Grameen and Microcredit: A Tale of Corporate Success

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The Grameen Bank's microcredit programme has been recognised internationally as a successful model. This model has become an integral part of development thinking and has earned global attention as a new form of banking. But it has been hailed more as an effective tool for alleviating poverty and empowering women. To find out if this is correct, GB's publications and studies were analysed, its declared objectives were scrutinised, and international experiments of the model were also studied. The findings from inside and outside Bangladesh contradict the current myth around the model. The model created a good opportunity for expanding the market for finance capital, thereby ensuring GB's spectacular success. However, it failed as a tool for poverty alleviation and empowerment of women.

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> It is essentially a glorified form of subsistence.[1]
> Women bank workers cannot be as rigid as men workers when it comes to collection of instalments.[2]

Although microcredit (MC), in one form or another, has been practised in different parts of the world for a long time, the Grameen Bank (GB) institutionalised it and brought it into the formal, mainstream global financial system. Established in 1976 as a project, Grameen Bank emerged as a bank in 1983. It expanded speedily thereafter in Bangladesh and succeeded in significantly influencing the thinking on development inside and outside the country. Many countries endorsed the model as a part of their "poverty alleviation" programmes. It received great momentum after Bill Clinton, the then US president, extended his support. By then the global financiers found the model an effective tool to expand their tentacles.

It is true that the MC mechanism has already gained confidence as a mainstream window of finance. But that was not its declared objective. MC has always been placed as an "alternative" to the dominant development paradigm for alleviating poverty. Its effectiveness as a tool to alleviate poverty, the main argument behind this "alternative", has not been well established. This article makes an attempt to understand the nature and extent of the corporate success of GB and MC enterprises as well as to examine its claim about poverty reduction and empowerment of women.

NGOs: Growth, Polarisation and Retreat

The World Bank et al, started focusing on poverty alleviation programmes since the early 1970s when rising poverty and inequality, resulting from the trickle down modernisation process in the peripheral world, were creating widespread discontent. The growth of non-governmental organisations (NGOs) in development work has become a phenomenon since then. Bangladesh appeared to have become a breeding ground for NGOs. Starting from the early 1970s, the number of foreign-funded NGOs reached 382 in 1990. Within five years the number increased by three times, and by nearly five times further in the next 10 years.

Table 1: NGO Expansion (1990-91 to 2006-07)

Period (July - June)	Number of NGOs: Local	Foreign	Total
Brought forward (Up to June 1990)	293	89	382
1990-91	395	99	494
1994-95	790	129	919
1995-96	887	134	1,021
1999-2000	1,354	164	1,518
2002-03	1,612	178	1,790
2005-06	1,846	193	2,039
2006-07	1,959	197	2,156

Source: NGO Affairs Bureau, 2007.

During the same period, alongwith quantitative multiplication, the foreign-funded NGO sector showed a fundamental shift within its own body dynamics. In the beginning, the NGOs started working with a clear commitment to address social issues like inequality, healthcare, mobilising the poor to stand against exploitation, deprivation and the dominant power structure. Later most of them retreated from the initial promises and concentrated mainly on MC operations. During the same period, the NGO sector became highly polarised.[3] Very few NGOs including the GB controlled more than 80% of their resources, workforce and network. Most of the NGOs settled for the role of subcontractors. Moreover, this polarisation took place alongwith the corporatisation of a few NGOs. Grameen and the Bangladesh Rural Advancement Committee (BRAC) went global and signed joint ventures with multinationals and the World Bank, gradually turning into a new form of "group of companies". This is certainly a new phenomenon not only in the NGO sector but also in the corporate world. A new form of private ownership also emerged from the NGO leadership.

For policymakers, from home and abroad, the NGO model becomes 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. During the same period, NGOs were made an integral part of major policymaking processes, and also resource and service delivery system of the peripheral state, as a conditionality of "aid" from "donor" countries and agencies. Therefore, although a typical NGO is certainly a non-governmental organisation, it is no more a non-state organisation (NSO).

With the retreat from its earlier promises the NGO model soon developed its partnership with the dominant form of the "trickle down" process and "laissez-faire approach". It is also possible to find a NGO model that is a tool for the privatisation process (Lewis 1994; Osmany 1989).

During the 1980s and 1990s MC programmes expanded rapidly in Bangladesh. This was the same period when (i) structural adjustment programmes, i e, dismantling of public institutions, privatisation, and liberalisation, became the main spirit behind economic policies, (ii) Export-oriented garments industry and service sector had a high rate of growth while old manufacturing units experienced negative growth or closure, (iii) Different poor targeted programmes evolved as "safety net" programmes to rescue victims of the "reforms" or "restructuring", (iv) "Land reform", lost its place in the development agenda, and (v) Overall NGO activities expanded and were glorified as poverty alleviation tools.

Microcredit and Corporatisation of GB Projects

"A strong semiformal NGO microfinance system has emerged in the country during the 1980s the Grameen Bank and hundreds of NGO-MFIs operate in rural areas, small towns, semi-urban areas, and increasingly, urban neighbourhoods as well. GB project was transformed into GB by a separate ordinance in 1983", the Bangladesh Bank governor pointed out.[4] The combined coverage of MC programmes of GB, and more than a thousand non-government "microfinance institutions" and of government-financed projects encompassed approximately 15 million households. According to the Bangladesh Bank, taking into consideration problems of overlapping , which is about 33%, the effective coverage would be around 10 million households (BB 2006: 38).

Haque (2006: 71), also noted that,

> the number of borrower members were 20.26 million at the end of 2004, of which 14.30 million were active. Out of which 70.36% of total borrowers and 85.66% of active borrowers were with the big four – GB, BRAC, Association for Social Advancement (ASA) and Proshika. And there are only 10 NGOs who have more than 50,000 borrowers, 40 more have between 10,000 and 50,000. The rest, the overwhelming majority of the NGO-MFIs are small, having less than 10,000 members.

Table 2 shows the increase and distribution of MC for four of the largest MC agencies.

Table 2: Microcredit Operations of the Grameen Bank and Large NGOs (Amount in billion taka)

	FY 2005	FY2006	FY2007
1 Disbursement	91.0	128.9	158.4
(i) Grameen Bank	31.5	45.9	50.2
(ii) BRAC	29.1	36.9	52.7
(iii) ASA	29.7	43.0	52.3
(vi) Proshika	2.7	3.1	3.2
2 Recovery	78.6	116.1	161.2
(i) Grameen Bank	25.8	37.7	48.0
(ii) BRAC	25.8	37.5	62.6
(iii) ASA	24.2	37.4	47.1
(vi) Proshika	2.8	3.5	3.5
3 Outstanding loans	59.4	80.6	100.8
(i) Grameen Bank	23.5	31.7	33.8
(ii) BRAC	16.6	20.9	32.0
(iii) ASA	15.7	23.2	28.0
(vi) Proshika	3.6	4.8	5.0
4 Loans overdue	3.1	3.3	3.6
(i) Grameen Bank	0.2	0.7	0.8
(ii) BRAC	1.8	0.9	0.9
(iii) ASA	0.1	0.2	0.3
(vi) Proshika	1.0	1.5	1.6
5 Overdue as percentage of outstanding	5.2	4.1	3.6
(i) Grameen Bank	0.9	2.2	2.4
(ii) BRAC	10.8	4.3	2.8
(iii) ASA	0.6	0.9	1.1
(vi) Proshika	27.8	31.3	32.0

Source : Grameen Bank and respective NGOs quoted in BB (2007).

According to the GB web site (updated on January 2009) it has 2,535 branches and works in "83,343 villages". It has a total staff of 24,325. The total amount of loans disbursed, since inception, is Tk 407.68 billion ($7.43 billion). Out of this, Tk 365.39 billion ($6.63 billion) has been repaid. The current amount of outstanding loans stands at Tk 42.29 billion ($617.25 million). The monthly average loan disbursement from 7 November to 8 October was Tk 4.99 billion ($72.83 million).

In addition to this huge network, a number of different companies were set up with Grameeen's blueprint, goodwill, connections and initiative. According to the GB, "these are all independent companies, registered under Companies Act of Bangladesh, with obligation to pay all taxes and duties, just like any other company in the country". The companies are: (1) Grameen Phone, (2) Grameen Telecom, (3) Grameen Communications, (4) Grameen Cybernet, (5) Grameen Solutions, (6) Grameen IT Park, (7) Grameen Information Highways, (8) Grameen Star Education, (9) Grameen Bitek, (10) Grameen Uddog (Enterprise), (11) Grameen Shamogree (Products), (12) Grameen Knitwear, (13) Gonoshasthaya Grameen Textile Mills, (14) Grameen Shikkha (Education), (15) Grameen Capital Management, (16) Grameen Byabosa Bikash (Business Promotion), (17) Grameen Trust, (18) Grameen Health Care Trust, (19) Grameen Health Care Service, (20) Grameen Danone Food, and (21) Grameen Veolia Water.

Grameen Phone (GP) is now the largest mobile company in the country and is a joint venture with Telenore, a Norwegian telecompany.[5] In the beginning, GP started its operations through the Grameen MC network. Initially 3,48,733 borrowers received loans from GB to buy GP mobile phones and that played an important role in creating the foundation for GP and also its expansion. It also received financial and infrastructural support from public resources and thus expanded very fast.

With the Norwegian company holding a majority share (62%), GP has now become the highest revenue earning company in the country. Although Muhammad Yunus is the chairman of both GB and GP, GB or its borrowers are not the owners and are therefore, not supposed to get any direct benefits from its unprecedented scale of business. Grameen Danone Food and Grameen Veolia Water have also been formed as joint initiatives with global companies, established and popularised in the name of the poor and through the grameen network. Again, these too are not owned by Grameen borrowers.

There are other companies created by the Grameen establishment and led by Muhammad Yunus, as "separate legal entities", to "spin off some projects within GB funded by donors". "Donor" funds are transferred to the Grameen Fund. The GB provides loans or guarantees to different companies in its fold. These companies have the following loan liability to GB: Grameen Fund: Tk 373.2 million, Grameen Krishi Foundation: Tk 19 million, Grameen Motsho (Fisheries) Foundation: Tk 15 million. Moreover, GB provided guarantees in favour of the following organisations while they were receiving loans from the government and the financial organisations. These guarantees are still in effect. Grameen Shakti: Tk 9 million, Grameen Motsho (Fisheries) Foundation: Tk 8 million (GB 2009).

Globalisation and 'Commercialisation' of Microcredit

In the latest phase of global capitalism, the financial sector has become dominant over the production sectors. In the last few years, investment in speculation multiplied much faster than investment in other sectors. Banks, insurances, share markets, all became the centre of global investment. Financial capital, as a whole, took the lead in global capitalism. The unprecedented growth of 'money for money' activities helped many of the rich to become richer at a rate that is unprecedented in history. These activities may not bring good for the majority because they have fraudulent elements and often create disastrous affects for many. Some of this became visible in the recent past in many countries, including Argentina, and in east Asia. Other countries, including the US, had the heat of it. The force of uncertainty and collapsing experiences prompted James Tobin, a leading economist of the US, to ask for imposing taxes on speculative investments and transfer of money. George Soros, the guru of speculation and financial investments, asked global leaders to extend state control over uncontrolled money movement, to save capitalism.

Since I wrote along these lines three years ago (Muhammad 2006), the global uncertainty turned into global turmoil. The once super profit-making financial sector now exposes its total fragility and creates an unprecedented disaster for the whole capitalist foundation. The neoliberal model based on the Washington Consensus and market growth reveals the disastrous nature of late capitalism where speculative capital is dominant.

In the last few decades, finance capital became globalised in the process of capitalist expansion; communication technology too underwent revolutionary changes. During the same period, on the other hand, global capitalism experienced increasing financialisation as a response to over-accumulation of capital as well as higher return on speculative investment. By taking advantage of technological progress and unregulated movement of capital, new forms of speculative investment emerged.

But the growth of capitalism, nevertheless, could not solve the basic contradiction of capitalism, and majority of the world population continues to remain outside the market creating a deep tension within the system itself. Safety net programmes were evolved to solve this but with little success. MC in this phase appeared as a godsend, a way out for capital to get a vast virgin market as well as to create a link between a huge population and the market by increasing their market-oriented activities.

Microcredit: A New Way Out

In 1995, the World Bank opened a new window on MC. In 1996 the WB made recommendations regarding NGOs (in Bangladesh) and MC. It categorically stated:

> Integrate NGOs with commercial finance markets by: (a) developing an appropriate regulatory framework for the financial operations of the NGO sector; (b) encouraging large NGOs to establish themselves as banks; (c) encouraging 'wholesaling' of credit to established NGOs; and (d) using smaller NGOs as brokers to mobilise self-help savings groups (WB 1996).

This shift, the commercialisation of NGO programmes, therefore, had the blessings of the global capitalist centre and was a response to the inner necessity of finance capital. In 1997 the first international MC summit was held in Washington. In the conference, the WB, USAID, Inter-American Development Bank, the UNDP and Citibank among others announced their special fund for MC. In the last decade, not only did the GB model start spreading in other countries, mainstream banks also started introducing MC in their operations.

In 1998, on the eve of the tripartite meeting on microfinance in Lyon, France, UNCTAD pointed out that,

> The MC 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-enterprises represent a potential credit market of $100 billion and an even larger market for savings and insurance. ...Institutions such as Bancosol in Bolivia and K-Rep in Kenya boast better profitability rates than some of the world's biggest and best bank. A movement initiated about 20 years ago… micro-finance is becoming an industry, making its way into the mainstream financial system (Chowdhury 2007: 30-31).

Muhammad Yunus, therefore, deserves the highest credit for formalising and popularising MC, once marginalised but definitely a high potential form of the "finance industry".

In 2005, the UN named the year as the "International Year of Microcredit". In the same year, Citibank opened "Citi Microfinance" initially based in London, New York, India and Colombia.

The second MC summit held in 2006 assembled many big corporate companies. It is important to note that Monsanto and Citigroup were among the sponsors of this summit. The Summit Campaign Report estimated that "there are more than 3,000 microfinance institutions serving 100 million poor people in developing countries. The total cash turnover of these institutions worldwide is estimated at $2.5bn" (Harford 2008). The same year Yunus was awarded the Nobel Peace Prize.

Barclays launched Ghanaian Microfinance, tapping into one of Africa's most ancient forms of banking, the "Susu collection". The International Finance Corporation, a part of the World Bank, announced a "$45m investment in credit-linked notes to be issued via Standard Chartered bank to facilitate microfinance lending in Africa and Asia. In 2007, J P Morgan launched a microfinance unit as part of its emerging markets strategy" (Harford 2008).

The Financial Times in a recent investigative report focused on "commercialisation" of MC and evolution of MC to microfinance. The investigation revealed that, "The Citigroups of the world are not the only commercial players to get involved in what was once a purely philanthropic endeavour. Sequoia Capital, the venture capital fund that backed Google, Apple and Cisco, has taken an $11m stake in S K S Microfinance, a large Indian lender. Private equity groups such as Helios Capital are making similar moves".

It also gave instances of many microfinance institutions that have been "transformed from charities to profitable companies through hugely successful initial public offerings". It called Mexico's Compartamos ("Let's Share"), the most notorious, that used a $6m investment to turn itself into a billion-dollar company in less than a decade, expanding rapidly while charging very high rates to borrowers and in the process, "what was once an idealistic movement is now a fast-growing industry, and one that is rapidly losing its innocence" (Harford 2008).

It added, "Compartamos was founded in 1990 as a non-profit, but after a decade converted itself into a profit-making company, with investors including Acción International, which is part-funded by the United States Agency for International Development (USAID) and the International Finance Corporation, which is the WB's private sector lending arm. ....The initial investments of about $6m, between 1998 and 2000, were worth about $1.5bn at the time of the public offering in 2007. That valuation was justified by a combination of fast growth and high interest rates."

It referred to a report from the Consultative Group to Assist the Poor, an independent microfinance think tank housed by the World Bank, that estimated that Compartamos "charged interest rates of more than 100% APR (or annual percentage rate), after tax". In South Africa ZaFinCo, established only in 2004, became a good profitable business by "charging 11.75% per month on a four-month loan, or 200% APR, much more than Compartamos was generally judged to have been charging" (Harford 2008).

Country Experiences: Not the Same

The multiplication of the GB model or "cloning Grameen bank" (Todd 1996) shows its wider acceptance by different countries with varied forms of government and socio-economic priorities. The spread of MC institutions within and outside Bangladesh also reveals economic viability and profitability from the investors' perspective.

It is not surprising to find different results in different socio economic settings. Todd (1996) investigated the experience of Vietnam.

The study observed,

> The Grameen Bank model presupposes, at least implicitly, an exploitative landlord-moneylender class which dominates opportunity and the political structure in the rural village. In Vietnam, land reform eliminated the landlord class....The idea of using an NGO to sidestep the government structure and reach the poor directly is entirely foreign in Vietnam...Everything that reaches the rural people is mediated through the people's committees and their closely-related mass organisation... The credit programme as it was implemented by the Women's Union was seen simply as a method that the existing political structure could adopt to reduce rural poverty.... The women's union, which was founded in 1930, is the mass organisation for mobilising women throughout Vietnam... With a membership of 11 million women it now plays a powerful role in development, particularly in the social welfare areas of health, family planning and mother and child care. ...cadres were chosen as field assistants (pp 76-81).

Bateman (2008) found a different scenario of MC in Serbia while he worked there as a consultant. He said,

> the foreign-owned commercial banks since 2001 have massively discovered microfinance. From almost zero in 2001, the commercial banks now channel 22% of their total loan portfolio through highly profitable microfinance (household microloans) programmes amounting to almost 12% of gross domestic product... so the country is now chock-full of traders, kiosks, shops, street-traders and subsistence farms. The base of the economy is quite simply being destroyed.

This disproportionate growth of the service sector is also taking place in Bangladesh.[6]

Bateman (2008) also discussed Bosnia. He argued, "the situation is even worse in Bosnia which is serving as the international donor community's 'test-bed' for post-conflict microfinance. Many locals call it the 'Africanisation' (Africanizacija) of their economy, meaning its planned descent into unsustainability."

Microcredit and Poverty

Grameen Bank Claim

GB claims that its loan recovery rate is 98.24%. Ever since it came into being, it has made profits every year except in 1983, 1991, and 1992. I have already discussed its many other successes as a bank and a corporate house.

However, since the GB and peer organisations like to emphasise their activities as tools of poverty alleviation, mere success as a bank, accumulation of huge capital and playing an instrumental role in opening new profit-making big corporate houses should not be considered as sufficient conditions to establish the claim. Therefore, we need to look at its impact upon poverty, women empowerment and its operations regarding borrowers. Let me first look at the declared objectives of GB and its internal study findings.

Lamia Karim (2008) summarises the declared objectives from GB's documents as follows: "according to Professor Yunus, the GB model of MC is not solely a matter of the extension of credit, it has a unique set of social objectives that it aims to implement through MC policies. These are:

– It promotes credit as a human right.
– It is aimed towards the poor, particularly poor women.
– It is based on "trust", not on legal procedures and system.
– It is offered to create self-employment, income-generating activities and housing for the poor, as opposed to consumption.
– It was initiated as a challenge to conventional banking which rejected the poor by classifying them as "not creditworthy".
– It provides service on the doorstep of the poor based on the principle that the people should not go to the bank, the bank should go to the people.
– It gives high priority to building social capital.

Muhammad Yunus (2006) claimed that, in Bangladesh,

> according to Grameen Bank's own internal survey, 56% of its borrower families have crossed the poverty line by 2005, judging this on the basis of 10 indicators (size of loan, amount of savings, housing condition, furniture in the house, provision of pure drinking water, sanitation and warm clothing, education of the children, etc) set by Grameen Bank to track impact of its programme on the poor families that it serves....Bangladesh is still the only country where MC outreach is over 75% of the poor families (BB 2006: 49).

Different Findings

The GB web site refers to its recent internal survey (2008) to show that 65% of families of Grameen borrowers have crossed the poverty line. But the same source indicates a different trend elsewhere. The table below is compiled from the internal survey data of GB. It shows that, GB's success got the highest score in earning profit (81.40%), 100% repayment success is also clearly very high (74.37%), but when it comes to people's lives and the economic scenario the success rate drops to 13.74% (education) and for poverty reduction to only 2.26%. The GB authority does not seem to be very sure about the claim on the success rate from local bodies, therefore this claim needs to be verified.[7]

Table 3: GB Success Claim: Profit and Poverty

Area of Success	Total Branch	Success in Branches	%
100% repayment	2,517	1,872	74.37
Earned profit	2,517	2,049	81.40
No loss	2,517	1,757	69.80
education for all borrower's children	2,517	346*	13.74
All borrowers came above poverty line	2,517	57*	2.26

*Verification by the GB authority is yet to be done.
Source: Compilation and calculation by the author from GB 2009.

Let me discuss some studies done by others to look further into MC operations of Grameen and other agencies. In the latest study (Ahmed 2007), 2,501 respondents were those who received a total of 3,537 MCs in the loan period during which the survey was conducted. It was seen that 24% took loans from two sources, 6% from three sources, and 1% from more than three sources. About 68% used only one source. The three leading sources of MC from which the respondents mainly borrowed were GB (34%), ASA (24%) and BRAC (21%). All other sources account for about 21% of the loans taken. Over 99% of the borrowers interviewed were females and less than 1% males. Most of the borrowers were in the age group of 21-50 years; and most of them (84%) were primarily housewives. The majority (65%) of the respondents were also illiterate, while 17% have studied up to class V and another 21% studied between class V and class VIII.

The largest number of activities undertaken (37%) by the borrowers were found to be related to trading including in paddy, rice, stationery, grocery, fish, and other ordinary goods and services (in some cases with some processing). The next two important categories were renting of agricultural land and agriculture related activities (each about 13%). The next three activities mentioned were purchase and pulling of rickshaw (9%), using the credit money to defray the costs of education and marriage of children (8%), and purchase and rearing of cows (7%). Another noteworthy reason was the repayment of previous loans (6.4%).

The study also collected data from the villages to calculate "interest rate based on average balance" (IRAB) of loan and "rate of effective cost of borrowing" (RECC) for four large organisations, GB, BRAC, ASA and Proshika. It was found that while IRAB ranges from 26.6% (GB) to 40.8% (BRAC and ASA), the RECC reached a higher range from 30.5% (GB) to 44.8% (BRAC and ASA).

The study revealed that although a large majority of borrowers were women, only 10% could be sure about their control over the loans. The rest had to share it or hand it over to the husband, brother or any other male member of the family. Other studies also have similar findings, for example, "108 informants out of 120 women borrowers reported that male guardians in the household either sent them or influenced them to become members of the GB loan group" (Rahman 1999: 76).

Dowry, an amount of money or goods to be given from the girl's side to the groom as a precondition for marriage, is known to be a curse for poor people in general and women in particular. In contrast to the GB claim, 2,036 (82%) borrowers said that dowry pressure increased since enrolment, only 2.4% or 60 borrowers found the problem had decreased, while for 374 cases or 15.1%, it remained as before.

Although we find plenty of literature on the successful repayment rate of GB and other MC agencies, there are very few who look at the repayment from the borrowers' perspective, how they manage to do so and how they suffer due to the load. Ahmed found 1,189 out of total 2,501 respondents who could not repay on time, 72.3% had to borrow money from moneylenders and others at high rates of interest, while about 10% had to sell goats or some other valuable asset.

Findings from other studies and observations where I was involved in different years have not been much different (EconJU 1996, 2004, 2007). These studies surveyed 1,489 families from 15 villages and found only 5 to 9% of the borrowers who could use MC for their economic improvement, and many of them had other sources of income as well. The borrowers who used their money for business lending with higher interest rates got the highest returns. The second best was the service sector, like running small shops, rickshaw-van or retailing. Nearly 50% of the borrowers had to take further loans from other sources. About 43% could not manage loans from many sources and their position deteriorated.

Another study carried out jointly by the Bangladesh Institute of Development Studies (BIDS) and the World Bank in 1997 found that less than 5% borrowers could lift themselves out of poverty each year by borrowing from a "microfinance programme" (Khandker 1998). It was later also estimated "that 5% of the microfinance borrowers actually represent only about 1% of the population". And therefore "the long history of microfinance movement in Bangladesh and the incidence of high aggregate poverty situation seems to remind policymakers about the limitations of microfinance in alleviating poverty" (Rahman and Khandker 2000).

In another study conducted in the mid-1990s, a resurvey of 17 villages showed that only 19% respondents informed that their conditions had improved, out of which only 5% gave credit for this improvement to NGO intervention, 24% informed that their situation has deteriorated, while no change was observed in 58% of the cases (Rahman and Hossain 1995).

These quantitative findings contradict the myth of the GB and MC. Still it gives a partial picture of social relations that affect MC activities and influences shaping the inherently repressive and unequal relations, including patriarchy in lending and repayment. We need to look into qualitative studies to understand more.

Women's Empowerment: 'Public and Hidden Transcripts'

The MC borrowers are mostly women not only in GB, but also in many other MC agencies. On the other hand, in all these agencies, the officials are male. Why is that? Aminur Rahman, through an ethnographic field research in Pas Elashin village, tried to understand this. He conducted this study "based on thirteen months of ethnographic field research on Grameen lending to women in a rural community of Bangladesh" (Rahman 1999). He used the concepts of "public and hidden transcripts" developed by James Scott[8] (Scott 1990), to understand rhetoric and reality of the operation of MC in general and GB in particular.

Rahman observed that, in the study village, 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. The positional vulnerability of rural women is understood and often explained by informants in relation to women's limited physical mobility and to their culturally patterned behaviour (shy, passive, and submissive). The informants of this study rarely mentioned women's self-employment and empowerment as the objective of lending to poor women. He quoted Mafiz, a bank worker who said that, "women in the village are easily traceable. They regularly attend more group meetings than men. Women are more reliable and are more disciplined (passive/submissive) than men. Working with women is easier than working with men" (Rahman 1999:74).

Rahman further noted that the male bank workers made up 91% of the total workers involved in the field level operations of the bank. At the time of his research all the eight managers under the area office were men, the area manager and programme officers were also men. He also found that nine of the twelve bank workers were male in the study branch. Female bank workers were accused of being "less effective in collecting instalments". The manager of the branch stated to him, "women bank workers cannot be as rigid as men workers when it comes to collection of instalments" (Rahman 1999: 84).

In many studies, including mine, it is found that the actual utilisation of the loans has not been in the same areas as those they were approved for. For example, in Pas Elashin village, the highest number of loans were approved for rice husking (39%), but nobody used the money for that purpose. The second highest number of approved loans were in agriculture (23%), and the actual use was 3%. The highest actual use of loan (42%) was in business including moneylending. No loans were approved for money lending, and 19% was for business. There were no approved loans for household expenses, but 29% of loans were used for family necessities including dowry, sponsoring migrant workers and medical expenses (Rahman 1999: 107).

In another anthropological study, Lamia Karim looked into the causes behind this and also the process of loan delivery. She found that, "because of the pressure on loan officers to recover money, officers seldom have the time to monitor what the borrowers do with the loans. As one borrower's husband said to me with a smile: "We took a cow loan. Fifty percent will be spent to pay off old debts, and another 50% will be invested in money lending. If the manager comes to see our cow, we can easily borrow one from the neighbours". The availability of NGO money has encouraged many rich clients to enter the MC market. In many instances, richer clients used poorer women as proxy members. That is, the rich client used the loan while the poor woman joined the NGO as a proxy member in exchange for a fee. If the rich client defaulted, it was still the poor proxy member who was held accountable by the NGO" (Karim 2008).

Microcredit Defaulters and Coercive Measures

It is true that the borrower of MC does not have to show any collateral, but s/he has to be accountable to the group s/he belongs. This belonging to the group works as collateral. The borrower receives the amount minus some savings, (about 10%) and has to repay the loan in weekly instalments with interest of around 20 to 40% of the total in average. Since more than 20% returns on the loan amount is essential to maintain repayment regularly for every week, every month and every year without a break, if anything happens to break the payment or if the borrower cannot earn more or at least equal to the repayment amount, s/he becomes a defaulter, which has a chain effect. It is assumed that, *cateris paribus*, as standard practice in economics, other things remain the same, meaning 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 the property relations, power structure, and market processes all favour the poor, which has been proved completely wrong. For every breakdown of the model with wrong assumptions the borrower faces helpless uncertainty. Defaulters, therefore, are on the rise among the poor who are compelled to take new loans from other sources at higher interest rates.

In Bangladesh we often find the reality different and bitter. Living in the lowest strata of a society that is based on class, gender and regional discrimination very few borrowers can pass the difficult examination, most of them either face market hostility or natural disaster or sickness or social odds. While other structural factors are kept intact or are worsening, one cannot expect these poor people to become efficient entrepreneurs.

In 2007 the people in the coastal areas suffered from a deadly attack of Sidr, the biggest natural disaster since the winning of the Nobel Prize by the GB. That further exposed the coercive side of MC operations. One recent study was conducted in 12 Sidr affected south and south-western districts in Bangladesh, where pre-Sidr outstanding loans to around 1.5 million people amounted to some taka 12 billion from 42 MC organisations. The study observed,

> Sidr victims who lost almost everything in the cyclone, experienced pressure and harassment from non-governmental organisations (NGOs) for repayment of microcredit instalments. Such intense pressure led some of the Sidr-affected borrowers to sell out the relief materials they received from different sources. Such pressure for loan recovery came from large organisations such as BRAC, ASA and even the Nobel Prize winning organisation Grameen Bank.
>
> Even the most severely affected people are expected to pay back in a weekly basis, with the prevailing interest rate. No system of "break" or "holiday" period is available in the banks' current charter. No exceptions are made during a time of natural calamity. The harsh rules practised by the microcredit lender organisations led the disaster affected people even selling their relief assistance. Some even had to sell their leftover belongings to pay back their weekly instalments.

The study compiled the following facts from a focus group discussion with a group of MC holders at an affected area on 21 October 2008.

– In many cases relief materials had to be sold off to pay for credit instalments.

– Many were forced to spend the government provided housing compensation package of Taka 5,000 to repay their loans.

– Many have received fresh loans from some NGOs, and used a significant portion of it to pay for their previous loans owed to some other NGOs.

– Some NGOs launched cash for work programmes for the Sidr affected people...many complained that they were forced to hand over the money to some MC lending organisations to which they owed in the pre-disaster period.

– In some cases the women borrowers had to face systematic harassment by the field staff of the lending organisations. Some complained that they were forced to give out their leftover possessions, even their small ornaments, to pay off the credit (Pasha et al 2008).

Lamia Karim, in her study, also observed the process of loan repayment and the helplessness of rural women in MC operations. She observed,

> in circumstances when the woman failed to pay the sum, which happened several times a month in the NGOs I studied, the group members would repossess the capital that the woman 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 woman) to cows and chicks to trees that had been planted to be sold as timber to collecting rice and grains that the family had accumulated as food, very often leaving the family with no food whatsoever. The women who committed these acts did so at the exhortations of NGO officers, but they also considered these acts to be "protecting their investments", and the defaulting woman as someone who had "broken faith with the community". These acts were committed with the full knowledge of NGO officers, but the officers did not participate in these collective acts of aggression. Instead, they threatened to withhold future loans unless the defaulted money was recovered (Karim 2008).

The study conducted in Sidr-affected areas narrated the story of Bilkis, who "survived the cyclone-powered tidal wave that engulfed the village by climbing a tree and is now struggling to find food for her family. With nothing left but the clothes she stands up in, she knows she will be unable to keep up the payments of her outstanding debt of Tk 80,000."

But despite the severe conditions faced by cyclone survivors, Yunus, who toured the area around Bilkis's village to assess the damage, told the news agency that cancelling outstanding debt was impossible (Pasha et al 2008).

Supplementary, Not Alternative

Muhammad Yunus once stated, "As a thumb rule I would say that an MCB should try to keep the interest rate within 5 to 10% points above the commercial rate. If it goes above this limit, it would be entering the moneylenders' world, leaving the MC world behind" (BB 2006:.52). But in reality that is happening, not only in other countries but in Bangladesh too.

Muhammad Yunus likes to call all "his" businesses social and defines them by three requirements: (1) social objectives, e g, health, education, poverty, environment or climate, (2) community ownership: it needs to be owned by the poor or disadvantaged, and (3) non-profit distribution: investors may not, after having had their investments paid back, take profits out of the enterprise as dividends (Yunus and Weber 2008). The list of joint ventures and other businesses linked with the Grameen network show us that most of these enterprises fail on all of these fronts. Grameen Phone has become the largest source of capital outflow not only from the subscribers but also from the country. The other two joint ventures are taking the same path.

The Financial Times (6 December 2008) wrote about a recent controversy within the MC world where Muhammad Yunus opposed microfinance lenders such as Compartamos "as indistinguishable from the moneylenders". But it is clear that the increasing commercialisation of MC, the polarisation of MC agencies, the coercive nature of extraction are all an obvious outcome of the process itself and the dynamics of the logic of capital. And in the same process, GB itself gave birth to highly profitable business enterprises. Yunus turned into one of the world's leading businessmen, and became an advocate for foreign corporate investment in Bangladesh. The number of the poor and vulnerable has increased.

The GB's spectacular success as a bank in a new form must be acknowledged. But where should we locate its success? Certainly not in poverty alleviation. Its success lies in creating profits by integrating the poor into the market. Yunus (1998) himself cleared his position elsewhere:

> I believe that 'government', as we know it today, should pull out of most things except for law enforcement and justice, national defence and foreign policy, and let the private sector, a 'Grameenised private sector', a social-consciousness-driven private sector, takeover their other functions.

But we already know that the Grameenised private sector has not brought about anything different except misleading people with some rhetoric like "social business". This position goes well with neoliberal ideology and the dominant development paradigm that produce and reproduce poverty for many, and affluence for the few, that destroy nature and people's lives to ensure and maximise corporate profit. Bangladesh, the pioneer of MC, itself stands as a clear proof of this nature and direction of "development".[9] Therefore, in the name of an alternative, the MC machine in fact has taken on the role of a supplementary to the dominant development paradigm.

NOTES

1 Doug Henwood, preface in Chowdhury (2007).

2 Grameen Bank official in Rahman (1999).

3 For analysis of context, growth, polarisation, retreat, success, failure and political significance of NGO model, see Anu Muhammad (2000): *Development Crisis and NGO model in Bangladesh* (in Bangla).

4 Microcredit providing agencies remained outside any formal supervisory or monitoring system in Bangladesh until 27 August 2006. Only in 2000, the government formed "Microfinance Research and Reference Unit (MRRU)" to formulate guidelines and suggest a regulatory framework for this sector. The government passed the law in July 2006 under the title "Microfinance Regulatory Authority Act 2006" which became effective from 27 August 2006. According to the law all active microfinance institutions should apply for licence from the authority within six months. The former MRRU has been transformed into the secretariat of the Microcredit Regulatory Authority. Bangladesh Bank has been providing support to the Authority to attain its full institutional shape (BB 2007: 71).

5 The company's total revenue earning was around Tk 54.44 billion in 2007. The CEO of GP at a press conference said that the GP's net profit had increased to Tk 3.20 billion in 2008 from around Tk 1.30 billion in 2007. The number of SIMs subscription had increased by 4.5 million in 2008 to 21 million (*New Age*, 12 February 2009).

6 I analysed this "development" experience that makes a path "from Mills to Malls" in my article, "Globalisation and transformation of peripheral economy: The Bangladesh experience" (Muhammad 2006a).

7 Grameen Bank provides colour-coded stars to branches and staff for 100% achievement of a specific task. A branch (or a staff) having five-stars indicate the highest level of performance. At the end of June 2008, branches showed the following result.

1,872 branches, out of total 2,517 branches, received stars (green) for maintaining 100% repayment record. 2,049 branches received stars (blue) for earning profit. (Grameen Bank as a whole earns profit because the total profit of the profit-earning branches exceeds the total loss of the loss-incurring branches.)

1,757 branches earned stars (violet) by meeting all their financing out of their earned income and deposits. These branches not only carry out their business with their own funds, but also contribute their surpluses to meet the fund requirement of deficit branches.

346 branches have applied for stars (brown) for ensuring education for 100% of the children of Grameen families. After the completion of the verification processes their stars will be confirmed. Fiftyseven branches have applied for stars (red) indicating branches those have succeeded in taking all its borrowers' families (usually 3,000 families per branch) over the poverty line.

The star will be confirmed only after the verification procedure is completed. Each month branches are coming closer to achieving new stars. Grameen staff look forward to transforming all the branches of Grameen Bank into five star branches (GB 2009).

8 Public and hidden transcripts present two faces of culture: (1) the official views – societal or institutional representation; and (2) individuals' views-constructed in the sociocultural and economic relations with the "other"...According to Scott, the hidden transcript in most cases, represents a critique of power spoken behind the back of the dominant (Rahman 1999). Also see Scott (1985).

9 For analysis of Bangladesh experience of "development" including "poverty reduction" exercises, see Muhammad Karim, Lamia (2008): "Demystifying Micro-Credit: The Grameen Bank, NGOs, and Neoliberalism in Bangladesh", *Cultural Dynamics*, 20(1) (USA: University of Oregon), 2007.

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