Focus on Women: Development for Empowerment or Business?  
A Review Essay

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It is generally believed that Non-Governmental Organizations (NGOs) have played an important role in improving the lives of women in developing countries, and that NGOs can be effective in the struggle against poverty, oppression towards women, and ‘underdevelopment’. Particularly in post Cold War era, these organizations have flourished across countries in Africa, Latin America, and in South Asia. Bangladesh, in that sense, has had a relatively long history of being a ‘target’ of NGOs in reducing poverty and ‘empowering’ women. And, many NGOs have used micro-credit programs, the offer of small loans to individuals with little or no financial collateral, as a way to improve the lives of the rural poor. Micro-financing has been widely used by organizations such as Grameen Bank, and Bangladesh Rural Action Committee (BRAC) as a way to reduce poverty in Bangladesh and ‘empower’ women. The popularity of micro-financing programs was exemplified in 2006 when Professor Muhammad Yunus and the Grameen Bank were awarded the Nobel Peace Prize for their work in rural Bangladesh. Nonetheless, the impacts and effectiveness of micro-credit programs have been a source of controversy within the academic world. Research by different scholars on the issue has brought contradictory findings. This paper will offer some reflections on the different views regarding the impacts and effects of micro-financing programs in rural Bangladesh. Any definite conclusion on whether micro-credit programs are on the overall beneficial or problematic is far from being reached. However, it is clear that many have overestimated the positive effects of those programs in Bangladesh.

Bangladesh has become a center for the work of NGOs since the 1971 Liberation War from West Pakistan. Following the war, subsequent governments in power, seeking international aid, welcomed NGOs and the United Nations to the country to implement developmental activities and programs for the poor, especially poor rural women (Karim, 2004). Since then, NGOs’ activities have changed their main objectives and ways to operate in Bangladesh. In the 1970s, those organizations were concerned in filling the vacuum created by the lack of services provided by the state to those in need. Welfare-oriented NGOs often focused on providing or improving services such as healthcare, housing, and nutrition. By the 1980s, NGOs shifted to become more development-oriented: the goal was to transfer technical assistance to the population, such as professional training and skills, and knowledge. However, another change took place towards the end of the 1980s. As Hashmi (2000) explains,

By the late 1980s, there had been a major transformation in the nature of NGO-activities – health, nutrition, family planning and other community development and welfare-oriented activities were soon replaced by market – and profit-oriented – activities, ‘because ultimately NGOs were playing at business rather than helping people meet the demands of a real marketplace’. (p.149).

NGOs were now focused on using market activities as a way to help poor communities improve their lives and ‘develop’, at the same time that profit would serve as a way for NGOs to maintain their ‘financial sustainability’.

Using that rationale, organizations such as Grameen Bank and BRAC began to offer micro-credit programs to the poor. The idea was to fight poverty by increasing income-generating activities in rural areas by making “small-scale capital” available to impoverished villagers (Chowdhury, et al., 2005). Thus, those organizations made use of micro-financing programs in achieving their goals, while maintaining market-oriented activities. The Grameen Bank, for instance, became an official financial institution in 1983, being regulated by the Central Bank of Bangladesh. The examples of Grameen and BRAC made other micro-financing-oriented NGOs flourish in Bangladesh. “Bangladesh has experienced rapid growth in the micro-credit sector since 1990. Prior to 1990, only a handful of organizations were in operation. Many NGOs adopted and built on the experience of the Grameen Bank. (...) Currently more than 1000 NGOs operate micro-credit programs in Bangladesh” (Chowdhury, et al., 2005 p. 299). And, most micro-financing programs have targeted mainly poor rural women in the fight against poverty and in search for economic and social developments in Bangladesh. “Both organizations, [Grameen Bank and BRAC], as they have evolved, have focused their programs increasingly on women, and have attempted to draw women out of isolation mainly by...
providing them with economic opportunities" (Hashemi, Schuler and Riley 1996, p. 636). The idea has been to improve the lives of entire households, whose members would, allegedly, be able to increase their earnings by investing the loaned money. Furthermore, women would be 'empowered' because they would be the recipients of those loans, and, ideally, the ones controlling the use of money.

The focus on women as the main recipients of loans has been the source of heated debates among scholars. Empirical research on the effects of micro-credit programs in empowering Bangladeshi women is scarce. The few available offer conflicting results. Some scholars argue that those programs have played an important role in enhancing the lives of impoverished rural women, and in changing gender relations in Bangladeshi society. Hashemi, Schuler and Riley (1996), for instance, conducted a study in six Bangladeshi villages during 1991-94 to measure the impacts of micro-credit programs on "women's roles and status and in norms related to reproduction." The goal was to determine whether or not women were 'empowered' after receiving loans. The researchers concluded that,

Participation in Grameen Bank and BRAC increases women's mobility, their ability to make purchases and major household decisions, their ownership of productive assets, their legal and political awareness and participation in public campaigns and protests. Another analysis suggests the programs also decrease women's vulnerability to family violence (Shuler et al., 1996). In spite of focusing narrowly on credit, Grameen Bank (and to a lesser extent, BRAC) functions as a catalyst in transforming the lives of women. (p. 650)

The findings, according to the researchers, attest that micro-credit programs have been effective in empowering women in rural Bangladesh, especially because female-loan-recipients become a new source of income in the household, and therefore begin to be respected by other family members. Women are then able "to negotiate gender barriers, increase their control over their own lives, and improve their relative positions in their household" (Hashemi, et al. 1996, p. 650).

Furthermore, NGOs' activities are often linked with changes in gender relations in rural Bangladesh. Some scholars argue that these organizations have played an important role in challenging the patriarchal and oppressive social norms often defended by religious and rural elites. As Alam (1998) explains,

Since independence in 1971, a quiet revolution has been taking place in Bangladesh, especially in the rural areas where most Bangladeshis live. Rural women are becoming politically organized and asserting themselves. Various NGOs are placing more importance on girls' education. Women are accepting family planning in greater numbers and lowering the birthrate, and women's contribution to the family income - a sign of independence - has increased. Rural Bangladesh, in particular, is going through a rapid social transformation where the Islam-based interpretation of gender relations is constantly being challenged. The Bangladeshi Islamic fundamentalists are responding violently to these challenges. (p. 262)

Here we see that NGOs have come to challenge the religious discourse of elite male authorities in the Bangladeshi countryside. Income-generating women have become economically and socially more independent. Also, NGOs have pushed for the extension of education to girls, and for the increase in family planning. However, this piece also talks about the effects of NGOs' challenge to the clergy's stronghold on the lives of rural Bangladeshis. Islamist leaders have often made use of religious discourse to incite violence, especially against women, by claiming that NGOs are interested in destroying Islam, and 'Westernizing' Bangladeshi society with 'Christian scales' (Karim, 2004). That is, women become the battleground where ideas and meanings of tradition and modernity are contested and manifested.

Some scholars, on the other hand, have argued that, although NGOs have brought about some social changes to rural Bangladesh, these changes have been minimal in challenging gender relations. Instead, the idea is that 'competition' with the clergy and rural elites has led to further exploitation of poor women, now by micro-financing NGOs, at the same time that patriarchal structures have remained intact. As Karim (2004) explains,

The work of development NGOs that targeted women as their beneficiaries challenged the authority of rural patriarchy and changed the dynamics of rural power by introducing the NGO as a new patron into the community, and at the same time, by
mainstreaming poor women as labor and consumers into the economy. While these NGO programs have created limited opportunities for women and their families to earn a living, they have also created parallel conditions of violence and domination against poor women who are willed into this process not as informed agents but as clients of these NGOs. (p. 301)

In that sense, NGOs' programs, such as micro-credit, serve as tools for these organizations to expand their clientele by enlisting poor women in need. The market-focused NGOs have been responsible for creating a patron-client relationship between those organizations and women. Poor rural women are then used by NGOs as the foot soldiers for social change and for the achievement of the goals of those organizations (although women are often uninformed of their new 'role'). In that sense, because of their relation of debtors to NGOs, women, instead of being conscious agents in the struggle against patriarchal oppression and domination, become subordinated to those organizations, as women now have a relation of economic dependency with NGOs. Because of Islamists' opposition to this new 'role' of women, poor rural women end up being victimized even more - usually being discriminated in society and at times suffering physical attacks by men.

Some scholars argue that the caveats of micro-credit programs go even further. As NGOs have become profit-oriented organizations, and financial sustainability has become crucial for their existence, loan recipients have had to bear the burden of micro-financing program's heavy market terms. Often, membership fees and interest rates on micro-loans are very high. "Most of the micro-credit institutions follow the flat rate method in calculating total interest, very few follow the declining method. Under the flat rate method, NGOs charge interest rates typically between 10% and 30%" (Chowdhury, et al., 2005). In the case of Grameen Bank, the largest micro-lending institution in Bangladesh, interest rates in combination with membership fees and other charges near the 28% mark (Hashmi, 2000). According to Rahman (1996), this is how Grameen's loan operations work: "The member repays all her installments on a specific loan within fifty weeks of its acceptance (2% on the capital amount must be paid every week). Then the interest (20% yearly) and the emergency fund (25% of the calculated interest amount, which is 12.5 times greater than a member's regular weekly installment) must be paid within the remaining last two weeks in order to qualify for the next new extension of credit" (13). The high interest rates, fees and charges are all to be paid towards the end of the program, making it impossible for a large part of recipients to repay their debt by themselves, without taking up additional loans. As Rahman (1996) explains, "In my sample, over 95% of all members pay the interest and emergency fund through short term borrowing from sources other than their own" (p.14). The problem here is that those who receive loans from Grameen Bank end up entering what Rahman calls a "spiral debt cycle." And women, once again, become susceptible to social victimization: as the recipients of loans, they are the ones responsible for repayment; if they default their obligation, they are publicly scolded, and are often victims of violence by husbands or family members (since defaulting would be a source of embarrassment). As Shelley Feldman (1997) states,

The Grameen Bank Project, for instance, places responsibility for loan repayment on groups formed as venues of support and learning for new recipients. The reorganization of the social collectivity to ensure loan repayment serves as a mechanism of social control rather than an arena for building social solidarity and creating relations of social obligation and reciprocal exchange, since repayment by all group members is required before new loans are disbursed. (p. 60)

In other words, the program terms can be and have been responsible for making women enter a perpetual debt cycle, as well as for making women be in constant threat of violence by other loan recipients and their family (especially in the case of women in Grameen Bank's programs).

Critics argue that the reason why women commonly have to rely on the use of other loans for repayment of interest rates and fees is because of another caveat of micro-credit programs: loans are not usually used or invested in long-term-income-generating activities. The issue here is that Grameen Bank and BRAC tend to measure the effectiveness of their micro-lending programs not by how the money is being invested by women or their families, but by the recovery rate of the money lent. "The credibility of a bank worker lies mainly in his successful collection of installments from members. Bank's pressure and the full collection of installments hardly leaves time for the bank worker to supervise the investment of loans" (Rahman, 1996). Because of the lack of supervision and lack of close work with loan recipients, the consequence is that, instead of investing the money in income-generating projects that could boost their
earning capabilities, women tend to use their loans in minimally productive or largely unproductive activities. As Goetz and Gupta (1996) explain,

Low-income women borrowers in Bangladesh invest cautiously in low-risk, familiar, low-productive enterprises. (...) By far, the bulk of loans taken by women in special credit programs are invested in traditional activities such as paddy husking, petty trade, and livestock rearing, most of which show a negative return to labor when it is imputed to the male agricultural wage rate. (...) By and large, none of the larger special credit programs have succeeded in shifting women out of traditional income-generating activities, although most do acknowledge the importance of encouraging more profitable and socially valued nontraditional forms of entrepreneurship for women. (p. 57)

Major micro-credit programs have in general failed to economically 'empower' and emancipate women, as loan recipients often invest their loans in conventional activities with low productivity and return. There seems to be a lack of efforts by those organizations to implement policies that could push for an increase in investment of loans on income-generating activities. As NGOs have become market-oriented and, consequently, more preoccupied in making sure loans are repaid on time, the result is that the lack of a more 'quality-oriented' supervision on the use of loans by NGOs tends to perpetuate women in the position of debtors, incapable of repaying loans with their own funds.

Furthermore, experts argue that micro-credit programs have had an insignificant role in the reduction of poverty in rural Bangladesh. It is a myth that most micro-credit programs have been successful in alleviating poverty in the long run in the countryside. Hoque (2004), for instance, presents the findings of a survey of 4,364 households conducted in 1996 in Matlab, a rural region of Bangladesh, that examined the impact of micro-financing on poverty levels in the region. Hoque explains,

The regression results suggest that BRAC's micro-credit program has had a minimal impact on the reduction of poverty. Taken together, the statistically insignificant effect of micro-credit on household consumption and the higher incident of poverty among BRAC households relative to non-BRAC households leads to the conclusion that micro-credit had negligible impact on the reduction of poverty.

The explanation for this is also associated with the use of loans in unproductive activities. Large part of the households in the survey used loaned resources for unproductive purposes (Hoque, 2004). Because most programs lack more long-term-oriented solutions for the reduction of poverty, loan recipients tend to see little change in their living standards after the first years of borrowing money. As Hashmi (2000) states,

Since 'livelihood enterprises' are usually secondary or tertiary rather than the primary source of household income, these 'seasonal, intermittent and part-time' (and uncertain) sources of income from subsistence-oriented, livestock-rearing or paddy-husking projects for women, cannot be long-term solutions of poverty. (...) In the long run, as T. W. Dichter suggests, the outcome of such micro-credit-based projects is stagnation and decline in growth as after the second or third loan cycle 'either people stop borrowing, or they stop increasing the amount they borrow. (p. 164)

It is clear that the use of money in 'conventional' activities hold loan-recipients back from increasing their incomes. In the long run, faced with the high costs of taking up loans and the small returns from loan investment, poor villagers often 'opt out of micro-credit schemes.' (Hashmi 2000, p. 164)

However, not all NGOs in Bangladesh have used micro-lending programs in similar ways as Grameen Bank and BRAC. Some grassroots women's NGOs have played an important role in 'empowering' women through consciousness-raising, education, and long-term-oriented activities. According to Goetz and Gupta (1996), some women's NGOs in Bangladesh, such as Thengamara Mohila Sabuj Sangha (TMSS), have focused on countering "gender-specific constraints to assertiveness, confidence, and power within households and the local community" (p. 56). "Consciousness-raising among women borrowers is a central program component, and for TMSS, pursuing cases through local courts of illegal divorce, deprivation of inheritance rights, default of maintenance payments, and rape, represents a significant part of the workload of its staff" (Goetz & Gupta, 1996 p. 56). In this sense, these NGOs offer micro-loans to poor rural women at the same time that they center their work on trying to effectively educate women, and represent them in
cases in which they have been victimized. Loan recovery no longer becomes the main objective of their micro-credit programs; instead, real 'empowerment' of women is sought. Hashmi (2000) provides the example of another grassroots women's organization, Saptagram Nari Swaminar Parishad, whose work also differs from those of the larger micro-credit NGOs.

Unlike BRAC, Saptagram Nari Swaminar Parishad, the Seven Villages Women's Self-Reliance Movement (Saptagram), is a grassroots organization of women, founded by history professor Rokeya Rahman Kabeer in 1976. (...) One of the achievements of this NGO is making its members (exclusively women) aware of the prevalent social prejudices against women. (...) Saptagram's modus operandi as well as its composition are different from BRAC's and that of many other NGOs, run by men. Rather than adopting a short-term, welfare-biased programme, Saptagram has taken a long-term plan of empowerment of its members. (p. 158)

Here, once again, women's NGOs seek policies and programs that are more long-term oriented. The idea is to increase women's awareness of the discrimination and unequal gender relations they experience, as a way to make them more likely to act against social prejudice. Saptagram also seeks to "initiate non-traditional income-generating activities," as a way to avoid the perpetuation of indebtedness, and as a way to effectively help rural areas develop and poverty levels decrease.

In conclusion, NGOs have flourished in Bangladesh as well as other developing countries in the last decades, often bringing with them new mechanisms of social control of subordinate populations. It is often believed that the micro-credit programs offered by large NGOs in Bangladesh have played a crucial role in 'empowering' poor Bangladeshi rural women, and in helping rural communities reach better living standards. However, the actual effectiveness of these programs has been a source of controversy among scholars. Although some studies have found Grameen and BRAC's programs to be beneficial for poor villagers, many other researchers have pointed out the caveats of micro-credit schemes. As it was argued, these programs have been the source of increasing violence against women in poor areas, at the same time that they have showed little results in alleviating poverty in the long run. Instead, the high interest rates on loans, and the main goal of loan recovery suggest these profit-oriented NGOs have been concerned more on financially sustaining themselves rather than concretely making women better off. It seems that grassroots NGOs led by women have done a better job in working towards more long-term changes in rural communities and in empowering women. It is crucial that NGOs like Grameen and BRAC revise the terms of their programs and their policies so that they become more long-term oriented and more focused on really seeking social change and development in Bangladesh. It is undeniable that NGOs have been important in bringing some change to poor areas of the country. Nonetheless, the success of micro-credit programs has been overestimated, and, today, it seems their effectiveness has become more of a myth rather than reality.

References


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