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Author(s): Ross Mallick

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# Implementing and evaluating microcredit in Bangladesh

*Ross Mallick*

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*Microcredit has been introduced to rural communities in Bangladesh as a means of economic and social development, but there are increasing doubts about its effectiveness and suggestions that it causes domestic abuse. A review of various studies indicates that microcredit can result in social disruption by exacerbating gender conflict. It is suggested that micro-level study is required before credit is introduced to local communities.*

## Introduction

Bangladesh has become a testing-ground for innovative microcredit banking, and has received considerable foreign funding and scrutiny as a result. However, the value of credit for marginalised people, and particularly for poor women, is now a matter of dispute. A review of the literature indicates that the early enthusiasm of its advocates has turned to scepticism among some observers.

There are several microcredit institutions, but two NGOs, BRAC and the Grameen Bank, have attracted the most publicity and study. This article will focus mainly on the Grameen Bank. The literature often assumes that microcredit began with them rather than with the colonial Bengal government, but there was a Ministry of Credit, Cooperation and Rural Indebtedness in the 1930s. However, by the time Bangladesh was created, the government programme had been compromised by political interference and corruption, with repayment rates that were unsustainable. Given this record, the performance of the Grameen Bank—which had a 98 per cent recovery rate, comparable with the best Western banks, without even requiring collateral—seemed impressive. A small circle of borrowers owning less than 1 acre of land guaranteed each other's loans in the event of default. Larger loans were predicated on the repayment of earlier smaller loans. Though male members initially had a significant presence, this gradually shifted in accordance with Bank policy so that 95 per cent of borrowers are now women.

Despite Grameen's formal policy, the borrowers' circle did not have to pay back money on behalf of defaulters nor did it prevent those in good standing from borrowing more money. Only exceptionally would circles be closed down for non-repayment, but legal and police coercion was not used, and the bad debts were simply written off as an expense. A hands-on approach was adopted, with the Grameen worker attending each weekly meeting and walking long distances to do so. This face-to-face contact enabled peer pressure to be exerted for repayment.

## Grameen's Approach to Microcredit

In contrast to microcredit schemes that could offer only financial inducements for repayment, the Grameen Bank practises social coercion. The meetings are designed to develop peer pressure to ensure compliance, and women are found to be the most suitable for this. Not only are their neighbours and friends part of the borrower circle, but their husbands are there to enforce compliance through corporal punishment. The Bank worker holds up the meeting until everyone has arrived and paid their dues. If this is not done, the meeting continues so the women are late returning home to prepare the meals. This results in physical abuse by the husbands. Ironically, most of the loans are not for the women at all but for the husbands, who force their wives to take a loan officially for themselves but actually for their own use. This has resulted in an increase in violence against women. Whether this violence is compensated by the fact that the women now act as the middle person in the transaction between the Bank and their husbands is difficult to measure. Some loans *are* for the women themselves and, even if not, their utility as a conduit for funding their husbands gives women a more critical role in the household than they had before. This has been the argument made by defenders of these Bank practices (Hashemi et al. 1996:635). The Grameen Bank gains from the use of women borrowers because the threat of physical violence is reversed. Previously, loans to men were difficult to collect because the men could abscond or react against the Bank workers with threats and violence, sometimes using influential persons to back them up. As one Bank worker put it:

*In the field it is hard to work with male members. They do not come to meetings, they are arrogant, they argue with bank workers, and sometimes they even threaten and scare the bank workers. It is good that our superior officers have decided not to recruit new male members, although we do not have any written instruction about it. (Rahman 1999a:69)*

By going through women, violence may now be used to enforce loan payments, not against the Bank staff but against the borrowers, the women who are legally liable for the transaction. The Grameen staff may well be aware of the abuse that goes on as a result of this method. In Bangladesh, a woman's honour is more easily undermined than that of a man:

*When a woman fails to make her instalment on time, she experiences humiliation through verbal aggression from fellow members and bank workers in the loan centre. Such humiliation of women in a public place gives males in the household and in the lineage a bad reputation (durnam). In an extreme case peers may take the defaulter to the bank office. For a man, if he is locked inside the bank building for several days it would mean almost nothing to other people in the village. But if this happens to a woman then it will bring durnam to her household, lineage and village. People in other villages will also gossip about it. (Rahman 1999a:70)*

One woman who was reportedly locked in a Bank room hanged herself from the ceiling fan with her sari (Rahman 1999a:70). Such extreme cases illustrate the problems of using the most vulnerable sections of society as loan recipients, and using that vulnerability as a means of enforcing repayment.

Another reason for the increased use of women is that it has become a focal point for foreign aid agencies intent on reforming Muslim societies. The Bank is put in a difficult position between the aid agencies with a women's agenda and a conservative rural male-dominated society. In an otherwise sympathetic book on the Grameen Bank, David Bornstein notes that its failure to appoint female workers put its value as an agent of social reform into question with donor agencies:

*Critics asked: If Grameen was interested in bringing about social advances for women, shouldn't it try harder to hire more of them?*

*It is a sign of his frustration with the issue that Yunus [Grameen founder], who likes to engage most problems head on, prefers to skip over this one. When I brought it up, he replied: 'There's tremendous pressure for women to quit their jobs. It's very difficult to take them on. We still try but we have not succeeded. This is one area where we have failed miserably. We didn't do it.' He spoke quickly. He wanted to move on to the next question.*

*The likely source of Yunus's frustration are Grameen's donors, who have complained about the low numbers of female bank workers. 'It's a blind spot,' explained Joan Hubbard, who represented a consortium of donors assembled in the late 1980s. 'It's one of those issues that's an untouchable.'* (Bornstein 1996:187–188)

However, it should not be untouchable, for other rural development organisations have a much better record on employing women. The Save the Children Fund (SCF) has 43 per cent female staff while BRAC and Grameen have only 10 and 9 per cent, respectively (Ackerly 1995:66). Another source shows that BRAC female staff at one time reached one-quarter of the total, but that it then fell to 15 per cent (Rao and Kelleher 1995:69). The UNDP-supported South Asia Poverty Alleviation Programme had, by the end of 1998, some 750 village organisations, half of them run for and by women. 'It turned out there were [sic] no dearth of trainable managerial material. . . . Amazingly there is no visible conflict with the established order' (Raj 1999:59). The constraints on the Grameen Bank seem therefore to be within the Bank rather than primarily within the society, something that reflects the institutionalisation of male interests within the Bank. Its founder was caught between donor pressure for affirmative action and staff resistance to the inclusion of women. The qualities that made women good credit risks should also have worked for their promotion into staff positions, but the contradiction was not allowed to be resolved.

The issue is whether microcredit banks such as Grameen are just banks or also agents for social change. They project themselves to donors as the latter, particularly as promoting change on behalf of women, but in practice err on the side of caution in this regard. Grameen has fewer social service components than BRAC, but neither is about to challenge male hegemony. 'Since the 1980s . . . the Bangladeshi state has sought to palliate its legitimisation anxieties by aligning itself, increasingly, with Islamic interests, which has meant that an effective public commitment to social change in women's interests is lacking' (Goetz and Sen Gupta 1996:59). The microcredit banks have not only acquiesced in this arrangement but also benefited from it. 'One way in which male dominance persists and reconstitutes itself is through the exploitation of women as new sources of labour and capital. It is hardly surprising that women's loans are being treated as a new resource for men in this context' (Goetz and Sen Gupta 1996:56).

Criticism has also come from women beneficiaries who suffer physical abuse from their husbands. 'Most women who encounter violence in the household . . . often blamed either the peer group members or the bank workers instead of their own men for such behaviour' (Rahman 1999a:75). Since women were expected to cook the meals, their failure to do so because they were being held up by the borrower circle was considered to make the violence excusable. However, Western donors do not consider such failure to be a justification for domestic violence and expect their donations to improve rather than exacerbate the situation of domestic abuse:

*Foreign aid donors have their own criteria for funding eligibility, frequently involving gender-based criteria which conflict with local norms.*

*Yunus finds himself in the uncomfortable stance of having to straddle two very different worlds. While Grameen's Western donors press the bank to adopt affirmative action policies to boost the proportion of women staff—such as promoting them faster, building separate dormitories, or promising women special perks like motorbikes—Yunus has to worry about how the rest of the staff will respond to these actions. (Bornstein 1996:188)*

The effect of microcredit in either enhancing male dominance or liberating women seems to lean towards the former, according to Aminur Rahman, though others believe that it increases female opportunities. Bina Agarwal, for instance, takes the position of the researchers who claim that the credit empowers women:

*Ahmed found a significant reduction in verbal and physical abuse and threats of divorce by husbands after their wives joined the Grameen Bank. Similarly the women members of BRAC told Chen that they were better respected by their husbands and faced less violence in the home after joining the organisation. (Agarwal 1994:68–69)*

The official position of the Bank is that it helps women but there is empirical evidence that it also results in increased violence against women. The two positions are not mutually exclusive since the borrowing may enhance the power of some women while increasing the violence against others, according to the degree to which the women actually control the money and the attitudes of their husbands and relatives. A quantification of the overall relative social costs and benefits is not possible given the small size of the sample, but at least now there has to be an acknowledgement of the social costs resulting from microcredit. The surprising thing is that it took so long for this to be recognised in an institution that has attracted so much investigation.

The conflict between indigenous and Western values as reflected in Bank practices is not easily resolved. There is no doubt that the Grameen Bank has tacitly allowed violence to be used as a means of coercing repayment, and, by funding it, the donors are complicit in this even though they are opposed to domestic abuse in principle.

One of the most frequent criticisms of commercial banks is that they find any opportunity to increase charges while their executives live a lavish lifestyle. The Grameen Bank has avoided the blatant accumulation of privileges. However, it does pay the equivalent of government bank employee wages. Even so, 50–60 per cent of trainees quit because of family separations and the harsh conditions of rural life, where the Bank requires long hours of walking that most trainees are not used to. However, because of the Bank's rapid expansion, promotions have taken place. In a country where marriage dowry is determined in part by the amount in bribes a person's employment makes possible, jobs that do not offer opportunities for making money on the side can be less attractive. The trade-off for skilled personnel meant that no bank could expect to survive only on the altruism of its employees, so in 1991 the Grameen Bank raised salaries by 25 per cent. This has meant that interest rates paid by poor people have to remain high. Though it is a profit-oriented bank, there have been complaints that the interests of employees are taking precedence over those of borrowers, and the resulting increase is making it difficult for borrowers to meet payments or find investment projects sufficiently remunerative to pay back the loans. Though in the beginning the Bank was not profit-oriented, this is no longer the case. In fact, by receiving foreign aid the Grameen Bank

has been able to make a profit that would have been impossible without international assistance. This has made it dependent on foreign funding that can be removed if its good public relations with donors are not maintained.

## Foreign aid policy

The most critical issue for donors is whether microcredit is the most cost-effective avenue for development assistance. The Bank receives considerable foreign grants, and even loans are at a concessional 2 per cent rate from foreign donors and remained at 3 per cent from the Bangladesh Central Bank until 1994 when the interest rate rose to 5.5 per cent. Despite this, its 20 per cent interest charged to borrowers is 8–10 per cent higher than the commercial market borrowing rate, and twice what the UNDP-supported village organisation charges (Rahman 1999b:133). The Bank has the advantage of both foreign and domestic grants and subsidies combined with a higher interest rate chargeable to borrowers, who lack access to the more competitive commercial rates. Morduch found the Grameen Bank ‘relatively far from full financial sustainability’. The donor subsidy is 5 cents more than the per dollar impact on household consumption. ‘Had the subsidy been simply transferred directly to households, they would have been as well off’ (cited in Rahman 1999b:131–132). In other words, the donors could have just as effectively given the aid directly to beneficiaries. Though the Bank and its staff were empowered by being intermediaries with the donors, it did not provide either the supposed beneficiaries with any advantage over direct foreign assistance or the donors with any more cost-effective delivery.

‘Thousands of visitors have travelled to Bangladesh to learn from this bank, and many arrive carrying tape recorders and note pads’ (Bornstein 1996:19). Despite this attention, studies from the borrowers’ point of view have been scarce. Though Goetz and Sen Gupta chronicled the shortcomings in a 1996 *World Development* article, it was not until Aminur Rahman published his 1999 anthropological work on women and microcredit that the problems at the village level were examined at length (Rahman 1999b). Rahman found that of 120 informants, 108 had been encouraged to join by men as a means of acquiring funds for themselves, and that 60 per cent of loans were used by men. Seventy-eight per cent were used for purposes not approved by the Bank with about 30 per cent being used to pay for dowry, medicine, or brokerage fees to overseas recruiting agents. According to Rahman, “‘I accepted research findings that the process of empowerment is going on. I wanted to see whether this empowerment would be sustainable for the long run.’” However the results were “‘totally the opposite of what I expected. It was a shock’” (Pe pall: 1998:20). ‘The research findings suggest that women become the primary target of the microcredit program because of their sociocultural vulnerability’ (Rahman 1999b:ix), in contrast to the official position that it is for their empowerment. That so little critical analysis has been made of such a celebrated institution reflects the credulity of the development community, or perhaps a desire not to delve too deeply into where their money is going lest the demand arise that the aid programme be scrapped entirely. As long as the recovery rate continues to be excellent, this is one of the few projects that can turn a profit, repay its investors, and still claim to be interested exclusively in helping the poorest people. Such success is not easily assailed, and to do so when so many other projects have failed through corruption and inefficiency can be seen as dwelling on trifles.

The Bank itself has become whatever the observer wants to see in it:

*Grameen is also a political chameleon. It has the ability to affirm beliefs that both conservatives and liberals hold dear. From the right, Grameen can be seen as an*

*entrepreneurial institution that makes the case for less government; from the left, it appears to be an enlightened social welfare program that argues for the value of government involvement. Some see Grameen as an example of reinvented government. Muhammad Yunus disagrees. He sees his bank as an example of reinvented capitalism. In fact, he calls it a 'socially conscious capitalist enterprise.'* (Bornstein 1996:26)

According to critics, the Bank has been less socially conscious than its public relations literature would have observers believe. That it has relied on some of the worst biases of rural society to ensure repayment reflects a good understanding of that society and how to manipulate it to its own advantage at the expense of the borrowers. With the poor virtually excluded from credit, except through money-lenders, there really are no other options available for institutional credit. In this sense, it is like any other business that finds an unfilled market niche and then proceeds to fill it. In time, the zeal and innovation that began the enterprise are lost as it becomes institutionalised. The needs of staff and their executive begin to take precedence over the needs of their clients. When these interests are in conformity with the male dominance in society as a whole there is little motivation to include women in decision-making, or even as employees. The Grameen Bank has been noted for its lack of social services compared with BRAC. These social services, and particularly education, would have given some women borrowers the opportunity to become Bank employees. Rather than being a social innovator, the Bank, which began its work with innovation, has now fallen behind that of other NGOs. Its size, profits, and above all its public relations with foreign donors, journalists, and scholars have enabled it to obtain a level of subsidy and support unwarranted by its innovation on the ground. The donor community and development scholars and journalists who fail to point out these shortcomings have effectively allowed scarce resources to be used in a less than optimal way. By using some of the most regressive habits of a male-dominated society to enforce loan repayment, and failing to promote avenues for women's advancement within the organisation, aid is not reaching its full potential:

*The target-driven strategies of scaling-up and consequent preoccupation with performance indicators, influenced by donor priorities, has resulted in a dilution of participatory and empowerment objectives and a diversion of organisational priorities away from development of 'others', i.e., women, to development of 'selves', the institution. The emphasis on credit-worthiness rather than poverty alleviation has therefore meant that the very poorest women are seen as high risks and excluded from loan entitlement.* (Ebdon 1995:55)

Loans meant to help the poorest sections of the population have also been given to people with more than the 1-acre upper-limit, with the acquiescence and knowledge of local Bank personnel.

Too much foreign aid sent to the wrong institutions can end up having a negative effect at the grassroots. Since aid agencies often prefer to give to major institutions which are capable of handling large sums, thereby alleviating much of the monitoring and paperwork that would be required for managing many smaller projects, the aid advantage goes to the largest and often least innovative institutions. The accounting and grant application skills that élite-led institutions have give them a significant advantage over smaller grassroots organisations, which are unable to compete with the largesse that foreign-funded organisations can offer. Though the Grameen Bank's reliance on foreign funds has declined from 98 per cent in 1987 to 58 per cent in 1993 (Pitt and Khandker 1996:3), this dependence is still sufficient to undermine local cooperative credit schemes that do not have access to foreign funding.

Expatriates who disburse the funds are not in the best position to find out about the most innovative rural grassroots organisations. With such large sums to distribute it would be impractical to micro-manage or even monitor the disbursement of funds to so many organisations. The big banks, by contrast, can absorb millions of dollars and provide the paperwork and accounting needed to satisfy donors. Even if they are not the most innovative, the aid organisations can at least protect themselves against large-scale fraud. In effect, many aid organisations are no longer implementing agencies but financial conduits through which Third World governments and NGOs implement development. It is in the interests of both these Third World organisations and the expatriate community not to have the donors prying too closely into how their money is spent, or to have them continually shifting their funding to new, innovative grassroots organisations.

The aid agency evaluations of their own programmes tend to be superficial and self-serving, placing the work in the best possible light:

*Independent evaluation . . . often takes the form of a silent pact in which the aid agency and the 'independent evaluator' are partners. The evaluator must seem to be independent so as to avoid accusations of partiality, and yet at the same time he knows only too well that if he oversteps the mark and says anything too damaging he is unlikely to be invited back and his company may have to fold. A conspiracy to avoid seeing what is taking place affects a good many of the agencies, therefore; and as a general rule the greater the resources and the more prestigious the agency, the greater is the collusion between evaluator and agency.*

*Not many people are willing to wade through tomes of jargon-filled reports—which cost a fortune to produce and lie gathering dust on forgotten shelves—and then go back to the project site to see for themselves. Certainly no one in head office located a few thousand miles away. In the main, they are only too happy to believe in the myths that the evaluator peddles. (Poole 1993:3)*

Bornstein divides the Bangladeshis into resisters and collaborators, but many operational agencies such as the Grameen Bank are both resisters *and* collaborators. With half their funding coming from foreign donors, such credit organisations have to collaborate to some extent. How they resist this influence is also problematic. The main area in which they resist foreign demands appears to be in the employment of women, which cannot be considered positive for either the women borrowers or the advancement of a social agenda. Certainly the resistance to affirmative action indicates that the Grameen Bank is no longer at the leading edge in this regard, but it is too large and its public relations too high profile not to attract more intensive enquiry. In that sense, these organisations have become victims of their own success. Their early achievements and the international coverage they sought, which enabled them to get the funding they required, then meant that they were subject to an unusual degree of independent scrutiny from those seeking to understand the reasons for their success, in hopes of replicating the experience elsewhere. Inevitably, the negative aspects of their work would be revealed to a greater extent than in the case of less-publicised organisations.

## Social engineering

The real question is whether microcredit should be an agent for change, or merely a financial institution that leaves indigenous forms of abuse and exploitation intact. It would be counter-productive to attempt social reforms that touch off riots, but Bangladesh is one of the more



liberal Muslim nations. It would have been possible to insist on more employment of women in return for the loans and donations that are provided to the Bank. Women employees might have been more willing to accommodate the needs of circle borrowers so they could attend to the domestic chores that would avoid them experiencing physical abuse by their husbands. This would have reduced the social coercion currently practised by the male Bank staff, and helped to increase female independence, in accordance with the declared policy. In capitulating to the interests of its male employees, the Bank is doing a disservice to its overwhelmingly female clients.

How much intervention is required in communities and how best to achieve it has been a long-standing argument. In Bangladesh there are many things that can be changed without threatening the culture, including gender relations. Here, the traditional culture is an impediment to the realisation of national and individual potentialities, and this is where judicious reforms by these microcredit banks can play a part. If the banks do not do it, people will be deprived of aid money that might be targeted for social change. The danger is that vested interests among male employees will determine the agenda, and that the banks will fail to be a force for change.

The aid agencies appreciate large microfinance institutions because they provide the financial accounting and can absorb the large sums that must be disbursed. New thinking about how to promote sustainable development makes this seem all the more appropriate since, whatever its other side-effects, financial sustainability is the goal to which these agencies are well attuned:

*In order to maintain good relations with donors, NGOs need to be able to write professional reports and properly audited statements. Everything should be shown on paper. That is the most important obligation to fulfil. The quality of work in the field matters less to the donors. Basically they do not have much of an idea of what goes on there anyway. Their whistle-stop visits to rural development sites can never reveal the realities of development, though the exhaustion they may feel from driving around in the countryside may salve their consciences. (Perera 1995:877)*

This lack of awareness means the banks can reinforce the more negative aspects of traditional male dominance even while proclaiming the opposite intention.

Unfortunately for those who see it as a bulwark against fundamentalism, the fact is that Grameen is much more in the conservative mainstream than some other organisations, and its political impact is insufficient to be a serious deterrent to religious fundamentalism. There does, however, appear to be a tendency for donors to see in their aid the effect they hope that their grants will achieve.

The class and factional divisions resulting from a limited aid input can further jealousy and disharmony. One group may control a village sufficiently to avoid dissent being expressed to donors in public, but even a fairly brief visit, when combined with private as well as public meetings, can reveal much about the existence of patronage networks. The presence of intermediaries representing the implementing agency usually forecloses this intelligence, however, and as most visits are superficial, serves to enhance the reputation of the agency:

*The public transcript of the Grameen Bank is often used by academics and researchers to represent the operational structure of the bank, but this gives only a partial view of the process. It is also used by development workers to describe the harmony and success of development initiatives in Bangladesh, but this use also obscures part of the reality. (Rahman 1999b:44)*

The scarcity of in-depth micro-analysis in the social science literature enables the 'hidden transcripts' to go undetected. Even when uncovered, the usual criticism is that these villages are exceptional and that no representative sample was undertaken. Since it is difficult to secure funding for the study of larger representative samples, micro-level analysis tends to be dismissed as exceptional when unfavourable implementation is found.

There are institutional reasons why aid agencies continue to fund such profit-oriented banks, but there are also ideological motivations to promote investment that make microcredit particularly favoured by aid agencies. The banks have appealed to this aspect of the donors' agenda. Aid agencies now recognise the need for social impact assessments, but in practice these are often done after the decision to intervene has been taken, and the assessment serves to justify this intervention:

*It may be difficult even for development planners to predict all the consequences, both positive and negative. Planning such activities requires the collection of information about the area being 'developed,' perhaps as part of an environmental impact assessment or a social impact assessment. These are economic surveys that allow planners to predict as accurately as possible the positive and negative consequences arising from the implementation of a project. Conducting them may sometimes be a condition set by a bank or government that is supplying funds for a project.*

*Out of a growing realisation of the need to use resources wisely for the benefit of present and future generations, new information about traditional cultures . . . can be of enormous interest to representatives of development planners. (Posey and Dutfield 1996:10)*

Despite these principles, in practice, aid agencies have to disburse funds within budget years and also account for positive progress within them. Independent analysis is thus rare and usually confined to journalists and academics, who tend to examine only the largest and more publicity-oriented programmes. Internal agency assessments are oriented more to justifying a decision that has usually already been made or at least promoted, than to a careful assessment of social impacts.

While microcredit may disrupt and even change the social cohesion of communities for the better, it also has an effect on system maintenance. Governments with limited resources can take some credit for the development efforts of NGOs and microcredit banks whether or not they are directly responsible for delivering the aid. Government officials can become silent partners in the process by permitting or licensing activities. Credit is particularly useful, for it provides opportunities for the more ambitious members of the community to be integrated into the national economy and find non-political outlets for their activities. Petty enterprise can be effective for system maintenance just as land redistribution can give peasants a stake in their micro-plots. This effect of private foreign aid has been recognised in the development literature:

*Even in helping those not benefiting from the system (the poor) or those hoping to change it (middle class reformists), private foreign aid is relieving some of the pressures on it. It channels potential dissent into economically constructive activities that in the short run are system-maintenance in their effect. The long-run implications of such activities remain to be seen. (Smith 1990:267)*

The long-term advantages of credit over other types of development are, however, questionable. Certainly it can be made sustainable with sufficiently high interest rates to compensate for the higher costs of running microcredit programmes. However, the economically sustainable interest rate is generally so high that the enterprises would run up large debts that make the viability of these operations doubtful and keep the poor indebted:

*Many of the targeted borrowers will not be materially assisted in the long run through programs that increase their debt.*

*In our opinion, debt is not an effective tool for helping most poor people enhance their economic condition—be they operators of small farms or microenterprises, or poor women. In most cases lack of formal loans is not the most pressing problem faced by these individuals. It must also be recognised that providing financial services to poor people is expensive and building sustainable financial institutions to do this requires patience and a keen eye for costs and risks. Most formal financial institutions in low income countries currently avoid providing these services for sound commercial reasons, and commercial sources of informal finance are able to offer loans only by charging relatively high interest rates. (Adams and Von Pischke 1992:1468–1469)*

## Conclusion

The arguments developed above do not necessarily imply that a few individuals are not able to rise above their previous condition, or that the availability of non-local sources of credit does not increase the options open to poor people. At the same time, the transformations claimed by the advocates of microcredit are exaggerated and frequently are found to point in a negative direction. From an early espousal of microcredit, the development literature has taken an increasingly jaundiced view of its effects locally, as anthropologists and other social scientists make village-level studies of the effect on individuals they meet who have taken on microcredit. This criticism takes place against the ideological backgrounds of both those wishing to preserve traditional cultures and reformers bent on changing them. People who would be in favour of changing traditional Muslim nations would often oppose the changes that credit would bring to aboriginal societies. There is, therefore, no blanket opposition or support to be made for microcredit that can transcend the complete range of cultures, and prior study is therefore needed to determine which are suitable candidates for such a potentially disruptive intervention.

Microcredit programmes aimed at the poor have, almost without exception, a substantial subsidy provided by governments or their aid agencies. Without this the interest rates would be too high to be viable and the programmes would therefore be unsustainable. Relying on government subsidy, the programmes are vulnerable to policy changes in development priorities and cutbacks. They often bring greater violence and class division to communities, while favoured groups gain patronage to enhance their position. The offering of money to a select few is bound to create jealousy, anxiety in the indebted, and community conflict. It defies logic to think that such infusions could not have these negative side-effects, and it is inappropriate to gloss over them. The development agencies, having invested billions in microcredit, are not keen to have their programmes exposed with all their shortcomings. That they failed to monitor their programmes adequately and spent so many years promoting them does not speak well of their understanding of local realities.

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## The author

Ross Mallick is a development consultant who has worked with indigenous peoples on microcredit projects. He is the author of *Development Policy of a Communist Government: West Bengal since 1977* (CUP), *Indian Communism* (OUP), and *Development, Ethnicity and Human Rights in South Asia* (Sage). Contact details: 3 Banchory Crescent, Ottawa, Ontario K2K 2V4, Canada. <Bundo1234@aol.com>.