The holy cow of microcredit

John Samuel explains why it's difficult to swallow the development mythology that surrounds the Grameen Bank.

ONE of the key characteristics of the emerging trend in global finance is that it legitimises 'credit' as an effective means to perpetuate and open up markets. The Bretton Woods institutions like the World Bank and the International Monetary Fund (IMP) are in the business of giving credit to the nation states, especially those less-privileged ones in the global South, training them practically into bonded labour. And of course, Citibank never sleeps to ensure that more and more middle class get into its credit net. In fact most of the developing countries arid the middle class are increasingly forced to survive on credit and credit cards.

Prof. Muhammad Yunus, founder of the Grameen Bank. While due credit must be given to his pioneering vision, acumen and enterprise, one does not have to accept the mythology created around the Grameen Bank experience.

The countries of the North. especially the USA, use long-term or short-term loans as bargaining instruments to force open the domestic markets, natural resources, industrial sector and development policies of developing countries. Consumerism is the driving logic of the growing middle-class market and the credit cards of Citibank, Standard Chartered and American Express have become some of the most efficient vehicles of consumerism.

So while middle classes all over the world are increasingly being rated solely on the basis of their 'credit-worthiness', credit to governments is being used as a lever to liberalise and open up domestic markets to suit the needs of transnational corporations (TNCs). The governments of developing countries depend on the Bretton Woods institutions, multilateral development organisations and aid agencies for funds, for infrastructure and social development. This predicament of perennial indebtedness consigned many of (he Third World nation states to the plight of being 'bonded labourers' to the rich and powerful countries and the financial institutions controlled by the global North.

Credit cards to the middle classes would ensure growing consumption. One of the most formidable data banks on the growing global middle class is with American Express, Standard Chartered and Citibank. These data banks record the purchasing capacity and pattern of purchase of consumer goods and other items by millions of cardholders all over the world. Information really becomes power with these multi-billion dollar credit card businesses.

But the world is not made of the middle class alone. When the middle—class market is saturated, how do you expand it further?

This is where the large malority of poor people, without any purchasing power, come into the picture. The poor can dream not of purchasing a microwave with a bank card but of purchasing a bottle of Coca-Cola if credit is made available to them. It is within this context that one must view the fact that Citicorp, Chase Manhattan , American Express and the World Bank were the powerful sponsors for the Microcredil Summit, organised by RESULTS Educational Fund, a Washington-based private non-profit organisation. The logic of market expansion demands the creation of new demand and purchasing capacity among the people at the lowest rung of the economy. The logic attains a new dimension when it is being packaged, advertised and marketed as the latest development gospel.

The question here is, who sets the agenda for microcredit? Is it the poor women in the villages or the financial pundits of traditional financial corporations and the lobby of finance consultants who thrive on the Grameen model? The problem is not so much with microcredit but rather about the way in which it is being thrust upon the less-privileged class with little thought given to the empowerment of the people or their long—term community well-being.

Microcredit and the shifting ideology of development

Microcredit also signifies a shift in the very ideology of development. In the I 950s and 1960s, development was perceived more as a capital-intensive mixture of charity and social welfare measures. From the mid 1970s onwards, the development discourse accentuated empowerment on the one hand and for professionalism and skills for service delivery and project implementation on the other hand. And in the later part of the I 990s, when the notion of the welfare state was gradually withering away and transnational corporations began to incorporate philanthropy as a successful social marketing strategy, development itself is increasingly being treated as a business — a profitable business at that. The larger-than-life image of niicrocredit epitornises this basic shift.

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Deity of poverty eradication

At the moment Grameen Bank is the presiding deity of poverty eradication through the strategy of niicro-credit, which targeted 100 million people towards the end of the last century. The lesson many of us learnt from the Grameen Bank model is not so much about real political or for that matter socio-economic empowerment, but the fact that women from the lowest social strata are creditworthy. And a well-oiled institutional strategy of delivery arid repayment can really help to generate profits for the bank. It's the so-called win-win situation, wherein the poor get credit and the bank makes profits.

After all, profit is not a bad word. And if a poor clientele, an excellent repayment rate and overall financial viability are the measuring standards, many of the rural cooperative banks, and even rural credit divisions of' scheduled banks, are probably as successful as or more successful than the Grameen model. The Grameen model has undoubtedly demonstrated a good banking strategy--a remarkable one, in fact. And one cannot fail to be inspired by the pioneering vision, banking acumen and enterprising spriit of Prof. Muhammad Yunus, the founder of the Grameen Bank. What one does find difficult to swallow, however, is the mythology created around the Grameen Bank experience which sells a neo-liberal market-oriented ideology of development. It becomes problematic if a good banking strategy sold in the development market as the best medicine for the existing structural disparities. Appropriating the language and institutions of development can at best create delusions of development and empowerment. The financial viability of an institution does not necessarily lead to economic and social viability ofcommunities.

At a conceptual level, it is hot difficult to understand the logic of microcredit as a good strategy for development. There are no two opinions about the sound logic behind giving poor women access to credit. The conceptual rationale is that availability of finance will help women to get access to the much-needed seed capital to generate income. And independent sources of income for women will eradicate poverty and give women more bargaining power within the family. Such basic attitudinal changes within institutions like the family eventually lead to a pattern of social development.

The problem arises when this sound rationale is straitjacketed in an institutional framework and success of the institutional framework is equated with the empowerment of the 'clientele'. The viability and sustainability of community empowerment depends to a large extent on the grassroots process and praxis rather than conceptually sound rationale. The neo-liberal ideology of development lays so much stress on the institutional framework and success rate of the institutions that it tends to sideline the long-term process of empowerment at the grassroots level.

When the output of development is measured in highly deceptive quantitative scales such as gross national product (GNP) and gross domestic product (GDP) and in the financial balance sheet of service delivery organisations, it does not really matter what happens to the everyday lives of the people or what they experience, think and feel. Social change institutions and service organisations may play a significant role in the process of long-erni social change. But it will be erroneous to equate the institutional or financial viability of such organisation with the extent of real social development.

Demystifying power relations

It is one thing to have the poor organise themselves and get involved in their own micro-finance enterprises or self-help groups, and an entirely different thing to canonise monolithic financial institutions as the new apostles of development. The nature of power relations is very different in both cases.

When the poor organise themselves and adopt various institutional or programme strategies, they are actual participants of and subjects in the whole process. In the process of evolving micro-level institutions and self-help groups, they gradually learn to take decisions for themselves and also develop the capacity to exercise a certain amount of control over the social, economic and political conditions that determine their lives. The 25 years of evolution of the Self Employed Women Association (SEWA) demonstrate the fruitfulness of such a long-term and rather slow process.

There are many other interesting examples of small and effective processes at grassroots level wherein self-help groups and micro-finance programmes are not the end in themselves but means to facilitate the process of empowerment. Such innovative grassroots initiatives can create conditions for empowerment. The power relation in the whole process is not determined by the financial pundits or consultants but by the poor women and men. But when the stress is on financial viability of the organisation rather than the social and economic viability of the process, we are left with a top-down, target-oriented lender-centric approach that is preoccupied with disciplinary repayment mechanisms and profit generation rather than community empowerment. Such a model can easily fall prey to the temptations of being a vehicle to facilitate marketing strategies for AT&T or other transnational financial corprations.

This is how the neo-liberal ideology of the market operates through monolithic microcredit enterprises to get access to and legitimacy among communities who were till recently outcasts in the market economy. It is precisely because of this that one finds it difficult to swallow the development myth created around the Grameen model.

Going beyond microcredit

The encouraging aspect of micro-finance (not mere credit), self-help groups and micro-enterprises is very evident in the success story of SEWA.

The success of SEWA is not merely measured on the basis of the financial viability of SEWA bank, though it is one of the best examples of financially viable micro-finance institutions. The essential difference between SEWA and Grameen Bank is that, in the case

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of SEWA, it is the women who came together first and they built up a series of institutions, including a highly successful co-operative hank. But in the case of Grameen. it is the hank which came first and then women were brought together around microcredit. In case of SEWA, the movement preceded the institutions, which in turn were by and large instruments to empower hundreds of thousands of women who organised themselves into a powerful union of poor working women. In the case of the Grarneen model, the institution preceded the movement and the movement was built on the immediate self-interest of the 'target group' to get access to credit.

Qualitatively there is a tremendous difference between these two approaches. In the first case, the women and the union would decide what is best for them and how it should be done. In the second case, the institution and the mandarins wil! decide what is best for the women and how they should pay back the money.

One is encouraged by the SEWA experience not so much because of its banking miracle but because of the fact that here is a grassroots-oriented trade union of self-employed women from the lowest rung of the economy. SEWA women attempted to redefine the existing power relations within the social fabric by a fruitful combination of struggle for identity, Women's rights and constructive work that changed the lives of thousands of families. SEWA bank emerged out of a real need felt by the women and its birth and growth is organically linked to the trade union movement and corollary co-operative movement. SEWA trade union gave rise to not just one bank, but more than 70 co— operatives and hundreds of self-help groups.

Of course one may find lapses in the ideological purity or political correctness of some of SEWA's positions. But it is very difficult to deny the efficacy of SEWA's empowerment efforts in bringing the women's movement, labour movement and cooperative movement under the umbrella of the first trade union of its kind in the world.

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