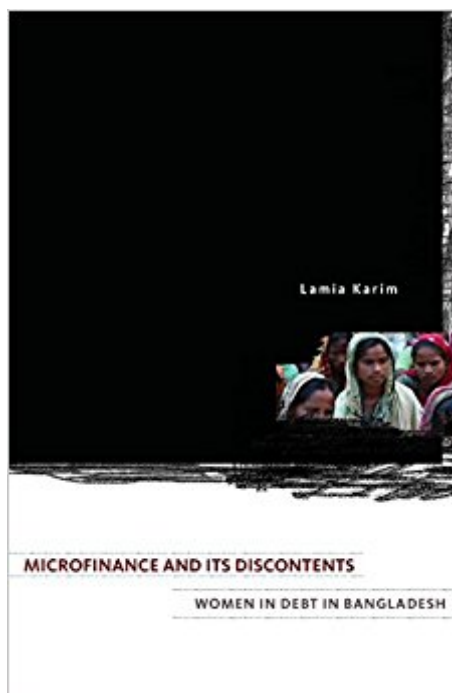


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# Microfinance And Its Discontents: Women In Debt In Bangladesh



## Synopsis

In 2006 the Grameen Bank of Bangladesh won the Nobel Peace Prize for its innovative microfinancing operations. This path-breaking study of gender, grassroots globalization, and neoliberalism in Bangladesh looks critically at the Grameen Bank and three of the leading NGOs in the country. Amid euphoria over the benefits of microfinance, Lamia Karim offers a timely and sobering perspective on the practical, and possibly detrimental, realities for poor women inducted into microfinance operations. In a series of ethnographic cases, Karim shows how NGOs use social codes of honor and shame to shape the conduct of women and to further an agenda of capitalist expansion. These unwritten policies subordinate poor women to multiple levels of debt that often lead to increased violence at the household and community levels, thereby weakening women's ability to resist the onslaught of market forces. A compelling critique of the relationship between powerful NGOs and the financially strapped women beholden to them for capital, this book cautions us to be vigilant about the social realities within which women and loans circulate—realities that often have adverse effects on the lives of the very women these operations are meant to help.

## Book Information

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## Customer Reviews

"It is precisely because the microcredit mantra has been so endlessly repeated, often in place of actual empirical documentation to back its claims, that *Microfinance and Its Discontents* is so compelling. This is an outstanding, courageous, and path-breaking piece of scholarship; one that will doubtless unsettle the microcredit establishment, and by extension, key presumptions of

neoliberal research agendas." â "Kamala Visweswaran, University of Texas, Austin" Lamia Karim has done an excellent job by juxtaposing facts against myths, lies against truths and objective research against subjective hagiographies. . . . I believe this book is an important addendum to the growing literature that demonstrates and deconstructs the lies and myths about microcredit and NGO business in Bangladesh and elsewhere in the Third World."Â â "countercurrents.org" Karim's book is a timely contribution to the debate on microfinance, and is a challenging and engaging read for the specialist as well as the lay reader. I believe that her ideas will serve as a guideline for future researchersâ™ and policy-makers inquiries into the gender aspect of microfinance." â "Soumya Mishra, Governance across Borders" Karimâ™s book serves as a stark and timely reminder of the value of ethnographic research in offering a deeper understanding of how developmental interventions in specific institutional and local contexts may reproduce or even exacerbate structural inequalities, and also in informing the strategies that seek to counter these inequalities." â "Economic & Political Weekly

Lamia Karim is associate professor of cultural anthropology at the University of Oregon, Eugene.

This is groundbreaking work. It reveals that underneath all the hype and cheerleading for microfinance, there is a different, and less hopeful, story. This book is set in the home country of Mohammed Yunus, who received the Nobel Peace Prize, along with his Grameen Bank, for developing microfinance. Karim shows that microfinance in Bangladesh has really served mainly as a way for those who run microfinance institutions to make money and status, while the women who are supposed to be served have found increasing negative pressures on their time and meager resources. Microfinance, rather than helping women, has only reinforced the patriarchal social structures in Bangladesh, leaving women with even more obligations than before and making no real dent in poverty. It's no wonder that Yunus' legacy is being challenged today in Bangladesh. If you want to know about microfinance, buy this book!

This is an incredible book written for a scholarly audience but accessible and quite powerful for those of us who aren't in the world of academia. Despite her research orientation, the author (full disclosure: a college friend of mine a long time ago) cannot help but use a few choice exclamation marks when the subject calls for it--like the story of the single mother of a toddler whose house was literally dissembled before her eyes and all her belongings carted away to settle a loan with a balance of just over \$2. Karim learns the truth because she speaks the language and knows the

terrain since as a native of Bangladesh and Pakistan. Microfinance was meant to inspire women's empowerment but instead harms women, with high interest, often unaffordable loans usually controlled by male family members, and collection procedures from Hell. NGOs promoting these loans should be ashamed; instead they are awarded the Nobel Prize. This is an important book and honestly I could not put it down.

Great Price! Great Product!

I received the book in the expected date. Excellent ethnographic study about microfinance and the other face of the microcredits in Bangladesh. Thank you.

This is a quality ethnography. Anyone studying anthropology should read it.

It seemed too good to be true, but we went ahead anyway, handed out the Nobel Peace Prize and lots of laudatory appearances around the world for its founder Muhammad Yunus, and cheered replications from even large banks. Now, author Karim from Bangladesh draws on far more extensive exposure than the staged field visits of many of the 'expert assessments' previously made of the Grameen Bank in Bangladesh. Author Karim uses eight case studies, including marginally successful 'phone ladies, a failed chicken breeding venture, and the practice of housebreaking (fellow villagers and even kin dismantling a house to sell off the materials to recover debt). The results were nowhere near the 'liberating force' or 'silver bullet to poverty' micro-lending had been labeled. By 2006 there were only three large microfinance institutions in Bangladesh - Grameen Bank, BRAC, and ASA, covering 90% of the country. Ninety-five percent of their microfinance borrowers are women, though most of the money is then used by their husbands - sometimes even appropriated by a widow's male relatives. (Grameen tried loaning money to men - most would not accept the terms; another problem - most are working during the day.) Rural centers of 40 women, sub-divided into 8 groups of five each, became the structure of microfinance. Small loans of \$100 - 200 were expected to be repaid within a year at a fixed effective interest rate of 32% plus sundry hidden costs - less than the prevailing moneylenders' rate of 120%. It did not, however, stamp out those moneylenders and their rates. When a default occurs, the bank withheld money from the other members, forcing them to either pay up or lose access to future loans. Surveillance of women already exists in rural Bangladesh, especially in the regulation of rural women's sexuality and fraternizing with non-kin men. Failure on the part of loan managers to collect the money results in

money withheld from their paychecks - too many defaults result in their being fired or never promoted. Professor Yunus (economist PhD from Vanderbilt) began working with the poor after the 1974 famine - it was poorly handled by the government and thousands died. He established the Grameen Bank in Bangladesh in 1983. It was one of the earliest and most successful pioneers of the 'solidarity circles' methodology. The Grameen Bank appeared to be able to sustainably provide hundreds of thousands of microloans to the very poorest in Bangladesh. Microfinance became interchangeable with poverty reduction. By the early 1990s, microcredit was transmuting into the wider concept of microfinance - including micro-insurance, micro-savings, etc. It was also becoming clear that most microcredit is used not for income-generating projects, but to facilitate consumption spending. There are a growing number of reasons to believe microfinance may be undermining attempts to establish sustainable economic and social development, and sustainable poverty reduction. It may even constitute a new and powerful form of 'poverty trap.' Exhaustive analysis of microfinance in prior times and other areas show it has played no role in reducing poverty. For all enterprise sectors there is an accepted minimum efficient scale of production below which it is virtually impossible to survive. Thus, it is important to invest in small enterprise units that can rapidly achieve minimum efficient scale of operations and materially contribute to local sustainable development and poverty reduction. However, this factor is generally ignored - especially in agriculture, and each microenterprise has very little chance of surviving within its own locality. High microenterprise turnover is the norm, often imparting a serious cost upon those failing, as well as encouraging drastic cost-cutting which can take market share away from more sustainable enterprises. (In India, the average firm size is less than one-tenth the size of comparable firms in other emerging economies.) In Bosnia, many poor individuals signed up to receive microfinance to purchase a cow and generate additional income from the sale of raw milk - the resulting local over-supply led to a general price decline that undermined all producers. Similarly in Croatia. In India, several hundreds of thousands of the very smallest farms were trapped in a vicious downward cycle of dependency and growing debt, with around 160,000 farmer suicides since 1997. Further, informal microenterprises increasingly do not raise the total volume of business as much as redistribute or subdivide the existing volume of business - at very low and 'ungrowable' productivity levels. There are also hidden opportunity costs of such investments, and the problem of microloans being repaid by selling family assets, further indebtedness, and the diversion of other income into repayment. (This 'fallback' strategy helps explain the generally high repayment rates, alongside growing evidence of rapidly rising microenterprise failure rates.) Actually, while Bangladesh has encouraged use of domestic savings and international aid into mainly unsustainable informal sector

microenterprises (eg. rickshaws, subsistence farms, petty traders, street sellers), neighboring countries have more aggressively tried to use savings to fund larger, more sophisticated, technology-intensive projects that are likely to be growth-oriented. Microfinance also inappropriately underpins the concept of financially self-sustaining economic units and discredits the notion of public support (eg. subsidies) for organizations. Author Karim demonstrates that beneficiaries of microfinance are rarely the poorest of the poor, but include the rural 'middle class' - women with access to husbands working in town or abroad. She is somewhat surprised to discover the widespread practice of borrowing from multiple microfinance institutions in order to repay existing loans. Why has microfinance become so popular? Because it is in agreement with the Washington Consensus.

As a long time proponent of microfinance, I was very skeptical about this book. I had to read the first 3 chapters for school, but ended up reading the whole book. The book provides a difficult yet realistic aspect of microfinance in a country where NGOs have taken on the role of local governance. The author, having carried out her research in Bangladesh, exposed the "other side" of microfinance that we often do not hear of through different narratives, many of which are disturbingly true. If you're interested in international development, microfinance or women development, this book is a must read! Highly recommended.

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