

**RHETORIC AND REALITIES OF  
MICRO-CREDIT FOR WOMEN IN RURAL BANGLADESH:  
A VILLAGE STUDY OF GRAMEEN BANK LENDING**

by

**Aminur Rahman**

A thesis  
presented to the University of Manitoba in partial  
fulfilment of the requirements for the degree of  
Doctor of Philosophy in Anthropology

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**BY**

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**A Thesis/Practicum submitted to the Faculty of Graduate Studies of The University  
of Manitoba in partial fulfillment of the requirements of the degree  
of  
DOCTOR OF PHILOSOPHY**

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## **ABSTRACT**

Micro-credit – small amounts of collateral-free institutional loans extended to jointly liable group members for self-employment – was first introduced by the Grameen Bank of Bangladesh in the mid 1970s. The “programmatically success” of the Bank – recruitment of clients, investment of loans, recovery rates on invested loans and profit margin – has internationalized micro-credit; it is now spread worldwide. There is a growing sense that micro-lending projects for women have potential to achieve the goal of equitable (women’s entitlement to resources), and sustainable (independent stability and continuity) development. However, my dissertation, which is based on thirteen months of ethnographic field research on Grameen lending to women in a rural community of Bangladesh, challenges the conventional understanding of small-scale lending and the orthodox view of its success.

The dissertation consists of an anthropological analysis of women borrower involvement with the credit program and implications of the lending structure for women borrowers, their household members, and bank workers. In theoretical terms women’s involvement with micro-credit has been examined within the context of “normative entitlements” of patriarchy. The concepts of “public and hidden transcripts” (Scott 1990), and “practice theory” (Bourdieu 1977) are used to present the anomalies between ideology and practices of the lending institution and the informants. “Cultural hegemony” (Gramsci 1971) helps to analyse the reproduction of ideology of dominance and violence toward women in society, both unintended and organizational.

The research findings suggest that women become the primary target of the micro-credit program because of their socio-cultural vulnerability, i.e., the requirements of regular attendance by borrowers in weekly meetings at the loan centre, and the rigid repayment schedule of loans. The program extends credit to women, but in the household women often “pass on” their loans to men, or men take control over women’s loans, or loans are used to

meet the emergency consumption needs of the household. In this system, women borrowers often lose control over their loans but bear the consequences of the debt burden in their households and loan centres.

The research indicates a strong link between “programmatically success” of the Bank and current practices of credit extension to women. Debt-cycling among borrowers is a consequence, i.e., the need to pay off previous loans with new ones. Bank workers are expected to increase disbursement of loans among their clients and press for high recovery rates to earn the profit necessary for institutional economic viability. The bank workers and borrowing peer loan group members in centres press on clients for timely repayment, rather than working to raise collective consciousness and borrower empowerment as envisaged in the Bank’s public transcript. Institutional debt burdens on individual households increases tension and anxiety among household members which in turn produces new forms of social and institutional dominance over many women borrowers of the project.

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## CHAPTER ONE

### INTRODUCTION

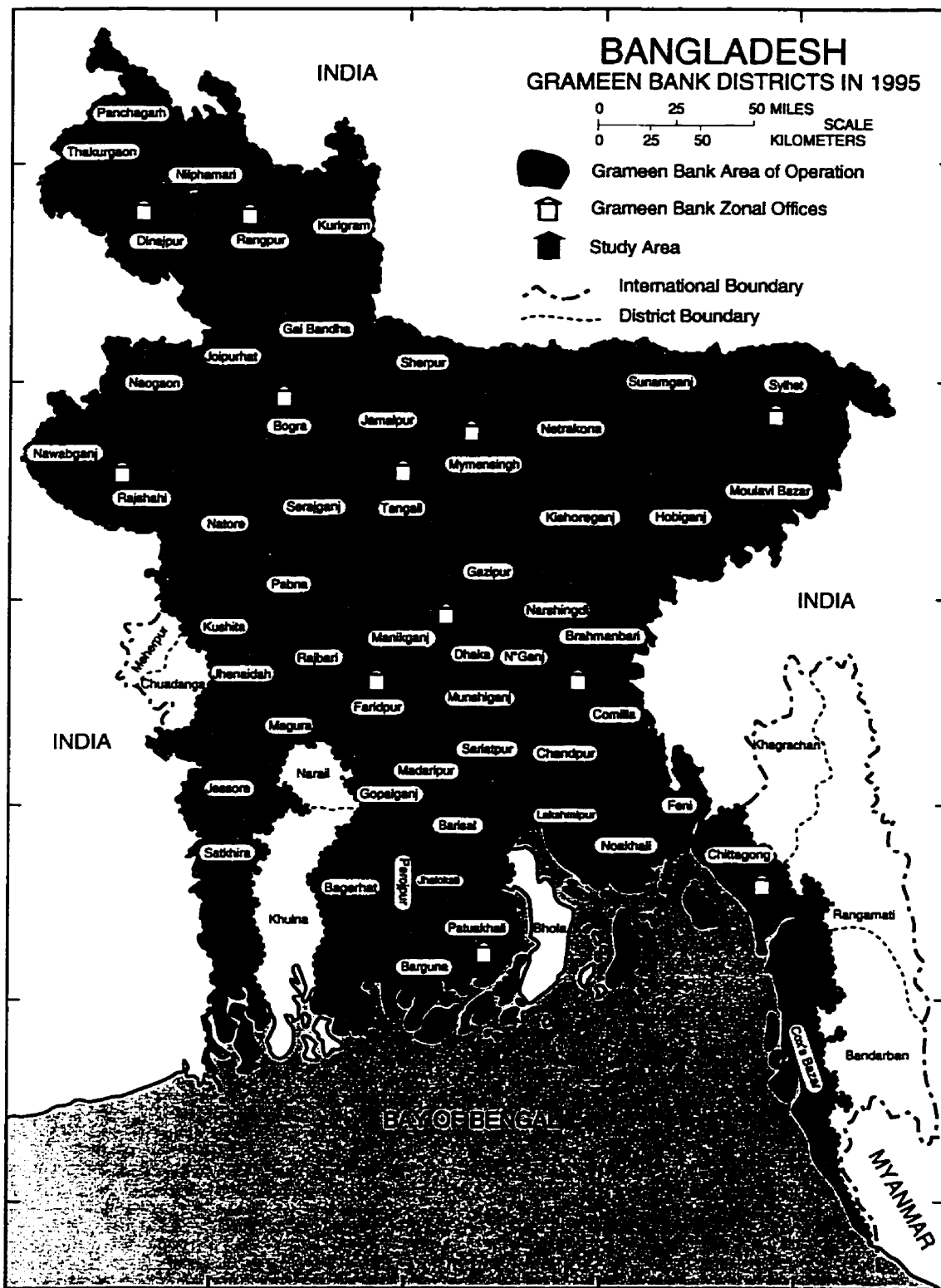
Micro-credit – extension of small amounts of collateral-free institutional loans to jointly liable poor group members for their self-employment and income-generation – is a Grameen Bank innovation. Over the last two decades the Grameen Bank has pioneered a credit delivery system in rural Bangladesh bringing banking to poor villagers and focussing primarily on women. This Bank is now the largest micro-lending institution in Bangladesh. It operates in fifty-six of sixty-four districts in Bangladesh, with 1,100 rural branches covering 37,678 villages, more than half of all the villages in the country (see Figure 1.1). The cumulative investment of the Grameen Bank in rural Bangladesh is more than one billion US dollars disbursed among its 2.3 million members, 95% of whom are women (Grameen Bank 1998).

In the 1980s the “programmatically successful”<sup>1</sup> of the micro-credit scheme of Grameen Bank among poor women in rural Bangladesh became a demonstration of a successful equitable (women as equal partners) and sustainable (in regard to financial viability for service-providing institutions) development initiative. The programmatic success and the accreditation of this success by a large number of impact and academic studies (R.I. Rahman 1986; Hossain 1988 Shehabuddin 1992; Fuglesang and Chandler 1993; Mizan 1994) have contributed to spread the micro-credit concept worldwide. In recent years the Grameen Bank

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<sup>1</sup> I use the expression “programmatically successful” from my personal communication with Dr Nancy Horn, a micro-enterprise specialist with Opportunity International, Chicago, USA. Here, programmatic success refers to quantitative indicators, i.e., number of borrowers recruited for the program, amounts of loans invested among these borrowers and recovered from them.

Figure 1.1 Grameen Bank Districts in 1995



Source: The Grameen Bank Annual Report 1995:5

approach of lending to poor women has attracted international interest, making the micro-credit approach “a new paradigm for thinking about economic development” (Morduch 1997:1). Now there is almost a global consensus that micro-lending to the poor is the key element for the twenty-first century’s economic and social development (MCS 1998a). Currently, most bilateral and multilateral development agencies incorporate micro-credit into their development projects and are keen to push other multi-sectoral social development oriented Non-Governmental Organizations (NGOs) and Private Voluntary Organizations (PVOs) into the function of credit delivery (Wood and Sharif 1997).

### **1.1. Statement of the Problem**

In this dissertation I examine the Grameen Bank lending structure of small loans among poor women in a rural community in Bangladesh and illustrate the implications of this lending for women borrowers, bank workers and social members. The dissertation is a processual analysis of the credit program that gives qualitative understanding to the impact of micro-credit on poor people, with special attention to the involvement of rural women within the process. The main questions of this dissertation are: Why are only women now recruited for the program? What are the social and economic impacts of such recruitment? How does the lending structure of the Bank maintain the high investment and recovery rates in the village, and what are the consequences of the investment and loan recovery on borrowers of the program and societal members in the village? The primary focus of the study is women borrowers of the Grameen Bank, their interaction with peer group members and bank workers at the loan centre and with the members of their household, the use of loans in the household economy, and the specific role of bank workers.

Despite the success of the Grameen Bank in delivering loans to poor women and bringing socioeconomic changes to many of these women’s households, my findings suggest that there are still many borrowers who become vulnerable and trapped by the system; they are unable to succeed. At the level of grassroots credit operation, bank workers encounter

institutional pressure to increase loan investment and maintain high recovery rates on their invested loans. The bank workers and peer group borrowers inflict an intense pressure on borrowers for timely repayment, rather than working to raise collective responsibility and borrower empowerment as originally envisaged by the Bank (Yunus 1994a:18). Many borrowers maintain their regular repayment schedules through a process of loan recycling (paying off previous loans by acquiring new ones) which considerably increases borrower debt liability. The institutional debt-burden on individual households in turn increases anxiety and tension among household members and produces new forms of social and institutional dominance over many women clients in the program. The entrapment of the borrowers in debts, and the long working hours for bank workers to keep up with their instalment collection in loan centres and paper work in the bank, lead informants in this study to question the vision of the lending institution. Consequently, the informants (borrowers and bank workers) generate their own critical assessment – treated as a “hidden transcript” (Scott 1990) in the analysis – about the impact of the project. Incorporation of hidden transcripts of informants into the analysis is central to this study.

## **1.2. The Grameen Bank**

The word *grameen* in Bengali literally means rural or village. The Grameen Bank is a rural bank established with the objective of extending credit to poor people in rural Bangladesh who have no physical collateral. The story of the Grameen Bank is almost a legend. Dr Yunus, a former economics professor, is the founder who returned to Bangladesh in 1972 with his doctorate from Vanderbilt University, USA. He joined Chittagong University, which is located in a rural area among many villages. During his tenure at the University Dr Yunus was confronted by the poverty that overwhelms many of the poor people in rural Bangladesh who live in a world of debt alongside the rich people; the poor are kept in an omnipresent poverty circle (Yunus 1997). Through Dr Yunus’s direct encounter with rural people he was inspired to consider micro-credit as a means of alleviating rural poverty.

Before the institutional credit for poor people was introduced there were primarily two credit sources available in rural Bangladesh – commercial banks and moneylenders. The commercial banks do not give loans to the poor because the poor are unable to provide collateral, whereas moneylenders will lend money but with very high interest rates.<sup>2</sup> Both of these arrangements are incompatible with the return in small business. Dr Yunus realized the implications of micro-credit for the first time in 1976 through his interaction with a poor woman in the village Jobra who used to make bamboo stools for a living. The woman could not afford to buy bamboo herself and borrowed money from a trader on the condition that she must sell her product to the trader at a price he decided. Because the woman could not sell her finished product to anybody else, the trader took advantage of the situation and paid a price which barely covered the cost of the raw material. The socioeconomic circumstances of the woman led Dr Yunus to think that if the woman had a small amount of working capital then she could work for herself, retaining the surplus now appropriated by others. All she needed was “small-credit” necessary for working capital.

In 1976, Dr Yunus first experimented with the micro-credit concept in the form of an action research project – Grameen Bank Project (GBP) – in the village of Jobra (Counts 1990).<sup>3</sup> This project was financially supported by a national commercial bank and supervised by students of the Economics Department of Chittagong University (Professor Yunus was then Department Head). From 1976 to 1978, in collaboration with various commercial banks in the country, the micro-credit action project was introduced in different villages in the same region. The experiment helped Dr Yunus develop the appropriate supervisory and timely

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<sup>2</sup> A moneylender in the village often charges as high as 200% yearly interest on the capital amount. In rural Bangladesh culture borrowing from traditional moneylenders is considered a more sinful act than borrowing from formal institutions because a person is not to personally benefit from lending assistance; assistance is a matter of reciprocity.

<sup>3</sup> Jobra is located within the vicinity of Chittagong University where Dr Yunus was a Professor and Head of the Department of Economics. Other sources (Hossain 1988; Shehabuddin 1992) state that Dr Yunus met this woman in 1975.

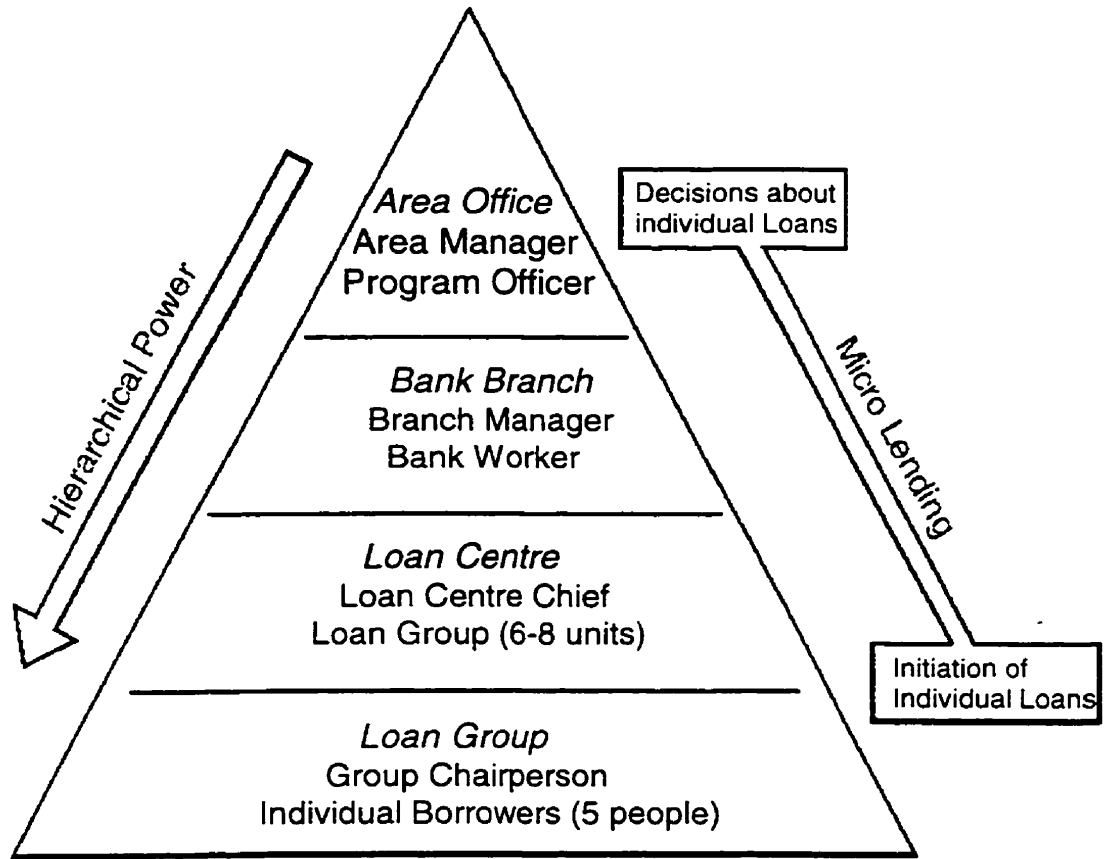
recovery measures of his micro-lending project. In 1979, with financial assistance of the Bangladesh Bank (the central Bank) the project was introduced to Tangail district in Bangladesh (where I conducted my fieldwork). During 1979-1982, with financial support from the International Fund for Agricultural Development (IFAD), the Grameen project was further extended to three more regions of Bangladesh and became a national project. On October 2, 1983, a government ordinance transformed the Grameen project into the Grameen Bank, a specialized credit institution with a mandate of providing credit services to poor people in rural Bangladesh.

### **1.3. Lending Structure of the Grameen Bank**

The Grameen Bank lends to groups of borrowers, rather than to individuals, through a hierarchical structure of lending. In this lending structure more than 90% of Grameen Bank field staff – bank workers, managers, program officers and area managers – are men, but 95% of borrowers are women. The borrowers in the project must address men bank workers as “sir”; the real *power* of bank workers (men) over borrowers (women) may therefore be reinforced by cultural norms of male status (Montgomery 1995:10). Figure 1.2 reflects the bank worker and borrower hierarchy in grassroots lending to women in rural Bangladesh.

At the bottom of the lending structure are individual borrowers and the peer loan groups. The bank workers organize interested persons into groups of five borrowers of the same sex and with similar socioeconomic background. The explicit criterion for borrowers to be included in Grameen loan groups is “landlessness”, which is also considered the main cause of rural poverty in Bangladesh (Siddiqui 1982; Jansen 1987; North-South Institute 1990; Rahman and Hossain 1996). The borrowers are supposed to be from households “owning less than 0.4 acre of cultivable land” (*Bidhimala* 3.1, see Appendix C), or from households owning “assets with a value less than the equivalent of 1.0 acre of medium-quality land” (Bernasek 1992:11). Formation of loan groups is followed by selection/election of a group chair to be responsible for maintaining group discipline in the weekly meetings,

**Figure 1.2** The Hierarchical Structure of Grassroots Grameen Bank Micro-Lending





conducting weekly transactions with the bank worker in the loan centre, and proposing loans for other group members.

The loan centre is positioned in the second lowest position in the hierarchy of the grassroots loan operation. Six to eight loan groups in a village are federated into a loan centre; they find a space or build a centre hut in their vicinity for the weekly meetings and select/elect a centre chief. The centre chief is to be responsible for maintaining the overall discipline of the centre, conducting centre meetings, ensuring borrower attendance and instalment payments, supervising individual borrower loan use and reporting to the bank worker. At the centre level, a centre chief also holds the final authority to approve or disapprove loan proposals of individual borrowers initiated by the group chair.

The third level in the hierarchy is the local branch. Its workers are directly involved in executing the loan operation in the loan centre. Bank workers form loan groups in the village, provide group members with adequate information on the Grameen Bank's operation, and work with borrowers in the village to establish their conformity to the discipline of the Grameen Bank.

After forming a loan group and teaching the borrowers the rules and regulations of the Bank, the bank workers refer the group to the local branch manager for his consideration. From the local Branch the proposal for group recognition goes to the fourth level, the area office. The area office is where the group gets final recognition as a Grameen group and borrowers become eligible for initiation of the lending process. In addition to these four grassroots strata, the lending operation is also influenced by the superior officers of the zone and head office.

In 1994-95 the Grameen Bank offered four main types of loans: i) General Loan for year-round income generation; ii) Seasonal Loan for investment in agriculture activities and seasonal business; iii) House Loan for building a tin-roof house; and iv) Group Fund Loan based upon five percent levied by the Bank on every loan to individual members as a "group loan tax" to create a Group Fund Account (GFA). A member is allowed to borrow from GFA

with consent of other peers in the group. The borrowers reported that during the Bank's operation in the village it also has experimented with a few other types of loans, such as collective, family, tube-well and capital recovery loans. The Bank introduced these different loans for its borrowers but gradually eliminated them because of the failure of their rates of recovery. In May 1997, at the time of my follow-up research, I also found that the Bank had introduced two more types of loans – Animal Sharecropping and Leasing Loans (macro-loans of one- to two-hundred thousand taka) – for its borrowers in order to offset the declining investment trend in the study area.

The micro-lending of the Grameen Bank operates within a fifty-two week time cycle. The weekly instalment is 2% of the principal amount. Borrowers must repay the entire principal amount in fifty equal instalments. In 1994-95 the annual rate of interest for micro-loans was 20% and the emergency fund was 25% of calculated interest on the particular loan. The interest and emergency fund are 12.5% greater in amount than regular weekly instalments which the borrowers must repay in the remaining two weeks of the year to become eligible for their next new loan.

Each loan proposal from individual borrowers in the centre involves three successive and separate formal reviews before it is finally approved by the area manager. The loan amount requested by an individual borrower needs to be agreed upon by all members of the group. The group chairperson first approaches the centre chief with the proposed loan. The centre chief initiates the formal loan proposal, signs it and gives it to the bank worker. The bank worker approves it and gives the proposal to the branch manager. The branch manager approves the loan proposal and sends it to the area office. In the area office it is first approved by the responsible program officer and then finally countersigned by the area manager.

Once a group is recognized and approved by the Grameen Bank, loans to individual group borrowers are granted sequentially – by establishing a time-cycle – rather than simultaneously. Two borrowers in a group receive their loans in the initial allocation and their loan repayment behaviour is observed for a month or two. Their successful repayment entitles

the next two borrowers in the group to apply for loans. The satisfactory repayment of four borrowers in two different time-cycles entitles the last member of the group to her loan. By establishing such sequences in loan disbursement the Grameen Bank creates “peer pressure” in which each group member becomes responsible for other borrowers’ loans. In this micro-lending program the group is to function as an institution to ensure mutual accountability. The individual in the system is kept in line by a considerable amount of pressure from other borrowers of the group. The pressure of the group acts as the collateral for the Bank.

Loans are approved to each individual borrower and for a specific project for immediate investment in a cash income venture. According to explicit Bank guidelines, the group chairperson and the centre chiefs are obliged to supervise loan utilization immediately after the loan is disbursed. Upon their satisfactory investigation they both are to report to the bank worker in a written form. The bank worker is obliged to verify the claim of the group chairperson and centre chief and prepare a written description of the investment. Additionally, the investment of the borrower is supposed to be further supervised by the responsible branch manager and the program officer from the area office.

The objective of the organization of women borrowers in groups and centres for the lending operation is not only to provide them economic opportunities but also to create an environment in which poor women are able to exchange socially-needed information, encouragement and motivation for confidence-building. The stated goal is to build unity, solidarity and leadership among poor women and ultimately to improve the social development and empowerment of poor rural women. The bank workers, policy makers and even academics in Bangladesh usually generalize about Grameen micro-lending through quantitative representation. Representatives of public institutions appear to have played a commanding role in sustaining the international prominence of the Bank and the pride of the country as an innovator of the micro-credit concept.

#### 1.4. Studies on the Grameen Bank

A substantial number of studies have been conducted primarily by economists on the micro-credit program of the Grameen Bank since its beginning in 1983. Most of these studies are evaluative in nature,<sup>4</sup> in which the researchers have tried to examine the kind of impact the Grameen Bank micro-credit programs have had on its borrowers (Ghai 1984; Ahmed 1985; R. I. Rahman 1986; Atiur Rahman 1986a and 1986b; Hossain 1988). These studies provide both quantitative and descriptive information on gradual changes in the number of Grameen Bank memberships, the amount of loans taken by borrowers, income earned from loan money, household income, areas of investment and also on social development indicators such as practice of "Sixteen Decisions" by borrowers (see Appendix B). A few other studies have been conducted on the Grameen Bank program in the 1990s which try to investigate the impact of loans on the empowerment of women borrowers (Wahid 1993; Schuler and Hashemi 1995; Goetz and Sen Gupta 1996; Hashemi and Schuler 1996; Schuler Hashemi and Riley 1997; Todd 1997). I outline these studies briefly here.

One of the early evaluations of the Grameen Bank was conducted by Ghai (1984) who attributed Bank success to recruiting women into the program. At the time of his evaluation female clients of the Bank rose from 31% in 1980 to 46% in 1983. Ghai also found a positive impact on the income of borrower households and on the status of women in these households. Mahabub Hossain (1988) also conducted his study in 1984 and focussed on the impact of the Grameen Bank credit on employment, income level and economic productivity of poor rural women. His primary source of data came from a sample survey conducted by Bangladesh Institute for Development Studies (BIDS) among 612 randomly selected Grameen borrowers. Besides his primary data, Hossain also used Monthly Statistical Reports of the Grameen Bank and the Bank's Annual Report to support his findings. Hossain (1988)

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<sup>4</sup> There are also other publications produced and published routinely by the Grameen Bank. The Annual Report of the Bank consists of quantitative data on Bank activities. A quarterly newsletter and the *Grameen Dialogue* give information on the Bank's success and its replication in other parts of the world.

found that loans to women borrowers enabled them to add additional resources to their family budget. Whatever little women borrowers earned by using their Grameen loans contributed to increase household per capita income as well as enhance the overall status of women in the household.

R. I. Rahman (1986) and Atiur Rahman (1986a and 1986b) of the Bangladesh Institute of Development Study conducted a series of surveys of the credit program of the Grameen Bank in different regions of Bangladesh. Both of them found a positive impact on women borrowers, specifically in regard to income-generating work – the major impact of women’s borrowing from the Bank. In his study, Atiur Rahman (1986a and 1986b) focussed on consciousness-raising efforts of the Bank among women, on institution building and empowerment among women, and on the impact of micro-credit programs on the rural power structure of Bangladesh. He maintains that women in loan centres of the Grameen Bank are able to gain strength in collective solidarity, to challenge traditional norms and values, and fight against social injustice.

Ahmed’s (1985) study on Grameen women borrowers showed a positive economic impact of credit, but in terms of Grameen Bank efforts to raise women’s consciousness, Ahmed found variation between the awareness of women borrowers about social issues and their real practices. His study revealed that even though Grameen women borrowers in his sample (n=120) were aware of social issues such as the negative effects of dowry, repression, desertion, and violence against women, only 48% supported equal rights between men and women. Physical violence against women – wife beating – was justified by 19% of the women on the ground that it is a controlling mechanism for disobedience and slowness in household chores (Ahmed 1985:14).

Wahid’s (1993) edited volume *The Grameen Bank: Poverty Relief in Bangladesh* is claimed to be “the first comprehensive study of Bangladesh’s Grameen Bank” by its publisher. The editor includes sixteen papers to present the performance of the Bank and the potential of the Bank’s lending model for its replication in other parts of the world (I discussed some

of the papers, e.g., Atiur Rahman 1986a, 1986b and Mahbub Hossain 1988, earlier in this section). The papers address three major areas of the Grameen Bank and its lending: i) historical background and origin of the Bank, its objectives, lending structure, early success in incorporating borrowers, investing loans and recovering invested loans from borrowers; ii) expansion and growth of the Bank, impact of lending on the socio-economic status of rural women, and the social and political status of the rural power elite; iii) group-lending that enables Grameen Bank to achieve remarkable rates of success in recovering loans, the institutional economic viability and the replication of Grameen lending in other countries. Wahid's collection attempts to give readers a general view of the success and potential of the Grameen Bank. However, a number of papers in this volume are reproduced by their authors from Grameen Bank impact studies, and most of them are based entirely on survey methods which present quantitative indicators of the Bank's performance but fail to uncover and address the on-the-ground processes of micro-lending.

Mizan (1994), in her study *In Quest of Empowerment: The Grameen Bank Impact on Women's Power and Status*, has investigated impacts of women's economic participation and earning on their marital decision-making power. Under the auspices of the Grameen Bank, Mizan conducted her study among women borrowers in two of the oldest program villages of two different regions (Chittagong and Patuakhali districts). The data were collected primarily through survey methods and were analysed from the family sociology perspective of "cultural resource theory" (Rodman 1970). The study concluded that "women's participation over a long period of time had a stronger impact on household decision-making than the money women brought to fulfil family needs" (Mizan 1994:145). The Bank has touted this as evidence of its success in empowering women. However, Mizan (1994:144) also argued that in rural society women's advancing age and life-cycle, e.g., changing roles in motherhood and in becoming mothers-in-law, influence their decision-making power within the household. The mean age of her informants was thirty-two years, suggesting that most borrowers in Mizan's study were in advanced life-cycle stages. Therefore, we must question

specifically the extent to which decision-making power gains for women are a product of normative role expectation changes associated with advancing age or are a result of their involvement with the Bank.

S. M. Hashemi, an economist, and S. R. Schuler, an anthropologist, have an ongoing Grameen Research Project on "Rural Credit, Empowerment of Women and Contraceptive Use in Bangladesh" (Grameen Trust 1997:12). They have produced a series of journal articles on the impact of credit programs on contraceptive behaviour and empowerment of women. The primary focus of their study is fertility and reproductive health, not long-term economic and social implications of credit-lending for women (Schuler and Hashemi 1994; and 1995). However, in some of their recent journal articles they argue that the credit programs of various non-governmental organizations, including the Grameen Bank, are helping poor rural women achieve their socio-economic empowerment in the society (Hashemi, Schuler and Riley 1996; Schuler, Hashemi and Riley 1997). They have also developed a set of operationalising indicators, such as women's mobility and visibility, and their assertiveness and interaction in the public sphere (Hashemi and Schuler 1993:11-15) to measure women's empowerment for the clients of the credit programs.

Anne Marie Goetz, a political scientist, and Rina Sen Gupta, an economist, conducted their 1996 study on credit programs in a project on "Women's Leadership in Rural Development in Bangladesh". In this study they categorized loan use patterns of three major micro-lending organizations in the country (BRAC, Grameen Bank, and RD-12) and found "male appropriation of women's loans". On average, women in these programs retained full or significant control over loan use in only 37% of the cases, while 63% of the cases fall into three categories of partial (17.8%), very limited (17%), or no control (21.7%). This indicates a significant pattern in which women borrowers systematically lose control over their loans; they are even victimized by the process. Many women borrowers bear the risk and burden of institutional loans without directly benefiting from them.

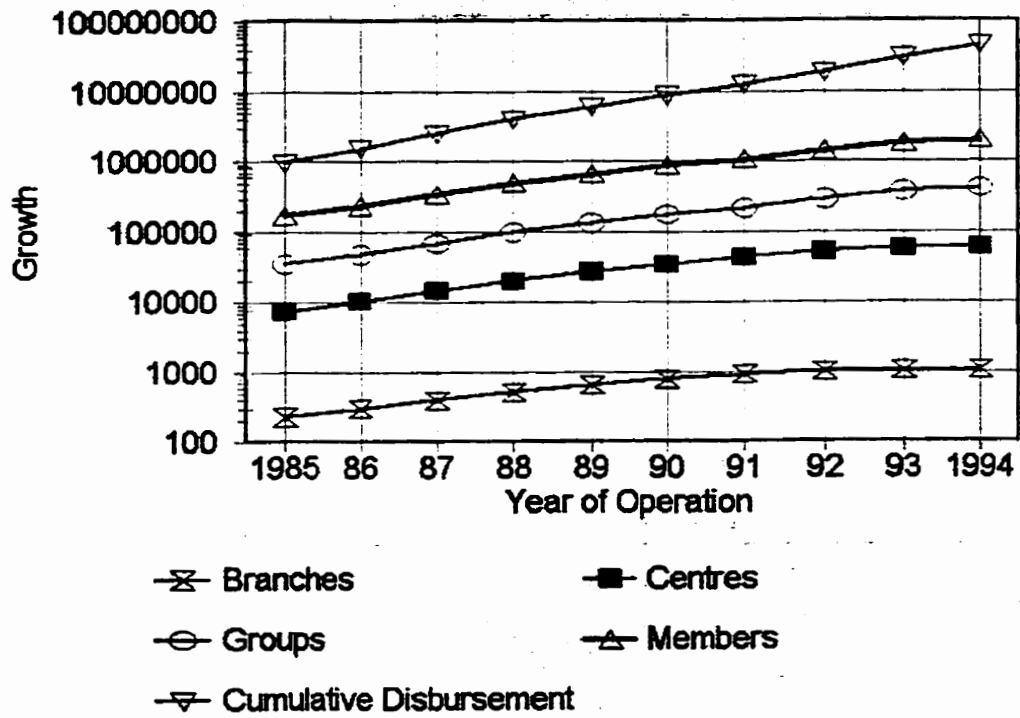
Helen Todd (1997), a journalist and wife of a micro-credit visionary from Malaysia, conducted a study on forty women borrowers in only two loan centres in two villages in the Tangail District. The study populations consisted of women borrowers who had been involved with the credit program for at least ten years. Sponsored by the Grameen Bank, Todd worked through local interpreters, which presents considerable limitation. With regard to use of loans and instalment payments by borrowers, she found many practices which go against the principles of the Bank. Todd (1997:24) found that in her study villages 49% of women's loans were used in "land transaction" (purchase or mortgage-in). She points out that Bank policy does not allow borrowers to use their loans in this sector, but women in her study claimed that investment in land provided them with increased status within their households. She argued that the Bank needs to change its policy in this matter. Todd also argued that the success of individual borrowers depends on many factors, such as women's own personalities, their relations with their kin and household members, and the number of income earners in the family. Both in the credit program and in the long term some of the borrowers became successful while others did not. Goetz and Sen Gupta (1996) and Todd (1997) each suggest that a better understanding of the implications of credit programs for women borrowers and women's status within their households in rural Bangladesh would come through *a commitment to long-term anthropological research*.

### **1.5. Micro-Credit in Development Projects**

The Grameen project started its micro-credit program in a single village in Bangladesh twenty years ago; it has continued to grow and extend loans in rural Bangladesh, particularly to poor women. Since it became a Bank in 1983, the Grameen Bank has grown remarkably in terms of its branches, centres, membership and cumulative loan disbursement. The growth and expansion of the Grameen Bank is presented in Figure 1.3; from 1985 to 1994 the number of branches has increased by 462% (226 to 1,045), the number of loan centres 831% (7,210 to 59,221), the borrowers 1,185%. (171,622 to 2,015,131). The cumulative



**Figure 1.3 Growth of the Grameen Bank, Bangladesh, 1985-94**



Source: Adapted from Khandker, Khalily and Khan 1994

investment during the same period has increased by 2,786% from 985 to 44,640 million taka.<sup>5</sup> Since the mid-1980s, the Bank has emphasised recruitment of women borrowers. The proportion of male borrowers among all borrowers declined dramatically from 34.9 % in 1985 to less than 6% in 1994, but the number of female borrowers increased by about 700% during the same period (Khandker, Khalily and Khan 1994; Grameen Bank 1994).

The expansion of the Bank, its incorporation of women as principal borrowers, its investment portfolio of over one billion US dollars, and its maintenance of 90% recovery rates on its investment has brought the Bank into the international scene. Before 1990, the “programmatically success” of the Grameen Bank’s micro-credit, combined with the advocacy of Dr Yunus, attracted considerable international interest, and encouraged some bilateral organizations to increase their funding for micro-credit and micro-enterprise development initiatives in developing countries (Auwal 1994; Johnston 1995).

In the 1990s, the micro-credit approach of the Grameen Bank has attracted even wider international interest and is being incorporated into mainstream development agendas. The popularity of micro-credit in the West and its incorporation into mainstream development seem to have a political context. President of the United States of America, Bill Clinton, and the First Lady Hillary Clinton, “have publicly come out in support of Yunus and the concept” (Johnston 1995:1). In recent years, primarily because of the support of political personalities in North America, both micro-credit and Dr Yunus have received extraordinary press attention in the West (Auwal 1994; Johnston 1995).<sup>6</sup>

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<sup>5</sup> *Taka* is the name for Bangladesh currency. At the time of my fieldwork forty-two taka were equivalent to one US dollar.

<sup>6</sup> US President Bill Clinton first met with Yunus in 1986 when Clinton was the Governor of Arkansas. Clinton established the Good Faith Fund, a micro-credit program in Pine Bluff, Arkansas in 1988. In November 1993, President Clinton honoured Dr Mohammed Yunus as he came to Washington to receive an award from the Good Faith Fund. In this meeting Clinton described himself as the “No. 1 publicist” and “No. 1 activist” for the Grameen Bank (*India Abroad* No. 19, pg. 32, quoted in Auwal 1994:116).

Currently, almost all national and international development organizations incorporate micro-credit as one of the main components of their programs. Most bilateral and multilateral<sup>7</sup> development institutions have increased their funding for micro-lending programs in order to reach the poor – particularly women – to help them to achieve sustainable livelihoods through creation of earning opportunities and eradication of poverty. The Grameen Bank micro-lending model has now been replicated in 56 countries (Isa 1997), including many developed countries like the USA and Canada. Through various development projects and financial institutions micro-lending services now reach about eight-million borrowers on six continents (Balkin 1993; Gugliotta 1993; MCS 1998a). In February 1997, the promoters of the micro-lending projects organized the Microcredit World Summit with a commitment to create a poverty-free planet by the year 2025 through micro-lending. They have launched a plan of action to provide micro-credit for 100 million borrowers, particularly women, and reach 500 million people (if family members are included ) by the year 2005. Currently, micro-credit is not only an anti-poverty development tool but is also an emerging sector for financial markets and profit-making potential. Many private financial institutions from the rich capitalist countries are getting involved with micro-credit initiatives (MCS 1998b).

#### **1.6. Women in Development and Incorporation of Micro-Credit**

For more than four and a half decades rich capitalist countries from the West have initiated efforts to promote economic development in developing countries. These development initiatives in many cases have brought positive changes in economic growth (per capita income), increased literacy, and life expectancy at the macro (national) level, but they have failed to provide the benefits of such development to poor people at the micro level (Korten 1990; Chambers 1986). In addition, serious concern remains about equitable

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<sup>7</sup> Here bilateral refers to national government assistance programs to developing countries, such as United States Agency for International Development (USAID), or Canadian Agency for International Development (CIDA). Multilateral refers to institutions such as The World Bank or The United Nations (see MacIsaac 1996).

distribution of the benefits of development along gender lines. A great deal of energy has been invested in documenting the distributional effects of development on various groups in society and very often this is expressed as a concern for women.

In the 1960s modernization theory (e.g., Rostow 1960; Lewis 1966), equating development with progress, predicted that development would benefit all segments of population in society irrespective of gender, class or race. In the modernization paradigm women were seldom considered separately; when they were, it was assumed that a modern secular society would automatically improve women's situation by freeing them from the constraints of traditional cultures. The assumptions of modernization theory were challenged by Boserup (1970) for the first time in her study *Women's Role in Economic Development*. Boserup used available data from Asia and Africa on women's work and showed that the modernization approach of development had helped mainly men in society and had by-passed poor women. She argued for women's integration into the development process as equal partners with men (Bandarage 1984).

Boserup's work was criticized on the grounds that she did not question the viability of a "Western" model of development for the poor in non-Western countries (Madhuri 1992:15). But despite criticism, her work contributed to a comprehensive overview of women's roles in the development process and has successfully sensitized many international donor agencies to their inattention to women in their development programs. Inspired by Boserup's work, a new sub-field of development – "Women in Development"(WID) – gradually emerged within the liberal tradition (Parpart and Marchand 1995). This sub-field of development assumes that all women can be emancipated within capitalist development through their incorporation into the public sphere, specifically through women's access to an expanding cash economy.

The debate of women's development during the 1970s and 1980s has been influential in policy and programming of many government and non-government organizations. Following the establishment of WID, many bilateral aid agencies, international development

organizations such as United Nations (UN), United States Agency for International Development (USAID), the World Bank, Canadian International Development Agency (CIDA), the Ford Foundation and others, plus many national and local agencies, started to change their philosophy towards women's incorporation (Jahan 1992). In the 1980s most development agencies added a WID division to bring women's issues into the mainstream of development issues. A few bilateral programs, such as USAID, CIDA, and Norwegian Agency for Development (NORAD), even received special mandates to address women's needs and to give preference to programs and activities which tend to integrate women into the economic development of developing countries (Charlton 1984:102).

The Decade of Women in Development (1975-1985) and advocacy of women activists around the world encouraged international organizations to allocate funds for women in development projects. During this period a large number of projects were initiated for women in most developing countries. In some cases, for local agencies, incorporation of women into their projects became a way of getting funds from international organizations (Jahan 1992). The WID projects mostly focussed on women's skill development, the integration of women into income-generating projects, and raising their income. The broad objective of such projects was to enhance women's status within the household and society. In these projects women were involved in income-generating activities and educated about family planning and health, nutrition, and sanitation and child health.

In WID, women's development was seen as a logistical problem, rather than something requiring fundamental reassessment of gender relations and ideology (Rathgeber 1990; Tinker 1990). The WID approach of integrating women in development has been challenged by many feminist thinkers on the grounds that these projects do not address the question of gender inequality and relations of domination and subordination (Benería and Sen 1982; Mies 1986). Benería and Roldan (1987) assert that the involvement of women with WID projects may increase their income but such increased income does not imply changing women's position in the household in terms of power and authority. They suggest that women

in such projects most often find themselves working harder while having no control over their production or decision-making participation in the family or in the community (Mies 1986; Wilson-Moore 1989). In addition, Buvinić (1989) categorically showed that international organizations that funded development projects for women in developing countries had their own agenda; in most cases it was the control of population growth. To achieve the goal of reduced population women were targeted and incorporated into a comprehensive development approach in which income generation projects became the central issue for women.

The income-generating initiatives for poor women evolved over several decades as a component of larger sectoral development programs. By the mid 1980s, disillusionment with income-generating activities began to surface within many development agencies. There was increasing recognition that the income-generating projects were in many cases failing to raise income levels, and in some cases were additionally burdening poor women (Chen 1989; Albee 1994). By the end of the 1980s many development agencies were avoiding the use of the term “income-generating”, as it continued to conjure up images of women undertaking marginal economic activities far removed from the increasing thrust toward gender issues and women’s empowerment.

Scattered evidence also revealed that an increasing number of poor women in poor Southern countries were creating their own jobs in small-scale agriculture, manufacturing, services and petty trade (Berger 1989). Such evidence also reinforced the idea that the smaller the business the greater the chance of being owned and operated by a woman (Accion 1988); thus, women’s inaccessibility to finance was recognized as a constraint for poor women and credit became the “common missing piece” in women and development (McKee 1989:995).

The gender sensitive promoters of development saw credit as a source of acquiring capital so women could practice their livelihoods in more productive and profitable ways. It was postulated that making capital available through credit would unlock considerable potential for self-employment, allowing enterprises to start up and expand. In the last fifteen

years the focus of women's development projects in many development agencies has turned toward utilizing credit as a development tool. Micro-credit now has become a central part of many women-focussed development projects, and numerous strategies have been developed to provide women with access to the missing piece of development, i.e., credit.

Some North and South scholars began to call for a new approach to women's development in the late 1980s. Several studies on growing poverty in the South and on global patriarchy (e.g., Mies 1986; Sen and Grown 1987; Agarwal 1988) have contributed to the emergence of a new discourse that uses the concept of Gender and Development (GAD) instead of Women in Development (WID). In GAD discourse the main focus is on gender rather than women, particularly the social construction of gender roles and relations. As Kabeer (1991b:11) explains, "gender is seen as the process by which individuals who are born into biological categories of male or female become the social categories of men and women through the acquisition of locally-defined attributes of masculinity and femininity" (quoted by Parpart and Marchand 1995:14). Even though the GAD proponents also rarely challenge the goal of modernization, some scholars believe that GAD provides the possible discursive space to do so (Udayagiri 1995).

### **1.7. Women in Development: A Bangladesh Context**

In response to the demands of the women's movement and the United Nation's mandate, in the last twenty years "Women in Development" projects have emerged as a visible field of policy and action in most countries, especially those dependent on foreign assistance, such as Bangladesh (Jahan 1992). Since the independence of Bangladesh in 1971, women's issues have been a concern of official policies of the Government. This concern is reflected in the promulgation of constitutional equal rights for women (Khan 1988), and by becoming one of the few countries in the world to establish a Ministry of Women's Affairs in the late 1970s (Sobhan 1992). A brief sketch of the government's policies to incorporate women into the development process in Bangladesh is presented here.

Bangladesh started its journey of socioeconomic development with its first Five-Year Plan (FFYP) of 1973-78. This FFYP had neither an explicit focus on women nor any sectoral resource allocation for women's involvement (World Bank 1990); only a passing reference to women was made associated with social welfare and the rehabilitation of liberation war victims.<sup>8</sup> During the interim Two-Year Plan (TPA 1978-80) the Government set up a Ministry for Women's Affairs. In the Second Five-Year Plan (SFYP 1980-85), an explicit allocation of resources was made for women in order to incorporate women into development by setting up projects focussing on population, health, education, and employment generation. Rehman Sobhan (1992) states that SFYP was implemented in the middle of the United Nation's Women's Decade of Development which compelled planners to incorporate concerns specific to women into their plan objectives.

The Third Five-Year Plan (TFYP 1985-1990) continued the effort of bringing women into development and special emphasis was put on the concerns of rural women in Bangladesh. Poverty alleviation became one of the central themes (Khan 1988) and the focus was to extend credit to women for employment, income generation and poverty alleviation. The dynamics of promoting women's concerns both in SFYP and TFYP remained largely donor driven and was sustained by the expectation of readily available funds for women-oriented projects. However, in TFYP 57% of donor funds went to health and family planning sectors.

In Bangladesh, it is not only for the Bangladesh Government that "women's issues" present a potential resource, but also NGOs involved in women in development. There are at least 500 registered medium to large size development NGOs working in Bangladesh. Jerry Buckland (1994:114) maintains that substantial efforts are made by many of these NGOs in rural Bangladesh to target women and currently "a large and growing share of NGO

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<sup>8</sup> The liberation war in the country caused large numbers of women to be widowed, raped and otherwise victimized by the social upheaval which characterized the emergence of Bangladesh.



participants are women". David Korten (1990) analysed the development process of NGOs in Bangladesh and notes that there are similarities between the government and NGO initiatives in development. The first generation of development workers were involved in relief and rehabilitation; the second generation were in family planning, informal education and sectoral programs under a comprehensive development approach (see Buckland 1994). Currently, the effort of both the NGOs and government have shifted toward credit extension and development with a special focus on poor women.

Sarah White (1992:15) presents the perspectives of donors and NGO initiatives on women in development in rural Bangladesh. She writes that before the 1980s, many NGOs did not consider women's issues to be included specifically in development. The same NGOs later on realized that the inclusion of women's issues is the way to expand their activities and gain new sources of funding. Although these NGOs are working with women, their commitment toward gender issues remains only instrumental, and it has reproduced rather than challenged the established pattern of patriarchal ideology.

Group-based institutional lending to women is a recent addition to development initiatives in Bangladesh, although saving and borrowing have a long tradition among women in rural Bangladesh (Maloney and A. B. S. Ahmed 1988; Ebdon 1995). Traditionally, women in villages have organized themselves in small groups (*samity*), have saved small amounts and borrowed from their savings funds in times of needs. The institutional credit extension program was first introduced in the country by the Bangladesh Rural Development Board (BRDB) in the early 1970s. BRDB extended credit to women through organizing them in cooperatives. Within the period 1976-89, it organized hundreds of women's cooperative societies (*Mahila Samabay Samity*) in different areas of Bangladesh and distributed more than two million US dollars in small loans to 122,000 borrowers (World Bank 1990). Since 1985, the BRDB sought to target landless poor women to organize a special cooperative (*Mahila Bhumihin Samabay Samity*). This program distributed about 24 million US dollars in rural Bangladesh among its 147,000 women members (Sobhan 1992). Another initiative of rural

credit was implemented by the *Swanirvar* (self-help) program initiated in 1976. By 1988 this project had distributed about 19 million US dollars to its 464,000 borrowers, in 9,070 villages. Among these, about 300,000 were women. In rural Bangladesh, beside the Grameen Bank and the Bangladesh government programs, at least 150 NGOs now extend credit to women and reach about 8.5 million borrowers in the country.

### **1.8. Significance of the Study**

Most studies on the Grameen Bank – both impact and academic – are conducted by economists and sociologists who rely heavily on survey research, generate quantitative data on the performance of the Bank, and provide the “bird’s eye view” of the program. To my knowledge no in-depth anthropological research has been conducted on this internationally reputed lending program. My in-depth study presents a qualitative analysis of the program and contributes to an understanding of the lending process. It provides the “worm’s eye view” of the program.<sup>9</sup> My study focuses on both social and economic processes to understand how the Bank maintains its success in micro-loan investment and recovery, and to investigate the implications of micro-lending structure for its borrowers and societal members and for the sustainability and growth of the micro-lending enterprise itself.

The insights from my anthropological study on the Grameen Bank will address the international demand for new knowledge about micro-credit lending and micro-enterprise development. Over the last twenty- five years, scholars and activists have shifted their attention from massive infrastructural development to small-scale participatory development. The transition in development thinking ensued from the failure of the modernization paradigm (Rogers 1976) that fails to bring benefits to the poor (Chambers 1986; Yunus 1995). The critics of the modernization paradigm argue that poor people need mechanisms to organize

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<sup>9</sup> Dr Yunus, in his writing and lectures, has used the analogy of “birds eye view” and “worms eye view”. When researchers use a survey questionnaire to understand the problem, it only gives a sketchy picture of the situation. Researchers need to look at the problem by staying in the field and collecting detailed information on the ground.

themselves and establish micro-enterprises that require small amounts of capital and in which they can use their local knowledge and skill.

The qualitative analysis of this dissertation not only complements the existing research on the Grameen Bank by adding yet another study, but it presents a different picture than other previous research findings on the Bank. My study raises questions about conventional understanding of small-scale lending by the Grameen Bank and about orthodox views of its success and empowerment of women in society. The processual examination of micro-credit in this dissertation explicates the lending structure for borrowers and fills the gap between quantitative and qualitative studies. My study indicates increased violence and aggression toward women borrowers (which has not been reported to date) and provides some explanation for rising tension and violence in the society in response to lending structure and practice. The significance of this study lies not only in its recommendation to bring procedural and structural changes in the lending operation but in theoretical terms the study also challenges the orthodox view of the success of micro-credit and empowerment of women in society.

### **1.9. Structure of the Dissertation**

This dissertation is comprised of eight chapters. In the first chapter, I have described the statement of the problem and set up the background context of the dissertation with a presentation of the Grameen Bank, its lending structure, and incorporation of micro-credit in international development projects. Women in development and the significance of my study are also discussed here. Chapter 2 is on my field research strategies and data collection. The main topics of this chapter are rhetoric and realities of anthropological fieldwork, research ethics, advantages and disadvantages of being a “native” in the field, and limitations of being a “male” working among women informants. In Chapter 3, I present the theoretical framework of the study – normative entitlements of patriarchy – together with an examination of selected concepts, i.e., public and hidden transcripts, practice theory, and hegemony, used

to analyse the field data. Chapter 4 presents an ethnographic overview of the study village – location, social organization, population and economy. In Chapter 5, the public and hidden transcripts of recruitment of women borrowers, the creation of “social collateral” for lending, and the formal and informal networks of the borrowers and bank workers are discussed. The implications of social collateral and power hierarchies are also discussed in this chapter with examples and case studies. Chapter 6 deals with the lending and recovery process of the Bank. I discuss the use of loans in borrower households, loan supervision by bank workers, and increased violence and aggression toward women borrowers. Chapter 7 focuses on the concern of institutional financial sustainability. I discuss sustainability and capitalist finance to address the implications of institutional sustainability for borrowers, bank workers and social members. The conclusion – Chapter 8 – contains a summary of the findings and an assessment of the theoretical constructs used. Policy suggestions for better planning and implementation of micro-credit programs are offered.

## **CHAPTER TWO**

### **FIELD RESEARCH METHODOLOGY**

The material of this dissertation was collected through anthropological field research conducted from November 1994 to September 1995 in a rural community in the district of Tangail in Bangladesh (see Figure 1.1, Map of Grameen Districts). In the Summer 1997, I returned to my site for six weeks and conducted a follow-up on my research findings. In this chapter I introduce the pre-fieldwork research plan, the field realities and the resulting shifts in research objectives. The discussion also covers the methods and procedures of data collection, advantages and disadvantages of being “native” in the field, types of data, analysis of field data, research ethics and a discussion of the reliability of research findings.

#### **2.1. Pre-Fieldwork Research Plan**

During the 1980s and 1990s several studies in rural Bangladesh documented that persistent poverty in rural Bangladesh caused a breakdown in social norms and entitlement (Sen 1981), compelling many poor women to accept work outside the household for their survival (Kabeer 1991a; White 1992; Zaman 1996). These findings indicate that poor women’s acceptance of work in the “public domain” appeared to be a challenge to the hegemonic ideology and male power structure of the Bangladesh patriarchal society. In Bangladesh, grassroots organizations such as the Grameen Bank organize and incorporate poor women into their credit programs with an objective to enhance their earning capabilities in order to enable them to develop a counter-hegemony and eventually their empowerment

(Atiur Rahman 1986a and 1986b; Abecassis 1989; Agarwal 1990; Fuglesang and Chandler 1993).

Since 1976, the Grameen Bank has pioneered a credit delivery system to bring access to credit to rural poor people, particularly women. During the 1980s and 1990s several studies on the Grameen Bank's micro-credit program suggested that women's access to credit encouraged their rise as independent producers and providers of valuable cash resources to their household economies. This access to credit also enhanced the self-confidence of women, increased their status within the family, and was said to have led to their socio-economic empowerment and a challenge to the generalized domination and violence over women in society (R. I. Rahman 1986; Atiur Rahman 1986b; Shehabuddin 1992; Mizan 1994; Schuler and Hashemi 1995; Hashemi, Schuler and Riley 1996; Schuler, Hashemi and Riley 1997).

I drew upon such studies for my dissertation research proposal. The central topic of the research was set to examine the changes in gender roles and relations in rural Bangladesh within the context of the Grameen Bank work with poor women. The research plan was primarily based on the results of previous studies of the achievement of empowerment for women in rural society through incorporation of women into the credit program of the Grameen Bank. The main objective of my research was to take the issue of empowerment of women a step further by investigating the involvement of women in the micro-credit program and examining the prospects of sustainable empowerment for women in a traditional patriarchal society. The research was intended to investigate the issue of sustainable empowerment primarily with two indicators. The first was to determine whether the new roles gradually emerging for women through their involvement with the micro-credit programs were accepted by men in the society. The second was to investigate whether women themselves were willing and able to transform the advantages of their achieved empowerment to the second generation – intra-generational ideological change (Aminur Rahman 1994).

We researchers often develop our research plans in academic settings far away from the field. In many instances such plans do not fit with the realities of our field situation. Such

was the case of my original research plan, despite widespread “evidence” in support of the plan. At the initial stage of my field research, I travelled to several branches of the Grameen Bank in different areas of Dhaka and Tangail zones to select a suitable research site. During these visits, I noticed that whenever women borrowers came to the Bank Office either to accept their loans or discuss any problems with bank workers, they were often represented in the Bank by men. I observed several cases where women borrowers, after receiving their loans from Bank Managers, handed them over to men. The apparent transfer of loans from women to men sometimes took place inside the Bank Office and in front of bank workers. These initial observations suggested that perhaps many of the women borrowers of the Grameen Bank were not the only ones involved with the lending operation (accepting, investing and repaying loans).

During the duration of my field research, it became clear that most women borrowers are not the direct benefactors of the credit extended to them. Instead, these women appeared to be mediators between their male household members and the Bank. The lending institution invests loans within the village to generate profit, but it uses the prevailing patriarchal norms of the village society, and *positional vulnerability of women*, for timely repayment and distribution of new loans. This unexpected but omnipresent reality of the field situation guided me to shift my research focus and make changes to my research plan. Originally, I planned a study on understanding the dynamics of empowerment of women. But it became necessary to examine women borrowers’ limited involvement within the micro-credit lending operation of the Grameen Bank and its implications for societal members and particularly for women.

## **2.2. Initial Stages of Field Research**

Initiation of anthropological field research involves a lengthy and complicated process. This process in most cases starts with acquiring “formal consent” (permission) from the research community and proceeds with settling in a research site. In the fieldwork, the

researcher also must build contact with informants to collect information while maintaining ethical commitments to one's own informants.

### **2.2.1. Acquiring Formal Consent**

Formal consent from the Grameen Bank is a prerequisite for conducting research of this kind in any of the Bank program areas in Bangladesh. My request for research permission was made to Dr Yunus, the Managing Director, Chief Executive Officer and Founder of the Grameen Bank, six months prior to my departure. I received no response. After my arrival in Bangladesh I contacted the Research and Evaluation Division of the Grameen Bank in Dhaka immediately. The Division is headed by a senior officer – Deputy General Manager – who listened to the purpose of my visit and showed interest in my research on the Grameen Bank but expressed his inability to give me the permission. The research permission would have been obtained from Dr Yunus who was then on sick leave and would not be returning to the office at least for two more weeks.

My encounter with the Research Division of the Grameen Bank was frustrating. The division is run by a Divisional Head with no decision-making power regarding academic research on the Grameen Bank. I submitted a new request and waited for Dr Yunus to return. On the scheduled day of his return I wanted to meet Dr Yunus directly, but I was stopped at the front desk by his Personal Secretary (PS). The secretary sought Dr Yunus's permission for my visit, and returned to inform me of Dr Yunus's consent for my research. The formal letter of his permission was issued by the Head of the Research and Evaluation Division. Although Dr Yunus's prompt decisions regarding my research impressed me, I became concerned about the centralization of decision-making power in Grameen Bank. Over the course of my field work in Bangladesh and my work with the Grameen Bank, I came to realize that it was not only the permission for research on the Grameen Bank, but most decisions were left to the founder of the Bank.



### **2.2.2. Finding the Site**

My success in crossing the boundary of formal bureaucracy and getting consent for the research was a morale boost for me. The Grameen Bank gave me the freedom to choose my research site from any of its program areas in Bangladesh. The letter of consent and the instruction of Dr Yunus to his bank workers in the field to help me find the site and conduct my research initially made me confident about the prospects of my research in Bangladesh.

The Grameen Bank has micro-credit extension programs among women in half of all villages in Bangladesh. Selecting one village as my research site out of more than thirty-seven thousand villages seemed at the time to be the most difficult part of the fieldwork. To select the site I set out specific criteria consistent with the main objectives of the research – changes in gender roles and relations in the context of women’s involvement with the credit program, and inter-generational transmission of gender ideology in society. To document such changes I looked for a research site from a program area where the bank had been working for at least ten years. The duration of the program was important to examine and comprehend the long-term socioeconomic and cultural implications of micro-credit for the members. The next criterion was to find a village with no more than 250-300 households; this was considered manageable in regard to allocated research time and resources.

There were only four out of a total of twelve zones of the Grameen Bank where the Bank had its credit program for more than ten years. Of these four, I decided to select my research site either from the Tangail or Dhaka zones of the Grameen Bank (see Figure 1.1). The other two zones – Chittagong and Rangpur – were excluded because Chittagong is considered one of the most conservative areas in the country (Mizan 1994), and Rangpur had the largest number of defaulting borrowers (a personal interview with Mr Dipal Barua, General Manager, Administration). Neither one of these is typical to understand the general impact of the credit program on women. During the first one and a half months of my fieldwork, I travelled extensively to eight different local branches of the Dhaka and Tangail zones to find and select a specific research site. In that quest I used both formal (institutional)

and informal (friends and relatives) networks. The justification for using these networks is discussed briefly.

**FORMAL NETWORKS.** During the first month of my research I tried to use institutional networks to find the site. I travelled to eight different local branches carrying the consent letter from the Grameen Bank Head Office with an expectation of getting strong cooperation from local bank workers. However, at the local branches the bank workers are overburdened with their job obligations and hardly had any time to extend for the purpose of academic research. At local branches the managers received me cordially but other bank workers often expressed candidly that my stay in the branch would ultimately add an extra load to their already over-loaded regular job responsibilities.

I travelled to different branches at least three or four times a week. During such visits I would usually sit with managers inside the Bank Office for the whole day and observe the daily activities in the Bank. Neither branch managers nor other bank workers showed any interest in supporting my search to find a research site. On some occasions my persistence compelled managers to arrange my field visits with bank workers, although they were uninterested in the arrangements required by the research for my accommodation in the village. Three of eight branch managers I visited had experiences of having researchers (local and foreign) in their branches. These researchers either commuted from Dhaka or stayed in the bank building for one or two weeks. They could not grasp why I, an anthropologist, was looking for accommodation inside a village and wanting to live there for ten months!

After travelling extensively for almost a month in eight branches in different areas of Dhaka and Tangail zones, I realized that my efforts to look for a research site through the institutional network would not be successful. I also realized that although I might find the site through the formal networks, I would not be getting any assistance regarding accommodation in a village or other necessary assistance required for setting my anthropological research. I decided to try informal networks in searching for a suitable research site.

**INFORMAL NETWORKS:** Informal networks in many instances are more effective than formal networks in finding anthropological field research sites and building contacts with a study population (White 1992; Kotalova 1993). As a “native” of the country, I was in an advantageous situation to explore the option of informal networks. The news of my return to Bangladesh with the agenda of doing research on the Grameen Bank was already spread among friends and relatives. I took advantage of using my networks and went to the alumni association of Dhaka University (where I graduated in Sociology) and collected a list of fellow graduates. Out of 250 graduates I discovered three who came from the areas where I had looked for my potential research site. Their cooperation enabled me to visit these areas, but none of the sites fulfilled my criteria for the research site.

Finally, after months of angst, one of my university friends asked me to visit his father-in-law’s village which was in the Tangail zone. My friend knew that the Grameen Bank had been working in that village for the last fifteen years. This friend also assured me an accommodation in his father-in-law’s homestead and cooperation in setting up my research project in the village.

### **2.2.3. Settling in the Field**

A village in the Tangail zone was selected as the site for the fieldwork. It is one of the oldest program areas where Grameen Bank started its credit program in the 1980s. The study population – 295 households, 154 Grameen Bank members (120 women and 34 men) and 12 (nine male, three female) bank workers in the local branch – was considered manageable in terms of time and resources. The next step of the research process was to get settled in the field to conduct the investigation. In order to use the main techniques for my project – participant observation and in-depth unstructured interviews with informants – living among the study population was necessary. Three options were available to me for accommodation.

i) I declined accommodation with my friend’s in-law’s household. The household is economically and socially the richest in the entire village. In village social stratification, the

lineage enjoys the highest strata and members of this lineage usually do not mix with poor people in the village. Since my potential informants in the village were likely to belong to the poorest households, I felt that my stay with the richest household would jeopardize my interaction with my chosen primary informants for the research.

ii) The Grameen Bank has a two-floor building in the study area. The first floor of the building is used for the branch office of the Bank while the second floor has three bedrooms for bank workers and for visitors or outside researchers. I declined accommodation with other bank workers in this building, concerned that my stay with other bank workers would identify me as one of the Grameen workers, and there may be a hesitance among informants to talk with me freely.<sup>10</sup>

iii) I therefore decided to rent a house inside the study village. This option was not readily available and I had to wait for two more weeks to get a house to be vacant for rent. During these two weeks I commuted to the field from Dhaka (sixty kilometres) three days a week. At the end of December 1994, I moved into a rented house, establishing my own independent household in the village with my wife and daughter until the last day of my fieldwork in Bangladesh.

### **2.3. The Native as Researcher, and Rapport Building**

There remains a powerful debate within anthropological discourse on the issue of the “native” as researcher ( e.g., Jones 1970; Hastrup 1990; Palsson 1993; Rappaport 1993). In anthropological fieldwork an “outsider” comes into the community and typically goes through “rites of passage”, eventually becoming somewhat of an “insider”. Anthropological knowledge is concerned with an understanding of other cultures from the native’s point of view (Malinowski 1922), thus anthropologists’ “close association with the “natives”, becomes

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<sup>10</sup> Another dissertation researcher from the Institute of Development Studies (IDS), University of Sussex, England, who was working in an another region, later told me that she encountered the same problems and finally had to move out from the Bank office building and live elsewhere inside the village.

a precondition for acquiring anthropological knowledge. Margaret Mead (1977:6) writes, “as the inclusion of the observer within the observed scene becomes more intense, the observation becomes unique”.

In anthropological fieldwork, “trained natives” with their intimate knowledge of the society, their familiarities with informants’ language, and their better understanding of the cultural codes let them face less difficulty in becoming engaged with the study population. The materials collected by trained native anthropologists may have “immeasurable advantage of trustworthiness, authentically revealing precisely the elusive intimate thoughts and sentiments of the native, who spontaneously reveals himself [herself] in these outpourings”(Lowie 1937:133). In the same spirit, Franz Boas often emphasized the training of native anthropologists on the assumption that in describing the total way of life of a group of people from the point of view of the people themselves, it was the trained native who could best interpret native life from within (Jones 1970).

However, it is important to emphasize that fieldwork in anthropology is not only an act of participation and observation in informants’ lives and in society, just collecting information on their behaviours and actions, as implied by Malinowski and Mead. It is also a confrontation and dialogue between two different actors – informants and anthropologists – who are involved in the joint creation of “otherness and selfness” (Dwyer 1977:119). In any fieldwork situation, what the informants tell anthropologists may not be the “cultural truth” but the circumstantial responses to the anthropologist’s presence and questioning (1986:107). Hastrup (1990:81) argues that “there are implicated truths behind the explicit statements of informants to whom no “native” has immediate access. That is where anthropological training and knowledge of the discipline are important to sensitize researchers to see inside from the perceptions of an outsider (Appadurai 1988; Das 1994).

The local language of the village – *Bangla* (Bengali) – is my mother tongue, and familiarity with the language enabled me “to read meaning into the way a person says something as well as to record what is said” (Jones 1970:254). The familiarity with the

language and the rural culture also enabled me to grasp other modes of communication, such as “kinesics – body language” (Birdwhistell 1960), or “proxemics – geometry of interaction” (Hall 1966). A researcher’s insight into these modes of communication is imperative to uncover implicit meanings of informants’ actions and expressions (Holy and Stuchlik 1983); and it also minimizes the risk of misunderstanding (Palsson 1993). Advantages of being “native” in building rapport with informants are worthy of some discussion and exemplification.

The main issue of this research is to study and document women’s involvement with the micro-credit program of the Grameen Bank to understand the implications for household and societal members. I planned to gather information on women borrowers’ interactions with each other within the loan centre, in their households, and in the community, information on loan use in the households, and information on household economies. The information required for the study was located in the social processes and relations of individuals (Berger and Luckmann 1987); it could be collected only through building rapport and gaining confidence of informants, both borrowers of the program and workers of the Bank.

In general, anthropological literature does not provide any specific guidelines or strategies to be followed in the field to build one’s rapport with her/his informants. The strategies for developing contact with informants are different according to the issues of the research and the field situation. For my field research the following three strategies were important:

- i. Observing informants’ interaction with each other, understanding the logic behind these interactions, and acting accordingly was a helpful strategy in building good rapport with informants.
- ii. Finding common issues to be discussed with informants and placing myself within fictive kin networks – brother, maternal uncle, or nephew – with informants were very useful and effective.
- iii) Putting informants “first” was another strategy employed in the field to build rapport.

In any field research situation the informants are the most resourceful consultants on the research topic, but it is the researcher who appears to be dominant in power relations (Fluehr-Lobban 1994) and who determines the topics to be discussed. I would argue that the researcher's interest in listening and learning from informants can bridge the gap between researchers and informants. To elaborate my argument I present here a few examples from my field experience.

### **2.3.1. Introduction as a New (*natun*) Sir from Canada**

The Grameen Bank practices a rigid structure of hierarchical and authoritative relationships between bank workers and borrowers in its credit program (Auwal 1994; Fuglesang and Chandler 1993). When any borrower of the program encounters a bank worker the borrower must address this person as "sir"<sup>11</sup> and must salute to show her/his respect toward the bank worker. The practice of this address and salutation is strictly practised between borrowers and bank workers in the village among bank workers in the Bank according to rank. During my initial visits to the women loan centres in the village, I was accompanied by bank workers. These bank workers invariably introduced me to the women borrowers in the centre as a "*natun* sir from Canada sent by Dr Yunus to observe Grameen activities in the village". I politely protested such an introduction, but the bank workers felt that my failure to keep a distance from poor borrowers would result in their (borrower) disrespect toward me.

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<sup>11</sup> The word "sir" has a colonial legacy and implies a superior and subordinate relationship between two persons. There are forceful implications in the fact that more than 95% of Grameen Bank borrowers are female and more than 90% of bank workers in the field are male.

### **2.3.2. Becoming a Brother in the Village**

In the early stages of my fieldwork, when I visited informants in their own households, they addressed me as “sir” and saluted spontaneously, consistent with the norms of the Grameen Bank. I disclosed my own identity to informants again and again to make them realize that I was not a Grameen Bank worker. I persuaded them to call me their *bhai* (brother, a fictive kin relation commonly used in Bangladesh rural society) instead of “sir”. My effort to become a brother with informants was one of the strategies employed during the course of my fieldwork to separate myself from bank workers. It took more than a month and persistent persuasion to change my status from “sir” to “brother” among my informants in the village. Later on during the field research the informants often expressed to me that it was very difficult for them to call me “brother” because they were not used to it, and they had no experience of addressing a person like me (a researcher) as their brother. My informants had experience in encountering other male researchers before, but they always called them “sir”.

The Grameen practice strictly prohibits close intimacy between its workers and borrowers; workers are not allowed to accept either food or drink from members of the credit program. Hence, accepting food from the borrowers appeared to be a most effective way to distinguish myself from bank workers and to gain the trust of borrowers. In the early stages of the research many informants tested my identity by offering me food or drink (date-juice or home-made punch). My first experience was to accept a home-made cake from one informant. The very next day the news of my accepting food from the informant had quickly spread throughout the village. The informant with whom I had the cake told others that she was convinced I was not a Grameen worker but a “real brother” because I had food with her. Thereafter, whenever opportunities arose I accepted the offer of food or drink from informants. I also invited my informants to my house on occasion and eventually the exchange of food became a reciprocal practice between my informants and me.

The successful transformation of relationship between the researcher and the informants – from “sir” to brother for the researcher and to *bon* or *chachi* (sister or aunt) for



the informants – made it easier for us to interact with each other comfortably and freely. This transformation of my relationship with women borrowers in household units enabled me to develop “respected” ritual kin terms – brother (*bhai*) or nephew/niece (*beta*) – with men of their household. As the fieldwork progressed the relationships between my informants and myself became stronger. Later on, if any of my informants addressed me as “sir” others would correct them instantly by saying that “he is a brother, not a “sir”. Because of this relationship my informants not only shared many of their personal experiences with me as “sisters” but also rationalized to others – household members or villagers – the sharing of such information with me by telling them that they shared such information with a brother and not with a stranger.

#### **2.4. Data Collection**

In this section I describe my research strategies, sources and types of data available for the analysis of the dissertation. The central strategy of information generation in research was participant observation and unstructured interviews. In addition, data were also generated from a household survey of the study village and through archival research in Bangladesh and the UK.

**PARTICIPANT OBSERVATION AND UNSTRUCTURED INTERVIEWS:** Most of the information for this dissertation was generated through participant observation and unstructured interviews. The strategy of participant observation allowed me to observe and document interactions of informants in different local settings (in loan centres, in households, and in the Bank). Data from unstructured interviews were collected by me mainly from “primary informants” – 120 women borrowers in the study village, and twelve bank workers in the local bank branch. I conducted unstructured interviews with “secondary informants” – male borrowers, male relatives to female borrowers, and social members – if they were related to case studies of primary informants.

A significant portion of information was collected by me from weekly loan centre meetings and from the meetings at the local branch. My attendance in these meetings provided me with the opportunity to observe and document interaction between peer group members and between borrowers and bank workers. The arena of these meetings was also an appropriate space for conducting unstructured interviews with “primary informants”. The direct participation in these meetings also gave me an opportunity to construct appropriate questions for generating information needed for the dissertation. In this situation I was also able to ask direct questions about specific contexts and issues raised in these meetings.

Data on household economy, loan utilization, loan repayment strategies of the household, and interaction among household members were mainly collected through unstructured interviews with both the primary and secondary informants in their own households. I was able to visit borrower households in the village either during the daytime or at night, depending on the convenience for informants. The visits to households and the interviews conducted there provided opportunity to observe and document both verbal representation of the informants and actual happenings (Holy and Stuchlik 1983) in the household domain. Most “case studies” used in the analysis were based upon these interviews.

The unstructured interviews with informants in most instances did not have any specific and targeted question. These interviews often started with “open-ended” questions (Nelson 1989; Patton 1990; van Mannen 1988) on the research topic. This approach was strategic for the researcher to remain focussed on the topic of inquiry but provided flexibility to the response of the informants involved in the study. An outline of topics for generating information from the fieldwork was developed and used in the unstructured interviews. Topics covered in the informal and unstructured interviews with the informants were:

- a) borrower experiences with Grameen Bank;
- b) borrower interaction with bank workers (in centres and in the Bank);
- c) bank workers’ experience with the Bank and with borrowers in the field;
- d) interaction between peers in the loan centre;
- e) inter-household gender relations;
- f) borrower interaction with household and community members;
- g) household economies – income, expenditure, assets and liabilities;

- h) loan utilization histories, loan supervision and repayment strategies;
- i) activities of other non-governmental organizations in the village;
- j) social development programs of the Grameen Bank.

**HOUSEHOLD SURVEY DATA:** A survey questionnaire was used to elicit information on village demography, land holding patterns, occupational and educational structures, and on involvement of community members with various development organizations in the village. The household survey was conducted during the last one and a half months of the field research after gaining the confidence of the informants. I developed and pre-tested the survey questionnaire under the supervision of a local supervisor, a professor of Anthropology. My four research assistants and I conducted the household survey of the village.

**DOCUMENTS:** Archival documents from Grameen Bank and from other local research institutes were gathered. In the Summer 1997, I spent one month at the Institute of Development Studies (IDS) in Sussex University as a Visiting Research Scholar. While there, I collected a broad range of research information on micro-finance from various parts of the world. I use archival documents selectively in my dissertation – either to compare my findings or to make cross references.

#### **2.4.1. Research Assistants**

Two research assistants – one female and one male – were hired locally at the beginning of my field research to assist me in the fieldwork. Both of them had Bachelor of Arts degrees and work experience with local NGOs. They were given practical training by me in the field for two weeks. This training covered the discussion of the objectives and the issues of the research, the outline of topics to be explored in the field, and strategies of taking field notes.

After four months of fieldwork the male research assistant resigned from his position for a higher paying job in Dhaka. I did not replace this assistant because at that stage my rapport with the villagers was strong, and I was satisfied with the progress of my data collection and confident of completing the research without the male research assistant.

However, prior to the completion of the field research (two months before leaving the village) I hired four local workers (males; no qualified females were available at that time), trained them, and sent them to the village to help me complete the household survey. The female research assistant assisted me for the whole period of my field research.

#### **2.4.2. Reliability of the Research**

The information from the field research was cross-checked on a regular basis in order to improve the reliability of the research findings. Information collected by the principal researcher was frequently cross-checked with key informants and other informants in the village before it was recorded in the journal. The research assistants met me twice a day – before and after their day’s fieldwork – and submitted their field notes once a week. I read their field notes and commented on issues to recheck with informants. In many instances I personally went back to informants to cross-check this information.

Because of my rapport with informants, I was able to gain substantial knowledge about the informant’s livelihoods. It was difficult for my informants to report “untrue” information, and for it to go unchallenged by my scrutiny. I conducted the household survey of the village during the last stage of my fieldwork. My assistants who helped me conduct the survey filled out 10-15 questionnaires every day and handed them to me in the evening. As I went through the completed questionnaires, I often found that some of the information was inconsistent with things already reported to me by the informants. Because such information did not match data collected from the unstructured interviews, I usually returned to these informants in their convenient time and asked them to explain the discrepancy. The common response would be that I was their brother and they could not lie to me. But my field workers (who were from the same village) came with pen and paper, writing about the Grameen Bank loans and the families. Telling them the truth about Bank loans may jeopardize their future loans. Telling about inter-household gender relations and household matters would be an embarrassment to the household, lineage, and homestead. This cross-checking of the

information not only gave me the opportunity to make the data more reliable but also reflected the difficulty and serious limitation of relying on survey research in a rural community.

## **2.5. Research Ethics**

In this section I describe how research ethics were addressed in the field and I discuss the problems of using an “informed consent” form in the rural Bangladesh culture. Following the guidelines for the ethics review of research submitted to the Department of Anthropology, University of Manitoba, I disclosed the purpose of the research to informants. I informed them that I wanted to study Grameen Bank activities in the village and the impact on borrowers and their households. I also made it clear to my informants that I had no authority to approve loans or no influence in the operating structure of Grameen Bank. At the first meeting with each informant my assistants and I always sought the informant’s consent to this research by stating clearly that participation in the research was voluntary. All but one borrower in the village consented to participate spontaneously. This one borrower talked with us at the loan centre but was unwilling to talk either with me or my research assistants within her own homestead.<sup>12</sup>

It was virtually impossible to maintain complete privacy in the study village during informal and formal interviews with informants. Most often we talked with informants in the presence of some people. In the loan centre it was generally in front of other peers, and in the household it was in front of other household members. In Bangladesh rural culture the concept of “privacy” as it is used in the West is almost unknown (Kotalova 1993); in rural areas and within the organizational culture of the Grameen Bank it is unlikely that any

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<sup>12</sup> At the loan center this particular borrower listened to me and responded to my queries. But when my research assistants and I visited her household she was unwilling to talk. The Manager of the study branch heard about the matter and told me that he would instruct the concerned borrower to cooperate with me. I declined the Manager’s offer on grounds that it would be inappropriate to compel her to talk.

researcher could interview a person individually. The presence of others and their side talk in most cases was advantageous to information gathering. They are useful in reminding the informant about certain significant events or experiences (Auwal 1994).

Use of an informed consent form has become an integral part of social science research dealing with human subjects. The importance of this informed consent form is to get personal and informed permission for doing research among informants, to provide protection to informants through commitment to confidentiality and anonymity, and to assure them of their right to withdraw from participation in the research without negative consequences. Getting such consent through signature or finger prints on a form is a Western concept (Fluehr-Lobban 1994) that is difficult to use meaningfully in many other cultural contexts.

In rural Bangladesh society most people do not know how to read and write. Those who know how to read and write are traditionally the rich and influential in society. Rural illiteracy has been exploited by the rich in Bangladesh for centuries for the purpose of land grabbing. There is ample Bengali literature available in the sub-continent which describes that for centuries the rich in society have deceived the poor by taking their fingerprints and using them in legal battles in the court for appropriation of land. There is a culturally-built fear among people in rural Bangladesh to sign or to put fingerprints on any paper. In the study village, it was inappropriate and in many cases it would have been impossible to ask informants to sign or put fingerprints on the consent form.

The real issue here is “informed consent”, not the consent form itself. Because some informants consider it culturally inappropriate to sign the forms does not mean they withhold their consent to the research. The issue of getting consent and becoming an “insider” has been discussed in some detail in the section on rapport building. Here, I argue that during my ten-month field research I lived in the community, encountered informants face to face, discussed the research on a continuous basis, and got important and scarce information on them; and I have been able to return to the village with good reception. These facts reflect the intent and the spirit of informed consent. I present my argument of the intent and spirit of informed

consent by examples from the field that illustrate the relationship between the researcher and his informants and explain the informants' understanding of consent to this research.

Anthropological fieldwork usually occurs over extended periods of time and in the context of face-to-face relationships with informants. The nature of the research provides the anthropologist with negotiated entry to the community, which lends a dynamic character to informant consent to research. In many instances the reciprocal relations between the researcher and informants crosses the boundary of information-taker and information-giver and produces an emotional involvement – an empathy and commitment to one another. They may become concerned about each other's welfare and may start to share each other's happiness and sorrow. I make my points with two examples from my field research.

During the course of my fieldwork my wife and my daughter were away from the village on occasion to visit our families in Khulna, a district town located about 600 kilometres away from the study village. During these periods I generally did not cook for myself but had my meals in another household in the neighbouring village. On such occasions many of my informants became concerned about my health and expressed it openly as *bhai moga hoye geche*, literally meaning “brother has become skinny”. At this stage my informants were not only concerned about giving information to me but also with my health and my well-being. The women were my primary informants and I became a *mama* (maternal uncle) to children in a “patriarchal” village instead of *chacha* (paternal uncle). In rural society of Bangladesh children typically relate a non-kin male outsider with their elder male-kinsmen and address the outsider male as *chacha*.

Once I was returning to my study village from a trip to Dhaka; I reached Tangail – the district town – at sundown. I was waiting for the next *tempo* – a three-wheeled motorized car which takes eleven passengers who share the fare – to return to my study village. I was walking unmindfully at the taxi-stop and heard a little girl shouting to her mother and referring to me as her *mama*. The little girl came to me to take me to her mother. She was the daughter of Achia (17), one of my primary informants in the village. The girl was only five

years old but certain about my relation to her mother – “a brother” – and her own relation to me – “a maternal uncle”.<sup>13</sup> In the process of my anthropological fieldwork my informants and I developed trust and affection for each other. This “mutual trust and, sometimes, affection” enabled me to conduct the “finest fieldwork” in the village (Wax 1971:373).

The protection of informants from any potential harm emanating from this research is given high priority in my research. Anonymity of informants and the community is strictly maintained in the analysis of research findings. The identity of informants is codified numerically and these codes, along with informants’ fictitious names (pseudonyms), are used in place of their real names. Only the principal researcher knows the specific identity of the informants, although within the village itself there was considerable sharing of information.

## **2.6. Limitations of the Research**

The gender of the researcher plays a significant role in the collection of information. A substantial number of studies suggest that male researchers face limitations in collecting information in patriarchal and sex-segregated societies. The common belief is that where women are segregated and secluded, only female researchers can hope to be able to get the “true” perspective of women (Papanek 1964:161-162). However, James Gregory (1984:316) argues that the traditionally accepted view concerning the inaccessibility of women’s world to male researchers “is largely a myth”. He divides the informants’ world into three scales of accessibility – the upper, middle and lower. Information from the upper end of the scale can be collected either from female or from male informants and gender of the researcher plays an insignificant role in information collection at that level. In my research, information about loans to women, or use of loans in household economies would be at this level. The lower end

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<sup>13</sup> One finance professor from Dhaka University who has conducted research on the Grameen Bank, once came to visit my study area. I shared my research findings with him and he was surprised to see the depth of the anthropological study. The professor wondered how anthropologists are able to gather information in such detail. My response to him was that in the field we do our research as a “maternal uncle”, i.e., through building a rapport with informants.



of the scale is exclusively located only with either female or male, and the gender of the researcher plays a significant role in collecting information at that level. Information about women's sexuality is a good example in which only female researchers may have access. Other kinds of information are scattered between the two ends of this range. These kinds of information can be obtained from both women and men. However, both men and women may have different interpretations about the information in the middle of the scale – gender relations within the household or interactions of household members in my research. Information from the “middle of the scale” requires special solicitation and verification for its reliability because of varying interpretation.

The data collected for my dissertation (see Section 2.4.) were available primarily at the upper level of the scale. In addition, the primary informants – women borrowers of the Grameen Bank – are involved with the program for several years; they interact every week not only with peers but also with male bank workers. These interactions made them more vocal and less hesitant to talk with me in comparison to other women in the village (also see Schuler, Hashemi and Riley 1997). However, working as a male researcher on women's involvement with the Bank in a patriarchal rural community – specifically data collection from the middle of the scale – was unquestionably a problematic issue. I was able to compensate for the limitations of my gender on information-gathering to some extent for the following reasons: i) topics such as women's sexuality, fertility or family planning practices were not the primary issues of the research; ii) I had a full-time local female research assistant during the whole period of my field work who collected necessary information on topics at the “lower end of the scale” from women in the village; iii) as a Bangladesh national I was able to use the native language and my own cultural knowledge to build a strong rapport with my informants; and iv) my previous research experiences of working with rural women in Bangladesh on contraception and indigenous meaning of children (Aminur Rahman 1992) were helpful for this study.

## **CHAPTER THREE**

### **THEORETICAL FRAMEWORK**

The theoretical framework of the study is presented in this chapter, together with an examination of selected concepts used to analyse the field data. In theoretical terms the patriarchal ideology, resource control in rural households and male dominance in society are significant for an understanding of the Grameen Bank micro-lending scheme for women in Bangladesh. The patriarchal ideology of the society and its socio-cultural institutions give entitlement primarily to men and deny women control of economic resources in the household. The authority of men in the rural household has a material base; men are expected to provide normative – family and conjugal based – entitlements for the survival of “dependent” household members (women and children). The normative entitlements to women in patriarchal societies in general are the primary source for women’s social survival and economic security in the household and the community (Cain et al. 1979; Agarwal 1990; Kabeer 1991a and 1997).

#### **3.1. Entitlement, Enfranchisement and Empowerment**

In the context of South Asia, studies of gender relations, economic resource control in rural households, and persistent male dominance invoke several concepts: entitlement (Sen 1981), sociocultural-based entitlement (Kabeer 1991a), enfranchisement (Appadurai 1984), and empowerment (Agarwal 1990). Sen (1981), in his study of the Bengal famine, first used the concept of entitlement to explain individual members’ legal and legitimate (entitled) rights in society. Kabeer (1991a:245) underscores the sociocultural and normative aspects of the

entitlement and extends the concept beyond Sen's original emphasis on legal domains. "One of the significant features of gender relations in rural Bangladesh is the highly differentiated and asymmetrical basis of resource entitlements ... There is therefore a fundamental asymmetry in the *distribution* of material and normative entitlements within the household..." (Kabeer 1991a:255-6; italics added).

Appadurai (1984) introduces the concept of enfranchisement for the enforcement of entitlements in a given society. Enfranchisement is "the degree to which an individual or group can legitimately participate in decisions of a given society about entitlement" (cited in Agarwal 1990:395). Agarwal (1990:394) argued that the approach of entitlement does not guarantee its enforcement in society but entitlements are usually mediated through socioeconomic and political customs of the society. In patriarchal societies, customary practices such as marriage, female seclusion, intimidation and violence obstruct women's enfranchisement and their claim to legal shares in decision making about entitlement (Agarwal 1990:393 and 1994).

Sen originally conceived entitlements as "... the legal means available in a society, including the use of productive possibilities, trade opportunities, entitlements *vis-a-vis* the state, and other means of acquiring food" (1981:53). Since the formulation of the entitlement concept Sen has widely adopted this concept in his studies (Sen 1977; 1981; and 1983). Sen's entitlement concept, however, received criticism for its "legalistic view of social relations" and for ignoring the societal bindings and culturally based moral entitlement claims of individuals in society (Appadurai 1984:403; also Beck 1991; Kabeer 1991a; Agarwal 1994).

Sen in part responds to his critics by adding an additional category of "extended entitlement" (Indra and Buchignani 1997:29). The extended entitlements recognize socially sanctioned rights of individuals and their accepted *legitimacy* of these rights in society rather than legal rights enforceable in a court (Dréze and Sen 1989:10). In the development of the "cooperative conflict model" Sen (1990:140) modifies his entitlement concept and presents it as "what a society sees different members are entitled to and what is normal for them to

expect". I will argue that the "normal" expectations of individual members in the society may encourage the vulnerable groups, e.g., women, to become "disentitled" from material resources in the household; they often give their consent to men's control of economic resources. For example, women borrowers in the study community "pass on" their loans to men; they become disentitled from resources in the household but expect to get "normative entitlements" from men for their security and survival. The interrelationships of "disentitlement" of individual women and "normative commitments" of men in the household is a self-generating (involving mutual consent) process through which male dominance is reproduced and perpetuated in the household and in the society (Cloud 1994:80)

The modification of Sen's entitlement and different basis of claim on resources – sociocultural and economic – which prevail in the society is useful for expanding the analysis to micro-loans to women. As Kabeer (1997:4) writes:

Entitlements can be seen as generated through the rules, norms, and practices which characterize different institutional arenas – market-based exchange; state provision; and the 'moral economy' of community and kinship – and which determine who gets what and on what terms.

The sociocultural-based entitlement provides a framework to analyse the gender relations beyond the economic focus. The gender relations and activities in rural society are primarily based on socially constructed definitions of who is entitled to what and on what basis.

Formulation of a "disentitlement" concept, and its incorporation within the analysis of "entitlements and normative entitlements", expands the theoretical discourse on micro-lending to women in patriarchal societies such as rural Bangladesh. The Grameen Bank extends its credit to women in order to entitle women to new economic resources. In the household women often "pass on" their loan use to men (disentitlement), or men may take control over loans to women (disenfranchisement), thereby transforming women's entitlement to new economic resources into a disentitlement in the household. Women's disentitlement from their loans within the household unit in turn reinforces their dependency in the form of normative entitlements for their survival that are considered to derive from men. In other words, this

disentitlement is a way of reinforcing the concept of women's rightful place in the patriarchal system. As Kabeer (1991a:245) writes, "[e]ven when women have independent entitlements [credit]... they may prefer to realize them in ways which do not disrupt kin-ascribed [normative] entitlements". This is often so because the gender-specific constraint on loan investment and risks attached to women in taking control over their loans, without any alternatives provided either by the lending institution or by the village social organization, hinders women in any individual or organized efforts to depart from the social norms of gender ideologies in rural Bangladesh.

I analyse my field data on women in the micro-credit program and grassroots micro-lending structure in the village with the conceptual framework of three main theories: i) James Scott's (1990) "public and hidden transcripts"; ii) Bourdieu's (1977) "theory of practice" and iii) Antonio Gramsci's (1971) "the concept of hegemony". The theoretical frameworks of Scott and Bourdieu are significant in illustrating the disparity between the social, cultural and institutional ideologies and the actual practices of individuals living and working within that particular cultural setting. Gramsci's concept of hegemony provides a framework to analyse the production of cultural ideology and social relations in the society.

### **3.2. Public and Hidden Transcripts**

Scott introduces the concepts of "public and hidden transcripts" in his work *Weapons of the Weak: Everyday Forms of Peasant Resistance* (1985) to illustrate the "passive resistance" of subordinate groups in the society. In his later work, *Domination and the Arts of Resistance: Hidden Transcripts* (1990), Scott elaborates "public and hidden transcripts" by using examples from around the world and over the past millennium.

The concepts of public and hidden transcripts present two faces of culture: i) the official views – societal or institutional representation; and ii) individuals views – constructed

in the socio-cultural and economic relations with “other” – dominators vs dominated<sup>14</sup> – and through their interaction with the other and the institutions. More specifically, the public transcript conveys the notions of expected roles of institutions, and roles, behaviours, and practices of individuals of a particular socio-cultural and economic setting. In examining the roles of institutions and relationships between its members one often finds that the members “as a whole” consent to the public transcript. This consent is not only expected by the society or the institution but may also be strategic for individuals themselves, thus making the public transcript as if it is acknowledged and accepted by both the power holders and the weak.

The public transcript is not the “real story”, for offstage in their own “social sites” individuals – specifically those who are considered weak – construct their own hidden transcript. The hidden transcript in most cases “represents a critique of power spoken behind the back of the dominant” (Scott 1990:xii); it contains powerful insights and directions for understanding the interaction between different groups of societal members and their power relations in the society.

The central argument of Scott’s thesis is that people who are weak and deprived in society find ways to resist the oppression or exploitation through constructing and expressing their own hidden transcript. The formation of the hidden transcript occurs in a wide range of autonomous social sites situated outside the surveillance and interference of the power holders. The hidden transcript is often expressed and discussed in safe contexts such as within the group or in the context of friendship “beyond the direct observation of the power holder” (Scott 1990:4). The social site of forming and expressing a hidden transcript is illustrated and exemplified by Scott with one of his examples – Aggy, a black slave – which I have paraphrased here.

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<sup>14</sup> James Scott (1990 and 1985) has used “dominated”, “weak”, and “powerless” synonymously throughout his works. However, my use of these terms implies that weak and dominated groups also hold power (perhaps less in comparison with the dominator), but they are not powerless.

Aggy's daughter was unjustly accused for minor theft and beaten by her white master "...while Aggy looked on, *powerless* to intervene" (Scott 1990:5; italics added). Soon after the master left the "space" (kitchen) the enraged Aggy turned to her friend, Mary, and delivered a scorching condemnation of Whites. Aggy's vision constituted, in Scott's terminology, a hidden transcript, cultivated in the "offstage culture of the slave quarters; ... revealed in the comparative safety of friendship [it] is occasionally openly declared in the face of power" (Scott 1990:6). The expression of Aggy contradicts the public transcript of obedience that slaves generally maintained in front of their masters.

Scott develops his theoretical concepts as a critique of Gramsci's hegemony and argues that the ideology, values, norms and practices of the individual members are neither fully internalized nor reproduced through hegemonic relations, as Gramsci (1971) suggests. By using examples of dominated groups from around the world, Scott argues that there are conscious and purposeful agencies among them, so in considering the dominated as "powerless", he is contradicting his own postulation. Through the presentation of my own field data I argue that Scott's portrayal of the weak and dominated as "powerless" bypasses the dimensions of "micro-powers" (Foucault 1980:119) in society. Scott is also criticized for narrowing the definition of Gramsci's hegemony concept to fit into his own theoretical project (Mitchell 1990), and for casting his analysis in terms of class while disregarding gender (Agarwal 1990; 1994).

In the analysis of my dissertation, I expand the definition of public transcript to include the official view of the micro-credit program of the Grameen Bank and the expected roles of borrowers in the program and workers of the Bank. The hidden transcript is the covert discourse of the borrowers and the bank workers developed offstage in the course of the credit operation and discussed within their own group circles. I also use the hidden transcript to demonstrate the micro-powers of the weak and dominated – bank workers and women borrowers in the study village.

The borrowers of the Grameen Bank consent to the public transcript of the Bank by obeying the rules of timely instalment payments. However, the pressure (social and institutional) for timely repayment of loans and the payment of higher interest rates force borrowers to accept bigger loans to pay off their previous loans with new ones. This lending practice considerably increases borrower debt liability and creates the context for hidden transcripts of borrowers and their household members. The pressures on bank workers for instalment collection at loan centres and the long working hours in the study branch also stimulate them to create their own hidden transcript.

Discovery and exposure of the public and the hidden transcripts in the study of Grameen Bank lending, informants' involvement and their interactions present the power dynamics of dominators and dominated and the dynamics of dominance and resistance in the system. However, in any system the weak are often obliged to adopt "a strategic pose" in the presence of powerful people in their own interest (Scott 1990:xii). For example, upon visits by higher officers of the Grameen Bank, or outsiders to loan centres, the public transcript of the Bank is maintained by both workers and borrowers. The bank workers follow the rules of the Bank in conducting centre meetings. The women borrowers invariably act and speak according to the instruction of bank workers – the public transcript – instead of complaining about the loan operation – a hidden transcript – which the borrowers normally do in their loan centre meetings. Bank workers calculate their job prospects and borrowers calculate the prospects for future loans. Here, following the public transcript is strategic for both the borrowers and the bank workers, but it is not an adequate portrayal of their real actions.

In the same way, the power holders (bank officers/workers) may have interests in overdramatizing the reputation of the institution not only to influence borrowers but also to impress outside observers. In the village I studied, I often heard stories from some of the bank workers in the study branch about economic success of borrowers through Grameen loans and about their solidarity, but I found little evidence to support such stories in the village.



Todd (1997:162) describes one such “charming tale” of a bank worker regarding mutual support in the 1988 disastrous flood. The bank worker gave this account to her.

In one of my villages many houses were washed away and children were drowned. One GB member was very worried about another member of her group. So she made a raft of banana stems lashed together and paddled to her group member's house to see if she was O.K. There was no one there. Even more worried, she paddled back to her own *bari*. There, to her relief, she found her friend, also on a banana raft. ‘I wasn't at home, because I had to come and see if *you* were all right,’ her group member said.

Stories like this illustrate and reinforce the public transcript regarding the social development policy of the Bank and solidarity of members; for example, “we shall not inflict injustice on anyone, neither shall we allow anyone to do so”, and “we shall always be ready to help each other. If anyone is in difficulty, we shall all help her” (Sixteen Decisions, see Appendix B). During her research in two loan centres Todd found that most of these stories narrated to her were untrue and she “grew increasingly sceptical of how much they represented reality”(Todd 1997:162).

The “public transcript” of the Grameen Bank is often used by academics and researchers to represent the operation 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 it obscures part of the reality.

The incorporation of the “public and hidden transcripts” to address the lending structure of the Grameen Bank enables me to present a more complete picture of the loan operation processes and the implications for borrowers and bank workers in the study community. At the theoretical level, the contradiction between the hidden transcript of the weak and the public transcript of the lending institution and wider society also exposes the dynamics of resistance and domination. The discursive practice – a hidden transcript – of the borrowers and the bank workers represents a form of protest against the system. It is a demonstration of power relations and power use by the weak (whatever little power they have and can exercise). The discursive practice of the “weak” on occasion constitutes formal

protest against power holders or the system, as demonstrated in my dissertation (see Section 7.5).

### 3.3. Practice Theory

In *Outline of a Theory of Practice* (1977), Bourdieu presents his theory of the production of practice and its dependence on social structures. Bourdieu analyses social action that is structured by human agents, and offers a theoretical perspective on how the structure of social phenomena is determined and perpetuated by action. The “theory of practice” is grounded in the “dialectics of objective and subjective structure”(Mahar 1992:297). Bourdieu (1996:148) contrasts “...the opposition, still salient in all the social sciences today between objectivism, represented in exemplary fashion by Levi-Strauss, and subjectivism, taken to its outer limits by Sartre”.

Subjectivist viewpoints have as their center of gravity the beliefs, desires, and judgements of agents and consider these agents endowed and empowered to make the world and act according to their own lights. By contrast, objectivist views explain social thought and action about material and economic conditions, social structures, or cultural logics. These are seen as superordinate to, and more powerful than, agents’ symbolic constructions, experiences, and action. (Postone, LiPuma, and Calhoun 1993:3).

Both subjectivist and objectivist approaches ignore individuals’ everyday experiences and actions, and neither approach can grasp adequately the realities of social life. According to practice theory, the understanding of the realities of social life needs an understanding of material, social and cultural structures which constitute practices and experiences of individuals and groups living within these structures (Bourdieu 1990).

The “theory of practice” with its three-tiered hierarchical notion of social structure – habitus,<sup>15</sup> field and capital – presents a resolution to the subjectivist and objectivist problem (Bourdieu 1996:148). The theory of practice addresses the realities of social interactions and

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<sup>15</sup> Scheper-Hughes (1992:184-85) mentioned that Bourdieu has appropriated the term “habitus” from Marcel Mauss’s (1950:7-119) term “habituated”.

the implicit potentialities as these are unfolded in time and in response to the particular of the situation (Schatzki 1987). The human experience is an avenue through which aspects of the social world are internalized by individuals, what Bourdieu calls “habitus”. Habitus is an imbued disposition of “social agents” – in this research, the borrowers, bank workers and community members<sup>16</sup> – embodied in shared existence and social processes of actors, and it influences individual actors’ actions and behaviours.

The notion of *Habitus* is central to Bourdieu’s theory of practice, which seeks to transcend the opposition between theories that grasp practice solely as constituting, as expressed in methodological and ontological individualism (phenomenology), and those that view practice solely as constituted, as exemplified by Levi-Strauss’s structuralism and the structural functionalism of the descendants of Durkheim. To this end, Bourdieu treats social life as mutually constituting interaction of structures, disposition, and actions whereby social structures and embodied (therefore situated) knowledge of those structures produce enduring orientations to action which, in turn, are constitutive of social structure. Hence, these orientations are at once “structuring structures” and “structured structure”; they shape and are shaped by social practice (Postone, LiPuma, and Calhoun 1993:4; original italics).

The individual actions are neither predictable in advance as the product of conscious intent, nor are they simply a “realization” of structure which already exists in the unconscious. The actions are the product of interaction between “habitus” and the “objective structure” which is played out by actors themselves with their practical engagement in the local cultural “fields” (Kleinman 1996:203). Habitus invariably produces actions in response to the particular features of the current settings, and in the face of changing circumstances the habitus also allows for continuous improvisation. Bourdieu explains (1977:95): “Through the habitus, the structure which has produced it [habitus] governs practice, not by the processes of mechanical determinism, but through the mediation of the orientations and limits it assigns to the habitus’s operations of inventions”.

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<sup>16</sup> The borrowers, bank workers and community members have their own “social world” in which they interact and share their common existence, and thus develop their habitus.

The structuring principles of the society – explicit statements and instructions about what to do and how to act – are produced by the society or the institution. These structuring principles are made available to social actors who internalize them to construct their habitus. The individuals, however, act within various forms of bounded rationality; they can hardly be perfect as rational actors according to the principles of the society or the institutions. Therefore, understanding social practice requires consideration of the socially-produced means of generating strategies and the organization of the fields in which social actors behave and act (Calhoun 1993:81). The Grameen Bank workers become conversant about the “objectives and principles” of the Bank through their extensive training with the Bank (at least six months). Nonetheless, in their grassroots micro-lending they hardly rely on their theoretically informed habitus; instead, they often use their practical knowledge and experience for lending and recovery of loans and for conducting a “successful operation”.

In the case of Grameen Bank workers, the habitus is an inter-subjective concept, the site of the constitution of the person-in-action. It is a dynamic intersection of structure and action within socially defined space, which, in this research context, is analysed as taking place between bank workers and borrowers. The actions of informants in this study are objectively coordinated without being solely the product of structured principles, on the one hand, or conscious rationality, on the other.

The “field” – the other fundamental concept of the theory of practice – has its own history. “The purpose of Bourdieu’s concept of *field* is to provide the frame for a ‘relational analysis’, by which he means an account of the multidimensional space of positions and the position taking of agents” (Postone, LiPuma, and Calhoun 1993:4; original italics). The actions of a particular social actor are an outcome of interplay between that person’s habitus and her/his position in the field (Brow 1990). The field is semi-autonomous, characterized by its own determinate agents – borrowers, household members and bank workers – who have their own logic of action. The social fields are located within a “field of power” defined with

respect to the internal dynamics of a class, based on differential access to power – social cultural and economic.

...[T]he classes are located within the general field of class relations. Analysis of any specific field must, in Bourdieu's view, take account of its social and structural hierarchy. This view of social structure tries to link class and status, relate both to action and practice through the habitus, and provide an account of the reproduction of hierarchy (LiPuma 1993:16).

The other key notion of practice theory is that of "capital", which is neither a Marxian nor formal economic capital (immediately convertible into money), but "cultural and social capital". Cultural capital is the "credential of individuals" – good bank workers or good borrowers, good wives or husbands – and social capital is social connection of the social actors. The cultural and social capital entail the capacity of individuals to exercise control over their own future, and theoretically it serves to mediate between the individuals and the society. At the societal level, it is structured by the differential distribution of capital – males/females and bank workers/borrowers. However, the actors at the individual level are capable of increasing their capital within the field of social actions.

Three elements (situations) in practice guide individuals for their moment-to-moment actions. They are: i) "forthcoming reality", that is, what is actually occurring in the actors' own setting; ii) "objective potentialities", which are things to do or not to do; and iii) ongoing action of the habitus itself. The individual action is the product of habitus in response "to objective potentialities immediately inscribed in the present" and the "forthcoming reality characterizing the current setting" (Bourdieu 1977:76). In the Grameen Bank program both borrowers and bank workers internalize the "objective potentialities", i.e., the ideology of the program, and they are aware of program ideology. Nonetheless, the actors in the program act differently to meet the reality of situations and their anticipated consequences. For bank workers, the forthcoming reality of leaving their defaulting instalments in the loan centres and returning to the bank office is to encounter the angry manager at the branch, to be prepared to provide the manager an explanation of their actions in the loan centres, and face the possible consequences in relation to job promotion. The Bank's rules do not allow the bank

workers to create pressure on borrowers or coerce them to pay instalments but only to motivate them for regular payments. However, the bank workers in loan centres do not practice these strategies for instalment collections, and they rationalize their actions on the grounds of the forthcoming reality of the situation.

The practice theory of Bourdieu is based on the model of “practical intelligibility” of individuals developed in the context of their specific social, economic and cultural situations. Practical intelligibility “... is what it makes sense to someone to do. It governs actions because people more or less always do what it makes sense to them to do” (Schatzki 1987:120). The women borrowers hand over their loans to men and often use loans for purposes other than originally approved by the Bank, and sometimes for meeting household consumption needs by making use of their practical intelligibility. They rationalize their actions, which differ from the ideologies, on the grounds of such intelligibility.

Furthermore, a number of factors also determine the actions of actors. According to Schatzki (1987:120-1) these factors include:

...the states of existence for the sake of which the actor is willing to act (e.g. goals), his or her ideas and thoughts, the rules, paradigms, customs, and states of affairs with which he or she is familiar, the events, objects, people, and actions that he or she encounters in settings, the tasks and projects he or she is already engaged [in], and most importantly, how things matter to him or her.

The social actors acquire familiarity with practices through encountering entities in settings that present, embody, and represent them, e.g., stories, discussions, and group activities. The logic of practice comes to actors mostly from the worlds through which they live. The bank workers in the village invest their best efforts to collect instalments or approve loans to borrowers, but they commonly avoid the obligatory supervision of loan investment. Such actions of the bank workers are driven by their experience of working with the Bank and by their everyday discourse within the Bank. The bank workers learn from their experience that one’s reputation of being a “good worker” lies in collecting instalments, not in

supervising loans, so putting all one's effort into collecting instalments is a practical decision for the worker.

Practical logic describes the principles of the practical mastery responsible for ongoing action. The habitus plays a dual, sequential role in ongoing action. First, it composes a "definition" of the current situation, and of the function of action within that situation and then "generates an action to fulfil these functions given the means available" (Bourdieu 1977:142). The bank workers never deny their obligations – habitus, nevertheless, they will always put forward and define the "practicability of the situation" to rationalize their actions which go against their "habitus".

In the study village, many practices of both the borrowers in the lending program and workers of the bank are different from the official ideology of the lending institutions. The theory of practice enables me to analyse the gulf between Grameen Bank stated goals (the public transcript) and its practices in the study village. Through practical needs informants often rationalize such practices. The theory of practice not only assists in explaining the distinction between "the ideal and the implementation" (praxis or action) in the lending operation of the micro-credit program, but also provides a framework to analyse the habitus of the informants acting according to their personal trajectories. These trajectories stem from informants' interrelations with other members in different local settings, such as in the household domain, the loan centres and in the Bank, and from the experience of their interaction. The informants learn the way to accumulate "social capital" through their interrelations and interactions with others in the socio-economic and cultural settings of the society and the institution.

### **3.3. The Concept of Hegemony**

Gramsci's concept of "hegemony" is used to explain the dominant ideology – patriarchy – and its use in lending to women borrowers and for loan activities in the study village. The main focus here is to examine how "hegemony" is produced and maintained

through the consent of societal members. The idea of “hegemony” is central in Gramscian thought, but his translated writings contain no precise definition of “cultural hegemony”; it lies “fragmented and dispersed” throughout the voluminous works of Gramsci (Bates 1975:351). For more than thirty years a number of scholars in the West have tried to elaborate Gramsci’s social thought and his political philosophy ( e.g., Salamani 1974; Adamson 1975; Femia 1975; Anderson 1977; Mouffe 1979). None of them, however, has agreed on the meaning or meanings of hegemony. Kiros notes (1985:245), “...the concept of hegemony has prompted a variety of interpretations; each interpretation has served as a convenient tool with which scholars and activists alike have managed to produce their own Gramsci”.

The basic premise (with which very few would disagree) of Gramsci’s concept of “hegemony” that I consider for the analysis of my work is that human beings are not only ruled by material conditions, as the “mainstream Marxist” tradition suggests (Femia 1975:29), but also by ideas. The notion of idea embodied in the concept of hegemony is widely accepted as the basic theoretical point of departure and the central nucleus of the Gramscian conceptual system. The dominant groups in society establish social, moral, and cultural values as conventional norms and practical behaviour of individuals, “hegemony is therefore *the predominance obtained by consent* rather than force of one class or group over other classes” (Femia 1975:31; italics added).

At the theoretical level, the notion of hegemony – the cultural and ideological dimensions of subordination – provides a basis for a critical understanding of subaltern classes. Since the early 1980s the “Subaltern School” (a group of scholars, e.g., Spivak 1985; Chatterjee 1989; Guha 1996) has applied the Gramscian concept of hegemony to study the dialectical nature of elite-subaltern relations in the social and cultural settings of colonial South Asian societies. The insight of Gramsci’s work also has influenced the “post-Marxist approach” in anthropology and contributed to the development of new theoretical perspectives where “the core of the ‘cultural’ lies in publicly developed symbolic productions”



(Keesing 1994:308). The clarification of the functions of these cultural symbols helps to understand how ideas reinforce or undermine existing social structure (Scheper-Hughes 1992), also “who *creates* and who *defines* cultural meanings, and to what ends” (Keesing 1987:161-162; original italics).

Gramsci stresses the importance of “ideas and thoughts” in shaping individuals’ actions in the society. The “social world” of individuals is determined by their relationships with others living in the same social and cultural settings (Counihan 1986:5). Individuals cannot act entirely on their own, a point made by Gramsci (1959:77) in his work:

...it is essential to conceive of man as a series of active relationships (a process) in which individuality, while of the greatest importance, is not the sole element to be considered. The individual does not enter into relations with other men in opposition to them but through an organic unity with them, because he becomes part of social organisms of all kinds from the simplest to the most complex.

Although the dominant in society develop and propagate hegemony, the societal members give consent and also make it their own “culture”. Williams (1977:110) writes:

It [hegemony] is a whole body of practices and expectations, over the whole of our living: our senses and assignments of energy, our shaping perceptions of ourselves and our world. It is a lived system of meanings and values – constitutive and constituting – which as they are experienced as practices appear as reciprocally confirming.

Gramsci relates hegemony in general with force and consent, but “cultural hegemony” is primarily obtained by consent rather than force of one group over another. The cultural hegemony “... is attained [and perpetuated] through the myriad ways in which the institutions of civil society operate to shape, directly and indirectly, the cognitive and affective structures whereby men perceive and evaluate problematic social reality” (Femia 1975:31).

By using the paradigm “consent-consensus-hegemony”, Femia (1981:37-8) argues that by consent Gramsci refers to the “psychological state” of human beings. This psychological state involves an implicit acceptance, hence conformity. The conformity either is a consequence of fear, a consequence of habit, or simply the conscious attachment to or

agreement with certain values of society with which individuals live. The given consent may also be “pragmatic” for individuals to receive benefit from the system. Cultural hegemony is also an “ideological consensus” in which individuals become convinced that their consent to the “hegemony”, and their behaviour and actions in accordance with the hegemony, are also the demands of the society at large (Williams 1977; Godelier 1978).

For example, the bank workers in the study village conform with “patriarchal hegemony” because they want to facilitate their loan transaction and loan recovery from women in a rural socio-cultural setting. Many women borrowers hand over their loans to men because for them “handling money is men’s job”. This notion is a part of rural women’s cultural reality; it illustrates how “hegemony” operates on the ground (Scheper-Hughes 1992:200). Transferring to men by women themselves the loans allocated to women may also be a strategy for women to secure the future prospects of family marriages. The borrowers in the study village also consent to the “hegemony of the Grameen Bank” to insure the future prospects of their loans from the Bank. In the same way, the academics, researchers and bureaucrats in the country also produce and maintain the hegemonic discourse of the Grameen Bank to establish it as a development “icon” and to enhance their own reputations.

The grassroots “local institutions” in rural Bangladesh reproduce and perpetuate the cultural hegemony in rural society; the “public institutions” produce and propagate the hegemonic discourse on micro-credit initiatives.<sup>17</sup> The grassroots social institutions are household, homestead, neighbourhood, village, *shamaj*, and *shalish* in the village (see Chapter 4). The public institutions are governmental and non-governmental agencies, academic institutions, bureaucrats and research scholars in the society. The local institutions are responsible for the formation of “common sense” – general conception of the world – that informs the practical everyday consciousness of ordinary people in a particular society

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<sup>17</sup> Gramsci divides societies into two components – civil and political. These two concepts have been used widely in Western social and political thought in various contexts generating different meanings. Therefore, instead of using the concept of “civil and political” societies, I have used “local and public institutions”.

(Gramsci 1971:323-331). Through these local institutions individuals learn certain ways of viewing the world based on the dominant ideology (Counihan 1986), thus common sense becomes natural, practical, and transparent in the society (Geertz 1983:73)

Through its training and workshops for borrowers, the Grameen Bank – a prominent institution in the country – plays its role as a cultural educator in the village. The Bank develops its hegemonic discourse from the grassroots lending and endeavours to develop a “Grameen culture” through its “Sixteen Decisions” and through disciplining borrowers (see Chapter 5). However, the Grameen culture exists within the larger structure of “patriarchy” that consequently retrenches patriarchal hegemony and reproduces new forms of domination over women in society (Aminur Rahman 1996; see Chapters 5 and 6).

The representatives of “public institutions” – bank workers, policy makers and even some academics – produce and reproduce the hegemonic discourse of micro-credit. They play important roles in sustaining the international prominence of the credit programs for poor women in the country. During the period of my fieldwork in Bangladesh, I interviewed several representatives of the “public institutions”. My analysis reveals that they obscure the realities of the micro-lending situation through presentation of quantitative representation of programs for local and international popularization.

The concept of hegemony is important to analyse and understand the production and reproduction of cultural ideology in society. In the study community, cultural hegemony – the patriarchal ideology – is constructed in socio-cultural processes and maintained through the consent of both male (dominator) and female (dominated) groups. Analysis of this hegemony facilitates an examination of the roles of different members of the society and the roles of civil and political institutions in reaffirming the patriarchal hegemony in society.

The theories of Scott, Bourdieu and Gramsci provide complementary theoretical frameworks for understanding and analysing the ongoing contradictions of “ideology” and “practice” in the society. These theories also offer perspectives for examining the nature and relationship of dominant and dominated. However, the broad premise of these three

theoretical frameworks is social class; none has specifically considered “gender” in the analysis. I will argue that within these theoretical approaches the gender analysis can and must be integrated and addressed.

The “hidden transcript” of women borrowers and its development in the village show that women are not passive recipients but they are fully aware of their self-interest and their own situations (Agarwal 1994); they become active agents in the process. Bourdieu’s “practice theory” demonstrates that the habitus of women acts in the “field” – households, loan centres, and the Bank – according to women’s expected roles or normative relationships with others, and with the objective of gaining “social capital”. The actions of women may conflict with rules and ideology, but women act according to their “practical intelligibility” and become “philosophers” in the Gramscian sense.<sup>18</sup> In his theory Bourdieu also provides a boundary between the “field of opinion” (practice) and the “field of ideology” (doxa) which is crucial for a hegemonic struggle. According to Bourdieu (1977:169), the dominated have an interest in pushing back the limits of doxa and exposing the arbitrariness of the taken-for-granted. In the Gramscian framework, the struggle for hegemony is always a process of contestation and incorporation, and of negotiation and resistance as much as accommodation. None of these processes, however, is either uniform or unassailable. The contradictions and distortions within the hegemonic discourse, as well as the discrepancies between it and the popular understanding of common sense, leave it ever vulnerable to penetration, criticism, and refusal.

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<sup>18</sup> Gramsci (1971:265) maintains that “all men are philosophers,”... “every man, inasmuch as he is active, ...tends to establish ‘norms,’ rules of living and of behaviour.”

## CHAPTER FOUR

### THE STUDY VILLAGE AND SOCIO-ECONOMIC ORGANIZATION

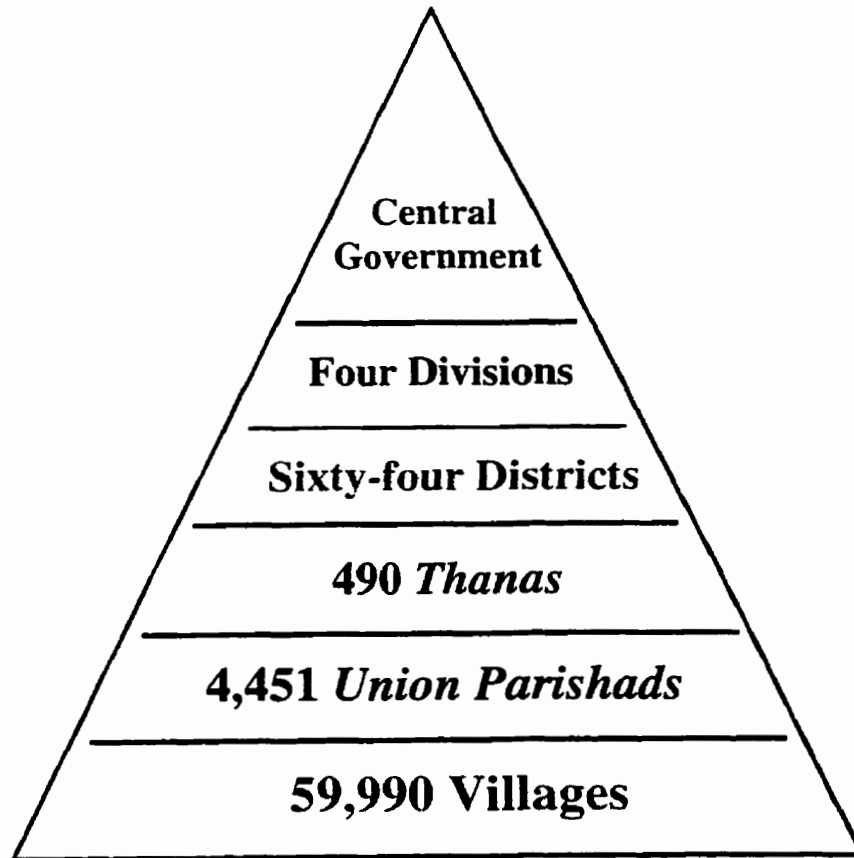
This chapter presents an ethnographic overview of the study village – geographical location, demography, social organization, economic organization, literacy and education level – with special attention to women in the village society and economy. The purpose of this chapter is to provide background against which micro-lending structure and women's involvement in the credit program are viewed.

#### 4.1. The Location

The study village, *Pas Elashin*, is located in the Tangail zone of the Grameen Bank and in the district of Tangail (see Figure 1.1). Bangladesh is known as a land of villages. In Bangladesh “village” is the lowest unit in the national administrative units (Figure 4.1), and it is often defined by its physical boundary. According to the census of 1991, there are 59,990 revenue villages in Bangladesh containing 79.9% percent of the country's total population (SYB 1994). Local variation notwithstanding, the basic pattern of the society is quite similar in all these villages.

The location of the study village is about 106 kilometres northwest of Dhaka, the capital of Bangladesh, and sixteen kilometres from the district town, Tangail. A concrete road (*paka rasta*) has connected Tangail, the main centre of trade and commerce for the region, with the study village. The residents of the study area can reach Tangail in twenty minutes by *tempo* (a three-wheeled motorized car) or by buses which run between the study area and the capital city, Dhaka, twice a day. It takes about two and a half hours by bus to reach Dhaka from the study village.

**Figure 4.1** Administrative Units and Villages in Bangladesh



**Source:** Statistical Yearbook of Bangladesh, 1994

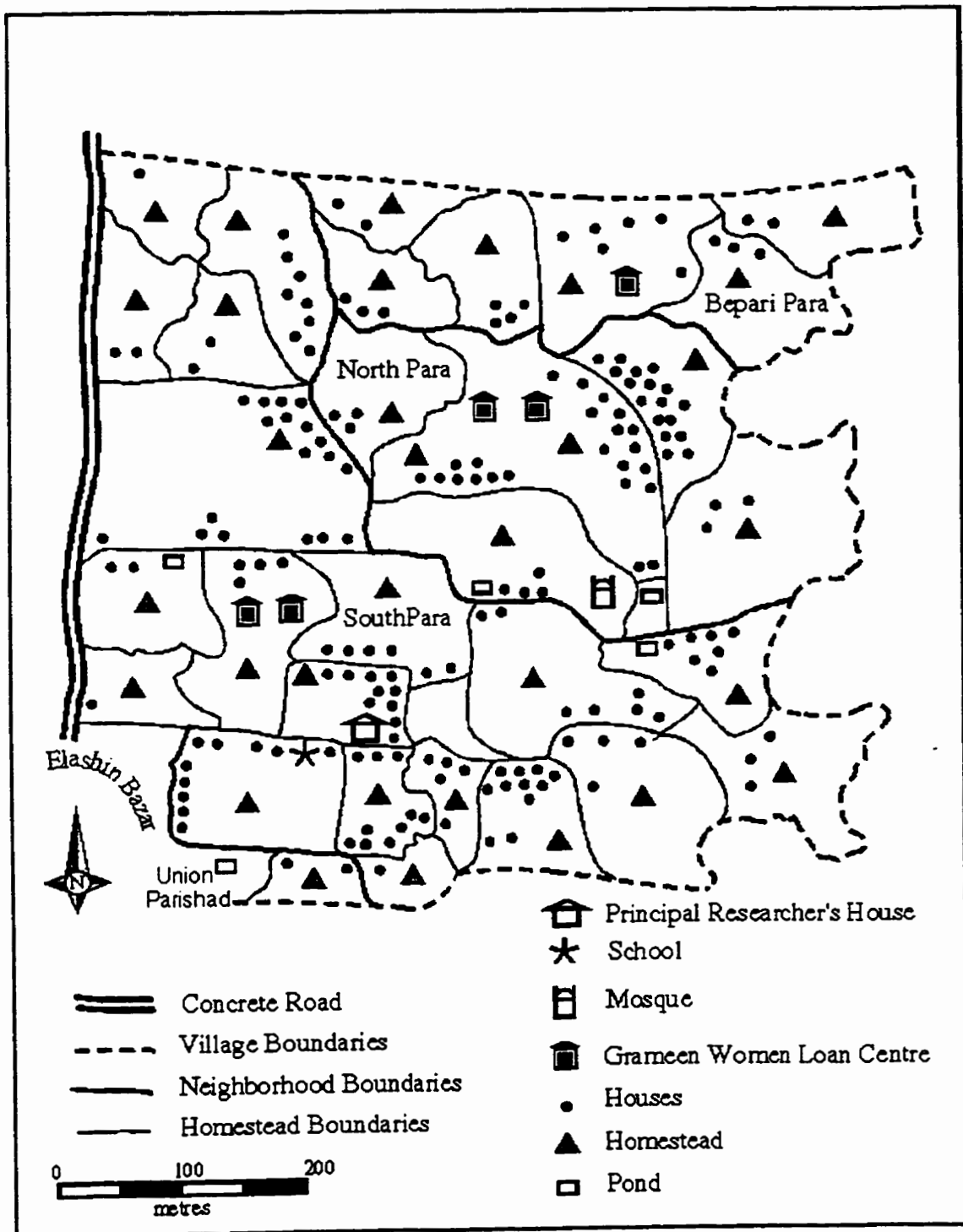
The largest local market (*bazar*) in the area (*Elashin Bazar* – traditionally known as a jute<sup>19</sup> exporting centre) – and *Union Parishad* (the local administrative unit) are located next to the study village (see Figure 4.2, Map of the Study Village). The main social services in the *Elashin Bazar* to which the villagers have access include the Grameen Bank, the Health Post, one Nationalized Commercial Bank, the Post Office, Boys and Girls High Schools and one Cinema Hall (established at the time of my fieldwork). There are more than a hundred small businesses (retail stores, tea shops, clothing stores, pharmacies, tailoring shops, furniture stores and saw mills) in the *bazar*. The daily *bazar* sits from 8:00 a.m. to 12:00 p.m. and the weekly *hat* (market) is on every Tuesday afternoon from 2:00 p.m. to 9:00 p.m.

The *Elashin Bazar* is the centre of socio-economic life for the people from the study village and surrounding villages. In the evening, many villagers, particularly *matubbars* (village leaders, chairman and members of the *Union Parishad*) gather in tea shops in the market and exchange their views about local issues/problems and also about national politics. Women from the study village seldom go to the *Elashin Bazar*, with the exception of the Head Mistress of the local Girls High School and two of her daughters who are studying in Dhaka. They go to the *bazar* to browse in different stores. The Head Mistress is a local woman whose natal home is in the neighbouring village. She is married into the study village and is known to local people for her outgoing behaviour. However, people in the *bazar* often talked about these three women behind their backs and stigmatized them as *ashalin* (immodest). Poor women, particularly Grameen borrowers, pass through the *Elashin Bazar* on their way to the Bank to receive new loans, but usually they cover themselves with veils or under the hoods of rickshaws.

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<sup>19</sup> Jute, a natural fibre known as the “golden fibre” of Bangladesh is used in making carpets, ropes, bags, and sacks. Jute was the main export commodity in the country until it was replaced by plastic and synthetic material in recent years.

Figure 4.2 Map of Pas Elashin (The Study Village)





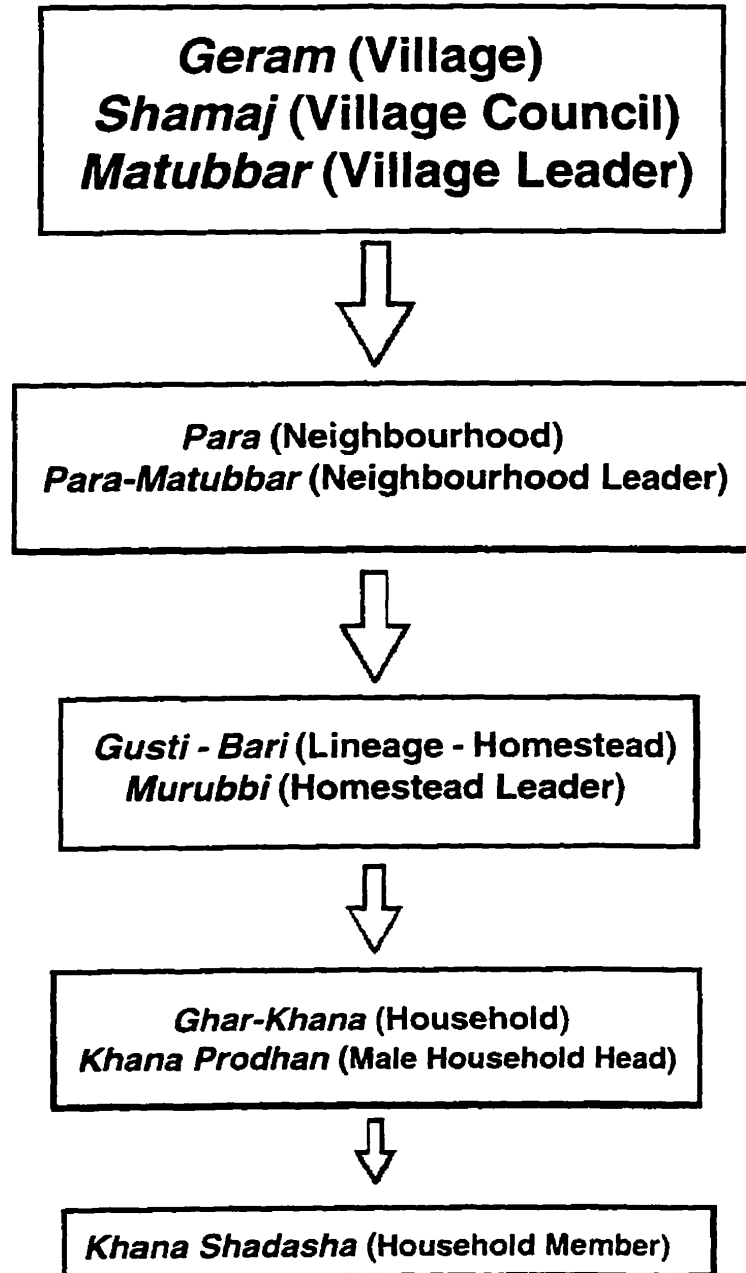
## 4.2. Social Organization

In most parts of rural Bangladesh, houses are scattered so that one village often fades imperceptibly into the next. The British rulers were the first to impose an order on the seemingly chaotic settlement pattern of the rural areas to facilitate their collection of taxes and tolls. They divided the countryside into village units called *mauzas* which have continued to serve official purposes to the present day (Hartmann and James 1983:17). For people who live within the boundary of a village (*geram*) the village is not only a “space” where they live, but it also conveys a meaning for their identity and affiliations. When one speaks of “my village” it signifies the person’s own identity and becomes a matter of pride for that person (Aminur Rahman 1992).

Social organization in the village is based on a distinctive hierarchical structure. In this hierarchy the *geram* and its *shamaj* (village and society) is placed at the top, followed by *para* (neighbourhood/hamlet), *gusti* and *bari* (lineage & homestead), and finally *ghar* or *khana* (household). The inhabitants of the village also categorize and understand the social organization in this way. To them, first comes their village, then the neighbourhood, then the homestead and lineage, and lastly the household or family. Each level of social organization is led by one or more designated male leaders who are responsible for enforcing the moral behaviour among its group under its boundaries (Arnes and van Buerden 1977). The hierarchical structure of social organization in the study village is illustrated in Figure 4.3. I present a brief description of the structure and functions of different levels of social organization (from lower to upper order) to give a sense of the social arrangement of the village.

The minimal organizational unit in the village is the household, “a co-residential and commensal unit” (Wiest 1991:247). The villagers conceptualize the household as a *ghar* or co-residential unit, but for local administration purposes the household is defined officially as a commensal unit – a *chula* (cooking) or *khana* (eating) unit. Like other parts of Bangladesh, the common form of the household in the study village is a “nuclear household unit” consisting

**Figure 4.3** The Hierarchical Structure of Village Social Organization



of a conjugal couple and their children. As a commensal unit the household also may include married sons of the conjugal couple and their wives – “multiple nuclei household” – or unmarried and widowed persons who are either agnatic or affinal kin to the household head – “extended household” (Wiest 1991, 1998).<sup>20</sup> The data of 1994-95 show the average household size in the study village is 4.82 persons (Figure 4.4), lower than the national average household size of 5.6 persons (SYB 1994).

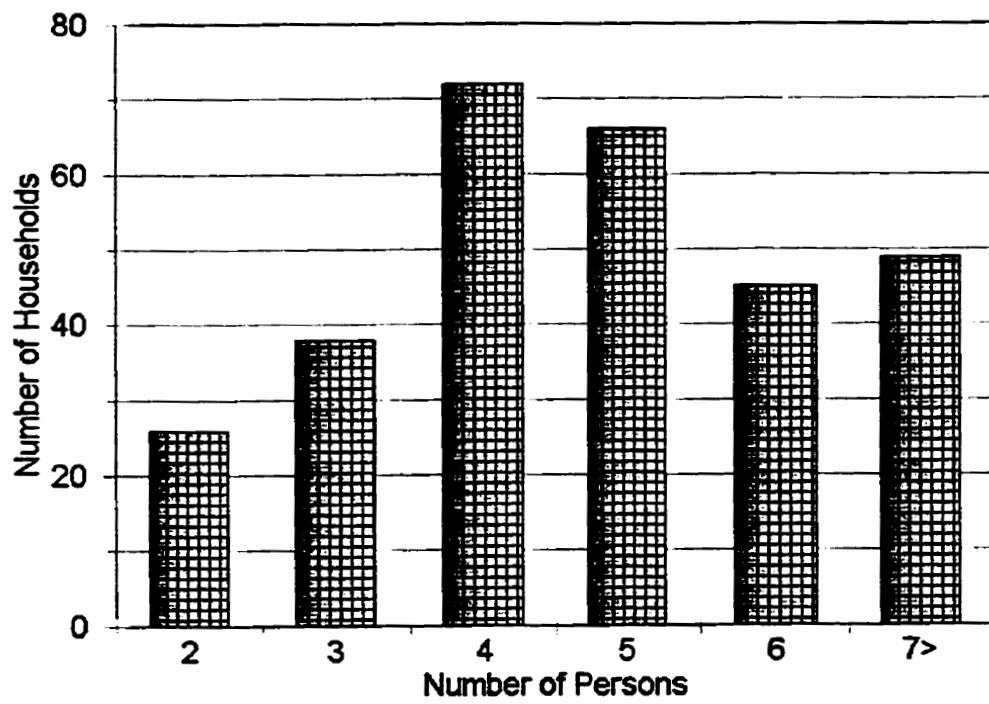
Although the members within a household unit maintain several sets of “dyadic relationships” (Wolf 1966:61), the household unit, following the patrilineal descent ideology, functions under the authority of a *khana prodhan* – a male household head (Cain 1978). Through the *khana prodhan* the household is agnatically related to other co-resident units in the homestead. Individual members are born and brought up in the household and it is therefore an area of close interpersonal relations. The social relations of individual members with other members of the homestead, neighbourhood, and village are also determined through the household unit. In the village, the primary residential practice is patri-virilocal residence (wife moves into husband’s father’s homestead), but five out of 296 households practice uxorilocal post-marital residence (husband moves into wife’s father’s homestead).

The practice of uxorilocal residence in rural Bangladesh goes against the norm of the patriarchal ideology. This residential practice gives the man low status in social matters in the village and the status of a man is also reduced because of his dependency (socially and materially) on in-laws. In the rural culture of Bangladesh a man’s dependency on his in-laws is seen as a matter of shame (*lazzerbepar*). However, either the absence of a man’s agnatic kin in his own village or the severe hardships and the absence of alternatives may drive a man to set up residence with his wife’s father’s homestead (Wiest 1991:251; Aminur Rahman 1992:37; Indra and Buchignani 1997:27).

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<sup>20</sup> Wiest (1991 and 1998), following the cross-cultural study of households of Hammel and Laslett (1974) and Hammel and Deuel (1977), has differentiated rural households in Bangladesh on the basis of the number of “nuclei”. His study is based on analysis of 5,000 households studied in the 1980s (see also Haque 1988; Matiur Rahman 1992).

**Figure 4.4 Household Size in Pas Elashin, Bangladesh, 1994-95 (n=296)**



Mean Household Size = 4.83 Persons

The *gusti* within the hierarchy of the social organization corresponds to the anthropological notion of patrilineage, i.e., a group of people from different households whose males are agnatically related to each other. The *bari* (homestead) refers to a space often surrounded by a physical boundary where a group of people with their distinct agnatic kin identity establish their residential homes. The link of a common male ancestor and co-residence provides the physical, social and emotional basis of the homestead (*bari*). The *bari* is further embodied in the office of the *murubbi* (eldest male in the lineage), entrusted with the responsibility of maintaining dignity and the good image of the *bari*. The *murubbi* is also the spokesperson for members of the homestead and the lineage; he represents his *gusti* and *bari* in the community and in the *shamaj* regarding social, moral and legal matters. The existence of a *gusti* is frequently revealed by its members in their daily language, and its honour (*ijjat*) must be defended by the members of the lineage.

*Para* (neighbourhood/hamlet) is a territorial-cum-moral boundary surrounding the community. For its population *para* is a frame of reference for social and political activities such as exchanges of food in connection with life-cycle ceremonies and religious feasts. The study village is made up of three neighbourhoods – *Uttar Para* (North), *Dokhhin Para* (South), and *Bepari Para*.<sup>21</sup> Physical boundaries between these neighbourhoods in the village are not noticeable, but the moral dimension of each *para* boundary shows clearly in the manner in which villagers direct their allegations. For example, during the time of my fieldwork the Grameen borrowers from the North and the South neighbourhoods often complained about the behaviour of women in *Bepari para*. Three borrowers from these two neighbourhoods (North and South) withdrew their group membership from the loan centre at *Bepari Para*. Their reason for withdrawing was due to *Bepari* women's behaviour; *Bepari* women were said to quarrel frequently with each other on the occasion of loan centre

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<sup>21</sup> *Bepari* is an occupational group whose members work as oil seed pressers. The members of this occupational group are Muslim, but in the village stratification they belong at the bottom of the strata; members from other lineages usually do not interact socially with them.

meetings (improper behaviour for women in Bangladesh). In the study village, there exists a consensus among residents of different *paras* about each *para*'s place in the moral hierarchy (Kotalova 1993). The inter-*gusti* grouping within a *para* is achieved through *shamaj*, which is rooted in the notion of "going together" (Bertocci 1984). One or more *para matubbars* (male leaders) lead the neighbourhood *shamaj* through whom the members of the neighbourhood are further linked to the wider society through the village (Jansen 1987).

The households in the study village are usually integrated within homesteads and neighbourhoods. In turn, the lineages, homesteads and neighbourhoods are integrated within the *geram* (village) and the *shamaj* (village council). *Shamaj* is "the largest intra-and-inter village social unit" (Zaman 1991:680) administered by a group of *matubbars* from different neighbourhoods in the village. The *shamaj* in the study village consists of six *matubbars*. The primary responsibility of the *shamaj* is to conduct the village court to resolve disputes either by *bichar* (trial) or by *shalish* (compromise). The following is an example of *shalish* in which I participated.

During my fieldwork period, a dispute between two women borrowers (Rani #2 and Yuri # 45) in a loan centre at the South neighbourhood led to a fight among male members of two lineages in the *para* (this case is discussed in detail in Chapter 6). Two persons from two disputing lineages were physically injured in the fight. The Manager of the study branch of the Grameen Bank went to the *para matubbars* in the neighbourhood and requested them to arrange a *shalish* to resolve the matter. One of the two *matubbars* in the *para* belonged to one of the disputing lineages so the other lineage refused to sit in a *shalish* with these *para matubbars*. The Manager approached the Chairman of the *Union Parishad* – a prominent leader in the study area – to call a *shalish* of all *matubbars* in the village and resolve the dispute between the two lineages of the Grameen borrowers.

In addition to resolving and mediating disputes, fights and quarrels among societal members, the *shamaj* in the village also holds the authority to decide matters relating to the moral code and conduct of individuals living in the village. The *matubbars* are responsible for

maintaining and preserving the *ijjat* (honour) of the village. In the study village, the *shamaj* is also responsible for slaughtering sacrificial animals and for religious and social feasts of the villagers. On the occasion of *kurbanir eid* (Muslim religious festival), the rich households sacrifice animals (cow or goats). The male members of the households that sacrifice animals on this occasion must bring their animals to *shamaj* (in front of the mosque). The *matubbars* supervise the slaughtering and distribute one third of the sacrificed animals among poor households who are unable to make sacrifices.<sup>22</sup> Upon the death of a *matubbar*, the office is usually passed on to the eldest male member of the lineage.

Several studies indicate that rural elites, *matubbars* and *mullahs* (rural religious leaders) act against the activities of NGOs and hinder their development efforts in rural Bangladesh (see Atiur Rahman 1986b; Ray 1987; Kramsjö and Wood 1992; Fuglesang and Chandler 1993). Todd (1997:21) refers to these studies and notes that "there are many stories of landlords and *mullahs* opposing the creation of new Grameen centres". In my study village, I did not find this to be an accurate portrayal. Four out of six *matubbars* in the *shamaj* in my village are from rich households (in terms of the ownership of agricultural land), and so are most other village leaders in the study area. The *matubbars* from whom I collected my information claimed to be supportive (with one exception) of the Bank work when it first came. In fact, one *matubbar* in the study area gave one of his houses to the Grameen Bank for its office from which it could conduct its business. Sofia (#83, her case is discussed in detail in Chapters 5 and 7), the organizer and initiator of four loan centres for women in the study village, is a cousin of Zamir, a *matubbar* from the neighbouring village and an elected member of the *Union Parishad*. I found that the only *matubbar* who withdrew his support from the activities of the Bank in the village did so because of his own rivalry with Zamir who was a serious supporter of the Bank. It is important to note that some of the *matubbars* now

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<sup>22</sup> Conducting sacrificial slaughter under the supervision of *shamaj* was a new experience for me. I lived and worked in rural areas in different regions of Bangladesh but had never seen a *shamaj* associated with this particular ritual.

acknowledge that they are withdrawing their moral support from the Bank because it is failing to bring real economic changes to the villagers. None have ever directly opposed the Bank's work in the area, however.

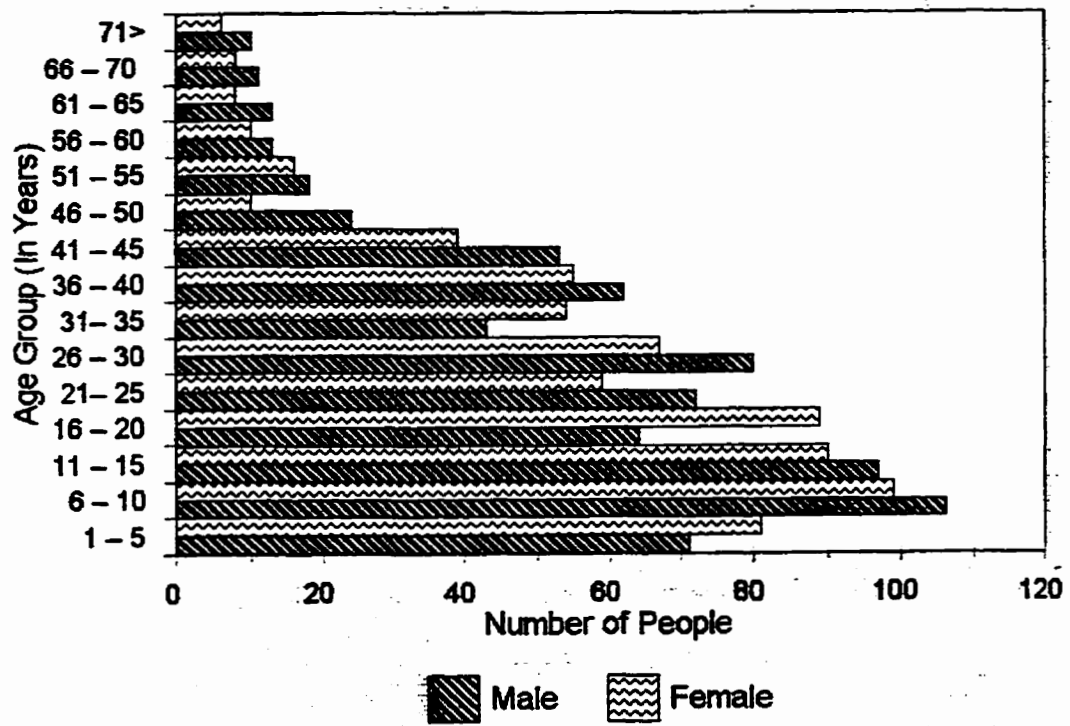
#### **4.3. The Village Population, its Literacy and Education Level**

The total area of my study village is about 0.85 square kilometre. According to my village census conducted in August 1995, the total population is 1,428 out of which 737 are males (51.6%) and 691 are females (48.4%). Population density of the village (1,680 persons per square kilometre) is more than double the national average of 755 persons (SYB 1994). The age structure ( Figure 4.5) of the study population shows that the number of children in the 1-5 age group is 152 (10%), which is about 5% lower than the next age group of 6-10. This shows a decreasing birth rate in the village for the last five years and is consistent with prevalence of contraceptives among both Grameen and non-Grameen borrowers in the village (see Schuler and Hashemi 1994 and 1995).

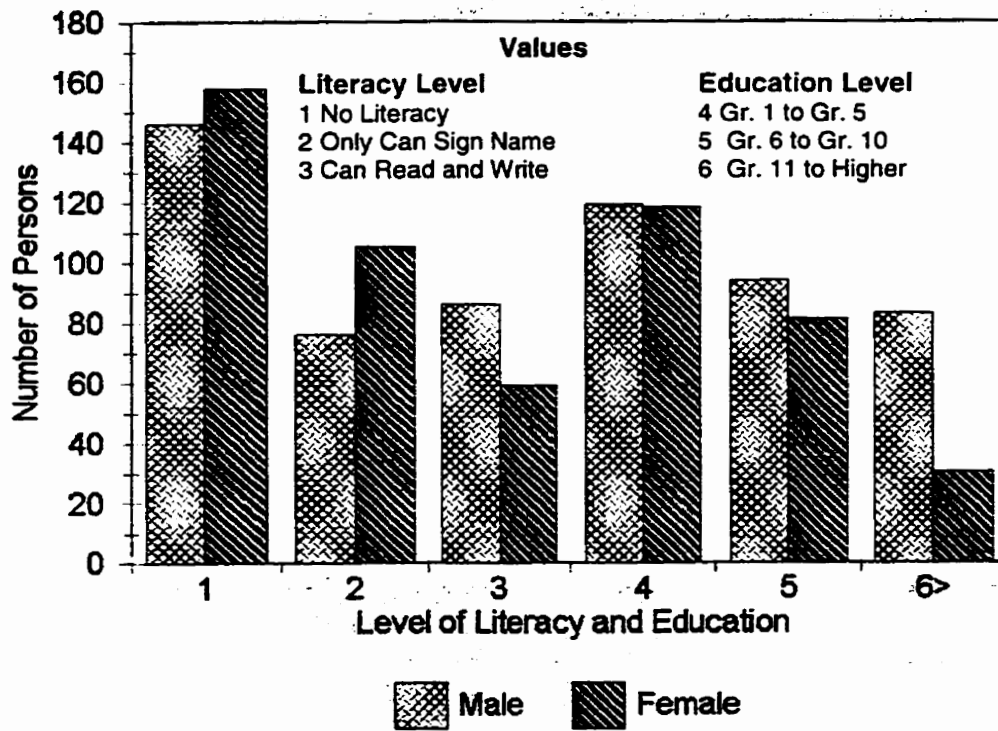
Figure 4.6 depicts the literacy and education level of the study population that is above five years of age. Three-hundred four persons in the sample (25%) have no literacy. One-hundred eighty-one persons (15.6%) can only sign their name, of which 105 persons in this group (58%) are women. The higher percentage of women in this group is related to the necessity for women borrowers to learn how to sign their names to receive loans from the bank. Almost equal numbers of women (118) and men (119) have completed Grade 1 to Grade 4, which supports other findings of the importance of education for girls to improve the prospects of marriage (Khan 1988). However, only ninety-eight out of 609 women in the sample completed Grade 11 or higher (33%) compared to village men (67%). The lower numbers of girls at the post-secondary education level in the study village is consistent with the national enrolment; in 1992-93 the ratio of boys and girls in the post-secondary level was exactly the same: 67% and 33% (SYB 1994:482). Studies suggest stigma is attached to girls who remain unmarried beyond their puberty (Schuler, Hashemi, Riley and Akhter 1996),



**Figure 4.5 Age Structure of Pas Elashin, Bangladesh, 1994-95 (n=1428)**



**Figure 4.6 Literacy and Education Level in Pas Elashin, Bangladesh, 1994-95 (n=1155)**



which may add a constraint on girls' education (Subrahmanian 1997). When they finish primary education parents tend to take them out of schools (Khan 1988).

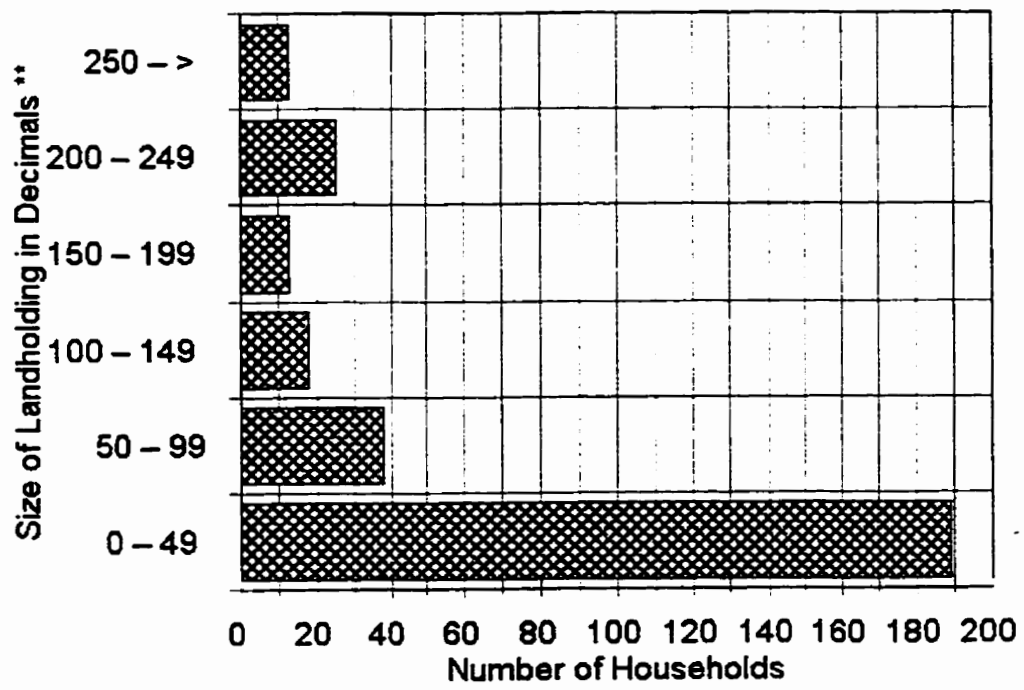
#### **4.4. Economic Organization**

The economic subsistence base in the study village is agriculture and small business. Agricultural land is scarce in the study village, as in other parts of rural Bangladesh, and primarily occupied by a few households. Figure 4.7 shows agricultural land ownership of the households. In the study village, 189 households (64%) are landless or own less than 0.5 acre of agricultural land. Thirty-eight households (13%) own less than one acre of land. Only thirteen households (5%) in the village own more than two acres of agricultural land.

The occupations of the villagers are diverse in the study village. The landless and functionally landless households pursue various economic activities other than agriculture. Male household members sell their labour in different activities in the Elashin *bazar*, such as working as porters (*kulee*) carrying and unloading goods for different stores, as wage-labourers in saw mills, and pulling rickshaws or horse carts in the area. A few households also engage in small business enterprises.

Traditionally, small business as a primary means of livelihood was not typical for people in Bangladesh villages, and it was associated with low status for the household (Chowdhry 1982; Ahmed 1983). However, increasing landlessness and persistent rural poverty in Bangladesh has contributed to increased emphasis on small business, which is now becoming common in rural Bangladesh (White 1992). Currently, the growth of small retail business enterprises is striking in the study area; a general trend toward a culture of business is visible. Even landowning households (households owning more than two acres of agriculture land) that are primarily engaged in agriculture also may pursue some kind of business. During my fieldwork I found three households engaged in *malrakha* business (buying seasonal crops during harvest time and storing them for off-season sale).

**Figure 4.7 Household Agricultural Landholding in Pas Elashin, Bangladesh, 1994-95 (n=296)**



\*\* 100 decimals = 1 acre

The geographical location of the area plays an important role in the development of business for its people. The study area is one of the first areas to receive benefits of rural electrification in the country; more than half of the 296 households in the study village have access to electricity. The *Elashin Bazar* is located on the border of my study village. This market is not only the largest in the area but has been known historically for its tradition of trade and commerce. During the colonial period, the northwestern districts of the country were famous for the production of jute fibre, an important raw material for industries in England. In the nineteenth century *Elashin Bazar* flourished as a jute trading centre where eight British companies opened their purchasing centres. These companies were run by English men (*belati shahib*) responsible for purchasing and shipping raw jute directly from *Elashin* to England to be processed for the world market.

In the mid 1940s, near the end of the colonial era, British companies at *Elashin* were also closed, causing a major decline in the importance of the *Elashin Bazar*. During the last thirty years plastic and other synthetic materials have replaced jute products, and jute consequently has lost its place in the international commodity market. Farmers in the region no longer produce jute for the commercial market and the *Elashin Bazar* has declined in its prominence as a jute trading centre of the region.

#### **4.5. Grameen Households in the Local Economy**

After the independence of Bangladesh in 1972, the government built a road to connect the area with the district town. Since the new road was built, the area has become connected with Tangail and Dhaka, two big city centres, and has helped the *Elashin Bazar* to flourish again as a business centre. The new road has made it easy for people in the area to take their saleable commodities to cities for higher prices. The study area has also become a supplier of raw goods and commodities needed in city centres. For example, recently the *Elashin Bazar* has become known in cities for its timber business. Three saw mills in the *bazar* process timber and supply products for construction industries in Dhaka.

The saw mills in the area create employment for the villagers. In these saw mills eight persons from the study village work as wage-labours and three of them are from Grameen borrower households. Three Grameen borrower households are engaged in the business of timber cutting (*gas katar bebsa*). Male members of these households use Grameen loans to women in their business. They travel to different rural villages to find trees for sale and buy them from the owners, then cut these trees and supply timber to saw mills.

Three households of Grameen borrowers in the study village run small businesses selling fruits and *sari* (women's dress in Bangladesh), and selling homemade pickles. The male members of these households buy their commodities from rural markets and commute at least two or three times a week to Dhaka or to Tangail to sell their goods. Six stores at the *bazar* are owned by members of six households in the village (none of them are Grameen borrowers). However, of eleven households in Pas Elashin (the study village) that set up their shops every day in the open space of the *bazar*, five are owned by male relatives of Grameen borrowers. They sell commodities such as rice, vegetables, fruits, spices, onions and oil.

Two male relatives of the Grameen borrowers are engaged in door-to-door sale of cooking utensils. Ten households in *Bepari para* are involved in oil-seed pressing and sales. Four of these ten are Grameen borrowers who buy oil seeds from local markets for pressing in the mill at the *bazar*. The males from these households sell oil in the daily market and also in different villages in the area in exchange for more oil seeds, unhusked rice (*dhan*) or other commodities.<sup>23</sup>

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<sup>23</sup> This is a barter system – exchanging one commodity for another instead of paying in currency. Unhusked rice (*dhan*) is commonly used by women in the study area to exchange for goods such as spices, soap, glass-bangles and other items with vendors.

#### 4.6. Migration in the Village Economy

Labour migration – workers moving temporarily to other countries for higher return on their labour (Kearney 1986:331) – is a contemporary trend in Bangladesh. For the last twenty years, the growth in the “manpower export” business – exporting skilled and unskilled labour to international labour markets – has added a new dimension to the economy of many rural areas in the country. To find work in foreign countries, the prospective candidates not only pay large amounts of money, for instance, to private employment agencies based in Dhaka, but they must also frequently visit and keep close contact with agency offices to find out their available opportunities. Rural people residing in areas close to Dhaka, or in areas with good communication such as the study village, can easily make their trips to Dhaka to explore overseas job opportunities.

In the study area there are villages where one would find that at least one person from every homestead has migrated to a foreign country and working there (for example, to Middle Eastern oil-producing countries or in newly industrialized countries such as South Korea, Singapore and Malaysia). One informant in the study village recalled that a few years ago going abroad (*bidesh Jaoya*) was unknown to villagers. In a neighbouring village the first person went to Saudi-Arabia in 1980 and until 1985 very few people from the area went abroad to work. However, in 1988 an in-law of one household in the village,<sup>24</sup> together with another person from a neighbouring village, each established their own manpower exporting agencies in Dhaka. Currently, these two agencies appoint at least ten local sub-agents in the area who recruit candidates from different villages to enrol them through these agencies in Dhaka. Two sub-agents are residents of the study village, one of whom works in a nationalized commercial bank in Dhaka, and the other owns a furniture shop in *Elashin bazar*

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<sup>24</sup> He is also my fellow classmate at Dhaka University who sent me to this village and gave me the name of a contact person (see Chapter 2).

(he is also my key contact person in the village). These manpower businesses are secondary occupations for each of them.

Labour migration from rural Bangladesh to foreign countries and remittances to rural households are particularly significant. Research on the implications of rural labour migration is barely beginning in Bangladesh, but substantial literature is available from other countries. The studies by Wiest (1973 and 1984) of a Mexican town provide useful comparative analysis of the implications of the migration of male household members for household composition and household economics. Wiest's (1984:116) findings on Mexican labour migrants, in terms of financing their trips and increasing their household income, are similar to what I find in the study village. In my study area, temporary migration to foreign countries and work there for a few years is viewed by the people as a way for households to achieve economic upward mobility. During the period of my fieldwork, eight members of Grameen borrower households lived and worked abroad as unskilled labourers. Three of the eight are women who themselves are currently members of the Grameen Bank. People in the village who work in foreign countries regularly remit most of their earnings to their household economy. In addition to this positive effect of successful migration of household members, the households in the study village may also experience negative consequences associated with migration to a foreign country. I discuss here two such implications relevant to my analysis.

The trend toward migration abroad increases the demand for borrowing in the village for cash payments to "manpower-exporting" agencies. The household head who wants to send a member overseas usually borrows money from relatives and/or moneylenders in the village. In 1994-95, fourteen of 217 loans approved to women in the study village were applied to the cost of sponsoring trips abroad for a household member (see 6.2). A few Grameen households also lent their loan amounts to others (relatives and close friends) without conditions or as a moneylender with repayment conditions. Since households often sell or mortgage-out their landed property or other assets to collect money in support of labourers going abroad, landed property in the village is coming to be controlled by a few



households that are supplying this money. As the remittances of migrating workers start to pour into the village economy, the demand for land increases, and so does the price. The remittances from abroad have also created a new group of moneylenders in the village.

Another dimension is that the household members deposit their money with manpower export agencies and then wait at least six months to a year or more before they depart (if they are successful in arranging employment through these agencies). During this transition period the household must pay interest on its borrowed money, thereby building a debt burden. There are also situations where the efforts of migration fail. During my fieldwork, I encountered two cases in the village where, after depositing twenty-thousand taka, one person waited more than two years and then still could not go overseas for work. This person was unable to get back the deposit from the agency. In another case, after depositing fifty-thousand taka for her eldest son to work overseas, Sofia (#83) waited more than a year and a half. Just before I arrived in the village, Sofia's son departed for Malaysia, but after his arrival there he discovered he had travelled under falsified documents. Consequently, he could find neither his designated employer nor any employment in Malaysia. For the first few months he went into hiding with the help of fellow villagers working in Malaysia. During my stay in the village Sofia reported that her son had taken a low-paying illegal job for survival but he was unable to send remittances to his family. The son's trip to Malaysia has placed Sofia's household in debt not only with the Grameen Bank but also with moneylenders.

#### **4.6. Women and the Village Economy**

An increasing number of women in Bangladesh now seek employment outside their homesteads. From the standpoint of the traditional norm of *purdah* (seclusion), acceptance of work by women outside their home has had a negative connotation for the honour (*ijjat*) of the homestead and lineage. The relationship between women, *purdah* and social status is now changing in both urban and rural areas of Bangladesh. In urban areas elite and middle class educated women now commonly seek salaried employment in both service and

manufacturing sectors. In rural areas a growing number of women are being forced by poverty to seek work outside their homesteads and villages (White 1992; Zaman 1996). A large number of young women from rural areas now migrate to city centres and accept employment in export industries, particularly the garment industry.

Women in this study are directly and indirectly engaged in economic activities of their households. In the study village the ideology of *purdah*, i.e., women to remain inside and occupied with domestic chores within their own homesteads, is not strictly adhered to any longer. In a village society notions of inside (*bhitor*) and outside (*bahir*) are figurative, open to complex manipulation (see White 1992). In poorer households the scarcity of resources and subsistence necessities compel women to accept work with richer households within the village and sometimes outside the village. Even within rich households in the study village, where seclusion of women was followed strictly, women now go outside of the homesteads for performance of some of their household tasks such as washing utensils and clothes, bathing, and meeting other women in the village.

Women usually control household livestock and poultry products of the households. In addition to eight women who bought cattle with their Grameen loans, women also share-tend cattle, specifically milk-cows and goats. The typical arrangement is for a richer woman to give an animal to a poorer woman to tend. The owner thus provides the capital and poor women tender the care. When the contract period is over profits are divided on an equal share basis (if the cattle under care dies, the owner cannot ask for compensation). Many women in the village also send their children to market to sell home-grown vegetables and fruits, collecting and controlling the proceeds of the sales.

Of 120 Grameen women borrowers, two women worked casually in and outside the village. They were engaged in cutting earth under the World Food Program's rural road-building projects. One borrower worked as a household servant (cooking and cleaning) for three *Proshika* (a national NGO) field workers who rented a house in the village and lived there. Three women borrowers have now migrated to Malaysia and are working there in

factories. Three women borrowers, along with their husbands, are running domestic-level small businesses (pickle-making, weaving, and oil-pressing). These enterprises are carried out in their homes. Wives and husbands work together and produce commodities for sale. The wives exercise control over both the enterprise and the account while the husbands are responsible for marketing the products. Two women borrowers have become traditional moneylenders, re-lending their loans to other villagers. There are also a few women borrowers who are not directly involved with the household economic enterprise but nonetheless control the economic activities of their husbands. For example, a woman borrower who bought two rickshaws with Grameen loans rents these rickshaws to her homestead members and collects rent by herself. This borrower's husband uses her earnings to run his fish business in the *bazar*. He arranges and pays weekly instalments to his wife and buys household necessities.

Most households in the study community are related to each other in social and economic terms. The majority of the borrowers in loan groups and loan centres come from the same village, and usually from the same neighbourhood. The socio-economic and moral closeness of women borrowers in the study village, the control of hierarchical village social organization, e.g., honour (*ijjat*) of the homestead, and regulation of *shamaj* (the village council) all constitute powerful devices that ensure high repayment rates at the Bank. The ethnography of the village, particularly the nature of its socioeconomic organization, provides a background against which the Grameen Bank lending structure and women's involvement with the credit project in the study community are analysed in the following chapters of the dissertation.

## CHAPTER FIVE

### MICRO-LENDING AND EQUITABLE DEVELOPMENT

Over the last thirty years, academics and gender sensitive development workers from the North and the South have raised their concerns about “equitable development”, i.e., bringing women into development as equal partners. In the 1970s and 1980s most studies on women’s involvement in development programs reveal the negative impact on women and call for women’s integration into the social and economic development process as equal partners with men (Boserup 1970; Charlton 1984; Afsar 1985; Mies 1986; Buvinić1986; Agarwal 1988; Kabeer 1991b).

In the mid 1980s the “programmatic success” of the Grameen Bank micro-credit scheme among poor women in rural Bangladesh became a demonstration of a successful equitable development initiative, establishing micro-credit as the “common missing piece” in women in development projects. The gender sensitive promoters of economic development viewed women’s lack of access to credit as a significant obstacle to equitable development. Their central argument was that credit gives women “entitlement to resources”, so the more credit women receive, the more resources they can command and the more power they can achieve in society (McKee 1989; Berger 1989; Bhatt 1989; Yunus 1994b; Mayoux 1995).

The Grameen Bank extends credit in rural Bangladesh primarily to women through recruiting and organizing them in loan groups and centres. In this Chapter I present the process through which bank workers recruit and organize women borrowers in the study village. The recruitment process illustrates both the public transcript – philosophy and objectives of the Grameen Bank – and the hidden transcript – covert discourse of members

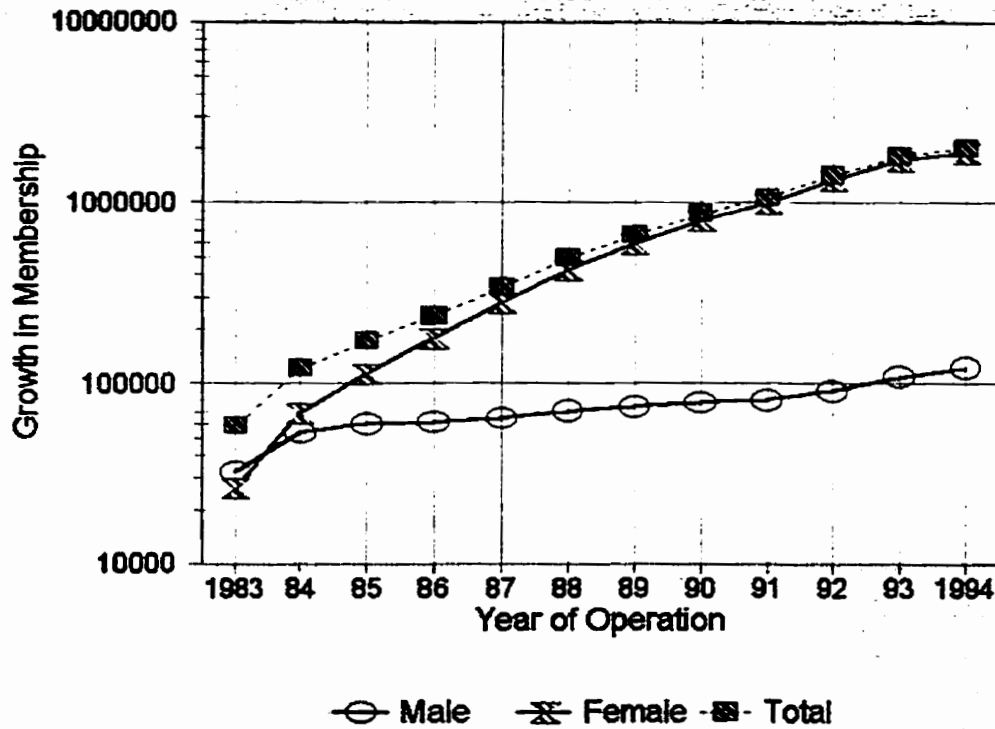
and bank workers. The illumination of hidden transcripts suggests the reinforcement of “ideological” domination over women in society and addresses the patriarchal hegemony as both “civil” and “political” societies are using it to lend credit to women (Gramsci 1971; Williams 1977; Scheper-Hughes 1992:171). I also discuss the social collateral, importance of formal and informal networks of the borrowers and the bank workers in the loan operation itself, and the “social development” programs of the Bank.

### **5.1. The Public and Hidden Transcripts for Recruiting Women**

From the beginning of its micro-credit extension project in Bangladesh the Grameen Bank has maintained a mandate of poverty alleviation. The economy of rural Bangladesh is based on farming land and agricultural production. The livelihood of the rural population directly or indirectly depends on agriculture. For the last thirty years, pressure of population growth has caused increasing landlessness in rural Bangladesh which is a fundamental factor in rural poverty in the country (see Figure 4.7 for an example of land ownership patterns of rural households). The Grameen Bank started its micro-credit program to alleviate rural poverty through extending credit facilities to landless households. The primary objective of micro-credit to landless households was to create opportunities for these household members to undertake self-employment activities other than cultivation and to generate employment in non-agricultural sectors. The self-employment is intended to open income opportunities to landless rural people throughout the year, rather than only as seasonal income (Bernasek 1992). In the mid 1980s the Grameen Bank incorporated its social development programs into its micro-credit project.

At the beginning of its operation, the Bank extended its credit to both male and female borrowers with the vision of recruiting at least fifty-percent of its clients from women (Yunus 1997:16). Figure 5.1 presents the membership pattern of the Grameen Bank which shows that until 1984 the membership was almost equally distributed among women and men. Since the mid-1980s, the Bank has begun a shift in its recruitment policy by focussing primarily on

**Figure 5.1** Grameen Bank Membership Patterns in Bangladesh (Women and Men), 1983-94



Sources: Hossain 1988; Khandker, Khalily and Khan 1994

women. The proportion of male borrowers among all borrowers declined dramatically from 55% in 1983 to less than 6% in 1994, while the number of female borrowers during the same period has increased by more than 700 times. This shift in the Bank's policy has resulted in women making up more than 95% of the membership of its total 2.23 million borrowers in 1997 (Grameen Bank 1998).

The rationale of the Bank for focussing primarily on women – a public transcript – is explained by Dr Yunus (1994b:40-41).

Women experience hunger and poverty in much more intense ways than they are experienced by men. Women have to stay “home” and manage the family with virtually nothing to manage with. Given the opportunity to fight against poverty and hunger women turn out to be natural and better fighters than men.

The statement of the founder of the Bank explains the Bank's ideology of lending to women. This ideology is based on the assumption that a woman's first priority is to invest her earnings on her children which will afterwards be followed by spending on other household necessities. Therefore, lending to women and increasing their earning potential brings more qualitative benefits to all members in the household than loans to men (Yunus 1994b:41). Lending to women empowers them to utilize their talents and skills, to increase their earning opportunities, and it also brings faster improvements in the socioeconomic conditions of the household.

Women in Bangladesh have always been excluded from institutional credit. By tradition rather than by law, women need the consent of their male guardians (husband, father or son) to borrow money. This practice “limits the entitlement of the female half of the population” (CBC 1991; Holcombe 1995:65). The Grameen Bank's vision of incorporating women into its micro-credit program is claimed to have emerged in the context of the circumstances affecting rural women. The public transcript of the Bank for targeting women in the micro-credit program is based on the following objectives: i) to give women access to credit for increasing their earning capabilities and bringing faster improvements in the household socioeconomic conditions; ii) to organize women in groups for raising their

collective consciousness, strengthening their group solidarity through weekly meetings, and assisting them to attain a greater socioeconomic empowerment in society (for details see Ray 1988; Fuglesang and Chandler 1993; Yunus 1994b and 1997).

The hidden transcript for targeting women in the program gives a different picture than is maintained in the public transcript. In the study village, the Grameen Bank recruits only women members and excludes men from its micro-credit extension program. Informants' explanations of why the Bank excludes men in the study village is an important aspect of the hidden transcript. In the study community, I found that in one "male loan centre" there were only four groups instead of the recommended eight for the last few years. Since it is an unusual case, I probed the matter and discovered several male loan centres in the study branch with fewer than the recommended 30 to 40 borrowers. A male bank worker in the study branch, Kazi (#210), explained the reason for not replacing or forming new groups in these loan centres:

Our superior officers have asked us not to recruit any new male members and eventually to eliminate all male groups from the loan operation. The loan centre previously had six groups and thirty male members, some of whom have either left the group or have been expelled by their peers, but we have not replaced them.

The bank worker rationalized his statement in the context of "practical intelligibility" by explaining the "realities of the field situation" (Bourdieu 1977 and 1990). He said:

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.<sup>25</sup>

The statement of the bank worker – a hidden transcript – implies that targeting women for the program is strategic for the Bank, i.e., consistent with accomplishment of the goal of

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<sup>25</sup> The exclusion of males is also being reported in the 1993 and 1994 Annual Report of the Grameen Bank. In 1994, there were 62,601 female members and "zero" male members in the Mymensingh Zone (the last zone the Bank established in the 1990s).



investment and recovery of loans. Helen Todd (1997:159-160) notes this issue in her study and states that “mainly in response to increasing repayment problems within male centres, the Grameen Bank project began a shift toward recruiting women members”.

## **5.2. Patriarchal Hegemony in the Recruitment of Women Borrowers**

The Bank extends loans to women, but in the study community men predominantly use these loans and supply instalments to women for their weekly payment in the loan centres (the loan use is discussed in Chapter 6). This practice goes against the public transcript of the Bank, yet all actors involved with the loan operation (bank workers and borrowers) are aware of it. The borrowers and the bank workers have their own views on why women are exclusively targeted for the credit extension program. In the study village, both the Grameen Bank workers and borrowers acknowledge that accepting women in the program is done because of the “positional vulnerability” of rural women in society. The positional vulnerability 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 have rarely mentioned women’s self-employment and their empowerment as the objective of lending to poor women. Mafiz (#209, a bank worker) said “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 for us than working with men” (also see Goetz and Sen Gupta 1996).

In rural Bangladesh, patriarchal norms and values construct the gender ideology and perpetuate it with the consent of both men and women in the society. The literature review on gender roles and ideology in rural Bangladesh suggests that women’s status in society is intertwined with two concepts, namely, honour and shame (Arnes and Van Burden 1977; Feldman and McCarthy 1983; Mandelbaum 1988; Kabeer 1988; Aminur Rahman 1992). Like other parts of Bangladesh in the study area, these concepts – honour and shame – are

expressed in the two local terms of *ijjat* and *lajja*. *Ijjat* has a deeper cultural meaning than its literal meaning of honour. In the South Asian context *ijjat* includes prestige and status, rank and esteem, respect and self-respect; “it expresses a salient theme and includes some of the most highly valued purposes of a person’s life” (Mandelbaum 1988:20).

Most studies on women in rural Bangladesh (including my own previous research) argue that honour and shame and the status of women in South Asian Muslim society is linked with the Koranic injunction (Jeffery 1979; Feldman and McCarthy 1983; Abecassis 1989; Aminur Rahman 1992). In the study village the concepts of honour and shame, while perhaps consistent with the Koran, have very little to do with the Koranic injunction. They are most often used in terms of respectability and they mark culturally constructed norms. People’s social values are focussed on the status of women in society irrespective of religious beliefs. For example, a Bengali proverb, *lajja narir vushan* (literally, “shame is like clothes for women”, but implying that woman’s modesty is her nobility) is often expressed by both women and men and by both Muslim and Hindu in the study area.

In the study village, there are extreme variations among women in practising *pardah* (veiling or maintaining strong restrictions when meeting males, see Chapter 4), but women in the village in general bear more responsibility than men for family respectability or *ijjat*. Women in society are expected to conform to “proper” behaviour such as shyness and passivity (indicators of women’s *lajja*) which are dictated by certain norms, i.e., proper levels of modesty bring *ijjat* to men and to the household.

The concept of *ijjat* is entrenched in the lives of the people and one is likely to confront the discussion about the *ijjat* of the households and homesteads frequently during social interactions with people in the village. The *ijjat* of the household and homestead must be protected at any cost and increased whenever possible (Aminur Rahman 1992). Loss of women’s *ijjat* in the household results in loss of public position for all the members in the homestead. Once the *ijjat* of the household or the homestead is diminished it hardly can be

regained; “the loser, however, can live on the lost *ijjat* for quite a time before he and his family drop completely from a prestigious position” (Kotalova 1993:126).

In Bangladesh rural society the gender ideology also commonly identifies women with modesty and purity (Aziz 1979; Blanchet 1984), which makes women’s honour (*ijjat*) subject to closer scrutiny and more vulnerable in society than that of men. Vanu (#76) explained the issue of women’s *ijjat* in this way:

When a woman fails to make her instalments on time, she experiences humiliation through verbal aggression from peers 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.

To make her point, Vanu spoke anecdotally of an occurrence in the neighbouring Grameen Bank branch. Vanu heard that one woman in that branch failed to pay her loan instalments for a few weeks and she was brought to the bank office by her loan group peers. The bank workers asked this woman to sit inside a room in the bank and they locked the door from outside. Vanu reported that the woman felt so humiliated (*opomanito-hoy-se*) that she hanged herself from the ceiling-fan with her own *sari* (women’s clothing in rural Bangladesh).

Such examples from informants, whether they are myth or fact, reinforce the significance of women’s honour and its protection in the village culture. They also draw attention to the profound personal impact of shame. Therefore, to avoid any humiliation of women in the loan centre or in the bank, household members try their best to arrange women’s loan instalments on time. The safeguard of *ijjat* (women’s honour) by men in the society – a public transcript – gives the lending institution *an unwritten guarantee of getting back regular instalments from its women borrowers*. The bank workers in the study branch are well aware of the fact that in the household it is men who often use the loans and who make the instalment payments. Their explanation of the widespread awareness of this practice

– their hidden transcript – is that the strategy of providing loans to women, instead of giving directly to men, makes the field operation and loan transactions easier for bank workers.

In response to their initial involvement with the Grameen Bank program, 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 Grameen Bank loan group (see Figure 5.2). Male guardians of eight female borrowers out of 108 reported that bank workers approached them directly and persuaded them to send women from their households to form loan groups. In exchange, the bank workers assured these men of loans for their own usage through women's groups. In the study village there are several examples where women borrowers were not only asked or influenced by males but were forced to join the loan group and acquire funds for male usage. The experience of Bahar (#101) is an example of this.

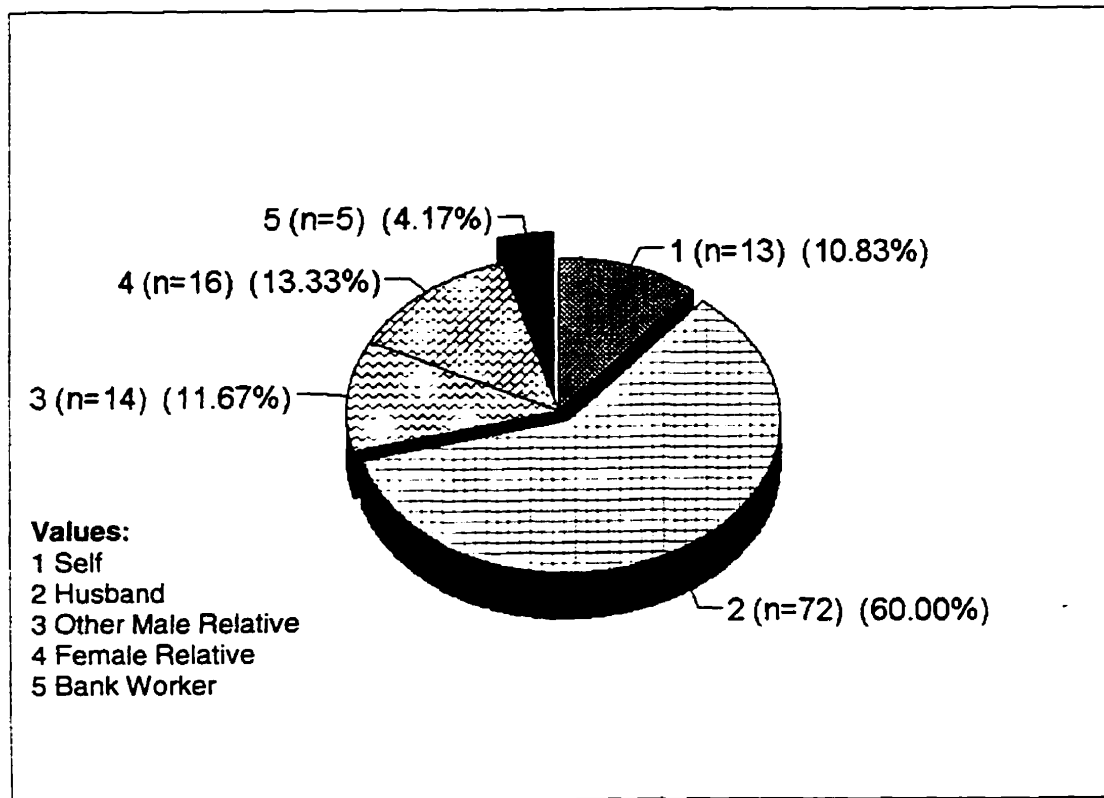
Bahar was brought up in a conservative family and always observed *purdah*<sup>26</sup> until she joined the Grameen Bank loan group. Her household owns more arable land (two acres) than is permitted officially (0.4 acre) to qualify for Grameen loans. Bahar thus does not qualify. However, within three to four years of Bank operation in the village a couple of women from neighbouring households joined the Bank and received loans even though their households owned more than 0.4 acre of arable land and did not qualify officially for a loan.<sup>27</sup> After that Bahar's husband insisted that she join the Bank and get money for him. Bahar resisted and refused. Then her husband exerted pressure on her through verbal aggression. Bahar tolerated such aggression for some time and refused to join the Bank. Finally, her husband warned her that if she did not try to join the Grameen loan group then he would send her back to her natal

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<sup>26</sup> The concept *purdah* usually means seclusion of women or their veiling. In this context, *purdah* also means that a woman must not see or talk to other males who are not related to her by blood or marriage relations.

<sup>27</sup> In my study village there are nine women borrowers whose households own more than two acres of land. Other studies indicate that landowning households are quite commonly included for Grameen loans; in fact, Grameen Bank itself has taken up this issue in its internal discourse (see Grameen Bank 1995b; Matin 1997).

**Figure 5.2** Who Asked Women Borrowers to Join the Grameen Bank in Pas Elashin, Bangladesh? (n=120)



home and he would remarry. In 1989, Bahar joined the group and received her first loan. Until 1993, when her husband migrated to Libya as a manual labourer, the husband used her loans. He instructed Bahar to continue with the Grameen Bank. Now Bahar gives her loans to her brother in a distant village who invests the money in his business and gives a share of the profit to Bahar at the end of each year. Bahar pays regular weekly instalments from her husband's remittances.

The use of customary gender relations in targeting women for micro-credit extension shows the importance of hegemonic ideology – patriarchy – in Bangladesh rural society. In the study village both workers of the Bank and men in the household use this patriarchal ideology – women's positional vulnerability – in their own interests. The bank workers manipulate it to recruit and extend loans, and men in the household rely on patriarchal gender relations to use women's loans and to pay their instalments. For the Bank, reliance on traditional obligations in patriarchal gender relations offsets the cost of capital reproduction for the institution itself, and thereby achieves a hidden transcript objective. The use of women's position to attain institutional interests and interests of men reaffirms the hegemony in society (Scheper-Hughes 1992:199-200).

### **5.3. Organization of Women and Social Collateral**

The Grameen Bank is the first lending institution in Bangladesh to substitute material collateral (security, e.g., a pledge or guarantee) with social collateral (organized social pressure from group members) for its lending among rural poor people. The conventional model of institutional lending demands material collateral from borrowers. The poor people in rural Bangladesh in general and women in particular lack the required collateral to borrow; they are excluded from institutional lending services. The micro-credit scheme of the Grameen Bank introduces the concept of "group-lending" for the poor to overcome the limitation of the conventional model. In this scheme, the Bank gives loans to an individual borrower through the group rather than giving to individuals directly. This creates a structure of "joint

liability". The group as a whole accepts accountability for repaying the individual loans of the group members. Thus, the group-lending scheme introduces "social" collateral, i.e., organized social pressure from group members for its micro-credit extension program.

The Bank implements its micro-credit program in rural Bangladesh through forming loan groups and organizing loan centres. The ideology of the Bank in organizing loan groups is to make each borrower of the group responsible to the collective to enhance social solidarity. The women's loan centre intends to provide women with a space to meet with each other, pay instalments, and to discuss "social development programs", e.g., health, education, environment and solidarity (Yunus 1997). The borrowers in the study village commonly expressed that during the early years of Bank operation in the village the workers used a good portion of their time in the centre to discuss the social program with group members. However, in current practice the organized group works primarily as a safeguard for investing money and for recovering loan instalments from the borrowers (Bernasek 1992; Fuglesang and Chandler 1993; Goetz and Sen Gupta 1996).

The formation of Grameen loan groups is an "endogenous process" (Bernasek 1992:12), where the Bank leaves the responsibility to the borrowers to decide with whom they want to form groups (see Section 1.3.). However, the Bank workers give guidelines to borrowers for their loan group peer selection and they (bank workers) hold the final authority of the group's recognition.<sup>28</sup> The public transcript of such endogenous group formation is to empower poor women through giving them the opportunity to decide the recruitment of members. Nonetheless, the practice of "group recognition" by the superior officer of the Bank suggests that it is *he* who really holds the final authority to decide the exclusion, inclusion, or replacement of borrowers, not the women themselves. The endogenous group formation

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<sup>28</sup> In order to get formal recognition as a Grameen group, all members must learn and memorize rules of the Bank and the "Sixteen Decisions". In the early years of the Bank operation in the study village, when a group was ready, they then participated in a seven-day training program arranged by the Bank; they were tested orally by a superior officer and had to pass the test to get formal recognition. However, during my fieldwork I could not find this practice in the study village.

by the borrowers themselves allows the Bank to transfer its cost of information collection about prospective borrower ability to repay. It transforms the individual liability of borrowers into joint liability and makes each member accountable for every loan extended through the loan centre (Stilitz 1990; Varian 1990; Besley and Coate 1995).

A loan centre consists of six to eight loan groups and thirty to forty borrowers. At the loan centre the Bank approves loans to individual borrowers in the loan group within the loan centre by establishing a unique time cycle. In the first phase of the cycle only two members from a loan group receive their loans. The bank worker observes their loan repayment behaviours for at least two months; their satisfactory completion of the loan repayments entitles the next two in the same group to receive loans. In this credit scheme the individual client of the Bank is kept in line by a considerable amount of pressure from her peers. The loan groups and the loan centres in this system function as institutions to ensure mutual accountability.

In all study village loan centres, I discovered the establishment of distinctive and independent cycles for every individual loan in the centre. Each individual member in a loan centre has her own time cycle in which she receives and repays her loans. Normally, not more than two borrowers within a particular loan centre will belong to any single time cycle of the loan operation. These individual time cycles for members within the loan centre create a conflict of interest which I illustrate here in a hypothetical example.

We assume that in one loan centre there are forty borrowers. A, B, C and D are four persons who belong to four different groups in the centre. They have been involved with the micro-credit program for the last five years. In January 1989, A received her first loan, B received her first loan in March, C in April and D in December 1989. For the last five years, they were able to maintain their schedule in both receiving and repaying their loans with the Grameen Bank. During the sixth year, in January 1995, D received her fifth loan of five thousand taka. After receiving the loan D paid five hundred taka to her moneylender from whom she borrowed money to pay her interest and emergency payment, leaving four-



thousand five-hundred taka. At this point D loses nothing in quitting the group and not attending the centre meetings. But the other three borrowers – A, B and C – will not allow D to quit the group, because they are almost at the end of their repayment schedules and expecting their new loans in the coming months. In addition, they may have borrowed money (from kin or moneylenders) to maintain their instalments with a promise to pay them back after receiving new loans from the Grameen Bank. If D quits her group and leaves the centre, then the prospects of new loans for A, B, and C will be in jeopardy. So the interests of loan group peers A, B and C conflict with the interests of D. In this situation D will be kept in line by a considerable amount of social pressure from A, B, C, and other members of the centre.

Tara (# 76), a centre chief in the village, explains the social collateral from her own experience. As a centre chief, every week she is not only responsible for paying her own *kisti* (instalments), but she must also make sure that other members in the loan centre pay their *kisti*. The Bank gives loans to individual members but puts the “joint liability” on all borrowers in the loan centre. The bank worker “sir” comes to Tara’s loan centre every week. He sits on a nice mat on the floor of the centre house and receives the *kisti*, while the borrowers in the centre quarrel and fight among themselves on the issue of instalment collection. To make her point, Tara puts forward a local proverb that the policy of the Bank is to *bel diya bel bhanga*,<sup>29</sup> i.e., “punishing one person by using one’s own people”. In this case, borrowers take the responsibility of recovering the Bank’s investment among poor women. The collection of instalments in the centre by using the borrowers creates feuds among peers. They become hostile to each other, but the Bank loses nothing and gets back its invested loans.

In borrower training sessions before joining the loan centre, the Bank emphasizes to new applicants the importance of maintaining regular instalments. The common saying within

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<sup>29</sup> *Bel* is a local fruit which has a very hard bark on it. If one tries to break this fruit by hitting it with another object, the other object may break instead of the *bel*. So, the wisest would be to break one *bel* with another one and whichever of the two breaks is good for eating.

the Grameen culture is that” even if someone dies in the household the borrower must come to the loan centre, pay her instalment and then think about the funeral of the deceased” (Sofia #83). The hypothetical example of the Grameen Bank became a reality for Banu’s household, which is explained by Begam (#116), the centre chief. Begam reported that Banu was a Grameen borrower for ten years and she built the loan centre in her own courtyard. Her death one night in 1993 coincided with the weekly meeting of the loan centre the following morning. The bank worker came to the centre and asked everybody to submit their *kisti*, including Banu’s *kisti*, whose dead-body (*lash*) was then still lying inside her house unburied. The bank worker did not excuse Banu’s instalment that morning, and other members in the loan centre paid it.

Following Banu’s death the Bank issued a condolence letter and approved two-thousand five-hundred taka for the family from the “Emergency Fund”<sup>30</sup> of the loan group. The bank worker gave the letter to the family and used the approved fund to adjust Banu’s outstanding General Loan to the Bank.<sup>31</sup> The borrowers in this loan centre considered the dealing of Banu’s case by the bank worker as an inhuman act (*amanabik*). They brought the matter to superior officers of the Bank during a one-day workshop at the study Branch. The Area Manager responded that for “a Grameen borrower *kisti* comes first”. During the period of my own fieldwork, I found that the deceased borrower’s household is still paying weekly instalments on Banu’s House Loan.

Ali (#207) illustrates his experiences with the imposition of social collateral by peers in the loan centre. During the early years of the Bank’s operation, if any borrowers of the loan

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<sup>30</sup> The borrowers used to pay 2.5% of the interest on each of their loans into an emergency fund – a kind of insurance against death, default, disasters and accidents (see Grameen Bank Constitution, *Bidhimala* 4.7, Appendix C; and Chapter 6).

<sup>31</sup> A similar incidence is also documented by Todd (1997:27). She writes that when a male borrower died there was a ceremony in which the branch manager handed a letter of condolence and a 5,000 taka grant from the emergency fund to the widow. Immediately after the ceremony the bank worker took back 4,984 taka that the deceased borrower still owed to the Bank, leaving the widow only with the letter and 16 taka.

centre fled from the village without paying their dues, then other members would run after them to find them and bring them back to the centre. He recalled one such incident in his own centre which occurred in the second year of Grameen Bank's operation in the village.

During that time, Ali was the centre chief and one member from his centre (Male Loan Centre #1) fled from the village just after receiving the second loan from the Bank. He did not return to the village for a month. The other members in the centre paid the weekly instalments of the member who fled for two weeks but could not afford to continue any longer. The loan centre came to a standstill for a while because the bank worker refused to accept any new loan proposals. The bank worker asked the borrowers in the centre either to find the member who fled or to pay his weekly instalments. To resolve the problem of the loan centre, Ali and one of his peers travelled to Narsinghdi in Dhaka district, which is 150 kilometres away from the study village, to find the member who fled. They stayed in Narsinghdi for three days and brought him back to the village. Ali stressed that:

During those early days we accepted the Grameen Bank as our own Bank. We did everything for the success of the Bank. Now, after fifteen years we feel that the Bank has made its profit and has become famous in the world but we are still as poor as before. The members of the Bank have lost their hope and they are no more as concerned about the Bank as they were during the early years.

Like Ali, many borrowers of the Bank in the village have expressed the same attitude about their concern with the Bank. However, at the time of my own field work I found that social collateral is still strictly practised in investing loans and recovering instalments from Grameen borrowers in the village. During my fieldwork, I encountered several instances where peer pressure was imposed not only on irregular borrowers but also on their household members. When such peer pressure failed to convince the irregular borrower, then the institutional pressure (bank workers and bank officers) and wider social pressure (village *matubbars* – leaders) was imposed on the members of the borrower's household. Here is an example:

One morning I arrived at one of the women loan centres in the village. Only four borrowers out of thirty-five, and the bank worker, were sitting in the centre house. I inquired where the other members were. I was told that one borrower from one of the loan groups in the centre who comes from the neighbouring village fled from the village with her new loan. This member was issued the new loan of nine-thousand taka two weeks earlier. The member, along with her husband and child, fled on the night of her first scheduled instalment payment. The news of her disappearance caused chaos in the centre meeting. The female bank worker who runs the centre refused to accept instalments from other members unless they agreed to pay the instalment of the missing member, but none in the centre was either willing or able to pay the missing member's instalment of two-hundred twenty-five taka.

The bank worker was firm in her decision to not accept instalments. She made her point that since it is the members of the centre who recruited the member who fled, and they who made the proposition for the new loan, it is therefore they who must be accountable for her instalment. On the same day, this bank worker had another loan centre in a village two kilometres away to go for the weekly meeting and instalment collection. She worried about being delayed in going to her second centre of the day. Her delay in arriving there would allow many borrowers to depart from the centre and create chaos. In the second centre again it would take a few extra hours for the female bank worker to gather all borrowers and collect instalments from them.

The bank worker was also worried about the consequence for herself of not getting the escaped borrower's instalment; she would be victimized in her encounter with the angry Manager at the Branch.<sup>32</sup> Therefore, she sent a message to the Manager and informed him about the problem at the loan centre. The Manager, along with his Senior Assistant (the

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<sup>32</sup> In general, female bank workers in the study branch carry a bad reputation of being ineffective in collecting instalments. There were three female bank workers in the branch. The Manager often complained to me about them on grounds that they cannot be as rigid as men workers when it comes to collection of instalments. There is also a common belief among male bank workers that female workers are unable to walk to distant villages to collect instalments.

second officer of the study Branch), came to the centre and we all (the manager, bank workers, many borrowers from the loan centre, and myself) went to the homestead of the member who fled. The Manager called for the father-in-law of the borrower and enquired where his son and daughter-in-law went. The father-in-law, a man in his late seventies, told us that his son and daughter-in-law did not live within his household. They had their own household (nuclear family household), and neither the son or the daughter-in-law ever consulted anyone in the homestead about their matters. The borrower's father-in-law knew nothing about his son's destination. The Manager then approached the borrower's husband's elder brother who also was unable to help in locating his brother. As all endeavours failed, the Manager asked the bank worker to accept the other members' instalments and to go to her next centre.

The flight of one borrower with her new loan destroyed the credibility of the centre and jeopardized the prospects of new loans for other eligible borrowers in the same loan centre. The bank worker insisted that the other regular members in the loan centre must find her or pay back her dues in order to get their new loans. Refusal to extend new loans to eligible borrowers in the centre created hardship for the households of these borrowers. The male members of these households and the Manager went to the Chairperson of the *Union Parishad* and other *matubbars* and requested that they solve the problem through a *shalish* (village court).

A *shalish* was called about one and a half months after the member fled. The father of the fleeing member's husband was asked to represent his son in the village court. After a lengthy discussion, the village court gave its verdict by explaining that the flight of the borrower's husband with a bank loan is not only an act of immorality, but it had brought shame to the village and also caused hardships for many other Grameen borrowers in two villages. The father was declared responsible for the act of his son and ordered to pay back his son's dues to the Bank within six months. The verdict of responsibility of the father of the fleeing borrower's husband reveals the framework of patriarchal ideology – the father as male

head of the household or homestead must take the responsibility for his offspring irrespective of age and sex. It also reveals the effectiveness of the societal ideology as well as the “social sanctions” in the operation of the credit programs in rural Bangladesh (Besley and Coate 1995:9). Juxtaposition of the public and hidden transcripts of the Bank in this context exposes an ironic contradiction: the institution advocating individual responsibility and women’s empowerment through a break from patriarchal hegemony is itself beholden to continuity of patriarchal structure for its operation and realization of financial sustainability.

#### **5.4. Networks of Borrowers and Bank Workers**

An understanding of the formal networks (between borrowers and bank workers) and the informal networks (among borrowers themselves in the loan centre) is important to comprehend the loan operations in the village. The bank workers of the study branch, who run the loan centres, invariably maintain a strong clientele network with one or two influential members in each centre in order to achieve smooth loan operations. These influential members are often favoured by the bank worker and they are in a position to influence loan operation decisions in the centre. In all five loan centres in the study village, I discovered *an identifiable power hierarchy among borrowers*. The influence of such power hierarchies on loan operation decisions also has implications for aggression and violence escalation discussed in Chapter 6.

In addition to the formal networks between bank workers and influential members, the women borrowers in the centre also maintain informal social and economic networks among themselves. The informal networks, particularly those with influential members in the centre, are strategic to the borrowers for receiving new loans in a timely manner and for getting loan group peer cooperation in times of crisis during weekly loan instalment payments. In this section, I illustrate these networks and how they are produced and maintained in the study village.

It is possible to argue that the importance of building and maintaining networks by bank workers with one or two members in the centre is obvious because of the current structure of the Bank. The Grameen Bank extends credit predominantly to women in the rural areas of Bangladesh but through its male bank workers, who represent 91% of the total workers involved in the field-level operation of the Bank (Todd 1995:187). Susan Holcombe (1995:93) states,

Grameen management has not had success in creating the conditions that encourage growing numbers of women to work with Grameen. ... [S]enior management had not, by 1991, taken the strong measures, such as setting targets, for increasing women staff, as it did for attracting women clients.

There is a common belief among male bank workers that female workers are not competent for the Grameen Bank work; women are seen as not being able to work as hard as men, and unable to walk to distant villages for loan centre meetings. At the time of my research none of the eight managers under the area office were women; the area manager and program officer were also men. In the study branch nine out of the twelve bank workers were male. Female bank workers have often been accused by their male colleagues of being less effective in collecting instalments. The manager of the branch stated that “women bank workers cannot be as rigid as men workers when it comes to collection of instalments”. However, Goetz (1996) suggests that in village-level credit programs female field workers are more sympathetic to the constraints faced by women borrowers; due to their exclusion from most male networks they are less susceptible to co-optation by local male elite than their male colleagues.

Bank policy does not allow hiring of local male workers, therefore, all bank workers who work in a local Branch are outsiders. The patriarchal norms of the rural society create obstacles for outsider male bank workers to contact local women directly for organizing them in the credit program. These obstacles are resolved by utilizing the patriarchal hegemony – men as the decision makers – through the mediation of household males. As bank workers at the study branch explained:

In establishing a new loan centre in a new village the common practice of a male bank worker is to first approach a few men from the prospective borrowers' households and ask them to send their women to form loan groups. After the contact is made these women then organize other interested women in loan groups and set up their loan centre.

There are at least two apparent consequences in establishing a loan centre this way:

i) women who are first contacted through their men and given the responsibility of recruiting other members for the loan centre accumulate some power in the process and they often become influential members in the centre; ii) it opens the possibility for a bank worker to transfer his own responsibility of organizing loan groups to the women who are contacted first. This process indirectly contributes to the creation of a power hierarchy and uses this hierarchy to facilitate loan operations in the centre. Even though female bank workers were able to contact women borrowers directly, in two village loan centres they maintained and used the power hierarchy of the borrowers for their loan operation. For these women, using the power hierarchy of borrowers in loan approval and instalment collections is *strategic* to the development of reputation in instalment collection from borrowers; it increases bank workers' "cultural capital" and thereby enhances loan centre operation.

I illustrate here the initiation and development of the loan centres for women in the village which exemplifies the process through which borrower power hierarchies are built and maintained in the loan operation. There are five female loan centres in the study village. Ali's (#207) wife Khatun (#156) started the first women's loan centre in *Bepari Para* in May 1980. Most borrowers in the first two loan groups were wives of male borrowers. In the study village the *Bepari* clan has the lowest social status and not many women from other lineages in the village were interested in joining the loan centre in the *Bepari* neighbourhood. Sofia (#83) heard about the Bank and became interested in joining the Bank to borrow money for her husband's business. Her husband did not allow her to go to the loan centre in *Bepari Para*, so she talked with a bank worker about her interest and asked his permission to organize loan groups and establish a loan centre in *Dhokkin Para*.



Sofia, the most influential member of the study Branch, started the second women's loan centre in the village. She worked hard for more than a month to organize the first two loan groups to start this second centre. Most women she approached were afraid and not interested in joining the Bank. So she organized loan groups with her own relatives,<sup>33</sup> ritual kin, close friends from the neighbourhood, and a few borrowers from her natal village located near the study village. After forming two loan groups and establishing a loan centre in a neighbour's homestead, Sofia started the centre in June 1980. She became the first centre chief and held the position for many years.

Sofia established three more loan centres for women in the village on her own initiative. She encouraged her own relatives to start all three centres but retained some power to recruit borrowers for these centres. At the time of my field work, I found that Sofia maintained close contact with the starters of these loan centres and thus influenced decision making. Sofia claimed that her leadership as a centre chief and her hard work among other women in the village encouraged many borrowers to form loan groups to join her centre. At the end of 1983 her loan centre was full and unable to accept more borrowers.

In 1986, the bank worker asked Sofia to organize and start another new centre (the third) in the village. After six years of Bank lending operation in the village, most people knew about Grameen Bank activities. Many women used to go to Sofia for her permission to start new loan groups and open another loan centre. Sofia gave the responsibility to start the third loan centre for women in the village to one of her *Jaa* (husband's patrilateral parallel-cousin's wife) while retaining most of its member recruitment authority for herself. The third centre, in which most borrowers are Sofia's relatives and quasi-kin, started its loan operation in April 1987. The *kendra ghar* (centre house) of the third centre is built on the same homestead as Sofia's first one, and during my fieldwork the scheduled day of the weekly meetings of these two centres was the same day. Such strategic settings for loan operations

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<sup>33</sup> Here, "relatives" are kinfolk from the borrowers' husbands' side and women's kinfolk from their natal villages.

has enabled Sofia to retain the loyalty of other borrowers toward her and to maintain her informal network with her own people in the centres. The bank workers who come to run these and other loan centres in the village always keep close relations with Sofia, listen to her decisions about new loan approval, and use Sofia's influence in their centres to collect instalments.

The last two centres in the village were established in 1989 and 1993. The fourth centre was organized and started by Rani (#2), a niece (patrilateral parallel-cousin's daughter) to Sofia who is married into the study village. Rani belongs to a landless household and Rani's husband casually works in the *Elashin Bazar* saw mill. Even though Rani qualified to become a Grameen borrower, her request for a membership in Sofia's loan centre was refused for many years by her aunt. Rani's husband and their son are known in the village as big gamblers. Sofia was afraid that Rani's husband may gamble with the loan money, which would cause problems not only for Rani to pay back her instalments but also would create problems for Sofia's loan centre. But Rani was persistent and eventually convinced her aunt (*fufu*) to talk with the bank worker for the new loan centre. In 1989, Sofia acquired verbal permission for her niece to start a new centre on Rani's own homestead.

Rani organized loan groups by recruiting women from her own homestead, from the neighbourhood and from her natal village. She built a small hut as centre house (*kendra-ghar*) on her own homestead by collecting money from newly recruited members prior to the beginning of operations in April 1989. The fifth loan centre in the village was also organized by Rani who selected the first centre chief; it has been operating in Rani's *kendra ghar* since December 1993. In February 1994, two months after the initiation of the fifth centre in the village, Rani's eldest daughter Rubi (#54), who is married but living in her natal home, joined this fifth centre loan group and became the centre chief.

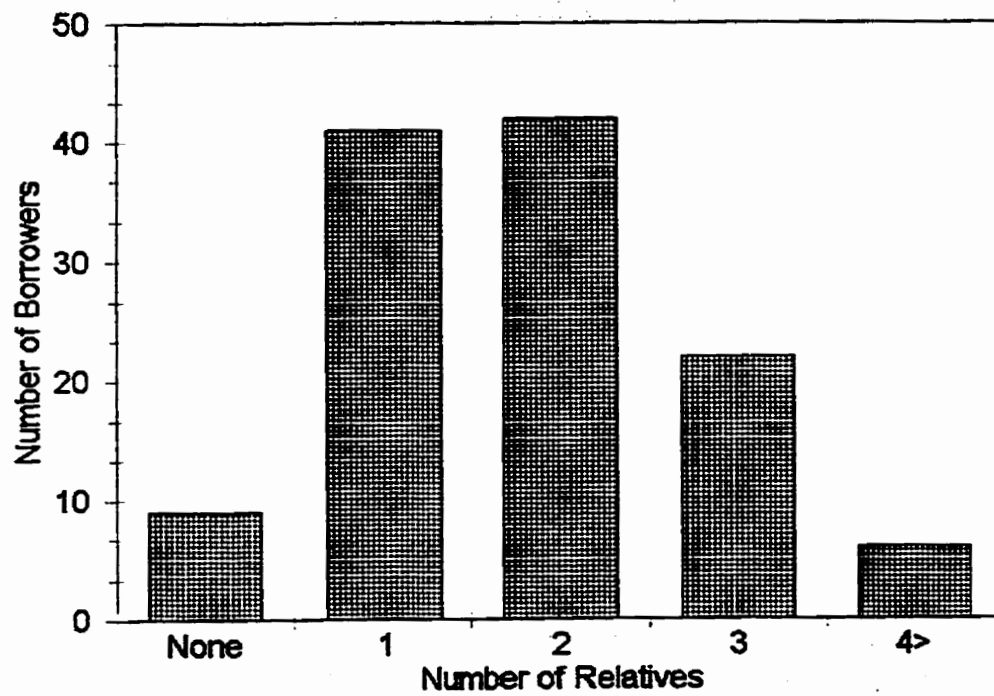
The Grameen Bank constitution (*Bidhimala*) states that "all the members of the group must be inhabitants of the same village". The constitution also discourages borrowers from forming loan groups with close relatives (see *Bidhimala*, Appendix C, Section 3.5. and 3.6.).

However, the example shows that Grameen borrowers in the village commonly establish and maintain their networks within the loan centres through relatives who are also Grameen members. Figure 5.3 shows that only nine of the 120 women borrowers are without any relatives who are also Grameen Bank borrowers. Forty-one borrowers have at least one relative, 42 have two, 42 have three and 6 borrowers have four or more relatives involved with the credit program of the Grameen Bank. There are also thirty-three households in which both husbands and wives have become Grameen borrowers.

The constitution sets forth regulations concerning election of group chairs, and centre chiefs which should be done once in every year by the borrowers at the loan centre. The group chairs and secretaries are to be elected by the group members in *Baishakh* (first month of the *Bangla* calendar year). Then the group chairs of each centre elect a centre chief every year in *Asharh* (third month of the *Bangla* calendar year, see Appendix C, Section 3.7. and 10.2). According to Grameen bylaws, the elected office bearers in the loan centre serve for one year and they cannot be re-elected until all the other members have had their opportunity to serve in leadership positions (see also Bernasek 1992; Holcombe 1995).

The intent of setting up a structure of office bearers in the loan centre is to facilitate a smooth loan operation by transferring accountability to the centre leaders and ensuring regular repayments of instalments. The public transcript of electing new members each year to fill the positions in the centre is to create leadership among poor women in rural Bangladesh, and raise their self-confidence. However, my findings on loan centres in the study village uncover that the original leadership of four centres was from one member (Sofia). This one member then selected the leaders from the borrowers in the centre who are her kin, such as Rani and Rubi, but retained the authority to influence the decisions of these loan centres. Over the last ten to fifteen years the leadership in the loan centres in the study village was nominally handed to different persons, but in reality it was Sofia and Rani who retained control of loan operation decision making.

**Figure 5.3** Relatives of Women Borrowers Involved with Grameen Bank in Pas Elashin, Bangladesh, 1994-95 (n=120)



I have mentioned earlier in this section that the influential members in each loan centre very commonly gain power as the organizers and the initiators of the centre. By starting the loan centre, they gain some authority to decide about the recruitment of peers. In the loan operation activities in the centre they develop a power position and status within the centre. The organizers of the centres hold the position of centre chief for the first few years and then typically hand the position over to someone from their own network but still within their sphere of influence. In 1994-95, in two village loan centres out of five, the initiators of the centre were centre chiefs, and in the other three they are not centre chiefs *de jure* but they hold *de facto* power as they decide almost every issue of the centre.

Perpetuation of such power relations in the loan centres are supposedly contradictory to Grameen Bank ideology, yet such power hierarchies have been noted in another study in Bangladesh (see Todd 1997). The bank workers in the local office not only recognize such power hierarchy within the loan centres but also use this power structure to their own benefit. The bank workers report that influential members in the centres are helpful in conducting loan centre operations. Influential members take the responsibilities for instalment collection from other members and ease the stress and burden of the bank workers.

### **5.5. Social Development Initiatives of the Bank**

In this section, I discuss the social development initiatives of the Grameen Bank. Interaction between borrowers and with bank workers within the loan centre is important to comprehend the “rituals” of the Bank – chanting slogans or doing physical exercise.

In 1984, after eight years of Bank operation in rural Bangladesh, the Bank introduced a comprehensive social development plan with various components for the borrowers of the Bank. The Grameen “social development constitution” was first formulated by women borrowers into a national workshop and then it was incorporated in the public transcript of the Bank for propagation among members of the credit program (Fuglesang and Chandler 1993:120). The social development constitution of the Bank is also known as the “Sixteen

Decisions” on improved social practices to be implemented by all members of the Grameen Bank for their social, economic, and human development (see Appendix B). The prime objective of the Sixteen Decisions is to focus on fundamental social change among poor women in rural Bangladesh. Introduction of these decisions in the public transcript has brought recognition to the Bank as an institution for socio-economic development and empowerment of women rather than a strictly economic development enterprise (Fuglesang and Chandler 1993).

The initiatives of social development start with the agreement of the members of the credit program to abide by the Bank’s four fundamental principles, i.e., discipline, unity, courage, and hard work in every aspect of their lives. The members pledge to educate their children through centre schools, ban dowries in their children’s marriages, build better houses, and use pit latrines. In its public transcript the Bank stresses that members of the credit program not only memorize the Sixteen Decisions, but they must practice them in their everyday lives. The process of indoctrination of the Sixteen Decisions by individual borrowers starts from the beginning of the training sessions before joining the Bank; members must continue their learning through regular participation in weekly centre meetings in the village and through attending various socio-economic workshops occasionally organized by the Bank (Khandker, Khalily and Khan 1994; Yunus 1997).

In the study village, members who joined the Bank during the early years of its operation recalled that they went through learning sessions provided by the bank workers and their loan group peers to become educated about the Bank and learn how to write their names. Most women borrowers do not have any formal education (schooling) and do not know how to write or read. However, borrowers have to know how to write their names on loan applications before they are approved loans from the Bank (see Figure 4.6). Many women borrowers were excited to express to me their memories of learning how to sign their names. Sufia (#82) said,

We spent many hours before joining the Bank to practice how to write the letters required to compose our names. We could not afford to buy paper and

pen; we wrote on earth with bamboo sticks and did it not only during the formal training session but also when we cooked or sat and gossiped with other women in the homestead.

In the study village, I found five women borrowers who changed their given names, because they are long and complicated, and took new short and easier-to-write names in order to join the Bank and get loans. Whether the names are given or arranged, the informants' ability to write their names is a source of pride and encouragement for literacy of the poor women in the village.

Both female and male borrowers in the village who joined the Grameen Bank credit program in the 1980s, remember that during the early years of Bank operation bank workers emphasized heavily the importance of the Sixteen Decisions. As Hafiza (#80), who joined the Bank in 1980, reported,

Unlike now, every weekly meeting of the centre had to start with slogans of four Grameen principles: "discipline, unity, courage, and hard work – we shall follow and advance these in all walks of our lives", and practice of regular physical exercise. "Sir" (the bank worker) spent a good portion of his time in the centre discussing the importance of practising the *Sholo Shidhanto* (Sixteen Decisions). Members were encouraged to adopt the components of the Sixteen Decisions in their daily lives.

Hafiza, however, emphasized that the Grameen Bank now has become a *kistir* bank (whose main objective is to collect instalments) and has lost its agenda regarding the *Sholo Shidhanto*. Such shifts in program agendas are also reported from other micro-lending institutions in Bangladesh. Montgomery (1995:11) reports in his study on the Rural Advancement Committee (BRAC) :

Unlike in previous years, when field staff were ideally 'facilitators' for strengthening solidarity groups (VOs) [Village Organizations] into village level institutions, present day RDP [Rural Development Program] staff are more likely to perceive themselves (and be perceived by members) as 'policemen' and debt collectors.

During my stay in the village, I encountered a very different picture than Hafiza described to me for the early period, or what I read concerning the function of Bank loan centres. I participated almost regularly in weekly meetings of all five loan centres during my

ten month stay in the village, but I am unable to recall a meeting that started at its scheduled time. The normal scenario was that only a few members came to the meeting on time before the arrival of the bank worker, and others showed up after receiving the news of the Bank worker's arrival. In two loan centres, the bank workers came after collecting their instalments from other villages. They were invariably late in arriving at the meeting. Their delay caused most members to leave the centre to take care of household chores.

After arriving in the loan centre the bank worker insists that the group chairpersons find their absent members prior to his/her collection of instalments. Borrowers unable to manage their instalments are always unwilling to come to the meetings, and they must then be forced by peers to turn up at the loan centre. This causes delay in conducting the meetings; a good portion of the meeting time is spent in rounding up borrowers in the centre. When the majority of centre members arrive in the centre, then the bank worker gets busy collecting instalments, leaving hardly any time to concentrate on rituals or discussions of social development initiatives.

Meetings in loan centres usually start without the recitation of the fundamental principles of the Bank, or maintaining proper seating arrangements, or chanting Grameen member mottos, or doing physical exercise (see Fuglesang and Chandler 1993). On a few occasions bank workers did ask the centre chief to start the meeting formally, where the centre chief leads the ritual of the meeting (physical exercise and chanting slogans), but it is rarely followed properly by most other members, who are busy counting or arranging their instalments.

However, on the occasion of an outsider's visit (local or foreign guest) or the visit of the superior officers (zone, area or branch managers), the discipline of the centre is properly maintained and all rituals are practised. The centre visit by superior officers is not frequent, but whenever they visited a loan centre they discuss social development issues with centre



borrowers.<sup>34</sup> The higher officer for the Area Office always maintained that “every bank worker must spend part of his/her time in the centre discussing the concerns of our members”.

During my initial visits to the loan centres in the study village the borrowers were asked by the bank workers to maintain the discipline of the centre. The bank workers also discussed the social development issues after their instalment collection. As I stayed longer in the village, my informants (borrowers and bank workers) forgot that I was an “outsider” and did not bother to follow the discipline or the rituals.

Both bank workers and borrowers are aware of their obligation to practice the rituals in centre meetings, but during the meetings both sets of people become busy with their own concerns and follow their “practical intelligibility” to meet the forthcoming realities of the situations (Bourdieu 1977). The bank worker is busy collecting instalments, and the members are busy arranging their own instalments. Shafiq (#205), a bank worker, expressed:

As a bank worker our first responsibility is to collect *kisti* from every member. We are not expected to return to the branch leaving behind any of our instalments in the field. So we try our best to collect all due instalments from the loan centres by all possible means.

This informant explained that in the loan centre they really have no time to follow the discipline of the centre or discuss issues of social development. Without exception, in every meeting some borrowers come to the centre without their full instalments in hand. They hope to either borrow the amount from peers or arrange their instalments by recovering the money they may have lent to other peer borrowers in the centre. In the centre meetings negotiations and disagreements between members on these issues (borrowing/recovering) continue, often resulting in disputes, and thereby creating a tense situation which needs bank worker intervention.

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<sup>34</sup> During the ten months of my fieldwork, the Area Manager visited loan centres in my village once when the Branch Manager accompanied him. The Manager of the Branch came to loan centres in my study village three times to settle the problem of instalment payments of borrowers (see Todd 1997:181).

In addition to the ritual of the Bank, the other important components of the social development initiatives are centre schools for children, workshops for skill development, abolition of dowry, and sanitation for good health (Fuglesang and Chandler 1993:120). The Grameen Bank (1994) reported that by 1994 the Bank had helped its borrowers to operate more than fourteen thousand (14,084) schools enrolling nearly four-hundred thousand (396,289) students (Khandker, Khalily and Khan 1994:100). However, this was not the case in my study village, nor did I hear about any Grameen loan centre school in the study Branch. In the study village there are two schools for children; one is a private elementary school, and the other is run by the Bangladesh Rural Advancement Committee (BRAC), a non-governmental organization. This may be the reason there are no Bank-sponsored schools associated with the loan centres in the village.

The Bank organizes day-long and week-long workshops for its borrowers in order to educate and train them in bank operation, nutrition, livestock, poultry care and other social development issues. In 1994, the Bank organized more than eleven-thousand seven-day workshops and over twenty-six-thousand one-day workshops for Grameen borrowers (Khandker, Khalily and Khan 1994:100). During the period of my fieldwork, two one-day workshops (one for male members and another for female members) were held at the study Branch where the discipline of the loan centre and the importance of maintaining regular instalments to keep the centre in good shape were discussed. Prior to the beginning of my fieldwork, Rina (#03) attended a week-long workshop on nutrition, health care, pregnancy and child birth in the Area Office. Rina is a close friend of her centre chief Rani (#02); she selected Rina to attend this workshop. For Rina, the most rewarding part of this workshop was receiving a daily cash allowance and three free meals a day. Rina described her experience in this workshop this way:

Sir and *apa* (male and female speakers) were from the city and they were very educated people. They talked and talked. Many times I could not understand what they were talking about. Other times they were talking about things which we already know, such as local practices during pregnancy and child birth. Surely, I learned some good things from the workshops. I was asked to

share my experience with other members in the loan centre. But since my return from the workshop no one has asked me to discuss my experience with others in the centre.

The Grameen social development constitution shuns the “curse” of wedding dowries, but the Grameen position is not adopted by the borrowers in the village. Dowry as a form of “pre-mortem inheritance” has been practised in India for centuries (particularly by Hindu families where women’s inheritance is not recognized) as a way of transferring woman’s rights to property at her marriage (Goody and Tambiah 1973:1; Sharma 1993). However, the practice of dowry has now become widespread in every part of the subcontinent. With some degree of variation dowry is commonly practised in all regions of Bangladesh (Ahmed and Naher 1987). In the study area, giving or accepting dowry in marriages has become a decades-old tradition and is practised regardless of socio-economic class. Parents often discuss dowries openly, and take pride in receiving high dowries for their sons.

The Grameen Bank reports that in 1994 there were more than thirty-thousand dowry-free marriages among Grameen borrowers (Khandker, Khalily and Khan 1994:100). In my village, however, I could not find evidence of a dowry-free marriage. Moreover, all Grameen borrowers reported either giving dowries for their daughters or accepting it for their sons or planning to practice it in the future. I present here two examples from the study village.

Soon after the start of my fieldwork in the village, many informants (primary and secondary) told me that Ali (#207), one of the first Grameen borrowers, had appropriated a large amount of money from a joint-project loan fund of his centre and used it to pay dowries for his daughters. Ali always denied the allegation and maintained that the joint project failed because of the dramatic drop of the market price of mustard seeds which they bought and stored for profit. As Treasurer of the joint project, everyone blames him. However, Ali and his wife, both Grameen borrowers, reported their yearly household income as ten-thousand taka but admitted paying about sixty-thousand taka in dowries for their daughters’ marriages. Ali never regretted paying such a large amount because he has four sons and three of them

are still to be married. He plans to bargain hard at the time of their marriages to get all the money back from the brides' sides.

I also observed situations in the village where dowries are financed by Grameen loans. Here is an example. Milla (#85) is an elderly widow, a borrower of the Bank since 1980. She lives with her youngest son and daughter. Her oldest son lives in Dhaka and works in a jute industry as a labourer. During the time of my fieldwork Milla's daughter married, and the household members paid twenty-thousand taka as dowry to the groom's family; the groom had a low ranking job in a paramilitary unit (*Ansar*). Half the amount (ten-thousand taka) was collected from Milla's eldest son's savings from his factory job and from the sales of household resources (one large tree was sold). The other half was arranged from the Grameen loan. Before Milla's daughter's marriage was settled, this loan was negotiated by Sofia (#83), who discussed the matter with the bank worker and then initiated the loan application. After receiving a ten-thousand taka loan from the Bank, Milla handed the total amount to the groom's father as her daughter's dowry. When the ceremony was over, I probed into the matter with Milla and indicated to her that giving dowry is against the social development component (Sixteen Decisions) of the Grameen Bank. Milla's response was straightforward.

If we do not give dowry no one would marry our daughters. If the Bank asks us not to pay dowries then our sirs (bank workers) should marry our daughters. Sirs themselves demand and accept dowries in their marriages and ask us not to practice it!

The marriage of one of the bank workers at the study branch coincided with the marriage of Milla's daughter. I knew, and many borrowers in the village knew as well, that this bank worker had accepted dowry from the bride's family. Milla rationalized the use of her entire loan to pay dowry by situating it in the context of the marriage of the bank worker.

Examples of Milla and Ali explain informant rationalization of why they do not abide by the rule banning wedding dowries. Milla is aware that in the present situation her daughter can only be married by giving dowry. The marriage of the daughters in their "appropriate age" brings *ijjat* (honour) – social and symbolic capital – for the household. If girls stay longer in

the natal home without marrying, then they not only bring *durnam* (bad reputation) for the homestead and the lineage, but parents must also pay higher dowries because of late marriages.<sup>35</sup> Ali and his wife, who gave dowries at their daughters' marriages, are unlikely to refuse it when the time comes for their sons to marry. The dowry of their sons in the household will substitute the dowries of their daughters. The cycle of giving and taking by parents themselves makes it hard for an immediate removal of the practice from society. Moreover, the practice of dowry in the study area provides not only material transfers but also a way of gaining cultural capital where parents take pride in securing high dowries for their sons (see Sharma 1993:353).

Another issue of social development is the encouragement of environmental sanitation through use of pit latrines. The purchase of a pit-latrine is a condition of receiving a "House Loan" from the Grameen Bank. When a member is approved for a house loan she must buy one pit latrine from the Grameen Housing Project. At the time of my fieldwork, 49 of 120 women borrowers were approved house loans in the village. In a few homesteads more than one homestead member received a house loan and therefore a requirement for more than one pit-latrine. The total area of the study village is 0.85 square kilometre, with a population of 1,428, which makes the village a very densely populated one. Because available space to set up pit latrines is scarce, many homesteads decide to build only one latrine. The other latrines required of loan recipients lay idle in the yard. In other cases where the space is scarce but where each member decides to set up their own latrine, they are often placed in improper sites, such as beside footpaths. In these homesteads there are more latrines in the homestead than are actually needed by homestead members. During my field research, a British development worker – now a resident in Bangladesh – visited my research site. As he was walking through the study village he commented that the "the pit-latrine project of the Bank

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<sup>35</sup> The informants believe that girls ought to be married out soon after they reach their puberty or "...the amount of dowry generally increases with the bride's age"(Schuler, Hashemi, Riley and Akhter 1996).

is creating more pollution than it is contributing to public hygiene". I probed this matter with members of borrower households and with the bank workers. The response of the bank workers was that the "Housing Project" is an independent project which has nothing to do with the Bank's credit program. "The policy of making latrines compulsory with the house loan is decided by senior management officers of the Bank for the betterment of members. The bank workers admit that they are aware many latrines are never set up and are left unused on the ground for many years. They rationalized this fact by stating "it is not possible for the Bank to change its policy because a few members are not using their latrines".

The analysis of the social development initiatives of the Grameen Bank suggests that these initiatives are introduced to achieve improved social lives for members. Problems occur in implementing such initiatives. However, with slight modification many of these problems can be addressed. With all the practical issues and problems some informants feel that, through their involvement with the group, they were able to bring some changes in attitudes and expressions. Achia (informant #17), who has been involved with the Grameen Bank since 1989, expressed it this way:

Before I joined the bank, I was very introverted and shy to speak in front of people. When I came to my husband's homestead ten years ago, people used to gossip about my quietness. After I joined the Bank I have started to change my behaviour. Within five years with the loan centre I have become more vocal. In the centre we meet different members, we talk with each other, we quarrel with each other, we fight for each other's *kisti* which makes one more open and vocal. Now I am the centre chief, and shouting and screaming at other members is my regular job at the centre meetings. In fact, the survival needs in the centre makes one more vocal and self-expressed.

The expression of Achia can be characterized as the self-esteem of the members. Many informants in the study village express feelings similar to Achia; the survival needs of Grameen members encourage them to be more vocal not only in the loan centre but in many instances in their household interactions.

The organization of women in the study village has encouraged many women borrowers to achieve self-esteem, like Achia in the example. The organization of women

within patriarchal hegemony also has helped the study branch to achieve its investment and repayment goals. However, the social and institutional pressure for disciplining the credit behaviour of the borrowers, and the maintenance of a power hierarchy within a loan centre, produce unintended consequences for borrowers and their households. This is particularly important for an understanding of the escalation of aggression and violence in society, specifically against women, that is discussed in the next chapter.

## **CHAPTER SIX**

### **DISBURSEMENT AND RECOVERY OF LOANS: BASES FOR ESCALATION OF VIOLENCE?**

In this chapter I discuss the disbursement of loans by the Grameen Bank in women's centres, the uses of loans in the household economy of borrowers, and the structure of loan repayment in the study village. In the previous chapter, I discussed the gulf between the Bank's vision of lending to women and the practices of informants (bank workers and borrowers) in the study village. I continue the discussion of this gulf in the practices of loan disbursement, loan use and the loan recovery process. The current practices of loan disbursement, loan use and recovery create unintended consequences in the form of escalating hostility and violence in the community in general. Why and in what way women borrowers are targets of this rising violence is analysed in this chapter.

#### **6.1. Loans in the Study Village**

During the period of my fieldwork (1994-95), the Grameen Bank extended three different types of loans – General, Seasonal and House – among its borrowers in the study village. The borrowers also recalled a few other types, such as collective, family, tube-well and capital recovery loans which were approved before and gradually eliminated because of the failure of their rates of recovery. In May 1997, at the time of my follow-up research, I found that the Bank had introduced two more types of loans – Animal Sharecropping and Leasing Loans – for its borrowers.



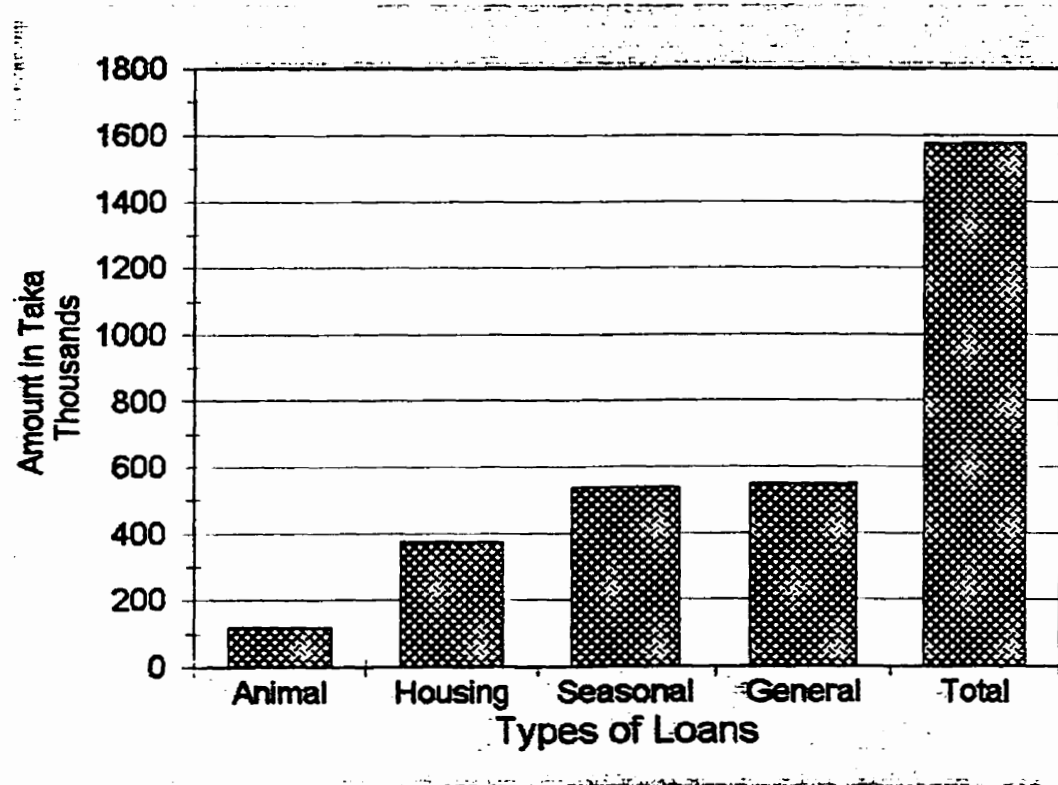
**MICRO-LOANS (GENERAL AND SEASONAL):** The General and Seasonal loans of the Grameen Bank, which I term “micro-loans”, are the mainstay of the Bank. The Bank approves General Loans to borrowers for non-farm, non-agricultural activities. The main objective of extending this loan is to provide Grameen borrowers with the opportunity to generate a regular flow of income throughout the year instead of a seasonal pay-off which is common for agricultural societies such as rural Bangladesh. In the study village, the General Loan starts with three-thousand taka, and the upper limit of this loan is ten-thousand taka.

The Bank introduced Seasonal Loans in the study village in 1992. The main purpose of this loan is for borrowers to invest in seasonal cultivation or seasonal businesses, such as irrigation of agricultural fields, purchase of fertilizer or purchase of grains during the harvest season to sell during the off-season. However, in practice, the conditions of the use of Seasonal Loans are very flexible and “these loans tend to protect the general loan and to keep borrowers from reverting to the moneylender. They are also proving to be a factor in accelerating a branch’s time to break-even financially” (Fuglesang and Chandler 1993:108-9).

At the end of 1994 the cumulative disbursement of the Bank was about forty-five thousand million taka (more than a billion US dollars), over 85% of which was approved as micro-loans (Khandker, Khalily and Khan 1994:94). The cumulative disbursement of the study Branch at the end of May 1997 was over 1.5 million taka, 70% of which was disbursed in the category of micro-loans. Figure 6.1 shows the loan amounts in different categories disbursed among women borrowers in the study village.

**HOUSE LOANS:** The House Loan is approved to individual borrowers through the Housing Project (an independent project) and administrated by local Branches of Grameen Bank. The objective of the House Loan is to give the borrowers the opportunity to build better houses. The maximum amount for a House Loan approved to individual borrowers is twenty-five thousand taka, with the condition that the borrower must buy eight concrete pillars and a pit latrine produced and supplied by the Housing Project. At the time of my

**Figure 6.1** Types of Approved Loans to Women Borrowers in Pas Elashin, Bangladesh, May 1997



fieldwork I recorded forty-nine women borrowers out of 120 who received house loans from the Bank.

The borrowers who received House Loans in the village frequently complained about the quality of the pillars supplied by the Bank and complained about the price charged – higher than the market price – and deducted by bank workers from the loans before releasing them to borrowers. At the same time the House Loan boosts the prospects for the Bank to keep the loan centres and individual borrowers in regular standing. Nearly all women borrowers in my study village are attracted to House Loans. Fourteen women out of 120 reported to have joined the Bank just to get House Loans; five of them had already received house loans, a few others waited for their turn, and some gave up hope. For example, Hayat (#27) was sent by her husband to join the loan group in 1992 for a House Loan. Hayat accepted both General and Seasonal Loans for two consecutive years and became eligible for a House Loan in 1994.<sup>36</sup> Subsequently, she tried to get her House Loan but was unsuccessful because of her uncongenial relationship with Rani (#2), the most influential member in her centre. Since Hayat failed to get a House Loan, she was forced by her husband to leave the loan group in early 1997 prior to my follow-up research.

**CATTLE SHARECROPPING AND LEASING LOANS:** These are two types of new loans introduced in the study Branch in 1996. The Bank approves six-thousand taka to individual borrowers to buy cows for sharecropping. The borrowers care for their stock for six months and then sell it for profit. The borrowers must pay the principal and interest – a total of seven-thousand five-hundred taka to the Bank – in one instalment after the six-month term of the loan is over. At the end of May 1997, the Bank disbursed over one-hundred thousand taka among women borrowers in the village in the form of Cattle Sharecropping Loans. The Leasing Loan is a larger amount (usually more than one-hundred thousand taka) lent to the

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<sup>36</sup> To become eligible for a house loan, the borrowers must be group members for at least two years with good repayment records on their loans. The women borrowers must also provide documents proving land title for building a house.

borrower to invest in vehicles or machinery, for example, rice or flour mills. In this arrangement the Bank holds the ownership of the project until the borrower repays the loan. The local Branch has not yet disbursed this loan among women borrowers in the study village.

**GROUP-FUND LOAN:** The Group Fund is primarily an accumulation of “group loan tax”, i.e., a deduction of five percent for every loan approved to individual borrowers that is deposited into a joint Group Fund Account (GFA) with the Bank. Until 1996, the individual borrowers had no personal right or claim over their savings in GFA but could only borrow a portion of it with a consensus of other group members (*Bidhimala* 4.5.a). The Bank approves loans from the group fund for both household consumption and investment needs.

The Grameen Bank maintains its micro-credit operation within a 52-week (one year) time cycle. The first fifty weeks cover the entire (100% ) repayment of the principal amount (the borrowers pay 2% on the capital amount every week). The remaining two weeks of the year are for payment of the interest and contribution to the emergency fund.<sup>37</sup> In most investment loans the bank charges the rate of 20% interest; the emergency fund contribution is 25% of the grossly calculated yearly interest amount. The interest and emergency fund contribution together are 12.5 times greater than the borrower’s weekly instalment; the borrower must pay in the remaining two weeks of the year to become eligible for the next loan from the Grameen Bank.

## **6.2. Approval and Disbursement of Loans**

The “hierarchical lending structure” of the Grameen Bank, discussed in Chapters 1 and 5, is sketched briefly to assist its analysis. The lending structure of the Bank involves borrowers in processing requests for individual loans proposed by the group and formally initiated by the centre chief. The public transcript for involving borrowers in processing

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<sup>37</sup> By the end of 1996, the Grameen Bank had modified repayment terms. Now the interest payments are spread over fifty weeks and accepted with the instalment payments. Collection of an emergency fund was terminated in 1996.

individual loan requests is to empower them by giving opportunity to take part in loan centre decisions, and to transfer an individual's loan liability to the collective. However, each individual within the rural lending hierarchy holds the power to either reduce or refuse the loans stemming from the group (see Figure 1.2). In practice, the bank workers in this hierarchy hold the final authority of acceptance or refusal of new loans. This practice is a contradiction of the Bank's basic philosophy of "empowerment" of women; it leads to their "disempowerment" by virtue of actual decision making in the hands of bank workers (UNDP 1997:13).<sup>38</sup>

The normal practice involved in processing loan applications in all women's loan centres in the village deviates from the ideal of the Bank. The loan proposal and loan disbursement in reality is accomplished by the cooperation between influential members of the centre and the bank worker. At the centre level, it is not the group chairs but influential members – often the centre chiefs – who informally initiate the loan proposals. These influential members first consult the bank worker prior to formal initiation of the loan proposal by the loan group.<sup>39</sup> The initiation of an individual borrower's loan application and reception of her loan in a timely manner is influenced by the borrower's relationship with influential members in the centre. If the borrower fails to maintain a congenial network (*bhalo shmparka*) then she may become a victim of personal malice. Dolly (#59) was one such victim.

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<sup>38</sup> In June 1997, UNDP organized an international workshop on "Emerging Issues on Gender and Microfinance" in Bangladesh, in which I was a participant. After field visits of several micro-lending organizations, including the Grameen Bank, the general sentiment of workshop participants was that the mechanisms by which microfinance is delivered may be "disempowering" for women even though they may have a positive impact on poverty reduction (see UNDP 1997: 11-13).

<sup>39</sup> In the study village, the loan centre proposals are formally submitted in writing on paper. The proposal is drafted by the bank worker and must be signed by both the group chair and the centre chief.

Dolly was a casual wage worker in the village who worked mainly in the earth cutting project of the World Food Program. Her husband was an agricultural labourer. Dolly and her husband (Faju) decided that Dolly would join the Bank and borrow capital for Faju to start a business in the weekly market as a secondary occupation for extra household income. Dolly joined a loan group and received her first General Loan of three thousand taka in February 1994. According to their plan, Faju started a business of selling fruit and vegetables in the open space of the weekly market. However, he failed to earn enough to maintain the household's weekly instalments from the profit. So, they started to pay part of Dolly's weekly instalment by using the capital. At the end of forty weeks, the household had used the capital amount, and for the remaining ten weeks the instalments were paid from the daily earnings of Dolly and Faju – selling fruits and eggs – and borrowing from other villagers. During her first loan year, Dolly missed one weekly centre meeting because she went to her natal home to borrow money to pay her instalment. She was unable to return on time to pay the instalment in the centre meeting.

In the 1994-95 loan year Dolly was one week behind her repayment schedule. She paid off her capital amount in March 1995, but in 51 weeks instead of 50. Dolly and her husband also failed to arrange funds to pay the "interest and emergency" to apply for the next loan. Her group members and other borrowers of the centre requested Dolly to arrange for and pay the interest and emergency while assuring her of the initiation of the next new loan proposal to the Bank. Dolly discussed the matter with her husband and they decided to borrow Dolly's interest and emergency fund from Faju's patron (for whom he worked for daily wages) to clear all dues with the Bank, apply for a new loan, and then repay the patron after receiving the loan.

Six weeks after the payment of Dolly's interest and emergency fund her new loan proposal was not yet initiated at the loan centre. The patron from whom she and her husband borrowed money had stopped paying Faju's daily wages and the household went through extreme hardship on only Dolly's earth-cutting wages. During one centre meeting Dolly came

to me in tears and explained her situation. I enquired into the matter at the centre and the bank worker explained that “the loan proposal must come from the group and has to be initiated by the centre chief”. The group chair responded that she had proposed the loan to the centre chief and the centre chief told me that she tried to formally initiate Dolly’s new loan but it was stopped by Ripa (#54), the daughter of Rani (#2), who is not a member of this centre, but who in practice runs the centre. When I approached Ripa to probe the matter, her response was simple. She said,

I have requested my mother to ask our “sir” not to accept any loan proposal for Dolly, because she is very arrogant and never listens to other members in our loan centre. When she does not have funds for the instalment payment she flees from the village and makes trouble for others. So I have expelled Dolly from our loan centre.

Eventually, Dolly’s case came to the Branch Manager’s attention through my inquiries. The Manager suggested the bank worker should resolve the matter of disagreement between Dolly’s loan group and the centre chief at the centre, accept Dolly’s loan proposal and bring it to him for his consideration. Finally, Dolly was extended a second new loan of four-thousand taka.

### **6.3. Loan Disbursement**

At the time of my field research the Manager at the study branch disbursed loans two days every week. On loan disbursement days, borrowers from different villages, some situated as far as five to seven kilometres away, come to the branch to receive their loans. The borrowers who come to the branch to get their new loans must bring two peers, including the centre chief who witnesses and countersigns the Loan Acceptance Form. The study branch is located only fifteen minutes walking distance from my study village. Nonetheless, the informants commonly complained about the loan disbursement arrangement. They experienced that their centre chiefs and group chairpersons are not always willing to accompany them to the Bank to receive their loans. This is especially the case for borrowers who fail to maintain congenial relationships with their centre chiefs and group chairs. In the

village, I encountered at least four occasions where the recipients of new loans agreed to lend money either to the centre chiefs or group chairs as a favour for accompanying them to the Branch to receive their new loans.

The bank worker responsible for the loan centre completes the paper work for disbursement and gives these papers and the loan money to be disbursed to the Branch Manager for transferral to the recipient. The recipients must go through a ritualistic interview<sup>40</sup> with the Manager. They are expected to reply correctly to the Manager's questions before receiving the loan. The Manager calls them one by one by using their names written on the application. The interview questions are always the same and asked in the same sequence. They are:

What is your husband's name?

What is your loan group and who is your group chair and centre chief?

What is your approved loan amount and how much is the weekly instalment?

How much do you pay in 'group loan tax' and what is the amount you receive after paying your group loan tax?

Will you get back your group loan tax from the Bank?

Within Grameen discourse other banking institutions in Bangladesh often have been accused of using patriarchal ideology, failing to recognize the self-identity of women in their lending to women clients.

"... it [bank] is anti-woman: banks do not want to lend money to women. If a woman wants to borrow from a bank, the manager will ask to bring her husband along, ...this is a very biased way of doing business with one part of the society (Dr Yunus's interview with *CBC- Ideas*, 1991:9).

However, the very first question asked by the Manager before disbursing the loan implies women's subservience to the husband – an issue that Grameen Bank suggests it challenges in its public transcript. Women in Bangladesh rural society are often identified through their male guardians – fathers, brothers and sons (Jahan 1975; Aziz and Maloney 1985; Aminur

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<sup>40</sup>I call the interview "ritualistic" based on my observation not only in my study branch but in seven other branches where the managers invariably asked every borrower the same questions.



Rahman 1992). The construction and use of *this* question in lending to women indicate that Grameen micro-credit *practice* in rural Bangladesh does not deviate from the patriarchal ideology on an issue marked as fundamental by the Bank; this denies women their self-identity and reinforces their dependence on men.

I often participated in loan disbursement meetings in the branch and observed the interaction between bank workers and borrowers. During these interviews many borrowers failed to reply correctly to the Manager's questions. The borrowers commonly failed to reply correctly to the amount of a loan they would receive after the deduction of the group loan tax and the amount to be paid as weekly instalments. I also encountered situations where the borrowers not only forgot their group identifications or the name of their group chairs or centre chiefs, but also the name used on the loan application (the name on loan applications may be different from their given names (see Section 5.5.)). When such situations occurred the Manager first blamed the borrowers for not learning these answers properly and then blamed the bank workers for not teaching the borrowers correct responses. As an outside observer of the Grameen Bank operation at the Branch it was difficult for me to comprehend the rationale for following the ritualistic interviews prior to transferral of approved loans. The Manager explained it to me this way:

The disbursement of loans is a very special occasion for the Grameen Bank and for its borrowers. The nonliterate poor people come to the Bank to accept their loans. The borrowers learn the rules and regulations of the Grameen Bank through intensive training and through their involvement with the credit program. They are proud to show they know how to write their names and express their knowledge on the Grameen Bank's system of operation. Interviewing borrowers before disbursing loans is obligatory and is also monitored by the Area Manager. I would not dispute that such practice is now becoming only a ritual and losing its spirit. The over burden of our work at the Branch and in the loan centres is hindering proper orientation of borrowers. However, such practice in the long run will facilitate the learning process for the borrowers.

#### **6.4. Loan Use and Loan Supervision**

This section includes a discussion of the importance of loan use supervision by loan group peers, centre chiefs and bank workers, the use of loans for income-generating ventures, and the diversion of loans into household day-to-day economies. The central focus is to present the rationale of informants for diverting loans from specific loan projects to other productive ventures and also to household consumption, and the practice of “passing on” loans for women to men.

The Grameen Bank approves micro-loans to individual borrowers in loan groups for their immediate investment in entrepreneurial activities for cash income generation. The borrowers must invest the loans themselves in their specific projects within seven days of acceptance of a loan. They start their instalment payments – “the heartbeat of the Grameen Bank” – on the second week by using a part of the profit earned from the loan investment (Fuglesang and Chandler 1993:96).

##### **6.4.1. Loan Projects and Actual Use of Loans**

The poor households in rural communities live in poverty stricken situations with limited available alternatives for resource accumulation. In general, poor households commonly face a continuous resource scarcity in relation to fulfilling their basic needs. The scarcity of resources is an important dimension to understand the use of micro-loans in the household economy. Borrower households often face multiple conflicting needs, such as purchase of medicine, payment of dowry, or cost of sponsoring travel for migrating household members that set the context for household loan use. The Bank approves micro-loans to women and women bring these loans into their household. In the household, the members “renegotiate” loans to women according to the set priorities of the household, and they decide how these are actually used, and by whom. In cases where the needs of household consumption come first, the members divert the entire amount or a part of the loan to meet these needs (see Chapter 5).

In 1994-95 the Bank approved 217 micro-loans to women in the study village, 149 of these (70%) were actually used for purposes other than the specific approved loan projects, which deviates from the Bank's public transcript.<sup>41</sup> The detail of this use is presented in Figure 6.2. The Bank approved 84 loans (39%) to women as *Dhekki*<sup>42</sup> Loan (rice husking) projects, but none had actually used her loan in these projects. Eighty-one loans to women (32%) were switched from Bank-approved income-generating projects to other entrepreneurial ventures, such as from rice husking to a small business or moneylending. The loans are also switched to build the household resource base, such as land mortgage and purchase, or to bear the cost of travel for migrating household members.

Most borrowers switched their investment from one sector to another many times during their involvement with the Bank over several years. The informants – borrowers and bank workers – admit that they are aware of the practice of loan diversion but justify such practice on the grounds of the “convenience of the loan operation”. At the time of new loan applications the reported changes in investment projects must be justified by borrowers. In a few cases, such as buying cattle, the investment must be supported with the evidence of purchase receipts. The reported changes in investment projects also increase the paperwork for the bank workers. Therefore, in the loan application it is convenient for both the borrowers and the bank workers to report the same project for each new loan application every year. Usually, the borrowers use the same project they used upon first borrowing from the Grameen Bank. I illustrate this with the case of Dilu (#84).

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<sup>41</sup> When loans are approved for a specific purpose, but subsequently are used for another purpose, including both income-generation and/or household consumption, I consider it to be diversion of loans.

<sup>42</sup> *Dhekki* – a heavy wooden plank used in a pedal-operated husking implement – are traditionally used by rural women to husk paddy and make rice. *Dhekki* are now being replaced by power operated rice mills. At the time of field work I found only three *dhekki* in the study village; none of them belonged to Grameen borrowers.

**Figure 6.2 Projected and Actual Use of Loans to Women Borrowers in Pas Elashin, Bangladesh, 1994-95**

Activities Based on Loans	Approved Loans		Actual Use	
	No.	%	No.	%
Cow	35	16%	8	4%
Rice Husking	84	39%		
Business	42	19%	71	33%
Rickshaw/Van	7	3%	11	5%
Agriculture	49	23%	6	3%
Moneylending			20	9%
Land Transaction			19	9%
Sponsoring HH Migrant Worker			13	6%
Medical Expenses			8	4%
Wedding Dowry			4	2%
Household Expenses			17	8%
Others			40	18%
Total	217	100%	217	*101%

General Loan (n=114) and Seasonal Loan (n=103)

\*Rounding error

Dilu joined the Bank in 1980 at the beginning of its operation in the village and received her first loan of five hundred taka as a *dhekki* loan. For the first few years, Dilu was considered to be a good borrower (*bhalo shadasha*)<sup>43</sup> of the Bank in the area. In 1987, she was honoured with the opportunity of becoming one of the two borrowers who laid the foundation stone of the local Grameen Bank building. The Bank commemorated her name in the foundation stone.

From 1980 to 1995, Dilu's General Loan increased from five-hundred taka to ten thousand taka. Over these years the household used these loans for various purposes, but all bank workers who came to run her centre kept Dilu's General Loan as a *dhekki* loan. Dilu reported that for the first couple of years she used a small portion of her loan in husking rice, but she never could generate enough profit to pay instalments from it. So she gave her loans to her husband who used them in his vegetable business, making enough profit to pay regular instalments (*kisti*) and saving a little to build the household resource base. The household used the General Loans of 1985-86 to buy two calves and paid instalments from Dilu's husband's income from the vegetable business. In 1987, the household failed to generate enough income to pay the instalment for the first time. The loan amount increased during the years but the profit from the business dropped. The diminishing return from business investment encouraged the household to divert the funds and use part of three General Loans (1990, 91 and 92) to lease-in land. They arranged instalments from the business income and sometimes by borrowing from moneylenders who they repaid after harvesting from their leased land.

In 1993, Dilu gave eight thousand taka from her General Loan to bear the cost of her mother-in-law's – a Grameen member – trips to Malaysia as a migrant labourer (the total cost was thirty thousand taka). Dilu explained that her mother-in-law had been a Grameen borrower since its inception. In 1989 Dilu's father-in-law became disabled because of an

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<sup>43</sup> The term *bhalo shadasha* is used by bank workers for the borrowers who maintain the best performance in their instalment payments and loan centre meeting attendance.

accident and quit his small business of timber-cutting. Her mother-in-law invested her 1990 loan in *taka lagano*<sup>44</sup> and earned a good return in the first year. However, in 1991-92 the harvesting was bad in the area and people who borrowed money from Dilu's mother-in-law could not supply the paddy. Her mother-in-law also failed to recover the investment and became heavily indebted not only to the Bank but also to moneylenders in the village. To pay back her debt the mother-in-law migrated to Malaysia in 1994 and has been sending remittances regularly.

In 1994, Dilu paid five-thousand taka as dowry to her daughter's marriage out of her General Loan of ten thousand taka. Since 1993, Dilu's household paid instalments to the Bank by borrowing from moneylenders, through leasing out land they leased-in before, and by selling household resources, e.g., cows. In this process the household lost its household resource base and Dilu herself lost the status she built up within the household domain during the years of her involvement with the Bank.

In 1994-95, Dilu's household experienced the same situation as that of her mother-in-law. Dilu decided to follow her mother-in-law's footsteps and travel to Malaysia as a migrant labourer. In 1995, her husband deposited twenty-thousand taka to a labour exporting firm in Dhaka. The fund was arranged from Grameen Bank loans of 1994-95 and from Dilu's mother-in-law's remittances. The household *kisti* was also maintained from her mother-in-law's remittance. In early 1997, after waiting almost two years, Dilu was able to travel to Malaysia for a factory job.

When I returned to the village in Summer 1997, I found that during her three-month stay in Malaysia Dilu remitted fifty-thousand taka to her husband who used the money to pay household debts and to mortgage-in land. Dilu has started to regain her lost status in the household; her husband expressed to me pride in his wife. Dilu's husband also told me that

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<sup>44</sup> *Taka lagano* is a traditional money lending in rural Bangladesh in which the investors provide cash to the borrowers and the borrowers pay it back after the harvest in the form of paddy instead of cash. This type of lending is also known as *dadan* (see, Schuler, Hashemi, Riley and Akhter 1996).

Dilu has two years of contract with the employer in Malaysia and within this two year period the household hopes to be freed from debt, to build a good house and purchase and mortgage-in agricultural land. They also desire a better future for their only son.

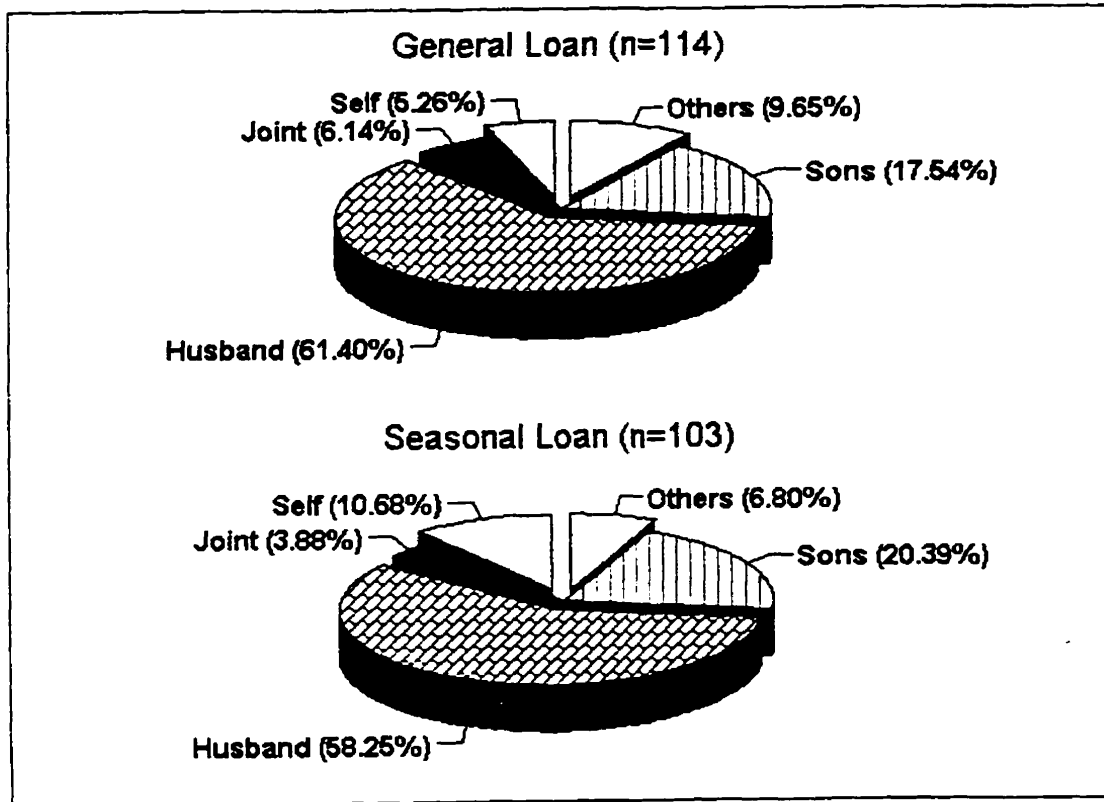
Figure 6.2 shows that about 9% of loans are redirected and invested either to buy or lease land. Investing credit on land is not permitted by Grameen Bank policy, but for women borrowers in the village such an investment appears to be the most successful one, an observation supported by another study (Todd 1997). This is especially true in the context of rural Bangladesh society where one's social and material value is virtually measured in relation to landownership (Chowdhry 1982).

#### **6.4.2. Users of Loans to Women**

In rural Bangladesh the inter-household relations of members are fluid in nature, constantly negotiated, renegotiated and manipulated by the members of the unit. Even though, the household operates as a cooperative unit in rural Bangladesh, it is also a unit in which individual members bargain. It is thus a unit of "cooperative conflict" (Sen 1990). Because of the nature of rural households putting loans for women into household economies, to investigate it and provide an exact account of the real users or beneficiaries is difficult. Based on my field data on loans to women (1994-95), I have attempted to approximate "users" – the person who controls and uses the major part of a loan and arranges instalments – of loans to women in the household. Figure 6.3 shows that husband and sons of women borrowers are the users of 78% of micro-loans to women, and in 60% of cases women pass on their entire amounts or most of the loans to men and are left with little or no control over the capital or the investment.

The use of loans to women by men in different micro-lending projects in Bangladesh has been noted in several other studies (Rahman 1986, Goetz and Sen Gupta 1996; Todd 1997). The number of women borrowers who pass on their loans in my study (60%) is more than double reported in other recent studies. For example, Helen Todd reports 25%, and

**Figure 6.3 Users\* of Loans to Women in Pas Elashin, 1994-95**



\* 50% or more of loan is used or controlled by indicated user



Goetz and Rina Sen Gupta (1996) report that on average women borrowers in their sample retained full or significant control over loan use in 37% of the cases, about 18% had partial control, 17% had very limited control, and 22% had no control over their loans. These differences are attributed mainly to how one defines “user” and to the nature of my qualitative research and my intimate knowledge about loan use in the households of my informants. In most studies on micro-credit programs the researchers have rarely had the time to draw people out regarding the complexity of loan use in the household arena. More important is that informants may disguise the information about their real use of loans and identity of the users for fear of offending the workers of the lending institution who may take action against them and jeopardize their future loan prospects (Johnson and Rogaly 1997:83).

The data show that husbands – *khana pradhan* (household head) – control about 60% of micro-loans to women, 19% of women borrowers pass loans on to their sons, and about 8% go to other male relatives residing within the homestead, in the village, or in the woman's natal village, or to a son-in-law in another village (mostly husband's agnatic kinsmen, but sometimes to the woman borrower's agnatic kinsmen). The women borrowers who pass-on their loans to relatives other than their husbands are widows, or their husbands are absent from the village or unable to use the loans because of advanced age.

In the village, women borrowers often showed dismay with my probing the issue of how loans to women are used. For most of them it was an obvious matter. They hold the view that “as a son of Bangladesh (*bangalir sayle*) I would understand that handling money in the household is “men's job” (*beta manusher kaj*). The women informants in the village not only gave their loans to men and became “dis-entitled”, but also expected that as a “native” I would accept such a “culturally appropriate practice” – a public transcript – without further questioning. Such expectation of my informants is the outcome of culturally-constructed roles of women and men in society which are also learned and reinforced through early socialization (Aminur Rahman 1992; Kotalova 1993). Acceptance of these roles by societal members (both male and female) without questioning perpetuates the hegemony of the society.

Lal (#86), a fifteen-year-old borrower of the Bank put it this way: "The Bank does not give money to my husband, so I go to the loan centre and bring it for him. But if the Bank decides today to give him the loan, then I would not need to go either to the loan centre or the Bank". The understanding of the informants about the roles of men and women in the household as these have been stated by them is significant for comprehending the hegemony of the society.

In Bangladesh, women in general, and rural women in particular, have only one option open to them – marriage and children. Women's marriage in rural Bangladesh is not only linked with their status and future prospects, but also their children's future marriage prospects which are directly related to the security of marriage (Aziz 1979). The "habitus" of a female child in the household is influenced and shaped through the teaching of elders about the importance of marriage in their lives. The habitus acquired by women in their early socialization can influence their marriage relations. In the study sample, there is evidence that women passing on their loans to men is used by women both consciously and unconsciously as a marriage survival strategy. The case of Rafiya (#37) illustrates such a strategy.

Rafiya was married in 1990. After the marriage her husband moved to her natal household from another village to live uxorilocally (as a *gharjamai*).<sup>45</sup> At the time of Rafiya's marriage her father promised to give a bike, a wrist watch and a "two-in-one" (a cassette player) as her dowry. The bike and watch were given at the time of her marriage, but her father never managed to buy the cassette player for his son-in-law. For the first two years of their marriage the couple lived in a joint household with Rafiya's father's household, and her husband helped her father with his oil-pressing and oil-vending business. In 1992, after the birth of their first child (a daughter), they built their own house on the homestead of Rafiya's

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<sup>45</sup> When the husband leaves his father's village and settles with his wife's father's household or homestead (uxorilocal residence pattern), it is called *gharjamai*. In rural Bangladesh "patri-virilocality" is the common practice and uxorilocal residency is a matter of shame that reduces man's status in society because of his social and material dependence on in-laws. This reduced status is carried for generations (see Wiest 1991; Aminur Rahman 1992; and Indra and Buchignani 1997).

father. Just after setting their own residence, Rafiya's husband insisted she should join the Grameen Bank and get loans for him to start his own business. Rafiya joined the Bank at the end of 1993 and with her first loan the husband started his own oil-vending business. For the last five years Rafiya's husband has increased pressure on her to get the cassette-player promised to him. Rafiya knew that her father did not have the ability to buy it and refused to ask him. In 1995, when Rafiya received her second loan from the Grameen Bank, her husband spent the total amount of four-thousand taka to buy a cassette player.

Women borrowers may be aware of inappropriate use of loans by the husbands but still may give their consent. Knowing the high cost of inappropriate use of loans in the household, the question remains why there is consent to such expenses. In Rafiya's case she was well aware of the consequences of debt because of her husband's use of a loan for a luxurious item – a cassette player – but she silently consented to it to save her marriage. In the context of very limited investment and employment opportunities for women, loan-based income generation hardly provides the prospects for building an alternative institutional base that would induce women to compromise their marital household. Within the structure of patriarchy, in case of a breakdown of the marital household, women become more vulnerable to scorn in society than men. A divorced or abandoned woman brings bad reputation (*durnam*) to her natal household and lineage, and destroys the prospects of her children's future marriages; she can seldom remarry, while men almost always remarry in case of divorce or widowhood (see Cain et al. 1979; Wiest 1973, 1998).

The women in rural society rarely have access to alternative entitlements outside their marriage. Therefore, women often tie their own interests to the success of the household unit provided the household males respect the normative entitlements of the household (Kabeer 1991a:258). The lack of choice for women outside the marriage and family makes the concept of *autonomy* – in the sense of independent, individual existence supported by a separate income – not a meaningful concept for most of these women. Even women who have some control or absolute control over their loans – sometimes using these loans jointly with their

husbands – would usually consider their income as a shared family resource and not as their own personal income (Mies 1986). However, within the household structure in the study village, if women's contribution in bringing capital through their credit entitlements, or producing resources for the household is recognized and valued by other members of the unit, then women would have influence in the matter of household decisions (Agarwal 1990; Todd 1997:80). This is explained with the example of Achia (#17).

Since joining the Grameen loan group in 1989, Achia has borrowed money and bought a handloom for her husband. Together they operated this small enterprise with Achia's loans. Achia acquired a House Loan in 1993 and built a house where they have placed the handloom. Most of Achia's loans were used to run the handloom business, but the household also managed to buy one cow and mortgage a small plot of land by using Bank loans. Achia's husband Bella runs the handloom to weave *saris* and Achia helps him by spinning thread for the loom. They work together to produce at least two *saris* each week. Bella takes the product to the city of Tangail to sell and arranges Achia's weekly loan instalment. During my stay in the village, Bella always recognized Achia's contribution in borrowing money to purchase the handloom, running the business, and helping him operate the loom. Such recognition is also obvious in their interaction with each other. However, both Achia and Bella feel that, although they are managing their instalments on Grameen loans from their own earnings, the interest rate of the Bank is incompatible with the profit they make. They work hard but are unable to build a household resource base for a better future for their only daughter. Consequently, the household has planned to send Achia to Malaysia as a migrant labourer by using Grameen loans, selling the household resources and borrowing funds from Bella's patrilateral-parallel cousin who is also a migrant labourer in Malaysia.

The example of Achia shows that the idea of separate control over separate earnings within the rural household units is not very useful to understand the intra-household negotiations. What is meaningful is "centrality" of the women in the management and decision making of the household. When the contributions of women are valued by other members in

the household, such as in the case of Achia and Bella, it empowers women within the household unit but also encourages their self-expression and self-esteem not only within the household but outside their household units (see, example of Achia in Chapter 5).

#### **6.4.3. Loans in the Household Economy**

At least three observable circumstances in the study village led borrower households to divert loans to women and use them for purposes other than the proposed investments. They are: i) the uncertain economic environment of the household; ii) scarcity of resources in the household economy; and iii) low level of loan investment supervision. The rural economy in Bangladesh in general is prone to high unemployment and uncertain return on investments. The rural households in particular are also routinely subject to a variety of crises – natural disasters, and familial crisis factors – which significantly affect a household’s ability to sustain its existing welfare level and influence its (household) “downward mobility” (Rahman and Hossain 1996:126). In rural Bangladesh, 66% of households routinely encounter natural disaster and 48% face a crisis of illness in the household every year which has made rural poverty in Bangladesh not only a state of material deprivation but also “a state of vulnerability” (Rahman and Hossain 1996:113).

Informants in my village are no exception, and they also experience unpredictable crises in their households particularly in regard to uncertain return on their investments and the illness of household members. These crises in some instances not only put earning members of the household out of action but also force large and unexpected expenditures. In 1994-95, during the field research period, three households involving women Grameen Bank borrowers were struck by unexpected extra and large household expenditures because of the illness of husbands.

The first one was Sabiha (#133) whose husband Falu was involved in a fruit-vending business. Sabiha joined the Grameen Bank in 1987 to borrow money for her husband’s business. Falu used Sabiha’s loans to lease fruit gardens during the pre-harvesting season. He

took care of the gardens, harvested the fruit for sale and made a good profit. The use of Sabiha's loans by her husband in a "good business", together with Falu's hard work, helped the household to survive well until Falu had an accident in December 1994. Falu climbed a tall date tree in the neighbourhood to get juice from the tree. He fell from the tree, broke his back, his right foot and his right hand. The incidence not only put Falu – the only earning member of the household – out of work for more than six months, but also forced the household to spend several thousand taka for his hospital bills and medicine. Similar expenditures arose for Ruhi (#92), a ten-year Grameen Bank borrower, when her husband was diagnosed with a complicated heart disease, and also for Rani (#2), whose husband was badly injured in an intra-homestead conflict in the village.

In order to provide medical treatment to their male partners and to maintain their regular weekly instalments on their Grameen Bank loan, the households of Sabiha and Ruhi have borrowed from all possible sources, such as relatives and moneylenders, and have reduced household expenditures by cutting consumption. After these sources were depleted, the households began to sell their household assets, such as trees and homestead lands, piece-by-piece in order to cope with the crises.

My study documents the utilization of the credit amount to meet immediate household needs, such as payment of dowries, purchase of medicines, or meeting immediate consumption needs (see Figure 6.2). Such utilization is rationalized by household members in the context of individual household economic necessity (Jansen 1987) and is consented to by the women. In rural society, it is often the women whose future is most at stake in ensuring a daughter's smooth entry into her in-law's household, or in attending to the health of household members. But it is also women who are responsible for the loans and have to pay their instalments every week regardless of how the loans are used, or by whom.

In 1994-95, thirty-two of two-hundred seventeen loans to women were used in land accumulation ( mortgaging-in or purchasing) and financing the migration cost of household members. When loans to women are used to build the household resource either by land

accumulation or through the remittances of migrating household members, the instalments must be arranged from sources other than the approved loan investment from the Bank. This may increase tension among household members. But as return from such investment begins to pour into the household economy, it enhances women's position within the household domain and helps them raise their voices in household decision making (see Todd 1997). For example, during my fieldwork eight persons from Grameen borrower households, including three women borrowers themselves, migrated overseas as labourers. These household members used all or part of the loans to household women for financing their trips. During my fieldwork period, six out of eight (including Dilu and her mother-in-law) were successfully sending remittances, raising their household income substantially and producing a positive impact on women borrowers themselves.

#### **6.5. Loan Supervision**

The assurance of micro-loan investment by poor borrowers in entrepreneurial ventures and their regular weekly instalment payments from investment profits requires constant supervision. As stated by Dr Yunus (1992:22), "borrowers would have to be constantly observed. The moment you [lender] stopped supervising, there would be a risk for abuse of the loan". This statement from the founder of the Bank signifies the importance of the supervision of loan use by poor households.

The public transcript of the Grameen Bank elaborates a strong supervisory measure by involving both borrowers and bank workers to ensure that borrowers use their loans for income-generation and pay instalments from their earned income. This monitoring of loan utilization starts with the involvement of the group chairpersons and the centre chiefs who are obliged to supervise the loan use immediately after disbursement by the Bank. Upon their investigation they submit an official form to the bank worker in the centre. The bank worker then must inspect the investment to verify the report and prepare a detailed written description about the investment for submission to the Branch Manager. In addition, the

higher officers from the Area Office are also responsible for random checks on at least 30% of all disbursements made in the branches and areas (see Fuglesang and Chandler 1993:97).<sup>46</sup>

The mechanism of supervision for loan use by the borrowers is hardly practised in the study village. The data show that 78% of investment loans were used for different purposes than approved by the Bank. Both chairpersons and centre chiefs are aware of a borrower's actual use of their loans. The chairpersons and centre chiefs not only formally report loans to bank workers as properly used, but also legitimize their statements by saying that "everybody in the system knows where borrowers use their loans; reporting to 'sir' (the bank worker) is nothing but just a formality".

The cause of inadequate supervision (deviation from the public transcript) needs to be placed in a larger context, i.e., the phenomenal expansion of the Grameen Bank (see Chapter 1). Currently, on average each Branch of the Bank serves 50 loan centres and an Area Office serves 500 loan centres. The Branch Managers, Program Officers and Area Managers are often in the field, but any particular loan centre is visited only rarely (see Todd 1997:181). The issues were explained by Haq (#208), a bank worker at the study branch, this way:

As Bank Assistants, on average we are responsible for about 300 borrowers in eight loan centres in different villages. The distance between these villages varies from three to seven kilometres. During the dry season we can ride our bikes, but in the rainy season it takes hours to get there. We visit two loan centres each morning and we are expected to spend only two hours in each centre to look after 35-40 borrowers and at least 80-100 loan files. On average, this gives one loan file less than a minute per meeting and less than four minutes per month, which does not leave much time to supervise loan use. Moreover, in the centre meeting our main concern is *kisti* collection and we do not have time to consider how they are paying. Collecting *kisti* from poor people is not an easy job; most days after returning to the Bank from the field I feel guilty in my conscience (*bibek*) for becoming harsh with poor people. But this is our job and we have to do it.

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<sup>46</sup> The supervision is checked and re-checked by using the "Loan Utilization Form", according to Fuglesang and Chandler (1993:97). However, in the study village I never observed use of a Loan Utilization Form.



Although the practice of transferring loans to men and the diversion of loan amounts for other purposes is widespread and generally ignored, it is contrary to the Grameen Bank's philosophy and the commonly held outside view of its operation. The bank workers in the local branch often rationalize their practice of not supervising loan investments in terms of "practical needs of the situation" and "forthcoming realities of the situation" (Bourdieu 1977). They complain about how the expansion of operations has given them an enormous work load, and how pressure is placed on them by their superior officers to collect instalments from poor members of the program. The bank workers also have their own hidden transcripts regarding loan supervision. They feel that, according to the official transcript, bank workers are obliged to supervise borrower loan use, but in reality the "credibility" of a bank worker lies mainly in his/her successful collection of instalments from borrowers, not in the supervision of the loan use. Earning this credibility is essential for bank workers to increase their social and symbolic capital – reputation as "a good bank worker" – and also required for their promotion in the job. In the study branch, the institutional pressure on bank workers to collect instalments, and bank worker zealotry in the collection of weekly instalments in the loan centre, hardly leaves time for them to supervise the investment of loans.

#### **6.6. Loan Repayment Schedule**

The payment of regular weekly instalments by the borrowers on their loans, and collection of all instalments from each loan centre, are pivotal to the Grameen Bank discourse in the study area. As borrower informants put it, "the Grameen Bank has become a *kistir* bank", a bank for instalment collection. I illustrate the evidence of the centrality of instalment collection within Grameen discourse with an example from the field.

A dispute between two women members (Yuri #59 and Rani #2) in the loan centre escalated into a fight between two lineages in the village; it led to the physical injury of several people from both sides of the dispute (see section 6.7.2.). The Manager from the study branch rushed to the scene, but his endeavour to mediate the fight through neighbourhood leaders

(*para matubbars*) was unsuccessful. The two disputing lineages warned of going to the police station (*thana*) to file cases against each other. In the same afternoon the Manager and I were invited to the Area Manager's residence in Nagarpur (a *thana* headquarter ten kilometres away, where the Area Office is located). During our stay at the Area Manager's residence the Area Manager, the Program Officer (two higher-ranking officers in the Area), and the Branch Manager were occupied the whole time in a discussion about how these lineages could be stopped from filing police cases against each other. I became very curious why the Bank officials were so concerned about the police case of villagers. My probe into the matter with the Program Officer led to the following explanation by him:

In the event of a police case in the village some borrower households in the village will be accused by both disputing sides. The male members of these households will flee from their villages because police may come to the village and arrest them. When the male members are away from the household the women will not be able to pay their *kisti*, which will make a problem for the loan centre, and harm the reputation of the Branch and Area. Our main concern is to get *kisti* from the borrowers and we do whatever necessary to accomplish this.

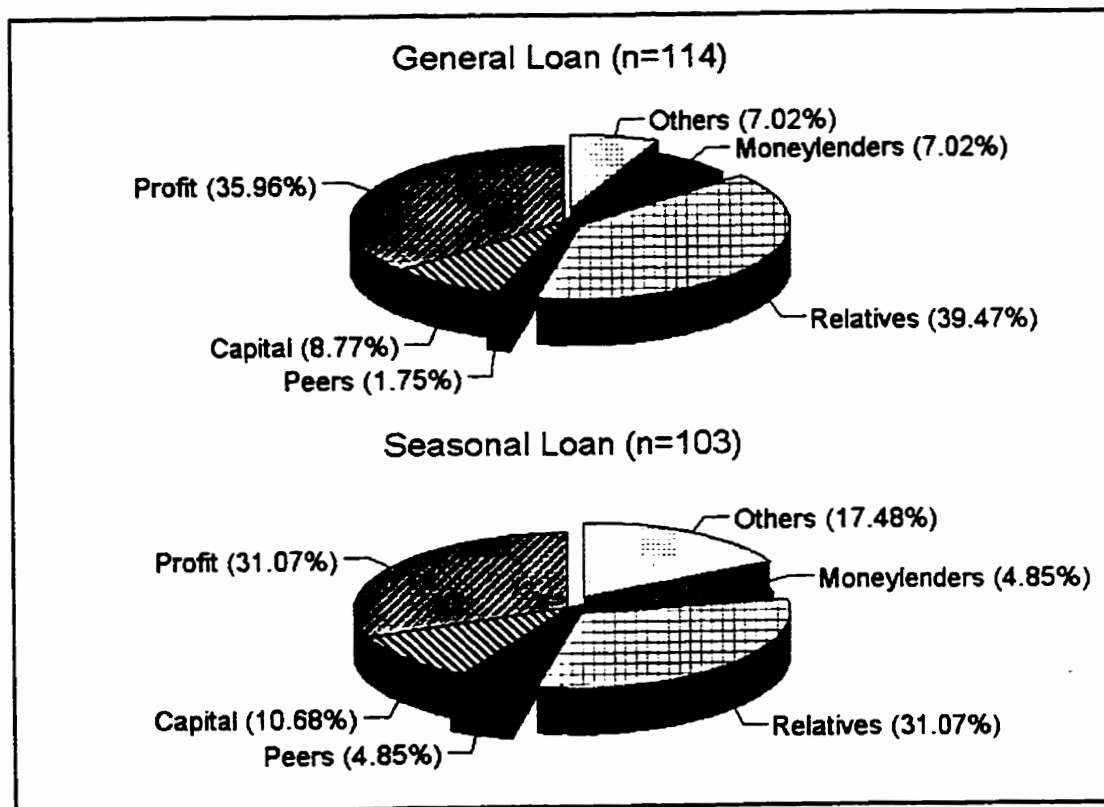
The performance of borrowers in weekly instalment payments and bank workers in instalment collection in the loan centre is the primary indicator of being "good borrowers" and "good bank workers". Individual borrowers must comply with the 50-week time cycle in repaying the principal amount. Crossing the limit of this time cycle by individual borrowers not only destroys the reputation of the "good loan centre", but threatens the prospects of new loans for members in the loan groups; it also diminishes the prospects for bank worker future job promotion through a bad reputation for the Branch.<sup>47</sup>

Figure 6.4 presents the sources of women borrower instalment payments on their General and Seasonal Loans. The profit earned from the investment pays only 34% of total

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<sup>47</sup> In the monthly descriptive report to the Head Office the Branch Manager must include a section to explain how many loans in the Branch have gone beyond the 50-week time cycle and what strategies are followed by the bank workers to bring these loans back into a regular time cycle.

**Figure 6.4 Sources of Funds for Instalment Payments\* on Loans to Women Borrowers in Pas Elashin 1994-95**



\*50% or more of funds for instalment payments are collected from indicated source

instalments of micro-loans to women, and 66% of instalments are arranged from various other sources – by using capital (10%), borrowing from the woman's kin or her husband's kin (35%), borrowing from peers in the loan centres (3%), and borrowing from moneylenders (6%). The figure shows that the borrower households depend primarily on their kin to meet their instalment payments, which reinforces the importance of kin networks in rural society (Aziz 1979; Jansen 1987; Kotalova 1993). Interestingly, women borrowers often draw upon their own agnatic kin to meet instalment payments, whereas their loans are used primarily by the husband and his agnatic group.

Women borrowers in the loan centre must deal with peer group pressure and coercion from bank workers for repayment. In the village I witnessed several Grameen Bank borrowers who sold pre-harvested paddy, pre-harvested fruits (jack fruit), fruit trees and even hens with hatching eggs to collect instalments for weekly payments. The price of pulling other resources from the household and diverting funds from consumption needs to repayment of loans can cause further impoverishment for the borrowers of poor households in the village (Goetz and Sen Gupta 1996:56).

The example of Rina (#3) illustrates a situation where the household members fail to arrange funds for weekly repayment and where women must then arrange the instalment from their own expenditure savings or by compromising household consumption needs, e.g., from the sale of eggs, fruits and home-grown vegetables. Rina's husband is a vender who sells betel leaf in the local market, and their son is a day labourer. Rina joined the Bank in 1989 and borrowed for her husband's betel leaf business until 1993. In 1993 Rina's only son, who is in his mid-twenties, bought a used baby-taxi (a three-wheeled passenger van) with his mother's loan from the Grameen Bank and from Proshika (a different NGO working in the study village). The baby-taxi was wrecked in an accident in the same year. Consequently, the household lost the capital and was left with a debt burden with both the Grameen Bank and with Proshika (the repayment schedule of Proshika is very flexible). For the last two years Rina's household has gone through extreme hardship to keep up with the repayment on three

Grameen Bank loans. The household pays its instalments of two-hundred sixty taka every week from an uncertain household weekly income of three-hundred to three-hundred fifty taka. In 1994, after the accident, Rina received a Group Fund Loan and Seasonal Loan from Grameen Bank. The household used these Grameen loans, sold most of its fruit trees, and borrowed cash from all available sources to keep up the instalment payments.

After payment of the entire capital amount, 85 of 106 borrowers (80%) reported to have paid the interest and emergency fund through short-term borrowing from sources other than their own (*tan dee-ya-dichi*).<sup>48</sup> Figure 6.5 details the sources of these funds. The interest and emergency funds are borrowed from other sources, either by women borrowers or by men, with a promise to the lender that the borrower will return the amount (usually with interest) after receiving the new loan from the Grameen Bank.

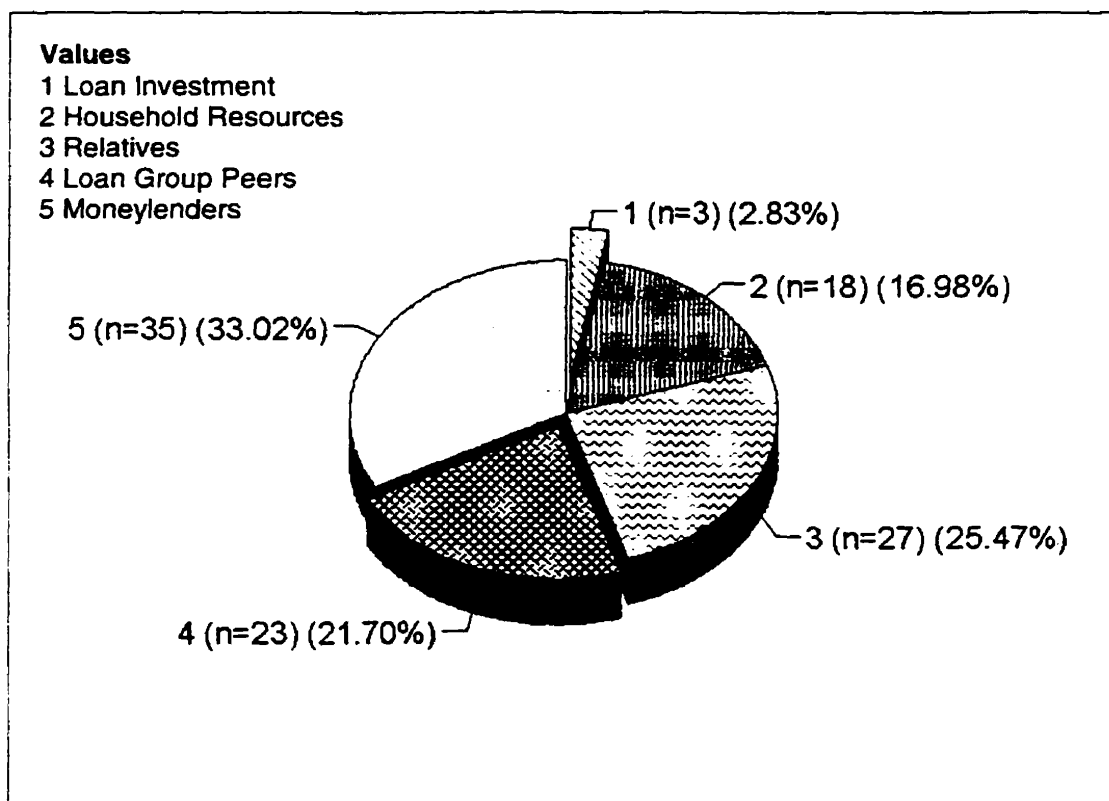
### **6.7. Escalation of Aggression and Violence**

Women in Bangladesh encounter various forms of violence; specifically, men's violence against women is widespread in rural society (see Arnes and van Beurden 1977, White 1992, Zaman 1998). The patriarchal ideology, i.e., women's absolute socioeconomic dependency on men, makes them particularly vulnerable to violence in society (Omvedt 1990). Studies on micro-lending institutions in Bangladesh postulate that "credit programs ... reduce domestic violence by channelling resources to families through women, and by organizing women into solidarity groups that meet regularly and make the women's lives more visible" (Schuler, Hashemi, Riley and Akhter 1996:1740; Schuler, Hashemi and Riley 1997:33). This expression represents the public transcript of the program and expresses an obvious desirable outcome of such programs. However, the information of my research suggests that "manipulation" of the lending structure by borrowers and bank workers at the

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<sup>48</sup> Todd (1997:165) documents that "most (64%) borrowed to make the interest payment and then repaid this borrowing out of their new loan".

**Figure 6.5 Sources of Interest and Emergency Funds for Women Borrowers in Pas Elashin, Bangladesh, 1994-95 (n=106)**



level of grassroots loan operation to maintain regular instalment payments and to ensure high repayment rates may actually escalate violence<sup>49</sup> toward women borrowers.

In the study village, my research assistants and I kept track of observed incidences of aggression and violence in the loan centre and in the household, and followed up on many of these incidences over the duration of fieldwork. In the last stage of my research my rapport with the informants (see Chapter 2) enabled me to probe the matter with women borrowers. I asked them specifically about their experiences with violence. With regard to violence in general (verbal aggression to physical assault), all informants stated that they experienced violence of some kind in the household. This response is consistent with the belief that violence against women is widespread in the rural society of Bangladesh.

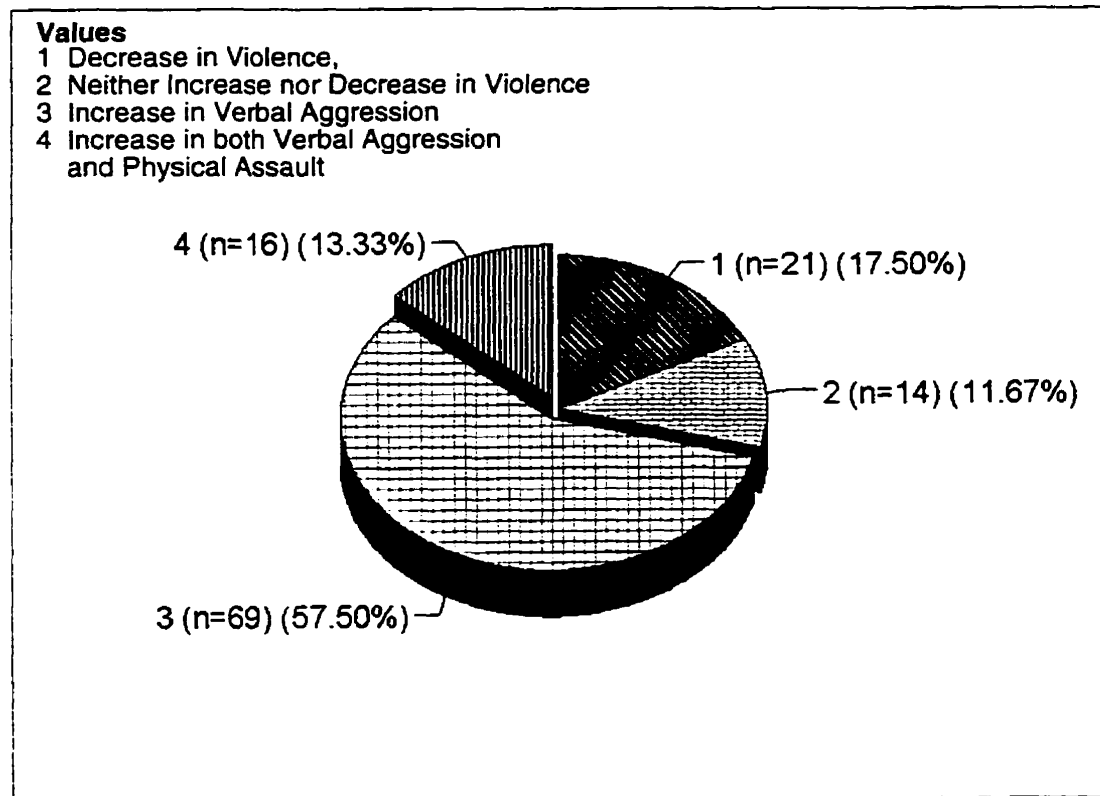
Based on the expressions used by informants to characterize violence and aggression, I have divided their responses into two main categories – verbal aggression and physical assault – presented in Figure 6.6. Verbal aggression includes verbal, symbolic and psychological belligerence (Zaman 1998:1) such as rebukes, quarrels, or screaming; physical assault includes “wife-beating”.

Among 120 women borrowers, twenty-one women (18%) claim a decrease in verbal aggression and physical assault because of their involvement with the Bank. Sixty-nine women (57%) report encountering verbal aggression more often than they used to experience before joining the Bank. Another sixteen women (13%) recall an increase in both verbal aggression and physical assault; six borrowers in this group reported to have encountered men’s violence because of women’s refusal to give their loans to men or for challenging men’s proposals for using women’s loans. The escalation of the violence against women borrowers in the loan centre and in the household can be seen as a repercussion of current practices of grassroots lending to the poor. I discuss this in the light of the evidence of the study community loan operation and the power hierarchy in the loan centre (see Section 5.4.).

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<sup>49</sup> The term “violence” in the context of this study includes a range of responses, from verbal aggression to physical assault, commonly referred to as “wife-beating”.

**Figure 6.6** Perceived Incidences of Verbal Aggression and Physical Assault in Pas Elashin, Bangladesh, 1994-95 (n=120)





### **6.7.1. Repercussions of Group Liability**

In the previous section, I have mentioned that in the Grameen Bank micro-credit scheme the borrowers must maintain the credibility of the loan centre by ensuring regular weekly repayments to the Bank. The credibility of a centre within the Bank and the potential for new loans for its borrowers are in jeopardy when even one borrower in the centre fails to maintain her regular weekly payment of the loan instalment. The Grameen Bank has been working in the study village over fifteen years. In all five women's centres in the village there are often one or two borrowers who, because they are unable to arrange their instalments, do not come to centre meetings. In such a situation, other regular borrowers in the centre are forced to sit on their bare feet on a mud floor for several hours until all instalments are collected. If the absent borrower is available in the village, her peers must persuade her to come to the centre. The appearance of the absentee in the centre usually releases an outburst of anger toward her by fellow borrowers and the bank worker. If the absent borrower is unavailable in the village, or available but absolutely unable to make her instalment, then a number of strategies may be followed to resolve such defaulting problems in the loan centre: i) peer members in the loan group or centre may pay the instalment from their own funds, depending on the amount needed and on the defaulter's own relationship with the other members; ii) a bank worker may use other borrower's "Group Fund Loan" instalments (weekly payment for this loan is not obligatory) to adjust for the defaulter's weekly payment; iii) the bank worker may lend all or part of the instalment to the defaulting borrower in order to adjust her account, or the bank worker may leave the centre without collecting the default instalment (this rarely happens); and iv) in extreme situations peers in the loan centre may decide to take the defaulter's saleable household items or personal assets and sell or mortgage them out to collect the instalment.<sup>50</sup>

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<sup>50</sup> The first two strategies are commonly used to resolve individual weekly defaulting problems, whereas the third and fourth are seldom used. During my ten month stay in the village during which I attended more than 100 centre meetings, I experienced three cases in which peers used the last strategy to cover the defaulter's instalment.

One possible consequence of a defaulting borrower is that all the other borrowers who paid their instalments in a timely manner must wait in the centre and experience a delay before they can return to their household. In the household, the male members give instalments to women and expect them to pay the instalments to the bank worker and promptly return home from the centre. The forced delay of women in the centre produces disorder in household chores and may generate tension among household members. Such rising tension may turn into violence in which women are victimized. An excerpt from my field notes illustrates.

Once I missed a centre meeting, so in the afternoon I went to Romeza's (#65) house to collect information about the meeting. I found Romeza sitting on her veranda (the front balcony of the house), pale and depressed. My initial inquiry about what happened went without response for some time, but Romeza's husband's elder brother's wife, who lives on the same homestead, informed me that Romeza had a fight with Jinnah (Romeza's husband). At that point Romeza protested by saying that she did not fight with her husband but it was the husband who had beaten her. Romeza then explained that the previous night Jinnah had borrowed the instalment (*kisti*) from one of his friends in the neighbouring village and promised to sell his labour to the lender. In the morning Jinnah gave the *kisti* to Romeza and asked her to pay it to the bank worker and return home to prepare his morning meal. However, Romeza was delayed in the centre because one borrower of her group, who comes from a distant village, did not show up in the meeting. Jinnah twice sent one of their daughters to the centre to bring Romeza home. In the loan centre Romeza tried to explain her urgency to other borrowers and asked permission from the bank worker to return home. The bank worker refused to accept her instalment and did not allow her to leave the loan centre until the *kisti* problem was resolved. Romeza, along with all other borrowers, was forced to sit a couple of extra hours in the centre before she could return home. Jinnah waited at home. He was furious toward Romeza and refused to accept any explanation about her delay in the centre. They argued, Romeza was beaten, and Jinnah left the house without eating his food.

As the “guardian” (normative conception) of the household, it was Jinnah who asked Romeza to join the Bank and borrow money for his own business. Jinnah is aware that when an instalment repayment problem arises then other borrowers must wait in the loan centre until they solve this problem. But he explains his violent behaviour toward Romeza as a repercussion of his frustration and anger over which he has no control.<sup>51</sup> Jinnah used Romeza’s loan in his brown-sugar business, but could not make enough profit from this investment to maintain regular instalments from it. Jinnah used part of his capital each week to pay Romeza’s instalment. In this process he exhausted the capital borrowed from the Bank. The household arranged instalments from other sources, including borrowing, for four weeks. Romeza had to pay instalments regularly to become eligible for the next loan in six weeks.

Romeza is sympathetic toward Jinnah’s frustration. She rationalizes her husband’s violent behaviour by explaining the societal norm, i.e., “a man in the village is not supposed to prepare his own meal”. Her delay in the loan centre happened because one of her peers was absent and the bank worker refused to accept her instalment. Romeza stressed that such delays would make any man angry who waits for his wife to prepare his meal. She said she felt very bad because she failed to prepare the morning meal for the husband who left home without eating any food (*khalimukhe*).

The example of Jinnah’s verbal aggression and physical assault of his wife Romeza, and Romeza’s reaction to Jinnah’s action against her, suggests that men’s aggressive actions in the study village are condoned within certain limits and even supported by women themselves. Sometime they actively protest men’s violence (see Schuler, Hashemi, Riley and Akhter 1996:1733), but often they, like Romeza, put up with men’s violence because of their social and material survival dependency on normative-based entitlements. Lending to women within the patriarchal structure of the society often fails to provide any acceptable alternatives

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<sup>51</sup> It is commonly believed in the study village that when a person gets angry then he/she is no longer the same person because *saitan* (the devil) takes control over the angry person’s actions.

for women – social, economic or legal entitlements – that are supported by the society, including active individual or organized protest against aggression and violence (Sen 1981; Agarwal 1994; Kabeer 1991a; Wiest 1998).

### **6.7.2. Power Hierarchy in the Loan Centre**

In Chapter 5, I discussed the nature of the power hierarchy and the importance of networks of relations among borrowers and bank workers within the loan centre for the local-level loan operation. This power hierarchy also has implications for escalation of hostility and violence. When the individual group member completes payment of one of her existing loans in the Grameen Bank credit scheme she becomes eligible for the next new loan. This new loan is usually an amount greater than the repaid loan and is approved for the borrower within two weeks after clearing all dues on an outstanding loan. The request for a new loan must gain the consent of the group chairperson and the centre chief. In the loan centre problems often arise for the borrower in receiving the loan within the appropriate time, or in getting the expected amount (i.e., greater than the repaid loan). Such problems often occur for two reasons: i) the loss of credibility of a particular loan centre within the bank, e.g., irregularities of any members within the centre, or ii) a woman's adverse personal relations with other members or with the centre chief who has authority over approvals in the centre. In a situation where a woman pays off her outstanding loan but does not receive the subsequent new loan according to established practice (which is becoming very common in the study area), she faces serious consequences of verbal aggression or physical assault from her spouse or male relatives. If the concerned borrower experiences a delay in receiving the new loan, or must accept an unexpectedly low amount because of another fellow borrower's unwillingness to consent to the loan proposal, then the problem of the loan centre may broaden the dispute and lead to fights among different households or lineage members in the village. Here is an example from the study village.

Yuri ( #45) received her first loan of three-thousand taka in December 1993. At the end of fifty weeks, Yuri requested her husband, Naim, to manage funds to pay the outstanding dues (interest and emergency fund ) on her first loan, assuring Naim that she would give him her second loan (four-thousand taka) after two weeks of the repayment. Naim borrowed the required repayment amount for Yuri from a moneylender in the village on condition that he would return the amount with interest in a couple of weeks. In early February 1994, more than five weeks after Yuri had paid all her dues on the first loan, she failed to acquire the second one. The centre chief refused to consent to her new loan and the bank worker would not listen to her appeals. Naim could not keep his promise with the moneylender but was pressured to return the money. This situation generated tension in the household, and resulted in disputes; Yuri was victimized and physically beaten by her husband several times for her failure to acquire the new loan. Yuri and other peer members reported that Yuri could not get the second loan because of her refusal to lend “Rani” (#2) one-thousand taka from the expected new loan.<sup>52</sup> Yuri’s refusal to lend made Rani angry, so she asked Yuri’s centre chief (who is also Rani’s eldest daughter) and the bank worker not to extend a second loan to Yuri. Ultimately, Naim brought the issue to the centre meeting where he encountered Rani and asked for an explanation of her activities against Yuri. Both Rani and Naim quarrelled and exchanged harsh words. The female bank worker failed to stop the argument and left the centre without collecting instalments. For Lal (Rani’s husband), Naim had not only humiliated his wife by using harsh words against her before other borrowers – in a public place – but also humiliated the honour(*ijjat*) of his homestead by doing it on his (Lal Miah’s) own homestead (see Aziz 1979). Lal was angry and challenged Naim in revenge. A fight broke out the same day between Naim and Rani’s husband and later spread among these two lineages in the village (see Zaman 1991).

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<sup>52</sup> Rani is a Grameen borrower who established two loan centres on her own homestead courtyard and recruited most members in these centres, including Yuri.

Rani, who belongs to a different loan centre, rationalized her acts toward Yuri by stating that she organized and recruited all members in the centre and sacrificed her own courtyard to build the centre house for weekly meetings. If someone in the centre fails to pay their instalment, Rani manages the amount and pays it to the bank worker. To manage such unexpected but very common crises in the loan centre, she must keep cash money at her disposal. Sometimes she arranges the cash through borrowing from other members who receive new loans, but she always pays them back in time according to her promise. However, the statements of many other members and my own observations not only contradict Rani's explanation but also signal the importance of borrowers' personal networks in the loan centre. Rani maintains a strong network with several other members in two women loan centres situated on her homestead. If Rani's household fails to arrange weekly instalments, then she uses her network to borrow money from other members in the centre to pay her own or her daughter's instalments.

Eighteen percent of my informants reported to have experienced decreased violence in the household because of their involvement with the credit program. Loans to these women are often used successfully in the household economies; these loans are considered a new economic resource for the household, bringing benefits for all members in the unit. When borrower households enter a debt-cycle because of low return on investments, household crises, or natural disasters, then loans to women become burdens to the unit more than a household resource. In these cases, the capacity of women to bring resources to the household through their bank loan entitlements becomes ineffective. Six borrowers in the study village encounter men's violence because of their refusal to give their loans to men or for challenging men's proposals for loan use. This suggests that women's control over their loans – a defiance of the patriarchal ideology, a counter hegemony – undermines men's authority in the household. Women may be victimized as a consequence.

The informants in my study commonly view men's violence against them as an expression of men's frustration arising from the pressure to maintain timely repayment in the

loan centre. The examples of Romeza and Yuri suggest that women become victims of violence primarily because they are not in situations to use their power – acquiring credit – in a positive way. In the household they have less power than their husbands, and in the loan centres they have less power than influential borrowers and bank workers who are mostly men. Most women who encounter violence in the household, like Romeza or Yuri, often blamed either the peer group borrowers or the bank workers instead of their own men for such behaviour. Women borrowers are not only conscious of the increased violence but a few women in the study village are also gaining power by controlling their loans to resist men's violence against them.

The focus of institutional sustainability of the Bank (financial sustainability) emphasizes self-sustainability of each local branch through loan investment and loan recovery. To meet the challenge of financial Sustainability, grassroots bank workers initiate “practical” strategies (Bourdieu 1990), as illustrated in previous chapters. They employ coercive methods and use local power-hierarchies in instalment collection and loan investment instead of borrower empowerment and solidarity envisaged by the Bank in its public transcript. The women borrowers and their household members are frustrated with the structure and strategies of lending (e.g., the roles of influential members in loan centre decisions) and strategies for loan recovery (e.g., keeping all members of the centre in the centre until all instalments are collected). I discuss the financial sustainability and the issue of institutional and borrower sustainability in the next chapter.

## **CHAPTER SEVEN**

### **MICRO-LENDING AND SUSTAINABLE DEVELOPMENT**

The extension of micro-credit to the poor as a new paradigm for economic development (Morduch 1997) has emerged from the “programmatically successful” of the Grameen Bank in Bangladesh. Since the introduction of the micro-credit program the poor people, specifically women in Southern countries who are the targets of these credit programs, have maintained high repayment rates on their loans. For example, both the Grameen Bank and Bangladesh Rural Advancement Committee (BRAC) have over 90% recovery rates on their invested loans to women. This performance has encouraged the lending institutions and development organizations to impose interest rates high enough to cover the cost of services provided to the clients. It also has led to the philosophy that micro-credit for the poor enhances long term economic viability of service-providing institutions. The issues discussed in this chapter are: i) the interrelationships of the Grameen bank micro-lending, cost-recovery, and profit-making in the context of capitalist finance; ii) how the Bank’s ownership by its borrowers is important in promulgating Bank policies, specifically, in transferring the transaction costs of micro-lending from the institution to borrowers; iii) the importance of expanding credit programs and scaling up outreach for achieving the goal of institutional economic sustainability, and their implications for borrowers and bank workers; and iv) the role of bilateral and multilateral donors in the process.



## 7.1. Sustainability and Profitability

The achievement of financial sustainability has become a key concern for institutions providing micro-lending services to poor people. The performance of the lending institutions and their financial and economic viability is determined by cost recovery in the programs. Havers (1996) provides a Financial Sustainability Index (FSI) model, which is helpful in illustrating my point.

$$FSI = \frac{\text{total income earned from a credit program during the period}}{\text{credit program cost during the same period}}$$

The sustainability index is based on the imposition of appropriate pricing policies by the lending institutions for earning sufficient income to achieve the goal of financial sustainability. Rosenberg (1996:1) argues that micro-lending service-providing institutions are required to extend loans based on an “effective annualized interest rate (R)” to cover their full lending cost. The annualized effective interest rate on micro-loans to the poor – like any other loans in a capitalist economy – depends on five expenses and the costs of delivering services. The expenses are administrative expense (AE), loan losses (LL), the cost of funds (CF), the desired capitalization (K), and investment income (II). Micro-credit projects require their clients to pay the annualized effective interest rate and bear the costs of the loans in order to become financially sustainable. The greater the positive value of FSI, the more sustainable the institution.

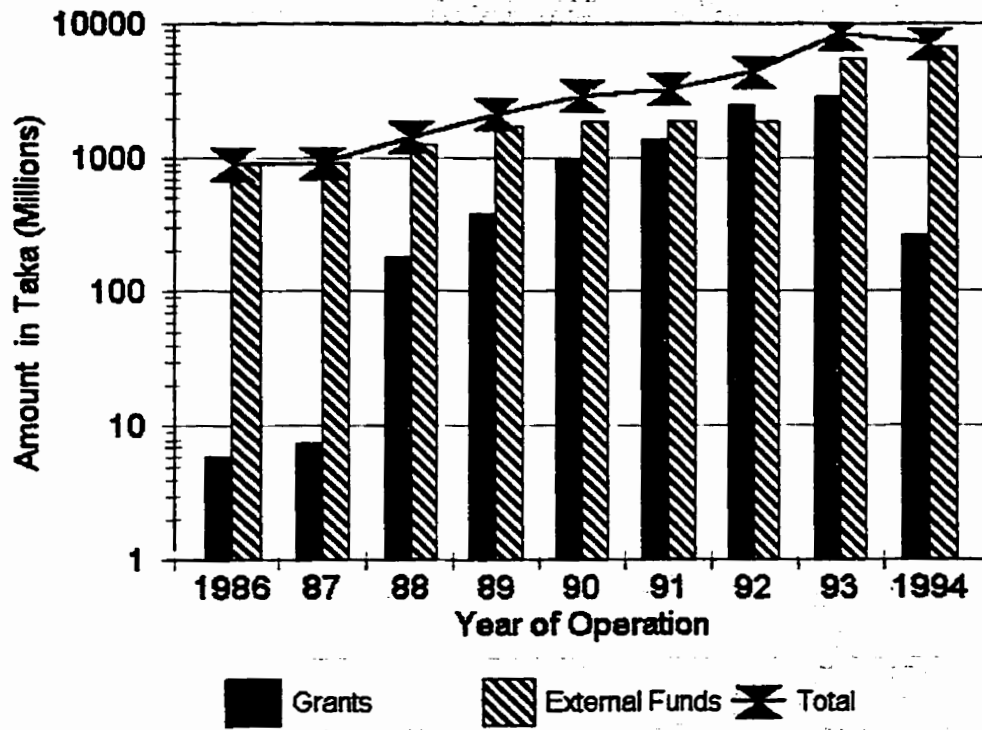
Jackelen and Rhyne (1991), in their study on a range of micro-credit organizations, identify three levels in an organization’s financial viability: i) subsidy-dependent, in which the costs of the organization are funded through grants and subsidies from donors; ii) operationally efficient, in which the non-financial costs of operation – salaries and other administrative costs – are covered out of program revenues, i.e., interest income from loans and fees; iii) fully self-sufficient or profitable, where the institution is generating positive

(inflation adjusted) returns on assets. The financial costs of operation of loans and income can cover the costs of these loans.

Jackelen and Rhyne (1991) place the Grameen Bank of Bangladesh at the second level of financial viability in their scale. However, the Grameen Bank has so far been a subsidy-dependent institution. The Bank has received grants from foreign donors as well as implicit subsidies at concessionary interest rates for borrowing capital from international agencies and from the Central Bank of Bangladesh to re-lend to poor households. The Grameen Bank has experienced steady increases in the amount of subsidized funds obtained, but with a recent shift toward borrowing from the Central Bank. The Central Bank charged Grameen Bank only a 3% interest rate until 1994, and then the rate rose to 5.5%, while the interest rate on loans from international donor agencies – IFAD, SIDA, NORAD – has held steady at 2% (Grameen Bank 1996:130-31). Since the early 1980s the Bank has also received interest-free foreign capital from donor agencies, for example, in 1994 it received a grant of US \$74 million from foreign donors (Morduch 1997). Figure 7.1 shows the sources of external capital in the Grameen Bank from 1985 to 1994.

Morduch (1997:1) calculates that the Grameen Bank is “relatively far from full financial sustainability”. The total interest subsidies (the sum of subsidies on loans and foreign grants for lending) of the Grameen Bank has risen from \$4.3 million in 1987 to \$24.2 million by 1994. A study by the World Bank, however, shows that in 1991-92 the household incomes of Grameen borrowers increased about 17 cents for every dollar the Bank lent (Pitt and Khandker 1995, cited in Morduch 1997:8). Morduch finds that during the same time period (1991-92) the subsidies to the Grameen Bank amounted to 21.5 cents for every dollar the Bank lent to its clients. This subsidy was nearly five cents more than the per dollar impact on household consumption measured by the study of Pitt and Khandker (1995). Based on his own calculation, Morduch (1997:8) commented: “Had the subsidy been simply transferred directly to households, they would have been as well off (at least in terms of current consumption and ignoring the costs of making the transfers)”.

**Figure 7.1 External Funds and Grants Received by the Grameen Bank, Bangladesh, 1986-94**



Source: Adapted from Khandker, Khalily and Khan 1994

## **7.2. The Grameen Bank and Capitalism**

The Grameen Bank model resembles Western banking institutions. In its practices of banking the Grameen Bank upholds the ideology of capitalism, i.e., investing capital for maximizing profit. During the early years of Bank operation the emphasis was to help the rural poor in Bangladesh by giving them easy access to credit, enabling borrowers to build sustainable livelihoods and eradicate rural poverty from the country. In the mid-1980s and 1990s the expansion of the Grameen Bank in most regions of Bangladesh (see Figure 1.3), and its international reputation for loan recovery rates, changed the Bank's emphasis from "borrower sustainability" to profit making and "institutional financial sustainability". The Bank tries to achieve its goal of financial sustainability through employing strategies of recovering the full lending cost from its borrowers. Dr Yunus (1995:13) postulates, "a sustainable system can be built only on the basis of users undertaking responsibility". Such a policy statement leads the Bank to operate its lending to the poor on the basis of cost recovery and profit making, not on the altruistic motives that underlay its formation.

Until 1991, the Grameen Bank followed the country's commercial market interest rate and charged 16% annual interest on its micro-loans to borrowers. In 1991 the Grameen Bank raised salaries of its workers by around 25%, adding an additional cost to the lending program of the Bank. The increased cost became a serious hindrance for the profitability of the Bank. The Bank responded to the problem in terms of the rules of capitalist finance, which dictate earning profit by any means (Auwal 1994), by increasing its interest rates on investment loans from 16% to 20%; it "thereby loaded the increased cost on the borrowers" (Fuglesang and Chandler 1993:127).

Dr Yunus (1994c) endorses the basic features of capitalism, e.g., profit maximization and market competition and asserts "capitalism" as a philosophy with no challenger in the current global economic system. His vision of capitalism for the Grameen Bank, however, is "socially-conscious-driven", focussing on the freedom of individual thought and action instead

of “free-enterprise”. Auwal (1994:150) investigates the Grameen Bank’s rationale for supporting the ideology of capitalism in his dissertation work and writes:

By siding with capitalism and professing to use it in the service of the poor, Yunus attempts to win friends from the West. In this way he builds a symbolic bridge between developed countries that generally rely on capitalist economies and the developing nations that, in keeping with the Grameen Bank model, are looking to capitalism as a way to solve their long standing economic problems.

The annual interest rate of the Grameen Bank on its small loans is now 20%, which is much lower than the interest rates of moneylenders in the same areas of operation who may charge as high as 100 to 200% on their investment capital. However, in rural Bangladesh these moneylenders are small in number and have neither standardized nor institutionalized interest rates for large-scale operations. The Grameen Bank institutionalizes its interest rate on a mass scale by reaching more than two million borrowers, more than 95% of whom are women. The oldest man in the study village puts it this way:

The Grameen Bank is a kind of British Raj<sup>53</sup> in this country who unfairly takes advantage of poor people’s poverty. It replaces one evil by another, for instance, moneylenders charge exorbitant interest rates on a smaller scale, the Grameen Bank charges lower interest rates but on a mass scale. Instead of eliminating moneylenders from rural Bangladesh, the Bank is now creating a new class of moneylenders within its own borrowers. For poor people, particularly those who are followers of Islam, there is no difference between the moneylenders and the Grameen Bank.

The Grameen Bank has been privileged to borrow funds at subsidized rates of interest from the Bangladesh Central Bank and other sympathetic funding agencies in the West to re-lend to rural poor households in Bangladesh (see Figure 7.1). Yet, in 1994-95, the annual net interest rate charged by the Grameen Bank was 20%, which was about 8-10% higher than the

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<sup>53</sup> British Raj implies the British colonial ruler and is a symbolic expression of an exploiter.

commercial market rates in the country.<sup>54</sup> The Bank workers in the study Branch rationalize the imposition of higher interest rates in comparison to commercial market rates on the basis of the public transcript of the Bank. One bank worker said:

It is the Board of Directors of the Bank (the majority of whom – nine out of thirteen – are representatives from women borrowers) who decides about the Bank's policy. The Board decides the annual interest rate on individual loans. The borrowers are also the owners of the Bank who will receive dividends from the Bank's profit.

In the study village, however, none of the borrowers agreed with the view of this bank worker. Ainal (#212, a male borrower) explains:

The borrowers have no power in Bank policy matters. It is Dr Yunus, the Managing Director, who decides about everything; the representatives of the borrowers are there to support his view. Women borrowers who are representatives on the Board are not brave enough to talk in front of Dr Yunus. Moreover, area and zone managers choose the members who are elected to the Board. They will not allow me nor any outspoken person to become a member of the Board.

Ainal rationalizes his statement about the Board – a hidden transcript – by elaborating on the power relations within the Board of Directors, who, according to a public transcript, run the Bank. The nine Directors who come from the Grameen borrowers are women, the poorest people in the society with absolutely no formal education. In the Board meeting at the Head Office these women sit with four highly educated and powerful men<sup>55</sup> with their high

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<sup>54</sup> In 1994-95, the gross-interest realized from borrowers was much higher than the Bank's claimed interest rate of 20%. Following Grameen repayment rules, borrowers returned the borrowed principal in fifty equal instalments, i.e., they paid 2% of the principal each week. Only after the full payment of the principal the bank workers calculated and charged 20% interest on the total principal and for the full year. In other words, the Bank charged interest on borrowers' partially paid-off principal. The calculation of interest based on borrowers' paid-off principal every week yields a weekly gross interest rate of 0.60922%, and the actual annual interest realized from borrowers was 31.68%.

<sup>55</sup> In 1994, among five members, including the "Chairman", four had PhD degrees and all were male and held high official positions in the Government bureaucracy (either Secretaries or Additional Secretaries in different ministries of the Bangladesh Government).

status in the society. In the face of such power relations it is unrealistic to expect that these women on the Board will speak out from their own understanding and experience , a point made by Scott (1985) in his study of Malaysian peasantry.

The cultural norms of the society also support the explanation of the informants. Women are expected to be passive and shy (Mandelbaum 1988, Blanchet 1989). A few women borrowers in the study village are aware that the Bank is owned by its borrowers. However, none of them can explain the organizational structure of the Bank, how the Bank runs, or by whom it is run. A few male borrowers like Ainal, who may be aware of both the organizational structure and the power structure of the Bank, are not allowed to become a part of the Bank's decision-making structure. Men borrowers of the Grameen Bank are not allowed to be elected on the Board, and outspoken persons are cut off in the selection process.

The public transcript of the Bank states that borrowers from different zones of the Grameen Bank are to elect nine Directors to the Executive Board for three-year terms. Several informants in the study village expressed openly the influence of local bank officers in selecting women of their own choice to become representatives on the Board. Bank workers at the study Branch always disputed the portrayal of the borrowers, but when they failed to send one of their women borrowers to the Board they constructed their own hidden transcript on the matter. In the Summer of 1997, when I returned to my study village for follow-up research, the bank workers shared with me their experience of a recent election of Board representatives. In this election, Sofia (#83), a sixteen-year borrower of the Bank, won her candidacy in the local Area Office for a position on the Board. There are eight branches under the local Area Office and Sofia was elected as a candidate by borrowers of these eight branches offices to compete in the zone. Ten representatives from ten area offices in the zone are sent to the zone competition, and out of these ten one is sent to sit on the Board. During the zone competition the respective Zone Manager did not support Sofia's candidacy and the representatives from other area offices did not vote for her. The bank workers in the study

Branch were disappointed, because if Sofia had been elected it would have brought a good name and encouraged pride for the study Branch. The bank workers felt that the “Zonal Sir” (Zone Manager) did not support Sofia because many senior officers in the zone knew Sofia was an outspoken person, a personality uncongenial to other Directors on the Board.

According to the Grameen Bank official transcript, borrowers own 92% of Bank shares and hold its ownership. The document in the study Branch shows that all borrowers in the village had purchased their “shares” of the Bank, but only fifty-five women borrowers (46%), and twenty-seven men borrowers (80%) were aware of purchasing their shares from the Bank. None received dividends during these years. Why a large number of borrowers are unaware of their purchase of shares from the Bank is explained by one bank worker:

Borrowers who become members of the loan groups and receive loans must purchase shares of the Bank before accepting their second loans from the Bank. During the first loan cycle all five borrowers in the group receive loans. According to Bank policy five percent of each individual loan is levied and put into a joint Group Fund Account (GFA). Before the second loan is sanctioned for the group, the bank worker transfers five-hundred taka from the GFA to the Share Purchase Account (SPA) and issues share certificates to all five members. The transfer of money from GFA to SPA is done with the consent of the group members. Because the borrowers do not pay the price of their shares from their own sources but from GFA, most of them would not remember purchasing their shares.

The commitment of the Bank as an institution “of the poor, for the poor and run by the poor” gives the Bank privilege to formulate its policies, employ its strategies for maximizing profit and creating an economically viable institution. However, these efforts of making profit by the institution have economic, social and human costs for all actors involved in the program.

### **7.3. Transaction Costs, Outreach and Sustainability**

The Grameen Bank extends loans to poor women by creating a structure of joint liability. In the study village this joint liability works in two ways: i) it is an effective



alternative to the conventional material collateral which enables the Bank to transfer default risks from the institution to the borrowers; ii) it reduces the transaction costs of providing a large number of small loans by concentrating clientele in groups, at regular village-based meetings, rather than dealing with individual borrowers at different times.

The micro-loans of the Grameen Bank are by definition small in amount. The incomes these small loans generate through interest payments are also small. Therefore, to generate profits to make the institution economically viable, the Bank emphasizes scaling-up the "outreach", i.e., the number of loans made and the number of borrowers (Otero and Rhyne 1994). The transfer of lending transaction costs and risks through joint liability, scaling-up of outreach, and maintenance of high repayment rates has a cost. The poor, specifically women, the most weakly positioned category of social actors in Bangladesh rural society, pay this cost (see Chapters 5 and 6).

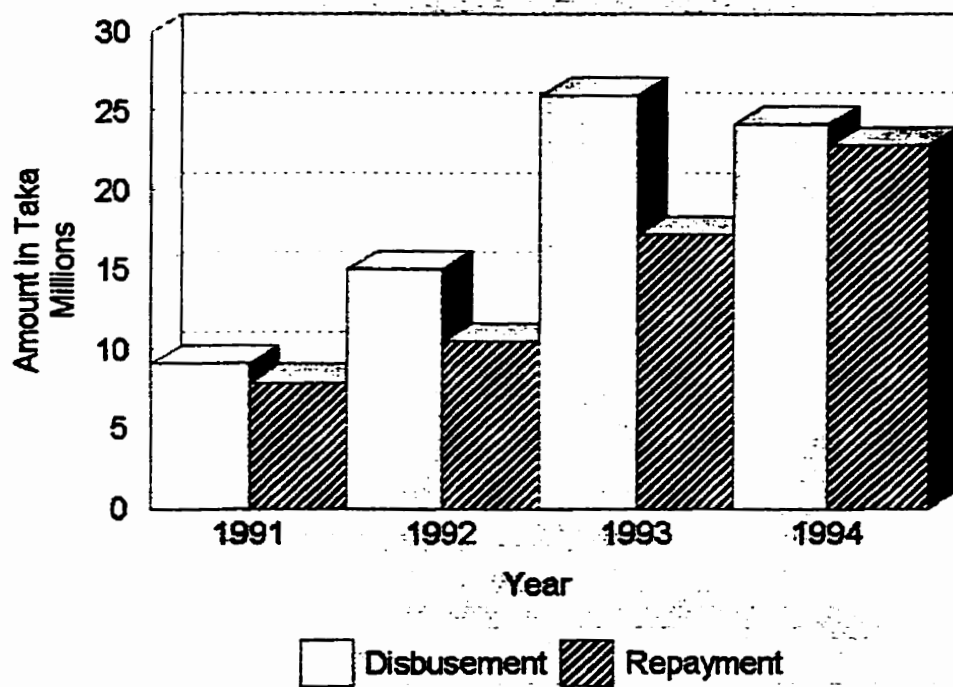
In the study Branch the trade-off between maximizing profit for economic viability of the Branch and increasing investment and recovery rates on invested loans is clear. Since the mid 1980s, there has been pressure from senior officers on grassroots-level bank workers to increase the investment of the Branch. The increase in loan investment is also reflected in the Year-Wise loan disbursement profile of the study Branch. Figure 7.2 shows that the investment profile has increased more than threefold from 1991 to 1994. The pressure to increase investment, and its consequent implications for the borrowers and the bank workers, became a concern for a few managers. I present here an excerpt from one such field Manager's monthly descriptive report to the Managing Director (Dr Yunus) released to me by the Head Office.<sup>56</sup> The report includes the following:

Recently, there is an intense competition among different Managers to increase their "outstanding" loans (investment). Whenever we meet our fellow Managers, the only question we ask is about the investment profile of the

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<sup>56</sup> At the end of every month the Managers of the Branch must send a descriptive report to the Head Office. This report contains a description of the situation of the Branch. In the early 1990's many of the report Managers described in detail their strategies for increasing Branch investment.

**Figure 7.2 Year-Wise Loan Disbursement and Loan Recovery in the Study Branch, 1991-94**



Source: Evaluation and Monitoring Department, Grameen Bank, 1995

Branch. Increasing our investment is important for the Bank but we must not forget the capabilities of our members; increasing investment must not be our main objective. We have been educated in the Grameen Bank that our primary consideration is the welfare of our members, but in many instances investment has become prime and members are becoming secondary. If we continue with our present attitude, then the result will be serious for a poor country like Bangladesh (Report of one Manager, Grameen Bank, March 1993; my translation of *Bangla* text).

One higher officer (#220) in the study Branch once explained to me that within the Grameen Bank system there is always “a hidden agenda”. Each branch, each area and each zone of the Bank must strive for a substantial profit margin. To gain this profit margin both disbursement and recovery of each unit must always be kept at an optimal level. The experience of two bank workers in the study Branch (L #219 & R 213) is relevant to this discussion.

In 1990-91 L & R were employed in two different branches in Tangail Zone. Their respective managers instructed them to increase loan disbursement in their loan centres either by recruiting new members or by augmenting the amount of small loans among borrowers. These two bank workers, who are also local leaders for the Grameen Bank Workers Association (*karmachary samity*), are aware that increasing disbursement without considering the capabilities of the borrowers would cause some defaulting in loan centres. The increase in defaulting would victimize the bank workers, because they are responsible for recovering the defaulting loans. They decided to defy their managers’ instructions, but paid a price; their promotions were delayed for six months.

According to the philosophy of the Bank the bank workers must not exceed borrowers capabilities when approving loans, and must not recognize a loan group which includes members who fall outside the official selection criteria. The practice of increasing disbursement and disbursing loans to those who do not meet the official criteria yet become Grameen borrowers, contradicts the Bank’s operational policy. The bank workers explain that to understand why they carry out instructions by their superior officers which contradict the philosophy of the Bank, one has to understand the chain of hierarchical command within the

system. The operational instructions at the grassroots-level come from zone managers to area managers and then to branch managers who pass them to bank workers to carry out in loan centres. In this hierarchy, one person's job prospects are heavily dependant on the confidential reports (CR) submitted by the immediate superior officer; therefore, no one would dare to defy the command of his/her immediate boss.

The instruction that contradicts the objectives of the Bank – increasing investment – is transmitted verbally and it is not indicated in the public transcript. The normative behaviour for the bank workers, however, is to follow the instructions of the superior officers without raising any questions, whether it comes through written memos or is passed verbally. The bank workers express that, like their colleagues L & R, they have learned from experience the cost of defying a superior officer's instruction. Rakib (#213) explains the situation with an analogy.

In this country, when one rides a public bus it is hard to ignore a two-line instruction for travelling passengers that hangs above the driver's seat. The first line of it reads "when this bus is running, report your complaint to the driver"; the immediate second line reads "do not talk with the driver when he is driving."

By putting forward this analogy Rakib stressed that "we, the bank workers, are like the passengers on a bus who may have questions or concerns about the system, but are unable to express their concerns because the bus is running".

#### **7.4. Consequences of High Loan Disbursement and Loan Recovery**

Both high disbursement and repayment rates in reality work against the poorest in the society. Currently, many clients of credit programs of the Grameen Bank are coming not from the extreme poor but from the better-off sector of the rural population. The exclusion of the extremely poor from micro-credit programs is now becoming evident in various studies on different micro-credit programs, including the Grameen Bank in Bangladesh (Hulme and Mosley 1997; Matin 1997; R.I. Rahman 1997; Ito 1997).

Bank workers are aware that there is no grace period between loan disbursement and instalment payment. The borrowers are unable to pay their first few instalments from the earning of the loan investment. Therefore, the poorest women without multiple sources of income in the village are seen as high risk and tend to be excluded from their loan entitlement (Ebdon 1995). Afzal (#222), senior bank officer working in the study area, once commented:

Fifteen years ago, after my graduation from the university, I joined the Grameen Bank. My dream was to help the rural poor and contribute to the eradication of poverty in the country. During the last fifteen years the Bank has changed tremendously. Now, you find many well-off people in the program. I have borrowers who not only own arable land but also own a transport business. School teachers and college students are borrowers. When I meet these borrowers during my loan centre visits, I feel myself poorer than Grameen borrowers. The vision of the Grameen Bank is to provide micro-loans for small businesses, but now we give loans as big as taka one lakh (one-hundred thousand) or more.

In Summer 1997, during my follow-up research, I witnessed a “Leasing Loan” disbursement at the study Branch. It was a transport loan of taka one-hundred fifty-thousand (US\$4,000) approved for a male borrower. This borrower is from a neighbouring village of the study branch and he lives in a joint household which owns about fifteen acres of arable land (a large quantity of land in the study area). One elder brother of this borrower is an officer in a major department of the national government. The household owns five fish ponds for the commercial production of fish seedlings (*renu*). During the harvesting period, the household rents vehicles to transport the fish seedlings to different areas for marketing. The Grameen loan to one household member will enable the household to buy a truck for use in transporting fish. During the off season the household plans to rent out this vehicle and earn the income for the loan repayments.

Bank workers at the study Branch and other senior officers in the Area office who I interviewed regarding this matter said that the decision to approve this Leasing Loan for transport business to a well-off borrower is appropriate and rational. Azam (#214), a bank worker, explains that this particular borrower comes from a household which has various

existing sources of incomes. The client lives in a joint household and his elder brother, who is respected in the study area, has assured the Bank of timely instalment payments. Even if the project fails, the Bank can get back its investment from the household and from the borrower's brother.

This contrasts with the case of Ruki (#20), who after three years of trying to get a Leasing Loan from the Bank to buy a used baby-taxi for her husband, is still unsuccessful. Ruki's husband is a baby-taxi driver who drives a three-wheeled motor car in the area, paying rent for it on a daily basis. Ruki joined the loan group in 1989; she received her General and Seasonal Loans regularly from the Bank, and invested most of her loans in the village as a moneylender. Ruki has also mortgaged-in a small plot of land with one of her loans. Since joining the Bank, she has paid the instalments mostly from her husband's income from his baby-taxi earnings. Ruki always maintained that if her household had a baby taxi of its own they could have earned enough income to pay the instalment without any problem. Yet, for the Branch Manager, Ruki's household has no land of its own or any potential existing sources of income except her husband's driving skill. In this case, if the project fails, his Branch will suffer and they are responsible to the Area and Zone Managers to recover the loan. Therefore, the Manager would not approve the Leasing Loan for the baby-taxi even though most of the members in the loan centre support Ruki's proposal.

The bank workers at the grassroots level are not only responsible for increasing their disbursement of loans but also for maintaining the high repayment rates. In such a complex situation, a bank worker prefers clients who have existing income or assets instead of extending loans to the extremely poor. In the study village, before recruiting new borrowers the bank workers first investigate the earning sources of the household, the number of earning male members, and whether the household can pay the instalment from earnings other than the earnings of the loan investment. Within the Grameen Bank the inclusion of well-off clients in micro-credit programs reached such a point in 1994-95 that it became a concern for the central administration in the Head Office. The 1995 annual conference of the Grameen Bank

Zonal Managers dealt with the matter in their meeting, concluding that well-off borrowers must be phased out from the credit program (Grameen Bank 1995b).

### **7.5. Spiralling Debt-Cycle**

In the study village, borrowers of Grameen micro-loans have limited opportunity to graduate and become self-sustaining. Most of the enterprises supported by the projects are not workable with the lending structure of the Bank. For example, in 1994-95 the Bank approved 39% of total micro-loans to women borrowers in the village for “rice husking” projects, and another 16% of loans as “cow loans” (to buy cows either for fattening or for milk production). None used their loans for paddy husking, and only eight loans out of 217 micro-loans (3%) were used to buy cows (Figure 6.1). Borrowers who buy cows through their “micro-loans” often pay instalments on this loan from sources other than their project investment, because investments in these sectors (cows) do not give an immediate return, while the instalment payment starts within two weeks of its disbursement.

In the village 78% of micro-loans approved to women’s specific projects are diverted by the households either to use in other economic activities or to meet household needs (13% of micro-loans were exclusively used to meet household needs). In the study area, the investment of micro-loans in small businesses by household members often returns a diminishing profitability (see Section 6.4.1.).

In addition to encountering limited investment opportunities and diminishing profitability, poor households in the study village need to cope with vulnerability to economic stresses caused by a variety of factors. These are: i) structural dimensions of the rural economy, e.g., seasonal price fluctuation; ii) familial or life cycle effects such as variable household dependency ratios over time; iii) unexpected and sudden crises, e.g., death or illness in the family, or natural calamities (see Section 6.5 for detail).

Credit has been seen as a resource to borrower households, *but credit is also debt*, and is a risky strategy for the poorest and most vulnerable to economic stress. Outstanding

repayment pressure places an additional burden on poor households, and if such obligations coincide with other crisis contingencies, then even the small weekly payment strains those households without a regular cash flow. Seasonal economies, especially those with less employment opportunities and uncertain economic return on investment, such as found in the study village, create cash flow problems and lead to extensive informal borrowing among group members and their kin in order to service regular and fixed weekly instalments. In 1994-95, data show that only 33% of instalments of loans to women were paid by the household from investment profits, 10% were paid by using the principal amount, and 57% were paid from other sources – relatives, loan peers, moneylenders, and others (see Figure 6.4). In addition to the instalment payments, 80% of “interest and emergency fund contributions” for women borrowers are paid through informal loans from kin, neighbours, loan peers or moneylenders (see Figure 6.5).

The payment of the instalment from the capital, or borrowing of funds for either instalment payments, as Rina (#3, in Section 6.6.) did, or the payment of the interest and emergency fund for new loans, as Yuri (#59, Section 6.7.2.) did, is directly linked to the creation of debt cycles. The borrower must return the amount to the lender immediately after receiving a new loan from the Grameen Bank. The payment of this amount leads the household member to start his/her venture with a deficit on the capital. As borrowers begin a new loan with such a deficit, it continues to become a greater amount with each new loan cycle and creates a spiralling debt cycle for women borrower households. The example of Ali and Khatun illustrates the process of building debt cycles in the household.

Ali (#207) and Khatun (#156), husband and wife, joined the first male and female Grameen loan groups in the village in the mid-1980s. Since joining the group the couple has accepted about 25 loans from the Bank. Until 1985, they used Grameen loans in their domestic oil seed pressing business. The loans were small, their business was then profitable, and the household managed instalments without hardship. In 1986 and 1987, the household used part of the Grameen loans for their daughter’s dowry, starting a deficit cycle on the



capital borrowed from the Grameen Bank. In 1988, Ali and his loan groups accepted a collective loan of seventy-thousand taka for buying and storing mustard oil seeds during the harvesting season to sell in the off-season for profit.<sup>57</sup> During the loan year, the price of oil seeds went down and the collective project became a failure. The centre members lost most of their capital, but had to pay both the loan and the interest from other sources, including new loans. For the last four years Ali's household is surviving on his oil business in the local market and taking new loans to pay old loans, increasing their debt-cycle. In 1994-95, the total loan (General and Seasonal) of the household was thirty-six thousand taka, on which they were paying instalments through loan-recycling and thus becoming permanently trapped in a spiralling debt cycle.

The debt burden in borrower households is a matter of concern for household members. The debt-burden in borrower households in many instances engenders new layers of tension and frustration among household members. The tension and frustration felt by household members is reflected in the escalation of aggression and violence (see Section 6.7. and 6.7.1).

All borrowers except one women in the study village are followers of Islam. For them a debt-burden with the Bank is not only a burden in the material sense but, according to informants, they believe this burden will continue in their life in the hereafter. In rural Bangladeshi Muslim culture debt is considered unethical. No one should die with debts and a deceased person's debt must be paid off by his/her heirs before they can bury the body. Tusta (#91) described it this way: "As Grameen borrowers we are suffering here in this world, and many of us probably cannot pay off our debts before we die and we will be punished in the grave".

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<sup>57</sup> During harvesting periods the price of a seasonal crop is much lower than its price in the off-season. Storing seasonal crops for their marketing in off-season for profit is a traditional business in rural Bangladesh.

In response to my probing about a solution to the problem of spiralling debt-cycle, most informants (borrowers) expressed that they are only able to get out of the debt-cycle by using their savings in the Group Fund Account GFA (the fund in which 5% is levied and deposited from every Grameen loan). In 1994-95, individual borrowers had no access to this account. The informants explained that if the Grameen Bank were to decide to return individual borrower's savings held in the GFA then most borrowers could pay off their debts. Once borrowers are cleared from their debts, they probably would either stop accepting new loans or accept loans in small and manageable amounts.

In 1994-95, Grameen borrowers (primarily men) in different older program areas of the Bank brought their "hidden transcript" of the program into formal protest. They organized demonstrations against the Bank and asked the Bank to comply with their demands. They demanded individual borrower access to the GFA, application of commercial market interest rates to Grameen loans, calculation of interest on a weekly basis instead of fifty weeks, and reduced pressure for different types of compulsory savings.

In a few areas in the Tangail Zone some borrowers stopped attending loan centre meetings and stopped paying weekly instalments. In the study village borrowers did not participate directly in the formal protest but both women and men borrowers extended their moral support. In August 1995, the central administration of the Grameen Bank decided to accept some of the borrowers' demands and gave individual borrowers who have completed ten years or more with the Bank access to their GFA (Grameen Bank 1995b).

The new policy of the Bank came into effect in October 1995 and gave twenty-six women borrowers in the study village access to their GFA. In January 1997, the study Branch transferred more than two-hundred thousand taka from borrower GFAs to their individual savings accounts and then adjusted borrower debts with the Bank. After the implementation of the new policy several borrowers in the study village either have stopped accepting new loans or have reduced their loans to manageable amounts. For example, the household of Ali and Khatun received taka twenty-two thousand from their GFA and used the amount to pay

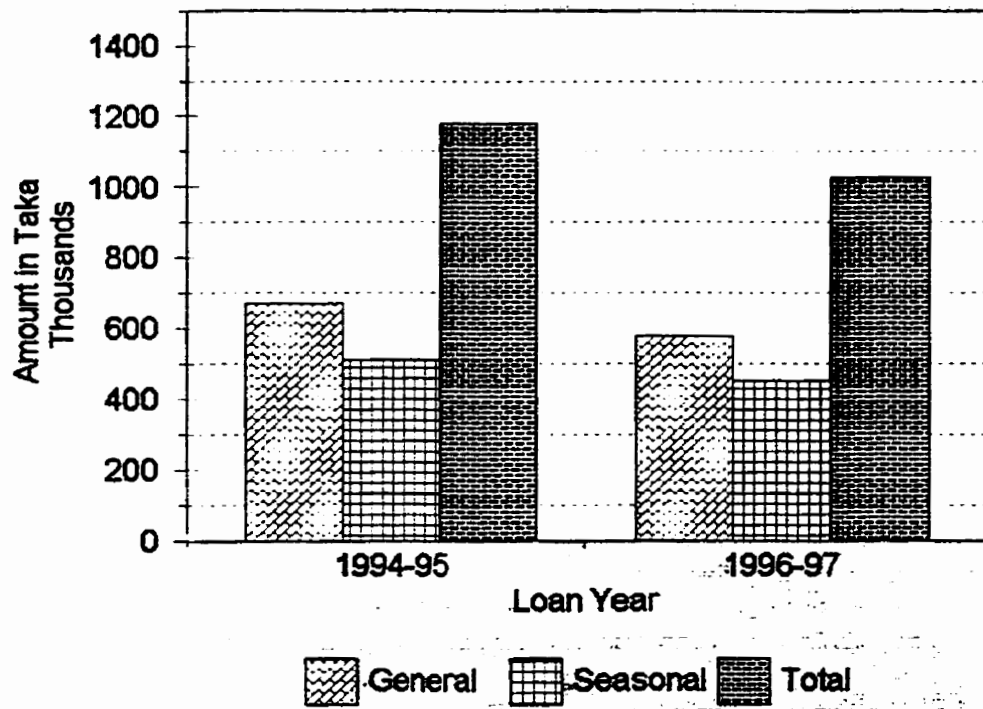
off their debts. Now Ali has stopped accepting new loans and his wife Khatun only accepts loans in reduced amounts.

During my fieldwork, I found at least five women borrowers in the village who no longer accept new loans from the Bank but pay weekly savings and continue their membership with the group. One of these women is Taj (#122), who joined the Bank in 1984 and continued to accept loans until 1993. During these years she accepted loans and her husband used her loans in his jute trading. Taj never encountered problems paying her instalments, because her husband has always made instalments available to her. Two of their sons now work with two local NGOs. Their only daughter is married. Since 1993, Taj has not accepted new loans because her husband felt that the high interest rate of the Grameen loan has made it unprofitable to its borrowers. However, Taj, like many other borrowers in the study village, continues her membership with the Bank. She explains that during her involvement with the Bank she sacrificed a great deal for the Bank (*banker Jonno anek karesi*) and she will not discontinue membership with the Bank. Moreover, the Grameen Bank is a good source for borrowing money in case the household needs to borrow money for any specific purposes, e.g., for purchasing or mortgaging-in land.

Currently, there are several borrowers in the study village who have paid off their debts, have reduced their borrowing, or have stopped accepting new loans, but they continue their membership with the group as reflected in the investment profile of the study Branch in the loan years 1994-95 and 1996-97 (Figure 7.3). The reduction in the branch's investment produces a negative impact on its profitability and financial sustainability.

The Grameen Bank in the study area has tried to face the problem of decreasing investment by introducing two new types of loans in 1996-1997 – Cattle Sharecropping (*pashu barga*) and Leasing Loans – for income generation. The Cattle Sharecropping loan is six-thousand taka given to individual borrowers to buy cattle; it is repayable after a six-month term. The borrowers pay both principal and interest in the total amount of seven-thousand five-hundred taka in one instalment after the term is over. In 1996-97 there were

**Figure 7.3 Disbursement of General and Seasonal Loans  
Among Women Borrowers in Pas Elashin, Bangladesh,  
1994-95 and 1996-97**



twenty-one women borrowers in the village who received this new type of loan, most of whom were already in their debt-cycles. During my follow-up research I encountered situations where a few borrowers are encountering problems in repaying the Cattle Sharecropping Loans. They have either recycled these new loans to make their instalments on other loans or have used part of the amount for household consumption needs instead of buying the cattle, and now they cannot pay back this large amount in one instalment.

Women borrowers in the study village are now also eligible to receive the newly introduced Leasing Loan provisions of the Grameen Bank. These are technically leases of more than taka one-hundred thousand (US \$4,500) that the Grameen Bank offers for income-generating assets, such as transport vehicles. In the study village the Bank does not extend this loan yet, but these loans are in the process of getting approval. The provision of Leasing Loans (larger amounts compared to micro-loans) to women borrowers is a probable solution to the decreasing investment trend of the Bank, but the impact of these loans on women borrowers is yet to be studied.

## **7.6. The Donor Perspective**

There is a tremendous urge from donors and financial institutions of the West for rapid scale-up of services to reach the goal of institutional financial sustainability. Von Pischke (1995:4) states, “using vehicular vernacular, this urge is based on the fender-bender or bumper-crumpler strategy of assistance to the poor: *to make a dent in poverty*”. J. Avina (1993:364) examines the relationship between NGOs and donors with respect to institutional development, and identifies a donor’s priorities in expanding outreach. The donors themselves are also under pressure to show performance to tax payers and be accountable to them. The donors must show a record of orderly disbursement and quantifiable outputs using disbursement levels to evaluate their own institutional performance.

Wood and Sharif (1997) write in their recent book that there is strong feeling among NGO participants and other observers that donors such as the World Bank, USAID and UK-

ODA are keen to push multi-sectoral, social development oriented NGOs into the narrower function of micro-credit. The premise behind such influence is that as NGOs increase in scale of operation and significance, so does their ability to sustain costly social development activities at existing levels. If NGOs wish to continue to be attractive to donors in a larger scale activity, then they have to show that they are sustainable as institutions in the longer term by securing cost recovery through micro-lending and other financial services.

The emphasis on financial sustainability by the donors is changing the ethics of the NGOs or at least is creating an internal tension between “compassion and capitalism”. There is less space to allow both agendas of social development and institutional financial sustainability. These concerns are reinforced by the enthusiasm with which donors promote this alternative to public sector spending and mould the agendas of agencies that were, at one time, providing an alternative vision to the mainstream.

## **CHAPTER EIGHT**

### **CONCLUSION**

In this research, I have studied women borrowers' involvement with the micro-credit program of the Grameen Bank, examined the grassroots lending structure of the Bank, and analysed the implications of this lending for the borrowers, their household members and bank workers. The study focuses on the processes of village-level micro-credit operation; it addresses the realities of the day-to-day lives of informants – women borrowers and bank workers – and explains informant strategies for involving themselves in this micro-credit scheme. This dissertation work illustrates the power dynamics of everyday lives of informants as they affect women borrower relationships within the household and the loan centres, and bank worker relationships within the loan centre and the bank. In the concluding chapter, I present a brief review of the study, its theoretical implications, and several policy recommendations.

#### **8.1. Review of the Study**

The Grameen Bank started its group-based credit scheme for landless poor households to alleviate rural poverty in the country in the mid 1970s. Since the early 1980s, the Bank has focussed primarily on women – efficient agents for household welfare and better credit-risk clients (Kabeer 1995:111) – and has launched a “Sixteen Decisions” social development program for Grameen borrowers. The group lending structure and the effective use of joint-liability among borrowers enable Grameen Bank to maintain its high repayment rates on invested loans, to generate interest revenue, and to bring institutional financial sustainability

into micro-credit discourse. In the late 1980s and in the 1990s, the achievement of institutional financial sustainability becomes the central agenda for the Bank's micro-lending program.

The "programmatic success" of the Bank has internationalized the micro-credit concept and has made micro-lending initiatives for poor people, specifically for women, a "new paradigm" to achieve the goal of "equitable and sustainable development". Currently, micro-credit is a widely discussed topic among academics in the field of equitable and sustainable development, development workers, and development critics. The discourse on micro-credit spans a wide range of debate regarding the potential that credit holds for poor people, specifically for poor women; it has even been promoted as a "panacea" for involving women in development (Scully and Wysham 1996:6).

The findings of my study, however, suggest that women become the primary target of the micro-credit program because of their *positional vulnerability*; they are seen as submissive, shy, passive, immobile and easy to discipline. *The positional vulnerability of women meets the requirements of the micro-lending structure*; the structure demands regular attendance of borrowers in weekly meetings at the loan centre and a rigid repayment schedule of loans.

The grassroots lending scheme of the Bank involves the formation of solidarity groups in which women borrowers in loan groups and centres are jointly liable for individual loans in the loan centre. The study, however, suggests that the current practice of joint liability of group members gives the lending institutions an alternative to conventional loan collateral. The joint liability facilitates three important aspects of institutional lending in its implementation by the lending institution and by the borrowers themselves: i) it enables the lending institution to transfer default risk from the institution to borrowers; ii) it reduces the micro-loan transaction costs; and iii) it insures the high repayment rates and high rate of profit required to achieve institutional financial sustainability.



The economic and financial arguments of joint-liability in the credit program are complemented by social development objectives of the Bank – building trust and mutual self-help and increasing solidarity/unity among peer loan group members. The Bank emphasizes “homogenous” peer loan groups for building and maintaining solidarity of group members. The assumption of homogenous loan groups in the study community becomes unrealistic for several practical reasons: i) the women who organize loan centres come from different lineages which may be factional within the village power structure and the community social hierarchy; ii) the starters of loan centres assume power, recognized by the grassroots bank workers, so that influential members often become *de facto* dominators in loan centre decisions; iii) more than 90% of borrowers have relatives in the Grameen loan centres who build their own small factional groups within a larger solidarity group; iv) the dynamics of rural poverty make individual borrowers vulnerable to crisis in cash flow which may push a “good borrower” to become a “defaulter” – the high number of poor households in the village, together with wide fluctuations in economic earnings, make group homogeneity unrealistic over time; v) poor women are rarely able to fulfil the obligation of their joint-liability to pay defaulters’ loans and continue to maintain group solidarity.

The failure in building mutual trust and support with each other in loan centres compels peer loan group borrowers and the bank workers to impose certain forms of repayment discipline – coercion, even debt-recycling – which contradict the social objectives of generating trust, mutual support and solidarity. In reality, women borrowers in the loan centres build and maintain *factional* instead of solidarity groups for their own strategic reasons. Factional loan group formation and group power hierarchies within loan centres have their roots in the rural culture in Bangladesh. In rural Bangladesh society, factions (*dal*) are an integral part of “patron-client” relationships between the rich and the poor. The powerful and rich classes create factional groups and use these groups to protect social and political interests and to control landed property (Bertocci 1974; Islam 1974; Jansen 1987; Zaman 1991).

Loans to women and empowerment of women – raised self-confidence and increased status in households – are linked to each other. The link between empowerment and credit is generally assumed to be the expected outcome of the improved capacity of women to invest their loans profitably and benefit from the return of their investment (UNDP 1997:7). However, this study shows that rural women are vulnerable to the patriarchal ideology expressed most obviously in prevailing social norms and intra-household gender relations; they are often unable to use loans by themselves within the structure of patriarchy and the rural market economy. The absence of investment opportunities for rural women, and the lack of control by the lending institution itself (i.e., lack of supervision) as to how these loans are used and by whom, lead women to pass on their loans to others (generally men) and to lose control of their loans.

The poverty reduction potential of micro-credit schemes is commonly perceived as a process through which poor households “graduate” from their poverty situation. This graduation has been simplified to breaking from a “vicious circle” of low-income and low-investment to a “virtuous circle” by injecting capital in the form of credit to generate productive employment, higher incomes and more investment (see Mayoux 1995:11). This model of poverty and the focus on credit as the solution is too simplistic because of a range of factors other than investment which reproduce poverty and its qualitative dimensions (H.Z. Rahman 1996).

Apart from facing limited investment opportunities in activities within the rural economy, poor households are also vulnerable to economic stresses caused by a variety of factors: i) structural dimensions of the rural economy (investment and return); ii) familial or life-cycle effects, shifting household consumer/worker ratios over time; iii) sudden crises such as death or illness in the family, or natural calamities. These forms of economic stress introduce fluctuations in income consumption and threats to productive resources, and require households to use a range of coping strategies. The many factors influencing economic well-being and the inherent vulnerability of poor people suggest that “promoting” households

through credit services is likely to be more successful if household coping strategies are effective.

*Credit as a debt for the household constitutes a risky strategy.* The pressure of regular weekly instalment payments required by the Grameen micro-credit scheme can place additional burden and strain on those households that lack regular cash flow. The cash flow problems may lead to extensive informal borrowing in order to service regular and fixed weekly instalments. The micro-lending and repayment regularity by grassroots borrowers may also encourage a new form of legitimate moneylender who entraps the most desperate of the poor in an *upward spiral of debt*. The institutional debt burdens on individual households in turn increases tension and anxiety among household members, *produces new forms of institutional domination and increases violence* toward many clients of the project. Thus, the increase in intra-household tensions, as a result of the desperate need for cash to make weekly loan repayment, in reality may contain the “disempowering elements” of the credit scheme. The emphasis on financial sustainability by the donors compels development agencies to change their ethics, or at least it creates an internal tension between “compassion and capitalism” even if it is a socially-conscious development (Greeley 1997:95). The intense pressure from donors (Wood and Sharif 1997) on micro-lending institutions for institutional financial sustainability curtails the social development goals (e.g., the consciousness-raising or the institution-building) of agencies, which were, at one time, providing an alternative vision to mainstream development.

## **8.2. Theoretical Implications**

Targeting women as institutional micro-lending clients and channelling resources through women in the household to achieve poverty alleviation appears to serve a range of policy goals in keeping with micro-credit rhetoric: i) poverty alleviation and household welfare; ii) equitable development with empowerment of women; and iii) the institutional needs of profitability and sustainability (Kabeer 1997:2). The findings of my research,

however, indicate that *loans alone (which are also debt-liabilities), without viable opportunities for women to transform the power-relations and create their own spaces within the prevailing power structure, make “equitable development” and “empowerment of women” unattainable in the society.*

The primary concern of different schools addressing women’s issues in development (WID or GAD) has so far been the incorporation of women in economic development within the neo-liberal agenda (market approach). To a limited extent, these schools have also explored the strategies in which attention to women’s concerns require changes in the way the agenda has delivered; but they have not questioned the limitation of the neo-liberal agenda per se (Mayoux 1995:51). My study explores the limitation of such an approach. *The Grameen Bank recruits women in the study community for its lending – a market approach – by adopting the existing patriarchal structure of the society.* Loans to women are often considered by household members as a household resource instead of a resource to women. The patriarchal norms (Gramsci 1971) entitle men to claim their control over these new resources, or women themselves may also “pass on” their loans to men as part of their own “habitus” (Bourdieu 1977). Therefore, the “gender” issue in the micro-credit project of the Grameen Bank is not a matter concerned just with “women”; it must be understood and addressed through gender relations within the household and the wider community (Kabeer 1994).

Micro-credit to women is an “entry-point” that gives women “entitlement” to economic resources. Nevertheless, *the structure of patriarchy and norms of the village society “disentitle” women from a newly entitled economic resource in the household – loans – in exchange for their entitlement to the “normative commitment” to them by the household and the society.* Formulation of a “disentitlement” concept and its incorporation within the analysis of “entitlements and normative entitlements” expands the theoretical discourse of micro-lending to women in patriarchal societies such as rural Bangladesh. The incorporation of “disentitlement” within the analytical framework of micro-credit to women

also provides the scope to address the issue of “inequality” in access to power at different levels, such as within the household, in loan centres and in the bank.

Power dynamics are central to this research. Individuals hold relatively less or more power and use it to achieve their own goals (Naiman 1995:17). The women borrowers are not powerless, although their power is far less than that of men in the household or bank workers in loan centres. The grassroots bank workers also have less power than that of their superior officers or the institution itself. However, the development of the “hidden transcript” (Scott 1990) of the grassroots informants symbolizes their power dynamics. *The hidden transcript of the people with less power may also carry the potential for formal protest formulation and its expression through public demonstration.* The transformation of hidden transcripts of the informants into public forms of demonstration represents the micro-power of the people with less power that may challenge the “power of the powerful”.

The “practical intelligibility” of the informants and their endeavour to alter the “habitus” to meet the forthcoming realities of the situation presented in this dissertation is based on informants’ conscious and unconscious rationality (Bourdieu 1977). Informants’ action according to their practical intelligibility exemplifies the manoeuvring of their power – whatever little they have in their possession – to meet the requirements of the situation. Manoeuvring this power by the informants not only enables them to meet the demands of the situation, but it also enables them to increase their social, cultural and symbolic capital.

### **8.3. Policy Recommendations**

In micro-credit discourse and micro-lending practices success is primarily determined through profitable lending by institutions and their achievement of financial sustainability. While institutional financial sustainability is desirable, the service-providing institutions must also consider whether the attainment of this sustainability involves too large a cost, i.e., social and economic impoverishment of borrowers. If the aspirations for financial sustainability and the objective of serving poor women are contradictory, it is likely the donors will sacrifice the

latter, especially when the donor and international development community's attitude and support reward the former. The ethnographic data and anthropological analysis of micro-credit of the Grameen Bank in my research, however, have raised several questions relevant to micro-credit policy and future research.

First, institutional sustainability is undeniably an important issue. The lending institutions try to increase their interest revenue to achieve sustainability through various strategies: i) expanding programs; ii) extending multiple loans; iii) increasing loan sizes to individual borrowers; and iv) maintaining a high rate of repayments. However, with expansion, institutions often lose their visions of lending. With multiple loans and increase in loan size, the likelihood increases for women to lose their control over loans and assume the burden of the debt. The institution may attain the high rate of repayments through methods of organization which may contain the elements of disempowerment of women, e.g., coercion, and women being disciplined by male workers of the institution. These are sensitive issues in micro-credit programs for women which must be identified and recognized by the lending institutions and addressed in the planning and implementation of the programs.

Second, in addition to borrower discipline, the discipline of the lending institutions is also vital for the success of micro-credit to the poor. The lending institutions must take into account the assessment of borrower debt-capacity prior to extending their loans to women. The organization of women and imposition of discipline on women borrowers are necessary for regular repayments. Nevertheless, my study recommends the imposition of discipline on the lending institutions for at least two reasons: i) to ensure that the disbursed loans are not beyond the debt capacity of the women borrowers; and ii) to maintain lending institution commitment to social development aspects and the empowerment of women, and not only to use "organization of women" for loan operation in the weekly meeting.

Third, the women borrowers encounter lack of investment opportunities and alternatives for women who lack basic entrepreneurial skill. The rigid instalment payments are an obstacle for women to use their loans and make repayments from income earned. Since

returns from investments are not always earned on a weekly basis, such as investment on cow fattening, borrowers may use part of the capital to pay the instalment. The study recommends changing rigid and fixed weekly instalment payments and to set up project-based repayment schedules.

Fourth, the study recognizes that the other important aspect of the institutional constraint on empowerment of women is the mechanism through which credit is delivered. The Grameen Bank focusses and recruits only women into its program, but delivers its lending services primarily by male workers. The study recommends that the management of the Bank pay attention to staff capacity-building in its recruitment policies for more effective service delivery, and pay attention to generation of staff incentives that help meet organizational goals regarding empowerment of women. A further point is that efforts to address issues of women's empowerment are time-consuming and divert bank workers from their principal task of ensuring adequate repayment of loans. Thus, there is a potential trade-off between financial sustainability of micro-credit institutions and women's empowerment which must be considered in the planning of the program.

Micro-credit and micro-enterprise development projects are going to be *the* significant component of the twenty-first century's development initiatives in both poor and industrialized countries. The actual experience of renowned institutions such as the Grameen Bank in Bangladesh documented in my research can bridge the gap between outsider examinations of Grameen Bank and views of actual participants. It will broaden the understanding by policy makers of the micro-lending process and will provide a fuller comprehension of development initiative impacts. The Grameen Bank has shown past capacity to bring changes in its policies; it therefore holds the promise to incorporate policy recommendations of this research for the betterment of the institution and its poor borrowers.

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## Appendix A: Glossary of Non-English Words

<i>amanabik</i>	inhuman
<i>apa</i>	elder sister
<i>ashalin</i>	immodest rickshaws
<i>Ashar</i>	third month of Bengali calender year
<i>Baishakh</i>	first month of Bengali calender year
<i>bahir</i>	outside
<i>bari</i>	homestead
<i>bazar</i>	market
<i>bebsa</i>	business
<i>belati shahib</i>	Englishmen
<i>beta manush</i>	men-folk
<i>bhai</i>	brother
<i>bhalo</i>	good
<i>bhanga</i>	to break
<i>bidhimala</i>	constitution or by-laws
<i>bhitor</i>	inside
<i>bibek</i>	conscience
<i>bidesh jaoya</i>	going abroad
<i>bhumihin</i>	landless
<i>bon</i>	sister
<i>chacha</i>	paternal uncle
<i>chachi</i>	aunt
<i>chula</i>	cooking unit.
<i>dhan</i>	unhusked rice
<i>dhekki</i>	a heavy wooden plank, pedal-operated husking implement
<i>dokhhin</i>	south
<i>geram</i>	village
<i>ghar</i>	home/household
<i>gharjamai</i>	uxorilocal residence pattern
<i>grameen</i>	rural or village
<i>gusti</i>	lineage
<i>hat</i>	weekly market

<i>ijjat</i>	honour
<i>kaj</i>	work
<i>kendra ghar</i>	loan centre
<i>kisti</i>	instalment
<i>khana</i>	household /eating unit
<i>khana prodhan</i>	male household head
<i>kulee</i>	porter
<i>kurbanir eid</i>	Muslim religious festival
<i>lajja</i>	shame
<i>mahila</i>	woman
<i>malrakha</i>	buying seasonal crops during harvest time and storing them for off-season sale
<i>mama</i>	maternal uncle
<i>matubbars</i>	village leaders
<i>mullahs</i>	rural religious leaders
<i>murubbi</i>	eldest male in the lineage
<i>nari</i>	woman
<i>natun</i>	new
<i>opomanito</i>	humiliation
<i>paka rasta</i>	concrete road
<i>para</i>	neighbourhood/hamlet
<i>pardah</i>	seclusion
<i>samabay samity</i>	cooperative
<i>sari</i>	women's dress in Bangladesh
<i>shadasha</i>	member
<i>shamaj</i>	the village council
<i>shamparka</i>	relations
<i>sholo-sidhanto</i>	sixteen decisions
<i>taka</i>	Bangladesh currency
<i>tempo</i>	a three-wheeled motorized car
<i>uttar</i>	north
<i>union parishad</i>	the local administrative unit
<i>vushan</i>	clothing, etiquette

## Appendix B

### THE SIXTEEN DECISIONS

1. *The four principles of Grameen Bank – Discipline, Unity, Courage, and Hard work – we shall follow and advance in all walks of our lives.*
2. *Prosperity we shall bring to our families.*
3. *We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.*
4. *We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.*
5. *During the planting seasons, we shall plant as many seedlings as possible.*
6. *We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.*
7. *We shall educate our children and ensure that they can earn enough to pay for their education.*
8. *We shall always keep our children and the environment clean.*
9. *We shall build and use pit latrines.*
10. *We shall drink tubewell water. If it is not available, we shall boil water or use alum.*
11. *We shall not take any dowry in our sons' weddings, neither shall we give any dowry in our daughters' weddings. We shall keep the centre free from the curse of dowry. We shall not practice child marriage.*
12. *We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.*
13. *For higher income we shall collectively undertake bigger investments.*
14. *We shall always be ready to help each other. If anyone is in difficulty, we shall all help him.*
15. *If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.*
16. *We shall introduce physical exercise in all our centres. We shall take part in all social activities collectively.*

Source: Fuglesang and Chandler 1993:121

## **Appendix C**

### **ENGLISH VERSION OF BIDHIMALA (constitution) Bye-Laws of the GRAMEEN BANK PROJECT**

Project Director: Professor Muhammad Yunus

#### **1.0 Grameen Bank Project**

1.1 The objective of Grameen Bank Project is to introduce and institutionalize a non-traditional banking system in rural areas which would provide credit facilities under special terms and conditions. This project attempts to serve those rural people who are not covered by the traditional banking system. The success of this project entirely depends on the sincere efforts to follow the rules and regulations prescribed below:

#### **2.0 Group**

2.1 This project will provide credit facilities to the rural landless people through the formation of a particular organizational structure.

#### **3.0 Formation of Groups**

3.1 Only the landless poor will be eligible to form a group. Any member from a family (i.e. a household unit) owning less than 0.4 acre of cultivable land will be considered to be a landless poor person.

3.2 A group shall be formed with five members.

3.3 All the members of the group must be inhabitants of the same village.

3.4 A group shall be formed with persons who are like-minded, are in a similar economic condition and enjoy mutual trust and confidence.

3.5 There shall not be more than one member from the same household in any one group. If more than one person from the same household intend to become members of the landless groups, they can do so by becoming members of different groups.

3.6 It is not desirable to form a group with close relatives (eg: father, brother, uncle, father-in-law etc).

3.7 There shall be a Chairman and a Secretary in each group. They shall be elected by the group members. Election will be held at the time when a group is formed and subsequently in the month of Chaitra (last month of Bangla calendar year) every year. Chairmen and Secretaries elected in the month of Chaitra will assume their offices from the first of Baishak.

## **Duties and Responsibilities of the Members**

- 3.8 The Chairman and the Secretary of a group will maintain constant contact with the Landless Association and the loan-giving Bank on behalf of the group. The Chairmen and the Secretaries of the groups will be responsible for recommending credit requirement of the individual members, ensuring proper utilisation of the credit and repayment of loans.
- 3.9 All the members of the group shall remain present in the weekly meeting of the group.
- 3.10 At the weekly meeting, each member of the group must deposit at least one taka as his savings. This amount which is collected as his weekly savings shall be deposited in the group's own account with the Bank.
- 3.11 In the weekly meeting the Chairman will maintain discipline, collect weekly dues from the individual members and deposit it to the representative of the Bank.
- 3.12 Every member of the group must be fully aware of his responsibilities as a member and of the rules and regulations governing the activities of the group. Every member must endeavour to maintain discipline within the group and to observe the rules and regulations of the bank. All members shall always keep vigilance over each other regarding the proper use of bank credit and regular payment of instalment. They shall also make sure that every member attends the weekly meetings regularly.

## **4.0 Loan Disbursement and Repayment Procedure**

- 4.1 The lending bank will recognize a group only after being satisfied with the eligibility of its members and after observing in several successive weekly meetings their eagerness to maintain group discipline.
- 4.2 The bank will consider loan applications from the members of the recognized groups, for different economic activities. Group membership alone will not entitle a member to get bank loans. The members, as their turn comes, will be considered qualified for loans from the bank only if they full abide by the rules and regulations of the bank.
- 4.3 Receiving loans by the remaining members in subsequent turns shall depend on regular payment of instalments by the members who already received loans, and strict observance of rules and regulations by all group members.
- 4.4 All loans taken from the Bank shall generally be repayable in weekly instalments.
- a) In cases where the utilisation of a loan generates opportunity for daily or weekly incomes, the loan shall have to be paid off in weekly instalments.
  - b) In cases where utilisation of a loan does not create opportunity for daily or weekly incomes but generates a large income in a lump after the expiry of a certain period of time, a token instalment shall be paid every week.

The remaining amount shall be paid in one single instalment immediately after the receipt of the lump income.

Failure to pay this token weekly instalment shall be considered as a breach of discipline as in cases of non-repayment of "regular" instalments.

### **Group Fund**

- 4.5 a) Five percent of the loan amount shall be deducted as contribution to the Group Fund. This amount shall generally be known as "group" tax or "group savings" This money shall be deposited in the group's own account. The member from whose loan this amount is deducted shall have no personal right or claim over it. This deducted money as a whole shall be treated as a fund belonging to the group. All members shall have equal rights to this fund..

Withdrawals from this fund shall be made under joint signatures of the group Chairman, Secretary and the Field Manager. While withdrawing money from this account, the group Chairman and the Secretary shall have to be present in person at the bank.

If any member of the group intends to leave the group voluntarily or is expelled at any time, he shall not get any share of this money.

- b) The combined fund of group savings and weekly individual savings shall be known as 'Group Fund". Up to a maximum of 50% of the total amount accumulated in the Group Fund may be borrowed and invested by the group members jointly or in partnership with another group and/or taken by individual group members as loans for any purpose with the approval of all the members.
- c) In taking individual loans from the Group Fund, a special meeting of the group members in the presence of the bank worker shall be necessary. Money from the Group Fund may be withdrawn only on the basis of unanimous decision of that meeting. This meeting shall also decide the term, repayment procedures etc of the loan.
- d) Five percent of the loan money shall be deducted as "group tax" at the time of disbursement of loans from the Group Fund.
- e) Each group shall fix its own rate of interest on loans from the Group Fund (the group may also advance loans without charging any interest, if it so desires). The rate so fixed shall apply to all loans. In other words, the rate of interest fixed for Group Fund loans shall, in no circumstances, vary from individual to individual.
- f) The group shall be fully responsible for the recovery of loans given from the Group Fund. It may, however, be specially mentioned that if this loan money is not repaid in due time according to its terms and conditions, it shall be considered by the bank as breach of discipline.

- g) When a member leaves the group, he will be entitled to a refund of the entire amount of his personal savings deposited in the Group Fund at the rate of one taka per week. This personal savings, however, cannot be withdrawn for any other reason except this one.
- h) If any member of the group does not repay bank loans willingly or unwillingly, the loan has to be repaid in full from the Group Fund deposits.
- i) If any loan taken from the Group Fund remains unrepaid even after the expiry of the agreed time limit, no new loan shall be advanced from the Fund.
- j) If all the members of any group leave the group willingly or if the members do not keep the group in operation. the group savings of that particular group shall be deposited in the Emergency Fund of the Association.

4.6 All the loanees shall pay interest on all loans taken from the bank at the rate fixed by the bank.

#### 4.7 **Emergency Fund**

After payment of the total interest accrued on any bank loan, an amount equal to one fourth that amount shall be deposited in a special fund of the centre. This special fund created through compulsory contributions shall be known as the Emergency Fund.

Money accumulated in the Emergency Fund of the centre shall be spent for arranging insurances of different types for the members eg: cattle insurance, crop insurance, life insurance, etc. The money from the Emergency Fund shall be spent on such programmes only on the basis of decisions taken by the centre.

The Emergency Fund shall be operated under the joint signatures of the centre chief, deputy centre chief and the branch manager.

4.8 Loans taken from the bank shall be repaid generally in weekly instalments according to the terms and conditions of the loan.

4.9 Loan money shall be utilised within one week of the receipt of the loan in activities for which it has been taken. Those who will fail to utilise the money within one week must keep it deposited in the bank until opportunity for its proper utilisation comes. Any sort of deviation from this shall be considered as serious breach of discipline.

4.10 All properties/materials purchased with the loan money shall be regarded as properties of the bank until the loan is repaid in full. Until the loan is paid back, the bank workers will, from time to time, inspect these materials/properties and the loanees must extend full cooperation to them in their work.

4.11 Credit facilities offered by the bank to the members shall primarily depend on the regular attendance of all group members in the weekly meetings, their sense of discipline and regularity in payment of loan instalments. Failure of members to attend

weekly meetings in time, absence from meetings, underpayment of loan instalments, non-payment etc shall disqualify the group for bank facilities.

## **5.0 Joining the Group**

5.1 Any person, qualified as per provisions of these regulations, may become a member of a particular group at any time subject to the consent of all the members of that group (if the number of members of the group is below ten).

## **6.0 Fines**

If a member of a group is found indulging in activity subversive of discipline (such as absence from weekly meetings, irregularity in payment of instalments, failure to repay loans of the Group Fund, etc) the remaining members may, by unanimous decision, impose a fine on him. The money so received shall be deposited in the Group Fund.

## **7.0 Leaving the Group**

7.1. A member who has no outstanding liability with the bank may leave the group voluntarily at any time. While leaving the group, he shall be allowed to take back the entire amount of his personal savings.

7.2 If a member, who has outstanding bank loans, desires to leave the group, he must repay the entire bank loan before he leaves the group.

7.3 If any member leaves the group without paying off his bank loans, the group shall be responsible for repayment of the loan of the member concerned. If the members dissolve the group without repaying bank loans, the Association shall be liable to pay off all the outstanding loans.

7.4 If the membership of any group is reduced to less than 5 due to desertion by one or more of its members, the group concerned must fulfil the condition of minimum membership (i.e. five) within three months by enrolling new members.

If the required number of new members cannot be enrolled with the prescribed time-limit, the incomplete group has to merge itself with some other group. Alternatively, two or more incomplete groups may unite to form a complete group.

## **8.0 Expulsion**

8.1 The group members may, by unanimous decision, expel any member of the group for breach of discipline (such as long absence from weekly meetings, unwillingness to pay instalment etc). If any expelled member owes any money to the bank, it must be realised before his expulsion, else the group concerned shall be liable to pay the amount involved.

8.2 a) The Landless Association may declare a group dissolved for activities detrimental to discipline (such as absence from weekly meetings, non-payment of instalments, failure to abide by rules and regulations, etc).



The Executive Committee of the Association, the Centre Chief, or the Chairman of any group may move a proposal in the General Assembly of the Association for the dissolution of a group. If the dissolution proposal is passed by the General Assembly, the group concerned shall stand defunct and the Association shall inform the bank accordingly.

- b) The responsibility for repayment of bank loans, if any, of the dissolved group, shall rest on the Association.
- c) The savings of the defunct group shall go to the Emergency Fund of the Association.

#### 9.0 **Compulsory Resignation from Membership**

9.1 If the total quantity of land owned by the family of any member during the tenure of his membership of the Landless Association exceeds 0.4 acre or the value of the assets owned by his family exceeds the amount prefixed by the bank, he shall be compelled to resign from his membership of the Association.

#### 10.0 **Meeting-Centre**

10.1 Any place in the village where weekly group meetings are held shall be known as a "meeting-centre".

10.2 Each meeting-centre shall have a "Centre Chief". The group Chairmen of all the groups in the centre shall elect a Centre Chief and a Deputy Centre Chief from among themselves. The "Centre Chief" and the "Deputy Centre Chief" shall be elected in the month of *Asharh* every year. They shall assume their offices on the first day of *Shraban*.

10.3 The overall responsibility of conducting weekly meetings shall rest on the "Centre Chief". In his absence, the "Deputy Centre Chief", shall perform this responsibility.

10.4 As part of conducting the meeting, the Centre Chief shall ensure attendance of the group members at the meetings, payment of instalments and overall discipline and order. He shall help the bank worker present at the meeting in receiving instalments and deposits and explaining bank rules.

10.5 If any Centre Chief absents himself from half or more of the weekly meetings held during any three consecutive months, the post of the Centre Chief shall be deemed to have fallen vacant and a new Centre Chief shall be elected in his place.

10.6 If the Centre Chief becomes a "difficult loanee" at any time (i.e. if he does not pay his instalments for ten consecutive weeks or remains absent from the weekly meetings for ten consecutive weeks or if he has not fully repaid his loan in 52 weeks), he shall be disqualified for the post of Centre Chief and the post of the Centre Chief shall be deemed to have fallen vacant. In such cases, a new Centre Chief shall be elected to replace him.

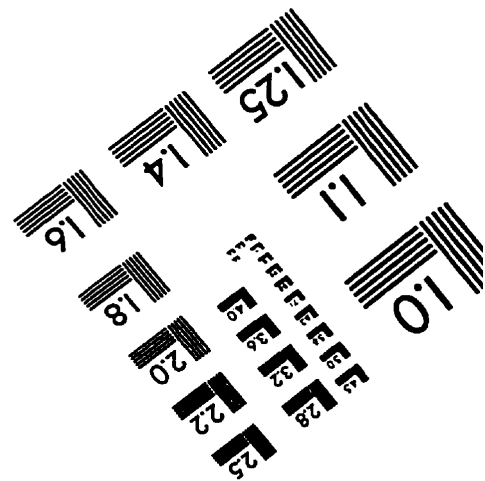
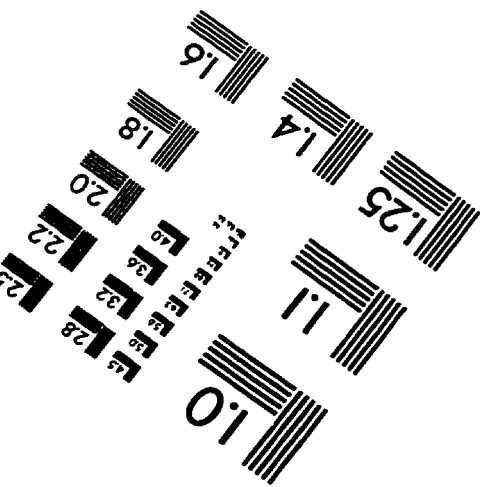
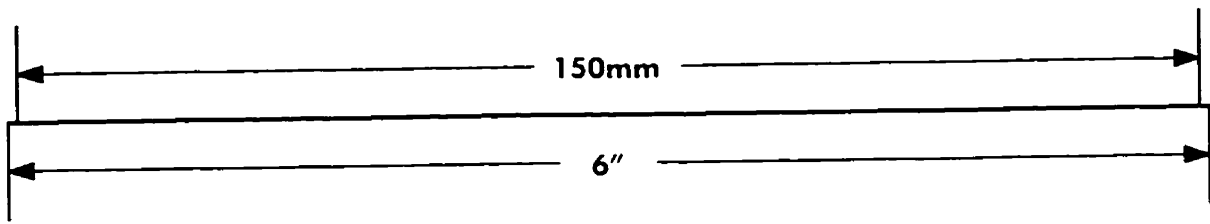
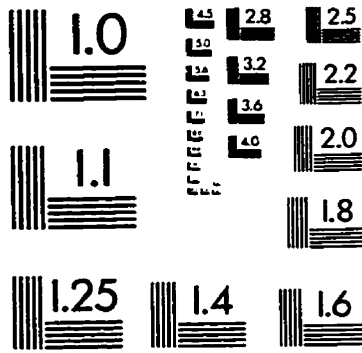
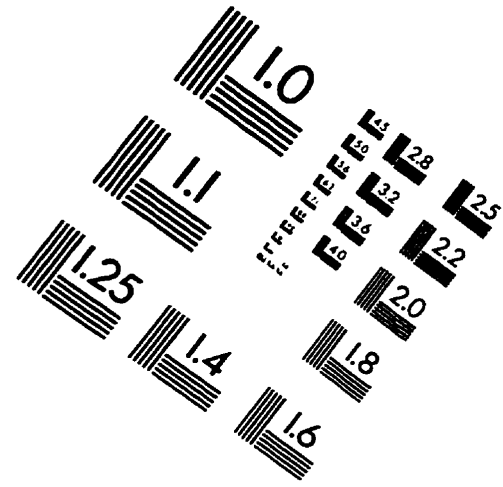
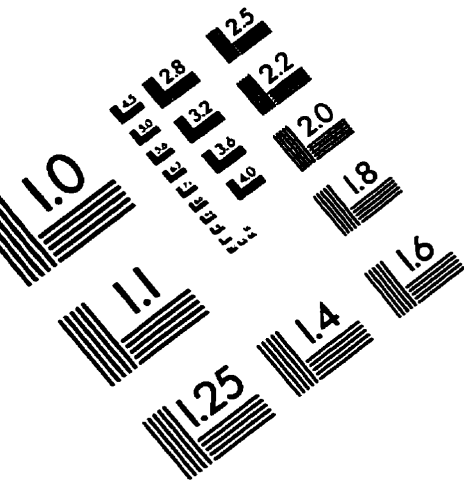
**11.0 Interpretation, Amendment etc. of the Bye-Laws**

- 11.1 In case of any ambiguity in these bye-laws the interpretation given by the Project Director of the Grameen Bank Project shall be final.
- 11.2 The Project Director shall have the power to change and amend these rules and regulations.
- 11.3 The Project Director shall have the power to give ruling in all cases not covered by these rules and regulations. These rulings shall have the force of a bye-law.

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**Source: Fuglesang and Chandler 1993:255-262.**

# IMAGE EVALUATION TEST TARGET (QA-3)



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