Money for Nothing
Re-thinking Women's Empowerment and the Accomplishments of Microfinance in Rural Bangladesh

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Statement

This work contains no material which has been accepted as the award of another degree or diploma in any university, and to the best of my knowledge or belief, this thesis contains no material previously published or written by another person except where due reference is made in the text of the thesis.
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## Abbreviations and Acronyms

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<tbody>
<tr>
<td>ASA</td>
<td>Association for Social Advancement</td>
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<tr>
<td>BRAC</td>
<td>Bangladesh Rural Advancement Committee</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNI</td>
<td>Gross National Income</td>
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<tr>
<td>HDI</td>
<td>Human Development Index</td>
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<td>MFI</td>
<td>Microfinance Institution</td>
</tr>
<tr>
<td>MRA</td>
<td>Microfinance Regulatory Act</td>
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<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
</tr>
<tr>
<td>PKSF</td>
<td>Palli Karma-Sahayak Foundation</td>
</tr>
<tr>
<td>RLF</td>
<td>Revolving Loan Funds</td>
</tr>
<tr>
<td>SUTRA</td>
<td>Social Uplifting Through Rural Action</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNIFEM</td>
<td>United Nations Development Fund for Women</td>
</tr>
<tr>
<td>WID</td>
<td>Women In Development</td>
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</table>
Abstract

Microfinance Institutions often claim that microfinance is useful not only in alleviating poverty but also as a development tool which empowers women. The impacts of microfinance on empowerment have been studied by many, some of whom have reviewed empowerment not only by looking at repayment, but also by examining the women’s well-being. However, other studies suggest that the various dimensions of well-being (such as mobility, political participation and health awareness) are not a direct result of access to credit or income but rather an indirect result of community development programs that are usually run by the microfinance institutions alongside their credit providing facilities. Thus, many studies suggest, while microfinance may be a useful tool to alleviate women out of poverty but empowerment is an issue that needs to be addressed differently. Empowerment, in this view, requires incorporating women’s agency. However, in traditional societies like Bangladesh, the present character of women’s agency is one of the causes of their disempowerment. The existing social structure and the century-long gender disparities distort the view of what women really value. Thus, I argue that empowerment cannot be achieved only via exercising agency, but it needs to question the existing power relations and social structures. On this reasoning empowerment requires critical agency. By examining Bangladeshi women’s identity, social structure and agency this thesis inspects how social structures, existing power relations and agency play out in the context of empowerment. I argue that the microfinance institutions need to challenge the existing social structures and power relations rather than build on them. Moreover, the idea of critical agency needs to be incorporated in their community development programs to play an effective role in women’s empowerment and development. Looking at microfinance institutions in this broader context shows more clearly the limited role they play in the process of women’s empowerment.
Acknowledgements

This thesis is my first academic brainchild. I use this as one of my many excuses to allow me to indulge in this rather traditional set of acknowledgements.

First, to my late grandfather, who marked me as a genius even before I went to pre-school; I miss you. Every time I sit for an exam or wait for my results to come out I miss how you used to hug me before I left for school. I miss how you always told me that I would be great because you had sent guardian angels with me. I was skeptical of your guardian angels; so I always grimly reminded you that guardian angels could not write the papers I had submitted. You believed in me more than I did in myself. As I submit this thesis, I want to thank you for looking after me all these years and for being my guardian angel.

My wonderful Baba, you have given me a wonderful life for which I could not possibly thank you enough. The most valuable gifts of all are the dreams I have inherited from you. You have taught me that we owe a lot to our society. I started studying political economy because I wanted to know about Marxism, the ideology that played a crucial role in your youth. I wanted to know about my father’s broken dreams. Your passion to fight against injustice and poverty and to think beyond the atomized society we now live in inspired me to take a different consideration of poverty in Bangladesh.

I would also like to thank the rest of my family, especially my mother, my sweet little brother Shahadat, my delightful cousins (Hasan, Tanha, Tonoy, Nahar, Adhora, Afip, Shovon, Isti, Tasnim, Juthy, Koli, Safayet, Anima, Shipa, Anika), my uncles (Liaqat, Millat, Mozammel, Mokarrom), and my boumonis for always supporting and inspiring my academic venture.

I must acknowledge my greatest debt to my supervisor Professor Frank Stilwell, for his time and wisdom. I also want to thank Frank as my first political economy lecturer who made political economy exciting and fun. Thank you for fuelling my interest in this subject and inspiring me to see the world through a different lens.

I would like to express my appreciation to Dr. Elizabeth Hill for her help and advice on this thesis. Many thanks go to Dr. Michael Beggs for his support throughout my Political Economy study and the Honours year. I would also like to thank my fellow Political Economy Honours students for their helpful advice on this thesis and for generally commiserating with the process. I could never possibly thank my friends enough, especially Ishfaq Ur Rahman, Rachael Alonso, Shannon Vincent, Jessica Kulakowski, Savitha Narayan, Matthew Barry, Rusha Rayan, Melissa Morphett, Nicholas Hull and Jessica Walker for their love and encouragement during my studies in Australia.
Chapter 1: Introduction

About 1.5 billion people globally live in households with per capita incomes under 1.25 dollars a day (United Nations, 2010a: E2-3). Almost half of the world’s population lives under 2.50 dollars a day, making poverty the most fundamental hindrance to human development (World Bank, 2008). Furthermore, the dimensions of poverty go far beyond inadequate income—to poor health and nutrition, low education and skills, inadequate livelihoods, bad housing conditions, social exclusion and lack of participation. In fact, 51 percent of the world’s multidimensional poor lives in the South Asia (United Nations, 2010b: 98). Amid this dispiriting news, microfinance is branded as a solution to global poverty amongst many development scholars. Microfinance is the provision of small loans (microcredit) and other financial services (such as savings and insurance) to poor people, who traditionally lack access to the formal banking sector. It is based on the concept of social capital. In other words, microfinance models take advantage of the social relations (such as preferential treatment and cooperation between groups and individuals) to generate productive benefits. Although, the core function of Microfinance institutions (hereafter MFIs) is to provide financial services, the potential of microcredit goes beyond the provision of giving poor people access to credit (Kulkarni, 2011:9). Since poverty is concentrated among women, in recent years, MFIs have articulated the empowerment potential forcefully and have proposed various mechanisms to take women out of poverty and empower them.

There are good reasons for excitement about the promise of microfinance in alleviating poverty and empowering women, but there are also good reasons for caution. Empowerment is a multi-dimensional social process that fosters practices by which people gain control over their lives and attain the freedom and capacity to make choices between different styles and ways of living. Such freedom of choice and capacity of living a life that one has reason to value depends on various other important social factors. The idea that economic and social structures would be transformed fundamentally only by providing access to credit to the poor women seems a little far-fetched and thus, any such conclusion requires careful examination.
1.1 Scope of the study

The main objective of this thesis is to re-evaluate the claim that microfinance empowers women. In contrast to the mainstream approach, I will problematize the naturalisation of gender construction that exists within the microfinance models and argue that the exercise of such models makes women prone to subordination rather than empowerment. To examine my hypothesis I will use Bangladesh as my case study. In providing a sophisticated depiction of empowerment, I will examine how the key aspects of empowerment such as economic independence, well-being and agency are interrelated. I will question the validity of equating poverty alleviation with empowerment. Since the relationship between social practices and human knowledge that governs agency is double hermeneutic, this thesis will offer an in-depth examination of these social structures. I will assert that empowerment cannot be achieved only via providing access to credit. It requires questioning and changing the subordination connected with social structures and gender relations (Kulkarni, 2011:11). I will also discuss an alternative way on how MFIs can play a vital role to contribute to empower women.

My review of the existing literature also supports my proposition that while microfinance initiatives, to some extent, contribute to women’s well-being, it has failed to move beyond income smoothing. In fact, much of the transformation contributed to women’s well-being was due to the community development programs (such as health programs, counseling, raising political awareness and group based social networking) that is often practised by the MFIs rather than the economic mechanism itself (Hashemi, Schuler and Riley, 1996: 648, 649). Moreover, women benefit from the social aspects of the group participation and community building programs regardless of the economic outcome of the loan use (Hashemi, Schuler and Riley, 1996: 648). Nevertheless, MFIs overlook discriminatory practices inflicted upon women and the power imbalance of the existing social structure. By ignoring the existing social structure and embedded gender disparities MFIs fall short in contributing to the empowerment of women.

To examine the contribution of MFIs to women’s empowerment in this thesis, I will focus on rural Bangladesh, the birthplace of microfinance. The microfinance sector in Bangladesh is not just one of the largest in the world but also
consists of a striking majority of female clients, making it a suitable candidate to explore the gender construction within microfinance models. To put that in context, the three most widely recognized microfinance institutions in Bangladesh – Grameen Bank, BRAC, and ASA – account for 85 percent of the 18.6 million active borrowers (Grameen Foundation, 2012). These microfinance institutions highly prioritize women- 98 percent of BRAC’s borrowers are female, followed by Grameen Bank with 97 percent and ASA with 88 percent (BRAC, 2011; Grameen Bank, 2011a; ASA, 2012c). Most of these women are from rural area (BRAC, 2011; Grameen Bank, 2011a; ASA, 2012d).

While poverty in the urban area is no less prevalent, in this thesis I focus exclusively on rural Bangladesh. This is because 72% of the population lives in rural areas (World Bank, 2011). Since urbanization has been very slow, the high population in rural areas make it a crowded place. The situation is worsened by the fact that, in a predominantly agrarian society, the high concentration of land in the hands of a small group of landowners has created a widespread land shortage, leaving the landless poor with little opportunity to improve their economic and social status. Consequently, most MFIs focus extensively on rural areas. For example, 85 percent of ASA’s area of operation is in rural Bangladesh; while both BRAC (covering 65,000 villages\(^1\)) and Grameen (covering 81,379 villages) have specific rural credit programs (ASA, 2012d; BRAC, 2006; Grameen Bank, 2011a). This exclusivity also makes rural Bangladesh a suitable subject to study the effect of MFI’s on poverty alleviation and empowerment. The central features of the microfinance industry in Bangladesh will be developed in Chapter 2.

Another reason for focusing on rural Bangladesh is that it does not make much sense to talk about the success of microfinance in a generic context since socio-economic conditions and individual experiences vary significantly across the globe. The success of microfinance models, like any other economic model, depends on the country level context. This includes the lack of good governance and accountable institutions, lack of infrastructure, absence of markets,\(^1\)

\(^1\) In Bangladesh, the smallest territorial, administrative and social units located in the rural areas are called villages. There are 87,319 villages in Bangladesh (Bhowmik, 2011: 20).
macroeconomic instability and household constraints (Ahlin, Lin and Maio, 2011: 119; Hashemi and de Montesquiou, 2011:10). I do acknowledge that individuals have many diverse and sometimes conflicting identities, which influence our interests, well-being, obligations, objectives and behavior. Thus grouping all poor rural Bangladeshi women together might be seen as an oversimplification. However, compared to many other countries rural Bangladeshi women are relatively homogenous and share many experiences due to their economic and socio-cultural realities. Consequently, in Chapter 3 of this thesis, I seek to explore the generic experience of Bangladeshi women based on their economic, cultural, social and religious context.

Microfinance has supposedly provided the poor with an instrument that can transform their lives and alleviate them out of poverty. The proponents of microfinance also claim that it has the potential to transform power relations between men and women (Cheston and Kuhn, 2002:4). Since this thesis examines the success of microfinance models in empowering women, I investigate the concept of empowerment and how it is measured. I will point out the problems associated with the existing understanding of empowerment. I will also identify the aspects of empowerment MFIs tend to ignore. I will not however, address all the existing views that tie the link between women’s empowerment and microfinance due to the limited scope of this thesis.

I will also distinguish empowerment from access to credit, repayment rates, freedom and well-being and focus on human agency and existing power relations that prevail within the social structure. Women’s empowerment requires addressing these power relations and breaking away from the normalized social structures that handicap them. Another important component of empowerment is exercise of agency. However, in traditional societies like Bangladesh, women’s agency is one of the causes behind their disempowerment. The existing social structure and the century long gender disparities distort the view of what a woman really value. Thus, I argue that empowerment cannot be achieved only via exercising agency, but it needs to question the existing power relations and social structures. Empowerment requires critical agency. This thesis examines Bangladeshi women’s identity, social structure and agency and reflects on how social context, existing
power relations and agency interact in the context of empowerment. Finally, I emphasize that MFIs need to break away from their androcentric bias and appreciate that their clients have different needs. Thus it is necessary to design products and services (such as building closer relationships with the credit officers and flexible repayment periods) that address those needs and encourage ambitious ventures. MFIs need to challenge the existing social structures and power relations rather than build on them; as well as incorporate the idea of critical agency in their community development programs rather than taking a minimalist approach of providing credit only services. Only then can MFIs play an effective role in women’s empowerment and development.

In this thesis, I seek to build on the growing body of research on the topic of women’s empowerment and microfinance, blending academic and practitioner perspectives and experiences, and encouraging further exploration on this subject. A number of other areas related to women’s empowerment and the role of microfinance merit further research, but could not be addressed in the scope of this thesis. Some of these include: differentiation between various microfinance products that might vary in contribution (such as different types of loans, microcredit, micro-insurance and savings) as well as the comparison of individual and group lending programs in facilitating critical agency.

1.2 Importance of the study

MFIs in Bangladesh, unlike their formal counterparts, have made great advances in delivering loans to the poor at very low loan default rates. The core problem with any credit transaction is that as a lender the bank can never be completely sure that the borrower will repay. The quantity of loans given depends on the willingness and ability of the borrower to repay (such as their provision of an attractive form of security against a loan). Obtaining a loan thus requires a costly screening process that builds the trust that the borrower will be willing to repay. However, this screening process is only cost effective for large sum of loans where interest rate and lender’s own capital is multiplied over a large principle (Wydick, 2008:15). Thus, for formal banks, small microcredit loans screening costs are simply not worth the effort and borrowers are so poor that they usually lack any form of collateral.
However, MFIs mitigate this problem by lending to a group of mutually liable borrowers. Microfinance institutions turn monetary capital into a form of social capital, which tightens social relations, builds peer pressure and encourages cooperation within a group or village and provides borrowers with proper incentives for loan repayment (Wydick, 2008:15). Since the transaction costs are high for maintaining credit discipline and monitoring borrowers’ behavior, many microfinance programs rely on donors to sustain their operations (Khandker, 2005:265). In Bangladesh, such support is provided by the government and donors (including individuals, developed countries, international organizations and NGOs) in the expectation that society benefits from such ventures (Bateman and Chang, 2008:3, 4; Khandker, 2005:265). Since there are alternative uses for government and donor resources in development and other programs (such as building community infrastructure, schools and health facilities), which could also benefit the poor, it is important to assess and comprehend the socio-economic impact of microfinance (Bateman and Chang, 2008:18; Khandker, 2005:265).

Furthermore, poverty assessments and development analysis cannot be divorced from gender categories and sex-specific observations (Sen, 1987:4). Gender is a crucial parameter in socio-economic analysis; it is complimentary to rather than competitive with variables of class, ownership, incomes and family status (Sen, 1987:2). Since the majority of the clients of MFIs in Bangladesh are women, to build an effective poverty reduction program that helps to empower women it is vital to recognize and incorporate gender into the analysis of microfinance models. It is also important to recognize that, although contemporary studies of development and social justice arena show much appreciation to the gender-based lens, the continuous use of gender analysis have not rectified the increasing gender inequalities (Rai, 2005:27). This is because many of these studies do not challenge the existing social structure and embedded power relations that are biased against women. The lack of women’s empowerment is seen as a policy design problem rather than a social structure issue. This thesis points out the need for microfinance programs to challenge these power structures.
There is also a growing trend of commercialized MFIs, which are taking a minimalist approach to reduce poverty. These institutions claim that development and women's empowerment are by default result of one’s increased income. However, I argue that while income is a very important means to various ends that people value, it is not adequate by itself. There are various other ways (such as community development programs) which play a vital role in conjunction with income smoothing approaches to achieve valuable ends (such as women’s empowerment) more effectively. This thesis shines new light on the issue of empowerment, which discourages the credit-only approach to poverty reduction.

1.3 Research Methodology

This thesis is an investigation of the microfinance models through the lens of gender, identity, socio-cultural and class analysis. It contrasts with the mainstream economics, which often represents its homogenous rational economic agent as atomistic, concerned with utility maximizing. It presumes the agent is an egoist who acts selfishly in the market but altruistically at home, since in both cases acting in such ways would maximize his utility. This idea of rational economic agent will be explored further in Chapter 3. Consequently, the success of these neoclassically inspired microfinance models are often measured in the client’s economic expansion and repayment rates. However, there is a clear dissonance between reality and these assumptions. I differentiate empowerment from the resource-based concept that confuses the means with the ends by equating higher income with empowerment. I also distinguish empowerment from well-being and freedom, and include the human agency aspect. The point of departure in this is that, I build on the concept of critical agency, which stimulates and questions the existing social structures and realities unlike the existing microfinance models, which build on them. This thesis reviews existing literature on microfinance and examines the various statistical data from both the development organizations such as United Nations and the World Bank and other secondary sources such as books and articles to provide a new insight through the exploration of the experience of the Bangladeshi women using a broader definition of empowerment.
1.4 Limitations of the study

This study suffers from three key limitations. First, due to the time constraint and lack of resources, this thesis relies largely on secondary sources. Arguments presented here could have been more refined, if in-field data collection was carried out. Secondly, while the impact assessments quoted in this paper present a generalized reflection of the trend, this paper does not address the self-selection bias in the data acquired. Self-selection bias is the personal differences that make one person more or less likely than another to become a microfinance client may be the same differences that the assessment is looking for. In other words, simply comparing borrowers with non-borrowers without considering other factors cannot lead to the deduction that microfinance is increasing poor borrowers’ income and hence reducing poverty and empowering them (Tseng, 2011: 242). For example, if those who apply for microloans are in any case more entrepreneurial, enthusiastic, self-confident and richer than those who do not borrow, then comparisons are likely to exaggerate the effect of micro-credit programs (Tseng, 2011: 243). It is important to note that because many scholars argue that the impact studies of microfinance suffer from different forms of selection bias (Armendáriz and Morduch, 2010: 270; Hashemi, Schuler and Riley, 1996: 635). Another limitation is that the impact assessments on poverty reduction do not consider macroeconomic aspects of Bangladesh such as the broadening income inequality, which contributes to the social disparity and antagonism between the rich and the poor.

1.5 Overview of the thesis

The thesis argument is laid out in chapters. Following the brief introduction, Chapter 2, 3 and 4 examine to what extent MFIs in Bangladesh play a role in women’s empowerment. Following that Chapter 5 proposes an alternative for MFIs to empower women. The concluding chapter proposes policies and summarizes the thesis. Chapter 2 outlines the microfinance culture of Bangladesh. The chapter will open with a brief summary of the country profile. It then moves on to explore the roots of microfinance and discusses some theoretical and ideological aspects behind microfinance. It identifies the main appeal of microfinance in its mainstream market-based approach as opposed to aid. It will present some of the challenges to poverty and development in Bangladesh and recognize the necessity
of microfinance in the absence of a functioning welfare state. The chapter identifies the major stakeholders of the microfinance sector in Bangladesh and assesses whether these interests are in conflict with women’s empowerment. It also exposes some of the financial, structural and political constraints that MFIs face when promoting empowerment.

Chapter 3 explores why gender is foundational to microfinance. It uncovers the reasons behind the inclinations of MFIs to exclusively focus on women. It examines why do women prefer microfinance and more importantly why do MFIs prefer women as their clients. Since identity and social structures are closely intertwined and play an important role in shaping individual agency as well as understanding of their interests and well-being, this chapter will provide a brief overview of the Bangladeshi society focusing on women’s economic, spatial, cultural and religious context. It also points at the gendered construction of work within the microfinance models and investigates the kinds of projects women get credit and training for. It scrutinizes the underlying assumptions behind giving women credit for such projects because they are based on the assumptions that celebrate women’s role as the ‘nurturing mother’. Finally, it problematizes the creation of the ‘nurturing mother’ and the ‘rational economic women' since they simulate the existing gendered norms which are central to women’s disempowerment.

Chapter 4 examines the concepts of empowerment. It discusses the basic views that exist within microfinance literature regarding empowerment. MFIs define and measure empowerment through repayment rates without questioning the control of credits and various aspects of freedom and well-being. The main argument of this chapter is that empowerment should not be evaluated in binary terms, as either achieved or not; rather, it should be understood and evaluated along a continuum. The chapter also analyzes the various measurement criteria of empowerment. It then moves on to studying the relationship between the main elements of empowerment, namely: social structures, agency and power relationships. It concludes by asserting that empowerment is a multi-dimensional process with diversified aspects.
Chapter 5 engages with the impediments to empowerment identified earlier and presents an alternative idea on how MFIs can contribute to empower women. It introduces the term critical agency, which requires agent to question the existing power relations and social structures. It sets critical agency in terms of Hegel's idea of dialectics and studies the creation of individual consciousness. It then relates critical agency with Smith's impartial spectatorship, taken up by Sen, where he identifies how an individual forms outside views through interaction with one another leading to consciousness. It then studies the connection between critical agency, voice and participation. Finally, it relates critical agency with empowerment and discusses how it can be achieved in practice by MFIs.

Chapter 6 is dedicated to the conclusions of the study. It discusses the limitations of critical agency. It proposes some of the policies that MFIs can include to promote critical agency. It also brings together the central points of the thesis and establishes that women's empowerment needs to be an essential part of microfinance programs. Microfinance models need to abandon their androcentric neoclassical bias to alleviate poverty and empower women. Empowerment cannot be assumed to be a spontaneous outcome of the microfinance programs, whether designed for economic sustainability or poverty targeting (Mayoux, 2000:4).
Chapter 2: Microfinance in Bangladesh

Bangladesh is the birthplace of microfinance. Unlike any other poverty intervention program, microcredit has widely reached rural Bangladeshi households. Well over one-third of the rural households in Bangladesh use microcredit (Mahmud, 2004:1). In this chapter, I will provide a brief overview of the microfinance industry in Bangladesh. I will start with the country profile and move on to discussing the factors, which make Bangladesh an interesting place to study. I will then describe the phases of microfinance industry in Bangladesh. I will argue that the main appeal of microfinance lies in its mainstream market-based approach as opposed to charity or aid. I will also identify the major stakeholders of MFIs and explore their interests. I will then assess whether these interests are in conflict with women’s empowerment. Finally, I will expose some of the financial, structural and political constraints that MFIs face to promote empowerment.

2.1 Country Profile

Bangladesh is a small country of approximately 144,000 square kilometers, bordering India, Myanmar and the Bay of Bengal. It is one of the world’s most densely populated countries with a population of almost 160 million. In 2010, 31.5 percent of the populations were living under the national poverty line (i.e. earning less than one dollar per day) (World Bank, 2012). The country’s poverty has various dimensions, which are apparent in terms of inequality in income distribution, dramatic increases in the cost of living, malnutrition, unemployment and internal migration. The reasons for poverty include: lack of resources, good governance and infrastructure, high population rate as well as macroeconomic issues (such as high inflation rate (6.3% as of 2011) and limited employment opportunities), and natural disasters due to geographical and demographical characteristics, which make most of its low lying land prone to flood. Poverty is especially persistent in three areas: the north-west, which is affected by droughts and river erosion; the central northern region, which is subject to serious seasonal flooding that limits crop production; and the southern coastal zones, which are affected by soil salinity and cyclones.
Table (1): Bangladesh at a glance: comparing the economic and well-being indicators of Bangladesh with the South Asian countries and the World.

<table>
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<tr>
<th></th>
<th>Bangladesh</th>
<th>*South Asia</th>
<th>World</th>
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<tbody>
<tr>
<td>GDP (current US$)</td>
<td>110.6 billion</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GNI per capita (current US$)</td>
<td>770</td>
<td>1299</td>
<td>9488</td>
</tr>
<tr>
<td>Poverty headcount ratio at national poverty line (% of population)</td>
<td>National 31.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Rural 35.2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Urban 21.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GINI Index of income inequality</td>
<td>32.1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Literacy rate</td>
<td>56</td>
<td>62</td>
<td>84</td>
</tr>
<tr>
<td>Life expectancy at birth (years)</td>
<td>69</td>
<td>65</td>
<td>70</td>
</tr>
<tr>
<td>Human Development Index</td>
<td>0.50</td>
<td>0.55</td>
<td>0.68</td>
</tr>
<tr>
<td>Gender Inequality Index</td>
<td>0.55</td>
<td>0.60</td>
<td>0.49</td>
</tr>
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Notes:
*South Asia comprises of the following eight countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

+ Definitions of these concepts and measurements follow Table 3 in the appendix.

Sources: Human Development Index and Gender inequality index from UNDP (2011) Human Development report, accessed online from (http://hdr.undp.org); other indicators are from the World Bank (2012), accessed online from (http://data.worldbank.org/).

It is important to note here that although there is still a large number of poor population in Bangladesh, the country has reduced its poverty rates from 56.6% in 1996 to 31.5% in 2010 (World Bank, 2012). Although the economic growth and GNI per capita have not increased significantly over the years, Bangladesh has done comparatively well in its other social development indicators. A comparison between Bangladesh and its neighboring richer India show that despite its relatively...
small economy, Bangladesh has improved significantly over the years in various
development indicators (Table 3, Appendix 1). In fact, Bangladesh has overtaken
India in terms of a wide range of basic social indicators: life expectancy, child
survival, fertility rates, immunization rates, and even some (not all) schooling
indicators such as estimated “mean years of schooling” (Drèze and Sen, 2011;
Table 3, Appendix 1). The country’s substantial decrease in poverty and consistent
increase in HDI is often contributed to the role of strong NGO presence and
microfinance. This makes it an interesting place to study the effects of microfinance
(especially women’s empowerment) and community development programs that
are carried out by these institutions.

2.2 The Microfinance Sector in Bangladesh

As mentioned earlier, the history of microfinance in Bangladesh is an old one.
The development of microfinance sector in Bangladesh can be divided into four
phases (Zaman, 2004: 2).

1. Action research phase in the 1970's
2. Microcredit development phase in the 1980's
3. Expansion Phase in the 1990’s
4. Increased competition and formalization since 2000 onwards

Action research phase in the 1970's

After the independence of Bangladesh in 1971 the country was in a
condition of destitution that required reconstruction. A number of NGOs emerged
to confront these challenges and to help the new government in rebuilding its
community. The major focuses were on relief, health, education and agricultural
development programs. In the mid-1970’s, in the midst of the famine and severe
poverty of war-ravaged Bangladesh, a group of researchers from the Chittagong
University, led by professor Yunus, began an action research program known as the
“Jobra Experiment”, which provided small loans for income generating projects to
the poor households in a few villages (Zaman, 2004:3). The team used a solidarity
group-based lending system. As discussed in the introduction, MFI’s, unlike their
formal counterparts have resolved the issues with collateral via group lending,
whereby each member’s eligibility for loans is based on his/her peer’s performance.
After some trial and error the “Grameen Project” was conceived and proved to be highly successful. The success of the Grameen project led the way for the establishment of the Grameen bank under a special ordinance in 1983 (Zaman, 2004:4). Grameen’s microcredit activities also inspired other NGOs to try out different kinds of microcredit schemes, and soon microcredit became a part of almost every social development NGO.

**Microcredit development phase in the 1980’s**

As the trend of active NGO development continued, some NGOs began to put a much greater emphasis on the development of their microcredit programs (Microfinance industry report: Bangladesh, 2009). Donor grants from national and international donors were available on a grand scale leading to the creation of Revolving Loan Funds (RLF). These funds are loaned out to the MFI members for income generating activities. The orientation towards microcredit was remarkable and some NGOs, like ASA, decided to turn away from their social and community development work and to concentrate solely on microfinance (ASA, 2012b).

**Expansion Phase in the 1990’s**

In the 1990’s, the MFIs experienced an extremely fast paced and large-scale expansion of microfinance activities, using the Grameen-style microcredit approach of small loans with very small weekly repayment amounts (Zaman, 2004:5, 6). Figure 1 shows the growth in the number of MFIs in Bangladesh during this period. This method of lending made the appeal of microcredit more attractive since the debtors could repay these loans with very small weekly installments; most households could afford to make the payments irrespective of how the borrowed money was spent. Thus, microfinance moved away from providing loans to families solely for income generating projects to lots of other families who could use these loans for all kinds of investment (marrying, housing etc.). In case of individual lending, credit officers gather information about the borrowers and provide incentives (such as progressive lending) to ensure that repayment is made.

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2 In Bangladesh, credit/loan officers visit the village/locality to get to know the borrower and gather information about them. Unlike formal banks, loan officers from MFIs visit their clients to provide loans.
Since these borrowers are formally credit-constrained, they usually do not want to risk their only credit-source by defaulting.

**Figure 1: Growth in the Number of Microfinance Institutions in Bangladesh**

![Growth in the Number of Microfinance Institutions in Bangladesh](image)

**Source:** Ahmed (2004:2).

Considering the size of Bangladesh and the percentage of population living under the poverty line, there was a huge market to serve. MFIs started to franchise, whereby new branches replicated the procedures of the existing branches and offered a standardized microcredit product, making it easier to train the staffs and reduce cost. This enabled MFIs to open new branches at a rapid rate (Zaman, 2004:7, 8). Moreover, the rush towards winning new clients led to approximately ten million new microfinance clients becoming members of a microfinance program (Armendáriz and Morduch, 2010:13). The well-established “Big Four” (Grameen Bank, ASA, BRAC and Proshika) along with a multiplicity of small and very small NGO-MFIs pursued the standard Bangladeshi plan: group credits, with an emphasis on women, and weekly group meetings and repayment modalities. As the MFIs loan portfolios increased rapidly, raising capital to lend out became essential. Thus, the Bangladesh Government established PKSF as the apex organization with a mandate to alleviate poverty through generating employment.
Increased competition and formalization since 2000 onwards

However, by the end of the 1990’s explosive growth of the “Big Four” led to over-lending and overlapping of their clients with more than one MFI. The dominance of the “Big Four” is shown in table 2.

Table 2: Microfinance providers and their coverage in Bangladesh (Figures are for September–October 2005)

<table>
<thead>
<tr>
<th>Members</th>
<th>Number of borrowers (million)</th>
<th>Number of active borrowers (million)</th>
<th>Outstanding loan portfolio (US $ million)</th>
<th>Member savings (US $ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASA</td>
<td>5.7</td>
<td>3.8</td>
<td>238.8</td>
<td>41.3</td>
</tr>
<tr>
<td>BRAC</td>
<td>5.1</td>
<td>4.3</td>
<td>255.9</td>
<td>129.7</td>
</tr>
<tr>
<td>Grameen Bank</td>
<td>5.2</td>
<td>4.7</td>
<td>388.9</td>
<td>275.5</td>
</tr>
<tr>
<td>Proshika</td>
<td>1.9</td>
<td>1.4</td>
<td>72.4</td>
<td>24.0</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>17.9</strong></td>
<td><strong>14.2</strong></td>
<td><strong>955.9</strong></td>
<td><strong>470.6</strong></td>
</tr>
<tr>
<td>Other NGO MFIs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21.8</strong></td>
<td><strong>16.4</strong></td>
<td><strong>1,080.3</strong></td>
<td><strong>556.5</strong></td>
</tr>
<tr>
<td><strong>Big four as % of total</strong></td>
<td><strong>82.1</strong></td>
<td><strong>86.6</strong></td>
<td><strong>88.5</strong></td>
<td><strong>84.6</strong></td>
</tr>
</tbody>
</table>


The repayment rates fell from above 98% to below 90% (Armendáriz and Morduch, 2010:146). The situation was aggravated by the nation-wide floods and also by the tailing off of donor grants. As a result, in 2006, the government of Bangladesh established the Microfinance Regulatory Act (MRA) that every Bangladeshi MFIs with microcredit operations need to follow. The increased competition and high-demand also led to the commercialization of MFIs. As investment in microfinance became profitable, commercial banks and donors started to get involved with the MFIs, fundamentally changing their mission, pressuring them to be financially sustainable (Zaman, 2004:9). Moreover, microfinance started attracting global capital as many commercial institutions (e.g. banks, hedge funds) themselves became interested in diversifying their portfolios by lending to the unbanked communities and generating high return rates.

It is important to note here that MFIs vary in their range of products and services. While some MFIs offer a broad range of financial and non-financial
services, other MFIs focus singularly on microcredit. The size of the loan can also range from as small as 500 taka\(^3\) to as large as 50,000 taka. However typical loan sizes range from 1000-10,000 taka; traditionally repaid within fifty weekly installments, over the course of one year. After making her last installment, the borrower pays her interest. Due to its no collateral and high risk factor, MFIs charge high interest rates compared to that of traditional banks. As of 2011, MRA has fixed the maximum interest rate for microcredit at 27% on the declining balance method (Grameen Bank, 2011b).

2.3 The Traditional Approach to Microfinance

The main appeal of microfinance theory lies in its market-based approach aimed at sustainable growth as opposed to aid or charity. By proclaiming its semantic proximity to markets the concept of microfinance attempts to construct a ‘zone beyond politics,’ subject only to ‘natural’ laws of economic rationality, disavowing any lines of political, ideological, racial or sexual prejudice (Rankin, 2002:11). However, although microfinance is claimed to be an ideology-free concept by its proponents, theoretical exploration of microfinance suggests its close association with neoclassical ideas of methodological individualism and androcentric economic rationale integrated into the unquestioned application of market forces. I will explore MFIs’ androcentric institutional logics further in Chapter 3 and illustrate the significance of gender is to microfinance. Bateman and Chang (2008:26) argue that the MFIs support the capitalist status quo by implying that the poor do not need the state to intervene on their behalf. It focuses on maximizing opportunity (rather than equality) by accessing microcredit. Thus, MFIs essentially undermine the concept of basic state service provision (such as subsidies, wealth redistribution and social welfare system) and support for the private sector provision (Bateman and Chang, 2008:26).

Moreover, the traditional model of microfinance draws on neoclassical theories of social capital. The concept of social capital discussed earlier in the introduction, naturalizes the labor women put into maintaining social networks and takes advantage of women’s unpaid labor in the community and the family.

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\(^3\) Taka is the currency of Bangladesh.
Although microfinance builds on this neoclassical model of social capital, it also suggests union with feminist traditions with the expression “solidarity groups” used for the women’s borrower groups (Rankin, 2002:12). This implies that women’s associations through microfinance generate not just social and economic capital, but also collective consciousness of, and resistance to, oppression (Rankin, 2002:12). The use of “solidarity” discourse assigns microfinance programs a capacity to mobilize women for transforming gender ideology. It also echoes the implications of a Marxian understanding of social capital, which emphasizes the role of ideology and consciousness in social change (Rankin, 2002:13). However, Marxists, such as Fine (2001:32), are critical of social capital and argue that it has come to occupy and even displace the more traditional notions of community. It is merely a feeble response to, if not a collaborator in, the neoliberal project of promoting the market in general and finance in particular (Fine, 2001:34, 37). Thus, promoting social capital through existing norms and reciprocity may in fact leave women even more oppressed and normalize the existing oppressive gender relations of the society. Mere formulation of solidarity groups does not guarantee progressive outcomes; microfinance needs to challenge the dominance of the prevailing social, cultural, and gender ideologies as well as foster a collective critical awareness of power relations to generate progressive social change (Rankin, 2002:18). However, microfinance models continue to tweak gender discourses within the neoliberal agenda to maintain the intellectual hegemony and the dominance of the market system.

Scholars also argue that selling credit to the poor is consciously positioned as the longer run substitute for social welfare spending, because “once the poor accept that they are now in control of their individual and family destiny using microfinance, it becomes much easier for the government to fully absolve itself of continued responsibility towards them” (Bateman and Chang, 2008:26; Rankin, 2002:11). However, I argue that microfinance is a flexible tool and need not be in conflict with welfare state. Microfinance does not theoretically undermine the role of the state. In fact, since, poverty has many dimensions and causes, for it to be significantly reduced the state has to play a crucial role alongside the MFIs.
2.4 The Stakeholders

The major stakeholders of the microfinance industry in Bangladesh are the members, NGOs, International Organizations such as the World Bank, Government, Foreign donors and commercial and socially responsible investors (Armendáriz and Morduch, 2010:371). It is also important to note here that a strong NGO-based microfinance system has developed in Bangladesh due to its lack of relatively undeveloped formal financial system and substructure of small banks operating at local level (McGuire, Conroy and Thapa, 1998:94). The lack of a welfare state also means that NGOs provide many community development services that the state fails to provide for its large population (Khundker, 2011). In Bangladesh, this limited role of the welfare state also implies that without some form of financial aid or service (such as microfinance provided by NGOs), a large number of people would simply be left to fend for themselves. Moreover, NGOs are carriers of semi-secular values; which is a capillary force for change. NGOs in Bangladesh have long been important actors in marking social change.

2.5 Women as Stakeholders

As pointed earlier in the introduction, the client base of MFIs in Bangladesh is predominantly women. This is because traditionally women are more credit constrained than men. Women comprise the majority of workers in the informal economy and are heavily represented at the bottom of its already-low income scale. Consequently, formal banks consider them less credit-worthy. In poor households, women usually have lower education levels compared to their male counterpart. In addition, limited time and mobility also prevent them from engaging with the complex and lengthy procedures usually requested by the formal banking sector. Social norms also play a crucial role. In Bangladeshi society, financial dependence of women is fully integral to the patriarchy. It is common for a woman's in-laws to impose restrictions on her financial independence. Thus, women are often the poorest and most vulnerable to poverty. They are also responsible for household welfare. Hence, focusing on women is a great strategy to alleviate not only an individual, but also an entire household out of poverty. I will discuss this further in Chapter 3 by providing a socio-cultural and economic context to the rural Bangladeshi women.
Since women comprise the majority of clients, the idea of women’s empowerment through microfinance (as claimed by the proponents of MFIs) becomes a pressing issue. Many MFIs measure empowerment solely in terms of repayment rates. The rationale of the argument follows: as women generate income to pay off their debt and become economically self-sufficient, they become empowered. This line of reasoning is faulty, since it confuses means (income) with ends (empowerment). This argument will be explored in details in Chapter 4. In this thesis, I argue that empowerment is a process; it cannot be assumed to be a spontaneous outcome of the microfinance programs, whether designed for economic sustainability or poverty targeting (Mayoux, 2000:4). The goal of empowerment goes beyond the economic aspect and moves into the region of social, cultural and political spheres within which the borrowers' lives are embedded (Kulkarni, 2011:9). However, MFIs that aim for wholesome development (such as NGO-based MFIs) also face substantial challenges in promoting empowerment from the grassroots. In the next section, I will discuss the structural, political and financial limits to MFIs in developing such programs.

2.6 Structural, Political and Financial Limits to Empowerment through MFIs

There are various types of institutions that offer microfinance: credit unions, commercial banks, NGOs, cooperatives, and sectors of government banks. These institutions depending on their strategic goals can be divided into two major groups: for profit and not for profit organizations. While the profit-seeking organizations focus on maximizing efficiency and making profit, non-profit organizations have much larger goals ranging from reducing poverty to empowerment. This thesis focuses mainly on the non-profit MFIs who are interested in women’s empowerment. Due to the competitive presence of the for-profit organizations, non-profit organizations not only face financial constraints, but they also have to deal with the structural and political limits while stimulating empowerment.

Financial constraints

Since there is a very high density of MFIs in Bangladesh, they are largely in competition with each other in attracting borrowers, as well as with other
commercial banks and financial institutions (Mahmoud, Khalily and Wadood 2009: 2). MFIs fear that building empowering elements into their programs will threaten their financial sustainability ratios as well as limit their access to funds from major bilateral and multilateral donor agencies (Cheston and Kuhn, 2002:16). Self-sufficiency is essential for MFIs since the commercial banks will only lend to MFIs if they are satisfied that’s the MFis concerned can generate sufficient income to meet their expenses, including the cost and services of their loans (McGuire, Conroy and Thapa, 1998:11). Many donor agencies’ funding criteria also focus primarily on outreach and institutional sustainability criteria and do not ‘reward’ programs that are able to demonstrate greater and more sustainable impact on their clients. Moreover, the credit-plus approach (which integrates credit into larger developmental services such as training, technical assistance, education, health programs and community organizing) provided by the NGO-based MFIs, although indispensable, is also expensive.

**Structural and Political constraints**

Since many of the community development activities carried out by NGOs and MFIs destabilize the patriarchal status quo, they have been subjected to political resentment and branded as “anti-Islam”. For example, *Mullas* have issued *fatwas* against BRAC and accused it of spreading promiscuity in the society, since it encourages women to participate in political campaigns, which sometimes require women to leave their homestead (Hashmi, 2000:137). It is important to realize that the development organizations in Bangladesh are products of relatively more powerful actors (such as the state and international donors) who have access to funds, contacts and information necessary to set them up (Kabeer, 1994:256). Thus, NGOs and MFIs need to retain state approval if they are to remain in existence and must therefore tailor their operations to fit the official definitions of what constitutes legitimate development activity (Kabeer, 1994:256). This means these institutions are required to operate within a non-political agenda that does not challenge the existing class and gender relations. Ironically, empowerment as a truly transformative process requires challenging these structures of class and gender subordination.
2.7 Conclusion

In this chapter, I have discussed issues that are relevant to the growth of microfinance industry in Bangladesh. I have explored the theoretical underpinning of the mainstream microfinance models and problematized its association with neoclassical economics, which rationalizes its androcentric bias. I will discuss this further in the next chapter. I have also investigated the interests of the major stakeholders of MFIs and identified high repayment rates as one of their prime reasons for focusing on women. I have differentiated between the various types of MFIs and categorized them into two groups based on their profit motives. I have also delinked loans from empowerment, and argued that while commercial MFIs are interested only in their profit motives, community development institutions such as NGO-based MFIs are concerned with broader goals such as empowerment. Thus, these institutions not only face financial constraints but also structural and political constraints since empowerment involves challenging the existing social and political structures of patriarchal society. In the next chapter, I will discuss the socio-cultural realities of the Bangladeshi women. I will assess the significance of gender to microfinance models. I will also explore gender as a lived experience, which needs to be understood in terms of the specific society.
Chapter 3: Gender as a Foundation of Microfinance

Gender is foundational to the microfinance industry in Bangladesh. As discussed earlier in the introduction, almost all of the large MFIs focus exclusively on women. MFIs claim that this is because women comprise the majority of workers in the informal economy and are heavily represented at the bottom of its already-low income scale. They are often the poorest and have no or minimal access to credit like their male counterpart, thus are more vulnerable to poverty. Women are also responsible for household welfare; hence economically assisting them is an effective way to alleviate poverty of an entire family. In this chapter, I will explore the underlying reasons behind this selective preference of female clients and examine the gendered experience of Bangladeshi women focusing on their economic, social, cultural and spatial context. This is because identity and social structures are closely intertwined and form individual’s agency as well as an understanding of their interests and well-being.

Agency is culturally sensitive because the notion of knowledge and capability are differently constituted in different cultures (Long, 1992:26). The decision-making matrix of an economic agent includes how the person perceives the world, which is closely interconnected to their social identity and culture. ‘Who we are’ and ‘what we do’ are not analytically separate questions; our economic relations are subset of our broader social relations. (Watson, 2005:39). Thus, Moser and Clark (2001:5) stress the importance of contextual analysis on agency and identity, as they are differently constituted with the influence of “multiple realities” as well as the cultural and geographical factors. Since agency is one of the crucial factors in empowerment (which I will discuss in more detail in both Chapter 4 and 5), this understanding of socio-cultural aspects is essential. Moreover, the gendered-constructions of work within the microfinance models are based on the assumptions that celebrate women’s role as the ‘nurturing mother’. I will examine the nature of projects women are given credit for and identify the assumptions behind such lending projects. Finally, I will problematize the creation of the ‘nurturing mother’ and the ‘rational economic women’ through microfinance models as they simulate the existing gendered structure, which are central to women's disempowerment.
3.1 Gender as a Lived Experience

Gender is a “lived experience”; it is deeply embedded in individual’s personal, social, economic and political life (Bradley, 2007:5). This complex nature of gender ideology is constructed, performed, enacted, and limited. Yet, neoclassical models of economics situate gender identity as a fixed, stable, or inherent quality; whereby woman’s body symbolizes reproduction and is at the center of women’s identity. Women’s reproductive body, thus, preordains the social destiny of all women. This notion of “libidinal body” is fundamental to the way in which women are represented and socialized as individuals (McNay, 1992:24). However, although body has a concrete materiality, it does not have a fixed biological or pre-discursive essence (Foucault cited in McNay, 1992:9, 17). Women’s body has a subjective entity, historically and culturally specific; it is the principle target of power and central to women’s oppression (McNay, 1992:9, 11, 16, 28).

Delphy (1984:8) argues that ‘men’ and ‘women’ do not exist as biologically based categories prior to and independently of the power relationship, which currently exists between them. Economic and social phenomena are inhabited by gender practices, and these practices have weakened women’s position as social individuals and are responsible for their systemic structural oppression. Moreover, gender relations like all social relations, are multi-dimensional. They embody ideas, social values and identity (Kabeer, 2003:23). Although, Bangladeshi women are a group of relatively homogenized people who share a similar background and history, speak the same language and follow similar religious and cultural patterns, many specific details of women’s lives vary due to small differences in social norms, socio-economic opportunities, geography and physical infrastructure (Hashemi, Schuler and Riley, 1996: 637). In fact, many feminists argue that gender cannot be generalized since this generalization of women can lead to normalizations and exclusion (Young, 1997:21). However, there are certain outcomes that are common to woman due to their similar social and cultural condition that affect them uniquely, although this does not have much to do with their intrinsic biological features (Kulkarni, 2011:22). It is within this context, I seek to examine the gender relations of Bangladeshi women within their social, cultural and economic spheres. It is important to do so because gender relations play an important role in
determining the distribution of resources and assigning authority, agency and decision-making power (Kabeer, 2003:23). It is essential to incorporate socio-cultural realities of women in the studies of microfinance because they can be helpful in locating the structures of power that exists within the society. Power (i.e. who has it, what its sources are, and how it is exercised) directly affects the choices that women are able to make in their lives (Mayoux, 2000:18). Moreover, power constitutes and legitimizes itself through institutions as well as the discursive practices. Discourse, in this context, refers not only to the language but also to social institutions and practices (Barker, 2005:2194). Gender, thus becomes both a conceptual and empirical category that entails the discursive properties of the symbolic and conceptual creation of gender ideologies as well as the material property of individuals, social structures and institutions (Barker, 2005:2195, 2196).

3.2 Class and Culture

Gender relations are best understood in relation to class relations (i.e. everyday productive, consumption and reproductive activities) since women are subject to authority and male dominance at home and work, which constraints their access to public space (Bradley, 2007:37). Class, in this case, does not only incorporate the static notion of one’s relationship with the means of production (i.e. land, labor and capital) but also the abstract and dynamic aspect of the human agency, since economic actions depend on the capacity of individuals to act independently and to make their own free choices.

In rural Bangladesh, class exists as a structure; hierarchically organized primarily on the basis of ownership and control of arable land, which women have little control over (Cain, Khanam and Nahar, 1979: 406). This is because, in addition to being a class society, Bangladesh is also a patriarchal society, which also contributes to economic differentiation. The custom of patrilocal marriage detaches a newly married woman from her family of birth and puts her in her husband’s locality. This physical separation after marriage ensures that a woman will not claim her share of inheritance and more likely that her brothers will seize control of her share of inherited land irrespective of her wishes (Cain, Khanam and Nahar, 1979: 407). Consequently while class formation governs the economic mobility of the households, the system of patriarchy governs the economic mobility
and household authority of women regardless of class (Pitt, Khandker and Catwright, 2006:797; Cain, Khanam and Nahar, 1979: 406).

Since arable land is scarce and rural areas are densely populated, the distribution of social power and income among and within households are strongly related to this distribution and control of land (Cain, Khanam and Nahar, 1979: 406). However, due to the lack of caste stratification (unlike the neighbouring India) there is a sense of upward social mobility that exists in Bangladesh. In fact, there is a common saying in Bangladesh, whereby a farmer boasts about his ability by saying: “Today I am a weaver, tomorrow I will become a Sheikh, and day after tomorrow, God willing, I will become a Sayyid;” which means if things go right, I have the potential to descend from the prophet. This sense of fluidity between classes allows ideas to travel faster as they do not have to leap over caste barriers. At the same time, it gives rise to what Marx identified as the “false consciousness” by creating the illusion of meritocracy. It also hides the true relations of the structural forces between classes as well as accounting individuals responsible for their failures and successes without making any reference to the relevant social structures that catalyzed the outcomes. For example, Grameen Bank and BRAC in their “sixteen decisions” and “seventeen promises” include clauses which require their female clients to agree that they would work hard to bring property to their families (Grameen Bank, 2011c; Mannan et al., 1995:20). In doing so, these MFIs impose the responsibility of household prosperity solely on the shoulder of the women. Consequently, failure to repay or do well in their microbusiness implies that it is a letdown from the woman’s part to contribute to the property of their own family.

Furthermore, Marx has conceded that reality is far more complex than the static notion of the two-class model that consists only of capitalists and workers. At distinct and separate stages in the development of capitalist modes of production technological and other forces associated with capital accumulation bring about changes in the nature of employment relations (Scase, 1992:10). For example, microfinance allows poor women to possess their own means of production, thus shifting their static class positions by making them petty bourgeoisie from their previously unrecognized class status. However, this change in the structural class position does not quite capture the complexity of the reality. Although MFIs
improve poor women’s resource base and the size of their working capital, moving from simple to expanded reproduction, they do not challenge the existing gender based power structures that limit women’s agency, choices, priorities and claims on resources (Khundker, 2011).

These structural forces reveal themselves in the lived reality of social relations. One example of existing class system in the microfinance realm of Bangladesh provided by Hashemi, Schuler and Riley (1996: 649) shows that Grameen Bank’s ritualistic style of saluting, sitting on the floor in rows and chanting at weekly meetings casts women in a subservient role. As these women interact with government officials and with the representatives of the MFIs, they do not cease to perceive themselves as poor and subservient (Hashemi, Schuler and Riley, 1996: 635). In this case, even when the these microfinance clients have moved into a petty bourgeoisie class by getting access to their own mode of production, their class position remains inferior because of the existing power relations, which remains unchallenged due to its normalization. In fact, Pakulski and Waters (1996:30) argue that class relations are in a complex interplay with other aspects of societal structures such as status and power. Although these are often intersecting dimensions of social stratification, they are very distinct. While under capitalism economic mobility can shift one’s class position, affecting status and power along cultural-convention and political-organization grids is very difficult as they often carry a much more complex form of structural norms. Inequality and disempowerment along these lines cannot be addressed only via achieving better economic outcomes; it would only be achieved by questioning these norms and structures. Chapter 4 and 5 of this thesis examine this idea of questioning and challenging the norms and agency in more detail.

3.3 Religious and Spatial Constraints

In addition to economic and cultural constraints rural women in Bangladesh also face religious and spatial constraints. In the context of institutional practices, although the Constitution guarantees the equality of the women in the public sphere, the personal law practices in Bangladesh is religion-specific. Laws controlling marriage, inheritance and guardianship of children are distinctly in favor of men (Mohsin, 2010:16). These restrict women’s capability to challenge the
systemic injustices. A uniform code of law is perceived as harmful to customary practices and the distinctiveness of religion and cultural identities (Mohsin, 2010:16). Moreover, even when there are cases of legal practices that ensure women’s rights, lack of good governance means women are often fearful to claim those rights against a more powerful party.

Additionally, the manifestation of purdah (veil) seclude women. It also imposes severe restrictions on woman’s movement outside her immediate homestead and enforces a high level of modesty in the name of security (Cain, Khanam and Nahar, 1979: 408). This restricts women’s access to the public space such as the market and many other economic opportunities, reinforcing their economic dependence on men. Furthermore, studies suggest that newly prosperous microcredit clients (women) in Bangladesh are more likely to wear veils, because it also symbolizes wealth and prestige (Faraizi, Rahman and McAllister, 2011:111, 116). In a broad sense, many of these common cultural practices undermine women’s rights and equal standing in society, whereby women are socialized to become marriage partners who take a gender-specific role in the family and the society (Faraizi, Rahman and McAllister, 2011:115).

3.4 The Rationale behind Women Clients: Efficiency, Risk and Sexual Division of Labor

Although MFIs in Bangladesh have a major focus on women, they do nothing to confront these existing social challenges that women face everyday. For example, in rural Bangladesh women are assigned the role of subsistence farming to feed their family. Most MFIs (including Grameen Bank) encourage women to continue with, and expand on these gender-specific roles (Faraizi, Rahman and McAllister, 2011:115). In fact, MFIs often provide credit and training on activities such as home economics, poultry, subsistence farming, handicrafts and maintenance of family hygiene; none of which go beyond the culturally assigned gender-specific roles of women (Faraizi, Rahman and McAllister, 2011:115). Thus, scholars argue that many MFIs target women not because they are genuinely interested in empowering women, but because borrowing to women increases their efficiency and decreases their risk (Elyachar and Isserles cited in Hasse, 2011:223).
The first argument centers on the labor mobility (Armendáriz and Morduch, 2010:218). Rural Bangladeshi women tend to be less mobile than men and are more likely to work near their homestead. Thus, they can be monitored at a lower cost. Additionally, in case of group lending, lower mobility reduces the incidence of strategic default under the fear of social sanctions from peer groups (Armendáriz and Morduch, 2010:218). The second argument is hinged on the lower risk factor: women are perceived to be an effective means for achieving MFIs’ goals as they have higher repayment rates compared to their male counterpart (D'Espallier, Guérin and Mersland, 2011:759). Studies reveal that Grameen Bank initially included men among its customers; however, the bank decided to switch to a nearly entirely female clientele due to repayment problems with men (D'Espallier, Guérin and Mersland, 2011:759). This line of argument makes MFIs' claim to women's empowerment a marketing tool that treats women as 'channels for credit', all the while reinforcing traditional notions of womanhood.

MFIs encourage the traditional sexual division of labor that prevails in Bangladesh. As discussed earlier, MFIs finance and train their women clients on projects that keep them close to their homestead. For example, women are given loans of poultry and livestock as well as paddy trading (generally referring to women parboiling, drying and cleaning the grain) while men engage in buying and selling and taking the grain to the mill. In joint ventures, women do the household work (such as making puffed rice or sweets) whereas men sell the products at the local market or from door to door in the village (Hashemi, Schuler and Riley, 1996:647). However, it has been argued that women tend to engage in these kinds of less ambitious projects because of the practicality of repayments. Most MFIs require women to start repayments nearly immediately after the disbursement (Morduch, 1999:1585). As the repayment process begins before investments bear fruit, women can only engage in certain projects that will help them to generate repayments as soon as possible (D'Espallier, Guérin and Mersland, 2011:759). This limits women's engagement with highly seasonal occupations (such as agricultural cultivation) and other long-term but economically ambitious projects. It is also found that women’s control over their loans increased steadily, but then started to decrease after they have been in the program for more than six years (Goetz and Sen Gupta, 1996:52). This is because women’s less lucrative projects reach a point
of saturation after few years and cannot profitably expand anymore, thus they make loans more and more available for their husband’s use. This makes women’s choice to invest loans in men’s activities a rational strategy, since men’s enterprises are often more profitable than women’s (Todd cited in Hashemi, Schuler and Riley, 1996: 647).

In fact, in other countries (such as Nicaragua) where MFIs include male clients as well as the female clients, gender construction is also observed within the types of business that men and women get credit for (Haase, 2012:230). The size of the loans is also important because it gives the clients an opportunity to choose from ambitious projects. However, an overview of Nicaraguan MFIs found that women represented 57 percent of borrowers but only 40 percent of the MFIs’ loan portfolios; (Sanders and Nusselder cited in Haase, 2012:230). On average women’s loans are 43 percent smaller than men’s loans (Haase, 2012: 223). This gender differentials between the size of the loans (larger loans for men) was also observed in Bangladesh during 1980s, when the MFIs had both men and women borrowers (Goetz and Sen Gupta, 1996:46). Preliminary evidences also suggest that men fare better than women with microcredit. In their study of microcredit borrowers, in the Dominican Republic, Espinal and Grasmuck (cited in Haase, 2012:223) found that men on average earn 22 percent more than women. In Nigeria, Ayanwale and Taiwo (cited in Haase, 2012:223) found that the male borrowers' average income is 130 percent higher than the women borrowers’ average income.

The reason behind men’s better economic prospect compared to women depends not only on the larger loan size but also the socio-cultural construction of the society (Haase, 2012:229). This is because the nature of the workplace impedes women to enter the nontraditional work since people’s work aspirations and identities are also shaped by their expectations and experiences in the workplace such as structures of opportunities, rewards and social relations (Schultz, 1992:314). Neoclassically inspired microfinance industry is a non-gender neutral site; it is artificially created to preserve the existing social structure. In fact, the examples presented earlier show that microfinance utilizes minor biological sex differences (between male and female) to justify the creation of vastly different gender (masculine versus feminine) roles and lending projects that prevail within the
3.5 Creation of Nurturing Mother and the Rational Economic Woman

Unpaid domestic responsibilities of women also put time and choice constraints on the kind of projects they can select. Within the structural analysis of class system, it is also important to recognize family as an economic unit. Thus, gender relations needs to be analyzed in terms of the materiality of life (work, labor, production, consumption, exchange and family members’ material interests) (Delphy, 1984:59). Observation of domestic and familial workload is fundamental to micro business creation and the sexual division of labor, because it determines the time available for work; as well as constraining women’s presence and opportunities in the market. Thus, women's time is not fragmented by essential rules of nature but is a consequence of differences in the way social and working times are gendered (Bryson, 2007:52). This gendered assumption of women as the ‘nurturing mother’, who is expected to be specialized in the household domain and maintenance of family also constrains women’s full participation in the economy-whether as a producer or consumer (Watson, 2005:23). Moreover, many women choose micro-business because it allows them the opportunity to work from home.

Production of material life is of primary importance in determining the structure of a society; it is fundamentally related to the appropriation of labor (Delphy, 1984:60). Mainstream economists, such as Becker (1991:37), argue that women are biologically motivated to do care work as they have comparative advantage in the household because of their natural (biological) endowments and commitments. Thus, sexual division of labor is efficient because “an hour of household or market time of women is not a perfect substitute for an hour the time of men when they make the same investments in human capital” (Becker, 1991:38). Embedded in the framework of neoclassical economics, MFIs do not challenge these artificially constructed gendered assumptions about the responsibilities of women. They take women’s role as the ‘nurturing mother’ for granted and design the financial products, repayment modalities and operational procedures accordingly. Motherhood is not regarded in terms of compulsory heterosexuality, symbolizing women’s body as only ‘reproductive’; it is rather publicized as the
stronghold of feminine identity. The notion of gender, thus, undermines all the other identity of a woman.

This creation of the ‘nurturing mother’ is visible in the Grameen Bank’s “sixteen decisions” and BRAC’s “seventeen promises” that highlight women’s role in their families’ prosperity, well-being, health, hygiene, children’s education and family planning. By adopting these gendered policies MFIs work as a site that construct a ‘rational economic woman’ with an altruistic character, who is able to rank her preferences and decides to sacrifice her personal needs to meet the larger needs of the family (Regmi, 2012). By doing so, she contributes to the financial gain and sustainability of the microfinance institutions and the society as a whole by being an active economic participant in development (Regmi, 2012). Thus, these ‘nurturing rational women’ are found to spend more for their household consumption and use the leftover money for their business (Pitt and Khandker cited in Pitt, Khandker and Cartwright, 2006:791).

This construction of a ‘rational economic woman’ has been challenged by many scholars who argue that ideological influences might effectively limit a woman’s options based on what was considered acceptable for her to do (Morgen cited in Haase, 2012:231). The social constructions of gender ideologies start at a very early age in traditional societies like Bangladesh, where both boys and girls are raised with certain expectations about respectability and about appropriate roles. The result is that women occupy the role of the ‘secondary' workers that are close to home and hence they find themselves working in lower paying sectors (Pedrero et al. in Haase, 2012:231). Moreover, women’s perception of their lower ability led the majority of the microfinance clients to report that significant proportion of the loans are controlled by the male relatives who invest it on their own income-generating projects (Goetz and Sen Gupta, 1996:45; Hashemi, Schuler and Riley, 1996: 648). This objective illusion of women about their perceived position based on the faulty readings of the local observations within a stratified society makes it difficult to address gender disparities because gender inequalities within the family tend to survive by making allies out of the deprived (Sen, 2010: 162, 167). I will come back to this idea of objective illusions when I discuss the critical agency in Chapter 5.
By focusing on the poor women as agents of their own survival, microfinance framework obscures the structural sources of inequality produced by the present political–economic conjuncture (Rankin, 2002:10). Moreover, women’s empowerment is defined within these categories of altruism is assumed to be achieved without challenging the social structure. Empowerment is presumed as an automatic aftermath effect of the other major goals of poverty alleviation and economic development rather than an end in and of itself.

3.6 Conclusion

In this chapter I have argued that mainstream microfinance models use the minor biological differences between male and female to create and justify the socially constructed gender different roles that feed into the oppression of the women clients through less ambitious lending projects as well as overt and covert forceful repayments. MFIs make women’s economic potential flexible, which can be bent in either one or both directions of the rational economic woman or the altruistic woman – both of which serve to maintain the economic motives of the MFIs but not necessarily improve the socio-cultural position of women in their own societies. These outcomes call into question neoliberal notions of microfinance policies, which imply that market forces can solve societal problems such as gender disparity only via providing access to credit. It is not to deny that a better economic condition can help poor women in the short run by providing the means (incomes) to achieve things that they have reason to value.

However, the meaning of feminine identity is never fixed but fluid; thus, to assure a long run benefit MFIs need to recognize the complexities and contradictions of the gender ideologies that exist within the current social structure of Bangladesh. Economic independence does not automatically result in autonomy and self-realization. In fact, it can also become stressful and oppressive. Thus, MFIs need to revisit their perception of empowerment and design programs that not only generate income but also challenge the pre-existing structures to eliminate gender oppression. These issues will be explored in the next two chapters, where firstly, I will discuss how empowerment is understood currently by MFIs and the problems associated with such understanding of empowerment. Then in Chapter 5, I will
propose an alternative via which MFIs can address some of the issues associated with women’s disempowerment.
Chapter 4: Evaluating Empowerment

Empowerment has been one of the highly contentious concepts that is adopted by both microfinance and development organizations. Scholars differ on their perspective of empowerment as well as the policies and practices which will achieve it effectively. This chapter makes an attempt to probe into the microfinance industry and evaluate the various ways of assessing empowerment that currently prevail. I argue that empowerment should not be evaluated in binary terms, as either achieved or not; rather, it should be understood and evaluated along a continuum. The chapter is divided into four sections. The first section explores the definitional and conceptual issues around women’s empowerment; in the second section the various measurement criteria of empowerment are analyzed; the third section studies the relationship between the main elements of empowerment, namely: social structures, agency and power relationships; in the concluding section, women’s empowerment is defined as a multi-dimensional process with diversified aspects.

4.1 Understanding Women’s Empowerment

MFIs have always been a highly gendered institution in Bangladesh. Thus, integrating a gendered approach to the issues of women’s empowerment and advocacy are pivotal. Yet, questions of politics, power, violence against women and strategic use of scarce resources remain paramount. Empowerment became the new buzzword in the microfinance industry as it became one of the popular methods of poverty alleviation, targeting mainly women. However, it is significant to note that empowerment as a concept has arisen alongside the strengthening focus on individualism, consumerism and personal achievement as cultural and economic goals (Rowlands, 1998:11). The popular notion of empowerment thus contributes to the construction and validation of the global economic and political system of capitalism and neoliberalism. In doing so, it also legitimizes particular policies and practical approaches to development efforts which involve women. MFIs are one of the important institutional structures of development that use the hegemonic discourse of empowerment to influence and legitimate power relations between their clients, state and internationally through various donors and interest groups. Thus, in this context, it becomes critical to evaluate the term in itself and question:
what is empowerment, and who empowers whom? Is it about access to resources and control over them or is it the ability to make choices between different lifestyles? There certainly is a different emphasis on different priorities when it comes to understanding what empowerment means; different circumstances demand different strategies and configurations differ in different situations (Afshar, 1998:2).

Empowerment has been a debated concept in the development arena. The dominant understanding of the word ‘empowerment’ is built around the notion of power as ‘power over’ (Rowlands, 1998:12). This can be overt, such as through physical coercion, or hidden, as a psychological process of internalized oppression to restrict the range of options perceived, or to lead someone to perceive the desired option as being their own desire (Rowlands, 1998:12). When control becomes internalized the overt use of power becomes unnecessary. Many development organizations such as Women In Development (WID) are constructed around this view of ‘power over’, where women should somehow be ‘brought into development’ and ‘empowered’ to participate within the economic and political structures of society (Rowlands, 1998:12). The problem with this view is that if power can be delegated, it can just as easily be withdrawn, since it does not involve any change in the structure of power relations (Rowlands, 1998:12). In this ‘power over’ model, power is a zero-sum game; if some people have more, others have less. Thus, people currently in the position of power fear losing control and become an impediment to the empowerment of the oppressed.

However, I argue in line with Foucault (1980:98) that power is not a finite entity that can be located. Power is also relational; it is constituted in a network of social relationships among subjects who are free to act to at least a minimum extent (Foucault, 1980:198). In this context, power is not built up of wills (individual or collective), nor derivable from interests, neither given, nor exchanged, not recovered, but rather exercised in action in a curiously agentless way within an unequal and relatively stable relation of forces (Foucault, 1980: 89, 188, 200). Thus, another way of conceptualizing empowerment is not by focusing on a particular set of results but on the process. Empowerment is then interpreted as a political process of internal change that requires organized mass movement to challenge and
transform existing power structures (Faraizi, Rahman and McAllister, 2011:13). It needs an institutional environment that enables women to take control over material assets, intellectual resources and ideology (Faraizi, Rahman and McAllister, 2011:17). The nature of empowerment thus becomes diverse. It can exist at an individual level, where it is about having agency, increased autonomy, choice, well-being, self-confidence and self-esteem (Kulkarni, 2011:11). It can also exist at a collective level that would include collective mobilization of women, and where possible men, for the purpose of questioning and changing the subordination connected with gender relations (Kulkarni, 2011:11). Personal and collective empowerment are intrinsically linked because without the latter, the former becomes restricted (Sen cited in Kulkarni, 2011:11).

In this context, power takes many forms, such as ‘power to’ (resistance and manipulation), ‘power with’ (collective/communal action) and ‘power from within’ (self-acceptance and self-respect) (Rowlands, 1998:15). The emphasis is on the socially constructed nature of gender relations and understanding of processes by which gender relations are negotiated and renegotiated to result in social transformation in both the public and private sphere. It is also important to note, as discussed in Chapter 3, that women’s empowerment is a unique case compared to other disempowered subsets (such as the ethnic minorities, poor etc.) of society since household and inter-familial relations are the central locus of women’s disempowerment. Women’s familial roles are so deeply ingrained that the source of their deprivation is not visible. The demand for harmonious family living requires that the conflicting aspects be resolved discreetly, rather than through explicit bargaining (Sen, 2010:167). As a result, customary patterns of conduct are simply taken as legitimate and even reasonable. Gender disparity is normalized through customary patterns and there is a shared tendency to not notice the systematic deprivation of women. In fact, Plato recognized that the most effective way to maintain systems of rule is not through direct violence but by persuading those who are subordinate that social hierarchy is natural, therefore inevitable, and even desirable. These artificially normalized systems of strong local beliefs lead many women to believe in their alleged intellectual inferiority, which helps to construct a protest-free toleration of social asymmetry and discrimination (Sen, 2010: 162). Dominating social structures, in many cases, deprive people of the adequate
instruments that can allow them to make these choices spontaneously, while influencing them to choose what benefits the existing system. Thus, an understanding of these social and cultural identities can be useful to make sense of what is valued in terms of well-being as well as who does the valuing (Rao and Walton, 2004:4).

The theoretical analysis of empowerment suggests that, empowerment is not only about women’s ability to exercise ‘power over’ but also their access to other forms of powers. It is a multi-dimensional dynamic process, that fosters practices by which women enhance their access to and control over resources as well as increase their freedom and capabilities, by challenging and eliminating social and institutional barriers, and socio-economic subordination. As discussed earlier, perceptions of women might be illusional based on faulty readings of the local observations within a stratified society. Thus, empowerment requires critical agency, which in turn entails that people challenge the existing structure. The concept of critical agency will be developed in the next chapter.

4.2 Assessing Empowerment

Women’s empowerment is conceptually complex and methodologically challenging to measure and analyze. Moreover, since empowerment is a process, the measurable indicators also change over time. The competing meanings of empowerment and multiple quantifying criteria that measure empowerment resulted in various conclusions in understanding the relationship between microfinance, poverty alleviation and empowerment. For example, many MFIs such as Grameen Bank interpret women’s high demand for loans, access to credit and their manifestly high propensity to repay as an indicator of control and empowerment. In this context, access to credit remains central to poverty alleviation and social equity, whereby empowerment is seen as an automatic outcome of the material means (Hashemi, Schuler and Riley, 1996: 650). Since empowerment is a self-directed process, it cannot be given to women by development practitioners (who are mostly male) in the form of loans. Moreover, access to credit and high repayment rates without actually questioning who controls these credits is only a proxy indicator of empowerment since the male relatives
directly invest women’s loans while the women still bear the liability for repayment (Goetz and Sen Gupta, 1996:45). This is because in the cultural context of Bangladesh savings or assets that a woman might own can be legitimately, at least from the male relative’s point of view, appropriated by her husband or other male relatives. Although, many MFIs train their clients with general tactics of intimidation and confidence-building, but realizing some approbation of fund by the male relative is inevitable, counsels sometimes give the participants practical advice about sharing a little amount of loan with the husband (Hashemi, Schuler and Riley, 1996: 650). Studies also suggest that as the size of the loan gets bigger, women start to lose more of their control. For example, a study in Bangladesh showed that women have 100 percent control over loans that are smaller than 1,000 taka but only 46 percent of control if the loan is bigger than 4,000 taka (Montgomery, Bhattacharya and Hulme, 1996:152). Studies also suggest that women are more likely to retain control over their loans in traditional ‘women’s work’ such as livestock rearing, due to the highly gendered nature of productive activities in Bangladesh discussed in chapter 3 (Goetz and Sen Gupta, 1996:49).

Furthermore, in highlighting repayment rates as the measure of success, MFIs neglect the entrenched power relations. For matters concerning reputation and honor, women are believed to be more sensitive to verbal hostility of the credit-manager, while men are able to default with a sense of impunity (D'Espallier, Guérin and Mersland, 2011:759). In the case of group lending, women are usually more prone to peer-pressure and the fear of social exclusion, thus they tend to make regular repayments to avoid embarrassment (Goetz and Sen Gupta, 1996:55). Women are also more likely to repay because they have more at stake since, unlike men they cannot easily access credit in other formal or informal channels (Armendáriz and Morduch, 2010:216). This is especially crucial as Yunus (2004) claims that Bangladeshi women still have difficulty getting loans and it represented less than 1 percent of borrowers from commercial banks. Women are also more likely to pay the high interest rates imposed by many MFIs since they are more restricted in their access to the formal labor market and credit access (Emran et al. cited in D'Espallier, Guérin and Mersland, 2011:759). As discussed in the chapter 3, the economic, religious and socio-cultural context of rural Bangladeshi women makes it difficult for them to access the formal labor market. Access to formal credit
is also limited, since most formal banks require a guarantor, who usually happens to be a prosperous male-relative. Moreover, assessment of empowerment through repayment rates also confuses means with the ends. Income and economic opulence are not important by themselves but in what they can do to help people achieve a good and worthwhile life. Economic opulence and substantive freedom, while not unconnected, can often deviate (Sen, 2010:226). Substantive freedom depends upon many other features than economic affluence such as social structures, organizations, social cohesion and harmony than only economic affluence.

Poverty, thus, is not merely lowness of income but is a basic capability-deprivation that hinders a person’s ability to be more productive through education, healthcare and various other means. Moreover, different people can have quite different opportunities of converting income and other primary goods into characteristics of good living and things they have reason to value depending on their personal heterogeneities (such as age, disability, gender etc.), diversities in physical environment, variations in social climate and differences in relational perspectives (Sen, 2010:255). For example, recent studies of poverty suggest that the assumption that there is an equal sharing of resources between all household members is not realistic. Particularly differential ownership by gender leads to differential returns by gender even when property rights are expanded to the lower classes (Jacobsen, 2003:96). Intra-household distributional inequities exist both as structures (such as different property rights for sons and daughters), as well as norms and ideas (such as “men work harder than women, they need to eat more.”). Hence, higher repayment rates cannot be the measure for poverty alleviation or empowerment. Mainstream misperception of means as ends, makes the development policy focus on income generation alone as a method of poverty reduction and development, which shifts emphasis away from benefits such as empowerment, knowledge and meaningful work that might be valued by a person (Alkire, 2002: 2).
Sen (1993:33) argues that empowerment is reflected in a person’s capability set. It involves expansion of assets and capabilities of women to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives. Empowerment is the capacity to fulfill this capability, not merely the choice to do so. Thus, the focus is on having the freedom to achieve valuable “functionings” that “a person may value being or doing” (Sen, 1999:75). These also include the basic fundamentals of survival and well-being regardless of the context. Hence, some literature goes deeper and quantifies empowerment from a well-being point of view. It is argued that even when women do not control the credit or use the loans to finance their own economic activities, they were considerably more empowered than the non-participants of the microfinance programs (Hashemi, Schuler and Riley, 1996: 648). Empowerment is quantified by variables such as examining the clients’ mobility, economic security, ability to make larger purchases, involvement in major household decisions, relative freedom from domination within the family, political and legal awareness, and involvement in political campaigning and protests (Hashemi, Schuler and Riley, 1996: 638). By differentiating between the means and the ends, this approach focuses more on human lives rather than quantifying some detached homogenous object of convenience like repayment rates (Sen, 2010: 233, 239).

However, empowerment measured solely in terms of ‘events’ (such as decision-making) ignores that ‘non-events’ (such as non-decisionmaking) are also manifestations of power. For example, while women may successfully bargain over certain aspects of household expenditure, men’s overall control over household land, capital and other valued resources remain non-negotiable (Kabeer, 1994:225). These non-events are undisputed outcomes of the social structures that are implicitly accepted; these demarcations from negotiable to non-negotiable issues systematically and routinely benefit certain individuals and groups over the other (Bachrach and Baratz cited in Kabeer, 1994:225).

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45 I should note that, for Sen, “capabilities” and “functionings” are technical terms. For a detailed explanation on this, see Amartya Sen (1999) Development as Freedom New York, Knopf.
Economic activities and opportunities have the potential to enhance women’s material wealth as well as their bargaining power within the households. However, women do not acquire social status simply by virtue of their engagement in the economic activities that generate income without challenging the deeply embedded socio-economic and cultural backdrop that are responsible for their systemic oppression (Rankin, 2001:31). For example, studies suggest that newly prosperous microcredit clients (women) in Bangladesh are more likely to wear veils that seclude them from the public space because it symbolizes wealth and prestige (Faraizi, Rahman and McAllister, 2011:111, 116). Moreover, other studies indicate that the client’s well-being (such as mobility, political participation, sending children to school, health awareness etc.) is not a direct result of access to credit or income but rather an indirect result of solidarity groups (which expose women to other women who share similar concerns that help them raise collective consciousness and resistance to oppression) and community development programs that are usually run by the microfinance institutions alongside their credit providing facilities (Hashemi, Schuler and Riley, 1996: 649; Sanyal, 2009: 533). Thus, many scholars such as Mayoux (2000:4) suggest that microfinance is a useful tool to alleviate women out of poverty but empowerment is an issue that needs to be addressed differently.

Scholars argue that women’s empowerment can only be achieved via breaking away from the minimalist credit approach and by increasing women’s consciousness about gender and class relations (Hashemi, Schuler and Riley, 1996: 650; Mayoux, 2001:18). To foster empowerment it is necessary to organize women to engage in grassroots struggles for their rights as well as to achieve the capacity and the right to make decisions (Mayoux, 2001:18). Empowerment thus becomes a process of internal change, which constitutes components in three dimensions: resources (including access as well as future claims to material, human and social resources); agency; and achievements (well-being outcomes) (Kabeer, 1999:437). Likewise, UNIFEM (cited in Kulkarni, 2011:12) states that women’s empowerment should consist of “gaining the ability to generate choices and exercise bargaining power ... developing a sense of self-worth, a belief in one’s ability to secure desired changes, and the right to control one's life.”
4.3 The Elements of Empowerment

There are many elements of empowerment, but a literature review through various empowerment papers suggested a greater consensus among the scholars about the three overlapping and key elements of empowerment. These include: agency, social and institutional structures and power relationships. It is also important to note here that these concepts are not clearly distinguishable at either the conceptual level or in developing empowerment indicators.

Agency and Empowerment

Following up from the earlier discussion on measurement of empowerment: the well-being perspective of evaluating empowerment excludes two very important aspects of it; namely –agency and the existing power relations within and outside household, both of which are closely related to the dominating social structure. Agency refers to the capacity of human beings to make independent choices and impose those choices on the world. It incorporates both the positive and the negative connotations. In the positive sense- power to- refers to one’s ability to make and act on individual choices, even in the face of others’ opposition; whereas in the negative sense- power over- refers to the capacity of some actors to override the agency of others through authority or coercion (Kabeer, 2003:14).

Agency includes not only the processes of decision-making but also other less-measurable indices such as negotiations, deceptions and manipulation. Consequently, it is possible for individuals to misinterpret their agency. Bourdieu (1977:78) argues that when agents are socialized in a ‘field’ with an evolving set of roles and relationships in the social domain, where various forms of financial and social capital (such as prestige, honour and financial resources) are at stake, they accommodate into those roles and relationships while internalizing those relationships and expectations to survive in that domain. Over time, these internalized behaviors become ‘habitus’ and normalized within the existing social structure. Knowledge is then constructed through habitus (Webb, Schirato, and Danaher, 2002:38). Habitus is also informed by class affiliations and it can reiterate and reproduce the stratification of the society (Webb, Schirato, and Danaher, 2002:40). These structural biases can constrain people’s ability to make strategic life
choices. It might be a woman’s free choice to overlook her interests and well-being for the sake of her family or choose a project that is less economically ambitious but allows her to work without challenging the social norms; however, it is very much possible that her agency (i.e. to make a choice and to act for what she really wishes to value) is distorted by the existing structural bias and centuries of inequality. Drèze and Sen (2002:258) argues that gender inequality cannot be removed only by enhancement of women’s empowerment and agency, since agency itself is an integral part of the existing gender inequality.

For example, in traditional societies like Bangladesh, family identities usually exert such strong influence that women may not find it easy to formulate any clear notion of their own individual welfare (Sen, 1987:6). It is the agency of the typical rural Bangladeshi woman to address the question of individual welfare in terms of her reading of the welfare of her family. Kabeer (cited in Cheston and Kuhn, 2002:4) showed that although women who borrowed loans reported having a sense of self-worth, these subjective perceptions did not translate into actual changes in well-being, gender relations at home or any other benefits. Another study by Pitt and Khandker (cited in Tseng, 2011: 241) reveals that microcredit has a significant effect on the consumption expenditure of poor households in Bangladesh whose daily consumption is less than one dollar when women are the program participants. In particular, the annual household consumption increased by eighteen taka for every hundred taka lent to women, compared with eleven taka for men (Pitt and Khandker cited in Tseng, 2011: 241). Another study provided separate estimates of the influence of borrowing by both men and women on household expenditure, non-land assets held by women and boys’ and girls’ schooling. It was found that women clients significantly affect all these behaviors more than the male clients (Pitt, Khandker and Cartwright, 2006:817). These findings highlight that the capacity of spending is social as well as material (Faraizi, Rahman and McAllister, 2011:19). The results are also consistent with the empirical literature that suggests that a mother’s relative control over resources importantly alters the human capital of her children (Pitt, Khandker and Cartwright, 2006:817).
Kabeer (1999:441) explains this phenomenon by drawing on Bourdieu’s idea of ‘doxa’- whereby the “aspects of tradition and culture which are so taken-for-granted that they become naturalized.” When women internalize their subordinate status and view themselves as persons of lesser value, their sense of their own ability and rights get diminished, resulting in internalized subordination. Since doxa is beyond discourse or argumentation, it remains intact as long as the social actors of a certain group are largely congruent with the possibilities available to them (Kabeer, 1999:441). As discussed earlier in chapter 3, the creation of ‘nurturing mother’ and ‘rational economic woman’ falls into this category of doxa, where women's perceived position is based on faulty readings of the naturalized reality.

Nonetheless, there are considerable variations in the perception of individuality within a traditional society like Bangladesh, and the lack of a perception of personal welfare is neither absolute nor particularly resistant to social development (Sen, 1987:7). However, the process of politicization - including a political recognition of the gender issue and economic independence can bring about sharp changes in these perceptions (Sen, 1987:7). Moreover, these perceptions about intra-family divisions involve significant inequalities in the division of food, medical attention, healthcare and the rest (often unfavorable to the well-being and even survival of women), helps to sustain the traditional inequalities between men and women (Sen, 1987:7; Cain, Khanam and Nahar, 1979:417). However, personal interest and welfare are not just matters of perceptions. While, the understanding of the well-being in a broader sense may vary, there are fundamental objective aspects of these concepts (such as nutrition, medicine) that command attention even when the corresponding self-perception does not exist. There is a need to go beyond the primitive feelings that a person may have on these matters, which are likely to be based on unquestioning acceptance of certain traditional priorities that form individual agency (Sen, 1987:8).

It is important to differentiate between a person's 'well-being' and 'agency', because, while there are obvious links between a person's well-being and the fulfillment of his or her other objectives, a person may have various goals and objectives other than the pursuit of his or her own well-being (Sen, 1987:8). The
overall success as an agent may not be closely connected or identified with that person's own well-being (Sen, 1987:9). A person's sense of obligation and perception of legitimate behavior influences her agency aspect. These perceptions are influenced by education, politics as well as social and economic opportunities. It is important to influence these perceptions in the case of faulty readings that violate women’s empowerment and reproduce the power struggle. This is why an exercise of self-reflection and critical agency is essential to understand one’s agency in relation to the social surroundings.

**Social Structures and Power Imbalance**

The concept of empowerment only has meaning within the specific socio-cultural context. Local structures of power and power relationships within and outside the household are major factors of understanding empowerment. This is because the social and institutional structures of a society involve its unique history and prior experiences that dominate the choices and course of actions of the individuals residing in that society (Rowlands, 1998:23). In the Bangladeshi context, power relations within and outside the household are also constrained by the social and institutional structures. These social limitations that emerge out of economic, cultural, religious and spatial reality restrain women’s economic opportunities as well as their agency. Since male authority has a material base, though male responsibility is normatively controlled, in the face of economic necessity, male dominance and authority remain strong and intact, while the associate sanctions that ensure that males carry out their normative obligations towards their female kin have weakened (Cain, Khanam and Nahar, 1979:410).

Furthermore, men monopolize political power in both administration and village councils. Due to weak formal judicial institutions and administration, particularly in rural areas, male domination of political institutions results in only nominal legal protection of women (Cain, Khanam and Nahar, 1979: 407). Although MFIs in Bangladesh have a strong female clientele base, whereby women lead their own solidarity groups and become aware of their political and economic rights, in the larger social context, women are still largely restrained by their social and institutional structures both inside and outside the household. This also contributes to the power imbalance between the large microfinance institutions and
their clients. Thus, in the policy circle, World Bank (cited in Kulkarni, 2011:12) identifies four key elements of empowerment for drafting institutional reforms: access to information; inclusion and participation; accountability; and local organizational capacity. All of these will help to improve the efficiency and fairness of the organizational and institutional context that governs the use of resources.

Apart from the institutional structures, Bangladeshi women also face covert cultural constraints. For example, there is a cultural structure of the strong sexual division of labor within the Bangladeshi household, which means that the nature of work is highly gendered. Women tend to specialize in work that keeps them close to the homestead. Although women have complete responsibility for preparing meals at home, they do not themselves go to the market to make purchases because of the strictures of purdah and the distance of the market from the village (Cain, Khanam and Nahar, 1979:416). While MFIs stress on the reports that have found that microfinance clients have increased mobility, have greater bargaining power, greater role in household decision-making and household purchase, they overlook the material and psychological pressure that women face due to the excess burden of the work. Women’s domestic responsibilities are so deeply institutionalized in household rules and practices that they appear non-negotiable. MFIs increase women’s work by involving them in time-consuming meetings and income-generating activities without taking any action to reduce their traditional responsibilities (Cheston and Kuhn, 2002:28).

Furthermore, since MFIs encourage women to engage in income generating activities that are traditionally feminine and home-based, they exclude women from the mainstream development. In doing so, MFIs have rather restricted women’s mobility and hindered their engagement with society and the larger market. Women, in actuality, have become dependent on men for the marketing of their products rather than using the leverage of their business to become more independent (Regmi, 2012). Moreover, women’s participation in microfinance programs brings notions of women’s gender roles, sexuality and work into conflict (Kulkarni, 2011:25). In the institutions of ‘households’ and ‘MFIs’, the women involved are those who have been subject to patriarchal values in the private domain (household) and have had little opportunity or encouragement to pursue
activities with the potential to empower them. Ironically, they are now recruited and selected to enter the public (market) domain, become aware of rules of the small economy and take charge of running the household, economically, along with their other non-economic roles (Kulkarni, 2011:25). Although this establishes their legitimacy in the public domain, it also poses conflicts and contradictions in their lack of power as women in the very same domain (Kulkarni, 2011:25). Access to credit or a better economic condition does not necessarily translate into power and autonomy. There is also evidence of not only lack of impact of microfinance programs, but danger of disempowerment, because microcredit, which is actually a debt, may lead to severe impoverishment or abandonment and may put serious strains on networks with other women (Kulkarni, 2011:21; Tseng, 2011:245). Furthermore, pressure to save for future repayments may mean women forgoing their own necessary consumption (Kulkarni, 2011:21).

4.4 Conclusion

Empowerment should not be evaluated in binary terms, as either achieved or not; rather, it should be understood and evaluated along a continuum, as a process. The discourse of empowerment in the MFIs as well as the development organizations serves the interest of the dominant structure of capitalism, privatization and methodological individualism. The competing meanings of empowerment in the development industry resulted in various criteria (such as repayment rates, access to credit, well-being, power relations and agency) that measure women’s empowerment through microfinance; none of which quite question the existing social and institutional structures that are responsible for the systemic oppression of women.

Women’s empowerment is also a unique case compared to other disempowered subsets of society since household and inter-familial relations are the central locus of women’s disempowerment. Thus, women’s empowerment requires broader policy action at the household level and systemic social transformation that questions the existing social and institutional norms and addresses the existing power imbalance between male and female in multiple dimensions including economic, sociocultural, familial/interpersonal, legal, political and psychological aspects. However, by building on the hegemonic concept of development (such as
empowerment equated with higher repayment rates), MFIs can only alleviate women from immediate poverty. Empowerment needs to challenge the prevailing knowledge about the existing ‘truths’ of the gender hierarchy. MFIs have both the potential and power to construct, deconstruct and reconstruct counter-hegemonic discourses of empowerment. This can be done with conscious ideological goals by amplifying some parts and suppressing other parts of the existing cognitive codes and, occasionally, by adding new inventions to existing codes (Cornwall, 1997:137). Accordingly, MFIs need to acknowledge the role of conscious critical agency whereby the evolution of social cognitive codes (such as stereotyping the concept of femininity) are challenged and reconstructed. In the next chapter, I will discuss the concept of critical agency and explain its fundamentality to the idea of empowerment.
Chapter 5: An Alternative approach to Empowerment: Critical Agency, Voice and Participation

Women’s empowerment is a multi-dimensional social process that fosters practices by which women gain control over their lives and attain the freedom and capacity to make choices between different styles and ways of living. It increases their self-reliance and their ability to influence the direction of change by gaining control over material and non-material resources (Sanyal, 2009:530). Empowerment, however, remains a secondary objective in the life of many rural Bangladeshi women who live in the patriarchal culture. While an important factor contributing to their disempowerment is economic deprivation and poverty, (which is often addressed by the MFIs), an equally significant factor is non-economic, that is, social rules, norms and practices governing their understanding of the local reality (Sanyal, 2009:530). This non-economic aspect of disempowerment is often ignored by the MFIs, which confuse the means (access to credit and income generation) with the ends (empowerment, well-being and agency). While economic resources are necessary to ensure empowerment, they are not sufficient. Concern for women’s agency stresses that participation in the public sphere should be fostered alongside well-being. This is because, without women’s individual or collective ability to recognize and utilize resources and convert them into functionings, which they have reason to value, resources cannot bring about empowerment.

Besides, even when MFIs include aspects of freedom, well-being, opportunities and agency that one has reason to value to assess empowerment; it ignores the crucial fact that the values of these women are deeply constructed within their social structures and household relationships, which are in effect responsible for the systemic oppression of women. Conflicts of interest are suppressed not only from the decision-making agenda, but also from the consciousness of the people involved (Lukes, 1974:14). Thus, in this chapter I argue that it is not simply freedom and power to act that is required; the power to question and reassess norms, social structures and values – what Drèze and Sen (2002:274) calls critical agency – is also crucial.
In this chapter, I start by introducing the concept of critical agency, mainly in two ways: the first defines critical agency while setting it in the context of Hegel’s idea of dialectics and describe how individual consciousness is created; the second relates critical agency with Smith’s idea of impartial spectatorship, taken up by Sen where he identifies how an individual forms outside views through interaction with one another leading to consciousness. I also explore the connection between critical agency, voice and participation. Finally, I relate critical agency with empowerment and discuss how it can be achieved by MFIs through challenging the prevailing social structures and fostering collective capabilities.

5.1 Critical Agency: Formation of Consciousness

The difficulty with individual agency is that, on the one hand, there are individuals who make choices about their own actions and, on the other hand, social and historical processes that influence the societal structures determine the trajectory of our agency. However, agency is meaningless if it does not include the capacity to critically respond to the societal forces (Blunden, 2010: 297). Human critical agency questions and reflects on the existing social structures to make independent choices and act on those choices. It involves not only freedom and power to act, but also freedom and power to question and reassess the prevailing norms and values (Drèze and Sen, 2002:258). This is because questioning leads to consciousness; consciousness is the first step to awareness of conditioning, which initiates personal change.

My idea of critical agency is based on the Hegelian notion of dialectics, whereby conflict between different ideologies (i.e. stimulation of dialectics) motivates social change. However, in this case, these conflicts of different ideologies occur in the individual’s reasoning mind, where she questions her choices and actions. This is because the possible approach to knowledge is through the examination of consciousness (i.e. phenomenology of mind) (Singer, 2001:63, 64, 68). She goes though what Hegel called the three-valued logical model: abstract-negative-concrete. The process starts with a simple form of consciousness that is taken for granted as genuine. However, this simple form of knowledge proves it to be something less than genuine knowledge through the assessment of the negatives of trial, error and experience, leading to the development of another form of
consciousness (Singer, 2001:68). The process continues until one reaches a better form of knowledge. Critical agency encourages a person to go through this process in quest of a better knowledge about their agency. It allows her to become aware of the conditions and assists her to strip down the abstract idea about her current agency through questioning the inadequacies of her experience. The process continues till the person finally reaches a concrete decision about her agency by mediating the negatives. It is important to note here that, unlike Hegel, critical agency does not disregard the material conditions; rather it takes material conditions (such as access to credit, income generation, well-being) as given and builds on them. Critical agency is another step towards the process of empowerment, which allows women to understand and analyze their preferences and needs.

5.2 Critical Agency: through the “eyes of others”

Another aspect of critical agency that is closely related to empowerment is that, to use Smithian terminology, it allows women to see themselves as if through the eyes of and ‘impartial spectator’. The central proposition of the impartial spectator is that the way we judge our actions tends to be shaped and distorted by our naturalized social conditions and self-love (Broadie, 2006:158). Thus, in order to properly assess the impact of entrenched tradition and customs on our actions, it is necessary to view them through the “eyes of other people” (Smith cited in Sen, 2010: 45,126). Smith uses the impartial spectator as an imaginary device that assesses one's own conduct by putting oneself into another person's shoes. It is a device of critical scrutiny and public discussion (Sen, 2010:135). Sen (2010:123) builds on this idea and argues that impartiality has different domains. It can be closed and invoke judgments from within a particular community, or it can be open whereby impartial assessments can invoke judgments from outside the focal group, to avoid parochial bias. Media is an example that plays an informational role in disseminating knowledge to allow critical scrutiny. It connects people to the outside world whereby people are able to put their locally confined values in comparison with the rest of the world. Access to television and exposure to movies and drama, which portrays various roles of women in power, have played an important role in bringing new views to the lives of rural Bangladeshi women.
5.3 Critical Agency, Participation and Voice

To initiate the reflection on individuals and recognition of acknowledging a woman as an equal participant in the social and political life can still leave her trapped within the dominant customs, beliefs and modes of living, which for example, may include misrecognition of her personality or unjust constraints on her activity. This is because the experiences of empowerment and disempowerment are related not only to material means and interventions, but also to social relationships, participation, voice, choice, negotiations and narratives (Kulkarni, 2011:13). Preference falsification or the misinterpretation of desires under social pressure is a major reason for women's oppression. Public discussions in solidarity groups also bring out private discontents in public. Kuran (1991:47) argues that that in articulating preferences individuals frequently tailor their choices according to what appears socially acceptable. These consequences all hinge on interdependencies between individual decisions as to what preference to convey publicly. A person who hides his discontent about a fashion, policy, institutions or political regime makes it harder for others to express discontent. In falsifying preferences, people hide the knowledge on which it rests. In the process, they distort, corrupt, and impoverish the knowledge in the public domain. They make it harder for others to become informed about the drawbacks of existing arrangements and the merits of their alternatives. The first of these consequences is driven by people's need for social approval; the second by their reliance on each other for information.

This means if there is a public domain for questioning the norms, people's real preferences will become open by sharing knowledge. Thus, social inclusion (through solidarity groups) becomes closely related to empowerment. Empowerment involves enhancement of freedom, assets and capabilities of in both individual and group level; social inclusion stimulates empowerment by removing structural barriers and enhancing incentives by allowing a diverse group of individuals to access resources and opportunities (Bennett cited in Malhotra, Schuler and Boender, 2002: 4). While most mainstream development strategies continues to take a top-down, ethnocentric and, technocratic approach that treats culture and people as abstract concepts, lacking any agency of their own (Escobar, 1999:382), critical agency takes a ‘bottom-up’ approach to development and
empowerment. At the institutional and aggregate levels, it encourages participation and social inclusion; at the individual level, it is about the self-realization and the enhancement of capacity that allows people to become agents of their own lives (Malhotra, Schuler and Boender, 2002: 8). In this sense, critical agency resembles power; for agency to be effective, capacities to influence other actors as well as building networks of social relations become essential.

Participation and voice are crucial to critical agency and hence, empowerment because the passage from the normalized state of ‘doxa’ to critical consciousness only becomes possible when competing ways of ‘being and doing’ become available as material and cultural possibilities, so that the ‘common sense’ propositions of culture begin to lose their ‘naturalized’ character, revealing the underlying arbitrariness of the given social order (Kabeer, 1999:441). However, Lane (2005:183) points out that participation is risky because it challenges the local power structures; whereas conformity carries more tangible rewards. To challenge the rules and practices by which such hierarchies are organized would entail challenging organizational basis of these public bodies (Kabeer, 1994:226).

Sen (2010:354) argues that utilization of social structures and opportunities are closely related to public actions and voice. Thus, critical public reasoning and voice are essential to expand one’s freedom, agency and empowerment. Since critical agency has an informational focus, the role of agents and their freedom to participate in the discursive process is crucial. Group discussion (in solidarity groups of MFIs) can lead to better understanding of the role, rankings, reach and significance of the women’s functionings and agency. However, it would be naïve to assume that voices from grassroots would always be effective to achieve its goals; powerful voices are indeed louder and have more reach. The effectiveness of the voice also depends on the adequate social and legal structures that ensure the rights of these women as well as assure the protection of these rights. Changing social structures and norms, participation and public discussion takes time, which is also another important resource. However, as pointed earlier, empowerment is a process, and it should be evaluated along a continuum, to which consciousness of the women is central. By stimulating critical understanding of the social structures
and norms within the solidarity groups it would allow women to overcome their illusions and become conscious about their agency.

5.4 The Role of Microfinance Institutions in Facilitating Critical Agency

Defining empowerment as a process and something which cannot be done to/for women, but which has to be their own, raises questions about the role MFIs can play. In identifying agency and critical agency as the essence of women’s empowerment, I am not suggesting that all improvements in women’s position must be bought about through the action of women themselves or that empowering themselves is the responsibility of the individual women. MFIs (especially the NGOs, national and international development institutions) have the resources and responsibility to promote gender equity and empowerment of the clients. MFIs can facilitate empowerment by acting as the ‘change agents’. Individual habitus is both resilient and oriented towards practical dispositions, knowledge and values are potentially subject to modification rather than being passively consumed by the agents. The role of change agent is to work as a catalyst and to bring expert and outside knowledge to their clients (Webb, Schirato, and Danaher, 2002:41; Rowlands, 1998:26).

Kabeer (1994:229) argues that MFIs (especially grassroots NGOs) enjoy a greater advantage in promoting innovative strategies and empowerment of women as they tend to be less rules governed and have face-to-face interactions with their clients. NGO-based MFIs in Bangladesh have already created a space, where women’s voices can be heard either through participatory processes or by organizational practices (Kabeer, 1994:230). They have encouraged ‘behavioural change’ by passing semi-secular values and ideas onto their clients. For example, BRAC has various community development programs and provides more opportunities for its members to participate in the training program, which allows the participants to travel outside their villages. Studies by Hashemi, Schuler and Riley (1996: 635) suggest that participants of the BRAC had stronger effects of empowerment in mobility and participation of political campaigns and public protests, compared with the participants of Grameen Bank who were only given the credit. In the next section, I will break down the three infinite forms of powers discussed earlier in chapter 4, and the role of MFIs in facilitating empowerment.
**Facilitating the Power-With: Solidarity and Alliances**

Drèze and Sen (2002:29) points out two processes by which critical voice can be fostered: *assertion* and *solidarity*. However, the daily struggles of women’s lives leave them with little leisure to engage in political activity, and efforts to do so sometimes invite physical repression (from inside and outside the household) (Drèze and Sen, 2002:29). Lack of formal education and access to information also restricts their ability to intervene in the public discussion and make effective use of the media, courts and other democratic institutions (Drèze and Sen, 2002:29). This limited extent of assertion often makes solidarity the main route through which voices can be heard. Solidarity reinforces the recognition of shared aspects of subordination and forms the basis for collective strategies for change. Networks and alliances are also important aspects of voice; not only do they create space for voice through which it can be quickly transmitted, they can also make voice more effective and appear louder. Given women’s lack of voice in Bangladesh and disenfranchisement from most sources of institutional power, solidarity and collective strength is one of the most important transformative resources at their disposal.

Many MFIs such as Grameen Bank put emphasis on solidarity group formation, which is expressed through physical and spatial arrangements, in the thinking, attitudes and body language. On one hand, this social design of participation makes the women socially and economically accountable to each other (Fuglesang and Chandler, 1986:52). On the other hand, it facilitates open impartiality through the formation of solidarity groups encouraging critical agency. Since social capital and solidarity groups are pivotal to most MFIs, women together have the *power with* other women with similar concerns to raise collective consciousness and resistance to oppression. SUTRA (a microcredit-based NGO dedicated to gender equity) provides an interesting example of this from India; it illustrates that when women staff numbers were increased, the issue of rape and domestic violence became public (Kabeer, 1994: 233). While at the initial stage, women clients suffered in silence; the silence was broken when some of the women staffs suffered from these problems and shared those experiences. This culture of
sharing of similar experiences helped break down the ‘them’ and ‘us’ relationship between the rural women and the educated staff members (Kabeer, 1994: 234).

In traditional societies like India and Bangladesh, domestic violence is often portrayed as a failure from the women’s end. In the SUTRA example, sharing of experiences enabled the rural women to understand that male violence against women is an expression of power and control; the reasons given for domestic violence by their male relatives are inane and it is not the women’s fault. Moreover, as discussed in chapter 3, the custom of patrilocal marriage practiced in the Indian subcontinent, detaches married women their family of birth and puts her in her husband’s locality effectively making her friendless. Thus, this formation of solidarity between women staffs and clients about their mutually experienced concerns is a source of power that enables them to feel confident to challenge their social vulnerabilities and build collective capabilities to protest.

**Facilitating the Power-Within: Transforming Consciousness and Reinterpretation of Needs**

MFIs also help develop self-confidence and self-esteem of their clients to realize the *power within* oneself. The example of SUTRA cited above shows how MFIs can help transform consciousness and reinterpret needs. The female staffs from SUTRA have fostered critical agency in the rural women by presenting their perspectives on similar situations. This stimulated the rural women to question their social realities and norms and see the situation from a different outlook. By understanding domestic violence as a crime, these rural women have also relieved themselves from the burden of blame and shame. Consequently, it contributed to their self-worth and confidence. MFIs claim that financial freedom contributes to one’s self-worth and is an important aspect of self-development. Furthermore, many MFIs such as BRAC and Grameen Bank require their clients to join some self-improvement programs (included in the “seventeen promises” and “sixteen decisions” mentioned earlier in Chapter 3) that include some community development issues concerning women (such as education, health, participation etc.) as well as counseling (on managing money and domestic violence), which helped them achieve significant success in women’s well-being aspect compared to
the non-clients (Hashemi, Schuler and Riley, 1996: 636). Although these programs promote partial agency, and aim to boost women’s self-worth, they remain constituted within a male-biased discourse of what an empowerment means. These programs put unjustified strain on women’s tasks. The inability to become a ‘supermom’ (who is a good wife and a successful entrepreneur) is portrayed as personal failure, which can potentially damage one’s self-worth. Critical agency overcomes these issues since women can bring different priorities into view. It allows women to review their lives from other vantage points.

Nevertheless, participation may however be seen as an end itself. It has intrinsic merit when it helps to increase self-esteem, confidence and individual's sense of power (Lane, 2005:183). The women clients of MFIs have existing notions about their agency and necessities, which needs to be given priority into the construction of organization agenda. However, current priorities reflect current conditions of their lives (Kabeer, 1994:245). New forms of consciousness arise through stimulation of the power-within; though exercise of critical agency, capability to acquire access to intangible resources of analytical skills, social networks and self-awareness helps to uncover the socially constructed and socially shared basis of apparently individual problems (Kabeer, 1994:245).

Facilitating the Power-To: Resistance and Manipulation

Another strategy of facilitating empowerment through women MFIs includes resistance and manipulation through organizational mobilization of women's concerns. For example, Saptagram Nari Swanirvar Parishad (hereafter, Saptagram), a NGO-based MFI in Bangladesh organizes its members to resist oppression. It uses a variety of different training methods and educational programs (designed to reinforce women’s knowledge of their rights and teach them basic literacy and numerous skills) to challenge the ideological constraints as well as strengthen the clients’ reflective and analytical capacity. Saptagram fosters critical agency by educating women about their rights and encouraging women’s willingness to question and challenge the unjust norms and practices (Hashmi, 2000: 159).
Saptagram is based on solidarity and unity of women at all levels (from management to clients). The practice of critical agency through sharing common concerns have led the Saptagram members to participate in protests and movements against dowry, illegal divorce, domestic violence and other forms of social injustices (Kabeer, 1994:256). This also stimulated the members to partake in the salish (village court, which in Bangladesh is traditionally reserved for the male elites) in order to enforce their voices against injustices as well as present their viewpoints and interests (Kabeer, 1994:258). The members have reported to break away from the rich village authorities to challenge the local agents of oppression (Hashmi, 2000: 159). Saptagram also builds alliances and carries out capacity building amongst its clients to render them capable of resistance without external support. It is important to note here that the forms of power are interrelated. On an individual level, solidarity builds self-confidence, which is essential to resist oppression. On a collective level, solidarity builds collective capability, which facilitates power to resist oppressive social structures. The exercise of critical agency allowed the group members to take action against the injustices such as oppressive gender relations and attempted to settle disputes among themselves, rather than relying on traditional rural power structures.

5.5 Conclusion

In this chapter, I have introduced the concept of critical agency. Enhancement of freedom and removal of unfreedoms that constrain individual choices and actions are important aspects of critical agency. Thus, individual agency is closely linked to public action, participation and voice. As supported by the examples, it is evident that by playing the role of ‘change agents’, MFIs would be able to assist their clients to be aware of their consciousness and critically assess their actions, norms and values. In doing so, women would not misinterpret their agency and would refrain from being the subject of internalized oppression. However, implication of critical agency in practice has some practical restraints. In the concluding chapter, I will discuss some of the limitations of applying critical agency.
Chapter 6: Conclusion

Empowerment is a process. Separating the process into components (such as enabling factors, agency and outcomes) is useful in identifying policy interventions to support empowerment, and for evaluating the impact of such interventions. However, it is important to realize that a framework for research or evaluation of a specific policy or intervention will refer to only one phase of the process (Malhotra, Schuler, Boender, 2002:10). Which phase it refers to will depend on the context, the interventions being assessed, and the outcomes of interest. Consequently, empowerment need not take a binary form. It is important to understand and evaluate it along a continuum.

6.1 Summary of the Thesis

In this paper, firstly, I have questioned to what extent MFIs in Bangladesh empower women. My thesis supported my general proposition that although MFIs play an important role in alleviating women out of poverty, empowerment cannot be seen as an automatic outcome of income generation. While economic independence is an important factor of empowerment, empowerment cannot solely be understood in terms of income generation. Empowerment requires an understanding of the socio-cultural aspects of a particular society. In Chapter 2, I have provided a brief overview of the microfinance industry in Bangladesh. In recent years, Bangladesh has significantly reduced its poverty rates. Despite not having improved its state welfare, it is consistently improving many of its social development components such as life expectancy, child survival, gender equality and estimated mean years of schooling.

Moreover, most MFIs in Bangladesh highly prioritize women. All these factors make Bangladesh an interesting place to study the role of microfinance. In this chapter, I identified the neoclassical, market-based approach and androcentric bias of the microfinance models. I also revealed that increased competition and high return rates have attracted global finance in the microfinance business. These large for-profit organizations are only interested in generating profits. However, their presence imposes more competition in the market, threatening the financial sustainability and capabilities of attracting donors of the NGO based MFIs.
Moreover, since women’s empowerment destabilizes the patriarchal status quo, NGO-based MFIs also face political and structural constraints.

In Chapter 3, I have explored the reasons behind MFIs' exclusive focus on women clients in Bangladesh. It is found that many MFIs target women not because they are genuinely interested in empowering women, but because borrowing to women increases their financial efficiency and decreases the risk of default. I argue that gender is foundational to microfinance. Gender, in this context, is not limited to one's sexual identity of being male or female, but also a socially constructed idea of masculinity and femininity that is embedded in the dynamic context of our daily lives. Thus, class, religion and cultural norms become significant in understanding change and empowerment. The microfinance industry is a non-gender neutral site. Traditional microfinance models are based on the assumptions that celebrate women’s role as the ‘nurturing mother’. By creating the ‘nurturing mother’, who is also a ‘rational economic women’ MFIs simulate the existing gendered structure which is central to women’s disempowerment.

Following the conceptualization of empowerment in the Bangladeshi socio-economic setting, I have explored the concept of empowerment and proposed an alternative through which MFIs can facilitate empowerment. In Chapter 4, I have argued that the dominant model of empowerment is based on the idea of power-over, which views empowerment as a finite, zero-sum game. However, empowerment is relational; thus, it should be understood as a process. Power can take many forms, such as ‘power to’ (resistance and manipulation), ‘power with’ (collective/communal action) and ‘power from within’ (self-acceptance and self-respect). I have delinked empowerment from access to credit, repayment rates, well-being and agency. The main argument of this chapter was that women do not simply acquire social status by virtue of their engagement in the economic opportunity. Access to credit or a better economic condition does not necessarily translate into power and autonomy. It might only translate into more work and increased liquidity for women, keeping the intra-household relationship intact. Moreover, even when MFIs include aspects of freedom, well-being, opportunities and agency in their community development programs and measurement of empowerment; it ignores the crucial fact that the values of these women are deeply
constructed within their social structure, which is in effect responsible for the systemic oppression.

In Chapter 5, I introduced the concept of critical agency as a means of resolving this tension. The main argument is that empowerment cannot be achieved only via exercising agency; it also needs to question the existing power relations and social structures. Empowerment requires critical agency that allows these women to reflect on their identity, social context and existing power relations. It requires formation of consciousness and seeing through the “eyes of others”. It requires public discussion, voice and participation from below. I have also provided examples of a few MFIs who have partially engaged with the idea of critical agency and facilitated empowerment through grassroots attempts to operationalize means of power.

6.2 Limitations of Critical Agency

Although critical agency is crucial to understanding empowerment, it is important to realize some practical constraints in facilitating critical agency. Critical agency and empowerment are not limited to the idea of the formation of women’s consciousness. They challenge the existing social structures and patriarchal status quo. The MFIs and development organizations do not arise spontaneously through the efforts of poor women. They are fruits of the state, international donors and other powerful actors. MFIs need to conform and tailor their operations in a way, which does not come in conflict with these powerful actors. On an individual level, conformity is safer and carries more tangible rewards. However, there are also a few MFIs like Saptagram who have partially incorporated critical agency in their programs, whereby the clients carried out their demands and grievances about social and political structures in the face of harassment and succeeded (Hashmi, 2000:137).

6.3 Policy Recommendations to Foster Critical Agency and Empowerment

Advancing women’s agenda within a village community is something well within the reach of the NGO-based MFIs that aims to facilitate women’s
empowerment. In this section, I present three policy recommendations that might help fostering critical agency and contribute to women’s empowerment.

**Increase in the number of the female staff**

The “Big Four” MFIs that cover the majority of the microfinance clients in Bangladesh have male staffs. For example, ASA has a male to female staff ratio of 7 to 1\(^6\) (ASA, 2012a), while BRAC has a male to female staff ratio of 4 to 1 (BRAC, 2010)\(^7\). However, as seen in the case of SUTRA and Saptagram, an increase in the number of female staff contributes to solidarity, which is an important aspect of empowerment. This could also foster critical agency, since the sharing of common experiences between members can also build perspectives different from one’s own.

**Increase in personal interaction between the loan officers and the clients**

Unlike traditional banks loan officers visit their clients and are responsible for not only their loans but also facilitating other community development programs, conducting awareness programs and group meetings. Thus, to share experiences and develop critical agency effectively the loan officer will need to form a close relationship with the client. However, the financial self-sufficiency and sustainability ratio of the large MFIs in Bangladesh requires the MFIs to have one loan officer per 370 to 500 clients (ASA, 2012e; Grameen Bank, 2011b), making it impossible for the loan officer to form a relationship or share common experiences. To facilitate critical agency there needs to be an increase in personal interaction between the loan officers and the clients. This could also require the MFIs to increase the number of staffs.

**Design of products and services that address the needs of women and encourage ambitious ventures**

In addition to an increase in personalized service, MFIs could have products such as flexible repayment periods and larger loan sizes to encourage ambitious ventures of their clients. An emphasis on interactive community development

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\(^6\) Calculated from the staff numbers given by ASA (2012a): number of male staffs 18,703; number of female staffs 2,495.

\(^7\) Calculated from the staff numbers given by BRAC (2010): number of male staffs 38,050; number of female staffs 8,929.
programs that stimulate critical agency, voice and participation in the solidarity groups through questioning and challenging oppressive social issues (such as domestic violence, dowry, female feticide) should also be encouraged. In short, MFIs are required to adapt to the needs and practices of their clients rather than demanding their clients adapt to the logic of the male-dominated institutions.

6.4 Conclusion

Empowerment cannot be assumed to be a spontaneous outcome of the microfinance programs, whether designed for economic sustainability or poverty targeting. Market forces cannot solve societal problems such as gender disparity and oppression. The commercialization of MFIs, their concentration on efficiency and negligence of empowerment of their clients call into question whether microfinance really is ‘money for nothing’ or another addition to the oppression of economically and socially vulnerable women. There is no denying that a better economic condition helps poor women by providing the means to achieve things that they have reason to value. However, to attain long-term benefits empowerment needs to be an essential part of development programs. Microfinance models that claim a broader development agenda have the responsibility to address their androcentric neoclassical bias to alleviate poverty and empower women. Empowerment would be possible when MFIs revisit their perception of empowerment and design programs to not only generate income but also challenge the structures to eliminate gender subordination.
Appendix 1 - Table (3): A comparison between Bangladesh and India’s economic and social development Indicators.

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Sources: Human development index, Education index and Gender inequality index from UNDP (2011) Human Development report, accessed online from (http://hdr.undp.org); other indicators are from the World Bank, (2012), accessed online from (http://data.worldbank.org/). Some of the country-specific figures for 1996, 1992 and 1987 are subject to significant margin of error; the focus is best kept on broad patterns rather than exact numbers.

Notes:

+ **Gross Domestic Product (GDP) (current US$):** GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates.

+ **GDP growth (annual %)-** Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2000 U.S. dollars.

+ **Gross National Income (GNI) per capita** (formerly GNP per capita) is the gross national income, converted to U.S. dollars using the World Bank Atlas method, divided by the midyear population. GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. GNI, calculated in national currency, is usually converted to U.S. dollars at official exchange rates for comparisons across economies.

+ **Gini index of income inequality** measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.

+ **Poverty headcount ratio at national poverty line (% of population)**- National poverty rate is the percentage of the population living below the national poverty line. National estimates are based on population-weighted subgroup estimates from household surveys.

+ **Education index (expected and mean years of schooling):** It is based on mean years of schooling (of adults) and expected years of schooling (of children). Education index groups: very high 0.89; High: 0.72; Medium: 0.56; Low: 0.39. See Human Development Index (2011) for details on how the education index is calculated.
Life expectancy at birth indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life.

Adolescent fertility rate (births per 1,000 women ages 15-19): Adolescent fertility rate is the number of births per 1,000 women ages 15-19.

Gender Inequality Index: A composite measure reflecting inequality in achievements between women and men in three dimensions: reproductive health, empowerment and the labor market. Gender inequality index groups: Very high: 0.24; High: 0. 43; Medium: 0.50; Low: 0.63. See Human Development Index (2011) for details on how the gender inequality index is calculated.

Human Development Index (HDI): A composite index measuring average achievement in three basic dimensions of human development—a long and healthy life, knowledge and a decent standard of living. HDI groups: Very high HDI: 0.89; High HDI: 0. 74; Medium HDI: 0.63; Low HDI: 0.46. See Human Development Index (2011) for details on how the HDI is calculated.
References


