Book Review

Grameen Bank and Women’s Empowerment in Bangladesh: A Review Essay

by Asif Dowla

The success of Grameen Bank, a flagship organization providing collateral-free credit mostly to women in rural Bangladesh, has led to a burgeoning literature spanning many disciplines. One strand of the literature deals with theoretical issues in economics, such as the use of joint-liability contract and social collateral by the bank to circumvent the problem of asymmetrical information inherent in all financial transactions. Another track of the literature examines the economic impact of the bank on the borrowers and their communities. Yet another group of papers examine the social impact of the bank, especially its effect on the empowerment of women in Bangladesh. The book, Women and Microcredit in Rural Bangladesh: Anthropological Study of the Rhetoric and Realities of Grameen Bank Lending by Aminur Rahman belongs to this latter group. The major thesis of the book is that the public reason for Grameen Bank’s targeting of women—empowerment and betterment of their lives—is at variance with actual practices. Another theme, though not as well developed, is that the bank’s attempt to reach financial sustainability is creating increased debt burden for its borrowers and is in conflict with its original mission of poverty alleviation.

This provocative book is the outgrowth of the author’s Ph.D dissertation based on thirteen months of ethnographic field research on Grameen Bank’s lending in one village. The main theoretical tool used is that of public and hidden transcripts—the
official views and policies of Grameen Bank and the realities faced by the borrowers and bank workers in the field. This book is part of a recent genre of negative evaluation of the alleged empowerment of women via credit in Bangladesh.

The official policy of the bank is that the borrowers will self-select the members of their borrowing group. The author contends that the practice of "group recognition" by a superior officer of the bank suggests that the hidden transcript is that it is the bank officer who really decides on the exclusion, inclusion, or replacement of borrowers, not the women themselves.

He reports that outside male bank workers, because of patriarchy, cannot recruit local women for participation in the credit program directly. The staff is forced to contact women through the mediation of male members of the households, most often husbands. This, the author argues, creates a power hierarchy between bank worker and early organizers of loan centers, and it is used for loan approval and installment collection. He suggests this is another example of the discrepancy between public and hidden transcripts.

The author finds anomalies between the public and the hidden transcripts in the social development goals of the bank as well. For example, officially borrowers are supposed to shun the practice of accepting and giving dowry. The author found numerous examples of borrowers accepting and giving dowry, again contradicting the public transcript. Similarly, many borrowers did not stick to the announced practice of using the pit latrines. In many cases, because of the condition imposed by the bank (one pit latrine per housing loan), a family has more than one pit latrine as many of them have more than one housing loan.

According to the official policy of the bank, the staff will supervise the borrowers to ensure that they use their loans for income generation and pay installments from their earned...
income. The author found little evidence of loan-use supervision by bank workers. In fact, his research found that 78% of loans in the village he studied were used for purposes other than those approved by the bank. In addition, the author reports that in a majority of cases, women pass along their loans to men or male relatives. The public transcript of the bank suggests that borrowers own the bank, but the hidden transcript is that many borrowers do not understand what it means to be owners, despite the fact that they nominally own shares, and that the ownership is meaningless, as they don’t receive any dividends from their shares. The public position of the bank is that female members are the majority on the board of directors (9 out of 12) but the hidden transcript is that these uneducated women are powerless in the face of the minority of male board members. The author reports that participation in credit programs has led to an increase in both verbal aggression and physical assault for a majority of the women. The increased pressure for timely repayment creates tension among household members and at times leads to verbal and physical aggressions against women. This is yet another example of the anomaly between public and hidden transcripts.

Of all the things in the book, I found the statement that Grameen Bank targets women to take advantage of their “positional vulnerability” the most disturbing and unfortunate. He alleges that bank workers use this vulnerability to recruit and extend loans and the men in the households rely on it to use women’s loans and to pay their installments. Unfortunately the author does not provide any solid evidence to back up his claim. His only evidence is statements from the bank workers who tend to justify avoiding recruitment of men, but even they never claim that women are targeted because they have limited mobility and a greater sense of shame. The author does not report if he ever asked the women themselves why the bank targets them and if they concur with his hypothesis.

Another weakness of the book is that it is based on the study of one village and as a result it suffers from fallacy of
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composition—what is true for one village may not be true for all villages where Grameen Bank has a branch. Village studies in itself are very useful as they help to understand the dynamics and the qualitative changes that occur when poor women have access to credit. This book was successful in that respect. However, the author failed to underscore the inherent limitation of studying one village and failed to warn the reader not to generalize the conclusions.

Women in rural Bangladesh are, in general, shy and appear submissive. However, the author failed to point out how this changes dramatically once they become members of Grameen Bank. In fact, Grameen borrowers who have been in the bank for a longer period are almost always less shy and dominated, and more assertive, than those who have recently joined. To quote Achia, one of author’s respondents:

Before I joined the bank, I was very introverted and shy to speak in front of people. When I came to my husband’s homestead ten years ago, people used to gossip about my quietness. After I joined the bank I have started to change my behavior. Within five years with the loan center I have become more vocal. In the center we meet different members, we talk with each other, we quarrel with each other, we fight for each other’s kisti, which makes one more open and vocal. Now I am the center chief, and shouting and screaming at other members is my regular job at the center meetings. In fact, the survival needs in the center makes one more vocal and self-expressed. (p. 95)

Afterward, even the author concedes, “Grameen borrowers in general are more vocal and articulate compared to other women in the village who are not Grameen members” (pp. 95–96).

Grameen Bank had to face the same patriarchal norm that the author mentions to implement its policy to target mainly women. In its earlier days the bank faced opposition from hus-
bands and religious leaders for its policy of lending almost exclusively to women. Even highly educated civil servants and professionals were opposed to lending money to women while so many men were jobless and without income. “One official of our central bank even wrote me a menacing letter demanding that I ‘explain fully and immediately why a high percentage of your borrowers are women.’ Curiously, my reply asking whether the central bank had ever asked the other banks in the country why they have such a high percentage of male borrowers went unanswered” (Yunus, 1999, p. 73). Even the harshest local critics of Grameen Bank concede that the biggest achievement of Grameen Bank is the empowerment of women, not enchainment as suggested by the author.

We are told repeatedly that the dominant patriarchal norm is hard to break and Grameen is only perpetuating this norm. The author does an excellent job of explaining why the patriarchal norm is dominant. Instead of suggesting that Grameen Bank is perpetuating the stranglehold of the norm, the author should have pointed out how and to what extent the bank has weakened the patriarchal norm. Readers are never told how Grameen is slowly eroding the patriarchal norm and, even after two decades of existence, still has to fight that norm. Contrary to what Rahman’s hypothesis might suggest, the situation has improved more for women members of Grameen Bank, though perhaps not as much as some of its adherents sometimes claim. At a minimum, membership in the bank enabled women to get out of their homesteads to conduct business with an outside male for an extended period without being accompanied by a male relative. Anyone who visits a village where Grameen Bank and other NGOs are in operation is struck by how patriarchy has been put on the defensive, if not entirely defeated. How this happens, and why it is not happening faster, are exciting subjects for further study.

Pursuant with his theme of dominant patriarchal norms, the author criticizes the policy of electing uneducated women to the board of the bank. Not many banks in Bangladesh,
indeed even banks in the USA, can claim to have 9 out of 12 female board members. Granted these women may not understand the intricacies of modern finance, but they are smart and savvy enough to understand the ramifications of policy changes at the field level. Putting women on the board will not change the country’s historical norm of male domination overnight. But it is a symbolic change and a very good beginning at that. The author’s own data reveals the efficacy of the policy quite effectively. In chapter 5 he tells us the story of a member—Sofia—who organized most of the centers in the study village and controlled the loan operation of these centers through her informal network. She was so “empowered” that the patriarchal male bank worker had to “listen to her decisions about new loan approvals, and use her influence in their centers to collect installments” (p. 86). Then later in chapter 7 the author seems to share the frustration of the bank worker that Sofia did not get elected to the board even though she was elected as a candidate by the borrowers of her own branch and seven other branches. I wish the author had also reported the feelings of the borrowers in the study village when Sofia did not get elected to the board. I would not be surprised if the borrowers themselves did not also feel “disappointed, because if Sofia had been elected it would have brought status and encouraged pride for the study branch” (134–135) as did the bank workers. If this is not a sign of empowerment I don’t know what is.

He chides the bank appropriately for not having enough female staff and suggests that this is another example of the discrepancy between public and hidden transcripts. The author’s own story suggests why it is so difficult for a female to hold a job as a bank worker in rural Bangladesh. He describes a public fight between a center chief and the husband of a borrower, and how the female bank worker failed to stop the fight. These verbal altercations later led to a fight between the two lineages in the village (p. 125). The patriarchal norm that Aminur criticizes is the biggest hindrance to recruitment of female staff.
He is justified in criticizing the attitude of male bank workers who perpetuate the stereotype that female workers are not as effective as male workers. A possible way to increase female staff will be to recruit locally. Local recruitment might create precisely the kind of problem that the author was alluding to—bank staff colluding with their relatives or members of their own clan to control access to credit, or local staff being caught between their obligation to local forms of domination and serving the bank's mission. To avoid these conflicts, Grameen, as a policy, does not hire staff locally and male bank workers are not allowed to work close to their home villages. But this argument cannot be used to explain why more female staff cannot be hired at the head office.

The accusation that the majority of women pass on their loans to men has been made before. But to claim that this somehow precludes women's empowerment is a mistake. It suggests that women are empowered only if they always use their loans independent of men. This dichotomous indicator of empowerment does not match the reality of life in rural Bangladesh. Households in Bangladesh are managed jointly even though men dominate in the distribution of authority and decision making. In this context, a more realistic measure of empowerment via credit would be to evaluate whether credit has had an equalizing effect on household decision making.

The allegation of increased incidence of violence as a result of membership in the bank is equally problematic. Because there is no benchmark, we cannot definitely say whether violence has increased. It could well be true that the increased incidence of violence may be a nationwide trend. The author himself reports that violence has decreased for some members, a finding other researchers have confirmed. Arguably, scarcity within the household is the major source of men's violence against women. Previous studies as well as Kabeer's analysis (1998) clearly show that credit has a powerful mitigating effect on this source of violence, because it helps to reduce scarcity. Interestingly she found that the incidence of violence increased
for women who were speaking up and questioning male authority for the first time, empowered by credit.

In the end, the author himself falls victim to his own methodology. He has his own public and hidden transcripts. In the main body of the book (chapter 6) he criticizes the bank’s policy of collecting interest payments and subscription to emergency funds in the last weeks of the loan cycle. Then in the endnotes he writes “By the end of 1996, the Grameen Bank had modified the repayment terms. Now the interest payments are spread over fifty weeks and accepted with the installment payments. Collection for an emergency fund was terminated in 1996” (p. 127). He does not tell us what led to this policy change. The actual cause behind the policy change was a protest by borrowers in Tangail. Another change in policy that occurred as a result of this protest is that borrowers were given ownership of savings in the group fund after ten years of membership. This shows that when the members’ hidden transcript became a public transcript through organized protests, the bank changed its policy. Earlier we mentioned the author’s reservation about the effectiveness of having poor illiterate women on the board of directors. Putting women on the board is another means through which a hidden transcript can be made public.

I found chapter 7 the most interesting part of the book. In this chapter the author shows that there is a short-term trade-off between sustainability, and poverty alleviation and empowerment. He does a good job of explaining how the objective of achieving sustainability too rapidly can undermine the original social mission of poverty alleviation and empowerment of women. Critics of microfinance argue that to attain greater outreach, MFIs have to be sustainable at any cost. Aminur suggests that to meet the challenge of financial sustainability, bank workers “employ coercive methods and use local power hierarchies in installment collection and loan investment instead of the borrower empowerment and solidarity envisaged by the banks in its public transcript” (p. 127).
The book shows that trying to achieve sustainability by “scaling up the outreach” created problems for Grameen Bank. The increased pressure for enhanced disbursement prompted the bank’s staff to ignore well-known policies of the bank, for example, not to approve loans that exceeded borrowers’ capability to repay and not to give loans to persons who do not meet the official criteria. The author suggests that to attain sustainability the staff gave multiple loans to the same member. This created the problem of cross financing, i.e., using one loan to payoff another loan, and increasing the debt burden for the household. Given the insecurity and uncertainty that comes with living in rural areas, the debt burden had adverse consequences for the welfare of the household and many households are falling in a trap of perpetual debt cycle. The pressure of sustainability, again, led to disbursement of loans to the better-off households. Since better-off households have less to lose by defaulting, this created serious problem in maintaining the repayment rates. In other words the bank ended up in a vicious cycle of increased disbursement to increased default to increased lending to better-off households to further increased default.

The findings of the book provide some valuable lessons for Grameen and MFIs in general. It suggests that the increased size of the organization is severing the chain of communication between borrowers, staff in the field, and upper level management. During the early days of the bank, a worker could and did communicate his or her personal observations to the managing director. Many of the early innovations and ideas came from these types of communication between bank staff and upper level management. As the staff has grown to 13,300, these types of open and constructive exchanges have become much more difficult.

The most worrisome finding from this book as well as from other researchers is that a collusive arrangement is developing between bank workers and influential borrowers, with the latter using this to foster their own interests and expand
their own influence and networks. The author describes in detail how this power hierarchy develops (p. 84). The reason for keeping the group size limited to five people and for the rotating of center chiefs was to neutralize the influence of one or a few borrowers. As a policy, staff are rotated among centers every year and they are transferred out of a branch after three years, a practice that is followed to avoid the problem of collusion between staff and the members. The book suggests that the attempt is failing.

Another finding of the book is that the members are unaware of many of the policies and their implications. Because of the pressure to attain sustainability, the workload of the staff has increased enormously. They have less time to explain the policies and procedures and to provide social intermediation, i.e. to give advice on loan use, and so forth. Many members feel that the bank has lost sight of its mission and has become a bank of loan collection only. This is quite unfortunate because the bank is losing the trust of the members that it has worked so hard to attain. At the end of the book the author writes, “The Grameen Bank has shown past capacity to bring changes in its policies; it therefore holds the promise to incorporate the policy recommendations of this research for the betterment of the institution and its poor borrower” (p. 153). I want to end this review by agreeing with the author entirely on this point and by expressing similar optimism.
Notes

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1. As of May 2000, Grameen Bank is in operation in 40,032 villages; this amounts to more than half of the villages in Bangladesh.

2. Naila Kabeer (1998) provides an excellent survey of the literature on credit and women’s empowerment in Bangladesh. Her main thesis is that both the negative and positive evaluation of women’s empowerment through credit misses out an important dimension of the problem—women’s own perception of what credit does to their lives.

References

