, “group lending is one approach for reaching poor people. It has successfully served extremely poor people—83 percent of them women—and its loan recovery rates exceed 95 percent” (p. 68). The report argues:
Some credit programs have targeted micro enterprises. ... with packages of credit, training, and technical assistance. The programs that have emphasized credit have been the most successful. ... Schemes such as MicroFund in Manila, Philippines ... have targeted the poor—especially poor women, many of whom work in very small enterprises. Microenterprise lending can have a considerable impact on incomes. (Squire et al., 1990, p. 68)

The message was clear, not only can microfinance reach poor women, reduce poverty, and increase their empowerment (the women’s poverty-empowerment nexus), it is also a good investment, with higher repayment rates than commercial banks. The following are examples of support and enthusiasm for microfinance, associated with the rise of neoliberalism in the 1990s:

[Barber Conable (1986-1991)]:
The World Bank intends to ‘reassert and expand its role in the attack on poverty through a targeted program focused on eradicating the worst forms of poverty’ through its ‘involvement with NGOs, poverty programs, women’s programs, and micro-enterprises,’ ... targets included ... the poorest groups in countries that are undertaking adjustment programs. (as cited in Weber, 2004, p. 369)

Micro-level credit schemes, such as those undertaken by Grameen Bank of Bangladesh, the Baden Credit Bank of Indonesia, have proven to be highly effective at the grassroots level. ... to help people help themselves by starting small-scale income generation projects and businesses. They are a particularly effective way of reaching women, thereby helping to improve the incomes and wellbeing of their children and families.

The World Bank is willing to work with its partners to expand effective micro-level credit schemes for the poorest of the poor ... establishing a consultative mechanism that could focus not only on funding, but also on the dissemination of best practices. (Preston, 1994, p. 7)

A result of this particular view of the power of microfinance, promoted at the 1993 Conference on Hunger, was reinforced in an agreement that resulted in the creation of CGAP in 1995 (Ledgerwood, 1999). Other powerful elites in the GPE took up the slogan that microfinance was the new solution to poverty and inequality, which helped build the momentum for gaining global consensus. For example, former U.S. President Jimmy Carter at the World Food Prize ceremony in 1994 remarked: “by giving poor people the power to help themselves, Dr. Yunus [Grameen Bank] has offered them something far
more valuable than a plate of food in its most fundamental form” (Celebrity Speakers, 2010, para. 2). As noted in Chapter 2, other WB and U.S Presidents endorsed this belief in the spectacular ability of microfinance.

While the WB’s rhetoric in the series of reports titled, the “Voices of the Poor”25 asserts that poverty is a multidimensional social phenomenon that includes both physical deprivation and social factors such as self-esteem, self-respect, and vulnerability (Chant, 2003), the framing and images in conventional development discourse continue to connect poverty and female inequality to economic solutions, mainly microfinance. Therefore, it is the old the WID approach of income generation projects for addressing poverty and inequality that remains dominant, rather than the State’s role in redressing social and structural imbalances at all levels, which is more consistent with the GAD perspective. The continuation and reinforcement of the women’s poverty-empowerment nexus can been seen in the more recent WB launch of the Gender Action Plan (GAP), Gender Equality as Smart Economics (2007-2010) and its GAP transition plan (2011-2013), a “Three-Year Road Map for Gender Mainstreaming,” with policies and strategies for advancing women’s economic empowerment rather than addressing power structures that perpetuate gender and economic inequality (World Bank, 2006, 2012).

These more recent WB policies and strategies of “gender mainstreaming” for women’s empowerment fit nicely within long-standing neoliberal economic policy frameworks for poverty reduction and women’s empowerment. Therefore, like microfinance, the GAP symbolizes that the WB is doing something about gender issues; it notes, “economic empowerment is about making markets work for women (at the policy level) and empowering women to compete in markets (at the agency level)” (World Bank, 2006, p. 4).

The disconnect between discourse and practice, evident in the difference between the “Voices of the Poor” publications and the practical strategy outlined in the GAP, is also apparent in the UNDP. For example, although the UNDP (1990) proposes a broader definition of poverty, as evident in the 1990 “Human Development Report,”

25 The World Bank “Voices of the Poor” has three publications: Can Anyone Hear Us? (1999); Crying out for Change (2000); and From Many Lands (2002).
which mentioned human capability and social inclusion, its solution is aligned with WB policy. This is reflected in the “Microcredit Helping Women Out of Poverty: UNDP” report (UNDP, 2008) that promotes the effectiveness of microfinance in reaching the poorest of the poor, and in particular, poor women in the Global South. The creation of the women’s poverty-empowerment nexus has been powerful, as Karim (2011) argues:

> It is a compelling image to see women in a Muslim country handling money, participating in loan meetings, walking in public places, learning to write their names, and becoming small entrepreneurs. In the worldview of Western policy makers if the ‘wretched of the earth’ – Bangladeshi women—can make it in the abysmal conditions of that country, by extension anyone can. (p. xxii)

Microfinance advocates promote the very small success stories, while concealing large failures such as women’s increased debt, increased workload, and suicides due to stress and repayment pressure (Boghani, 2012). Regardless of these large failures, and insufficient evidence to suggest it is a viable strategy, Morduch notes that the success stories promoted in development rhetoric and mass public media have been so influential that they have fuelled the proliferation of credit through microfinance institutions (MFIs) from Western governments, NGOs, and private investors across the globe to the poorest of the poor (as cited in Heinemann, 2010). However, the spread of microfinance across the globe would not have been possible, as Abrahamsen (2004) argues, unless “… techniques of self [empowered individuals taking out credit] are integrated into structures of domination” (p. 1459). The next section discusses the mechanisms legitimized through the global poverty agenda and concepts of women’s empowerment in the GPE that gave rise and meaning to microfinance.

### 4.5. Microfinance: Governance Technology in the GPE

Discourse is ‘action’: It does something for social agents in the real contexts of their living. … It not only reconfirms and re-enacts existing social relationships and patterns of behavior, it also renegotiates social relationships and introduces new meanings and new behaviours. (Stillar, 1998, p. 5)

Together with Michel Foucault’s description of neoliberal governmentality as management of the population, the above quote provides insight into microfinance as a
governance technology in the GPE. The discursive formulations in conventional development discourses transformed poverty into a problem of self-care\textsuperscript{26} and introduced a new form of governance technology where the poor and disempowered women can help themselves.

Microfinance therefore, helps to advance neoliberal politics by shifting responsibility from States to individuals and helps to (re)confirm and (re)negotiate socio-political and economic power relationships in the GPE by introducing new meanings: women are empowered agents rather than victims of poverty and gender inequality. Microfinance also introduces new behaviours: women making free decisions to obtain credit for entrepreneurialism. These new meanings and behaviours have entailed the creation of self-disciplined agents, induced into and represented as taking action to reduce their own poverty and inequality.

By associating microfinance with its poor, female beneficiaries, the microfinance strategy could then be legitimized, prescribed and implemented through the global poverty agenda. For instance, social safety net programs and social funds with credit components would support income generation projects. This can be seen within the WB and IMF expanded conditionality, the discursive shift in development discourses to good governance and empowering the poor (as noted in Chapter 2) that promotes going beyond States, to other actors such as the private sector and financial institutions. A good example of this is in the OECD’s (2001) “Development Assistance Committee: Guidelines on Poverty Reduction,” which states, “reducing poverty calls for rapid and sustainable pro–poor growth. This requires good governance, prudent macroeconomic management, competitive markets and a vibrant private sector … .” (p. 11).

Global poverty reduction and pro–poor growth therefore, required the enabling environment for creating opportunities to empower the poor. As Weber (2004) argues:

The liberalization of the financial sector is then presented as a central component of this ‘enabling environment’, with the underlying objective being to increase access to credit. In this sense, discourses of

\textsuperscript{26} Foucault’s concept describes the shift of responsibility for “social risks such as illness, unemployment, poverty, etc., and for life in society into the domain for which the individual is responsible and transforming it into a problem of ‘self-care’” (Lemke, 2001, p. 201).
empowerment can be seen to frame the politics of ‘safety nets’ in order to legitimize the re-regulation of macro-level policies along the imperatives of the new economy. (p. 362)

Legitimized as a tool to empower the poor, the WB and IMF conditional lending programs help to implement neoliberal policies of financial and trade liberalization, deregulation, reduced government expenditures and restructuring of public sectors on a global scale. These policies limit the capacity of states to carry out their own economic programs for reducing poverty (Cohn, 2000). In addition to the creation of credit components with and social funds was the creation of CGAP in 1995. Importantly:

given the rules set for microfinance by CGAP, countries adopting microfinance based poverty reduction programs would have to implement some form of accompanying financial sector liberalization at some policy level … . This can be seen in WB and CGAP collaboration that has resulted in: expedited financial sector reform in 26 countries encapsulating Asia, Africa, and Latin America. (Weber, 2004, p. 374, emphasis added)

The discourse emphasizes that microfinance is an effective strategy for poverty reduction, providing financial services to poor households. Since its inception in 1995, CGAP has legitimized the virtuous impact of microfinance and recommended the integration of NGOs into financial markets27; in 2009 its “... cross-border funders reported commitments to microfinance US$21.3 billion”; in 2011 it contributed over US $25 billion to microfinance or financial services for the poor (El-Zoghbi, Gähwiler, & Lauer, 2011, p.1). In a lecture, Ananya Roy (2010a) argued that:

it is the CGAP agenda that has been endorsed by the G8 summit, it is CGAP that controls the portal of knowledge in the micro-finance sector, no other institution can wield such intellectual influence-building what CGAP calls near universal consensus—its best practices in microfinance is become standard practice.28

Microcredit Summits have been held almost every year since 1997, in cities in the United States and Canada, to Europe, Africa, Asia, and Latin America. In 2006, “the Campaign was re-launched with two new goals:

28 This is a direct quote from Ananya Roy’s lecture that I attended and recorded.
1. Reaching 175 million poorest families with microfinance.
2. Helping 100 million families lift themselves out of extreme poverty.”
   (Microcredit Summit Campaign, n.d.b, para. 3)

In addition to the above-mentioned goals, the campaign had major themes, one of which is:

**Empowering Women.** Experience shows that women are a good credit risk, and that woman-run businesses tend to benefit family members more directly than those run by men. At the same time, through earning an income women achieve a higher status in their homes, their communities, and their nations. (Microcredit Summit Campaign, n.d.b)

The Summits gained momentum, as noted in Chapter 2, with a series of Summits and CGAP’s creation of Microfinance Information Exchange (MIX). Biswas (2009) notes:

The micro-credit phenomenon has revealed the existence of a huge potential market, profitable yet largely untapped: an estimated 500 million micro entrepreneurs and their families, until now largely excluded from a financial system … . These 500 million micro entrepreneurs represent a potential credit market of US $ 100 billion and even larger market for savings and insurance. (“Growth of Finance and Banking Capital,” para. 1-2)

The hunt for profit has motivated the micro-credit operators to target the unemployed poor. Micro Credit, proudly advertised as a tool of poverty alleviation, is merely a lip-service to them. Micro Credit, to them, is a newly invented tool of making profit. ("Profit Motive," para. 1)

On the issue of profit, Compartimentos in Mexico, BancoSol in Bolivia, and k-Rep in Kenya boast better profitability rates than some of the world’s biggest and best banks; this profit is gained from charging 100 percent interest rates or more (MacFarquhar, 2010, p. A1). The evidence is clear, poor women are a good investment.

**4.6. Conclusion**

The themes and patterns in discursive formations in some key documents of the WB, CGAP, and UNDP have revealed a particular set of economic ideologies that have developed normative and ethical justifications of poverty reduction and women’s
empowerment. This production of knowledge about the material aspect of poverty, the poor, and development notions of women’s empowerment as an economic concept has constructed the women’s poverty–empowerment nexus.

This chapter has argued that microfinance has not lived up to its claim to alleviate poverty and empower women. Michel Foucault’s notion of neoliberal governmentality provides a deeper insight into how discourse is action. It underlines how knowledge production in development discourses has transformed the problem of poverty and the poor, leading to the justification of a specific governance technology—microfinance.

The idea and practice of microfinance thus, has served two functions. It conceals the failures of globalized neoliberal policies like SAPs, PRSPs, and MDGs by appearing to something about poverty and inequality. It’s other function is to instil a particular type of neoliberal governance by shifting States’ responsibility for poverty reduction and inequality to individuals—particularly women—in the Global South.
Chapter 5.

Case Studies: Grameen Bank and BancoSol

Together, the legitimization of microfinance through powerful claims about its positive outcomes, and the embedding of credit components in neoliberal inspired policies and programs (as discussed in Chapters 2 and 4) have produced the poverty–empowerment nexus; the connection between increased income through microfinance, poverty reduction, and women’s empowerment has led to a proliferation of microfinance institutions (MFIs) across the globe. As Lewis Preston (1994), former World Bank president claimed:

Micro-level credit schemes…undertaken by Grameen Bank of Bangladesh…have proven to be highly effective at the grassroots level. ... They are a particularly effective way of reaching women, thereby helping to improve the incomes and well-being of their children and families. (p. 7)

This chapter examines two of the world’s best-known MFIs, the Grameen Bank (GB) in Bangladesh, categorized as a “charitable” institution that focuses on social goals, and BancoSol in Bolivia, a financially “sustainable”, profit-making institution. This examination will address the second research question: does the available evidence support the claim that microfinance is an effective tool for mass poverty reduction and women’s empowerment?

These two MFIs have been selected for their pioneering role in the microfinance revolution and their bottom up approach to reducing poverty and social development. Additionally, they both transformed rapidly from NGOs to commercial banks, resulting in significant financial success. Both these MFIs serve to illustrate the debate among

29 As noted in Chapter 2, the GB is categorized as a charitable institution since it receives subsidies to keep interest rates lower than profit motivated institutions, in order to carry out its social goals.
30 As noted in Chapter 2, BancoSol is considered a sustainable institution since it charges higher interest rates to generate enough revenue to cover operating costs and making it financially sustainable.
31 See Chapter 2, p. 33 for details and references.
microfinance advocates on how to best reach the poor; that is, through charitable institution with social goals or profit motivated sustainable MFIs for greater outreach (Helms & Mosely, 1996; Morduch, 2000).

The review of impact studies on the GB and BancoSol is also important for supporting the argument of this thesis; that is, regardless of the category of microfinance provider, whether charitable or sustainable, there is insufficient evidence to support the popular rhetoric that microfinance is a viable tool for reducing poverty and empowering women. Here, I argue that there is a gap between the development discourse on microfinance and evidence on the ground. It is intended to provide a broad overview of the growth, financial success, achievements and failures of GB and BancoSol in reducing material poverty and in the case of the GB, promoting women’s empowerment.

5.1. The Grameen Bank, Bangladesh

In 1976 a Bangladeshi economist, Muhammad Yunus, established the Grameen Project\(^{32}\) (GP) in Bangladesh; due to the Project’s success in the village of Jobra, it expanded into other parts of the country (Yunus, 1999). The GP had five objectives, but three are noteworthy here to reveal the gap between the discourse and impacts on the ground:

- “eliminate the exploitation of the poor by money lenders” (Grameen Bank, n.d., Bullet 2)
- “bring credit to ‘the disadvantaged, mostly women from the poorest households…” and, (Bullet 4)
- “reverse the age-old vicious circle of ‘low income, low saving & low investment’, into virtuous circle of ‘low income, injection of credit, investment, more income, more savings, more investment, more income’”” (Bullet 5)

\(^{32}\) Grameen means “village” or “rural” in the Bangla language. The Grameen Project, a small rural project involving loans to stool makers was set up in the village of Jobra with financial support from the Central Bank of Bangladesh and commercial banks.
In 1983, because its NGO status prevented it from raising capital from private investors and international donors, the GP became the Grameen Bank, an independent bank that offered small loans and basic savings accounts and included a fixed weekly instalment (Udeaja & Ibe, 2006). The GB was created “... under a special, one-time bank charter issued by the Ministry of Finance in 1983” (Carpenter, 1997, p. 15).

The GB evolved from an initiative sponsored by Chittigong University, to a project of the Bangladesh Bank, to a specially chartered institution in 1983 with the passage of the Grameen Bank Ordinance by the Bangladesh Parliament ... . (p. 21)

Today, by admission of both Grameen and the Central Bank, GB operates largely independent of government, despite the regulation and supervision elements in the Ordinance. This “light hand” has allowed GB to operate with minimal restrictions and to continue its innovations and growth ... . (p. 23)

Grameen has managed to maintain access to both donor funding and capital markets through central bank guarantees, but only as long as its core business remains poverty alleviation through microcredit. (p. 24)

Yunus (1999) explained, “I never intended to become a money lender ... All I really wanted was to solve an immediate problem ... I had questioned the most basic banking premise of collateral” (p. 57). To solve this problem, the GB created the joint-liability structure that works by socially mobilizing the poor into groups of five women; once two borrowers repay with interest, other members are then eligible (Khawari, 2004). Thus, in the absence of physical assets, group pressure serves as human collateral.

The GB claims that its mission is “development–oriented with a focus on the poorest of the poor” and in particular, women (Schicks, 2007). Yunus (1999) explains:

if the goals of economic development include improving the general standard of living, reducing poverty, creating dignified employment opportunities, and reducing inequality, then it is natural to work through women. Not only do women constitute the majority of the poor; the underemployment, and the economically and socially disadvantaged, but they more readily and successfully improve the welfare of both children and men. (pp. 72-73)
To carry out its development objectives, Grameen’s primarily female borrowers must accept the rules of “Sixteen Decisions,” the first of which is to abide by the principles—“discipline, unity, courage, and hard work—in all walks of our lives” (Yunus, 1999, p. 135). At its inception in 1983, the GB was financially supported by the Central Bank of Bangladesh and the International Fund for Agricultural Development as well as by “hidden capital” or “soft loans” (loans exempt from income tax and business profit tax), and issued bonds to Bangladeshi commercial banks (Morduch, 1999). The Bangladesh Bank, however, confirms that it ‘encourages’ national commercial banks to lend to Grameen Bank. In 1995, the national commercial banks bought the full issue of government-guaranteed bonds floated by the Grameen Bank” (Carpenter, 1997, p. 17). As the only central bank-regulated MFI in Bangladesh in 1996, Grameen’s formal and legal bank status allowed it to raise capital and collect deposits to finance its goal for to the poor. However, the GB later entered into joint ventures with the World Bank, multinational corporations such as Danone and Wholefoods (creating Grameen Danone Foods), and other donors (Schicks, 2007). For example, in the mid-1990s MFIs in Bangladesh received approximately $175 million; $70 million was given to the GB from Norway alone, helping to propel its institutional growth (Muhammad, 2009).

Originally, GB offered microcredit basic fixed credit and savings products but later increased it to a variety of loan products to “boost” loan amounts per borrower. (Carpenter, 1997). “In June 1996, Grameen Bank and three NGOs served 85% of the active micro-borrowers ... [and] has more than 1,000 branches across Bangladesh....” (p. 19). In 2001 the GB moved to microfinance, offering more flexible financial products like insurance, pension funds, student loans, housing, and natural disaster insurance. This shift, which has been labelled Grameen II, was indicative of larger trends in the microfinance industry (Rutherford, 2009). Despite the shift from microcredit to microfinance, the joint-liability collateral system on loans remained intact and was and still is framed as an innovative approach to economic security rather than a system of peer pressure induced by groups (Sengupta & Aubuchon, 2008, p. 14).

For the list and full description of the ‘Sixteen Decisions’ see Banker to the Poor: Micro-Lending and the Battle Against World Poverty (Yunus & Jolie, 1999, pp.135-136).
Through this innovative joint-liability strategy, the GB has enjoyed great institutional success; it grew from 58,000 members in 1983, with portfolios of U.S. $4.2 million, to 8.35 million members in 2012, and a portfolio of U.S. $11.35 billion (Grameen Bank, 2013). Since 1983, with the exception of 1983, 1991, and 1992\(^{34}\) it has made an annual profit and enjoyed a financial sustainability rate of 99.21% (2009) (Rahman & Nie, 2011). Due to global promotion and support of its success in both poverty reduction and financial sustainability, by 2007, the Grameen model had been replicated in over 40 countries (Sarma & Borbora, 2011). In 2012, Grameen’s website noted that 97% of its clients are female, that it has 2,565 branches in 81,379 villages, and 22,124 employees; it also notes a repayment rate of 96.67%, which the bank attributes to the weekly payment system (Grameen Bank, 2013).

The promotion and popularity of the GB model across the globe can be credited to powerful advocates such as successive WB Presidents, and former Presidential couple, Bill and Hilary Clinton. The popularity of the GB led to Yunus winning the Nobel Peace Prize in 2006. The next section gives an operational overview of BancoSol, one of the world’s most famous profit based MFIs, which also claims to serve the poor.

5.2. **BancoSol, Bolivia**

Along with Bangladesh, Bolivia is one the first countries to integrate traditional NGOs into the microfinance sector through formal banking systems (Barzelay, 2008). As discussed in Chapters 2 and 4, social unrest in the late 1980s and early 1990s as a result of economic hardships brought about by SAPs, such as Bolivia’s New Economic Program, led to the creation of the Emergency Social Fund (ESP) in 1986. The ESP was designed to manage resistance to SAPs, which contained microcredit components designed for financing small and technically simple projects (Graham, 1992). Due to the withdrawal of States from the public sphere, resulting in reduced social assistance, there was a rapid increase in the numbers and prominence of NGOs like churches and international volunteer organizations involved in social assistance. The result was that

\(^{34}\) The Grameen Bank website does not provide an explanation as to why 1983, 1991, and 1992 did not make a profit (Grameen Bank, 2013).
NGOs assumed “responsibility for 50% of social assistance projects and 99% of productive schemes” in Bolivia (Graham, 1992, p. 1243). The rise in NGOs involved in microcredit projects in Bolivia fuelled competition for funding, which, due to the rigid legal and financial regulations of NGO status, led to the commercialization of NGOs in order to harness a broader range of financial sources (Barzelay, 2008).

In 1986, a group of Bolivian entrepreneurs with the U.S. based NGO, Americans for Community Cooperation in Other Nations (ACCION) created Fundación para Promoción y el Desarrollo de la Microempresa (PRODEM) (Udeaja & Ibe, 2006). With U.S. $5 million from the U.S. Agency for International Development (USAID) and the Inter-American Development Bank (IDB), PRODEM’s mission was to improve employment opportunities and increase incomes in the urban informal sector through credit and health education for the poor (Koreen, 1999). Concurrent with the larger trend among NGOs, Woodworth (2000) noted that PRODEM’s committee “took inspiration from the Grameen Bank in Bangladesh” (p. 3) and in 1992, it became a commercial bank, Banco Solidario S.A., BancoSol (Rhyne, 2010).

In 1992, BancoSol was launched with monetary and technical support from ACCION International, Calmeadow Foundation Canada, Bolivian banks, and other investors (Navajas et al., 2000). The transition from PRODEM to BancoSol, it was argued, was necessary for operational needs; that is, financial sustainability based on the profit model, and growth, would allow for greater capacity for reaching the poor (Robinson, 2001). However as Navajas et al. (2000) argue:

BancoSol was created in part to mobilize large deposits from rich households and firms in order to relieve the constraints on funds that had limited the growth PRODEM, in part to test whether an NGO could become a commercial bank, and in part to mobilize small deposits from poor households and firms. (p. 337)

BancoSol was the first fully chartered bank in the world to exclusively provide microcredit, disperse dividends to its shareholders, make the national stock exchange list (in 1997), and become 1 of 12 companies publicly traded on the Bolivian stock exchange (Campion & White, 2001). At its inception in 1992, BancoSol claimed to be different from other MFIs in that it targeted women. In 1996, “72% of BancoSol borrowers were women … eligibility requirements are in line with its
objective to serve the poor and therefore not particularly restrictive” (Inter-American Development Bank, 2000, p. 154). Like the GB, it aims to reach borrowers who lack traditional collateral, and thus employs the joint-liability model.

BancoSol’s mission reads, “we are the bank that gives the opportunity for a better future to the lowest income sectors, by giving them high quality and integral financial services (BancoSol, 2012, “Mission”) and promoting an “altruistic mission through a profit-maximizing strategy of commercial viability” (Gonzalez-Vega, Schreiner, Meyer, Rodriguez, & Navajas, 1996, p. 4). In 2008, BancoSol had 48 branches in seven cities (Sengupta & Aubuchon, 2008) and in 2013, BancoSol had a presence in almost every city in Bolivia (total of 74 intermediate cities) serving more than 222,102 clients, with an active loan portfolio worth over U.S $881.4 billion (ACCION, 2013). It is one of the world’s most famous banks. The following section discusses the findings from a survey of impact studies available on the GB and BancoSol on their effectiveness in reducing poverty, and in the case of the GB, promoting women’s empowerment. As noted previously, the following discussion is meant to be a review rather than a comprehensive examination of the evidence available to support the claim that microfinance is a viable tool for poverty reduction.

5.3. Analysis of Findings: Impacts on the Ground

Text is symbolic exchange between real social agents in situations bearing tangible consequences, and as such it always embodies motive and interest … [not only] ‘individuals’ involved, but those of the whole host of social systems and structures with their attendant resources ‘speaking through’ social agents. (Stillar, 1998, p. 6)

It has been over 25 years since microcredit and later, microfinance first entered the global arena and normative development discourses as “a tool of extraordinary power to lift poor people—especially women—out of poverty, by funding their microenterprises and raising their incomes” (Rosenberg, 2010, p. 1). However, while this has been the popular narrative on microfinance, more recent studies have begun to reveal a very different picture. The following discussion is organized around economic and social impacts of the GB’s record on empowering women since it claims to do this in addition to reducing poverty.
5.3.1. Impact on Poverty

The survey of studies and reports on the effectiveness of GB and BancoSol to reduce poverty does not overwhelmingly support the popular narrative that has historically inundated mass media and development discourse on impacts of MFIs. Some studies on the GB have concluded that some women have found loans helpful. As one woman put it, “I didn’t have anything. Now I have paid my loan back—and at the same time I have managed to build this house” (Heinemann, 2010), while other reports reveal otherwise. For example, the GB’s 2008 internal study reported, “65% of families of Grameen borrowers have crossed the poverty line” (Muhammad, 2009, p. 39), but when the data is reviewed differently (2,517 investigated) it was institutional success (profit of 81.40%) that came out on top, which coincided with repayment rates of 74.37% (Muhammad, 2009). Admad’s study of 2,500 MFI clients in Bangladesh, more than a third of the clients of the GB, revealed similar findings. Economic conditions were worse; for example, “children were going to school then dropping out, and food intake has not improved much” (as cited in Heinemann, 2010).

BancoSol has made similar claims. Not only does it help the poor by providing financial services, but also it performs well; for instance, in 2006 “eighty per cent of borrowers were only just above or below the poverty line, 15 per cent significantly above it, and only 5 per cent significantly below it” (Schicks, 2007, p. 554). Therefore, BancoSol’s clients are at the top of the income level among the poor (Navajas et al., 2000). This good institutional performance is attributed to BancoSol’s policy, which clearly outlines that you must have your business in operation for 1 year before you are eligible to receive a loan; thus, clients are the economically active poor, not the poorest of the poor (ACCION, 2010).

The lack of evidence supporting the claim that MFIs reduce poverty can partly be explained by what Barzelay (2008) calls, “mission drift”—the move from an NGO’s original goal of addressing issues like poverty and inequality, to financial sustainability. For instance, when PRODEM transformed into BancoSol, it drifted from its original social goals of training and health education in addition to credit, to financial services only (Gonzalez-vega et al., 1996). The United Nations Development Program, the World Health Organization, and many others have identified education as an important means
for reducing poverty; the move away from education and training to financial services alone neglects to contribute to mass poverty reduction. Barzelay (2008) provides insight into BancoSol's mission drift:

‘rapid growth and large size have forced BancoSol to revise its original organizational design.’ PRODEM could have become financially independent and sustainable without commercializing, but it would not have been able to expand on such a large scale and so quickly.

In contrast, the rapid growth associated with commercialization may reach more clients and therefore generate greater returns, but it also tends to encourage banks to drift from their goal of poverty alleviation and to ignore those who need microfinance the most. (p. 3)

The argument put forth however, is that BancoSol’s outreach to the poor is better than other MFIs; thus, the shift from a more diverse approach to poverty reduction is justified through its better outreach to the economically active among the poor. This is demonstrated through the increase in average loan size from $326 USD in 1992, to $904 in 1997, to $3,050 in 2011, which occurred alongside institutional growth; thus, only higher income clients could repay such large amounts (Gonzalez-Vega et al., 1996).

In addition to mission drift, another explanation for the lack of evidence to support the microfinance rhetoric is that the majority of GB’s (97%) and BancoSol’s (72%) clients are women who are located in the informal sector. They perform tasks like rice husking, rickshaw services, handicrafts, and vegetable sales that do not generate significant profits. The 2013 Global Alliance for Banking Values (2013) website boosts that “BancoSol clients operate in the informal economy, which contributes more than 20% of GDP and generates employment for over 65% of the employed population” (“Market Focus, Products and Services” para. 2). According to Lim (2006) there are “approximately 800,000 micro enterprises, largely urban, that form part of this informal economy and generate over 1.7 million jobs for the economically active population” (p. 26). However, Schwartz (2002) argues, that this is not necessarily a good thing; the large Bolivian microfinance industry has implications such as “increased competition, market saturation and the closely linked problem of ‘over-indebtedness.’ Bringing poor people into capitalist markets by granting credit, combined with a whole assortment of external factors, may actually force loan recipients deeper into poverty” (p. 32).
In a few areas, notably in Bangladesh and Bolivia, the microfinance market is close to saturation. Chaudhury and Matin (2001) report estimates of market coverage between 43% and 59% in Bangladesh. For Bolivia, (Rhyne, 2001, pp. 19, 31) estimates are that between 25% and 33% of all microenterprises obtain microfinance loans. (Vogelgesang, 2003, p. 2085)

The female to male ratio in the informal economy is higher for women. Women engage in petty trading: 83% of BancoSol’s loans in 1995 were for trading, a major part of the informal economy that produces vastly lower incomes, while males tend to work in manufacturing or seasonal industries such as construction that yield higher wages (Gonzalez-Vega et al., 1996).

Regardless of women’s small earnings, MFIs such as the GB claim that they “reverse the age-old vicious circle of ‘low income, low saving & low investment’, into a virtuous circle of ‘low income, injection of credit, investment, more income, more savings, more investment, more income’” (Grameen Bank, n.d., para.1). However, even Rosenberg (2010) from the CGAP concedes that the idea that microfinance brings credit to people who previously had no access to it35 and that loans are used for business purposes is false. There is insufficient evidence to support the claim. Hulme (2009) and Hashemi and Rosenberg (2006) offer some reasons why the vicious cycle has not changed to a virtuous cycle in Bangladesh, including:

- Purdah: a religious custom in which women are not permitted to enter public spheres or to interact with unknown men;
- Membership requirements: activities such as attending group meetings, training sessions, requirements to save, and registration fees are time-consuming and unrealistic since the poor are just trying to survive the day;
- Risk: group lending circles are required by the Grameen Bank and similar programs because the extreme poor are considered a financial risk and therefore are not welcomed;
- Self-selection: the extremely poor do not want more debt; and,
- Lack of education among the poorest citizens.

35 This common statement made by microfinance advocates is not entirely correct since women, as noted in Chapter 2, have had access to alternative/traditional sources such as moneylenders, family, neighbours, and credit associations such as burial societies, self-help groups, and SACCOs before microfinance was available.
Additionally, it is well documented (Morduch 1999, 2000; Morduch & Haley, 2002; Karim, 2008, 2011) that instead of investing in income-generating activities and mobilizing savings and investments as a way out of material poverty, loans are used for other purposes such as income to smooth seasonal vulnerability—providing food, clean water, medical expenses, and education, as well as repayment of other loans. Rahman’s (1998) study also found that in Pas Elashin, Bangladesh, out of 217 GB clients (in 1994-95), 70% of loans were used for other activities than they were approved for. Similarly, in Karim’s (2008) study on GB clients, one interviewee revealed: “we took a cow loan. Fifty percent will be spent to pay off old debts, and another fifty percent will be invested in money lending. If the manager comes to see our cow, we can easily borrow one from the neighbors” (p. 16). On the other hand, however, advocates argue that consumption smoothing is a good thing as it reduces seasonal food insecurity, stabilizes the labour supply, and diversifies non-agricultural activities (Bauchet, Marshall, Starita, Thomas, & Yalouris, 2011).

What is largely missing from, glossed over, or hard to find on MFIs websites, mass media coverage of success stories, and other promotional materials, and development narratives on microfinance are the high interest rates attached to loans. Instead, what is promoted is that microfinance is an innovative strategy:

since Mohammed Yunus gave his first loan to a group of Bangladeshi women....The majority had no access to credit....they would go to moneylenders and pay rates...(they can be over 20% per month). Now they borrow from MFIs at significantly lower (though often high by U.S. standards) rates. (Kristof, 2009, p. A1, para. 2)

To put some perspective on this 20% monthly interest rate, let us take the example of a $100 loan. Most GB loans must be paid back within 1 year of the loan, if it repaid in 6 months, the interest translates into a total borrowing cost of 299%. As noted previously, one of the original GP’s objectives was to get rid of the exploitation of the poor by moneylenders; Yunus stated:

... interest rates should be 10 to 15 percent above the cost of raising the money, with anything beyond a ‘red zone’ of loan sharking. ‘We need to draw a line between genuine and abuse’ ... ‘You will never see the situation of poor people if you look at it through the glasses of profit-making.’ (as cited in MacFarquhar, 2010, p. A3)
But Yunus (2003) asserts, “there should be no restrictive laws limiting the interest rate to be set for MCBs. ... But, there should be full disclosure to the borrowers and to the public, of the interest rates being charged and how it is calculated” (“Interest Rates,” para. 1). The GB’s (2013) website notes that for income-generating loans, its “highest interest rate is 20%” (“14.0 Low Interest Rates,” para. 2), but it does not show how that 20% is calculated. GB’s interest rates (and MFIs more generally) are not only misleading, but also conflicting, since interest rates on loans can be calculated differently. While GB notes a maximum interest rate of 20%, Ahmad’s (2007) calculations of Grameen’s loans range from 26.6% (IRAB) to 30.5% (Rate of Effective Cost of Borrowing (RECC)); thus, very different than the 20% it reports on its website.

Reporting the lower percentile is a common practice on MFIs websites and publications. To add to the complexity of interest calculations, additional fees may not be included in the interest rates reported on websites and elsewhere. For example, while some might report interest rates of 22%, this amount might not include any additional fees charged by the institution on top of the loan, such as administration and service fees, which drive up the actual amounts paid by clients. The connection between high interest rates and profits can be seen in GB’s 100% dividends in 2006 and 30% in 2010, which were higher than any bank in Bangladesh that year (Grameen Bank, 2013). As Karim (2011) notes:

The Grameen Bank has shown that neoliberal notions of self-help, individualism, and entrepreneurship for poor women are attainable, and has provided hard data to the global financial and development community that ‘poor women are bankable.’ That is, the poor have need for loans, and they pay back their loans. (p. xxi)

The GB claims to have created a “Dividend Equalization Fund to ensure distribution of dividends ... Receiving of dividends each year greatly inspires our shareholders, 97% of whom are our borrowers” (Grameen Bank, 2013, “13.0 30% Dividend for 2010,” para. 1). But, as Karim (2011) noted in her study of the GB, the women interviewed had no idea “what it meant to be a shareholder” and it was only “in

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36 There are numerous ways to calculate interest rates that yield different percentages on the same amount of a loan; for instance, Annual Percentage Rate (APR), Effective Interest Rate, Rate of Effective Borrowing (RECC), and Interest Rate Based on Average Balance (IRAB).
2007, the bank finally issued 20 percent dividends to its members, almost twenty-four years after its formalization as a bank” (p. xxiii). A 20% interest rate is considered very high by any standard; for example, in North America anything above 18% is considered extortionate, but BancoSol’s interest rates have been noted as being even higher than those of the GB. For instance, Morduch (1999) reported interest rates in 1998 ranging from 47.5% to 50.5% (nominal interest rate per year), while a CGAP (2008) report noted rates ranging from 35% to 80%. However, BancoSol claims that it has “doubled its efficiency over the last ten years and lowered its nominal interest rate from 50 percent to around 24 percent” (CGAP, 2002, p. 2). Not surprisingly, like the GB, BancoSol’s institutional performance was well established; in 2006 it posted profits on equity of 22.8 percent (Sengupta & Aubuchon, 2008).

This elicits the question: how do women who earn so little income in small-scale industries pay such high interest rates? Fotabong (2011) describes this as “robbing Peter to pay Paul” (p. 40) meaning that women borrow from neighbours and relatives and moneylenders at higher interest rates in order to repay their loans, as well as sell their assets, such as goats and jewellery. Supporting this finding is Ahmad’s (2007) study of MFIs in Bangladesh, which showed that 52% of the respondents said they paid back the loans using a variety of sources, and doing without essentials such as food; “about 96% [said] after paying a particular installment they always feel the pressure that the next installment is just one week away and money has to be found to pay it or unpalatable consequences may follow” (p. 40). Another study conducted 2 years later in Bangladesh by Ahmad (2007) revealed that clients “often are unable to benefit from traditional microcredit programs and can, as a result of taking a loan they cannot repay, sink deeper into economic and social poverty” (p. 528). Thus, women are trapped in micro debt (Bateman, 2010).

While there are numerous studies undertaken by MFIs themselves, academics, and development practitioners, there are considerably fewer evaluations that have looked at repayment rates from the borrowers’ perspective. One such study by Mosley (2001) however, conducted with Bolivian MFIs and women, including clients from BancoSol, found that women were not able to earn enough income from activities to repay their loans. They had to use household resources, which left them in more debt. Meanwhile in 2007, Muhammad surveyed MFIs in 15 villages in Bangladesh and
concluded that for 50% of microfinance clients, the economic situation did not change. Women had to borrow from several places to repay their loans; in “45 percent of the cases, the situation of women deteriorated” (as cited in Karim, 2011, p. xxix).

In addition to poverty reduction, the next section discusses the impacts of the GB on women’s empowerment. As noted earlier, of these two MFIs, only the GB is discussed below since it claims to both reduce poverty and empower women.

5.3.2. Impact on Women’s Empowerment

As discussed in Chapter 2, macroeconomic trends in the global political economy led to the rapid growth of NGOs across the globe and especially in Bangladesh, to address social issues such as education, health care, and economic inequality. The later shift to NGO involvement in microfinance in Bangladesh led to success stories emerging from the GB and BRAC\(^\text{37}\) about their effectiveness in reducing poverty and elevating the position of women in their households and communities. The GB became a major source for social research on the connection between microfinance, poverty reduction, and women’s empowerment—the connection I refer to as the women’s poverty–empowerment nexus. For instance, these studies on the GB reported that women’s earnings from entrepreneurial activities led to greater decision-making power, control over loans, and decreased male violence in the household. Yunus himself noted at the inception of the GB that women’s low position in Bangladesh presented difficulties in lending to them; he stated:

the women rejected themselves. They said, “Don’t give it to me, give it to my husband” … We [GB] had to work very hard, because of the fear in them about the money. Society never allowed them to expose themselves to … handling money. (as cited in Cayo, 2006, p. A7)

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\(^{37}\) Renamed from the Bangladesh Rehabilitation Assistance Committee (1972) to the Bangladesh Rural Advancement Committee (BRAC) in 1973, BRAC is “... a development organisation dedicated to alleviating poverty by empowering the poor to bring about change in their own lives” (BRAC, 2013, “Who We Are,” para. 1).
While the GB rhetoric maintains that women are empowered through participation in microfinance activities, numerous studies of GB clients have revealed that this is not necessarily the case; for example:

- Goetz and Gupta’s (1996) study concluded that women had only partial, or very limited control over loans and there was “the potential of loan transfers to exacerbate gender-related tensions within the rural household” (p.61).

- Rahman’s (1998) research found that husbands and sons were the main users of loans; out of 120 women interviewed in “… 60% of cases women pass on their entire amounts or most of the loans to men and are left with little or no control over the capital or the investment … male guardians in the household either sent them or influenced them to become members of the GB loan group” (p. 76).

- Mayoux’s (1998) findings were similar, noting that although some women said that their increased income empowered them, it was generally limited or marginal and in many cases had a negative effect.

- Cons and Paprocki (2008) conclude in their study that rather “than empowering individuals and communities, repayment creates an environment of fear and intimidation where recipients must regularly sacrifice basic needs to meet an inflexible repayment schedule” (p. 2)

- Karim (2011) discovered, “while on bank records it is women who are the borrowers, it is their husbands who are the users” (p. xxii).

On the issue of decreased violence in the household due to women’s increased economic productivity, some studies have concluded that microfinance has reduce marital violence in poor communities in Bangladesh, while others have presented opposite conclusions:

out of 692 female clients of the GB, ‘about 60% of them have said that the intensity of torture has increased since enrolment, while for about 27% it is about the same as before. Only 13% have said that it is somewhat less than before. (Ahmad, 2007, p. 47)

On the findings on violence, Nowland-Foreman (2001) reported that there have been many documented cases of domestic violence against female borrowers of the GB that have resulted in suicide. Ahmad’s (2007) study also documented that 82% (out of 692 women) experienced an increase in dowry pressure; 15.1% found that it stayed

38 The dowry system refers to an amount of money, property, or other assets given to a man’s family as a precondition of marriage to their daughters (Chowdhury, 2010).
the same and only 2.4% found that the problem had decreased after entering the GB (p. 47).

A second theme that emerged from research on women’s participation in NGOs implementing microfinance in Bangladesh is increased self-confidence due to their new mobility in the community, through participating in local markets and group meetings (Amin, Becker, & Bayes, 1998). For example, in Roodman’s (2012) research some of the women interviewed said that being involved in GB’s program gave them confidence to speak to strangers and even became leaders in their community and within their lending group. This story is consistent with Muhammad Yunus’ (1999) biography and other advocates’ claims that microfinance has made women’s lives easier, in that “… the real borrowers, the ones I call the ‘banking untouchables,’ never have to suffer the indignity and demeaning harassment of actually going to the bank” (p. 57); he explained, “whatever Banks did, I did the opposite” (Cayo, 2006, p. A7). But on the contrary, rather than suffering indignity going to the bank, the staff at the GB brings humility to communities. It is interesting to note in Rahman’s (1998) study that although women made up 95% of the approximately 2.3 million GB members in 1998, 91% of GB staff were men (pp. 14-123).

In the documentary on the GB, Micro Debt, one woman reported how GB staff “threw me out on the street and said ugly things; I sold everything to repay the loan” (Heinemann, 2010); required to pay weekly instalments, many women must sell their assets such as jewellery, which is a status symbol, or homes to keep up with payments. Instead of providing family necessities, income and savings were used for repayment. In addition to harassment from GB’s staff, there is group pressure inherent in the joint-liability model itself; for example, Karim’s (2008) study of the GB revealed that if a woman defaults on her loan:

- group members repossess the capital that the women had built with her loans. This ranged from taking away her gold nose-ring (a symbol of marital status for rural women, and removing it symbolically marks the ‘divorcing/widowing’ of a women) to cows and chicks to trees that have been planted to be sold as timber …. (p. 19)

The GB’s website in 2012 reported that its 95% repayment rate was due to “group pressure and self-interest, as well as the motivation of borrowers” (“6 Expansion
of the Loan,” para. 4), while on same site notes that “repayment responsibility solely rests on the individual borrower, while the group and the centre oversee that everyone behaves in a responsible way and none gets into repayment problem” (2013, para. 3.0, emphasis added). But, as one female GB client put it, “if we don’t pay, it is taken from another member—this has caused friction—we become enemies” (as cited in Heinemann, 2010).

A study of BancoSol revealed similar findings on the effects of the joint-liability system of collateral; although women appreciated some of the benefits, a sense of belonging from being in their group, they also noted the:

social consequences of failing in their repayment obligation. … [t]his in part results from the 8% monthly (96% annual) interest charged informally within the group to cover loan payments for group members … . We do everything possible to pay back the money. (Brett, 2006, p. 12)

While admittedly microfinance can be a source of getting credit that would not otherwise be available to poor women at commercial banks, one of the reasons for this access to credit is the perception that women are more vulnerable to social pressure, resulting in higher repayment rates with few complaints (Roodman, 2012). But, Muhammad (2009) provides insight into what it would take for women to repay loans and benefit from microfinance:

… to repay the loan in weekly instalments with interest of around 20% to 40% of the total in average … [would mean that] everything would be favourable for weeks, months and years. No natural disaster, no accident, no sickness. But the reality does not favour these assumptions. The further hidden assumption is that property relations, power structure, and market processes all favour the poor, which has been proved completely wrong. (p. 40)

Given that the Intergovernmental Panel on Climate Change warns that natural disasters, including floods, tropical cyclones, and droughts are increasing as a result of climate change in poorer nations, there is a greater probability that natural disasters will increase globally, which means that people and in particular women undertaking agricultural businesses are likely to suffer financial hardship (Smith et al., 2008). While Yunus (1999) has acknowledged this harsh reality in Bangladesh, he maintains that although natural disasters are common, loan repayment must be made in order to give
the client a sense of pride, self-reliance, and confidence, that “if a flood or a famine decimates a village and kills a borrower’s crops or animals, we immediately lend them new money to start up again. We never wipe out old loans, but convert them into very long term loans…” (p. 137).

5.4. Conclusion

This chapter has given a brief overview and survey of evaluation studies on the GB in Bangladesh and BancoSol in Bolivia in order to assess their impact on reducing poverty and, in the case of the GB, women’s empowerment. While some studies reported positive gains like increased income, consumption smoothing, employment, and social impacts such as increased control over loans and decreased domestic violence, others have revealed an increase violence and harassment from husbands as well as from MFI staff and group members. In addition, using microfinance funds to repay other loans, rather than for the purpose of investing in income-generating activities or investment, is not a way out of material poverty. Therefore, the findings have produced a zero-balance and thus, insufficient evidence to support the rhetoric of the GB and BancoSol regarding their effectiveness.

What has emerged strongly however, is GB’s and BancoSol’s significant success in achieving high repayment rates and profits. Therefore, the findings presented in this chapter pose serious challenges to the popular media and development discourse and narratives on MFIs. As such, there are strong grounds for the question: who is really benefiting from microfinance—women in the Global South or MFIs?
Chapter 6.

Deconstructing Structural Constraints to Women’s Economic Success

In this chapter, observations and findings while implementing the Women’s Loan Fund (WLF), a microcredit project in Mwanza, Tanzania, East Africa is used to glean deeper insight from the findings in the literature review (Chapter 2), and the survey of the Grameen Bank (GB) and BancoSol (Chapter 5) as to why, despite the fact that MFIs have been successful at providing credit to women in the Global South, there is insubstantial evidence that it effectively reduces poverty. To provide a deeper understanding of reasons for this failure, I situate the findings from this research and observations within the broader framework of the Gender and Development (GAD) approach—a critical feminist analysis of underlying gendered power relations, ideological, socio-political, and economic structures, organizations, and institutions.

More specifically, I use Irene van Staveren’s (2002) framework of three structures of constraints in financial markets: (a) “gender inequality in property rights,” (b) “gender segmentation of markets,” and, (c) “discriminatory norms in financial markets” (p. 232), to argue that microfinance has failed to live up to its claim to be a viable tool for poverty reduction and women’s empowerment due to its ideological practices. This results in strategies such as the Women in Development (WID) approach to women’s empowerment through income generation projects, rather than more contextual explanations and policies and practices offered by the GAD approach, which targets gender barriers inherent in financial markets. The chapter begins with a brief description of the WLF project, followed by a discussion of my observations situated within van Staveren’s (2002) framework of structural constraints in financial markets.
6.1. Background Context: Tanzania and the Women’s Loan Fund (WLF) Project

The United Republic of Tanzania is 947,303 square kilometers (roughly the size of British Columbia) and consists of the mainland and the island of Zanzibar with a population of 44.9 million (2012 census; United Republic of Tanzania, 2013). By comparison, the population of British Columbia is 4.4 million, (2011 stats) (Statistics Canada, 2014). Its Gross Domestic Product (GDP) is approximately $28.24 billion USD (World Bank, 2012). The ethnic composition is 80% Bantu speaking, with more than 120 tribes. The religious communities are 50.4% Christian, 31.8% Muslim (over 90% of whom live in Zanzibar), and 16.1% are of African tradition (United Republic of Tanzania, 2013).

Tanzania relies heavily on agriculture, which accounts for 29% of its GDP and occupies 80% of its workforce, either in self-employment, unpaid family workers, or wage work (MFTransparency, 2011). On the Human Development Index, it ranks 152 out of 187 countries (Bertelsmann Stiftung Transformation Index, 2012) and nationally, 34% live below the income poverty line; in some regions it is as many as 57% who are unable to meet their basic needs (Research and Analysis Working Group, 2009). According to the Global Gender Gap Report (Hausmann, Tyson, Bekhouche, & Zahidii, 2013), Tanzania was ranked 59 out of 135 (p. 326).

Connected to poverty and gender inequality, many children in Tanzania die before the age of five from contaminated food and/or waterborne diseases like diarrhea, hepatitis A, typhoid fever, and bilharzia; vector borne diseases such as malaria and plague; and animal contact diseases like rabies (Pickering et al., 2010). Recognizing that women play a central role in the collection of water and firewood, food processing, cooking, education, and caregiving, the Canadian International Development Agency in 1998, sponsored the Water Care and Rural Health Training Project (WCRHTP) in 10

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39 The Global Gender Gap Index was introduced in 2006 at the World Economic Forum and measures the level and scope of gender gaps (disparities between women and men) on economic, political, education and health indicators, and tracks its progress. It ranks 136 countries and 1 is the highest score (equality); for example, in 2013 Canada ranked 20 and Tanzania ranked 66 (Hausmann, et al., 2013).
rural districts around Mwanza. The WCRHTP, an example of the WID\textsuperscript{40} approach, was designed as a training only\textsuperscript{41} project specifically aimed at women in order to address basic needs such as health and sanitation.

During the implementation of the WCRHTP however, the five female facilitators working on Community Development (CD) module expressed concerns about the effectiveness of the WCRHTP, since women lacked the necessary financial and other resources to implement the training. As one Tanzanian woman asked, what good is it to have knowledge without the necessary resources to implement it? Therefore, it was extremely difficult to achieve the project objectives. As well, the CD facilitators stressed concerns over the limited number of women in the training sessions; due to their large domestic responsibilities many had to be elsewhere in the community. Thus, the lack of resources to implement the training and time commitment needed for attending training sessions were major limitations to reaching the objectives of the WCRHTP.

As a result of women’s lack of financial and material resources for implementing the WCRHTP, the WLF, a small microcredit project was created in 1999 with a committee of three CD facilitators and myself. The idea was that increasing women’s income through income generating projects would allow them to purchase the necessary hygienic materials for realizing the WCRHTP’s goals; they needed to be able to buy toilet paper, soap, and coal for boiling water to kill disease-causing bacteria. Since women lacked access to assets like land, machinery, and other capital that could have been used as collateral for obtaining credit at the Central Bank of Tanzania, the WLF, like other microcredit programs, was created to fill the void. Due to the lack of collateral, WLF was built on the group guarantee, or solidarity model. However, due to the financial limitations of the WLF, which was built from my own personal funds, for sustainability reasons, it was structured as a revolving fund.\textsuperscript{42} Groups of four to six women would take out a loan and when it was repaid, it would go to another group.

\textsuperscript{40} The “add women and stir” formula.
\textsuperscript{41} As previously noted in Chapter 1, the WCRHTP had six training modules: Community Development (CD); Environmental Techniques; Health and Disease; Sanitation; Water Supply; and, Water Quality.
\textsuperscript{42} The revolving fund is structured in such as way that only when one group pays back their loan, can another group access it.
It was my experience and observation while participating in the WCRHTP and the WLF project for 9 months, as well as my feminist critique of international development policy, programs and projects such as microfinance that led to this research. Despite appearing to be a practical strategy for addressing women’s lack of access to basic necessities, the WCHHTP and WLF project had major gender consequences on the ground. Women had increased responsibility for poverty and healthcare, in addition to their large existing workloads. Questioning of international development strategies and their gender consequences on the ground is the result of my observations and views expressed by women participating in the WCRHTP and WLF project.

6.2. Gender Barriers to Women’s Economic and Social Success: Observations from Tanzania

Microfinance Institution (MFI) … provides small amounts of credit and potentially other small-scale financial services to clients without access to the formal banking system. These customers [primarily women] are poor and cannot offer standard collateral … . (Schicks, 2007, p. 552)

The structure of the rest of this chapter is organized around van Staveren’s (2002) three structural constraints (property rights, segregation in markets, and discriminatory norms), which provide a framework for deconstructing the broader power and gender dimensions embedded in diverse cultural, socio-political, and economic processes within which women are located.

6.2.1. Gender Inequality in Property Rights

Of the 137.5 million poorest clients reached [by MFIs] at the end of 2010, 82.3 percent (113.1 million) are women … a 1,001 percent increase in the number of poorest women reached from December 31, 1999 to December 31, 2010. (Maes & Reed, 2012, p. 36, bracket added)

Claims like the one above are commonly used by microfinance advocates to advertise their success in reaching women, but what is less commonly discussed are reasons for this high percentage of female clients. One important explanation for this high percentage, is women’s lack of property rights, which are not only a major means
for escaping poverty, but also for obtaining credit at commercial banks at conventional interest rates. For instance, it was only in 1999 that the Tanzanian Land Act was enacted to give women rights to own, use and sell land—at least in theory (Navuri, 2013). However, although the government implemented legislation with regard to women’s access and ownership rights to land such as joint rights and marital property laws, this failed to address the “legal and administrative constraints that have a disproportionately negative effect on female-headed businesses …” (Ellis, Blackden, Cutura, MacCulloch, & Seebens, 2007, p. 3). As van Staveren (2002) argues:

women’s property rights are often assumed to be secured via the (male) household head. … [e]ven when women have financial resources of their own, they often find it difficult to acquire property because of discriminatory laws and practices in, for example, the land market. (p. 232)

Gender biases are thus embedded in legal texts, social structures, and cultural norms. United Nations (UN Food and Agriculture, 2010) and UN Women (2013) reports conclude that increasing women’s access and rights to land is necessary for reducing poverty, yet large gender inequalities persist, regardless of the country’s level of development and even in countries where the agricultural work is predominately done by women, they are regularly refused rights to land ownership, which they depend on to raise their families. Pradeep and Agarwal’s (2005) research has shown that there is a positive correlation between women’s ownership of land and decreased domestic violence.

The gendered social structures and cultural bias in property rights became evident during the first WLF income generation project. None of the six women involved in the agricultural project (a vegetable garden) owned or had entitlement to land; thus, they had to rent from a male landowner in the community. As a result, on one of the visits to the community, the women in the group voiced concerns that since their garden had started to produce healthy vegetables, much better than the landowner’s garden, he had started to steal from them. One woman noted that, the landlord took the vegetables at night when they were not around and when they asked him about it, he denied it and still demanded the rent every month. When the WLF committee asked if there was a system in place to stop the landlord from stealing their vegetables, one woman from the
group noted that this would cause them great grief, since it is not customary for women to challenge men in the community.

The loss of vegetables from theft reduced the quantity of vegetables available for consumption and sale, thus reducing profits. This situation decreased the groups’ morale for continuing the garden project. As another women in the group stated, the income generating garden project added more work on top of their already large daily duties and with such small quantities of vegetables left for sale, it was not worth continuing the garden. The group of women asked the WLF committee for advice on this issue; we suggested that before discontinuing the garden project that the group meet and discuss among themselves all possible options. The WLF committee returned to the community 3 days later to discuss the outcome of the group discussion; they decided since they could not challenge the actions of the landlord, they would move the garden to land belonging to one of the women’s uncles, who would not steal from them. However, the uncle’s land was farther away from the village, which caused an increase in travel time getting to and from the new site, and required start-up costs like reinvestment into digging ditches and other project necessities. All of this further decreased their previous earnings.

In addition to the lack of ownership and access to land, the women participating in the WLF project did not own other material assets: the shovels, bicycles, wheelbarrows, and hoes, which were necessary for project start-up, management, and growth. For instance, due to the geographic location of the village, without paved roads or a public transportation system, it was only accessible by land rovers, motorcycles, or bicycles. None of the women even owned a bicycle; therefore, the lack of transportation for getting to and from the market to sell their vegetables posed additional challenges to successful participation in income-generating activities. When the WLF committee asked how they were going to resolve this issue, one of the women suggested exchanging some of the vegetables for use of a neighbour’s bicycle.

Unfortunately, there has been no real movement toward addressing gender inequality in property rights globally; this was evident at the 2012 Rio-20 Conference in Brazil where, among other omissions of women rights on the agenda, there were no tangible commitments to women’s property rights like land ownership and inheritance.
(Association for Women Rights in Development, 2012). The lack of conventional collateral provides an explanation for the high numbers of women who seek credit from MFIs and other alternative sources like moneylenders, and pay higher interest rates than those offered by commercial banks. As noted elsewhere, the general impression from the discourse on MFIs interest rates is that they offer better rates than commercial banks since they target the poor, but in reality that is not the case. In Tanzania for example, while commercial banks generally do not exceed a 25% per year limit for a single borrower (Randhawa & Gallardo, 2003), MFIs across the country range from 48% to 72% annually. But these are not the numbers promoted on MFI websites or other materials—they list between 4% to 6% monthly, usually on a declining balance; for instance, a “5 per cent per month is equivalent to 60 per cent annually” (MFTransparency, 2011, p. 14).

The next section discusses van Staveren’s second structural barrier preventing women’s success in participating in microfinance activities, gender segregation in labour markets; this is followed by a discussion of the third structural constraint, discriminatory norms in financial markets.

### 6.2.2. Gender Segregation in Financial Markets

In Tanzania, it is estimated that women [especially rural women] provide 80% of the labour force in rural areas and produce 60% of food production. Though, they are the main producers of cash crops, the environment does not allow them to own their own wealth. ... 60 percent of women live in absolute poverty. (United Republic of Tanzania, 2011, n.d., para. 1 and 15)

Along with the limited access to property rights that reduces women’s participation in financial markets is the gendered pattern in the labour force: men and women have different employment positions in the informal and formal economy. For example, employment participation in Tanzania is greater for men than women, but “only 4 percent of women are in formal employment. They make up less than 20 percent of employees in the parastatal organizations sector, and make up two-thirds of unpaid family helpers” (Ellis & Mdoe, 2003, p. 89). Men tend to dominate in other sectors where the waged employment rate is highest. For instance, in manufacturing employees are 65.9% male and 34.1% females, construction is 97.2% male and only 2.8% female,
transportation is 93.1% male and 6.9% female, electricity and gas are 91.6% male and 8.4% female, and finance is 83.6% male and 16.4% female (Ellis et al., 2007). Moreover,

female unemployment has been rising since 1985 as a result of retrenchment policies, the reduced role of the public sector as a source of employment, and the declining performance of the retail sector. Of the 5,684 employees who lost their jobs between 1985 and 1997, 53.6 percent were women. National indicators on employment reveal that unemployment is greater for women (4.2 percent) compared with men (2.9 percent), and is more prominent in urban than rural areas. (Ellis et al., 2007, p.89)

Due to the socialization of female and male roles therefore, there is gender inequality among men and women in employment activities and in terms of class, education, and rural versus urban location that creates a gender division. Women not only experience a higher incidence of poverty, but also greater severity (Baden, 2000). As Rai (2002) notes, this trend is global:

Women are involved in the globalization process through their access to labour markets rather than … in financial or investment markets. At all levels therefore, legal and social structures and cultural norms, such as women’s lack of land rights and entitlement help perpetuate women’s low positions of power, within which most women in the Global South are located. (p. 97)

The Tanzanian National Website (2011) however, notes:

the skills label itself is usually arbitrary, and culturally defined. Skills associated with women tend to be undervalued, and defined as unskilled, even when they entail complex actions and thought processes, such as child care, subsistence farming, agro-processing and the like” (“Gender,” 2011, para. 8)

In 2006, for instance, out of the 88.6% who were self-employed in Tanzania, 93.4% were women (International Labour Office, 2010, p. 2). Therefore, although there has been a recent increase in women’s involvement in market-oriented activities, agricultural and otherwise, due to their gender positioning they are still assigned the primary responsibility for social reproduction, education, and other care work. As a result, women end up in the informal sector, or as petty traders.
As Chen (2001) argues, women end up “in the most erratic and corrupt segments of the sector … men tend to be overrepresented in the top segment of the sector and women overpopulate the bottom segment” (p. 78). Microcredit Summits held almost every year claim that microfinance loans help those living in extreme poverty create and expand small businesses (Harris, 2006). But, as Chen (2001) points out,

the relationship between the informal sectors and poverty is complex without a clear and causal relationship, there is evidence to suggest … [that] there is a significant overlap between being a woman, working in the informal sector, and being poor … (p. 72)

This gendered patterning in labour markets became apparent during my visits to the rural communities and local markets in the city of Mwanza. The majority of women were engaged in the sale of products such as rice, vegetables, poultry, dairy products, and other small-scale enterprises. Research on BancoSol in Bolivia by Gonzalez-Vega, Schreiner, Meyer, Rodriguez, & Navajas (1996) and Kabeer’s (2001) study on the GB reported women who took out loans were involved in similar activities, such as petty trading. Related to this finding on MFIs is the flooding of markets with similar products, which reduces the profits of the women producing vegetables in the WLF projects.

It is not only in East Africa, however, that gendered norms and practices present barriers to women’s financial success. Kabeer’s (2001) study in Bangladesh revealed that “the patterning of the occupational structure suggests that adherence to Purdah norms continues to constrain women’s public mobility, limiting their choice of enterprise and their ability to carry out transactions in the market place” (p. 69). Kabeer’s (2001) study suggests that male employment in Bangladesh is:

more evenly distributed over a wider range of activities: shops of various kinds, engineering and other workshops, seed nurseries, manning power tillers and rice mills farming and livestock rearing.

Men have been privileged by their gender, class and education in gaining such access while the resilience of purdah norms have kept women largely confined to the precincts of their homesteads, dependent on male members of their family for economic provision and social protection. (p. 71)

While the informal economy was thought to be a temporary phenomenon in the 1970-1980s, it is now growing and rooted in countries where incomes and assets are
greatly uneven—for instance, it constitutes 90% of the economy, if including informal employment in agriculture, in many countries in Sub-Saharan Africa (Chen, 2005). The percentage of women located in Micro and Small Enterprises (MSEs) in countries in Sub-Saharan Africa are 95% in Sierra Leone, 84% in Zambia, Ghana 85%, Uganda 62%, and in Kenya it is 59% (Randriamaro, 2006). Bateman (2012) explains:

Africa already has more micro-entrepreneurs per capita than anywhere else, and the rapidly expanding supply of microfinance is increasing this number. Yet Africa remains trapped in its poverty precisely because it has only evolved such a shallow enterprise structure, one that is structurally incapable of giving rise to sustainable productivity growth. (“Reality Finally Breaks Through,” para. 6)

Instead, what is promoted are the transformative properties of microfinance: small loans will enable business investment, and thus increase income, then larger loans as women prove themselves as credit worthy, for greater investments leading to larger profits. But, while microfinance advocates such as the WB, CGAP, UNDP, and many NGOs make these unsubstantiated claims, there is increasing evidence to suggest that this neoliberal development strategy of focusing on individual entrepreneurship might actually be contributing to the poverty problem by creating increased competition and market saturation, which drive down women’s already low product prices and thus, their profits (Bateman & Chang, 2012). But, this is not what development institutions and organizations promote; they claim that microfinance reduces poverty and empowers women through business training and opportunities to enter new markets.

What’s left out of the microfinance discourse is that new markets mean small markets, which produce limited profit margins and greater business stress to handle credit repayment and workload. As van Staveren argues, while MFIs have been successful in increasing women’s access to credit and have increased the level of female economic activity, more women participating in income-generating activities, it has done little to expand the range of economic opportunities for women. She argues that:

gender biases in markets and governance tend to grow as the scale of markets and economic policies increases. Thus, although globalization of finance has decreased many barriers to obtain credit and to invest,
female entrepreneurs remain marginalized in many respects. (van Staveren 2002, p. 229)

The representation of women as a unified group in dominant development discourse, has led to what Foucault’s concept of neoliberal governmentality entails. Women from the Global South are represented as both free and desiring to take out loans for income–generating activities, limited only by their lack of access to credit (Arun, 2009). The idea that women want and freely choose to participate in microfinance is reinforced by advocates such as Yunus of the GB who created the popular slogan “credit is a human right ... [and that] All people are entrepreneurs” (as cited in Harford, DeBord, & DeBord, 2008, p.1). Kabeer (2001) argues however, that in Bangladesh this is a flawed assumption; why and how could all women respond the same way to new opportunities? Women will act in different ways depending on their own experiences and structural positioning.

6.2.3. Discriminatory Norms in Financial Markets

Global financial fluctuations like capital flight, fragility, contagion, and sovereignty risk all contribute to global financial instability (Grabel, 2002). While this affects the poor generally, it tends to impact women and girls more (Benería, 2003). As a poverty strategy, the “... well-meaning flood of money into microcredit distorts the industry toward overreliance on this one, risky service ... that is why the hype about microcredit has been not merely misleading but destructive” (Roodman, 2012, pp. 2-3). As previously discussed, the microfinance rhetoric omits reasons for the high percentage of female borrowers; that is, lack of collateral such as land and other assets that prevent them from securing loans at commercial banks that offer conventional interest rates. Thus, women must seek credit from alternative sources such as MFIs and moneylenders that charge horrendous interest rates of between 35 to 80% (CGAP, 2008) and sometimes more. These gendered power structures and discriminatory norms and laws persist, even in microfinance programs that are supposed to help women. As van Staveren (2002) notes:

most women borrowers obtain their credit from institutions that have especial programs for women, or informally with women’s groups. ... [o]wing to the gendered transaction costs ..., credit institutions select
borrowers on the basis of their gender. This restricts female borrowers to limited sources of credit, which drives up interest rates for women. (p. 233)

So, why are microfinance interest rates so high? The main reason provided is that large transaction costs to cover the cost of capital, including inflation on capital, and loan losses, are necessary to ensure institutional sustainability for administering small loans. A CGAP report states that, “the median interest rate for sustainability of institutions was about 26 percent” (Rosenberg et al., 2009, p. 2). In the same year, Fernando (2010) from the Asian Development Bank argued that in East Asia these rates vary from 30% to 70% and even higher if the MFIs gives staff commission and charge service fees on loans. Even microfinance advocate Goodwin-Groen (2002) of CGAP conceded “although microcredit interest rates can be legitimately high, inefficient operations can make them higher than necessary” (p.1). But another explanation for these horrendous interest rates lies in the transformation of MFIs from altruistic organizations to profitable institutions; “the microfinance industry, with over $60 billion in assets, has unquestionably outgrown its charitable roots” (MacFarquhar, 2010, p. A3). Likewise, Harford (2008) notes that Mexico’s Compartamos (“Let’s Share”) used financial investment of $6 million USD to create a billion dollar company in under 10 years and by charging high interest rates to borrowers, he argues:

what was once an idealistic movement is now a fast-growing industry... . Most microfinance lenders charge rates that would make credit-card companies blush – often more than 30 per cent a year ... a loan of $50, borrowed at an annual interest rate of more than 50 per cent and repaid over four months, will produce less than $5 in interest repayments. ... Yet Compartamos was so profitable that it could have lowered rates without jeopardizing its expansion. It chose not to. (p. 3)

But, since a large proportion of women are segregated in employment in the informal sector that produces small profits, how can they be expected to pay such high interest rates? What has been well documented (see Baden, 1996; Morduch, 2002; Pitt, Khandker, & Cartwright, 2003) and supported by my observations is that women take

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43 Transaction costs in microfinance institutions are based the various costs of lending—cost for lending, load default ratios, administrative costs such as accepting clients, disbursing payments and repayment processes (CGAP, 2004).
out loans for short-term consumption of food or health care from informal financial sources such as family, neighbours, or money lenders, and do the same to pay back the initial loan. If a woman repays her loan on time, she is eligible to take out a second loan for a greater amount; this larger loan is then used to repay her multiple debts. Americans for Community Co-operation in Other Nations, a large global institution providing microfinance, argues that even an interest rate of 80% (APR) is acceptable because it provides clients with the opportunity to boost returns on their investments and thus, earnings, or to use for consumption needs such as school fees or home improvements. However, she concedes that “client returns to investment are not well documented ...” (Rhyne, 2010, p.2).

It is interesting to note that charging interest on loans (usury) has long been debated⁴⁴; for instance in England from 1571-1624 (Rogers, 2000). Even the famous Adam Smith, Political Philosopher and Political Economist who supported charging interest, said you had to:

ensure that low-risk borrowers who were likely to undertake socially beneficial investments were not deprived of funds as a result of ‘the greater part of the money which was to be lent [being] reasonable limit on interest rates. (as cited in Visser & McIntosh, 1998, p. 179)

Today, many Islamic countries have banned interest rates and many countries in the Global South have imposed a ceiling on loans to the poor (Easton, 2005). Pope John Paul II (1987) in the Sollicitudo Rei Socialis made a similar point regarding the devastating social impact of the Third World debt crises; he noted that, “the world monetary and financial system is marked by an excessive fluctuation of exchange rates and interest rates, to the detriment of the balance of payments and the debt situation of the poorer countries” (p. 45) and that the poor had to constantly use their limited funds to pay off debt, rather than improve their standard of living.

Adapting Pope John Paul’s argument to microfinance interest rates, how can poor women escape poverty when they are required to pay such high interest rates? Boudreaux and Cowen (2008) argue that with MFIs interest rates of 50 to 100% (APR),

⁴⁴ Debates over interest rates date back to Ancient India (200-1400BC), Western Philosophy (340BC), Islam (AD 600), Judaism (1912), and Christianity (1312) (Visser, & McIntosh, 1998).
the debt would typically have to be paid off within weeks or months to be affordable. As a matter of basic economics they ask: “how can people in new businesses growing at perhaps 20 percent annually afford to pay interest at rates as high as 100 percent?” (p. 2). They cannot, a study of microfinance institutions conducted by the WB in Bangladesh revealed “some 5 percent of borrowers may lift themselves out of poverty each year by borrowing from a microfinance program, if the estimated impacts on consumption continue over time” (Khandker, 2005, p. 266). However, he suggests that this assumption is not supported by any real evidence; in order for clients to benefit from microfinance and escape poverty everything would have to remain the same over long periods of time (Khandker, 1998).

As noted elsewhere in this research, gendered property relations, power structures, and market biases regularly intervene in ways that do not favour women. While socio-political structures present barriers to women’s acquisition of land and other necessary assets for escaping poverty, gendered perceptions also hold that women are not credit worthy. This is contradictory to development discourses on microfinance and claims made by the GB, BancoSol, and others, who nevertheless require high interest rates. Therefore, on the ground “… the reality is different. … [c]redit programs that lend exclusively or mainly to women show repayment levels of around 97 per cent, which is higher than many repayment rates of men” (van Staveren, 2002, p. 232). The GB has a female clientele of 97% and it claims repayment rates of 96.67% (Grameen Bank, 2013).

While the microfinance rhetoric boasts of women’s high repayment rates, despite such high levels of interest, what is concealed are some of the repayment tactics of humiliation and other abuse, which are used to collect loans. Rahman’s (1998) study revealed that women’s lower gender positioning in society is used against them, that “both the GB workers and the borrowers acknowledge that women are accepted in the programme because of the ‘positional vulnerability’ of rural women in society” (p.109).

Related to positional vulnerability, and as observed in the WLF project is increased workload as women participate in income-generating activities; for instance, they had to wake-up earlier and work later in the late evening, after competing their daily domestic duties, to tend to their business (vegetable garden).
Women’s domestic responsibilities are complicated by cultural practices such as polygamy; for instance, the husbands of many of the women participating in the WLF project were in another village or city with another wife, or working in the city. Therefore, while generally women may not have full decision-making power in their reproductive roles, such as the number of children, they are nevertheless primarily responsible for child rearing (Tanzanian National Website, 2011, “Gender”). Thus, in addition to the caring for the elderly and sick in their community, many women in the villages I visited were alone (without their husbands) caring for as many as six children. Therefore, it was extremely difficult for them leave the village for extended periods of time, which was necessary for selling in the market. To solve this problem, the group decided that they would allocate extra funds to the single women in the group who were not yet married or mothers; they had a little less domestic responsibility and could afford to be at the market all day. However, although the WLF garden project did not yield women significant profits to escape poverty, they did experience some benefits such as an increase in their family’s consumption of vegetables. There may be some long-term benefits if the project proves sustainable, and costs for growing vegetables and their selling price do not fluctuate sharply.

6.3. Conclusion

To understand the disjuncture between the discourse that frames microfinance and reality on the ground, this chapter has used experience on the ground and the application of the GAD approach to gain insight into the findings from the literature review in Chapter 2 and the impacts of microfinance in Chapter 5. This chapter has examined reasons for the lack of evidence to support claims that microfinance is an effective tool for poverty reduction and women’s empowerment. Neoliberal development policies and initiatives that are based on the WID approach to poverty emphasize poor women and their productive role, leading to policies, strategies and solutions such as microfinance. They ignore structural and power relations, which have distinctly gendered effects. Gender stereotyping and the construction of female and male labour roles create barriers to women’s financial success by segregating them in low paying and unskilled labour. They are left with unreliable income sources and they lack
employment protection and services in both the formal and the informal sectors of the cash economy.

Microfinance helps to increase the gender gap since its very existence depends on the gendered social and economic, political, and cultural patterning that has kept women in low positions of power in the first place. The idea of the women’s poverty-empowerment nexus—that increased income will reduce poverty and empower women—misses the diverse realities in which women are located. Unequal social relations, large domestic responsibility, lower labour sectors, and other gender uncertainties make the poverty problem more complex than simple economics.
Chapter 7.

Conclusion and Recommendations

In recent years there has been a proliferation of microfinance institutions (MFIs) across the globe, from a handful in the 1970s to thousands in 2013. The purpose of this research was to investigate the relationship between trends in the Global Political Economy (GPE), microfinance, and gender that have led to the prominence of microfinance. The study explored two key research questions. First, what are the historical trends and underlying assumptions that have led to microfinance as a strategy for poverty reduction and women’s empowerment? Secondly, does the available evidence support the claim that microfinance is a weapon against poverty?

To answer these questions, a Critical Discourse Analysis (CDA) of key development documents from the World Bank (WB), CGAP, and the United Nations Development Program (UNDP) was employed to examine the role discourse plays in constructing truths about poverty as principally an economic problem. Michel Foucault’s notion of neoliberal governmentality was used to show how microfinance fits within a particular form of governance and its gendered consequences on women in the Global South. As well, a survey of studies on the Grameen Bank (GB) in Bangladesh and BancoSol in Bolivia was used to examine the evidence supporting the microfinance rhetoric. I offered my own experience on the ground while implementing the Women’s Loan Fund (WLF) in Tanzania, and situated these observations within van Staveren’s framework, global finance and gender to explain the findings from the literature review (Chapter 2) on impact evaluations of microfinance institutes (MFIs) and in particular, the survey of the GB and BancoSol (Chapter 5).

The major findings drawn from this research are that:

- the construction of poverty as an economic problem has been linked to a particular population: women in the Global South who lack income. This created the women’s poverty–empowerment nexus, which then legitimized the particular technology of microfinance;
- embedded within the broader context of global restructuring, microfinance serves as a governance tool. Although seemingly targeted at poverty
reduction, in reality, it serves the purpose of expanding financial liberalization across the globe;

• there is insufficient evidence to suggest that microfinance has lived up to its claim to substantially reduce poverty and inequality among women in the Global South. Rather it primarily benefits MFIs through profits; and,

• gendered structural constraints inherent in existing financial markets present barriers for women’s economic and social success, which provides a deeper explanation for why microfinance has not lived up to its promise.

Microfinance therefore, functions and exists due to existing gendered power structures, such as women’s lack of entitlement to land and other assets necessary for escaping poverty and obtaining loans at commercial banks, with lower interest rates. Rather than providing a vehicle for poverty reduction and women’s empowerment, microfinance actually increases gender gaps since it does little to address power relationships, which are the root of poverty and inequality.

The following discussion is structured around this research’s major findings and conclusions followed some recommendations. It closes with some final reflections on the strengths and limitations of this work.

7.1. Women’s Poverty-Empowerment Nexus

A key finding in this research that emerged from the CDA (Chapter 4) is that powerful individuals and institutions in the GPE have fuelled the construction of the poverty–empowerment nexus. The economic definition of poverty and how to address it has also entailed a quantitative approach to measurement. The outcome has been the concealment and exclusion of alternative perspectives through women’s voices and experiences, and qualitative indicators. Thus, success stories are told by those who are considered experts in the GPE and have the power to tell them (WB, OECD, CGAP, UNDP, U.S. Presidents), silencing those who are most impacted by so-called poverty reduction strategies, such as women participating in microfinance.

From the 1970s onwards, alongside historical trends in the GPE was the cooptation of feminists’ demands for the inclusion of women in development processes. This was expressed in various approaches—from Women in Development (WID) to
Gender and Development (GAD), all of which embody different assumptions not only about women’s poverty and disempowerment, but also about their realities and position in society. The different debates amongst the WID and GAD advocates have centered on how best to integrate women in existing development processes and practice, rather than changing international development structures, policies and activities.

While the various approaches have different assumptions about how best to address women’s inclusion in development, the WID approach remains predominant in designing and implementing strategies aimed at poverty reduction because it is less challenging to the underlying premises of structural power and neoliberal ideology in the GPE. Since these approaches focus solely on women’s economic role in society, they have done little to tackle poverty and gender inequality because they do not address socioeconomic and political power structures.

7.2. Microfinance: Neoliberal Governance Tool

A second finding from this research is that the particular understanding produced by conventional development discourse, the women’s poverty-empowerment nexus emerged at a particular historical juncture: the rise of neoliberal politics in the GPE. Michel Foucault’s governmentality provides insight into this: discursive shifts in dominant representations often occur in response to periodic crises. The emergence of neoliberalism and the Washington Consensus in the 1980s was in response to the collapse of the original Bretton Woods compromise, the global recession of the early 1980s, and the Less Developed Country debt crisis that began in 1982.

The poverty reduction agenda emerged in the broader context of socioeconomic and political trends in the GPE. It was a response to mounting criticisms of the negative impacts of Structural Adjustments Programs’ and rising social protest that led to demands for the abolition of the WB and IMF. Under growing pressure, conventional development discourses shifted from an emphasis on economic growth to a more socially inclusive post-Washington Consensus, culminating in the MDGs in 2000. In the process, greater attention was given to poverty reduction with more emphasis on mainstreaming “women’s issues” in conventional development policies and practices.
These discursive shifts (see Chapters 2 and 4) entailed the creation and legitimization of new macroeconomic policy frameworks and funding mechanisms such as Poverty Reduction Strategy Papers, Social Funds, and the Millennium Development Goals, in which microfinance played a key role.

Microfinance thus emerged as a governance technology within the historical context of the shift from the Keynesian to Washington Consensus (neoliberalism), marked by shifting the responsibility for providing essential public services for basic human needs from the state to newly liberalized markets. Within this shift, primarily Western non-governmental organizations (NGOs) filled the void, providing services such as credit, education, healthcare, and road reconstruction for the population. However, they later shifted to providing credit. This shift in responsibility for poverty reduction and inequality from government to individuals provided the space for microfinance to emerge. As women and individuals living in poverty were left with fewer and fewer options for meeting basic needs, and credit became increasingly accessible, women turned to microfinance to provide those necessities. Thus, the construction of truths about poverty as a lack of material wealth, and credit, as the solution entails a shift in the responsibility for poverty and disempowerment onto women.

Through such neoliberal governmentality, poverty and other social issues are transformed into a problem of self-care; women are empowered to do something about their own poverty and inequality. In this way, powerful global institutions and their NGO affiliates help perpetuate systems of power and dominance by creating the illusion of autonomy through discursive authority and economic apparatuses such as microfinance. Microfinance has emphasized self-reliance as the model for poverty reduction, which is in line with the dominant trends of neoliberalism in the GPE since the 1980s; a move away from states’ responsibility for social welfare. Therefore, while there is insufficient evidence to support its claim that it is a “weapon against poverty and hunger,” there is stronger evidence emerging to suggest that microfinance has served to advance neoliberal politics and policies that shift the responsibility for social welfare to individuals, and in the case of microfinance, primarily to women in the Global South.

The women’s poverty–empowerment nexus thus, contains the neoliberal rationality expressed in conventional development, emphasizing economics and
individual responsibility over alternative definitions of poverty such as social exclusion or the human capabilities approach. This particular ethos has created the impression that women are making free decisions to participate in microfinance to escape poverty and to have ownership over their own lives and development initiatives. While the literature on women’s empowerment generally defines it in terms of social transformation through increased decision-making power and equality in the household and community, in the discourse of microfinance, women’s empowerment is attributed to increased income levels.

7.3. Insufficient Evidence: Microfinance as a Weapon Against Poverty

Another major finding from this research is that there is little evidence to support the claim that microfinance has been successful at making a substantial impact on reducing women’s poverty and inequality. As indicated by the studies in Chapters 2 and 5, it is microfinance institutions themselves that have been the main beneficiaries, as evidenced by the large increase in the number of MFIs providing financial services and investment earnings globally. Given the gap between the rhetoric and evidence on the ground, the rate at which microfinance has spread across the globe is alarming.

There are several dimensions to this gap. First, while microfinance has been successful at increasing women’s access to credit and thus providing an opportunity for some women with limited skills to raise their income through entrepreneurial activities, it has been limited to those already participating in entrepreneurial activities and those who are at or above the poverty line. Even in these cases, most of the economic activities (as noted in Chapters 5 and 6) are not only small but have been in same scale enterprises; for instance, selling vegetables, poultry, dairy products, and running small convenience stands, which do not yield large profits. Moreover, with these inadequate earnings, women are still expected to pay extremely high interest rates much larger than those of conventional banks. The evidence gleaned from Chapter 5 indicates that the repayment pressure for women and others in the community has wider social implications; credit often means spiralling debt, physical and psychological violence, and suicide. In addition, it has done little to address the broader socioeconomic and political
power dimensions of poverty. Social and economic transformation of power structures that create poverty and disempowerment in the first place is required.

Secondly, contrary to the logic of microfinance, not all women want to borrow money or desire to start a new business that may or may not be successful, and which increases stress levels, and workload. Some would prefer stable employment opportunities such as public and private sector jobs. For instance, if there were more secure employment opportunities available to women, there is a strong likelihood they would not need to turn to the MFIs and other alternative credit sources that charge horrendous interest rates. Yet from the perspective of the WB and other microcredit advocates, microfinance is the most cost-effective way of addressing poverty and gender inequality.

Thirdly, the exaggerated claims about microfinance’s success may be due, in part, to the preference for quantitative methodology used in impact assessments over qualitative methods such as women’s narratives of lived experiences. Quantitative methods can yield misleading evidence since cause and effect are hard to determine through surveys. For example, women’s increased incomes could be attributed to a number of various credit sources not reflected in the survey, or macroeconomic trends, such as increased employment for their husbands. The inclusion of contextual information from women themselves is necessary for a deeper understanding of the impact of the strategies aimed at them.

7.4. Gender Constraints

It is not surprising, given the diverse structural causes of women’s poverty that the fourth research finding is that microfinance (as seen in Chapters, 2, 5, and 6) has not lived up to its claim of being a viable poverty reduction tool. Strategies such as microfinance that lack consideration of women’s diverse realities, at best, reinforce and, at worse, increase gender gaps by exacerbating women’s already large domestic responsibilities and workload, and their gender positioning in labour markets. The following section discusses the primary implications and recommendations arising from the findings, analysis, and conclusions of this research.
7.5. Implications and Recommendations

7.5.1. Theoretical and Methodological Implications

Given the diverse social and structural causes of women’s poverty, the dominant material conceptualization neither challenges nor addresses structural bases of power and women’s oppression. It needs to be replaced by a GAD informed approach that infuses an analysis of structural power relations into development practice and impacts in order to better understand the complex sources of women’s poverty and oppression. Women’s narratives of their own challenges and experiences can greatly contribute to broader sociological understandings of poverty, which should inform development policy and practice.

7.5.2. Policy and Practice

As neoliberal politics in the GPE have left fewer resources available to families in the Global South for providing basic household necessities, to truly address poverty and inequality, development policy makers and practitioners must:

1. Revisit gender representation and decision-making apparatuses in global governance and financial institutions that reflect both women’s and men’s interests—for example, tax laws that favour men based on the assumption that they are the sole breadwinners in the household.

2. Use the GAD approach when designing policy and measures to address inequality. For example, traditional stereotypes, attitudes and power structures that deem women less responsible and capable of economic success than men, and laws that enforce those perceptions like discriminatory inheritance and property laws impact both women and men. These structures keep women in lower and discriminatory positions in society. Measures could include land redistribution, entitlement, and property transfer laws.

3. Make greater efforts to include women’s voices when designing policies, programs, and projects. Without the diverse voices of women, it is impossible to know the true impact of microfinance and other strategies on poverty reduction and empowerment.

4. Stimulate and create economic policies and measures to reduce gender division in employment across all levels and sectors. For example, this could include education, training and employment in traditional and non-traditional sectors like government and public sector jobs. This would increase the range of opportunities that lead to decent incomes.
5. A greater focus on and return to Members Owned Institutions (MOIs) that are built by, or in association with, women. It is important to go beyond immediate needs, such as credit and savings, to address the broader gender barriers such as leveraging savings at large conventional institutions, which would generate investments in financial markets and, thus greater returns and financial security.

Finally, increase and scale-up policy and programs for women’s financial literacy at all levels from management of household finances to awareness and advocacy around gender biases in socioeconomic, political, and financial trends that affect women.

7.5.3. Further Research

This research stemmed from my experience working in Tanzania with the WLF project and my observations that microfinance may actually be reinforcing and helping to perpetuate gender gaps on the ground because it reinforces and exacerbates structural gender inequalities. More research on the ways in which neoliberal trends have created governance tools such as microfinance as well as gendered legal and cultural structures is needed to open-up spaces for alternative perspectives on poverty and inequality. For instance, the issue of vulnerability is rapidly emerging as a core concern in recent scholarship on poverty. Vulnerability denotes a future state of adversity, and, thus, provides an important dimension for understanding and addressing poverty beyond immediate circumstances. How microfinance affects women’s vulnerability—the gender effects of macroeconomic policies and global finance is of great importance. Therefore, in-depth long-term qualitative research methods and impact studies with women themselves are necessary to identify the context specific gender impacts of development strategies and barriers preventing women’s economic and social success. Also needed is further investigation into the commonly used, but not clearly defined, indicators for poverty and empowerment. As well, further community-based research is needed in the areas of social goals and evaluation indicators as defined by women, who should also be involved in creating the strategies and programs aimed at them.

Lastly, more research is needed into alternatives to conventional MFIs. These include MOIs such as Self-Employed Women’s Associations (women’s cooperatives) in India, and the Mutuelles Communautaires de Croissance structure in the Cameroon that is not based on a fixed structure, but rather, on specific community needs. There needs
to also be more exploration of financial models that are constructed on social justice principles and profit-risk sharing structures that would allow for contextual approaches to addressing the economic aspect of poverty and decrease stress in case of business failure.

The socioeconomic and political power structures that implement SAPs and other economic reforms, the legal and societal frameworks that lead to women’s lack of land rights and entitlement, and governance issues such as limited democratic processes, corruption, lack of representation, and women’s participation in political and economic decision making need to be addressed in any attempt to solve poverty and inequality. Using a GAD approach to research and practice can provide greater insight into the gendered effects of socioeconomic structures and relationships within which women are located, and thus contribute to the design of more effective policy and programs.
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120


Appendix 1: Research Design

The design of this research consists of three integrated components:

1. A Critical Discourse Analysis (CDA) designed to map out the broad contours of the ways poverty and gender empowerment have been represented in the GPE;

2. A content analysis of published studies evaluating two of the most well-known MFIs, GB in Bangladesh and BancoSol in Bolivia, to assess the effectiveness of microfinance to reduce poverty and women’s inequality; and,

3. A case study based on observations while designing and implementing the WLF in rural Tanzania, which together with the findings from the CDA, and survey of the GB and BancoSol literature, will offer insights into the relationship between the GPE, microfinance, and gender on poverty and women’s inequality.

Critical Discourse Analysis

Critical discourse analysis (CDA) primarily studies the ways social power abuse, dominance, and inequality are enacted, reproduced, and resisted by text and talk in a social and political context. With such dissident research, critical discourse analysis takes explicit positions, to understand, expose, and ultimately resist social inequality. (van Dijk in Schiffrin, Tannen, & Hamilton, 2003, p. 352)

There is no single approach or method for conducting CDA. As Phillips and Hardy (2002) indicate, CDA is a useful tool for analyzing the use of text in creating and maintaining power imbalances. The methodology used here is to uncover instances of how power constructs and distorts reality through the ways in which poverty and women’s realities are represented in development discourses. Thus, as Stillar (1998) notes, language lies at the center of discourse. Moreover, that language does not merely express fixed meanings in the world; those meanings and realities are discursively produced in and through it (Jorgensen & Phillips, 2002).
Conventional development discourse is a particular language that enables social and economic power by describing the world in particular ways; it privileges certain constructions of reality while simultaneously marginalizing or omitting others (Howarth & Stavrakakis, 2000). As Van Dijk (1993) explains, CDA helps to explain the “nature of social power and dominance” (p. 254). In other words, I am looking for patterns and themes that function to create new identities or reinforce old ones. Representations in development discourse are ways of seeing poverty and women’s realities that are both produced by, and product of, the broader culture in which they are situated (Campbell & Wasco, 2000). Constructions of reality are presented as truths that justify particular courses of action and their social consequences.

My approach to CDA is heavily influenced by the work of Michel Foucault who describes a discourse as not simply a linguistic concept that appears solely in one text, source or statement, but rather, a system of representation (Jorgensen & Phillips, 2002).

Discourse, Foucault argues, constructs a topic. It defines and produces the object of our knowledge. It governs the way that a topic can be meaningfully talked about and reasoned about. It also influences how ideas are put into practice and used to regulate the conduct of others. (as cited in Hall, 2001, p. 72)

By defining an object (topic) in a particular way, a discourse also limits other ways of thinking about, writing, and talking about that topic (Jorgensen & Phillips, 2002). Hence, although specific texts can be analyzed, the focus is on the broader discursive formation, the pattern of related texts, events, themes, institutions and practices referring to the same object, to which that text belongs (Foucault, 1972). My approach therefore, draws on a CDA framework that incorporates Foucault’s concept of governmentality within the broader notion of a discursive formation, which is explained below. I employ a social constructionist perspective, which advances the idea that reality is socially constructed and seeks to uncover how a particular social order came about (Phillips & Hardy, 2002) and thus, challenge the dominant forms of knowledge that have constructed poverty and women’s realities in a particular way that allowed for the justification for the use of microfinance.

Discourse for Foucault (1980) also constitutes subjects of knowledge (the identities and agency of individuals/groups). As a result, discourses have to be
historicized, since they produce particular forms of knowledge within specific historical contexts (Lemke, 1995). For instance, poverty is not an objective fact whose meaning has remained static over time. As the analysis in Chapter 4 shows, it was only within a particular historical discursive formation in the GPE that the object “poverty” appeared as an intelligible construct; it was only after a certain definition of poverty became dominant that the subjects of poverty could appear. Foucault’s concept and theories also stress the importance of institutions over individuals in creating, regulating, controlling and authorizing discourse (Dreyfus & Rabinow, 1982).

Discourses gain more power when they are embedded in powerful institutions like the WB and OECD that have the capacity to implement policies and resulting practices. Obvious examples are poverty reduction and microfinance. Therefore, I have selected core documents from the World Bank, the Consultative Group to Assist the Poor (CGAP), and the United Nations Development Program (UNDP) as they are key institutions representative of a historically specific discursive formation on the topic of poverty that emerged within the shift to neoliberal politics. WB documents were selected for the leading role they played in constructing a particular understanding of poverty and the incorporation of the concept of women’s empowerment, which has had policy implications due to the sociopolitical and economic power the Bank wields in the GPE. For instance, deeming itself the knowledge bank and situated in a powerful position to coordinate global strategies that align with core principles of neoliberalism (Cammack, 2004), the WB has been able to not only construct knowledge about poverty on a global scale, but to influence the dominant practices for addressing it; microfinance.

CGAP was selected (as discussed in Chapter 2) because it was created by and housed at the WB and therefore, plays an important role in constructing and promoting knowledge about the link between poverty reduction and microfinance. The CGAP has played a crucial role in creating an enabling environment for advancing neoliberal deregulation of financial markets in the name of creating access to credit for the world’s poor (Bateman, 2010). I have also selected quotes such as “weapon against poverty and hunger” (Annan, 2005), from the then Secretary-General of the United Nations that appeared at the same time to show how the language used by powerful individuals helped construct a particular knowledge of poverty in the mass media to gain public consent.
UNDP documents were selected to reveal that, although their discourse promotes a broader definition of poverty that includes human capabilities and social exclusion, in practice this definition is not used to design policies or measure their impact.

Overall, I approach representations of poverty and women’s realities in conventional development discourses from a critical feminist perspective. That is, although I recognize that absolute truths do not exist, I put women at the center of my analysis when identifying overarching themes and patterns in documents that represent poverty and women’s experiences in ways that have led to the use of microfinance. My aim here is to highlight the inclusion of certain institutional perspectives over those of individuals and communities in order to present an alternative way of seeing microfinance. Therefore, I situate microfinance in the wider context in which powerful global institutions perpetuate sociopolitical power and dominance and show the makings of this through Foucault’s “neoliberal governmentality” and its gendered consequences on the ground. As Stillar (1998) notes:

Discourse is ‘action’: It does things for social and economic agents in the context of their living. No discourse takes place outside the situated, embodied experiences and interest of the participants involved in an exchange … [it] is an integral part of the complex goings-on that make up social life. (p. 5)

Since the purpose of this work is to examine the relationship between the GPE, microfinance and gender, a CDA with a critical feminist perspective is well suited to this research. The following analytical framework is employed to conduct the CDA, which uses key components of Foucault’s discursive formation and practices to produce knowledge: the objects of knowledge, subjects of knowledge, and technologies.

**Objects of Knowledge**

Identifying patterns and themes in WB, CGAP, and UNDP documents that construct objects of knowledge is the first step to identifying statements about poverty and women’s inequality that formulate a certain kind of truth. Objects are constructed through rationalities, concepts, theories, and articulations developed by knowledgeable experts. That is, objects are ways of thinking about an objectified social problem, in this
case poverty, which will make its management practical (as cited in Dreyfus & Rabinow, 1982). Therefore, I employ Foucault's (1972) description of discourses as the “practices that systematically form the object of which they speak” (as cited in Smith, 2006, p. 1).

Secondly, this analysis involves identifying the rules, which prescribe certain ways of thinking and speaking about these topics that exclude other ways of knowing. Finally, it requires identifying how this knowledge acquires authority, in the sense that it is considered to embody the truth about that topic at any given historical moment. As Stillar (1998) and Philips and Hardy (2002) argue, a discourse is a set of interrelated texts and the result is their production, dissemination, and reception which bring an object into being.

Subjects of Knowledge

In addition to identifying patterns and themes that create a particular understanding of poverty, I also look for how subjects of knowledge—the poor, and especially women—are constructed. This requires identifying the constructed forms of ordered agency and the bias within the population identified as part of the social problem to be managed. Foucault also uses the term “subject” to refer to the reader of a text (as in being subjected to a discourse) and the meanings the reader derives (as cited in Dreyfus & Rabinow, 1982). Subjects are created through objectification; for example, the act of defining poverty as an object in a particular way creates a category of people identified by material deprivation. As Foucault notes, subjects “personify” the discourse (as cited in Hall, 2001). The poor person, the poor woman, has particular attributes assigned to them by the way they have been objectified; the way knowledge about the topic is constructed at that time. Hence they become “subjects of power” and “objects of knowledge”:

Power in this conceptualization then, extends beyond physical/instrumental force through systems of knowledge and discursive practices to provide meanings, norms, values, and identities that not only constrain actors, but also constitute them… In this sense, human beings, or the subject, are not only power’s intended target, but also its effect. (Abrahamsen, 2004, p. 1459)

Discursive Practices and Technologies
Finally, I examine WB, CGAP, and UNDP documents to identify how microfinance emerged as a distinctive set of practices and technologies for managing or governing the subjects in order to address the object, which is poverty. The analysis of governance for Foucault entails understanding how the management of social issues and problems is made possible by the ways in which they are framed. These governance activities occur within specific institutional contexts for regulating conduct, supporting and supported by particular types of knowledge and practice (Foucault, 1980, pp. 194-196). They encompass a range of practices designed to manipulate the social world according to particular rationalities and routines.

Governance technologies and practices give effect to the particular ordered forms of agency constructed through knowledge created about the objects and subjects (Lemke, 2001). Here, Foucault’s notion of neoliberal governmentality is particularly useful in understanding microfinance as a governance technology. Governmentality is used by Foucault to show how subjects can acquire degrees of autonomy and capacity for self-regulation and how this is linked to forms of power (Foucault, 2008). For Foucault, governmentality has two key components: the first entails the “responsibleisation” of subjects, in this case, of women to empower themselves, forcing them to free decisions in fields of action (as cited in Lemke, 2002, p. 5).

In this case of poverty, microfinance entails a transfer of the responsibility of public authorities for poverty reduction to women, transforming poverty reduction into a problem of self-care, which is described as choice (Barry, Osborne, & Rose, 1996). For instance, Karim’s (2011) study of non-governmental organizations (NGOs) in Bangladesh reveals that “microfinance NGOs manipulate existing kin and social relations to regulate the financial behavior of individual borrowers to create wealth for the NGO,” which she calls “NGO governmentality” (p. xvii). The second component of Foucault’s governmentality entails direct intervention by means of empowered and specialized agencies and apparatuses—in this case private sector actors such as NGOs as vehicles for the provision of microfinance.

In sum, while poverty is depicted in a variety of ways, from physiological to sociological, the focus here is to highlight the patterns and themes in dominant discourses that construct knowledge and meaning about poverty (object) and women’s
realities (subject) in a particular way that facilitates the corresponding practice of microfinance. The construction of the objects, subjects, and technologies has created the women’s poverty-empowerment nexus.

Content Analysis: Published Studies Evaluating MFI

In addition to a CDA of WB, CGAP, and UNDP documents, a content analysis of published evaluations of the GB in Bangladesh and BancoSol in Bolivia, two of the largest and most successful MFIs is used to answer the second research question—whether the evidence supports the claim that microfinance is an effective tool for reducing poverty and empowering women.

The extensive survey and content analysis of secondary data on these case studies are analyzed (as discussed in Chapter 2) according to the two most popular indicators for measuring the success of MFIs: (a) economic impact, measured as income and employment; and (b) social impact, measured as women’s empowerment through family decisions in the home and exposure to violence. Based on economic and social indicators, the research sampling included a wide variety of secondary sources available in English, on the impacts of these institutions on reducing poverty and empowering women.

Case Study and Participant Observation

The third component of the research design is a case study based on observations while designing and implementing a small micro-credit project, the Women’s Loan Fund (WLF) for seven months with Tanzanian women in 1999. This micro-credit project emerged from my participation in the larger Water Care and Rural Health Training Project (WCRHTP) in Tanzania in 1999, a partnership project between three Canadian colleges sponsored by the Canadian International Development Agency. Recognizing that women in Tanzania play a central role in the collection of water and firewood, food processing, cooking, education, and caregiving, the

45 As a former Environmental Studies student at Langara College, I was selected to participate in the WCRHTP.

46 The three Canadian colleges were: Langara College, Vancouver, BC; Camosun College, Victoria, BC; and, Assiniboine College in Brandon, Manitoba.
The WCRHTP\textsuperscript{47} aimed at women in the rural areas. The overall goal of the WCRHTP was to decrease the incidence of waterborne diseases such as schistosomiasis\textsuperscript{48} that have serious health affects in 10 rural districts on Lake Victoria\textsuperscript{49} in Tanzania.

While living in Tanzania for seven months, I traveled regularly to the communities in which the WCRHTP was being implemented and participated in all the Project’s meetings and workshops. In addition, there were many personal discussions with the Tanzanian facilitators, who were all female, implementing the Community Development (CD) module as well as with rural women enrolled in the WCRHTP. Much time was spent in local restaurants, sporting and other community centers and events, and had many in-depth conversations with locals as well as expatriates working in Tanzania.

It was in the context of many discussions with the CD facilitators, that the WLF, a small microcredit project was created. Due to the limited financial resources and assets of women, the WLF was structured as a revolving fund available to groups of 4 to 6 women; only when the loan was repaid could another group take out a loan. Observations and experiences implementing the WLF (and the broader WCRHTP) are what led to questions about the impacts of microfinance on women’s lived experiences.

This research explores the gap between the rhetoric of development discourse, and its effects on the ground. Therefore, the observations and experience in Tanzania add to this research’s analytical framework and are aligned with what Judith Dilorio notes:

Feminist fieldwork is predicated upon the active involvement of the researcher in the production of social knowledge through direct participation in and experience of the social realities she is seeking to understand ... however, feminist field researchers add [another dimension] which is not included as part of convention field methods ...

\textsuperscript{47} To achieve this goal, the WCRHTP had six training modules: Community Development (CD); Environmental Techniques; Health and Disease; Sanitation; Water Supply; and, Water Quality.

\textsuperscript{48} Schistosomiasis (also known as Bilharzia) is a disease caused by parasitic worms that live in water. In this case, these parasites hosts in snails that live in water hyacinths in Lake Victoria, Tanzania. It affects the urinary tract causing abdominal pains, diarrhea, bloody stool, or blood in the urine (World Health Organization, 2014).

\textsuperscript{49} Lake Victoria is the largest lake in Africa and is surrounded by Kenya, Tanzania, and Uganda.
the necessity of continuously and reflexively attending to the significance of gender as a basic feature of all social life and ... understanding the social realities of women as actors whom previous sociological research has rendered invisible. (as cited in Reinharz, 1992, p. 46)

Likewise, in her book *Feminist Methods in Social Research* (1992), Reinharz argues that feminist ethnography is in line with:

three goals mentioned frequently by feminists researchers:
(1) to document the lives and activities of women;
(2) to understand the experience of women from their own point of view;
(3) to conceptualize women’s behaviour as an expression of social contexts. (p. 51)

To provide a deeper analysis of my observations and experience in Tanzania as to the barriers preventing women from escaping material poverty, van Staveren’s (2002) framework is used to explain gendered institutions in financial markets: (a) gender inequality in property rights, (b) gender segregation of markets, and (c) discriminatory norms in financial markets. This framework was chosen due to the financial nature of microfinance as a strategy for reducing poverty, its relevance to personal observations on the ground, and its significance in building on the GAD framework of social and structural factors in inequality.

Consequently, insights from Tanzania are used to explain the observations implementing the WLF and make statements about the reality of women participating in income-generation activities without a formal research process or formal written documentation of discussions with women (only rough journal notes were taken). However, the observations are grounded in the views of women with whom I had many in-depth conversations and informal interviews about their experiences participating in the WCRHTP and WLF project. In discussions with women more specific questions emerged out of the larger topic of their experiences at the time of the interviews and conversations. Strauss and Corbin (1998) give credence to grounded theory when they note:

The researcher does not begin the project with a preconceived idea in mind ... [but] begins with an area of study and allows the ‘theory’ to emerge from the data and to better resemble the ‘reality’... because they are drawn from data, are likely to offer insight, enhance understanding, and provide a meaningful guide to action. (p. 12)
The primary data collected from personal observations on the ground without preconceived methods allowed for flexibility. Themes emerged during stages of the WLF project as its limitations became evident, and in women’s own problem-solving processes as they participated in income-generating projects. The effect of socio-political and economic structures on women became clear through observations made while living in Tanzania for 7 months. This provided deeper insights into the findings from the survey of the GB and BancoSol and into the lives of women who are situated in complex cultural and sociopolitical relations that constrain their participation in economic activities.