INTERNATIONAL DEVELOPMENT DISCOURSE AND MICROFINANCE:

A NEO-GRAMSCIAN ANALYSIS

Dissertation submitted to the Jawaharlal Nehru University in partial fulfilment of the requirements for the award of the degree of

MASTER OF PHILOSOPHY

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NEW DELHI – 110067

2012

Date: 27-07-2012

DECLARATION

I declare that the dissertation entitled **"INTERNATIONAL DEVELOPMENT DISCOURSE AND MICROFINANCE: A NEO-GRAMSCIAN ANALYSIS"**, submitted by me in partial fulfillment of the requirements for the award of the degree of **MASTER OF PHILOSOPHY** of this University is my own work. The dissertation has not been previously submitted for any other degree of this or any other University.

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CERTIFICATE

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Acknowledgements

Any enterprise in the academic world is a product of many ideas (which at first may sound weird and haphazard to any outsider other than the one who pursues it). Research more so is such an area in academics which needs to be innovative in terms of ideas but needs to be very importantly continuously polished and nuanced in a manner so as to maintain its ingenuity and feasibility at the same time. And it is precisely here that I realise the invaluable contribution of my research supervisor and guide Dr. Jayati Srivastava. Just an year back when I was stumbling upon the idea of working on microfinance, I had so many things in mind which I wanted to do but in a very hotchpotch manner but thanks to Jayati Ma'am she supported my ideas (at that time so naive) and at the same time gave them the right form and direction. And from then till this day when this long awaited dissertation submission is seeing the light of the day, I cannot stop thanking her not just for her insightful and encouraging responses but the liberty she provided in pursuing the venture and bore with patience the small and big mistakes encountered during this time period.

While ideas are important and also the people who shape them, it is equally important to acknowledge the one behind the idea for my endeavour. I am indebted to Heloise Weber for her scathing and timely critique provided in the article titled "'New Economy' and Social Risk: Banking on the Poor" which I went through as part of an assignment during my coursework of M.Phil but the analysis in her article left a deep imprint on my mind and I became interested in the field of microfinance and took it seriously enough to make it my first research topic.

The very crucial training as part of the M.Phil coursework provided by our esteemed teachers forms the foundation behind this daunting task. The rigorous training provided during the classes in the form of readings, term-papers, book-reviews, presentations, discussions and debates forms the base for this piece of work. So I am extremely grateful to Prof. Rajesh Rajagopalan, Dr.

Siddharth Mallavarapu, Prof. Swaran Singh and Dr. J. Madhan Mohan for their guidance and training.

The office staff Mrs. Savita, Mr. Sikri of the CIPOD office are also being thanked for their co-operation for many nitty-gritty of official and paper work that comes along with this enterprise of M.Phil dissertation.

The office and staff of JNU Central Library, the IDSA Library, Nehru Memorial Museum and Library and ICWA Library are being acknowledged for the convenience and support provided during my visits to their premises for this research.

The continuous emotional support of my mother (Mrs. Sunita Baranwal), father (Mr. Binod Kumar Baranwal) and sister (Prerna Suman) even during my prolonged stay away from home for the purpose of the completion of this endeavour provided me with the inspiration and zeal to carry on my work with patience and full concentration.

My friends Anagha, Aparajita, Looke, Aditi, Roshan and Prashant need a special mention for bearing me during the lows of this time-period. Their encouraging words and most important their companionship has made me rise whenever I felt difficult to go through.

BAGISHA SUMAN

27/07/2012.

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Abbreviations

ADB-Asian Development Bank

ASA - Association for Social Advancement (Bangladesh)

BancoSol- Banco Solidario (Bolivia)

BRAC- Bangladesh Rural Advancement Committee

CGAP- Consultative Group to Assist the Poor

EU- European Union

FFP- Private Financial Fund

FINCA-Foundation for International Community Assistance

IBD- The Inter-American Development Bank

K-REP-Kenya Rural Enterprise Programme

MFI- Microfinance Institution

MIP-Microenterprise Innovation Project

NGO- Nongovernmental Organization

ROSCA- Rotating Savings and Credit Association

SEWA-Self-Employed Women's Association (India)

SUM-Special Unit for Microfinance

UNCDF-United Nations Capital Development Fund

UNDP-United Nations Development Programme

UNDP-United Nations Development Programme

UNICEF-United Nations Children's Fund

UNIFEM-United Nations Development Fund for Women

UNFPA-United Nations Population Fund

UNU-WIDER-University World Institute for Development Economics Research

WDR-World Development Report

Chapter 1

Introduction

1.1 Background

Microfinance has occupied the state of prominence since at least last three decades as the most deserving and hopeful candidate in the plethora of schemes and institutions which have been seen as rescuing the poor and the underprivileged sections across the globe especially in developing countries by alleviating the financial exclusion they have been facing for long. Microfinance as an instrument has been treated as a path-breaking mechanism, a novel (now entrenched) concept, as a revolution having immense potential to be utilized and explored in order to bring the large number of people out of their precarious conditions. In the mainstream policy discourse, microfinance is called a revolution in the development arena for the reason that it is seen as having the potential to be a 'sustainable' intervention. In other words it is expected that (after initial start-up costs) microfinance would break even with the manageable interest rates providing enough to cover the expenses of the organisation, and would therefore not need ongoing injections of cash from outside donors. The industry has undeniably grown exponentially with the Microfinance Summit Campaign reporting that as of December 31, 2010; 3,652 microfinance institutions reported reaching 205,314,502 clients across the world.[1]

There have been scores of success stories of microfinance, which for long, have been claiming for it a status of undisputed redeemer from the phenomenon called poverty. The statement of Mohammad Yunus, who is called the pioneer of the idea, is worth mentioning to see the heights of optimism associated with this whole idea of microfinance.

> I strongly believe that we can create a poverty-free world, if we want to … In that kind of world, [the] only place you can see poverty is in the museum ... My work in Grameen [Bank] has given me faith—an unshakeable faith in the creativity of human beings. That leads me to believe that human beings are not born to suffer the misery of hunger and poverty. They have much more important things to do than struggle for physical survival. They suffer from miseries and indignities of poverty because we trained our minds to accept the fact that nobody can do anything about poverty except by offering charity. (Yunus, 1999:154)

[1]As Reported by the State of the Microcredit Summit Campaign Report 2012.

Widely typecast and hence perceived as a largely local solution from locally based actors involving locally based Microfinance Institutions (MFIs) (which can be in various forms of credit unions or Non-Governmental Organisations (NGOs), savings and loan cooperatives, government banks, commercial banks, or non-bank financial institutions) based in the region offering credit on easy terms to the poor in order to create incentives for entrepreneurship/self-employment opportunities and also bringing formal financial inclusion of these people, microfinance is for long touted as the most important innovation in poverty alleviation.

However there are a growing section of scholars who have been continuously pointing towards this highly manufactured consensual position of 'all good' created around microfinance, thus challenging the prevailing, dominant notion of 'benignness' associated with microfinance. Arguably, this innovation was the least locally rooted despite all the apparent projections in the initial years and is also not a benign phenomenon.

The scholarly debate on microfinance consists of a vast array of works presenting varieties of perspectives on the issue, ranging from those viewing it with marked optimism to the works which present case-studies to advance their claims which are region-specific, some of which focus on the status of women who were the principal recipients of microfinancial services. The other set of scholars adopts an overall critical outlook on the issue but does not outrightly reject this very idea. The critical perspectives on the other hand, in a significant departure from the mainstream approaches problematize the very idea of microfinance as an instrument advanced by the neo-liberal agenda.

1.2 Microfinance and Poverty-Reduction Debates

Microfinance has an umbilical cord type of relationship with poverty-reduction but the opposite is certainly not true and it is here that the whole difference lies between the two types of views prevalent in this regard. One view endorses the idea that just as microfinance as an idea erupted in the context of the poverty-reduction, i.e. as programmes/schemes meant for the reduction of poverty, poverty-reduction also has an important string attached to microfinance. This is certainly unlike the structural understanding of poverty which sees structural causes as central to incidences of poverty and hence remedies to it have to be found by addressing the larger questions of state, distribution of wealth, ownership, employment rather than finding individualistic solutions like handing over small credits for creating individual entrepreneurship. The critical perspective thus does not subscribe to the mutually dependent argument between microfinance and poverty reduction advanced by the advocates of microfinance.

Conning and Kevane (2003) make a well argued claim for the advancement of microfinance schemes (especially insurance and savings) in the case of risk-prone livelihoods, a well-developed argument also focuses on the reasons for the possible unsuccessfulness of such schemes among the rural poor. Supporting the dominant perspective on microfinance, detailed work addressing the issue by having about 20 case studies from around the world – with a main focus on the Asia-Pacific region by P. Steele uses a standard approach to identify what makes good practice for targeted poverty reduction and how can such good practice be scaled up (Steele, 2008). Steele argues that by broadening poverty reduction efforts from primarily a macro-economic and national emphasis to also include targeted poverty reduction interventions (microfinance) all of Asia's poor people will eventually be lifted out of absolute poverty.

Johnson and Rogaly (1997) discuss the issue of microfinance especially the role of NGOs in delivering these services for poverty reduction substantiated by some very interesting and contrasting examples to neither endorse nor reject the whole idea but suggests measures for reaping the benefits of financial sustainability in the long-term without diluting the main purpose. In this context, the role of international institutions is seen as a crucial in propagating certain ideas or set of practices of microfinance.

Bateman (2008) points out how key neoliberal-oriented institutions pushed microfinance in a commercializing direction, especially USAID and the World Bank (particularly through CGAP). Through USAID the US government took the lead in offering generous financial support to those US-based organizations willing to push the commercialization idea forward. Similarly, Consultative Group to Assist the Poor (CGAP) which is a consortium of more than 30 bilateral and multilateral donor agencies places a lot of thrust on microfinance, with the World Bank as a major financial supporter. CGAP has a small grant facility that provides funding for these activities and for strategic investments in MFIs. Various reports and papers published by CGAP underline microfinance initiatives which are also reflected in the reports by Bangladesh Rural Assistance Committee (BRAC) and organisations like ACCION, Microfinance Information Exchange (MIX) etc.

However, even though framed in an 'all good' terminology, the link between microfinance and poverty alleviation may not be direct and automatic. Dercon (2003) argues that poverty cannot be fought with social safety net alone, neither with the intervention of finances on their own but a term that has been used widely by him is social protection (which according to him includes not just government agencies but the network of all non-government and community organizations). He thus makes a case for existing risk-coping networks, often very informal and based on family, neighbourhoods, or ethnic linkages which may contain useful lessons for the organization and implementation of better social protection. According to Stefan Dercon, poverty is seen in terms of vulnerability, desperateness, as well as risks and shocks involved in the lives of poor people and therefore, at each level, it has to be dealt in a different manner. An important aspect of Dercon's work is that it doesn't accept the free-market solutions advanced by many of the promoters of microfinancial services by complete withdrawal of state, neither does it treat the developed and developing countries at par when dealing with poverty.

Heloise Weber's (2006) evaluation and interpretation of the social-legal and political frameworks constructed to deliver microfinancial services for the poor on a global scale, looks at microfinance not in terms of a 'development' agenda, but rather, in terms of a governance or more specifically a disciplinary approach which aims to 'lock in' local livelihoods in accordance with the imperatives of the restructuring of capitalism on a global scale. Implications for the same include the re-regulation of legislation for the financial sector-that is, reregulation conducive to neoliberal restructuring-at national, local and in some cases, regional levels. Weber thus challenges the conventional assumptions about the role of microfinance in poverty reduction, as well as discourses about associated social empowerment, through an analysis of the way in which the approach is instrumentally embedded in the global political economy. She argues that the microfinance and poverty reduction agenda is primarily oriented towards facilitating the drive for financial sector liberalization on a global scale, and is generally conducive to neoliberal restructuring. Her analysis further elaborates and provides critical insights into the social impact and political consequences of microfinance programs as implemented within the neoliberal political economy. To quote her,

> A handmaiden of, rather than alternative to, neoliberal globalization and free-market ideologies, microfinance serves as the social safety net for devastating programs of structural adjustment. Microfinance then is a crucial part of "new global development architecture," one where the poor are disciplined and appeased through "novel experimentations" such as access to credit (Weber 2002).

An interesting point at this juncture is how this worldwide attention to poverty reduction is tied up with a simultaneous change in the 'poverty knowledge' (Roy, 2010) which seemed to have a solution in the free-market regime only. As Muhammad Yunus noted "the market has to be made free for all and it is like any other instrument, take for example a knife-one can use it to cut throats or to craft beautiful products" (Yunus, 2004 as quoted in Roy, 2010:24). As Ananya Roy (Roy, 2010:63) points out, microfinance emerged as a response to the failure of credit markets to reach the poor, but the microfinance framework remains ambivalent to the role of the state, thus not attributing a central role to the state in poverty eradication and instead relegating it to the background of market forces.

Ananya Roy (2010) charts out the debate on poverty-alleviation with special reference and context of the microfinance debate and while reviewing all the hitherto works done, charts out her own perspective of what she terms as "poverty capital" on the lines of similar terminologies but hits the mark with her underneath but robust claim of poverty taking the forefront as a dominant knowledge paradigm. The larger claims about the "flow of knowledge and ideas" and "dominant paradigm of knowledge" (Roy 2010: 5) are crucial to understand the working of microfinance.

Thus microfinance can be tied up with the whole idea of knowledge production or what has been called as hegemony of knowledge. It is really worth noticing how poverty reduction strategies have been moulded in a manner which now sees causes of poverty and its alleviation not in prevailing structures but on individualistic causes and solutions for the same. In this context, microfinance based succour to the poor qualify as hegemonic in defining the strategy of poverty alleviation in the international developmental discourse. This study treats microfinance at an ideological front; as an idea, which slowly but steadily achieved a position of such dominance that it could soon be associated with one of the most prevalent and dominant ideologies in the field of development called neo-liberalism. This ideological positioning which actually emanated from and spread across many places around the globe due to the whole gamut of global inter-linkages involving a wide variety of actors working towards making it achieve the coveted position of "an all good phenomenon". It necessitates the study of microfinance to be done in a manner so that all these institutions, processes involved in it get untangled. This brings the phenomenon of microfinance closer to the Neo-Gramscian analysis of international relations. The way microfinance has gained the status of an established institution provides an interesting opportunity to apply Neo-Gramscianism, its tools and methods in understanding the international development discourse and within it the 'hegemony' created by microfinance.

Hegemony as a concept of dominance by consent had its origin in the writings of Gramsci. Walter Adamson (1980) notes that the relationship between hegemony, state power, and forms of political legitimization was at times ambiguous and used in several different (and sometimes contradictory) senses. To quote Gramsci:

> What we can do, for the moment, is to fix two major superstructural "levels": the one that can be called "civil society", that is the ensemble of organisms commonly called "private", and that of "political society" or "the State". These two levels correspond on the one hand to the function of "hegemony" which the dominant group exercises throughout society and on the other hand to that of "direct domination" or command exercised through the State and "juridical" government. The functions in question are precisely organisational and connective. The intellectuals are the dominant group's "deputies" exercising the subaltern functions of social hegemony and political government. (Gramsci 1971:145)

The idea of hegemony is inextricably also linked to the idea of civil society which was given importance in his writings. And as Cox (1983:164) remarks 'the perception of hegemony led Gramsci to enlarge his definition of the state...To be meaningful, the notion of the state would also have to include the underpinnings of the political structure in civil society.' So the credit largely goes to the Neo-Gramscian scholars starting from Robert W. Cox to build over Gramsci's idea and sharpen its conceptual tools for the application to the contemporary international politics. So in the words of Cox, Hegemony is a form of dominance, but it refers more to a consensual order so that "dominance by a powerful state may be a necessary but not a sufficient condition of hegemony" (Cox, 1981:132)

Within this framework, the study will try to unearth the global dimension of microfinance in a detailed manner so as to capture the dynamics of global politics and the forces working underneath it. It can be easily seen that how some processes and events were unfolding themselves contemporaneously. The most remarkable among them is the ideology of neo-liberalism and the policies based on the principles of Washington-consensus in a large number of countries especially of the global south making microfinance as an integral component of poverty alleviation. Its dominance has been the result of long and complex interlinkages involving the stakes of many national, sub-national and international players (read institutions) in promoting it at a large and larger scale. Thus microfinance in Neo-Gramscian terminology appears as an expression of broadly based consent manifest in the acceptance of ideas, supported by material resources and institutions, which is initially established by social forces occupying a leading role within a state but is then projected outward on a world scale.

1.3 Neo-Gramscianism

It was Robert W. Cox's critical work in the 1980s which generated a vast collection of a relatively new theoretical position in International Relations which was called Neo-Gramscianism. Expanding on Gramsci's ideas of the historical bloc, hegemony, and counter-hegemony, Neo-Gramscian theorists apply these concepts to the international arena. Gramsci's revolutionary concept of the historic bloc is very pertinent and acts as the decisive moment when the dominant norms and ideology are accepted by the subordinate classes as universally beneficial. Concept of "historical bloc", i.e. unity between nature and spirit (structure and superstructure), unity of opposites and of distincts. (Gramsci 1979:337) The historic bloc cannot be formed without the political and dominant leadership of the intellectual, who will lead the revolutionary party (modern prince) into a counter-hegemonic position. (Attoma 2011:7) Neo-Gramscian theorists characterize hegemony in two distinct but concurrently occurring forms: hegemony based on consent and hegemony based on coercion. It is the former which has seen increased interest of the scholars in further theorising and which this study will explore through the case of microfinance and international development discourse.

Cox(1989) argues that by discerning different modes of social relations of production it is possible to consider how changing production relations give rise to particular social forces that become the bases of power within and across states and within a specific world order. It is this ‘social forces’ which are very relevant in analysing, unravelling the hegemonic structures of contemporary world order. Cox (1981) shows how particular constellation of social forces, the state and the dominant ideational configuration define and sustain world orders. According to him the world can be represented as a pattern of interacting social forces in which states play an intermediate though autonomous role between the global structure of social forces and local configurations of social forces within particular countries. In this, power is seen as emerging from social processes rather than taken as given in the form of accumulated material capabilities. (Cox 1981:141)

For Gramsci and Cox, before a hegemon is recognized as a hegemon, the formation of a historic bloc must take place (Burnham 1991). Burnham states (1991: 76), “the formation of a historic bloc organized around a set of hegemonic ideas, a dominant ideology, which temporarily forms the basis for an alliance between social classes.” Thus, a successful historic bloc is organized by a set of intellectual and moral leadership. Accordingly, the hegemonic world order emerges with the formation of a historic bloc, which occurs when the social forces and ideology of a dominant class are accepted as universal by a subordinate class: the convergence of the dominant social, political, and economic ideology to a universal ideology.

Gill (1995) extends Cox’s theory to advance his own notion of ‘supramacist bloc’ based on the idea of historic bloc which he says can be conceptualised as commensurate with the emergence of market based transnational free enterprise system, which is dependent for its conditions of existence on a range of state-civil society complexes. He uses this concept to examine the politics of supremacy embodied in contemporary globalization and what he calls disciplinary neoliberalism.

Gill and Law (1989) clarify, develop, and apply concepts of power and hegemony which are often latent within the literature in the field of international political economy. They see power as having material and normative as well as behavioural and structural dimensions. These distinctions are elaborated to help explain aspects of the changing nature of present-day capitalism, with particular reference to aspects of transformation in the 1980s and beyond. Partly building upon Robert Cox's analysis of social forces and world orders, and Antonio Gramsci's theory of hegemony, they explain some of the conditions under which a more "transnational" regime of accumulation and an associated hegemony of transnational capital might develop.

Hagai Katz's work, "Gramsci, Hegemony, and Global Civil Society Networks," (Katz, 2006) provides an interesting study, in which she tests the possibility of civil society networks acting together to form a new historical bloc and provide a counter-hegemonic force. For a historic bloc to be successful it needs to establish a coalition of forces, which does not duplicate the existing ideology of the dominant structure. It must be a unifying, non-homogenizing and indigenizing strategy of resistance. Thus, anti-capitalist guerrillas, NGOs, grassroots organizations, among other agencies must join forces in a unified strategy of resistance to create a counter-hegemonic historic bloc, which opposes the dominant global neo-liberal ideology and one of its appendance in the form of microfinance.

1.4 Microfinance, Neoliberalism & Making of the Hegemonic Consensus The shifting of attention to microfinance as a viable and worthy alternative development policy had definitely neoliberalism as a standing pillar of support behind it. Weber (2004) argues that this microcredit approach to poverty reduction is strategically embedded in the global political economy and has been used as a means to facilitate the implementation of financial sector liberalization on a global scale. Weber's work provides a well-furnished argument about the interlinkages between the microfinance and neoliberal ideology and she presents her case as a scathing critique of microfinance by locating her argument in a larger context of global south, neoliberalism as well as poverty as an agenda.

Robinson (2001) makes a comparison between what she calls the two main approaches to financing the poor. The poverty lending approach promotes donor-funded credit for the poor, especially the poorest of the poor. The financial systems approach, on the other hand advocates commercial microfinance for the economically active poor and other, subsidized and charitable nonfinancial methods of reducing poverty and creating jobs for the extremely poor.

The poverty lending approach focuses on reducing poverty through credit and other services provided by institutions that are funded by donor and government subsidies and other concessional funds. A primary goal is to reach the poor, especially the poorest of the poor, with credit. Many institutions using the poverty lending approach provide microcredit to poor borrowers at low cost. But these institutions are typically not sustainable, primarily because their interest rates on loans are too low for full cost recovery.

In contrast, the financial systems approach focuses on commercial financial intermediation among poor borrowers and savers. Its emphasis is on institutional self-sufficiency. In this context, Marguerite Robinson though calls for the adoption of commercial microfinance because of its self-sustainability, at the same time critically adds:

> Commercial microfinance is not appropriate, however, for extremely poor people who are badly malnourished, ill, and without skills or employment opportunities. Starving borrowers will use their loans to buy food for themselves or their children. Such people do not need debt. They need food, shelter, medicines, skill training, and employment—for which government and donor subsidies and charitable contributions are appropriate. For these people, microfinance is the next step—after they are able to work. (Robinson, 2001)

Though Robinson’s work is a detailed and analytical work on microfinance, a critical gap regarding poverty-reduction is self-evident from this statement regarding microfinance that if it has to be profitable, self-sustaining i.e. commercial which a large number of scholars and institutions (like ADB, the WB and the IMF) promote, it cannot take poor people into its clientele and thus the talk of poverty-reduction as the primary motive of microfinance seems hollow. Also despite all the claims of moving ahead from government based subsidy and credit regime with the onset of microfinance for targeting the poor, actually it can only act as a supplementary help (if any) but certainly is not any replacement for the same as was widely touted.

As pointed out by Arun and Hulme (2005), microfinance today is about drawing the benefits of contemporary capitalism down to those with low incomes rather than promoting alternatives to capitalism. It is part of the post-Washington Consensus (Stiglitz, 1998) and not an alternative to the orthodoxy.

Jonathan Morduch (2006), a development economist with long-term interests in poverty and vulnerability as well as microfinance, explores the schism between those who see ‘good banking’ as the best way forward for microfinance and those who focus on social impacts. He warns that there is no ‘win-win’ situation in which an MFI can get the best of both sides of this debate. He argues for proponents of microfinance to directly address the schism through further innovation and more rigorous monitoring of achievements.

Bateman (2008) argues that in truth, microfinance represents an anti-development policy–a development policy that largely works against the establishment of sustainable economic and social development trajectories, and so also against sustainable poverty reduction. For the majority of people in developing and transition countries, their country's diversion into microfinance has actually undermined previous and ongoing efforts to reduce poverty, unemployment, inequality and underdevelopment. He gives the term 'local neoliberalism' to advance his claims.

Yunus (2010) on the other end of the spectrum, argues about what he calls Social Business Entrepreneurship by coming out of the debate of state vs. market. According to him the problem lies with our narrow interpretation of capitalism and his idea is that poverty reduction and other social goals can be achieved in a neo-liberal regime with the transformative line of changes by microfinance.

William Easterly (2006) argues that problem with poverty is state-failure rather than market-failure. He strongly argues in favour of the workability of free-markets in delivering social goods. His arguments can be seen in the light of our debate on microfinance and neo-liberalism which sees the two as compatible with social, economic justice.

1.5 Rationale and Scope of the study

This study draws its rationale from the very fact that the arrival of microfinance on the scene first as an idea from the developing world which soon established itself as an institution in the international development discourse needed to be looked with a critical perspective apart from the critiques already present. It is because it is important to look into the dynamics of international politics to provide the explanation for the question that why certain ideas dominate and not others. So, the whole quest is to find the processes and mechanisms which worked to make microfinance an established and unquestioned practice and a pervasive phenomenon in the development world with a critical angle to explain the manner in which ideas, institutions and material resources all worked in its favour. .

It is not very often in the history of development discourse that an idea/experiment emerging not from the developed (occidental part) of the world has been treated with universal applause and promised implementation. Thus the initial euphoria associated with this idea which talked of eliminating poverty saw its implementation worldwide with more and more organisations and institutions embracing it and an idea which emerged in the 1970s, in the course of two decades, i.e. by mid-nineties was being seen as the most innovative, trusted remedy for weeding poverty out of the society and empowering people.

A very interesting point here is the entrenching of particular notions and ideas associated with poverty witnessed through the phenomenon of microfinance which can be analysed as a case of hegemony of knowledge created by various social forces working behind it if viewed from a Neo-Gramscian framework. The important point to note is the universal acceptance given to this idea as a panacea for poverty by all important policy-making bodies in the world. All this happened in a manner where ideas, institutions and processes were working together to create a hegemony of knowledge where more holistic notions about poverty reduction gave way to neo-liberal and individualistic explanations for the same in a more emphatic manner. Though poverty-reduction as a part of the development discourse had been seeing changes in its perception and approaches to deal with as part of the larger processes (involving the arrival and ruling of the neo-liberal orthodoxy) on the international level, but microfinance certainly provided the fillip to the neo-liberal notions surrounding poverty which were at first part of the Washington consensus and later with a slightly modified and so-called post Washington Consensus era.

It is here that the puzzle to the study lies in unwrapping of the whole gamut of forces and factors, institutions and processes involved in making this idea achieve its dominance. While undertaking this task, the study will also deal with the puzzle of how ‘hegemony of knowledge’ is created and how here ‘poverty knowledge’ has been produced, transformed through this phenomenon of microfinance. This will be done by taking a Neo-Gramscian analysis of the phenomenon of microfinance which shows the way of solving this puzzle.

While undertaking this enterprise, the study will try to broaden the theoretical contours of the study by building over the existing theoretical streams of international developmental discourse so as to extend their analysis to this phenomenon of microfinance and bring their critical insights to light.

1.6. Research Questions

- What are the various social forces working at the international level that play a crucial role in establishing microfinance as an institution?
- How is hegemony of microfinance created in the discourse on poverty alleviation?
- How has the phenomenon of microfinance affected international developmental discourse?
- What are the possible critiques of microfinance as an institution by different streams or theoretical positions of international relations?
- To what extent are these theoretical critiques substantiated by empirical evidence?

1.7. Hypotheses

1. Microfinance achieved the status of an institution in the international development discourse because of the support it got from the various forces (material capabilities, ideas and institutions in reciprocal relationship) on the international sphere.
2. Microfinance as an idea became established in the international development discourse because it had ingrained in itself the dominant neoliberal ideology of the time which it endorsed.

1.8. Research Methods

As is evident from the research questions and hypotheses, the research is mainly descriptive in nature. It will be based on deductive reasoning as it has been stated in the two hypotheses formulated to analyse the case of microfinance in the global perspective.

Any, new idea involving even supposedly benign goals of liberating masses needs a robust and wide-ranging support from a variety of actors and forces on the global scale to establish it as an institution. Here in the case of microfinance, the hegemonic consensus created around can be attributed to the various social forces which includes IFIs, NGOs, MNCs, powerful states etc. whose own stakes, interests are tied up with this idea, making it an established institution in the international development discourse.

The variables chosen for the study have at least two complexities from the point of view of methodology, first, that they are not very quantifiable so far as their measurement in terms of numbers/records are concerned but they are observable and evident from the global interplay of players and from the ongoing developments in the global fora. For this purpose, the most reliable sources would be the secondary sources available on the issues and questions. The second factor intricacy related to these variables is that even though they seem intangible, it would be possible to bolster the claims advanced through primary reports and documents. For this purpose various official documents like the reports of the IFIs like The World Bank, the IMF, and the papers and documents of the states concerned etc will be relevant sources.

1.9. Outline

The study has been divided into three main chapters in addition to introduction and conclusion in a manner to cover the background and discuss the major theoretical perspectives in order to capture the debate surrounding microfinance in a holistic way before carrying its mandate of applying the neo-Gramscian analysis to it.

Any analysis on a phenomenon like microfinance (which achieved the dominance in the developmental discourse in a short time period but definitely coinciding with the neo-liberal orthodoxy) needs to be historically traced so as to not just find its roots in its predecessor practices but to also look into the larger question of why it emerged, sustained and flourished at this particular historical juncture. So, the first chapter is an endeavour to look into the origins of microfinance since the earliest times traceable and to connect the evolutionary phases to the larger picture of the international order and socio economic and ideological underpinnings of the times. The first chapter entitled 'The Genealogy of Microfinance' has been divided in two sections. The first section begins by providing a historical sketch of the origins of microfinance from the earliest evidences of practices in financial services for the poor and the unprivileged till the origins of the modern microfinance marked by the development of the experiments in microlending by the much publicised experiment of Muhammad Yunus in Bangladesh which proved to be the role model in the field.

The second section traces its history from the time of the Yunus' experiment in the 1970s till date. This phase is very pertinent for this whole study because of the combined international processes which were contemporaneously unfolding at the international level to give the idea of microfinance a push forward. While microfinance saw its popularity being increased day by day, it was also seeing a transformation from the model originally proposed by Yunus as well as variance in its organisational and functional forms of action. So, while there were actually many models of microfinance in different parts of the world, the one being pushed by the powerful actors (international financial institutions, NGOs, donors etc) on the international level was a form of microfinance which was a much commercialised version of the original group-lending model founded in Bangladesh as well as its predecessor practices in the earlier times. This is being substantiated through the example of the transformation of the organisations like 'The Grameen Bank' and PRODEM, two of the earlier versions of microfinance experiments in the 1970s. Then the contemporary phase is marked by the commercialisation drive as well as the expansion in the kind of services microfinance offers to a point where it has reached the meeting point with the generic financial services. The tracing of this genealogical history is important to capture the debate in its entirety.

The second chapter deals with the major theoretical engagements with the phenomenon of microfinance in the arena of international politics. The most engaging and pertinent issue for the purpose of this study has been taken from the domains of the feminist critique, the Marxist critique, the liberal critique and the post-developmental critique. These critiques are included into the study because of the theoretically robust and enriching arguments this study needed to be looked into. Thus these critiques are traversed to reach the multiple critical perspectives into the phenomenon and to simultaneously create the justification for carrying the neo-Gramscian analysis for the same by finding as to what are the critical gaps in these available critiques which could not explain the mechanisms involved in making the idea of microfinance an established and universalised institution. Thus this chapter called 'Theoretical Critiques of Microfinance' not just enriches the critical analysis of the phenomenon but also gives the direction where the study needs to be devoted.

The neo-Gramscian analysis which forms the central thrust of the whole analysis has been carried in the third chapter and deals with the question of how

Gramscian methodology can be applied to explain critically the rise and spread of microfinance across the globe. Thus this chapter carries an analysis of the critical junctures of the history of the international politics when a particular set of ideas (neo-liberalism) were gaining popularity and getting entrenched. The critical interaction of ideas, institutions and material capabilities in making microfinance an established practice in a largely neo-liberal setting has been dealt with to explain the spread of microfinance on the international sphere and as the most sought after practice by the governments, international institutions and even by the common people. This chapter looks into the processes of how ideas are manipulated, transformed and moulded in consonance with the institutional and material requirements. The three categories of forces interact to form a historic bloc in neo-Gramscian terms and create hegemony of knowledge in a manner that their explanation and perception of problems seems to be the naturally acceptable one to all thus, closing the spaces for other sets of knowledge. This kind of mechanisms are thus used to sustain a particular kind of practices which are very much in congruence with the larger neo-liberal order which can apply it with ease by simultaneously creating an aura of reaching out for the poor and marginalised in a neo-liberal world order which is essentially favouring the rich. Thus microfinance has been seen as a way of subsiding popular discontentment among the poor and the excluded by giving them access to such financial services at their doorstep which may apparently please them but is associated with the larger programme of the rolling back of the state from many important functions for the underprivileged sections.

Thus this study dwells upon the critical entourage of the larger picture behind a popular practice of microfinance for alleviating poverty and addressing the developmental challenges by questioning the basis upon which it established this accepted position for itself.

Chapter 2

Genealogy of Microfinance

2.1 Introduction: Microfinance as a practice and a study taken up in the realm of international development discourse necessitates tracing its origin and extent of expansion in an utmost sincere manner. This is required to actually embark upon a path of critical analysis which this study is undertaking in order to not just provide a clear analysis of the phenomenon but to also set the background for actually undertaking and justifying the purpose of doing a Neo-Gramscian analysis for the same.

Before undertaking a historical exploration of microfinance, it is very important to provide a definition for it as it has changed its form and extent of concern as also its clientele from being a simple 'poverty-reducing' idea providing credit to the poor without collaterals to being an institution with multipronged dimensions and uses. It has witnessed its transformation from an experiment being implemented in few isolated cases such as Badan Kredit Desa (BKD) in Indonesia (more than a century old)[2], Self Employed Women's Association (SEWA) in India (1972), ACCION in Latin America (founded in 1961 but started microloans in 1973), Comilla Project in Pakistan (1959) and of course the much celebrated Grameen Bank in Bangladesh (established in 1983 formally but experiments by its founder started in mid 1970s only which marked the turning point in the rise of the microfinance sector) to the most sought after intervention for poverty. It is since last three decades that it has actually gained the glory of a very important policy instrument which not only spread its territorial area of action but also its functional area of action. Put in simple words, the last three decades beginning from approximately 1980s witnessed its geographical as well as utilitarian coverage being expanded exponentially. Though this period is very important with regard to the aim of the work being undertaken, but it will be equally pertinent and interesting to actually move further back into its history and trace the origins of one of the most dominant ideas of our times to its predecessor practices in order to understand its evolution better. So the task of tracing its origin will consist of two parts, viz. first, from the earliest times traceable till the

[2] For a detailed coverage of the BKD system see Robinson (2002)

onset of the modern microfinance marked by the Grameen Bank's path breaking work and second, tracing its subsequent universalisation in contemporary times.

A simple definition of microfinance[3] (in its original form as an instrument to provide cheap credit) or what is interchangeably used as microcredit (as the idea was originally conceived and implemented in its initial phase) can be given as 'the provision of small-scale financial services to people who lack the access to traditional banking services'. (Armendariz and Labie 2011). This is the most commonly used definition of it. However, this definition is not holistic as neither does it cover the range of financial services which it offers presently nor does it define the purposes for which it can be lent. So a better and more inclusive definition given by one of the doyens in the field of microfinance research, Marguerite S Robinson is as follows:

> Microfinance refers to small scale financial services for both credits and deposits- that are provided to people who farm or fish or herd; operate small or micro enterprise where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries in both rural and urban areas (Robinson 2001:9).

Again, though this definition is more holistic as it talks of both lending and savings and takes into consideration a very wide range of purposes for which it can be provided to people lacking financial inclusion, actually the scope of microfinance in terms of the services offered is much broader, and its services are expanding with the passage of time. So, microfinance includes in its ambit many services like different kinds of savings products, remittance (transfer) services and insurance etc. which are becoming popular innovations in the basket of services offered by the financial institutions for the poor. Hence, not all programs labelled as "microfinance" will fit into everybody's perception of the term, depending on model, target group, and services offered. (Karlan and Goldberg 2011: 20)

2.2 Historical Trajectory of Microfinance:

The opinion regarding the origin of microfinance is not unanimous among the scholars. Though microfinance in its recent avatar is credited widely to the

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[3] Though microfinance and microcredit are often used interchangeably, it is generally agreed that microcredit or small loans for income-generation or consumption purposes refer to one component of a much larger range of microfinancial services that includes savings, insurance and other related business development services as well.

Bangladesh Experiment of Grameen Bank (founded in 1983) which was started in mid 1970s by Muhammad Yunus, there were actually other similar measures being undertaken almost simultaneously in other parts of the world[4] and for that matter there are varieties of experiments over time in history which can be seen as precursors to the modern age microfinance. Some scholars hold that microfinance goes back to ancient times as traces of similar practices can be found among Babylonians and in the Indian sub-continent about 3000 years back. This view says that in India, microcredit appeared 3,000 years ago and it took three main forms: Traditional private lenders, merchants' guild and Rotating Savings and Credit Association (ROSCA).[5] ROSCA consists of a group of people who are engaged in building a savings and lending cycle. In this arrangement, the members are required to meet regularly and each one of them contributes equally to a fund financing the revolving loan of which everyone benefits during the cycle through turn. This system was created centuries ago and is known to be operating in different parts of the world. It's called "tontine" in West Africa, "tandas" in Mexico, "pasanaku" in Bolivia, "arisan" in Indonesia, "chit fund" in India, "cheetu" in Sri Lanka, "esusu" in Nigeria. This form of savings is still in use today. (Murdoch 2005: 56)Arguably, microfinance has a long history and encompasses a diverse range of institutional set-ups, ranging from individual money lenders to more formal institutions, such as village banks, credit unions, financial cooperatives, state owned banks for SMEs (Small and Medium-sized Enterprises), social venture capitals funds, and specialised SME funds. (Bateman and Chang 2009:1) Seibel (2003) argues that microfinance is not a recent development, and neither is the development of regulation and supervision of microfinance institutions (MFIs). The argument that he makes is that every developed country has its own history of microfinance and it is important to recognize this because attributing the origin of microfinance to recent initiatives misses not only the historical depth and scale of microfinance, but also centuries of experience, which in his own words 'means: learning from trial and error, failure and success.' (Seibel, 2003:2)

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[4] The work of Self Employed Women's Association (SEWA) in India, ACCION in Latin America and Bangladesh Rural Assistance Committee (BRAC) in Bangladesh itself count among similar experiments.

[5] How did microfinance start? What were the solutions before it was invented?, [Online: web] Accessed 15 December 2011, URL: http://www.babyloan.org/en/microfinance/origin-and-evolution-of-microfinance

Similarly, Sundaresan (2008) argues in support of informal credit markets having preceded microfinance. As he puts it,

> Institutions such as credit unions and specialized lending programs targeted to agricultural sectors have also been in existence since the early 1900s. The seeds for microfinance in its current form were planted during the period 1950–80, when small loans were extended to poor borrowers who could not post meaningful collateral. Major organizations, which pioneered this initiative, were ACCION International in Latin America, SEWA Bank in India and the Grameen Bank founded by Muhammad Yunus in Bangladesh. These initiatives demonstrated for the first time that poor borrowers, especially women, were not only willing to take on small-scale projects funded by loans, but were also capable of chalking up excellent payment records.(Sundaresan 2008:4)

Bruni (2008) while marking that microfinance is among the most successful and most imitated experiences of civil development retraces the origin of microfinance in accordance with the essence of its philosophical rationale to the so-called *Monti di Pieta* invented by Franciscans during the period of Italian Civil Humanism. *Monti di Pieta* were originally institutions dedicated to 'the care of poverty'. According to him the real innovation of *Monti di Pieta* consisted in regarding the poor as a person, thus not to let the poor beg but to give them a loan even on some interest. He calls it an important innovation both from economic point of view and civic sense.[6] He further illustrates that by bringing the indigents into the economic cycle, the poor are able to use the resources and activate development and he argues emphatically that this is the secret to the surprising success of modern day microfinance which lies in turning the poor from social problem to social and economic resource by investing on their strengths (Bruni 2008: 93).

Berger *et al.* (2006) take the history of microfinance as part of the long history of financial services. While tracing the evolution of the formal and informal finanial services, Berger focuses attention on a very important point in the context of microfinance's evolution. According to him while money changing and money lending are age old practices, they were meant for the elite only and it was only after the industrial revolution in Europe that non-elites began to participate in the cash economy, and issues of access to markets and financial services began to surface and thus for centuries informal financial services like money lenders or rotating savings

[6] This refers to the point that this system of *Monti di Pieta* developed by the Franciscans aimed at fighting the usurious practices by the Jews of that time period. So it was viewed as an innovation to fight poverty by overcoming usury (development on the civic front) and simultaneously having an alternative economic path to help the poor.

and credit associations (ROSCA) were the only alternative available to the poor. Thus in 1700s in Ireland and 1800s in England, Germany and Italy, institutional models to serve the poor began to develop. It can be seen as the result of the changing charcater of production forces owing to the transformation brought by the industrial revolution. It had a bearing on the evolution of services for the poor as a result of the parallel debate surrounding the 'poor' with the gradual emergence of welfare state doctrine as a part of this transformation.

One of the earliest microcredit organizations providing small loans to rural poor with no collateral was the Irish Loan Fund system, initiated in the early 1700s by the author and nationalist Jonathan Swift. Swift's idea began slowly but by the 1840s had become a widespread institution of about 300 funds all over the Ireland. Their principal purpose was making small loans with interest for short periods. [7] By 1768, the Society had lent £2–4 at a time to 5,290 borrowers. The big break for the Swift system came in 1823, when, partly because of the famine the previous year and partly because credit was seen as cheaper compared to the welfare payments to the poor, the Irish Parliament approved an act to formalize, regulate, and encourage such loan funds, allowing them to charge interest and accept savings deposits. Thus given the promotion through this act the funds expanded commercially. By 1843, Irish loan funds had disbursed half a million small credits a year, reaching a fifth of families on the island nation. Most of the borrowers were illiterate and a fifth of them were women. (Hollis 2002, Hollis and Sweetman 2001)

In the 1800s, various types of larger and more formal savings and credit institutions began to emerge in Europe, organized primarily among the rural and urban poor. These institutions were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives. The concept of the credit union was developed by Friedrich Wilhelm Raiffeisen and his supporters.[8] He realized that savings cooperatives were more effective than charity to allow poor people to get out of their dependency on private lenders. He created the first Credit Union, which in the end reached 2 million farmers. From 1870, the unions expanded rapidly over a large sector of the Rhine Province and other regions of the German States. The cooperative

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[7] Global Envision(2006), "The History of Microfinance", [Online: web] Accessed 15 December 2011, URL: http://www.globalenvision.org/library/4/1051/
[8] *Ibid*

movement quickly spread to other countries in Europe and North America, and eventually, supported by the cooperative movement in developed countries and donors, also to developing countries.[9]

The contemporary history of microfinancing can also be traced back in the middle of the 1800s in the ideas of the theorist Lysander Spooner who was then writing over the benefits of small loans to entrepreneurs and farmers as a way of getting some people out of poverty (Spooner 1846). Similarly, in 1895 Bank Rakyat Indonesia(BRI) was established which is considered as a very early pioneer that spearheaded the development of microcredit (Robinson 2002).

Thus microfinance had its prototypes in varied forms and names across the world and at various phases of human history. However this very fact begets a very natural query into the phenomenon that how and why it gained this prominence at this period of time only, when it has had actually such a long existence. It is this natural question which leads us to actually not just trace its origin but to actually find out the series of factors and processes which are part of the international debates and discourses revolving around the larger questions of development of humankind, viz., poverty, livelihood, employment, financial inclusion, empowerment all of which are in some way or the other related and form part of the development discourse which microfinance claims to address and be a part of.

However this is an accepted fact that microfinance carved out for itself a niche of undisputed redeemer kind of status in no more than a period of two decades since it gained the much touted visibility through the works of Grameen Bank, Bangladesh Rural Advancement Committee (BRAC), Association for Social Advancement (ASA) in Bangladesh and ACCION in Latin America which were among some of the most prominent pioneering organisations working in the similar direction.

2.3 Modern Microfinance and its Evolution:

Modern microfinance is considered to have its beginning since the eye-catching success stories of microfinance experiments in parts of Asia and Latin America caught the world by surprise regarding the bankability of poor, the most notable one being that of the Grameen Bank in Bangladesh which became a inspiration in the field

[9] *Ibid*

by not only creating a mandate for itself but also promoting the world about how noble goals like poverty-reduction can be materialised not only through charity schemes but through pure economics. As Muhammad Yunus narrates in his autobiography (Yunus 1999) that the origins of the Grameen Bank lie in the dilemma that he found himself facing in the mid-1970s. Having completed his PhD in the USA he had returned to Bangladesh to lecture in economics at Chittagong University. However, he found himself wondering on the relevance of the economic theories on the pressing needs of the thousands of hungry and deprived people he saw in his country, especially in rural areas. In his own words,

> I wanted to run away from these theories, from my textbooks. I felt I had to escape from academic life. I wanted to understand the reality around a poor person's existence and discover the real-life economics that were played out every day in the neighbouring village – Jobra. (Yunus 2007: 4)

The Grameen Bank thus developed from an experimental project launched in 1976 by Muhammad Yunus in Jobra, a village in Bangladesh to provide credit to the poor by organising them into joint liability groups without demanding physical collateral. Yunus' experiment was based on the belief that if people got access to credit they could increase their profitability by diversifying their economic activities that would help them in raising their income and hence ultimately shunning poverty. So, if he could lend some poor people his money they could improve their lives and pay him back. He could then lend the money to other poor people and thus assist many more people than could be achieved by simply giving his money away. But this hypothesis of Yunus failed him in his most initial experiment which he begun by lending a few men and women who did not repay their small loans (sums of US$10 or $20). He drew the conclusion that it happened because they had either used the money unwisely (for consumption or poorly planned microenterprises) or were not trustworthy. As a result he began to experiment with ways of (i) approving and supervising loans to ensure they would be used for productive investments, and (ii) selecting trustworthy clients and managing them so that they would repay their loans. (Hulme, 2009: 164)

To plug the loopholes in his initial experiment, he developed a model for his further trial which finally worked out. He started with forty two people who in total borrowed 856 taka, a total of less than $27. They were the women of the poorest families making *mora* (finely woven bamboo stools) who because of the lack of money were forced to deal with *paikars* (middlemen) who sold them raw materials on credit and bought the stools for a very meagre amount. The women's effective daily wage was as less as 8 anna, or half a taka ($ 0.02). Yunus made his students find out how many people in the village were working under this type of arrangement. It turned out that there were 42 people who worked for roughly 2 pennies a day because they collectively lacked capital amounting to 856 taka ($ 27). Some needed only 10 or 20 taka, and the greatest amount any one person needed was 65 taka.

The broad features of the model consisted in making its client base limited to poor women only as they were more reliable, organizing them into a group of five to create a social collateral through collective responsibility in the absence of a physical one, charging a higher rate of interest than government schemes and non-governmental organization (NGO) loans programs, requiring clients to make compulsory micro-savings each week (to create financial discipline and generate financial collateral for groups) and to make promises about their social conduct, simple and standardized products that required regular, small repayments and recruiting and training bright, young graduates to administer his program to minimize corruption. (Hulme 2009:164) All these paid positive results and Yunus was able to persuade the state run Bangladesh Krishi Bank (BKB) to finance and house the experiment. Donor agencies, such as the Ford Foundation also became involved very soon. Having received critical support from the central bank of Bangladesh in its early years, the Grameen project was established as a bank to work exclusively with the poor with its own charter in 1983.

Similarly, Bangladesh Rural Advancement Committee (BRAC) was established in 1972 by Fazle Hasan Abed as a charitable organisation to help resettle displaced households during the 1971 war and expanded its operations from relief to integrated community development. BRAC's microcredit programme, modelled on the Grameen Bank, was started in the mid-1980s, and has provided assistance with marketing and technical skills, in addition to credit access(Smillie 2009:197). ASA or Association for Social Advancement, which was started by Shafiqual Haque Choudhury in the early 1980s with the agenda of social transformation and mobilisation of the landless also chose microcredit, modelled on the Grameen, as its core activity since the 1990s. (Rutherford 1995).

Thus the origins of microfinance were fuelled by a number of successful independent 'experiments' that were designed to increase financial sector's access for the poor including, among others, ACCION International's initial work in Brazil in the 1970s; the founding of SEWA Bank in 1974; the start of the Grameen Bank project in 1976; the launch of Women's World Banking (WWB) in 1979; and FINCA's implementation of village banking in the 1980s. Important work was also pioneered by nongovernmental institutions (NGOs) and commercial banks such as Bank Rakyat Indonesia microbanking (Unit Desa), K-Rep (Kenya), and Podem/Banco Sol (Bolivia). Each of these organizations demonstrated different, innovative ways to open up formal financial sectors to the poor. (Davis and Khosla, 2006)

However it was largely the success story of the Grameen Bank which caught the public glare to the most and the worldwide thrust for microfinance as a policy intervention on a large scale gained ground owing to the outstanding repayment rates it claimed to achieve. The arrival of microfinance at a particular juncture of history, in 1980s from a non-developed part of the world is not so much of an issue as its reception worldwide and the fervency and immediacy through which it was taken up by all big players in the developmental arena. Placing a lot of faith on an experiment, the idea of microfinance was given very applauding and hopeful nomenclatures like an innovation, a revolution, a panacea, an antidote to the developmental problems of humankind in the form of poverty, disempowerment, financial exclusion of the unpriviledged bottom-rung people. While influential names like Jeffrey Sachs (Sachs 2005) and Paul Wolfowitz have put the claim that it is a wonderful tool to reduce poverty and empower poor people, some people have gone as far to say that "microfinance is one of the most important economic phenomena since the advent of capitalism and Adam Smith" (Khosla 2004)[10]. Thus, the broad consensus on microfinance as an accepted practice to meet the poor's need for financial services reaches across a diverse spectrum of ideologies. And soon after the success story of microfinance in many countries, in February 1997, RESULTS Educational Fund (REF)[11] under aegis of the UN and support of United States Agency for International

[10] See Khosla, S. D. (2004), *Taking Stock of the Microcredit Summit Campaign*, [Online: web] Accessed January 12, 2012, http://www.microcreditsummit.org/papers/Assocsession/DavisKhosla.pdf

[11] RESULTS and RESULTS Educational Fund (REF) are sister organizations that, together, claim to be a leading force in ending poverty in the United States and around the world. Founder Sam Daley-Harris developed the acronym "RESULTS" which stands for **R**esponsibility for

Development (USAID) convened the first Microcredit Summit, launching a nine-year Campaign to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the end of 2005. By 2005, that goal was very nearly reached and in November of 2006 the Campaign was re-launched to 2015 with two new goals**:**

1. Working to ensure that 175 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the end of 2015.

2. Working to ensure that 100 million families rise above the US$1.25 a day threshold adjusted for purchasing power parity (PPP), between 1990 and 2015. (Microcredit Summit 1997)

The establishment of the Consultative Group to Assist the Poorest (CGAP)[12] in 1995 as a multi-donor consortium by nine founding members[13], including the World Bank, with the mandate to provide financial and technical support to microcredit programmes worldwide, is also a clear reflection of the massive global drive behind the microcredit movement. The popularity of microfinance reached the pinnacle in 2005 when the UN declared this year as the "International Year of Microcredit", and just one year later, one of the fathers of the "banking for the poor", Bangladeshi Muhammad Yunus and the Grameen Bank he founded, were awarded the Nobel Peace Prize, followed in August 2009 by the award of the US Presidential Medal of Freedom.

As Ananya Roy (2010:22) writes in this regard,

> Microfinance is everywhere, it exists in the sub-terrain of almost everything in development. It is the panacea of choice. This ubiquitous idea is lauded and deployed by development institutions and theorists of all stripes and varying ideologies as antidote to poverty.

Ending **S**tarvation **U**sing **L**egislation **T**rimtabing and **S**upport as mentioned on the website www.results.org.

[12] Consultative Group to Assist the Poor is a major international collaborative initiative arising out of the 1993 International Conference on Actions to Reduce Global Hunger and was formally constituted in 1995. Originally, CGAP referred to Conference Group to Assist the Poorest. However, after some years and when some criticism arose regarding the power of microfinance to reach the poorest, the name changed for the current one, replacing the word ´poorest´ for ´poor´.

[13] The 9 founding members are Canada, France, the Netherlands, the United States, the African Development Bank, the Asian Development Bank, the International Fund for Agricultural Development, the United Nations Development Programme\United Nations Capital Development Fund and the World Bank.

Again she marks that the democratization of finance and democratization of development are implicated apparently through microfinance on the international level. (Roy, 2010) But she points towards circuits of profit and investment as well as circuits of truth or authoritative knowledge about poverty that the 'global order' of microfinance is imposing. So according to her, 'poverty capital' and 'poverty knowledge' go hand in hand in the case of microfinance. Her inkling in these terms goes towards the way capital and knowledge both are produced and disseminated by powerful institutions on the international level. She uses the term "Washington Consensus on poverty" to examine how authoritaive knowledge about poverty, and especially about microfinance, is produced in the World Bank and other Washington based institutions. This she says, is actively disseminated through training workshops that circulate the best practices and models and data management centers that produce benchmarks and rankings, CGAP being the leader.

2.4. New Wave of Microfinance/ Commercialized Microfinance:

Though microfinance gained an institutionalised status very soon in the developmental arena as a remedy to poverty and many larger developmental problems but there was a shift from the Grameen Bank model of microcredit to what was actually promoted by the likes of the institutions and powerful donor agencies such as the World Bank, USAID, IFAD and UNDP. Ananya Roy has called as the "Washington Consensus on poverty" and optimist scholars like Marguerite S Robinson have called "The Microfinance Revolution". (Robinson 2001). In her own words,

> The microfinance revolution is the process-recently begun, but under way in many developing countries-through which financial services for the economically active poor are implemented on a large scale by multiple, competing, financially self-sufficient institutions.(Robinson 2001:2)

Similarly other scholars call it a 'new wave' of microfinance. This new wave, sometimes called the'microfinance movement' generated great enthusiasm among academics, donors and development practitioners of diverse intellectual persuasion (Montagnon 1998, Dichter 1997). This is reflected through the figure that by the mid 1990s the microfinance industry had extended around US$ 7 billion in loans to more than 13 million individuals around the world (World Bank 1996) and claims that by 2000 the number of clients would be approaching 20 million. (Matin et al 2002: 1)

Moreover, Woller et al. (1999) and Morduch (2000) are among the initiators in the discussion regarding a divide in the field of microfinance which they term as an existence of a "schism" in the study of microfinance. Morduch's (2000) schism "between rhetoric and action" is defined only in terms of subsidies which he does by citing two types of argumenets advanced on microcredit. One is advanced by the likes of Consultative Group to Assist the Poor (CGAP) who are advocates of commercialized microfinance and associate subsidies with inefficiency, impermanence, and a limited scale of operations since they consider subsidies as inherently unsustainable, thus the compilation of "best practices."[14] The CGAP eschews subsidy and embraces commercialization. The other opinion is held by practitioners who doubt that unsubsidized credit delivered through the market can be cheap enough to benefit the poor, who are most often conceived as the target of microfinance. Their line of argument is that subsidies are necessary to fill the gap between the high transaction costs inherent in very small scale lending and the interest rates that can be afforded by the poor (and justified by the commitment to avoid usury). Without subsidies, lenders are forced to move upscale to richer clients that demand (and can service) larger loans, because fixed operational costs comprise a lower percentage of these larger loan volumes and thus allow lower interest rates. (Moon, 2009:110)

As Bhatt and Tang (2001) point out, the welfare-oriented programs emphasize on the depth of outreach and alleviation of material and non-material poverty as the key to building a sustainable development apparatus through the provision of financial and non-financial services, even though some of these services might require subsidies. This approach emphasizes on impact studies to measure changes in borrower welfare. Institutionalists, on the other hand, argue that the key role of microfinance is financial "expansion"; that is, helping build a system that can provide financial services to large numbers of poor people on a sustainable basis. Under such an approach, the impact on borrowers and the community is not emphasized, and success is generally measured in terms of the institutional movements toward achieving the much called financial sustainability.

[14] CGAP comes out with its "best practices" norms which are published from time to time and are endorsed by major international players in the field as ideals to be followed by institutions across the world which are involved in microfinance.

Robinson (2001) explains the paradigm shift from earlier phase of microfinance to a new emerging, necessary and inevitable change in her words by tracing a very clear picture of what she has categorised as the two approaches of microfinance. Thus as she point out, the decade of 1990s was marked by the debate resolving in favour of the new 'financial system approach' from the the older 'poverty lending approach'. This meant focussing on providing all the financial services that were required by the poor which developed due to the absurd gap between the demand and supply of microfinance. According to Robinson (2001), the demand for microfinancial services outweighed the supply for such services and this critical gap could be filled only through the incresing outreach and expansion of microfinance which could not afford to be donor dependent and hence required to be self-sufficient to achieve the high outreach. The first approach or the old poverty lending approach focuses on poverty reduction, with considerable effort being made to reach the poorest of the poor. This was the paradigm created in Bangladesh by the Grameen Bank, its main exponent. The focus here was more on microcredit rather than on microfinance. Robinson (2001) claims that the cost of the provision of institutions using the poverty lending approach was low, since most of them received subsidies. They were therefore not self-sustainable, despite strong efforts to achieve long term sustainability. This paradigm was dominated by non-profit organizations, which were the most suitable type of institution to implement this approach.

As an alternate idea, the new "financial system approach", focused on commercial financial intervention, where a stronger emphasis is made on the self-sufficiency of the institutions. With appropriatly designed financial products and services, financial institutions knowledgeable about microfinance can become profitable and self-sustainable while still achieving wide client outreach. Thus this new paradigm refers to the concepts and methods that have been developed to enable financial institutions to provide microfinance services without subsidies. These include methodologies for both individual and group lending, new financial products suitable for poor borrowers and savers, interest rate spreads that permit institutional profits, innovative operating methods and information systems, widely dispersed small service outlets, specialized staff training and incentives, the financing of loan portfolios from locally mobilized savings and from commercial debt and investment, and others.

In this context, Armendariz de Aghion and Morduch (2010:241) explain, “expanding access to reliable financial services could improve prospects for a substantial portion of the world´s poor and unbanked”. One of the biggest advantages of the commercialized model, according to its advocates is the cause of the strong emphasis on profitability and self-sustainability of the Microfinance Institutions (MFIs) as governments and donors do not need to provide subsidies or funds for the microfinance industry to make it work properly. Actually, because of the size of the “absurd gap” between demand and services on offer, “government and donor funds cannot possibly finance microcredit on a global scale” (Robinson, 2001:8). Only financially sustainable, commercial microfinance institutions have the capacity to reach the unmet demand in a strategy that “integrates the poor as a market segment” (Otero, 1999:6). The Consultative Group for Assisting the Poor (CGAP), a consortium, now of thirty three development organizations created by the World Bank, supports this view in its Microfinance Consensus Guidelines. In its guideline number three it states that:

> microfinance means building financial systems that serve the poor… In order to achieve its full potential of reaching a large number of the poor, microfinance should become an integral part of the financial sector (CGAP, 2003:1)

Thus, it can be said that since the late 1980s, but chiefly during the 1990s, a new wave of microfinance took over which can also be called as “a commercial revolution” which is encouraged by powerful international institutions and the private sector as the only solution to reach all the unmet demand for banking services (Otero 1999 Robinson 2001 Drake & Rhyne 2002). Based on an absolute faith in the market and embedded in financial system theory, this new strategy replaced its predecessor and has been sold as a developmental cure against poverty. It is argued that it is an approach that can reduce poverty and generate profits at the same time and thus a win-win solution.(Robinson 2001)

Armendáriz and Labie point towards at least five well defined trends in the field of microfinance in the present times which are as follows:

First, there is a change in lending methodology from the initial popular solidarity groups and village banking with joint liability to individual lending which seems to be getting most of the attention. At the same time, the excessive focus on women is being questioned.

Second, there is a change in the supply of financial products from credits/loans to broader range of services which include savings, insurance, remittances, and many more.

Third, there is a larger and a more diverse pool of suppliers which means clients are no longer being served exclusively by NGOs and cooperatives and even local commercial banks are responding to demand for microfinance products such as consumer credit. A trend towards commercialization is in most visibility and there are NGOs which have transformed themselves into fully regulated microfinance banks. Socially responsible investors are also contributing to an increased supply of funds available for financial intermediation via the so-called Microfinance Investment Vehicles (MIVs) [15] (Armendáriz and Labie 2011:6).

Fourth, there is a radical transformation in supervision and regulation. In most countries, microfinance institutions are prevented from monopolistic practices and local governments are trying to encourage competition, and stringent supervision for fully regulated suppliers is being set-up in many countries.

Fifth, there is a fundamental change in financial priorities. Focus on self-sustainability does not seem to be the greatest challenge anymore. Microfinance has demonstrated that it can not only be self-sustainable, but also generate handsome returns. And the focus of attention is increasingly shifting towards how (if at all) those profits are being shared among different stakeholders.

While the drive for sustainability and commercialization took up full swing in the 1990s with its advocates building up the case for it in one way or the other, the most appealing and perceptible reason for it cited by them was increasing the outreach of microfinance to greater numbers; it was not actually free from critiques who were viewing it as being just another way of conforming to the neoliberal agenda.

[15] Microfinance investment vehicles are funds or structured products that provide debt obligations to or take equity stakes in MFIs.

Critics thus argue that irrespective of the type of initiative, there are serious problems associated with microcredit/microfinance, as a whole. According to Ananya Roy, howsoever popular microfinance may be, there is however no consensus on how to implement and use microfinance for the purpose of development. The three paradigms mentioned by her are: Yunus's emphasis on a rights-based, pro-poor approach to microfinance, "creative capitalism"[16] strategies that position the poor as a lucrative market and sharp critiques of microfinance that reject its impact on poverty. (Roy 2010:23)

Roy (2010:63) marks the incompatibility between microfinance and the call for a "developmental state." Though microfinance emerged, as she points out as a response to the failure of credit markets to reach the poor, the microfinance framework remains ambivalent about the role of the state as microfinance in its conceptual and practical implementation does not involve state investments in physical or human capital. In fact, quite ironically, as a developmental narrative it writes out the role of the state and instead focuses on the creativity of poor entrepreneurs and the success of local institutions in enabling such entrepreneurship.

Ledgerwood and White (2006) mark "Transformation" and "commercialization" as part of the microfinance lexicon, reflecting a shift in the industry's focus from microfinance as a social movement to the integration of microfinance into the formal financial sector. They point out that the financial systems approach (Robinson 2001), even if not accepted by everyone, is widely viewed as the best way to achieve the outreach needed to substantially increase access to financial services for the world's hundreds of millions of low-income households. Thus in reality, microfinance is being practised in a variety of institutional forms and practices, which vary across societies, nations and continents. There is no denying the fact regarding two things: first is its unprecedented geographical expansion regarding which statistics will be provided in the next section of the chapter and, second, despite the geographical variation of the microfinance practice, there is a remarkable trend towards the commercialised version of this which is accompanied by an institutional

[16] "Creative capitalism" has been advocated by the likes of Bill Gates who believe that capitalism can be made to accrue the social goals by creatively combining the pursuit of profits with the desire to serve the needs of those who may lack the means to pay for new technologies. Thus even if they criticize capitalism in its raw form, they believe in its creativity and possibility to deliver social and developmental goods.

transformation of the phenomenon. This transformation needs to be looked at in a detailed manner in order to capture the concept in entirety.

However, it needs to be accepted that the functioning of the MFIs is influenced through the actions and interests of various stakeholders who are directly or indirectly associated with them. Such interests are as diverse in nature as are the institutes or organisations that present or signify them. Moreover, it is very much affected by the institutional infrastructure of the country of operation (comprising of the bureaucracy, the law keeping agencies and the politicians), the informal societal structures (comprising of the form of society be it feudal, patriarchal or traditional, in addition local money lenders etc.) and also external agencies like the IGOs, NGOs and the donor aid agencies. Thus factors both at the local and at the national level are influential. This will be dealt in details in the neo-Gramscian analysis carried out in the impending chapter four.

Though the terms commercialization and transformation are frequently used interchangeably; however, transformation is only one of the ways in which an MFI can commercialize. Thus, it is important to first understand the meaning of commercialization precisely. Commercialization of microfinance generally refers to the application of market-based principles and to the "movement out of the heavily donor-dependent arena of subsidized operations into one in which microfinance institutions 'manage on a business basis' as part of the regulated financial system"(Christen and Drake 2002:4).

Hulme and Mosley (1996) and Robinson (2001) suggest that there are three broad types of MFIs: for profit institutions (Type I), NGOs (Type II) and cooperatives (Type III). As Von Pischke (2007:139) explains: "the boundaries between the first and the second are strongly determined by their approaches to subsidy, while the third is defined most strongly by solidarity". For Type I institutions, subsidies are dangerous and imprudent, and are only used in starts-up of the projects or network expansion. They are advocates of the minimalist approach, "concentrating on financial services only, rather than on social services" (Von Pischke 2007:142). Type II has commonly been associated with the Bangladeshi paradigm, with a stronger poverty focus and the use of subsidies. These institutions usually have a political focus on the poor and adopt a maximalist approach. Type IIIs can vary from commercial to non-commercial, subject to cooperative law in each country. Subsidies may be helpful in meeting objectives. The microfinance industry leaves room for these three types of institutions but the commercial revolution has implied a gradual but very visible and dominant shift towards Type I institutions.

Thus the institutions traditionally involved in microfinance are varied; both from an institutional point of view and as far as their aims and objectives are concerned. From a regulatory perspective, microfinance institutions (MFIs) can also be classified into three main categories, depending on the regulatory thresholds of their activities: informal, semiformal and formal according to Torre (2006) who further provides glimpse into the various kinds of institutions which fall in these categories. He keeps self-help groups, credit associations, and families, individual money lenders which do not have the status of an institution under the informal category as they are providers of microfinance services on a voluntary basis and are not subject to any kind of control or regulation.

Semiformal institutions in this context according to Torre (2006) can be defined as microfinance financial intermediaries (MFIs) as they provide various financial services but, generally, they are not deposit-taking institutions or, if they are, they cannot grant credit, as is the case with postal savings banks. Therefore, MFFIs are subject to financial regulatory requirements, depending on their financial intermediation activities, but they are not under banking regulation. Within this category it is possible to include different types of institutions with different structural and organizational complexity (financial NGOs, financial cooperatives, postal savings banks). The most popular and widespread are financial NGOs, which operate principally by offering microcredit as part of development projects, often combined with the offer of technical assistance and ‘social intervention’ for beneficiaries.

In the third category of formal institutions of microfinance Torre (2006:6) talks of microfinance banks (MFBs), microfinance oriented banks (MFOBs) and micro-finance sensitive banks (MFSBs), all of which offer credit and are also deposit-taking institutions and for these reasons, they are all under banking regulation.

Hishigsuren (2006) explains the transformation taking place in the microfinance institutions which was in its initial phase (dominated by non-profit NGOs inspired by Grameen Bank) in the following manners:

First, from microfinance NGO to a regulated commercial entity (non-bank financial intermediaries or commercial banks). Example include BancoSol in Bolivia, K-Rep in Kenya, CARD Bank in the Philippines, BRAC in Bangladesh, Mibanco in Peru, Finsol in Honduras and Compartamos in Mexico.

Second, when traditional, regulated financial institutions start foraging the microfinance market (such as large retail banks, including state-owned institutions, small commercial banks, finance companies and credit unions). This includes Sogebank in Haiti, BRI in Indonesia and Banco Pichincha in Ecuador that created subsidiaries providing microfinance services.

Third, through the creation of commercial microfinance institutions, which include Bangente in Venezuela was created as a commercial financial institution from its commencement and “microbanks” in Eastern Europe were setup by IPC.

Fourth, through merger between a commercial bank and a microfinance institution, or merger between two or more microfinance institutions. For example, CONFIE in Nicaragua and Genesis in Guatemala have incorporated into the commercial operations of an existing small commercial bank or finance company, while XAC and Gobi Ehlel, both of which were independent microfinance NGOs in Mongolia, have merged into one regulated microfinance institution.

The transformation discussed above needs to be illustrated with some examples which will make the picture clearer. Thus the next two sections will deal with two very famous institutional transformations (though there are numerous and varied in nature), namely, the Grameen Bank and the BrancoSol. The Grameen Bank is taken up because of it being the most popular and visible face of microfinance. The BrancoSol is taken up because it was the first such institutional transformation after the onset of the modern microfinance and set the trend for such transformations into commercialised MFIs which have become so rampant.

2.5 From Grameen I to Grameen II: As Ledgerwood and White (2006) point out from an institutional perspective, the primary reasons MFIs choose to transform are to offer additional products and services (particularly savings) to their clients and to gain access to capital (both debt and equity), and in so doing, expand their outreach. In this context, it is important to note that the commercialization and transformation drive in microfinance go very much hand in hand. It saw even the transformation of Grameen Bank from what is called as shift from Grameen I to Grameen II by early 2001. Yunus announced the launch of 'Grameen II' – the replacement of the Bank's earlier products by a new range on different terms. The components of Grameen II were designed so that (i) they should meet client demand, and (ii) they should be profitable for the Bank. Between March 2001 and August 2002 all of the Grameen's 1,200 branches were shifted from Grameen I to Grameen II products and systems. Accounts of this process and the practice and outcomes of Grameen II are provided by Rutherford et al. (2006) and Dowla and Barua (2006).

The main elements of Grameen II are:

• A major focus on savings from members and the public. This included voluntary savings, term deposits and the Grameen Pension Scheme (GPS) a long-term savings program.

• The provision of flexible 'basic loans' to members (rather than the standardized Grameen I 12-month loans).

• The abandonment of joint liability (and the idea of social collateral).

• A poverty focused 'struggling members' program that provides small, subsidized loans to beggars and encourages them to join Grameen Bank centres.

Similarly, the NGO PRODEM was created in 1986 as a joint venture between Bolivian business leaders and ACCION International, a U.S.-based NGO. Its lending operations grew rapidly and by 1989 the size of PRODEM's portfolio began to exceed the available donor funds. Donor funds that took a year to acquire were disbursed in three weeks, leaving the institution with a continual need for new funding. On February 2, 1992, BancoSol opened its doors, becoming the first commercial bank in the world dedicated exclusively to serving the microenterprise market. With 14 different products, the bank provides the most complete range of services compared to national competitors. In 2000, PRODEM, the original NGO that created BancoSol, launched a second transformation, becoming a regulated Private Financial Fund (FFP), a legal form not available when BancoSol was created. PRODEM FFP has steadily grown and now operates 82 branches across Bolivia, offering both individual and solidarity group loans for working capital and investments. In addition, PRODEM FFP offers a wide range of deposit services, national and international money transfer services, life insurance products, foreign exchange services, service payments, payroll services, and cash advances. (Ledgerwood and White 2006)

The two cases narrated above provide just a look into how commercialization is undertaken through institutional transformation among the microfinance institutions. Advocates of this transformation cite the benefits accruing through this; however there is no unanimity of views regarding this. While there are also scholars who see hidden agendas of the powerful actors on the global arena in making poverty so visible, saleable and affecting the whole international development discourse through this. It will be dealt in details in a separate chapter on 'The Critiques of Microfinance'.

2.6 The Expanse of Microfinance

The genealogy of microfinance would be incomplete without actually having a look at its expansion and reach across the world. The Microfinance Exchange or MIX[17] provides the compiled data of the same which shows that the expansion of microfinance across regions is very uneven. As of 2010, the Mix data for the various regions/continents across the world can be summarized as follows:

Regions/ Different parameters.	Gross Loan Portfolio USD	Number of active borrowers	Deposits USD	Number of depositors	Assets USD
Africa	4.6 billion	4.5 million	4.7 billion	16.6 million	6.7 billion
East Asia and the Pacific	21.2 billion	15.8 million	3.3 billion	5.8 million	8.4 billion
Eastern Europe and	8.2 billion	2.8 million	6.0 billion	2.8 million	11.9 billion

[17] See http://www.mixmarket.org/mfi for the purpose.

Central Asia					
Latin America and The Caribbean	22.9 billion	15.0 million	15.3 billion	15.5 million	29.2 billion
Middle East and North Africa	1.2 billion	2.2 million	122.0 million	89,552	1.6 billion
South Asia	9.0 billion	58.6 million	3.3 billion	26.4 million	11.4 billion

Hulme and Arun (2009:229) take our attention to it when they say that,

> Despite the phenomenal growth of microfinance over the last 25 years, most parts of the developing world remain characterized by demand for micro-savings, microloans and micro-insurance services vastly outstripping demand. Only in a limited number of areas —-parts of Bangladesh, Indonesia, Uganda, Kenya and Bolivia – is there a competitive microfinance market where low-income people have access to a range of services and providers. Across South Asia, Southeast Asia, Latin America and Eastern Europe microfinance provision seems set to rise, through specialized MFIs and through formal banks setting up microfinance programs. However, the likely patterns of evolution in sub-Saharan Africa and China are less clear.

2.7. Conclusion

Thus, after having traced a historical picture of microfinance, which is one of the most dominant ideas, now turned into an established institution we can mark at least four distinct phases of its evolution in the modern times. The first phase of microfinance can be said to have begun in the 1950s which consisted of directed, subsidized credit, often targeting individuals who did not have the means to repay loans. These schemes cited lack of money as the main obstacle to eliminating poverty. The second phase, starting in the 1970s, consisted of microcredit offered mostly through NGOs, beginning with the Grameen Bank in Bangladesh and followed by a great number of NGOs that attempted to provide microcredit to the poor. At this time, financial self -sufficiency was not as important to such NGOs as were donated resources. Development agencies provided subsidized funds, and the common belief was that the supply of such resources would remain reliable. NGOs were intermediaries, largely functioning as income transfer agents for social purposes rather than serious financial intermediaries.

The third phase of microfinance in the twentieth century began with the formalization of microfinance institutions in the 1990s. In response to demand, MFIs began offering broader range of financial services, such as savings and insurance, remittances etc. and developing commercialized, sustainable microfinance. Thus, a sustainable credit culture was created in this phase.

The fourth phase, which began by the late 1990s can be called as the mainstreaming of microfinance and its institutions into the formal financial sector. Microfinance is still evolving to where the term itself is becoming antiquated with the increasing emphasis on integrating it with the formal financial sector and capital market. ‘Building inclusive financial systems for the poor’ (the phrase is very much used in popular parlance and widely being used by The World Bank, its arm CGAP, USAID) is the term that is increasingly being used as microfinance becomes part of the formal financial sector.

Chapter 3

Theoretical Critiques of Microfinance

3.1 Introduction

Microfinance climbed the ladder of success as an important policy instrument and agenda for global poverty reduction and empowerment of masses nonetheless it is not exempted from the purview of critics. The criticisms labelled against microfinance cut across a wide range of ideologies and theoretical positions, which are often overlapping in their arguments. But for the purpose of this study it will be an endeavour worth taking to actually locate these critiques and debates surrounding microfinance in the domain of the different theoretical schools of thought. Infact looking into the various categories of critical traditions which have been directed at microfinance will not only enrich the purpose of the study but also lay the background for the purpose of Neo-Gramscian analysis for the same.

This chapter will thus discuss major theoretical critiques of microfinance such as Feminist critique, Post-developmental critique, the critique from the liberal tradition and Marxist critique. The reason behind taking up these critics is that they provide very different and theoretically robust criticisms for the phenomenon. Given the endeavour being undertaken through this study, one must not lose sight of the fact that this study is aimed at bringing to fore the processes and mechanisms which make an idea an institution. So the concern here is not only with what could possibly be the implications of this idea being established and now being used so widely or the manner in which it is causing good/bad to the society but to the larger question, that 'did it deserve the position, the popularity and the rampancy of use it has witnessed through its ever-growing expansive reach all over the world?'. While the study itself intends to undertake the 'neo-Gramscian' framework, it is important to unravel other theoretical positions whose insights can be useful in their own right but also will justify the purpose of the study by showing the gaps which can be filled up by the neo-Gramscian analysis of the same.

Microfinance gained the status of the redeemer for the poor and unprivileged people in the developing countries since the Grameen Bank experiment caught the limelight in the 1980s and by the beginning of 1990s it became the flavour of the season for the development community. It saw this enormous support mainly on account of the inability of the developing countries to deal with their languishing poverty and other developmental problems like unemployment, financial exclusion of a major chunk of their population and most importantly the vulnerability of this population to any emergency (which are all interrelated in some way or the other). The developing countries on account of the lack of right development visions and policies as also lack of resources have been for long struggling to deal with these problems. The failure of the development discourse to actually provide an all-encompassing solution for this persistent and glaring situation was but quite evident and also widely acknowledged. Microfinance provided an easy way to deal with these issues without much endeavour being required on the part of the state because by its very nature it emphasises on two things. Firstly, on the notion that poor people can be entrepreneurs given the opportunity to undertake entrepreneurship through credits, thus, paving the way for their financial inclusion as well as promoting individual entrepreneurship. Secondly, lending credit to the poor in itself was an effective instrument which didn’t require much of state based interventions but was still supposed to show positive results by promoting the so-called financial as well as social empowerment. Thus the experiment which started on the fringes of one of the poorest countries (Bangladesh) in the world in the time when it was itself grappling with the multiple crises of state building, severe famine, draught and vulnerability subsequently established itself as an ideational hegemon in the field of development discourse. It now is an important arm of the developmental policy, which is accepted worldwide.

While time has itself brought to the fore the hollowness of the seemingly magnificent structure of the microfinance industry which is in the contemporary times caught in the midst of the furious debates over the very basic question of ‘where did it all go wrong?’, Actually the question itself has arisen in the wake of some of the very inhuman practices being met out to the same vulnerable and disempowered people whom it was supposed to benefit. However this apparent paradox is not that surface-deep as is being projected in the cases where the microfinance sector has even worsened the situations e.g. the heart-wrenching stories of suicides in Andhra Pradesh in 2010 is an extreme case which definitely has put a big question mark over the whole industry of microfinance. However this is definitely not the lone case of microfinance malpractice and in fact such cases had started pouring in from the beginning of the new millennium (case of Bolivia in 1999-2000) but were neglected as aberrations by the promoters of the microfinance. A flurry of such cases started making news in the later part of the new millennium. Cases of microfinance failure and malpractice were thus being reported from Morocco, Nicaragua and Pakistan in 2008 characterised by huge client over-indebtedness, fast growing client defaults, massive client withdrawal, and the key MFIs plunging into loss or forced to close or merge. These episodes were then followed in 2009 by the dramatic near-collapse of the hugely over-blown microfinance sector in Bosnia (see Bateman, Sinkovic and Skare 2012). However the most devastating 'microfinance meltdown' to date started in late 2010 in the Indian state of Andhra Pradesh (Sriram, 2010; Arunachalam 2011).

Even the claim regarding the microfinance's link with poverty-reduction is not well corroborated. There is little evidence to show that poverty levels have substantially decreased. The fact in the above mentioned cases is that microfinance has escalated into a profiteering enterprise where interest rates by many institutions (MFI) are at the rates of 24-36% (or even higher). These MFIs have also been found to impose uncompromising terms of collection, predatory lending which has increased the vulnerability of borrowers. In turn, MFI barons have promoted the MFI model as a profit-making venture and have lured in investors on assurances of high returns. MFIs have failed to limit their own portfolios, even expanding and leveraging them. This has led to the accumulated debt of women borrowers and raised serious questions about the ethical grounding of such practices and institutions. Women are often coerced to take loans larger than they are able to pay back and are then pressured (or harassed) to repay on time. There is also little transparency in the manner in which interest rates are determined, or the criteria used for selective lending. Irrationally high rates of interest have driven women to suicide; MFIs are also known to have claimed insurance money for non-repayment and suicide by women members.

Apart from this, there are not even clear evidences of impacts of microfinance showing positive results. In most of the impact assessments being carried out, a growing number of independent analysts have argued that the hugely optimistic narrative constructed around the microfinance model is actually rather seriously flawed and, as Lont and Hospes (2004:3) contend, "in many respects a world of make-believe." Ellerman (2007) also questions the 'impact evaluation' exercises that are widely used to 'prove' the positive impact of microfinance. There are not clear evidences about the success of microfinance which has given rise to serious doubt about the benefits of microfinance.

The time period of the emergence of modern microfinance is marked by many important junctions in the history of development. The decade of 1980s which saw the emergence of modern microfinance was also marked by neo-liberal orthodoxy and Structural Adjustment programmes being promoted. As the history of microfinance itself shows that modern microfinance charted out a path for itself through the experiments in micro- lending conducted in some pockets of the world, the most notable and pioneering one being of that of The Grameen Bank in the 1970s. This is the time period when the background for the ascendency of neo-liberal ideas was being laid and soon afterwards the late 1970s and early 1980s was marked in the history of international political economy by the upsurge and entrenchment of the neo-liberal ideas which critics also call as neo-liberal orthodoxy. It was based on the primacy of individualism, market liberalism and state-contraction and hence necessitated a minimalist state whose functions were confined to that of securing law and order, macroeconomic stability and the provision of physical infrastructure. This Washington Consensus was based on the premise that imperfect markets are always superior to imperfect states. (Onis and Senses, 2003: 264)

This timely co-incidence between the arrival of microfinance on the scene and the spread of the neo-liberal doctrine on the global scale provided great thrust to the idea of micro-lending to the poor as the former believed in the promotion of individual entrepreneurship which in a way was promoting self-action and withdrawal of the state from some of the very vital responsibilities which the welfare-oriented state is supposed to perform. Thus microfinance was in an amicable partnership with the Washington Consensus that promoted 'rolling back of the state'. It was also acting in a significant manner in changing the earlier notions of poverty and its alleviation. It was part of the programmes and policies which were marking a significant departure from the past era of developmental state where poverty and exclusion were seen as structural problems of the society which demanded structural solutions too, hence necessitated instruments like employment generation and other social welfare programs like investment on health and education for the poor to create a more just and equitable society through a broader and deeper role of the state. However the idea of micro-entrepreneurship by its very nature emphasises on the credibility of small credits in bringing people out of poverty by promoting them in the setting up of small enterprises or expanding the existing ones themselves. This claims to help them in overcoming their financial exclusion in the absence of any physical collateral and ensuring that they are working themselves to come out of their disability imposed by poverty. It thus moved towards an era of individual centric notions of poverty marked by a shift from the structural and more comprehensive understanding for the same. The apprehension is that it should not lead slowly and steadily to a stage where the notions regarding such important issues of larger humanity become hegemonically transformed and hijacked by a particular set of entrenched neo-liberal notions which are making space for themselves. All these point towards the friendly collusion between microfinance and the neo-liberal ideology. There are at least two important points to note here. Firstly, that the idea of microfinance itself has witnessed so much of change and widening of the scope with time that it has many variants today which are not the same as was originally adopted by the Yunus experiment but the one that has pre-dominance among all others is the "financial systems approach" or the commercial microfinance which so blatantly believes in increasing outreach and sustainability even at the cost of changing its priority for the class/section of the targeted populace (who are now generally low-income/ middle-income in need of credit but not necessarily very poor). Secondly, striking similarities in the approach of microfinance and the neo-liberal ideology worked in former's favour from all sides. At a time when neo-liberalism became the ruling ideology in the developmental arena of the world, microfinance achieved popularity and support in very short span of time which is one of its kind in the history of development discourse.

So, any critical enquiry into the phenomenon of microfinance cannot be done bereft of its context which includes both the historical juncture at which it arrived on the international scene and the ideological and theoretical underpinnings of the idea itself based on which it spread its roots from being an experimental idea to becoming a dominant discourse and finally an established institution.

However, various counter-arguments provided by some of the important theoretical schools of international relations underlined the limitations of the microfinance initiatives. This includes feminist critique, post-developmental critique, liberal critique and Marxist critique which will be dealt in the following section.

3.2 Feminist Critique:

Women and microfinance have an indispensable interrelation, so much so that any fruitful and critical discussion on the issue of microfinance demands a special and separate space to deal with its impact on women, not just because women form half of humanity but also because women were the first successful clients of modern microfinance industry. Since the beginning of modern microfinance, women have been the main targets of the microfinance programs. Women clients make up a majority of microfinance clients - and in some instances comprise 100 percent of an MFI's clientele however on an average 75-80 percent of all microfinance clients are women. (CGAP)[18]

The number of women microfinance clients thus greatly outnumbers that of the men. As already described in the brief genealogy of microfinance, it were women who were projected as the very hyped success story of the micro-lending experiment carried by Muhammad Yunus in 1976 in Bangladesh from where the idea took hold. From there ran an unending saga of the success stories of families with smiling faces of women's empowerment.[19] The idea had apparently worked and earned huge applause until the flipside of the apparent successful cases were revealed by researchers and reporters.

According to the State of the Microcredit Summit Campaign 2012 Report, of the 137.5 million poorest clients reached at the end of 2010, 82.3 percent (113.1 million) are women. The growth in the number of very poor women reached has increased from 10.3 million at the end of 1999 to 113.1 million at the end of 2010. This is a 1,001 percent increase in the number of poor women reached from December 31, 1999 to December 31, 2010. The increase represents an additional 102.9 million poor women receiving microloans in the last 11 years. (Microcredit Summit Campaign 2012 Report: 36)

Lending to women is the prevalent trend in the microfinance industry, with certain institutions like banks and NGOs such as BancoSol, Women's World

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[18] As written on the CGAP website under the title "Who are the Clients of Microfinance" Accessed February 20, 2012, [Online: web], URL: http://www.cgap.org/p/site/c/template.rc/1.26.1304/

[19] An interesting point to note is that the majority of the cover-pages or the pictures on the websites of the MFIs or the CGAP or the other donors and promoters of microfinance, depict women with smiling faces symbolizing and asserting the change they claim, microfinance has brought in their lives. Actually women are used as the means to catch the attention of the world towards their apparent claims of prosperity and empowerment.

Banking, and Pro Mujer catering to women exclusively. Microcredit Institutions have been thus justifying their disproportionate loans to women by claiming that their goal is to empower the women.

While these data are used to show the expanse and reach of microfinance to poor women, it also points towards the very fact of 'feminization of poverty'[20] with such an astounding number of women being put in the category of the poor by the Microcredit Summit (as shown above). Since women were considered as 'trustworthy' to return the loans, they were the principal targets of the microfinance initiatives in the beginning and continue to dominate it. This kind of argument is fraught with entrenching gender binaries and stereotyping women in particular roles and ways as pointed out by many scholars.

Arguments advanced in favour of making women the clients for the microfinance are that they use the profits from their businesses to send their children to school, improve their families' living conditions and nutrition, and expand their businesses. And hence the fruits of their businesses not only make an impact on themselves and their families, but entire communities. And as Muhammad Yunus himself expressed to a US Congressional Forum on why a high percentage of his loans go to women that 'Women have plans for themselves, their children, about their homes, the meals. They have a vision. A man wants to enjoy himself.' (as cited in Goetz and Gupta 1996:55).

These ideas advanced in favour of women being the major recipients of microfinance are instrumental in nature as they are embedded in the very assumption of women being instrumental in the well-being and care of the whole family. But there are also arguments which can qualify as being intrinsically good for poor women themselves. These views take the access of credit to the women as a way to empower them by decreasing their economic vulnerability and claiming to give the women more say in the decision-making. However, both these kind of points made in

[20] The term "feminization of poverty" was coined by Diana Pearce (1978) in a published paper in the late 1970s noting that poverty was becoming "feminized" in the United States. The term refers to the concentration of poverty among women, particularly among the female-headed households. According to Pearce, almost two-thirds of the poor over age 16 were women. Women's economic status had declined from 1950 to the mid-1970s according to her even though more women had entered the labour force in those years. Female-headed households in particular formed a very high percentage of the poor. Pearce blamed the feminization of poverty on the lack of government support.

favour of microfinance impacting women positively are too simplistic and naive as pointed by many feminist scholars. (Kabeer 1999, 2001 and Karim, 2001, 2011)

On the one hand it can be said to be based on an essentially entrenched assumption of the women as having the nurturing, caring, and motherly qualities which itself may not be the reality in all cases as such gender binaries are a result of the process of socialization and are embedded in the societal hierarchy. This line of argument gives men the reason to continue the patriarchal way in which they have been living so far where women have all the responsibility to arrange for all the nitty-gritty of the daily life but still have no say when it comes to the actual exercise of power in the family or decision making.

Moreover, when it comes to the claims of empowerment, it is a term which can vary in its meaning and scope for different people and in different contexts. So, this assumption that mere access of credits to women even if it brings financial empowerment as claimed by many (but not true in majority cases) would translate into their overall social empowerment is something which is deeply contested.

Apart from this there are myriad other critical perspectives which question the simplistic assumption of women's empowerment being resulting from microfinance as largely claimed by the big players involved in the industry (MFIs, IFIs, and states agencies). This necessitates the need to look into the matter with a broad perspective. Broad since women targeted all over the world come from different socio-economic background and also different cultural location. So a woman situated in a developed country and her counterpart in a developing country may not be having the same kind of treatment. So is the rural-urban, caste and class divide which impact women not necessarily in the same manner within the paradigm of microcredit. The section below discuses these in details. The following section will be dealing with the critical enquiry into the phenomenon of microfinance through the feminist lens.

Liberal Feminists

Firstly, Given the liberal feminists' main focus on the institutional barriers to women's participation in economic activity on an equal basis with men, they envisage that if given the same opportunities as men, they will be able to achieve an equal footing if not more than men. Mary Wollstonecraft regarded as the first major feminist and belonging to the liberal tradition in her famous work 'Vindication of the Rights of Women (first published in 1792) argues for the economic independence and legal equality of the women. Women ought to be represented in government and have a 'civil existence in the state' (Wollstonecraft 1992: 267). They should not be excluded from civil and political employments (ibid 1992: 259). John Stuart Mill (in The Subjection of Women published in 1869) argues that women should enjoy equal rights with men including the right to vote. Mill contributed to the liberal school by extending his liberal principles to the position of the women (Shanley and Pateman 1991: 6). Liberal Feminism, in the words of Winifred Holtby, identifies itself, 'with the motto Equality First' (Humm 1992:43).

Thus the liberal feminist outlook on the matter of microfinance would be that at least at a micro or individual level, the programs are enabling some women to combat poverty and obstacles to economic advancement. Thus microfinance programs are helping them to strive for upward social mobility (Akella 1999) as they allow some women to be free as entrepreneurs and move ahead based on their talent, skill and willingness to work if not all. The important point to note here is that the access to credit in their view has the potential to remove some of the institutional barriers to women's participation in economic activities and help them in growing their individual autonomy but it lacks the capacity to set right the power imbalances and inequalities in the way society treats men and women. But liberal feminists acknowledge that it could make a contribution in that direction even if small but significant which may later transform the scenario. So for liberal feminists, microfinance may not be the emancipator for the women as being claimed by the MFIs and their promoters but it would in their view be the case of 'something is better than nothing'. Thus they would see microfinance as a facilitator in the women's empowerment and as Mayoux (1995, 1999, 2005) in her works on microfinance points out that microfinance may not be the ultimate solution for the women's poverty and their empowerment but can definitely be used in combination with other important social interventions and measures which could improve the condition of women within the contemporary system. Liberal feminist arguments on microfinance can be found echoing in the works of Mayoux (1995, 1999, 2005, 2009) who argues for a more strategic approach to microfinance through the development of institutionalised gender guidelines in mainstream policy and forging linkages with organisations involved in working for improving gender relations. Thus liberal feminists may have reason to object to microfinance for women, as it attempts to fill the gap where the state has abdicated its responsibilities but at the same time they do not undermine the potential of microfinance in catering to the needs of the women. They problematize the work of the MFIs in granting poor access to capital because it conflicts with the feminist understanding of the state "as the institutional expression of the ways in which people value other people [and] have ethical significance for each other."(Dawson et al 2000: 14)

To quote Mayoux (2009: 55),

> The recent attention to gender and micro-enterprise development is a necessary corrective to past and on-going discrimination in 'malestream' entrepreneurship development programmes. It is also a necessary corrective to previous interventions which saw women only in terms of their reproductive role.

However Mayoux points out towards the loopholes in this approach. In her own words,

> What is disturbing about much of the recent enthusiasm for microenterprise development for women is its promotion in the wider context of neo-liberal market reform, particularly 'rolling back the state', the removal of welfare provision and the dismantling of all forms of labour protection. It is also widely seen as a viable and less socially and politically disruptive alternative to more focused feminist organizational strategies. All the evidence indicates that there are likely to be serious limitations on any micro-enterprise strategy for poor women in isolation. (Mayoux 2009: 56)

Moreover she suggests some corrective measures in the form of linking the microfinance programmes with the larger labour and gender movements and designing context specific microfinance products.

> ...it is unlikely that micro-enterprises will succeed in addressing women's aims unless they also link to wider movements for change. The ways in which this can be done will depend on the context and the particular needs of the women concerned. In some cases, microenterprise interventions at the local level can be designed in ways to enhance women's control over income, for example through very careful consideration of the ways in which payments are made. They can also build on women's own aspirations for greater freedom of movement and autonomy. It may not be possible to address directly both 'grassroots' action and macro-level strategies within the same programme or the same development agency. There are therefore crucial questions about strategies for co-operation between development agencies, building on their own particular strengths and expertise. (Mayoux 2009:55)

Feiner and Barker (2007) advance their views in an ethical tone that resonates with the feminist ethics[21] tradition. They point towards the deep economic and social prejudices involved in the idea of micro-lending to the women. They question microfinance on at least three fronts. First, they clearly point out that it encourages women and children to work at home doing activities like sewing and weaving, assembling toys and electronic components, or raising chickens and goats. These low paying works often require long hours in hazardous conditions and lead to dual burden of household work and markets on the women. Second, it also confines women at home and exposes them to a hazardous and primitive workplace where their agricultural activities and home-produced wares are to be traded in a fiercely competitive, unregulated, informal sector beyond the reach of laws or institutions to protect workers or even ensure that they are paid for the work they do. Even what they are paid cannot generally justify the hard work and long working hours they invest in it as they are paid by the piecework not by the number of hours they work. Third, they question the very act for acclaiming Mohammad Yunus for the idea of microfinance by awarding him Nobel as marginalising the achievements of the world's first female-led microcredit organization, the Self-Employed Women's Association of India, known as SEWA. (Feiner and Barker 2004: 124-126, 2007)

Thus the liberal feminist arguments regarding microfinance are not dismissive of it as an approach having potential for the betterment of women but talk of linking it with the wider institutional and welfarist programmes of the government and the larger movements of the society to be effective. However they do not question the societal structures which rely on microfinance programmes and what could be the reasons behind taking up microfinance with such heightened enthusiasm especially when it is feared to come with the decline of the role of the state in the lives of the poor.

This issue has been taken up by the marxist feminists who critique microfinance as well the mainstream (liberal) feminism as part of the neo-liberal capitalist agenda which foreclose the possibility of an alternative world bereft of the dictums of the market.

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[21] The goal of feminist ethics is to develop philosophical accounts of the nature of morality and of the central moral concepts that treat women's moral experience respectfully, though never uncritically.

Socialist/Marxist feminists

Marxist feminism is based on the belief that feminism is not simply a legal and political question but also a social question so that the emancipation of women needs to be linked with the struggle to transform the capitalist system itself. They feminists stress on the fact that 'women' is not a universal category in itself.

Women belong to different classes. So their interests vary according to their class position. For them patriarchy is a system which arises historically and is connected with the emergence of the private property and the state. They derive their tools from the Marxist theory and for them when private property comes into existence as a mode of production, women lose power and according to them it is men's control of private property and the ability to generate a surplus which changes the family (from matriarchal to a patriarchal one) where women (and often slaves), become the property of the father and husband. (Engels 1894). The only effective way to end women's subordination to men according to them is to dismantle the capitalist system. Based on this critique of capitalist system and class based nature of oppression of women as women form the majority of the poor and vulnerable, microfinance can be seen as perpetuating the capitalist exploitative system as also making women more vulnerable by playing the hidden agenda of withdrawal of state from many vital areas of poor women's life and also adding to their burden the so-called micro-entrepreneurship which further alienates them from their work as well as make them prone to exploitation. Microcredit programs for women are touted as solutions to their impoverishment.

According to Brenner (2010) in the context of microfinance, the NGOs run by and for women (and dependent on foreign donors for funding) have not only facilitated the dismantling of public services but have also co-opted women's activism. Individual empowerment for some women in the case of microfinance according to Brenner has been substituted for the collective empowerment that can come when economic development benefits workers, farmers, and communities (which is not in the agenda of microfinance).

Eisenstein (2010) also points towards the impact of capitalist expansion on women's lives in the global South. She makes a good case that, since the 1990s, major institutions organizing neoliberal capitalism have used "women's empowerment" to distract attention from the distinctly disempowering effects of their structural adjustment programs. In this way microfinance is exploitation by the hands of new capitalist class, the MFI owners, NGOs.

The case of microfinance is also a testimony to how the difference between men and women is guided by power when women are being targeted in the name of the greater good of not just poor women but in general for the poor humanity as they are characterised as more prudent, responsible, trust-worthy and risk-aversive. This kind of perpetuation of gender binaries in the words of Elizabeth Prugl (2012: 32) is a myth that hides the continuation of gendered power relations in the financial sector. She draws on the work of Simone De Beauvoir and Ronald Barthes to show how such gendered discourse surrounding women as financially responsible and men as reckless is a construction of a myth in order to perpetuate the bourgeois worldview by depoliticizing the appearance of things and purifying the perceived meanings of the things.

Rankin (2002) in her analysis of social capital approach entailed in the phenomenon of microfinance provides a feminist angle to it when she points out that how the focus on the benign qualities of social capital in the mainstream development discourse offers a clear economic, and even moral, justification for reducing the state's role in the provision of basic social protections. The "feminization of development"[22] entailed in microfinance according to Katherine Rankin is now commonly justified through efficiency and empowerment arguments that draw on the principles of social capital theory. (Rankin 2002: 12) Through social capital, cultural values – and the subjectivities of women – thus become instrumental to strategies of governance. Culture, rather than programs of the state, becomes the medium through which the actions of individual women may be connected up with imperatives of government (Rankin 2001a).

Brenner (2010) observes that microcredit rests on a very partial picture and has the unintended consequence of further solidifying the neoliberal agenda. According to Brenner,

[22] Katherine Rankin is pointing towards the fact of how development issues are being carved in more and more women-centric and women benefitting terms, microfinance being one of them through the help of the 'social capital' theory. And as she demonstrates these are discourses with hidden motives and not necessarily having the positive outcomes which are claimed by them.

> Third World women are set up as a reproach, not to the forces of capitalist domination, but to those who supposedly lack their courage and determination to negotiate the market, that is, the 'dependent' men of poor countries who have relied on the State to protect them from the competitive challenges of the market. (Brenner 2010:30)

Brenner (2010: 30) further observes that,

> The emergence of the 'microcredit industry' indicates how NGOs staffed by women from privileged strata in the Third World find avenues for employment, international travel, and political influence through work in which they project themselves as representatives of women who are marginalised and excluded from the new economic order. Women advocates for women are forced to inhabit a niche that is simultaneously empowering and disempowering-incorporating women's representatives into state resource allocation processes at the cost of distancing them from their social base and shoring up, rather than contesting, neoliberal ideologies and policies.

Nancy Fraser (2010) addresses the contradictions with feminist goals inherent to microfinance programmes in these words,

> Counterposing feminist values of empowerment and participation from below to the passivity-inducing red tape of top-down etatism, the architects of these [microfinance] projects have crafted an innovative synthesis of self-help and community networking, NGO oversight and market mechanisms – all aimed at combating women's poverty and gender subjection. The results so far include an impressive record of loan repayments and anecdotal evidence of lives transformed. What has been concealed, however, in the feminist hoopla surrounding these projects, is a disturbing coincidence: microcredit has burgeoned just as states have abandoned macro-structural efforts to fight poverty, efforts that small-scale lending cannot possibly replace. (Fraser 2009: 110-111)

Thus the provision of credit to poor women has the potential to promote women's self-esteem and political agency which is clearly in line with "feminist values of empowerment and participation," as Fraser notes. On the other, the local dimensions of microfinance projects suggest that they are removed from larger efforts to change the modus operandi of the global economy, which creates pockets of wealth for few and pools of poverty for many. This criticism is apprehensive of the capacity of economic programs to empower individuals, because the success or failure of the model ultimately becomes the responsibility of those persons it aims to serve. (Crockett 2012: 11)

Hester Eisenstein (2009) presents an influential intellectual history of the development of second wave Western feminism in order to argue that in its hegemonic form as liberal feminism it has become co-opted by the forces of capitalist corporate globalization. Eisenstein advocates for a Marxist-feminist approach grounded firmly in an empirical argument that re-frames the classic feminist theoretical debates which according to her has been hijacked by the liberal (hegemonic) feminism which while purporting to represent all women, has primarily advanced the interests of women with higher education, so that after forty years of feminist activism, there is now an enormous class divide among women workers. Eisenstein traces the history of feminist ideas and politics in the context of the fundamental restructuring of the global economy and the rise of the neoliberal political order to explain for this divide. And it is in this restructuring (with globalization as the framework for describing the shift) that Eisenstein situates and identifies microfinance along with policies like the rise of export processing zones in the global South, the growth of the service sector, the explosion of the financial sector, and the employers' offensive against unions as key to the transformation of women's relation to waged labour.

All these writings have certain things in common so far as their critique of microfinance goes. They see microfinance as the part of the widening of the neo-liberal agenda which subsumes the spaces for women's advancement in the name of microfinance based help thus universalising an individualistic solution for poverty. However the socialist/Marxist feminists like Brenner, Fraser and Eisenstein are quite vocal in their argument when they argue that programmes like microfinance are actually sites for the class divide among the women themselves who cannot be treated as universally one entity. They draw attention towards how the MFIs and their employees constitute the spaces for elite class women in the global south who claim to work for the empowerment of the poor women. But it is not possible unless an alternative order is generated and that needs to be strived for as even the feminist debate according to them has been dominated by mainstream (liberal) feminism which has a dangerous liaison (Eisenstein 2010) with the neo-liberal ideology and that can never actually lead to the emancipation of women of the poor class. And goals like emancipation and empowerment of women are not to be achieved through microfinance which is itself the creation of the neo-liberal world order and which needs to be dismantled to achieve any real good for the women.

Radical Feminists

Radical feminists as against liberal feminists question the individualistic, piecemeal institutional and legal changes and their effectiveness as for them the root cause of women's oppression is patriarchy which requires no less than the creation of a new social order. Women, in the view of radical feminists, do not want equality with men but want liberation, and liberation is possible only when patriarchy is overthrown. It necessitates women being separate and apart from men and celebrating this difference. They also reject the Marxist account that male domination is historically linked to class divisions and argue that patriarchy has always been around. Even though they disagree on the causes and time-period of origin of patriarchy, they all agree that it exists and it has done so in every known society (Bryson 1992: 188). So for them microfinance and for that matter micro-entrepreneurship don't empower women in the actual sense of the term as they are another way to sustain the same socio-cultural-economic order which are responsible for women's oppression. According to Catharine MacKinnon, one of the vocal voices of the stream, gender difference is simply the reified effect of domination. As she puts it, "difference is the velvet glove on the iron fist of domination. The problem is not that differences are not valued; the problem is that they are defined by power" (MacKinnon 1989: 219).

Radical Feminism takes the subordination of women as its starting point. For them gender is a system of male domination, a fundamental organizing principle of patriarchal society which lies at the root of all other systems of oppression. Thus Radical feminism envisions a new social order where women are 'not subordinated to men, proposing alternative and often separatist, social, political, economic, and cultural arrangements that challenge the structural conditions of a male dominated society.

Microfinance in many ways actually uses these gender binaries to project the image of responsible, trust-worthy women and capitalises on that image to form narratives of empowerment and graduating out of poverty. Radical feminists do not accept their claims as it entrenches the societal norms surrounding women and sustains the social order which is exploitative of women while claiming to bring changes in their lives in superficial ways through instruments like microfinance while the truth remains that such changes brought through access to credit do not translate into empowerment automatically more so because the patriarchal norms do not make empowerment in the real sense viable.

Naila Kabeer proposes that 'empowerment...refers to the process by which those who have been denied the ability to make strategic life choices acquire such ability' (Kabeer 1999: 437). This definition makes clear that only those previously denied such abilities can be considered to be empowered and also that the choices in question should be strategic in nature to claim for any such change. Kabeer defines strategic choices as ones 'which are critical for people to live the lives they want (such as choice of livelihood, whether and who to marry, whether to have children etc) as oppose d to 'less consequential choices which may be important for the quality of one's life but do not constitute its defining parameters' (Kabeer 1999:437).

As Kabeer (2005:4710) very rightly points out, that contrary to the claims by many regarding the positive co-relation between increasing microcredit access and women empowerment, issues of women empowerment involve changes in societal structures that cannot be changed overnight. Instead, the process of transformation may need to begin more modestly with the constraints that prevent women from exercising their individual agency on a practical everyday basis.

Thus measures like microfinance cannot be relied upon for the empowerment of women until there is a focus on the entire structural transformation of the society. According to radical feminists, such measures are actually a means to perpetuate the power dimensions which make women and their position appear changing but in fact are entrenching their subversive positions.

Postcolonial feminists

Postcolonial feminists take attention towards the glaring realities of women being part of the 'Third world'. They do more than calling for consideration the fact that women in the First World usually have more material goods than women in the Third World, so their problems and issues are not necessarily coinciding with the former as the 'First World' forms the basis of exploitation even though in more subtle forms now. They also underscore the fact that some of the privileges First-World women have are bought at the expense of Third-World women, many of whom are exported to the First-World to work as low-paid homecare aides, domestic servants, or nannies. They emphasize that women in so-called First-World countries need to better appreciate the status and situation of women in so-called Third-World countries. So for them microfinance would be another instrument to generalise the problems of women worldwide as even micro-lending to be successful/unsuccessful requires the structures and attitudes which may not be present in their own countries as has been seen in many ethnographic studies like Rahman (1999), Karim (2008, 2011), Kabeer (2010) who take attention towards how it makes their situation worse and point that women empowerment requires structural changes and not just doing away by giving women credit to help themselves up.

Karim (2011) in her path-breaking work called ‘Microfinance and its discontents’ based on her study of rural Bangladesh provides a feminist critique to microfinance (her study is based on women and NGOs working in Bangladesh and may not be the case everywhere especially in developed world where societal norms and attitudes are different but not the fact of women poverty and vulnerability). Her analysis begins by saying that women because of being pliant subjects were chosen for targets of microfinance. She adds that men’s behaviour is difficult to regulate compared to women. Also, family’s honour and prestige holds very high value in a traditional, face-to face society like rural Bangladesh. So, even if microfinance doesn’t ask for any physical or economic collateral but the social collateral (groups of women microfinance recipients formed who would ensure that repayments are made and default by even a single member will cost the entire group with no further lending made to them in future) according to her acts in a very exploitative manner through the economy of shame. In extreme cases women are humiliated publicly and since societal shame is more scathing in smaller societies, it leads to worse outcomes where women end up selling up the smallest household goods to get rid of the debt. Karim uses the term “economy of shame” to explain the situation as follows,

> The economy of shame refers to the appropriation of pre-existing forms of shaming by a modern institution, the NGO, which instrumentally deploys various forms of shaming in its own capitalist welfare, i.e. the recovery of loans. The honor and shame codes act as the collateral of these loans. It is the honor of the family that is at stake, and which the woman represents. If the woman gets publicly shamed, the family is dishonored. In a face-to-face society, men and their families try to maintain the sanctity of their family honor by observing the honor of their women. (Karim 2008: 10)

Karim also takes the attention towards a very interesting and glaring fact that in about 95 percent of the lending women are just conduits or channels through which loans would circulate as they lacked the market skills or experience to undertake any enterprises. So, they were just being used as an instrument by MFIs as well as their male counterparts as also like a safety valve but in reality all this was making their situation all the more vulnerable. As she says,

> While the Grameen Bank and NGOs claim that poor women are the beneficiaries of these loans, it is the husbands of the women and other male members who really use the loans. Bangladeshi women are primarily the carriers of NGO loans; they are not their end users. In my research, I found that men used 95 percent of the loans. (Karim 2008: 14)

Further, she quotes even Yunus in this regard,

> Grameen has come a long way since then. Now Grameen lends money to husbands, but *only through the wives*. The principal borrower remains the wife. (Yunus and Jolis, 1998: 91 as quoted in Karim 2008:15)

In her own words,

> In my research area, rural men laughed when they were asked whether the money belonged to their wives. They pointedly remarked that 'since their wives belong to them, the money rightfully belongs to them'. NGO officers and researchers in Bangladesh connected with the microcredit industry are aware that the men control the use of the money, but in their public scripts they censor this vital information. This silencing in public scripts of who really uses the money occurs for two reasons. On one level, it fulfills the western aid mandate of targeting women in development. NGOs can show to their western donors that women are participating in loan meetings, and the loans are given in the names of women. On another level, NGOs seek out women because they are seen as docile subjects who can be subjected to their codes and more easily manipulated than men. In the latter instance, local patriarchal norms, the status of rural women, are manipulated by the NGOs in their advancement of their economic goals. (Karim 2008: 15)

Similarly, Rahman (1999) documents increased oppression of women borrowers in Bangladesh who were clients of the Grameen Bank. Women were found to be pressurized by lending institutions in order to ensure timely payments. In a number of cases, such harassment led to "recycling" (borrowing from family or friends, other programs, or money lenders) in order to maintain timely payments, which in turn caused an increase in the household's indebtedness and was found to provide an additional excuse for dominance over women.

Fernando demonstrates the possibility for women's empowerment to serve as an ideological function in the current global economic conjuncture, as well as what he terms as

> the programmatic role of microfinance in marrying notions of empowerment with market-led development as also the manner in which by appropriating the feminist language of empowerment, it disciplines poor women to manage their own welfare through active participation in the liberal economy. Fernando (2006:5)

Goetz and Gupta (1996) have also shown that most of women's loans are directly controlled by male while female borrowers are still responsible for repayment and in many instances, because of pressure for enforcement of loan contracts, women have to reduce necessary household basic needs, savings to repay the loans in case men invest badly, or are not willing to give money for repayment. Consequently, women's lost control over credit reinforces gender norms and exacerbates their vulnerability. Some studies (the most glaring one being that of recent suicides in Andhra Pradesh) even suggest that women are abused by MFIs to reduce transaction costs, thus increasing the burden for women, deepening frustration and tension among household members and in women's groups (Rahman, 1999, Kabeer, 2001). There is little evidence of radical change in the gender division of labour resulting from women's access to loan as women are still doing traditional home-based jobs like poultry raising, tailoring, paddy husking (Kabeer, 2001).

As Kabeer (2005) points out that poverty and vulnerability are not purely economic phenomena, reflecting what people have; they are also social phenomena, reflecting who they are. In her own words to explain her position she gives the example of cultural and geographical characteristics to explain,

> The south Asia region is characterised by various kinds of historically entrenched group-based inequalities. Caste, ethnicity and religion exacerbate the economic dimensions of poverty and vulnerability through processes of cultural devaluation which assign certain groups of people a lower position in the social hierarchy. (Kabeer 2005: 4710)

Parmer (2003) also provides a scathing critique to microfinance with regard to its claim of women empowerment. Empowerment according to her is not something that can be granted or induced from outside. It is internal and achieved by socially and personally overcoming oppression within the society and the family. And as she says since oppression is based on both class and gender relations, change will require a social transformation via social mobilization. Her observation, based on empirical research conducted in Bangladesh, is that microfinance which was supposed to build group solidarity in reality creates tensions resulting from peer group pressure, even to the extent of interference in each other's consumption patterns. In extreme cases she also found females detained in loan centres which is a cause of shame for the women and her family. All this definitely created tension within the household and women were at times even subject to physical abuse. Also, the centres, run by males, reinforced male hierarchies with the women required to call the loan officer "sir" and to agree to their various demands even if they were extended as self-improvement. She concluded that women were in fact doubly oppressed. First, within the household by the males who pressurise women to join and beat them if they do not qualify for larger loans; second, by the microfinance institution that passes monitoring costs on to women to keep their own costs low.

All these critiques of microfinance from the feminist point of view though are very overlapping in their theoretical situatedness but still can be placed in the different feminist theoretical perspectives which have been endeavoured to be categorised from the different views as articulated by the scholars. Thus the feminist scholars clearly pose objections regarding the emancipatory claims of microfinance for poor women as neither does it challenge the patriarchal norms, nor does it challenge the gendered social relations but to make things worse it entrenches these relations.

3.3 Post-Developmental Critique

Post-Developmentalism is that body of knowledge which challenges the entire notion of 'development' as a western construct. For it, development itself is not a neutral term but rather a discourse which was crafted and historically constructed through what Escobar (1995) calls Euramerican culture. Thus for post-developmentalists, development has relied exclusively on one knowledge system, namely, the modern Western one and the dominance of this knowledge system has dictated the marginalization and disqualification of non-Western knowledge systems and for them 'poverty' itself was constructed in western, economistic and reductionist way to clear their way for the development discourse which they were undertaking and trying to establish.

So, for them poverty on a global scale was actually a discovery of the post World War II period and the conceptions and treatment of poverty were quite different before the decolonization era. In colonial times the concern with poverty according to them was conditioned by the belief that even if the natives could be somewhat enlightened by the presence of the colonizer, not much could be done about their poverty because their economic development was pointless. As Escobar (1995:23) points out that this treatment of poverty allowed society to conquer new domains. Perhaps more than on industrial and technological might, the nascent order of capitalism and modernity relied on a politics of poverty the aim of which was not only to create consumers but to transform society by turning the poor into objects of knowledge and management.

As Rahnema (1992) points out global poverty is an entirely new and modern construct. The basic materials which have gone into the construct are essentially the economization of life and the forceful integration of vernacular societies into the world economy.

Thus the post-developmental literature looks into the domain of development in terms of power, knowledge and discourses thus borrowing largely from the post-modern and post-structuralist traditions. And for them development itself has seen its construction and demonstration through the powerful knowledge construction around notions of poverty which in itself was biased. Thus for them poverty is not just about the deprivation or deficiency factor but combines at least four dimensions which Rahnema (1992:177) describes as *the materialities*, *the subject's own perception of his condition*, *how the others view the poor* and *Spimes (socio-cultural space-times) affecting various perceptions of poverty*.

Thus taken from this angle, microfinance itself is a neoliberal construct and involves the development discourse which the post-developmentalists criticize. Brigg (2001) in his analysis of developmentalism and microfinance has taken up the issue and pointed out how microcredit demonstrates both its continuities and discontinuities with the previous development dispositif[23] but still largely falls under the neo-liberal construct despite all its apparent departure from the past practices and the emphasis on autonomous, empowered individuals and the rise of NGO sector through this.

So, as Brigg (2001) argues that the rise of NGOs should not necessarily be read as emancipatory. In his own words,

> "..the combination of the winding back of state involvement in development, the rise of neoliberalism, and the status of NGOs as "non-political" technologies are bases for the emergence of a range of practices that enable a greater penetration of power into the Third World through the development dispositif."

Brigg takes up the phenomenon of microcredit to be examined with this conceptualization of dispositif and demonstrates how microcredit exhibits a consistency with the aims of mainstream neoliberal developmentalist institutions such as the World Bank and promotes a valorization of developmentalist subjectivities.

[23] Foucault uses the term dispositif to refer to a "thoroughly heterogeneous ensemble" of discursive and material elements. A dispositif consists of "discourses, institutions, architectural forms, regulatory decisions, laws, administrative measures, scientific statements, philosophical, moral and philanthropic propositions," and so on.

Thus, microfinance is itself a part of the development discourse which the post-developmentalists criticize and the development dispositif to which Brigg is pointing. Microfinance can be said to be constructed in a manner that it "crystallizes a set of tacit assumptions which reinforce the Occidental worldview" (Sachs 1992: 4)

Thus on account of being a part of the concept of development, microfinance automatically "connotes the best of intentions" (Sachs 1992: 4) like many other development instruments/interventions do. However, authors of post-development argue that these intentions are not merely "noble" and "selfless" per se but have rather to be seen as being part of the development discourse – a discourse completely shaped by the "Western perception of reality" (Sachs 1992: 5). So microfinance from a post-development perspective leads the attention to the "notions of individual initiative, determination, and provision of capital to improve people's situations and increase economic growth which are a micro version of the dominant economistic development approach" (Brigg 2001: 240)

In the words of Andrea Visotching (2011) who applies Post–developmental critique on the phenomenon of microfinance,

> According to DuBois (1991: 21) there is a certain way the development discourse works. Using his concept for analyzing microfinance points out its anchor within this discourse: First visibility has to be created – a problem needs to be identified (DuBois 1991: 21). In the case of microfinance that would be poverty and the lack of collateral poor people suffer from since consequently they do not have access to loans which are supposed to be needed. In this context, that is the chosen category indicating poverty (Escobar 1995b: 41). Secondly, "'better'" and "'proven' ways of doing things" (Du Bois 1991: 21) are introduced by "experts": Poverty is supposed to be overcome by microcredit and other innovative financial services (Vakulabharanam/Motiram 2007: 3) since that would enable people to start up their own businesses. Microfinance institutions are offering the "necessary" expertise which, thirdly, leads to "disciplinary power relations" (DuBois 1991: 21) which make poor women "manage their own welfare through active participation in the liberal economy" (Fernando 2006a: 6) and subordinates the clients of microfinance institutions. The result is a "hierarchization of cultures" (Du Bois 1991: 22).

Thus microfinance according to the post-developmental critiques is a flawed and misguiding construction of knowledge within the flawed development paradigm which is itself the result of a dominant discursive process led by the western powers and creates an equation of power through knowledge creation.

3.4 Liberal Critique

That microfinance has been the product of the neo-liberal, capitalist regime of development is an established fact but microfinance in itself has not been a uniform and invariably the same in its structure, design, functioning as also its priorities across different countries and regions and time period. There have been degrees and kinds of variance when it comes to microfinancing. Though the initial idea of microfinancing believed in creating self-employment among the poor, the prevalent trend currently in the microfinance industry has been towards achieving self-sufficiency. This trend started in the decade of 1990s and coincided with the phenomenon of liberalisation, privatisation and globalisation. So even Grameen Bank saw its new avatar in the form of what was called the Grameen II since the beginning of the 1990s.[24] These are the result of the critics from the liberal tradition who believe in achieving efficiency as well as sustainability for the institutions working in the arena.

The whole thrust to the commercialised version of microfinance was actually based on the grounds of efficiency, self-sustainability and increasing outreach. It was based on an overhauling of the earlier notions microfinance and was being propelled by the very institutional and organisational setups who believe in the neo-liberal orthodoxy and which have this firm faith that such organizations (read microfinance organisations) should also be privatized or commercialized, so that they will also become 'more efficient' through (among other things) more incentivized management.

Robinson (2001) has been one of the earliest to take the attention towards this difference in the microfinance services rendered and has broadly classified the two approaches to microfinance as 'The Poverty-lending approach' and 'The Financial Systems Approach'. She discusses these at length and creates the justification for the latter in quite vocal terms and has coined the term "Microfinance Revolution" to stress the popularity, strength and effectiveness of this idea. Moon (2009) also talks about classification of approaches to microfinance as dealt by Murdoch (2000) and Woller et.al (1999) by differentiating between the 'institutioanlist' and the 'welfarist' in terms of the schisms,

[24] This has already been dealt in details in the previous chapter titled 'Genealogy of Microfinance'.

> These poles are often represented as "welfarist" vs. "institutionalist" perspectives, encompassing cleavages on issues such as (1) the populations thought to be best served by microfinance (welfarists are concerned with the poorest while institutionalists tend to emphasize the entrepreneurial poor), (2) lending designs (the alternatives include individual, small solidarity groups, or large village banks), (3) institutional structure (options include NGOs, community-based credit unions and banks, commercial banks and finance companies, and state programs including rural development banks).... The institutionist approach to microfinance can be seen as one expression of the (neo) liberal perspective embodied in orthodox economics. (Moon 2009: 3-6)

Weber (2004:360) very clearly points towards this:

> As a 'micro-level' strategy it [microcredit programmes] mirrors at the 'local' level the wider trend of neoliberal restructuring and can be understood in terms of a process that seeks to establish on a global scale the (legal) political framework for the trade in financial services agenda more specifically.

Roy (2010) deals with this internal churning within the microfinance industry by taking attention to the insides of the big players and their strategies in creating what has been lately and widely been promoted as the 'best-practice microfinance', as defined by the Washington consensus on poverty. The dilution of the other models of microfinance (which are non-commercial and subsidy-driven) is thus catching hold to the very extent that the terminology of "microfinance," has now been more and more increasingly used in a general term called "financial services for the poor,". It thus involves the critics based on the logic of making self-sustainable microfinance from the echelons of policy-making and knowledge creating ranks. One such institution is the Consultative Group to assist the poor (CGAP) which calls for a minimalist microfinance, one that draws a clear line between social development and finance and between NGOs and financial institutions.

Roy (2010:117) explains this through what she calls the CGAP consensus which in her own words draws an indelible line between the economically active poor and the economically inactive poor, a distinction that one interlocutor of the Bangladesh consensus rejected as a kind of "a caste system."This might be owing to the boundaries that it ends up creating between the supposedly entrepreneurial/economically active poor on the one hand and the other poor on the other hand which may not be easy to cross or climb over owing to the deep-rooted inability and obstructions which is imposed by poverty and then exacerbated by such 'selective' treatment.

Moon (2009) also takes notice towards the rhetoric employed by advocates of commercialized microfinance – such as the Consultative Group to Assist the Poor (CGAP) which associates subsidies with inefficiency, impermanence, and a limited scale of operations. Since subsidies are inherently unsustainable, programs not weaned from them must ultimately dissolve, and thus the compilation of "best practices" by CGAP eschews subsidy and embraces commercialization. Those commercialized MFIs which operate without subsidies are able to grow in scale to meet more of the nearly limitless demand for access to credit. The key performance criteria for this school of thought is "sustainability" and the practical essence of their position is that the best, perhaps only feasible, method of delivering microfinance services is through the quintessential market participant, the for-profit enterprise.

Thus the liberal tradition of critiquing microfinance is not rejectionist of the idea of microfinance. It is very much approving of it but in a form which is even more efficient, sustainable, wider in outreach so as to suit the requirements of the market driven ideology.

3.5 Marxist Critique

The Marxist school in itself is not a uniform body of knowledge because of the various internal divisions among the many Marxist schools of thought but there are at least some basic elements which form the basis of any approach which qualifies to be called as Marxist and it is based on this that the critique from the Marxist school will be employed to the phenomenon of microfinance. The Marxist approach belonging to the structural school of thought sees problems as well as solutions for the problems in structures and not just agencies. Microfinance being a comparatively new entrant in the developmental jargon needs to be looked in the critical perspective of a tradition which is quite rich and owns a legacy of fruitful and prolific ideas. Thus any theoretical critique would be definitely incomplete without undertaking this rich tradition of thought which doesn't believe in piecemeal changes but in structural changes to improve the society and the masses. The critical take of Marxist approach on microfinance would not be complete without its views on poverty. Poverty being the rationale behind the growing industry of microfinance practices; it will make the analysis more inclusive.

Marxists posit that inequality and poverty are the by-products of the capitalist mode of production as capitalism necessarily produces inegalitarian social structures. And very importantly, inequality is transferred from one generation to another through the conditions of services and opportunities which surrounds each individual. (Peet 1975: 564) Thus, Marxists do not blame the poor for their poverty as done by the individualist and neo-liberal approach which associates poverty with individual deficiencies. As Ralph Miliband (1974:185) writes:

> "The basic fact is that the poor are an integral part of the working class - its poorest and most disadvantaged stratum. They need to be seen as such, as part of a continuum, the more so as many workers who are not deprived in the official sense live in permanent danger of entering the ranks of the deprived; and that they share...many of the disadvantages which afflict the deprived..."

So, Marxists look for explanations in the structure of the society in question, in the economic arrangements present and in the functions that poverty performs for capitalism and the capitalist class. To put it simply the reason for poverty and inequality lies in the market based capitalist economy and the fluctuation that all such economies periodically go through. Microfinance in the backdrop of the above explained notions of poverty and Marxist tenets thus conforms to the capitalist and neo-liberal notions of poverty as well as its way out. Thus provided below are some critiques of microfinance from the Marxist perspective.[25]

Harper (2010: 13) questions the euphoria associated with microfinance industry and describes how microfinance offers a more subtle and potentially more durable means of exploitation whereby those who control capital can exploit those who have only their labour to sell. (The clear inkling of how class differences between bourgeoisie and proletariat are still present and entrenched through microfinance in favour of the former). However it has changed its form in his own words as the means of production is no longer machines which entail many workers to come together to operate them, and thus the possibility of them getting united against the employer is also not there. In the words of Harper himself,

[25] The works being discussed below may not necessarily fall in the Marxist perspective in a self-pronounced manner but they use the basic Marxist tenets and jargons to analyse the phenomenon of microfinance and present some very wonderful and theoretically well-built critique of both microfinance and the neo-liberal regime of which it is a by-product.

> Microfinanciers can now provide capital, in the form of microcredit, which borrowers use to purchase the tiny amounts of stocks or simple tools, which they need to run micro-enterprises. The surplus they can earn is barely sufficient for survival, but because the investments are so small the borrowers can afford to pay very high rates of interest on their loans. Capitalists no longer have to organise and manage labour. They can extract a higher return on their capital not by directly employing people, but by financing their petty businesses under the guise of assisting them to become 'entrepreneurs'. Better still, these entrepreneurs will compete against one another rather than combining against capital.

Bateman (2010: 160) writes emphatically in this context that the most accurate location for the microfinance model is within the most fundamentalist and anti-poor variant of capitalism: neoliberalism and that microfinance is itself 'local neoliberalism'. Further he elaborates that this whole project would lead to eventual disappearance of alternatives such as state intervention, collective organization (trade unions and social movements) and wealth redistribution. Through an informal microenterprise, and with the help of microfinance, the poor could be left to individually articulate their own exit out of poverty. Thus from the late 1980s, the microfinance movement was occupied by neoliberalism and the poor themselves were expected to pay the full costs of attempting to secure their own escape from poverty. Also it would very craftily allow governments and the international donors to do away with any remaining direct financial support for the poor.

Weber (2004: 361) also presents a derisive critique of microfinance and its strategic embeddedness in the global political economy and what she has termed as the new economy which conforms to the neo-liberal, capitalist agenda advanced by the key global institutions which use microcredit[26] as a way to advance and sustain financial sector liberalisation. She also shows how Structural Adjustment Programmes (SAPs) were very much in conformity with the terms of establishing an 'enabling environment' to create opportunities to empower the 'poor' in order to enable them to engage in entrepreneurial activities and it is in this context that arguments asserting the compelling necessity to increase the supply of credit, in order to enhance the access to credit for potential entrepreneurs emerged and justified.

Thus according to these critics (Bateman 2009, 2010, Chang, 2009 and Weber, 2004, 2006), neoliberals saw the usefulness of microfinance as a way to permanently pre-empt any radical trajectory because of the growing discontentment of

[26] Weber prefers to use the term microcredit instead of microfinance, though this doesn't make any difference for our purpose of the study.

neo-liberalism among the masses and what Bateman (2010) has termed here as the crisis management and containment of poor strategy taken up through the providence of microfinance which involves the collusion of the state, the business sector and the middle class at the expense of the poor. So, while on the one hand it legitimises neo-liberal policies on the other hand it delegitimizes and helps dismantle all other possible 'bottom-up' attempts to propose alternative development policies that might be of direct benefit to the majority, but which would circumscribe the power and freedom of established economic and political elites. These critical insights into the phenomenon clearly point towards the class differences based on the difference of interests and how capitalists act in a deceptive manner to create the false consciousness to perpetuate the neo-liberal, capitalist agenda by making microfinance as a safety-valve).

Similarly, Kalpana (2005: 5401) proposes on the similar line that the growing intensity of concerns about poverty in the wake of the implementation of neo-liberal economic reforms in several regions of Latin America, Africa and Asia and the consequent rearticulating of a "New Poverty Agenda" for the 1990s by important institutional actors such as the World Bank and the UNDP constitute the context within which the phenomenal growth of microcredit programmes has been taking place.

Karim (2008) documents how the developmental NGOs operate as a shadow state in Bangladesh (or for that matter in the scene of the virtually absent state in any postcolonial country especially through the arrival of the globalization), and is able to exercise tremendous control over the lives of the poor through a Gramscian notion of hegemony where their relationship is characterized by a combination of force and consent. As Karim puts it in her own words,

> It is precisely the lack of economic sovereignty of third world countries that allows the International Monetary Fund (IMF), the World Bank, and Western industrialized nations and multinational corporations to exploit these countries and their populations for their corporate and political goals. This lack of economic sovereignty in developing countries gets exacerbated when NGOs with economic ties to western capital enter development, target poor people with much-needed services that the state fails to deliver, and link together economic, political, and social life through their programs... Through micro-credit operations, rural people and NGOs in Bangladesh have become mutually dependent, and rural people and multinational corporations have become connected for the first time. (Karim, 2008:8)

Raza (2010) provides a Marxist critique of microfinance in quite unequivocal terms and argues on Marxist lines that instead of turning the poor into the petit bourgeoisie, in reality microfinance turns borrowers into indentured wage-labourers. The implication of this claim is that microcredit – rather than being a panacea to poverty – is really an attempt to bring capitalist globalization to the rural level. According to him the arrival of microcredit capital to the rural level is actually a response to the needs of capitalism which, in order to persist, must constantly expand and find new markets to exploit which has been done through microfinance.

Further Raza (2010) uses the Marxist category of 'alienation of labour' to the phenomenon of microfinance to debunk the false claims of poverty panacea and empowerment sighted by through it. He thus extrapolates this concept of alienation to explain the situation in the microcredit-plagued Third world where the commodity may not appear as an alien product apparently since it is privately owned by the borrower and generally consists of the creatively produced commodities such as handicrafts and clothes. So the process of production is not classified as an alien activity since producing them satisfies the creative needs of the women. But this according to him is just a rhetoric that is being spewed by the World Bank and the like institutions which create the world of make-believe and hence become successful in getting many grass-roots activists genuinely committed to ending poverty showing support for the microfinance programs. To quote him,

> "...in the ultimate sense, both the product and activity of production are alien to the borrower. This is because the activity is performed and product is sold, for the purpose of repaying the loan, with its attending interest charges, in a timely manner... In addition, the activity of production, rather than being a pleasant activity satisfying creative impulses, becomes a means to satisfy the demands of the microcredit banks... Only marginally is it a means to satisfy the basic necessitates of life so that the borrower can keep herself alive and remain an exploitable wage-labourer for the microcredit institutions." (Raza 2010:63-64)

Roy (2010) uses the various Marxist and its successor theories thus taking up from Gramscian angle to discursive analysis of Foucault to Bourdieu's analysis to explain what she has termed as the "Washington consensus on poverty" to examine how authoritative knowledge about poverty, and especially about microfinance, is produced in the World Bank and other Washington institutions and being imposed through the phenomenon of microfinance which in her own words provide a different understanding of the slogan, "credit is a human right" (as proposed by Yunus) as a discourse of entrepreneurship and empowerment that obscures the structural exploitations of the poor. The study of microfinance makes possible an exploration of the relationship between democratized development, which is dispersed among thousands of privileged global citizens, and the centralized and powerful institutions of financialized development. In her own words,

> Microfinance celebrates the people's economy but it also entails, to borrow a phrase from Marxist geographer David Harvey (2005: 3), an effort to "bring all human action into the domain of the market . . . to value market exchange as an ethic in and of itself." By "neoliberal populism" I thus mean the ways in which microfinance seeks to democratize capital and simultaneously convert the microcapital of the poor into new global financial flows. (Roy 2010: 40).

Thus the Marxist Critiques to microfinance look into the phenomenon through the premises of class-divisions present through the inherent differences of interests between classes, false consciousness, gramscian hegemony, alienation of labour and a scathing critique of advancing neo-liberal policies which is very much in conformity and support of microfinance.

These critics of microfinance taken up open before us a wide horizon of perspectives to look into the issue through different angles which project how knowledge, economy, class interests and power of discourses are working in the whole phenomenon of microfinance. However, a very fundamental question regarding the phenomenon of microfinance remains unanswered that how this very idea created and made a space for itself in a world of contesting propositions and established the status of an institution in a remarkably very short span of time. The explanation for this very question needs to theoretically look into another domain of explanation and critique which this entire study needs to produce and demonstrate for which neo-Gramscianism provides the theoretical framework and will be taken up in the subsequent chapter.

Chapter 4

Microfinance, Poverty Reduction and Hegemony of Knowledge: A Neo-Gramscian Analysis.

4.1 Introduction: Microfinance as an interventionist measure in the developmental arena for problems like poverty and financial exclusion of the poor especially in the third-world countries received a treatment of a win-win solution, a panacea and a revolution which could reap the dividends of both ends (market-led policies and social concerns of justice and poverty reduction through its scheme of targeted poverty reduction) which a neo-liberal order would aspire to achieve to sustain itself. It heralded a growing and assuring acceptance towards market-driven initiatives in place of state-driven policies and is clearly reflected in the work of England and Ward (2007:27) who demonstrate how neo-liberalization articulates with national and sub-national political-cultural formations, transforming the rules of the game as also the lives of people in some cases, though at the same time generating spaces for critique and accommodating them through the creation of alternative imaginaries as its contradictions are revealed. Microlending is thus a response to the exclusion of the poor from global and national financial systems. According to Young (2010), 'in important ways, the growth of microfinance is also a reaction to the dilemmas of financial openness and debt traps (Cassimon et al.) and the tendency of capital to flow 'uphill' from poor to developed economies' (Prasad et al. 2006).

In a world where ideas, material forces and institutions work in reciprocal relationship (to borrow from neo-Gramscian terminology) to form the historic bloc which generates certain commonsense through which issues and problems are perceived and even looked into for solutions of problems, a case worth examining is that of microfinance. While critiquing microfinance is a task undertaken by scholars across a wide ranging theoretical positions, some of the important ones of which have also been looked into in the earlier chapter, the endeavour of this chapter is to carry out a detailed analysis of the manner in which this idea of microfinance flourished and established itself as an indisputable redeemer of the masses. The kind of support it received from international financial institutions, some of the very famous international developmental agencies, international donors, even the governments of the various states which made its status like a commonsense /natural solution for poverty and its alleviation, is well evident now.

Any study on microfinance is inextricably linked to poverty and poverty alleviation because it is the persistence of poverty which alone led to the arrival of the idea of microlending as the key to unlocking its perpetuity in the modern times. So, while undertaking the study of microfinance, the discourse on poverty runs in parallel and the way poverty and its reduction has been taken up in the history of development discourse is but a very important part of this endeavour as the knowledge and consciousness surrounding poverty are tied up with how the development discourse was to move in the larger picture through the intervention of microfinance. As pointed out already in the first chapter, the whole concern of the study is to seize the understanding of the very processes, institutions and forces which make and unmake ideas and control the way a nascent idea is accepted, rejected or celebrated. The case of microfinance falling in the third category because of the manner in which it was given a thumping welcome in the arena of development discourse. It becomes a challenging task to unfold the intricacies of the processes and forces that shape visions and policies impacting the lives of millions. Thus the whole venture requires a theoretical framework apt enough to describe the complex processes involving the working of the various institutions and forces which worked in the favour of microfinance and established it as an ideational 'hegemon'. The term hegemon fits here well considering the scale of the outreach, popularity and unquestioned acceptance it gained in the popular International development discourse.

The initial euphoria associated with microfinance has started subsiding (but certainly has not died out) now but only after the three decades of its spectacular rise on the international development discourse, which saw the change in the policies, programmes and most importantly the entire perception regarding poverty. It was certainly not an ordinary arrival on the developmental arena, rather it was the one with far reaching consequences for the millions of life on the globe. As already dealt in the earlier chapters, the evolution and outreach of microfinance was unparalleled journey of an idea which could find its support on all platforms because of the ease, flexibility and benefits which it provided to the actors/players on the international sphere (International Organisations, NGOs, International Aid Agencies and States) in dealing with a protracted problem like poverty. But all these need to be corroborated by theoretical and empirical evidences which this study intends to do. This is needed for at least two important reasons. First, in the arena of international politics it is unlikely to happen that any idea gets institutionalised just because of the sheer merits it carries because unless endorsed by all the big players whose consent in making it successful is but always required. Second, when dealing with an idea like microfinance which has achieved the status of an 'ideational hegemon', the underneath processes involved needs to be studied not just to provide a critique on the idea or the larger play of international politics but to be able to provide a counter-arguments or better and viable alternative to the world to develop a better understanding to the problem of poverty, their perception and solution.

The recent fiasco which microfinance witnessed in the last couple of years in many parts of the world points towards just the symptoms of a much deeper problem which got the media attention but the problems were suggested to be mostly associated with the implementation stages not with the idea itself. So this study aims at looking into the very processes and forces which acted in making this idea of microfinancing an established institutional practice.

This study takes neo-Gramscian framework to explain and discuss the process at large because of the theoretical tools this framework provides in studying ideas, institutions and processes by questioning their very existence unlike other IR theories which as Cox (1981) himself says have problem-solving preoccupation with the maintenance of social power relationships. So in his own words neo-Gramscianism 'does not take institutions and social and power relations for granted but calls them into question by concerning itself with their origins and whether they might be in the process of changing' (Cox 1981: 29).

Neo-Gramscianism as an approach developed out of the ideas of Gramsci by extending the Gramscian writings to the international level which first was done by Robert W Cox in the 1980s and then enriched by many other scholars like Stephen Gill, David Law among the most notable ones. What makes neo-Gramscianism as a framework to be taken for this study is the very tendency of this approach to critically question the existing notions in the society by looking beyond what is already accepted and admitted as given and looking into the nitty-gritty of the mechanisms through which various forces and actors are involved in making the things acquire the status of common sense. So for them, any idea or institution dominates because of the forces working behind them. In an era of complex institutions and forces interacting in a more and more globalised world, it becomes all the more challenging to untangle these.

Gramsci's writings talked about the state and the important role of civil society in bringing changes largely in a nationalist framework. With the emphasis on culture and ideas, Gramsci's analysis of 'hegemony', his key concept, led to the 'Marxism of the superstructure' which was a rejection of economic reductionism or determinism in the classical Marxism and thus provided an answer to many of the then existing problems and sought its relevance even to the contemporary times. As Schwarzmantel (2009:3) says, the form of cultural Marxism in Gramscian writings was relatively underemphasised in earlier versions of Marxism and Gramsci led to the extension of power relations beyond the state and the economy into civil society, where a particular conception of the world was privileged and would have to be challenged before any seizure of political power could be envisaged.

Unlike the conventional IR theory, which reduces hegemony to a single dimension of dominance based on the economic and military capabilities of states, a neo-Gramscian perspective developed by Cox broadens the domain of hegemony. It appears as an expression of broadly based consent, manifested in the acceptance of ideas and supported by material resources and institutions, which is initially established by social forces occupying a leading role within a state, but is then projected outwards on a world scale. For Cox, a critical theory examines the dialectical phenomenon throughout history, not just concerned for the past, but with the continual process of historical change and the potential for alternative forms of development (Cox 1987, 133-134).

So, while dealing with a phenomenon like microfinance which became in the words of Ananya Roy (2010) more than an anti-poverty tool, a global industry and indeed an "asset class" for global finance capital, the neo-Gramscian framework will act as the guiding framework to understand it in a better manner. As argued by Arun and Hulme (2009:1) microfinance has become a vast global industry involving large numbers of governments, banks, aid agencies, non-governmental organizations (NGOs), cooperatives and consultancy firms and directly employing hundreds of thousands of branch-level staff. Thus it took its roots firmly at the level of civil society itself through NGOs and spread across states through the whole range of forces (ideas, institutions and material capabilities) working in its favour. Neo-Gramscian concepts will provide the tools to explain how all this happened and seek to answer the fundamental question its status as a magic-bullet or a panacea for poverty. All these will bolster the critical dimension to the understanding of microfinance.

4.2 Conceptual Tools:

The contribution of neo-Gramscian approach to the study of International Political Economy lies in the moulding of the key theoretical tools of Gramsci and applying it to the contemporary world. So, scholars from Cox (1981, 1983, and 1987) to Gill and Law (1989) and Kees van der Pijl (1984, 1998) and many others have contributed in their own way taking many key concepts of Gramsci and applying to the contemporary international political analysis. As Gill (1992: 4) himself says that internationalisation of state and civil society, the international aspects of social hegemony and supremacy, and the transnational class and bloc formations and economic forces, the role of organic intellectuals and of international organisations help in defining the nature of global politics in the contemporary times.

Some of the fundamentals of the neo-Gramscianism are its emphasis on historical analysis, mutual conditioning of the structure/agency and the combination of them for analysis, a general critique of methodological individualism in favour of collective understanding and analysis and its insistence on the ethical dimension to analysis.

Gill's own explanation in this context makes the above statement and its concepts clear. Gill (1993: 24) says that the Gramscian approach to history and political economy are not understood as a sequence or series of discrete events or moments but rather as an ensemble of social relations configured by social structures (the situation) which is the basic unit of analysis, rather than individual agents.

Some of the very important concepts which this study will be using as the tools in the framework of neo-Gramscian critique of microfinance need to be dealt in particular from the vast literature on the neo-Gramscian theory to contextualise the main arguments of the work. So, these key relevant concepts (for this study) which are being used here will be elaborated here so that a link can be established with the analysis of microfinance. The core concepts used here are that of, Hegemony, Historic Bloc, *Tansformismo* and World Order.

Any attempt at developing over Gramsci's theory has to begin with the concept of hegemony given by him which was a plausible explanation for many hitherto unanswered phenomena especially in the context of revolution not taking place in western Europe even though capitalism was first to arrive and manifest its nature there. Actually Gramsci's notion of hegemony rests on the ability of a dominant class to form a consensual relationship with subaltern classes through a variety of social and cultural channels (Gramsci 1971: 55–60, 415–25). Cox has presented the concept of hegemony in the application of IR against the prevailing orthodox understandings of hegemony in the field which according to him were merely reporting facts through the ahistorical lens of a 'problem-solver', as opposed to adopting an historical critical approach that looks at how dominant states are configured and create institutional structures to complement them (Cox 1996: 97-101, 135-41). He also suggested that in the absence of an international state, hegemony is maintained through international organisations, and it is through this mechanism that the dominant state transports its form of hegemonic strategy to the international community (Cox 1996: 137–40).

Thus as Robert Cox puts it,

> Hegemony is a structure of values and understandings about the nature of order that permeates a whole system of states and non-state entities. In a hegemonic order these values and understandings are relatively stable and unquestioned. They appear to most actors as the natural order. Such a structure of meanings is underpinned by a structure of power, in which most probably one state is dominant but that state's dominance is not sufficient to create hegemony. Hegemony derives from the dominant social strata of the dominant states in so far as these ways of doing and thinking have acquired the acquiescence of the dominant social strata of other states. (Cox, 1990)

Hegemony can thus be described as a form of dominance, but it denotes more to a consensual order so that 'dominance by a powerful state may be a necessary but not a sufficient condition of hegemony' (Cox 1981: 139). As Bieler and Morton (2004: 88) reflect that if hegemony is understood as an 'opinion-moulding activity', rather than brute force or dominance, then consideration has to turn to how a hegemonic social or world order is based on values and understandings that permeate the nature of that order (Cox 1992/1996:52).

Hegemony within a historical structure is formed through the involvement of three spheres of activity, viz., social relations of production, forms of state and world orders. Firstly, the social relations of production are the starting point for analysing the operation and mechanisms of hegemony (Cox 1987: 1-9). The meaning of production here is more than just the production of material/ physical goods and 'covers the production and reproduction of knowledge and of the social relations, morals and institutions that are prerequisites to the production of physical goods' (Cox 1989: 39). These patterns are referred to as modes of social relations of production, which build social forces, which are as the most important collective actors. By perceiving different modes of social relations of production, it is possible to find how changing production relations give rise to particular social forces that become the bases of power within and across states and within a specific world order (Cox 1987: 4). This wider understanding of production ensures that social forces are not reduced to material aspects. '"Non-class" issues-peace, ecology, and feminism-are not to be set aside but given a firm and conscious basis in the social realities shaped through the production process' (Cox 1987: 353).

The second sphere of activity is forms of state. As seen above, social forces form the most important collective actors and thus even state power is derived from the underlying configurations of state-society complexes. Consequently, state is not taken here as a given or pre-constituted institutional category. Neo-Gramscianism gives ample importance to the historical construction and the social context of the formation of various forms of state which act as important determinants according to it. The concept of historic bloc and the expansion of the concept of the state to accommodate within it civil society act as important factors in this. Difference in the forms of state is thus considered as owing to the expression of different kinds of historic blocs. On the whole, this inter-relation is called as the state-civil society complex that has its intellectual foundation in the works of Gramsci. For Gramsci, the concept of state was not just confined to the apparatus of government operating within the 'public' sphere (government, political parties, military) but also as part of the 'private' sphere of civil society (which included church, media, education etc) through which hegemony was exercised (Gramsci 1971: 261). It can be said that the state in this notion is not automatically taken as a distinct institutional category or thing in itself, but conceived as a form of social relations through which capitalism and hegemony are expressed. (Beiler and Morton: 2003)

Thirdly, world orders form the third sphere of activity. World orders are not just the representation of the phases of stability and conflict but also provide the scope for thinking about how alternative forms of world order might emerge (Cox 1981: 135-8). The construction of an historical bloc cannot exist without a hegemonic social class and is therefore a national phenomenon (Cox 1983: 168, 174). But once hegemony has been consolidated on the domestic level it may expand further to a particular social order to move outward on the world scale through the international expansion of a particular mode of social relations of production (Cox 1983: 171, Cox 1987: 149-50). International organisations play an important role in the sustenance of hegemonic order.

This analysis is carried forward by Cox when he says that within each of the three main spheres there exist three elements which combine to constitute reciprocally in an historical structure and they are ideas, institutions and material capabilities (these three concepts form the basis of the analysis on the institution of microfinance and have been dealt in details in the context of the concept of microfinance) in the upcoming sections of the chapter.

Historic Bloc thus occupies a very important place in the conceptual jargons of neo-Gramscian approach and forms the basis of the Historical Materialism it claims as its methodology. So any hegemony and subsequently a world order are not possible to be established until the historic bloc is formed as seen above. Originally used by Gramsci to refer in the context of hegemonic social classes, as Cox says (1981) that an historic bloc cannot exist without a dominant class. In the Gramsci's writings, a historic bloc is the important concept which moves ahead of the historical economism/ reductionism of classical Marxism by replacing any simple notion of economy determining political and ideological superstructure with the dialectical notion of the historic bloc. In the words of Gramsci,

> 'Structures and superstructures from a 'historic bloc'. That is to say the complex contradictory and discordant ensemble of the superstructure is the reflection of the ensemble of the social relations of production. (Gramsci, 1971: 366)

For Gramsci and Cox, the formation of a historic bloc is an essential pre-requisite for the recognition of the hegemon. Burnham states (1991: 76), 'the formation of a historic bloc organized around a set of hegemonic ideas, a dominant ideology, which temporarily forms the basis for an alliance between social classes.' A historical bloc, for Gramsci, or a historical phase, for Cox, are identified when a coherent fit has occurred between material power, the development of collective world images and the administration of an order through a set of institutions claiming universality (Burnham 1991: 75). Thus, a successful historic bloc is organized by a set of intellectual and moral leadership.

Cox takes attention towards the role played by the intellectuals in building a historic bloc. Actually intellectuals themselves are organically connected to the social class and perform the function of developing and sustaining the mental images, technologies and organisations which bind together the members of a class and of a historic bloc into the common identity. Burnham takes this further by stating, "For neo-Gramscians the state is held to comprise not only the machinery of government but also aspects of civil society, press, church, mass culture, which stabilize existing power relations" (Burnham 1991: 76). The hegemonic world order emerges with the formation of a historic bloc, which happens when the social forces and ideology of a dominant class are acknowledged as universal by a subordinate class i.e. there is a convergence of the dominant social, political, and economic ideology to a universal ideology.

The concept of Transformismo is also a very important contribution of the gramscian literature. As Cox (1983: 167) says that Transformismo can serve as a strategy of assimilating and domesticating potentially dangerous ideas by adjusting them to the policies of the dominant coalition and can thereby obstruct the formation of class-based opposition to established social and political power.

In the words of Gramsci himself,

> ...the term was used from the 1880s onwards to describe the process whereby the so-called "historic" Left and Right parties which emerged from the Risorgimento tended to converge in terms of programme during the years which followed, until there ceased to be any substantive difference between them especially after the "Left" came to power under Depretis in 1876 and the latter began to recruit his ministers indiscriminately from both sides of the parliament. (Gramsci 1971:58)

Again Gramsci explains,

> Transformism as one of the historical forms of what has already been noted about 'revolution-restoration' or 'passive revolution', with respect to the process of formation of a modern State in Italy. Transformism as a 'real historical document' of the real nature of the parties which appeared as extremist in the period of militant activity (Partito d'Azione). (Gramsci 1971:58)

Gramsci further remarks,

> So-called "transformism" was only the parliamentary expression of the fact that the Action Party was incorporated in molecular fashion by the Moderates, and that the popular masses were decapitated, not absorbed into the ambit of the new State. (Gramsci 1971: 97)

Thus, the concept of Transformismo in Gramscian literature points towards the merging of ideologically opposite positions (in original Gramscian literature, it was used to show the assimilation of opposing view in political parties and their programmes in the Italian history) which prevented any 'revolution' from taking place and created the way for rather gradual change or what he calls 'passive revolution' which in the words of Candeias (Gef.1, p. 1021)[27] is actually a way to restore fragile power by revolutionizing all social relations and not only restoring order, but developing bourgeois, capitalist rule, by actively pushing the society forward. Thus it refers to a broad convergence in the programmes of elite cadres of political parties historically divided into Left and Right. Transformismo is one of the forms that a 'passive revolution' can take. The passive element lies in incorporating the interests of the subaltern sections of the society while keeping them in a subaltern, powerless position but by absorbing their intellectuals and leaders into the power bloc, while at the same time depriving the subaltern of their leadership. This is what is actually called Transformismo which in other words is actually a cautioning against co-optation by those who aim at preserving hegemonic forces. Thus it becomes an instrument of passive revolution, through which hegemonic forces allow restricted (and to an extent, false) freedom of self-expression for the dominated groups, thus maintaining the steady consent to the current relations of force.

The idea of world order is Robert Cox's most ground-breaking endeavour at the application of Gramsci's concepts to the international arena and very pertinent for this study as well. A world order can be seen as the logical extension of what Gramsci

[27] ‚Gefängnishefte' – the German translation of the Prison Notebooks. Since no good English translation yet exists, this version is often quoted internationally – and herein as quoted in Candeias (2011:2).

called historical bloc on the international level and can be described in terms of Bieler and Morton (2004:4) as the sum of a structure whereby states and production combine to produce a 'configuration of social forces' that promote a common set of norms and values (Cox 1987: 105-9). These norms and values are often entrenched through institutional treaties or international organisations, constructed at the international level. Cox (1983, 1987) presents a historical account of how world has moved between hegemonic and non-hegemonic world orders.

To quote Cox (1983: 171)

> ...historically, to become hegemonic, a state would have to found and protect a world order which was universal in conception, i.e., not an order in which one state directly exploits others but an order which most other states (or at least those within reach of the hegemony) could find compatible with their interests...The hegemonic concept of world order is founded not only upon the regulation of inter-state conflict but also upon globally-conceived civil-society, i.e., a mode of production of global extent which brings about links among social classes of the countries encompassed by it.

Cox's use of 'world order' also allows him to bridge the gap between the domestic and the global in his scheme of linking productive forces, ideas and institutions. He explains:

> I deliberately avoid using a term like 'international relations' since it embodies certain assumptions about global power relations that need to be questioned. 'International relations' implies the Westphalian state system as its basic framework, and this may no longer be an entirely adequate basis since there are forms of power other than state power that enter into global relations. 'World order' is neutral as regards the nature of the entities that constitute power; it designates an historically specific configuration of power of whatever kind. (Cox and Sinclair 1996: 494)

There have been many empirical studies on contemporary world order which demonstrate how the current 'neo-liberal' world order is rooted in the American influence during the cold war and how this flourished and became an embedded hegemonic project in the aftermath of the Soviet Union's collapse (Gill 2003; Gill and Mittelman 1997; Gills 2000).

4.3 International Development Discourse and Poverty:

Development discourse at the international level at any particular time is very much a reflection of the dominant ideology, the mutual interactions between institutions, ideas and material capabilities as they largely determine the form and shape of the historic bloc which prevails and entrenches to achieve hegemony and that eventually affects the world order. From a neo-Gramscian perspective, the current world order can be characterized as a non-hegemonic neo-liberal order which requires increasing coercion and domination in the reproduction of neoliberal norms and practices (Gill, 1995). In the words of Ruckert (2006:7),

> While the post-war 'embedded liberal' order was marked by a universal consensus and concomitant hegemony, the neoliberal order which has been in the making since the early 1980s has never been truly hegemonic, and has more recently faced major legitimacy challenges in both the developed and the developing world. In the area of development, the absence of neoliberal hegemony is expressed most palpably by the increasing unwillingness of developing country governments to voluntarily implement structural adjustment policies, and the growing popular uprisings against neoliberal reforms in many peripheral countries.

Poverty reduction forms a very important component of the contemporary development discourse so much so that it has gained a status of being a natural part of it, which is a remarkable and progressive shift but it was not so three-four decades back when development was equated with economic growth and wealth of a country. In the aftermath of the Second World War, even if there were talks of poverty, it was always country centric and not a people-centric discourse. So there were talks about poor countries which were of course the third world, newly decolonized countries. Post-developmetalists like Escobar had problems even with the notion of development because for them it was always the eurocentrism which defined and dominated the discourse. However it is another debate and for our purpose it is important to note that it was the beginning of the decades of 1970s, when poverty acquired this attention.

As Cox (2002: 82) suggests, the early 1970s marked by the onset of the crisis of accumulation advanced by the Fordist system of production led to an ongoing restructuring process of production which has preserved in the world economy and has been referred to by various neo-Gramscians as the transnationalization of production but has been discussed by mainstream approaches under the banner of globalization. This process has culminated in the emergence of a transnational regime of production, which is increasingly embedded in global circuits of capital accumulation and the emergence of a transnational capitalist class.

The way poverty is framed clearly has an important influence on the ways in which poverty-reduction policies come to be shaped. Shifting narratives of the causes of and solutions to poverty both produce and drive policy processes, making available and circumscribing spaces in which different forms of poverty knowledge can be articulated and mobilised (Brock et.al:8). With reference to microfinance, the knowledge surrounding poverty and its consciousness and remedies are important to analyse to capture the larger international development discourse. So the forces and factors which were acting in shaping the discourse surrounding microfinance are actually part of the whole apparatus of the contemporary world order which evolved gradually but in a more visible and emphatic manner after the world saw a major change in the helm of affairs since the end of the Second World War.

In the midst of all these changes is not just the system of production but the world order also which affects the debates surrounding the development resonated in different tones and deserves attention. The post Second World War developmental discourse was basically statist and economic growth centred and was the result of an embedded liberal order directed by the Keynesian ideas which resulted in state-oriented development paradigm driven by an acceptance of the pervasiveness of market failures in developing countries, export pessimism and import-substitution strategies. The apparent success of Keynesian policies in restoring full employment in the industrialized west after prolonged high unemployment in the 1930s, and of the Soviet Union based on communist ideology in transforming itself from an agrarian nation at the time of the communist revolution to an industrial power in the 1930s, 40s and 50s formed the general scene at least for a quarter of the century. But, the statist approach of the 1940s and 1950s was not without its critics-for its insensitivity to distributional issues. The emphasis on heavy industry, no matter what its impact on investment and on economic growth, was argued to be not helping the poor. The shift in the developmental discourse started as the failure of the so-called trickle-down theory was all the more visible. As Ayres (1985: 8) points in this context that the economic growth in many developing countries in these decades bypassed the poorest people and even worsened their circumstances. It was in this context that the World Bank saw its policy shift under Robert McNamara's Presidency and saw the role changing of the institution from a conservative institution (Bank in pure sense to that of a development agency). Even Finnemore (1996) stresses the role of international organisations (the World Bank in particular) in bringing poverty alleviation to the forefront. In her own words,

> The rise of poverty as an essential element of development makes sense, however, when viewed as a normative shift promoted by an international organization. This shift in development goals was a result, not of domestic political changes within states, but of a change in understandings of norms and the development process that took place in

> understandings of norms and the development process that took at the international level. (Finnemore 1996: 90)

Finnemore (1996) examines three hypothetical sources for the shift in development goals and strategies-states (both LDCs and industrialized nations, development experts, and international organizations-in light of available evidences. And in her own words, she finds that states contributed very little to the incorporation of poverty alleviation into development, even the expert community was divided over this issue.

To quote Finnemore,

> It was the Bank , enjoying a peculiar combination of structural features and led by a visionary president, that "sold" poverty alleviation as an essential component of development policy to its member states through a mixture of persuasion and coercion. (Finnemore 1996: 91)

Finnemore (1996) in her analysis shows and establishes the fact that it were the international organizations (World Bank, regional development banks and UN agencies) which played the most decisive role in this regard.

However as Ayres (1985:15) says that the Bank's poverty oriented projects were consistent with the institution's long-standing emphasis on economic growth and were giving good returns and the allocation of funds was both in economic and political interests of American Foreign Policy as market oriented systems tended to be encouraged and socialist-oriented ones urged to consider the market oriented solutions. So, as he points out that the contrast in the 1970s was not between growth-oriented projects and "welfare" projects before McNamara and under McNamara respectively but between projects entailing different routes to growth. (Ayres 1985: 233) So the poverty focus of the organisations can be attributed to saving the neo-liberal ideological position vis-a-vis the communist in this period and as Cornwall and Brock (2005:5) point out,

> A brief consensus about the centrality of poverty reduction as the goal of development was given permission in the early 1970s by the Cold War geopolitical imperative of preventing the poor from seeking solutions in Communism; the World Bank, under the leadership of Robert McNamara, widened the focus of its lending, beginning to embrace rural development for small farmers, and the provision of social services to the rural and urban poor.

Concurrent with the attention shown by the World Bank, other international organisations also started showing the support for a more integrated approach towards development which included concern for poverty alleviation as important. It also saw the evolution of the 'basic needs' approach in the development arena with the focus now being shifted from investment in capital formation to the development of human resources. However this saw a change in the 1980s, which was marked by the backdrop of oil crisis and the election of right wing governments in two of the powerful states, namely, Britain and USA which saw the heralding of an era of neo-liberal orthodoxy and what has been termed by Williamson (1990) as the Washington Consensus. It heralded an era of unprecedented power for the international financial institutions (IFIs) which were working to propagate a neo-liberal order and rolling back of the state. This meant drawing back of the Keynesian welfare politics in favour of the norms and values advanced by the rise of the new right, reflected in Reaganomics and Thatcherism. The consequences of this were global in scale, effecting political regulation within both the so-called 'developed' and 'developing' states. 'Adjustment' to the political-economy imperatives that were perceived to be a necessary reaction to the crisis of the 1970s has since been high on the global political agenda. In this context, various strategies that emerged from the 'new right' set out to provide a political framework for the construction of neoliberal governance on a global scale.

As Cornwall and Brock (2005:5) say,

> From grassroots movements to networks of practitioners spanning north and south, participatory approaches became a focus for innovation over the course of the 1970s, and into the 1980s. But while grassroots community development work was reframing development, with methodologies such as Development Leadership Teams in Action and Participatory Action Research, what participation had come to mean to the mainstream was less to do with radical shifts in power than engaging communities in sharing the costs, and the burdens, of development-much like today's Community-Driven Development. The 1970s slogan of self-reliance was fast being transformed into the "do-it-for-yourself" ethos that was to characterize mainstream development in the 1980s.

By the late 1990s, the policies implemented under the Washington Consensus were considered to be in need of reform in order to take explicit account of the persistence of poverty and rising inequality. This shift in focus from the macro-political re-regulation to micro-political aspects encompassing a focus on agency-came to be referred to as the post-Washington Consensus It is against the background of these developments that the global poverty reduction agenda of the twenty-first century is best located and evaluated. It is in this context also, that the political significance of the specific example of microfinance can be located and analysed. (Weber 2001: 38)

4.4 International Development Discourse and Microfinance

As we have already seen in the historical trajectory of microfinance, certain microlending and microcredit experiences were already going on in different parts of the world even before the much publicised 'Grameen Bank' experiment but it was definitely the Grameen Bank experiment which caught the public glare (because of the astoundingly high repayment rates which was somewhere near 97 percent) and became the trend setter in the field.[28] The question of how it became so and what followed the popularity and scale of its success demands not just a factual account but an analysis of how forces acted in giving it a panacea status by claiming to make possible what has variously been called as 'inclusive neo-liberalism', 'creative capitalism' and the likes. So, it was a policy intervention very much in conformity with the neo-liberal gospels which was very much the prevailing world order of the time when the 'Grameen Bank' experiments were taking place. The Grameen Bank was founded in 1983 formally even though its experiments in micro lending had been going since 1976. Microfinance has been endorsed and adopted by the World Bank, Regional Development Banks and Bilateral and Multilateral Development Agencies and United Nations (UN) agencies.[29] In February 1997, it was given global coverage through the starting of Microcredit Summit in Washington, DC, which inaugurated an action plan to reach 100 million of the world's poorest families, and particularly the women of those families, with microfinance by the year 2005. The Summit's goals have been endorsed and are supported by actors including the Councils of International Financial Institutions and Donor Agencies. The UN also showed its unconditional support for the same by adopting a resolution to declare the year 2005 as the year of microcredit.

Weber critically contextualises microfinance. In her words,

> The institutional origins of microcredit schemes can be argued to date back to the 1970s during which small-scale credit-based projects existed in various forms under the rubric of rural development and in particular the development of rural financial markets. However, it is only since the mid-1980s that it really acquired the degree of

[28] Critics argue that it is also the case of hegemonisation of a particular institution as experiments in microfinance were not uniquely new or successful to only the widely applauded Grameen Bank and Yunus. Institutions like BRAC in Bangladesh itself and SEWA in India, Accion in Latin America were also doing outstanding work almost contemporaneously. More regarding this has been dealt in the first chapter titled 'Genealogy of Microfinance'

[29] The websites of these institutions and agencies provide the required information regarding their support for microfinance as a weapon to fight poverty and bring empowerment among the poor.

> scale and scope as reflected in the institutional policy framework of the 1990s and beyond. This occurred in the context of novel ‘experimentations’ in appeasing and/or disciplining popular protest and general disquiet directed at neoliberal restructuring: the appropriation of microcredit schemes under such circumstances involved—and evolved—together with attempts directed at legitimacy building to make SAPs in particular and neoliberal restructuring more generally, politically feasible and acceptable in an era of global ‘democratisation’. (Weber 2006:40)

As microfinance caught the attention of the world, it was told to be the substitute for the failure of the state at meeting their poor with the right policies and institutions and the debate was formed in terms of a win-win situation where not just would poor benefit from the credit but it would lead to the development of the much needed institutional structures in the long run through the development of microfinance schemes which would be beneficial for the third-world countries. So it was a clear indication of private parties taking the important seat instead of the state in poverty alleviation.

Fernando critiques this notion. In his words,

> ‘The state as the main cause for failures in development’ thesis did not attract much political force until the end of the Cold War. Claims about failure of the state in the post-Cold War period was not so much about its performance in the area of development, rather that they provided the ideological legitimacy for the need to restructure the state society relations according to the imperatives of capital.(Fernando 2009:12)

Even Bateman shares similar views,

> The microfinance model that emerged out of the Grameen Bank experience was found valuable by the international development community, among other things, because in even the poorest community it legitimized the simple textbook capitalist wealth-creation mechanism individual entrepreneurship.(Bateman 2010:160).

Microfinance differs significantly from other approaches to poverty reduction in that it is commercial to its core. This approach is also minimalist in the sense that it entails the offer (supply) of credit only without involving any skills advancement or training schemes (capabilities enhancement) as part of the package.[30] (Weber 2001: 6)

Shakya and Rankin (2008) convey the dilemma involved in the phenomenon of microfinance. It had originated in Bangladesh as a critique of top-down, donor

[30] Skills advancement and training programmes for microfinance clients has not been part of the requirement for microfinance programmes. Though some MFIs do offer such services but the number is minimal. Also during the initial phase of microfinancing, (or better to say when the focus was just on microcredit) when it had not diversified its financial programmes, the focus on non-financial services which included such skills advancement and training schemes were still visible but these days they are on wane.

dependent models of development, and for a decade its peer lending technology had been ignored by donor agencies and it was only in the 1990s that the endorsing of microfinance started in large scale. However, once it had been established that poverty alleviation could be conjoined with promoting small-scale private enterprise and commercialising rural finance, neoliberalist donors (beginning with USAID in the mid-1980s) hastened to replicate the market-friendly features of the model throughout the Third World.

As Bateman (2010:2) very emphatically says,

> All the while the various ways in which the poor have in recent history been able to successfully escape grinding poverty and achieve tolerable living standards and opportunities – by exercising their collective capabilities through pro-poor political parties, social movements, supportive state structures, trade unions, associations, single-issue pressure groups, and the like – are now ruled to be completely off the agenda. The poor are instead increasingly thrown back on to their old, and largely unsuccessful, historical mission; to attempt vainly to rescue themselves from their own poverty and suffering solely through their own individual actions and meagre resources.

Again Rankin critiques microfinance in these words,

> ...microfinance orthodoxy" lies now in a "minimalist" or "credit-only" approach to poverty lending, as pioneered by the Grameen Bank (Elizabeth Rhyne and Maria Otero 1994). This approach must be viewed in contradistinction to "social services" approaches through which, in South Asia, small-farmer credit programs had been integrated with a range of community development initiatives. Responding to macro-regulatory imperatives for market-driven development, the minimalist approach pares down microfinance to the strictly financial dimensions of poverty alleviation (credit, savings, and increasingly insurance and other financial instruments). (Rankin 2001:13)

All these critiques of the microfinance and the development trajectory of poverty alleviation and the knowledge surrounding poverty as part of the development discourse point towards the way in which microfinance came into the picture as a development idea which was actually embraced by the different institutions (IFIs, donor agencies like USAID, NGOs which were flourishing on this idea) and were accompanied by the prevailing ideology of the times which is neo-liberalism as also backed by the material capabilities in the form of the various kinds of donor supported technical and material aid provided. Thus in this manner, microfinance here acts as an instrument for sustaining the neo-liberal world order.

There is yet another side to it in terms of the neo-Gramscian analysis to the phenomenon of microfinance. Given the historical situatedness of the origin of this idea at a time when the nascent neo-liberal orthodoxy was grappling to achieve a hegemonic position because of the various protests on account of the policies of Structural Adjustment Programmes which was creating resentment among people of the developing countries, microfinance acted as the 'transformismo' in subsiding these protests and subsume their grievances through a make-believe view of benevolence and win-win situation in the form of microfinance which was taken as a two-pronged strategy by the neo-liberalist institutions firstly, creating this aura of adopting a developmental idea with its origin in the third-world. Secondly, by using that idea as a mechanism to legitimise, protect their own agenda and finally capitalise over that idea.

Petras states that NGOs have since the 1980s been co-opted by the World Bank and other institutions promoting neoliberal thought as there existed a convergence between these and the NGOs in their opposition to the state "to undermine the national welfare state by providing social service to compensate the victims of multinational corporation" (Petras 1997:11).

The role of civil society comes into picture in this whole exercise very prominently and in the neo-Gramscian terminology forms a very important component of exercising the hegemony in the case of microfinance. Infact the vast and ever-growing number of NGO sector through microfinance (the majority of the MFIs created in the last 2-3 decades are NGOs) only substantiates this arguments and points towards the links between the international players which includes international institutions, states and the civil society within the states (through the NGOs).

Katz argues that present global institutions and governments promoting a neo-liberal agenda have become hegemonic in their influence on the development of the global society and the international relations within. He contends that the US along with other prominent states, actors like European Union (EU), and non-state actors (the WTO, the World Bank and IMF) through a hegemonic dominance of neo-liberal ideas and values constitute a historic bloc. He acknowledges that the neoliberal agenda evidently have positive features such as technological advancement, a drive for transparency and accountability in governments, exchange of ideas and thereby human interaction and economic growth but also apprehends that the neoliberal globalisation agenda and the inherit mechanisms become 'regressive' in their disregard of social consequences, when economic growth becomes the goal above other social goals. (Katz 2006:333)

Bateman and Chang (2011:1) state that despite all the recent fiasco associated with microfinance, the microfinance model remains attractive to the international development community because of the huge political serviceability it provides to the neoliberal worldview that centrally locates the main driver of economic development to be individual entrepreneurship.

Thus it can be asserted that the manner in which the international development discourse surrounding microfinance is situated in the neo-liberal order and is being sustained by various factors, processes and mechanisms can be explained with the help of the neo-Gramscian tools.

4.5 Ideas, Institutions, Material Capabilities and Microfinance Model of Development.

The microfinance model of development saw the ascendency beginning in the 1980s and actually very well coinciding with the neo-liberal shift in the dominant power echelons of the world with the US and the UK promoting what has been termed as the Washington consensus policies. While this model emerged in the corners of an underdeveloped nation in the experiments of lending by an ambitious and optimistic US educated economist of Bangladesh with his highly applauded and often quoted claims of making poverty a keepsake of the museum for future generations, this idea in itself was not accepted in toto by the development community. Actually it was all the play of ideas and their manoeuvrability that made the way through the institutions and material capabilities to promote what we see as the dominant model of microfinance or the sustainable/ commercialised microfinance which is the most sought after developmental practice promoted by the international institutions today.

It was taking place through a network of institutions which in the present day world order act as the arbiter of what ideas are to prevail according to the demands of the prevailing world order. The neo-gramscian term for the prevailing world order of the time is that of hyper-liberalism[31] which legitimises certain disciplinary regimes in

[31] The term hyper-liberalism was first used by Robert Cox (1987) to characterise the liberal order of the 1980s and 1990s as distinct from the neo-liberalism based on Keynesian consensus in the aftermath of

tune with market rationality that impound policy decisions at various levels (i.e. global, regional, local). And it is in this context that microfinance is situated and needs to be studied and analysed.

The Ideas: Neo-Gramscian analysis gives importance to ideas which are explained as the intersubjective meanings, around which there is a widespread agreement across a society, and the 'images of social order' (Cox 1981) which are often varied, overlapping and sometimes contradictory. The development of microfinance as an idea and its flourishing to become an institution itself took place because of the ideas at work in making it so.

They can be delineated working at different levels in multifarious ways to make microfinance model a natural/accepted solution for poverty reduction as follows:

- The foundational idea behind microfinance is the notion that credit is a human right[32] and that it can improve the lives of the poorest. This approach sees microfinance as explicitly distinct from commercial banking and claims to be a bottom-up approach.
- The other dominant idea behind microfinance loans is the concern with entrepreneurialism as against redistribution, with opportunity instead of equality. The firm emphasis on self-reliance creates a model of poverty alleviation that is very ironically, simultaneously both poor-centric and anti-welfare.
- The idea behind the expanding industry of microfinance is that only a profit-making industry with high returns can transform the lives of the poor. Thus it is actually the commercialised and non-subsidy driven[33] or sustainable/profiteering model of microfinance which became the mantra of the development community and thus constituted a thoroughly 'neo-liberalized' and for-profit model of microfinance as a privately-owned, profit-

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the world war second and later used by many scholars in their analysis of the neo-liberal globalised order of the time. This hyper-liberalism marked a shift from redistributional and interventionist nature of state to the one with talks of withdrawal of state with the Reagan and Thatcher at the helm of affairs.

[32] Originally talked about by Muhammad Yunus, the concept of credit as human right may not be accepted by all the practitioners of microfinance but as an idea it definitely played a determinative role in making the way for microfinance as an established practice as this idea gained currency among the power circles of the developmental community.

[33] The commercialised version of microfinance has already been discussed in the first chapter in terms of the financial systems approach.

driven business model very much in consonance with the market driven neo-liberal orthodoxy.

- Microfinance is based on the idea of the targeted poverty alleviation as against the universalist/holistic notion of development.
- The idea of self help as opposed to interventionist, state-led model of development forms the backbone of microfinance which has implications for the entire development paradigm as it sheds away the faith in the delivery and efficacy of public-goods and wage employment and makes space for self-employment.
- Another idea that runs through this discourse is that MFIs help the poor to avoid seeking re-course to the traditional moneylender or local 'loan shark'.
- Microfinance is very extensively seen as important in helping to promote women 'empowerment'.
- Microfinance has been popularised as playing an important role in building important reserves of social solidarity or what has been called as 'social capital' in poor communities.
- The idea of 'best practices'[34] in microfinance is being promoted by the various institutions and donors based on the above mentioned central design of the microfinance model being made popular in the development discourse.
- The most important idea being promoted through microfinance was that of the positive correlation between access to microfinance and poverty-reduction which has of late been proved flawed but it dominated the discourse for almost two decades till the reports of failure and faulty reports came to the picture.

The formation of these ideas surrounding microfinance and their interaction needs to be highlighted. The prominent and compelling idea of credit as human right and promoting self-reliance and non-dependence on the government for jobs or wage employment, its special focus on women empowerment and their own benefit in starting and sustaining small livelihood business being in the confines of their comfortable zones are the ideas that were advanced to just create a make-believe

[34] The term best practices implies the set of norms and rules laid down by the international financial institutions as a way to guide the microfinance institutions (MFIs) across the globe in terms of the standard ways in which microfinancing should be practised. CGAP under the aegis of the World Bank publishes such papers for best practices from time to time.

world around microfinance as having immense potential for the lags in the development process on account of the failure of state delivery. These ideas are responsible for creating an entrenched view of poor as the one responsible for their own poverty/prosperity and thus the maker of their own destiny. So, as neoliberals say, poverty is caused by the laziness of the individual and in order to escape poverty the individual must actively participate in the economy. (Durfee and Rosenau, 1996) The implication of the microfinance approach or this self-help paradigm is that one must be entrepreneurial to escape poverty and thus no attention is given to the people who may not be entrepreneurial. Also the question of the survival of these microenterprises in the extremely competitive environments in which many micro-entrepreneurs must work is no where dealt in the discourse. Then the question of low earnings margins, influenced by larger macroeconomic, social and political factors that lie outside the control of micro-entrepreneurs is also not paid heed to.

Therefore the prevailing notion that given an opportunity in the form of tiny loans and promoting them to avail other microfinance services in the form of micro-savings, micro-insurance etc., poor will definitely carve their way out of poverty was somewhere getting lopsidedly optimistic as poverty and empowerment were being equated with just self-employment and the resultant automatic empowerment claimed (by the promoters of this idea) without in any way letting the attention go to the problems of inequality and redistribution which is the hallmark of market-led, neo-liberal societies in any developing country. Will microfinance bridge these structural gaps? This interrogative point was nowhere present in the whole discourse. The point that was missing is that development cannot be said to be synonymous with just being able to sustain and survive somehow in a society even as the gaps between the rich and poor is becoming unbridgeable. The dominant idea was the popularised and hyped term of 'graduating out of poverty' (the reports of which in itself are extremely contested and the recent findings itself show that how these reports were themselves based on the presumptive assumption around this make-believe world and thus full of discrepancies) when the same society has sections of people who are of course a tiny mass getting the bulk share out of the market-driven economy.

Microfinance is a paradigmatic case of a new arrival in the development arena characterized by an interest in poverty alleviation and focused on ideas of self-help empowerment which soon became a ubiquitous phenomenon. It is presented as both an iconic cause and the ordinary people's development tool as supposedly an attractive alternative for the lapses which the developmental programmes and poverty reduction strategies saw for long.

Microfinance started its journey as an idea from the ramparts of the non-western world when Yunus experimented with a few poor rural women through the group-lending mechanism in a village called Jobra in Bangladesh.[35]The international development community found Yunus's simple idea quite forceful. In terms of its narrow aim of providing microloans to the poor at a relatively low cost and reaping the benefits of high repayment rates, the Grameen Bank appeared to work. The politics and ideology behind the Grameen Bank microfinance model which lied in its stress on individual entrepreneurship, self-help and financial responsibility shown by the poor, were just what the international development community had been looking for. The poor were thus found to be 'bankable'. However the idea of microfinance didn't work in a linear function as there was interplay of ideas with the institutional apparatus and their manoeuvrability which was seen in the modifying of the Grameen Bank style lending and the promotion of a much more commercialised microfinance which had started making space for itself since the 1990s. In the words of a much quoted and noted World Bank document titled "Microfinance Handbook: An Institutional and Financial Perspective",

> Beginning in the mid-1980s, the subsidized, targeted credit model supported by many donors was the object of steady criticism, because most programs accumulated large loan losses and required frequent recapitalization to continue operating. It became more and more evident that market-based solutions were required. This led to a new approach that considered microfinance as an integral part of the overall financial system. Emphasis shifted from the rapid disbursement of subsidized loans to target populations toward the building up of local, sustainable institutions to serve the poor. (Ledgerwood 1999: 2)

So the point to note is that although neoliberal policymakers greatly appreciated the emphasis upon self-help and individual entrepreneurship, and thus also its implicit support for free market capitalism, they still had major doubts about the financing of the Grameen Bank microfinance model. This was because it soon became clear that Grameen Bank's operations, as with most MFIs that had started around the world at that time, actually depended upon a constant inflow of subsidized capital. This

[35] The historical trajectory of microfinance has already been dealt in the first chapter in details and hence here only an outlined version of the events leading to the dominance of microfinance as an ideational hegemon is being sketched out.

funding was mostly provided by an MFI's own government and/or by the international development community. The neoliberal policymaking community began to feel increasingly discomfited about using subsidies for running the supposedly non-state and market-driven microfinance sector. Led by the main Washington DC institutions – USAID and the World Bank - decisive action was therefore initiated to phase out the original Grameen Bank model of subsidised microfinance. The long-term solution to the 'problem' of subsidies in the microfinance sector was found in the idea to reconstitute microfinance as a privately-owned, profit-driven business model. Key advocates of commercialisation, notably Maria Otero (see Otero and Rhyne 1994) and Marguerite Robinson (Robinson 2001) saw this new commercialised model and the likely increase in the supply of microfinance as being capable of generating huge benefits for the poor. So, since the beginning of the 1990s what was being promoted in the name of microfinance was actually a much more commercialised avatar of microfinance which has been variously named as 'financial systems approach', 'commercialised microfinance' or 'new-wave microfinance'. So, the international development community soon departed from the Grameen Bank-inspired microfinance model, and the 'new wave'[36] microfinance variant was pushed as its substitute. Even the iconic Grameen Bank felt it had no other option but to finally agree to convert over to 'new wave' model, which it did in 2002 with the 'Grameen II' project.[37]

The fiscal austerity and commercialization imperatives associated with neoliberalism intended to end the subsidies for Grameen Bank-style MFIs, and the support for more resolute business-like stance of 'new wave' MFIs was carved in the reason to make microfinance available to just about any poor individual i.e., to increase the outreach/ availability of microfinance and to build sustainable financial institutions in developing countries. So, even high interest rates were being justified on the pretext of bringing efficiency and sustainability.

[36] By the early 1990s a thoroughly 'neoliberalized' for-profit model of microfinance was being pushed as the 'best practice' replacement for the original subsidized Grameen Bank model. This 'new wave' model (formally known as the 'financial systems' approach - see Bateman, 2003) quickly became the dominant model for microfinance programs around the world. By the turn of the new millennium, the 'new wave' microfinance model was at the peak of its power and influence

[37] It has already been dealt in the first chapter in details in the section on "the evolution of modern microfinance".

One of the main problems here is that even the impact evaluations of microfinance were making the key assumption beforehand that 'microfinance works'. This led impact evaluators to attempt to design an impact assessment exercise restricted to narrow issues that best helped to corroborate their original assumption based on the ideas working behind the expansion of microfinance. In particular, the focus tended to be upon outreach i.e. on the number of individuals actually served by microfinance and sustainability which means the question of an individual MFI being able to keep itself going without the need for external support. These are both operational issues and they refer only to the availability of microfinance and not speak in any way about the sustainable economic and social development impact of the microfinance model on the poor livelihoods.

Thus the basic ideology driving microfinance is neo-liberalism and because of the mutual conditioning between the two, both these phenomena have mutually prospered in a symbiotic manner. The evidence for the same is not just the thriving of the microfinance sector at the behest of the neo-liberal scions in the form of the international institutions and the western states but the propagating of a specific version/ type of microfinance as the 'best-practice' or the standard for the MFIs to comply with. In this version of microfinance, popularized as the 'new wave' of microfinance, the poor themselves are also expected to pay the full costs of attempting to secure their own escape from poverty by paying market-based interest rates on microloans, thus ensuring the financial self-sustainability of the MFI which would allow governments and the international donors to end any remaining direct financial support for the poor. Thus what is seen here is the interaction of some ideas (or rather myths created around microfinance by the dominant stakeholders/players who are represented in the different institutional settings at the national, regional and international levels and are in the form of different kind of organisations). These ideas interact to form a dominant knowledge paradigm which is produced to sustain a particular type of hegemony and at a larger scale/level a world order (dominated by neo-liberal ideology). So, microfinance became an ideational hegemon with the exponential rise in the number of microfinance operations around the world. Microfinance has played a crucial role in the endorsement of neo-liberal orthodoxy and the world order based on that by promoting global financial liberalization and commercialization. As Heloise Weber (2002) has shown that financially self-sufficient MFIs became working examples of ‘efficient’ (i.e. subsidy-free) financial institutions, which developing-country governments were supposed to aim at replicating.

To explain these ideas better, the interwork of ideas with institutions and material capabilities needs to be dealt with. So the next section will deal with the institutions at work in the making of microfinance as an ideational hegemon.

The Institutions: Institutions and in particular international organisations play a very important role in sustaining hegemonic orders and often work in reciprocal relations with ideas and material capabilities. Institutions can be defined as the amalgamation of ideas and material power in the form of entities that are a means of stabilizing and perpetuating a particular social order. (Cox 1981:99) They reflect the power relations existing at their point of origin and are often formalized as organizations.

In exerting its cultural hegemony over the working class, Gramsci viewed the ruling class’ control of institutions as being the overriding factor in its capacity to retain its hegemonic influence. Given its control over the institutions of the state, the ruling class is thus able to impart its own ideologies, preferences, and norms into such public institutions which result into the institutional output being perceived by the governed as an unprejudiced ‘common sense,’ whereas in reality, the institutional ideological bias would be in favour of maintaining the dominant status quo. In the contemporary global sphere, a neo-Gramscian analysis is being frequently applied to the study of these international organizations. The argument is that although international organizations (like the World Bank, IMF, and WTO) ostensibly represent the views of larger body of states that they represent, however their neoliberal approach to economics and politics originates from an ideologically biased view in their inner workings intervened and controlled by the Western states. In Gramscian terms, Western hegemony expresses itself through the propagation of its own set of ‘universal norms’ through these international institutions. In his assertion that international institutions ‘function as the process through which the institutions of hegemony and ideology are developed,’ Robert Cox describes the ways in which hegemonic ideals are spread through these institutions:

> Among the features of international organizations which expresses [their] hegemonic role are the following: 1. They embody the rules, which facilitate the expansion of

> hegemonic orders 2. They are themselves the product of the hegemonic world order 3. They ideologically legitimate the norms of the world order 4. They co-opt elites from peripheral countries 5. They absorb counter-hegemonic ideas. (Cox1993: 62).

Thus the role of international institutions in particular is quite evident from this proposition of Cox as also their role in sustaining and disseminating the neo-liberal ideology and the neo-liberal order of which they are a part.

In the case of microfinance, a large number of institutions have played an important role in promoting and establishing this idea, ranging from the UN General Assembly and the specialized agencies of the UN, to the World Bank and IMF to bilateral and multilateral development agencies like USAID[38] and of course the NGOs. An analysis of how the major players interacted at key junctures demonstrates the types of processes that were momentous and the outcomes that resulted from these in the form of microfinance becoming a dominant developmental tool and an established industry in itself.

The development community especially the World Bank had serious doubts on the microfinance model in the beginning and its credibility was questioned in the initial years as a non-serious business and poverty reduction methodology as also for being bit 'too leftish' for it to be offered any support. It was in the late 1980s that the World Bank began to take critical turn by supporting the idea of microfinance and began providing technical advice and financial support for many new microfinance programmes. (Bateman and Chang 2010:3) It was even reflected in the World Development Report (WDR) 1990 on Poverty where micro-entrepreneurship through informal credits was talked about in the fourth chapter as a means to support income enhancement among the poor. It is evident even from the establishment of CGAP (Consultative Group to Assist the Poor), a multi-donor institution housed at the World Bank to enhance the resources devoted to microfinance with the support from its constituent donor agencies and the World Bank. CGAP now has more than 30 members, comprising international financial institutions and multilateral development agencies, states as well as bilateral donor agencies effectively dedicated to the promotion of the 'new wave' MFI concept. The World Bank's role in facilitating the 'enabling environment' for the financial services sector on the pretext of microfinance

[38] The United States Agency for International Development (USAID) is the agency of the State Department that dispenses and manages U.S. foreign aid funding.

and poverty reduction agenda is evident from the creation of CGAP. The CGAP has co-ordinated operations with the World Bank to accomplish country level (and regional) commitments for financial liberalization. These agencies have pledged resources to support sustainable microfinance in accordance with 'best practice' principles agreed by the group.

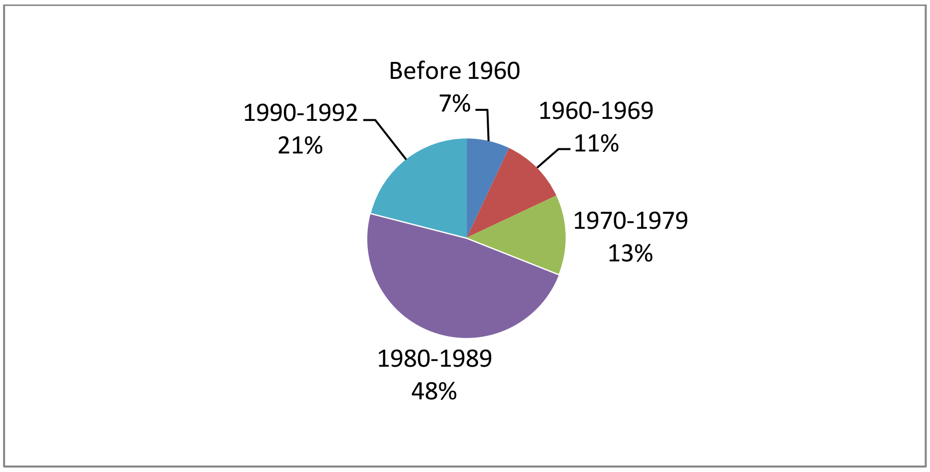
A small grassroots citizens' lobbying organization, called RESULTS[39], has also been very influential in changing the direction of the political winds for over three decades now. In the context of the microfinance movement, it will not be an overstatement to say that the role played by RESULTS has been vital. Since 1985, this organization has played a major role in each stage of development of the field. Its lobbying brought over $2 billion in U.S. foreign aid into the field. It was RESULTS that held a Microcredit Summit that launched the microfinance movement which now includes over 1,000 organizations and over 100 million borrowers. (Sample 2006:1) The first Microcredit Summit was held in February 1997 and was attended by some 1500 organizations from 137 countries, including a number of heads of state. (State of Microcredit Summit Report 2001) Recently the Microcredit Summit has seen a shift as they have integrated their goal of reducing poverty to the Millennium Development Goals (MDGs) through the intervention of microfinance. RESULTS and the Microcredit Summit Campaign have moved ahead after meeting the goal of reaching 100 million borrowers with loans by 2005 to the Millennium Development Goal of cutting absolute poverty in half by 2015. Similarly another institutional formation in the field was of the MicroFinance Network. The MicroFinance Network since its inception in 1993[40]has been at the forefront of advancing the idea of transformation in microfinance in the name of promoting it to reach greater scale and ensure permanence in the industry. From its very beginning, the network members have shared the idea that financial principles applied by sound financial institutions would be the strongest foundation for growth in microfinance. USAID has also been

[39] It has already been dealt in chapter 1 in details and is being referred here to substantiate the role of institutional apparatus for the neo-gramscian analysis of microfinance.

[40] The MicroFinance Network is a global association of institutions involved in microfinance services. The members of this network believe in the establishment of sustainable and profitable institutions that operate on commercial principles a so that they can serve larger numbers of clients who are not currently served by traditional financial institutions. The network aims at promoting microfinance institutions that embrace a commercial strategy as a means to achieve social goals in a sustainable way and to influence the microfinance community and financial system to incorporate these dual goals. .(See http://www.mfnetwork.org)

at the forefront. It was one of the first organisations into the microfinance field, promptly pushing ‘new wave’ microfinance as the ‘best practise’. The coordinated effort of the UN Development Program (UNDP) and the UN Capital Development Fund (UNCDF) in 1997 to begin the Special Unit for Microfinance (SUM) and MicroStart Program, the Inter-American Development Bank's (IBD) implementation of Microenterprise Development Strategy in 1997, and USAID's Microenterprise Innovation Project (MIP) all reflect the efforts undertaken by various institutions to mainstream sustainable microfinance as an established development tool for the poor. Several US-based NGOs also quickly directed their poverty alleviation efforts into the ‘new wave’ microfinance arena, notably Boston-based ACCION. The UN joined in, providing funds through a number of its arms (e.g., UNDP, UNCDF) and then nominating 2005 as the ‘International Year of Microcredit’. Numerous prominent awards were declared for those involved in microfinance, notably including the 2006 Nobel Peace Prize jointly awarded to Muhammad Yunus and the Grameen Bank. All these initiatives contributed greatly in the expansion and increasing outreach of microfinance and the list of ‘microfinance-saturated’ countries (defined in terms of borrowers per capita) soon began rise.

Provided below is a chart presenting proportional distribution of creation dates of 206 sample microfinance institutions studied by the World Bank between 1960-1992.



Source: Paxton, Julia, *A Worldwide Inventory of Microfinance Institutions* (1996), Sustainable Banking with the Poor, Washington, DC: The World Bank. The Sample includes 206 institutions created between 1950-1992.

Clearly, the largest expansion of institutions is witnessed from 1980 to 1992 (69%). Very interestingly the data available shows the increasing popularity and expansion of institutions involved in microfinance and corresponds to the analysis taken in this study. However the major institutional expansion was to be witnessed in the 1990s on account of the establishment of CGAP and many other efforts which are mentioned above. Thus the number of MFIs has continued to grow in the 90s, especially after 1995, when CGAP was established. Paxton (1996: 5) observes that most of the 206 institutions in this study were created recently. It was partially due to a profound interest in microfinance in the 1980s and 1990s combined with the fact that most of the programs created in the 1960s and 1970s for microlending disappeared due to dismal repayment rates, corruption, and heavy subsidization leading to a 'grant mentality' among clients. As the 1980s progressed, more and more microfinance programs were created. This trend continues in the 1990s. The vast majority of new institutions are NGOs while the older ones are largely credit unions and savings banks.

As Ananya Roy (2010: 30) views in this context that now microfinance should not be talked as a sector of development but as an industry where the commodity that is being produced, traded, and valued is debt. She also brings forth the point that as microfinance is transformed into a global financial industry, there is also a growing risk aversion to lending to the poor as here also the flows of capital end up seeking market winners and lending is undertaken only to the section of the poor that are deemed to be creditworthy and entrepreneurial. Even the noteworthy work on microfinance supporting its commercialised version by Robinson (2001) published from the World Bank differentiates between the economically active and inactive poor while talking of focussing on the former when undertaking microfinancing. Roy (2010) gives the reference of an interview (October 2005) of a staffer at the United Nations Capital Development Fund (UNCDF) who argued that the extremely poor are "unbankable."

CGAP associates subsidies with inefficiency, impermanence, and a limited scale of operations. Subsidies are considered inherently unsustainable in this view and thus the programs dependent on subsidies are urgently being pushed to dissolve. In this way, the poor themselves are also expected to pay the full costs of attempting to secure their own escape from poverty. The compilation of the 'best practices' by

CGAP eschews subsidy and embraces commercialization. Those commercialized MFIs which function without subsidies are able to grow in scale to meet more of the nearly unlimited demand for access to credit. The key performance criteria for this kind of promotion is 'sustainability' and the practical quintessence of their position is that the best and perhaps only feasible, method of delivering microfinance services is through the quintessential market participant, the for-profit enterprise. Sustainability is a cornerstone of sound microfinance according to this approach. This term refers to the ability of an MFI to cover all of its costs through interest and other income paid by its clients. (CGAP 2002:1) An open articulation of this approach comes from the title of a 2005 report of the microfinance conference held in Chicago: "Expanding the Frontier: Transforming Microfinance into a Global Financial Markets Instrument". Even the work published by the World Bank in 2005 titled "Transforming Microfinance Institutions: Providing Full Financial Services to the Poor" edited by Joanna Ledgerwood and Victoria White brings evidence to the fact that how narratives of win-win situation are being constructed around the commercialised version of microfinance. Another work almost a decade back published by the World Bank named "Microfinance Handbook: An Institutional and Financial Perspective" by Joanna Ledgerwood in 1999, provides a comprehensive look at the world of microfinance. The Handbook has been a key source of knowledge and a dominant training resource in microfinance worldwide and definitely a promoter of the financial systems approach which according to it is characterized by the following beliefs:

- Subsidized credit undermines development.
- Poor people can pay interest rates high enough to cover transaction costs and the consequences of the imperfect information markets in which lenders operate.
- The goal of sustainability (cost recovery and eventually profit) is the key not only to institutional permanence in lending, but also to making the lending institution more focused and efficient.
- Because loan sizes to poor people are small, MFIs must achieve sufficient scale if they are to become sustainable.
- Measurable enterprise growth, as well as impacts on poverty, cannot be demonstrated easily or accurately; outreach and repayment rates can be proxies for impact. (Ledgerwood 1999:2-3)

Most MFIs, with the possible exception of some commercial banks, work with one or more development agencies or partners. These development agencies may be international NGOs, governments, or donors that provide technical assistance, funding, and training to the MFI itself rather than the MFI's clients. (Ledgerwood 1999:94)

Bateman (2008) points out how key neoliberal-oriented institutions pushed microfinance in a commercializing direction, especially USAID and the World Bank (particularly through CGAP). Through USAID the US government took the lead in offering generous financial support to those US-based organizations willing to push the commercialization idea forward. So world's largest banks, from Citigroup to Barclays to JP Morgan, now show a commercial interest in microfinance (Harford 2008). The commercialised and transformed form of microfinance, away from the 'poverty-lending approach' and supporting the 'new wave' commercialised microfinance has been widely advocated by the IFIs. To quote from one of the reports of The World Bank,

> In commercialization lies the potential for truly exponential growth and ultimately, vastly improved financial services to the poor. Competition for microenterprise clients will improve product design, delivery systems, and perhaps even outreach. (Christen and Drake 2002:19)

At the same time, there was a shift in the discourse on poverty alleviation in the mainstream development community. Driven by the influence of IFIs over the donor policies, the discourse and practice on poverty alleviation had moved away from aid through grants to development assistance through market mechanisms. Based on the foundations of neoliberalism and its belief in self-reliance and efficiency, and understood in the narrowest of terms, the supply of credit was equated with the mode of poverty reduction (and poverty reduction in this way was made open to market forces). Through the rhetoric of self-employment and entrepreneurship, governments have thus adopted microfinance as a means of promoting growth and employment. In fact, microfinance allowed governments an easy and legitimately framed reason to shirk off their responsibility to ensure decent employment opportunities for its citizens.

To reveal the way institutions have worked in promoting microfinance as an all-good development intervention in a neo-liberal garb in more clear terms, this study has relied on the various documents of the important institutions involved in this phenomenon collected from their respective websites especially since the 1990s till the early years of the new millennium. This time period is crucial for two reasons, firstly, because it is since the beginning of the 1990s that the new and commercialised version of microfinance came to be vociferously endorsed by the development community and secondly, because since the beginning of the new millennium, the reports of microfinance malpractice had started making news in some corners of the world which definitely made these institutions little cautious when advancing commercialisation of microfinance even though it definitely didn't stop. The study finds remarkable difference in the manner microfinance was being projected till this period and after that (however this time-period of about one and a half decades was very important in establishing microfinance as an ideational hegemon), which will also be illustrated.

The subsequent shift in the projection of microfinance is best demonstrated through the change in the language supporting microfinance in the World Bank's World Development Report (WDR) 1990: Poverty, and the WDR 2000-01: Attacking Poverty. Chapter four of the WDR (1990) titled 'Promoting Economic Opportunities for the Poor' has dealt with provisions of credit (WDR 1990:65-68). It identifies increasing access to credit as one of the strategies aiming to increase participation of the poor in growth processes along with increasing access to land, infrastructure and technology and improving tenancy. The report concludes that microfinance interventions have led to successful coverage of extremely poor sections and that micro-enterprise lending has impacted the income levels of the poor significantly (World Bank 1990). It also talks about the success of financially viable microfinance institutions and non-subsidized credit programmes as the successful ones. In notable contrast to this, the WDR (2000-01) emphasises the potential of microfinance programmes to better address concerns of vulnerability and risk management relative to those of overcoming poverty through income enhancement (World Bank 2001). The commissioned study on microfinance for WDR (2000-01) focuses on the impact of microfinance on non-income dimensions of poverty and particularly on the use of microfinance services to build assets, mitigate risks and reduce vulnerability (Sebstad and Cohen 2000: 3). The WDR (2000-01) accepts that the reach of microfinance has been limited to moderately poor sections rather than the poorest and recommends greater flexibility in loan size and repayment schedules to reach poorer sections. The World Bank's agenda for attacking poverty, as published in the WDR (2000-01), stressed on actions in three inter-related quarters: Empowerment (addressing inequalities that prevent the poor from influencing policies and interventions that influence their lives), security (addressing the risk and vulnerability that poor nations face in the global economy and that the poor within nations experience) and opportunity (creating conditions for investment and sustainable economic expansion in which the poor participate). It is interesting to note that microfinance finds place in the section on "security" as one of the policy responses for improving risk management alongside health insurance, old age assistance, unemployment insurance and others (World Bank 2001). Thus as the claims regarding the capacity of microfinance programmes to lift poor households above the poverty line by increasing their incomes have been contested, the development orthodoxy has scaled down the merits of microfinance to a commensurate degree, but has not displaced it from its pre-eminent position as a key anti-poverty strategy.

The brazenly admission of the nature of microfinance functioning and the meaning and categorisation of 'good' MFIs is well evident from this quote from none other than a CGAP report,

> To reinforce this repayment motivation, good MFIs take an aggressive attitude toward late payments, communicating a strong message to clients that non-payment will result not only in loss of access to future services, but also in the trouble and embarrassment associated with vigorous collection efforts. To those unfamiliar with the field, collection efforts in successful MFIs can appear extreme, even to the point of harassment of overdue borrowers. But in most parts of the world this aggressiveness has proved necessary to maintain the ethos of contractual compliance that permits sustainable service to an unsecured group of clients. (CGAP, 1998:11)

In an interview of October 2004, as cited by Roy (2010), a senior CGAP advisor argued that there is little empirical evidence to indicate that microfinance is either sustainable or that it reduces poverty. Arguing that the microfinance machine has been driven by "heartwarming images of poor people," he characterized microfinance as more successful in "pulling on heartstrings" than in actually delivering on poverty alleviation. (Ananya Roy 2010:27) Even a CGAP report makes this point, albeit in less forceful terms. Evaluating the microfinance portfolio of the World Bank and UNDP, it concludes that "in both agencies, less than a quarter of the projects that funded microlending were judged successful" (Rosenberg 2006: 1)

What is evident from the illustration of the above mentioned sources is the manner in which the various institutions have promoted certain ideas surrounding microfinance to not just promote and spread its expansion and reach as an accepted solution in the general perception of the society at all levels but by creating narratives of success and goodness around a particular and commercialised version of it. The development community has lately been admitting the hollowness of their own claims through the change in the selection of the terms and their emphasis and criteria for judging microfinance and its effectiveness. So, the interaction of ideas and institutions is very much present here in the case of microfinance as the key institutions have been very instrumental in propagating certain ideas regarding the effectiveness of microfinance which led to its dominance in the developmental arena getting established as an ideational hegemon.

Material capabilities: Material capabilities can be defined in their dynamic form as the technological and organizational capabilities and in their accumulated form as natural resources which technology can transform, stocks of equipment, and the wealth which can command these. (Cox 1981: 104) While analysing microfinance as a hegemonic idea, the role of material capabilities is equally important along with the ideas and institutions in forming the historical structure which makes it an ideational hegemon. So here material capabilities will include the role of material resources (which includes monetary, technological and organisational capabilities) endowed on the idea of microfinance which interacted with the ideational and institutional elements to make microfinance a dominant policy intervention in the international development discourse. So, it will include the support shown by the major donor groups as well as the vital support by major powers (states like US, UK) of this time-period which determine the distribution of the material capabilities on the global level. Microfinance is a sector in which state bodies and private investors both play an important role as creditor to the poor people through the MFIs whom they donate to sustain their services. In a study of nine countries in Asia, McGuire, Conroy and Thapa found that a very small number of financial institutions (if any) reaching significant numbers of poor clients have been established without the support of funding agencies. (McGuire et al 1998) They argue that without this support, it is doubtful that there would be a microfinance sector at all. This clearly points towards the crucial role funding or donor agencies or in other words the material capabilities (monetary support) play in the microfinance industry. In 2010, 68.5 percent of cross-border funding in the sector came from public bodies, while the rest came from private investments and donations (CGAP 2010). The remarkable change of orientation is evident from the fact that the decline of more traditional public sector development initiatives has come hand in hand with the rise of microfinance investments to a point where microfinance now rivals all other development efforts. It thus points towards the opportunity costs involved in the donations or funds granted towards the microfinance sector which would have otherwise been diverted towards other poverty-alleviation programs. So in a way the increasing support of donors towards microfinance schemes is even an indicator of how priorities in the development arena (and even within the poverty alleviation sector) have been changing since the visibility of microfinance on the horizon. With at least 64.9 billion dollars, the global microfinance loan portfolio in 2009 exceeded the combined volumes of the US, UK, German and French foreign aid budgets.[41]Philip Mader observes in this regard,

> In this regard it can be said that if the 1950s and 60s were the age of large-scale infrastructure development and industrial policy under the state-led growth model, the 1970s were the age of the basic needs approach (as a first step away from industrial policy), and the 1980s the "lost decade of development" (Emmerij 2010; Hoadley 1981), then the 1990s and 2000s may best be understood as the age of "entrepreneurial" models of development led by the ever-growing microfinance industry premised on self-help, self-sufficiency and an overarching distrust of the public sector and development aid.(Mader 2011:3)

Though the UN had cautioned regarding this in an important and first of its kind report on microfinance in 1997 by the UN Secretary General titled 'Role of Microcredit in the Eradication of Poverty' in point 30. To quote this,

> ...a better use of the available resources has become a more pressing imperative. It is important that resources are channelled to sectors that have potential, especially agriculture, infrastructure and education. It would be a pity if experimentation with new forms of development activities were to lead to a squandering of aid.

Even Roy (2010:37) observes that,

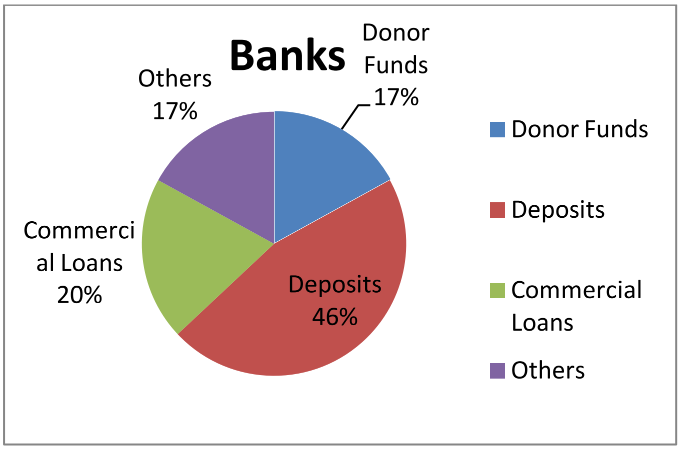
> In the world of international development, large chunks of budgets do not get allocated to microfinance (infrastructure still rules). It is estimated that even for the largest providers of donor funding for microfinance, the World Bank and the UNDP, the sector accounts for less than 1 percent of annual spending (Rosenberg 2006: 1). Nor is microfinance the largest sector of specialization for international or local non-governmental organizations (NGOs) (many other sectors are common-health, human rights, women). But microfinance is everywhere; it exists in the sub-terrain of almost everything in development. It is the panacea of choice.

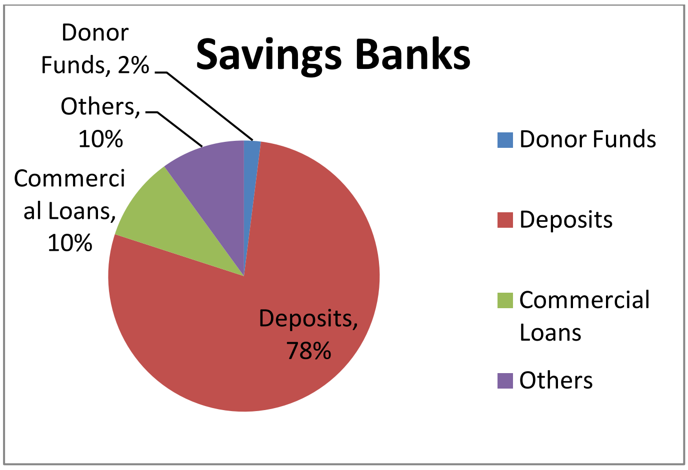
[41] Mixmarket (2009) as cited in Philip Mader (2011) as the latest available data.

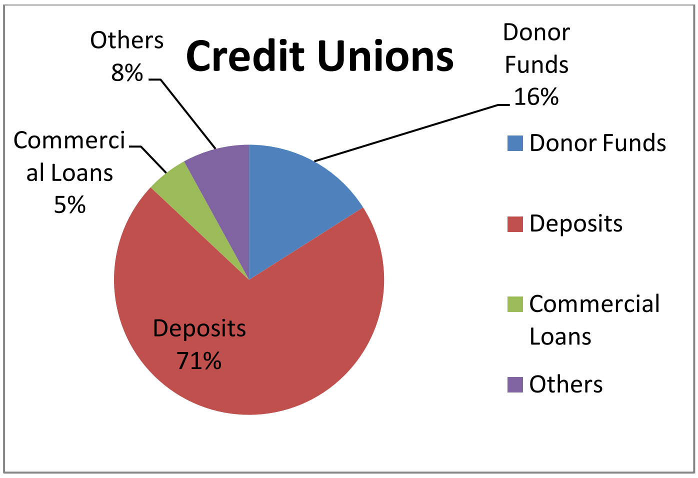
However the point Roy is trying to make and what is derived from the study undertaken is that for microfinance to be the ruling idea of the time, material capabilities in the form of organisational, technical and monetary assistance provided by the multifarious agencies have been very much responsible. It is a fact that the vast majority of microfinance institutions would not actually be able to self-finance the loans without the capital needed to provide access to credit to their clients or to expand their lending capacity to provide increased loans or to reach a greater number of clients. The increased international development attention attracted by microfinance has been accompanied by this material support and in particular funding. The funding beyond local sources, increasingly flows from country aid programs (such as USAID and European development agencies), United Nations programs (including UNDP, UNCDF, UNICEF, UNFPA, and UNIFEM as well as the UNDP-UNCDF Special Unit for Microfinance (SUM))[42], private development organizations (e.g. Ford Foundation), the Consultative Group to Assist the Poorest (CGAP), and multilateral development banks including both the World Bank and regional development banks (e.g. the IDB, Asian Development Bank, and African Development Bank). Implementing institutions at the local level (local NGOs, private development organizations, or governments) are thus supported and new institutions at the local level are formed with the aid of technical and financial support. These donor agencies which provide resources for technical support, institutional capacity building, loan capital, budget deficits, and/or for intermediaries that facilitate direct lending to microcredit providers, have been playing significant role in determining the direction in which microfinance has been moving.

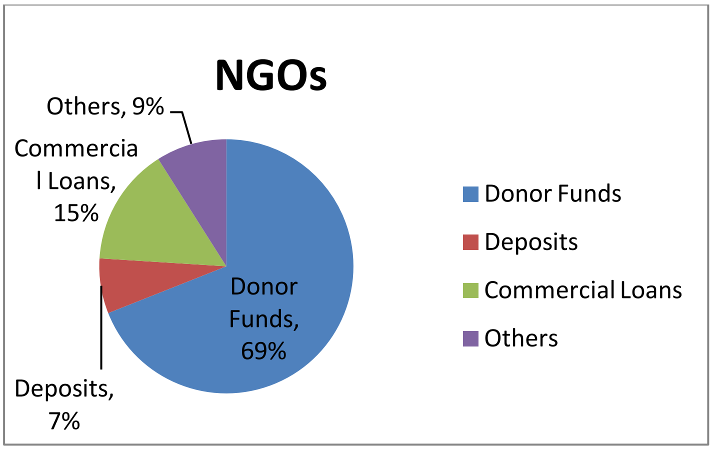
To illustrate the role of material capabilities in the making of microfinance as an established institutional practice, the following data represented through different pie-charts can be helpful. The four pie-charts show the percentage of funding source for the four different kinds of MFIs (categorised for the purpose of the study/survey conducted by the World Bank under its 'Sustainable Banking with the Poor' programme). The survey was conducted in 1995 and accounts for the institutions created till 1992. It has categorised them into Banks, Savings Banks, Credit Unions and NGOs and tried to look into their respective funding sources.

[42] UN Development Program (UNDP), UN Capital Development Fund (UNCDF), UN Children's Fund (UNICEF), UN Population Fund (UNFPA) and UN Development Fund for Women (UNIFEM).


Banks
Donor Funds 17%
Others 17%
Commercial Loans 20%
Deposits 46%
Donor Funds
Deposits
Commercial Loans
Others


Savings Banks
Donor Funds, 2%
Others, 10%
Commercial Loans, 10%
Deposits, 78%
Donor Funds
Deposits
Commercial Loans
Others





Source: Paxton, Julia (1996), *A Worldwide Inventory of Microfinance Institutions*, in Sustainable Banking with the Poor, Washington, DC: The World Bank. The Sample includes 206 institutions created between 1950-1992.

What is evident here is that it is the NGO group which relies highest on international or local donors which supply 68 percent of their resources while nearly 3/4 of the funding of both credit unions and the savings banks and 1/2 of bank funding is from deposit mobilization. The compilation of this data by the World Bank tries to garner support for increasing the variety of services by the NGOs (which till that time (1990s) were not that diversified in microfinancial services and their major concern was with providing credits) especially deposit mobilisation to achieve sustainability. Role of civil society thus remains crucial to institutionalize the ideas of microfinance.

Indeed, the international donor community as well as NGOs have eagerly embraced the idea of microfinance as one of the most hopeful means to alleviate poverty and for its ultimate eradication. A discussion paper of United Nations University World Institute for Development Economics Research (UNU-WIDER) (2002/127) remarks that,

> Reflecting their preference of providing financial and technical assistance on a 'wholesale' rather than a direct 'retail' basis by working through intermediaries, many donor agencies view MFIs and microcredit programmes as the key component of their lending towards microenterprise development (DAC/OECD 1994). Microenterprise development is, thus, recognized as a vital component of the private sector development plan and microenterprises being referred to as a distinctive way for achieving the donors' targets of 'poverty reduction through private sector development'. For instance, the Development Assistance Committee (DAC) of OECD identifies the role of microenterprises not only in creating jobs and incomes with a more equitable distribution of the benefits of growth, but also in having 'direct impact on poverty reduction and on the integration of women and other marginalized segments of society into economic life' (DAC/OECD 1994: 4). (Nissanke 2002:1)

The idea itself has underpinnings in the overarching belief that humanity now has the material capabilities to dramatically reduce and/or eradicate extreme poverty across the world. So, while poverty reduction was already in picture as an important component of international development discourse, the difference microfinance brought cannot be undermined, for it entrenched the belief in the targeted and individualistic notions of poverty reduction which was already taking shape (see the section called "International Development Discourse and Poverty Knowledge" which explains how knowledge surrounding poverty shifted from universalistic/country centric approach to people centric, thus moving from macro to micro analysis. Then there was the change in the notions of poverty from 'Basic Needs' to Human Development centric and how microfinance converges with this gradual shift). All these changes would not have been possible if it was not for the institutional and material support to the changing ideas. So even in the case of microfinance which can actually be seen as part of these changing notions of poverty reduction, the material capabilities form an important determinant.

So as one of the most authentic voices in the field of microfinance in the form of the World Bank report says,

> Since the 1980s the field of microfinance has grown substantially. Donors actively support and encourage microfinance activities, focusing on MFIs that are committed to achieving substantial outreach and financial sustainability. Today the focus is on providing financial services only, whereas the 1970s and much of the 1980s were characterized by an integrated package of credit and training-which required subsidies. (Ledgerwood 1999:2)

Elizabeth Littlefield (2007), CEO of CGAP and a director of the World Bank reports that the microfinance industry is seeing a "flood of new money from investors and big commercial banks" as well as from the "public commercial-investment agencies, such as the International Finance Corporation."

Another important document on microfinance by CGAP on providing donor guidelines titled, "Building Inclusive Financial Systems: Donor Guidelines on Good Practice in Microfinance" says,

> The donor community spends an estimated US $800 million–$1 billion per year on microfinance. Donors value microfinance particularly because access to financial services by the poor can contribute to poverty reduction and achievement of the Millennium Development Goals (MDGs) by 2015. The MDGs prescribe concrete development outcomes related to multiple dimensions of poverty, including income, health, education, and improving the international development system. (CGAP 2006:1)

Again the World Bank report authored by Ledgerwood (1999) says,

> Now that the field of microfinance is more mature, it is becoming clear that effective, efficient, and sustainable institutions are needed to provide financial services well suited to the demands of low-income clients. Both donors and practitioners are beginning to be held accountable for results. The focus is no longer solely on quantity-on the amount disbursed-but on the quality of operations. This view is based on the notion that borrowers will buy microfinance products if they value the service; that is, if the product is right for them. Borrowers are now being treated as *clients* rather than *beneficiaries*. Thus if they are to be effective and truly meet their development objectives, donors must support MFIs that are "doing it right." To do so, they need to understand how to both recognize and evaluate a good microfinance provider. (Ledgerwood 1999:5)

"The Guiding Principles for Selecting and Supporting Intermediaries" agreed by major donor agencies in October 1995 provide a number of suggestions as to how support by donors and government can best be directed to maximizing outreach and sustainability. It says that governments and donor agencies should only support institutions which demonstrate a capacity to reach poor clients on a sustainable basis. Among bilateral donors, the United States Agency for International Development (USAID) has the largest microfinance portfolio.

What is important here to note in these quotes from the major institutions is that microfinance is definitely getting the material support by the major donors and powers but the most important point to note is the way these institutions are promoting the idea of sustainable and commercialised microfinance and even carving out guidelines for the donors to provide the material support to only the ones which comply with it. The guidelines provided by them intended for major donors want them to support the financially viable microfinance. What is interesting to note here is that even the donor community is finding it appealing because sustainability frees them from the minimal liability they were exercising in the form of financial support to the MFIs in the name of poverty reduction. So the point is to support only the MFIs which come under the category of ‘good’ by the knowledge forming development community (involving the various institutions like the CGAP, the World Bank etc) as explained in the above. Again Roy (2010: 56) in this regards says,

> The financialization of development is a project, one that is actively constructed through the deployment of technology and the management of risk outlined here. But such a project also requires the production of knowledge such that the principles and norms of financial markets become central to the practice of development.

Thus it can be seen that how the ideas, institutions and material capabilities have worked in a reciprocally interactive and mutually conditioning manner to support, sustain and spread microfinance as a hegemonic idea within a neo-liberal world order which is trying to entrench its ideological underpinnings in overt and covert manner. Ideas like microfinancing provide this order and the various forces working in this order a way to deepen and strengthen their hold and make a hegemonic world order a naturally accepted and ‘good in intent’ for all classes especially the poor and the excluded who are at the margins of an increasingly neo-liberal society. The discourse surrounding poverty-reduction and microfinance also inform us about the subtleties of workings in the international political arena where ideas do not exist in objectivity rather they have historically, socially and politically motivated grounds in discourses which are themselves shaped by the prevailing world orders and nurture and shape historical structures which are in consonance with these ideas.

4.6 The ‘Transformismo’ and Microfinance:

While applying neo-Gramscianism to an institutionalised practice which originated as a humble idea for an enormous cause like poverty-alleviation, the processes of its ‘becoming’ a dominant practice/ an ‘ideational hegemon’ from ‘being’ an experimental idea has just been dealt with. Moreover the highlight has been the processes and their motivations in a neo-liberal setting but to what ends these were aimed at, can be a question which may skip the commonsense mindset of millions who are part of this ever-growing industry in some way or the other. And the neo-Gramscian theoretical framework even provides another very suitable and relevant tool for that. The concept of 'transformismo' has already been illustrated in the section on the 'Neo-Gramscian Concepts for the purpose of this study' of this chapter as presented in Gramsci's work and it provides the answer to this question of why was the idea of microfinancing so much of a favourite policy intervention promoted by the institutions and states in a neo-liberal world order in which we live. Transformismo in simple words refers to the co-optation by those who aim at preserving hegemonic forces.

The microfinance model readily answers to one of the most common and menacing worries among the neoliberals: that the poor might go for the use of democratic course of action like popular pressure or agitation to demand the establishment of state, collective and popular institutions and strategies capable of honestly addressing their plight, perhaps even by holding back the free-play of markets in their support. Thus neoliberals saw the usefulness of microfinance as a way to pre-empt any such radical move apprehended especially on account of the growing discontentment because of the increasingly failing policies and programmes endorsed by them in the backdrop of the Structural Adjustment Programmes and the Washington Consensus based policies which actually had made the situations worse.

Microfinance model of providing succour to the poor and excluded has done one thing for sure: It has created such an acceptance that there is a growing apprehension of the revoking and dismantling of other 'bottom-up' approaches which would have offered alternative development policies that might be of direct and more effective gain to the masses, but which would perhaps have limited the power and freedom of the established economic and political elites in an entrenched neo-liberal society (which the microfinance model doesn't challenge in any way). A wide range of progressive policies are thus feared to be carefully removed from the public policy agenda in this way. Some of these progressive policies comprise of wealth and income distribution measures, land ownership reforms, effective social welfare programmes, and quality public services available to everyone on the basis of requirement.

Thus what this phenomenon called microfinance has done is that in the big name and cause of being antidote to poverty and poor's exclusion from the financial system, it has created an impression of serving the poor by claiming to target them. But in reality it is a means to dilute and pacify the discontentment among the poor people and their conscience all over the world. The cycle of debt which it creates by lending to the poor (which has even been criticized as 'debt lending') on the one hand gives the hope and faith of being provided incentives for coming out of the poverty by becoming self-reliant micro-entrepreneurs (thus giving this feel of being provided succour by the system) and on the other hand the basic nature of microfinance (which lies in its compliance to the neo-liberal free-market based principles) in the long run leads them to nowhere. Even in the cases where the microfinance malpractice by the MFIs and their staffs has been reported, apparently only poor are victimized for not having repaid the loans and thus putting the burden on the poor only. The question is that as pointed out earlier, the reports of the impact assessment of microfinance services now have been found to be flawed and the growing cases of the troubles it has caused do not seem to affirm the euphoric and all round acceptance it got. However it continues to dominate the policies on poverty-alleviation by indicating problems at the level of implementation and yet upholding this idea.

Cox (1983:173) elaborates it for a similar case,

> *Transformismo* also absorbs potentially counter-hegemonic ideas and makes these ideas consistent with hegemonic doctrine. The notion of self-reliance, for example, began as a challenge to the world economy by advocating endogenously-determined autonomous development. The term has now been transformed to mean support by the agencies of the world economy for do-it-yourself welfare programmes in the peripheral countries. These programmes aim to enable the rural populations to achieve self-sufficiency, to stem the rural exodus to the cities, and to achieve thereby a greater degree of social and political stability amongst populations which the world economy is incapable of integrating. Self-reliance in its transformed meaning becomes complementary to and supportive of the hegemonic goals of the world economy.

This observation made by Robert W Cox though is not about microfinance directly as microfinance at that time was not very popular but is very relevant to this case. It bears very high similarity to the kind of programmes he is inkling to in his statement. Even microfinance services are in the name of promoting self-help and independence are serving the larger goals of the neo-liberal order and the entire idea of microfinance in its commercial and popular form has been made to dominate the discourse to serve the end of maintain the neo-liberal hegemony.

There are two points to be clarified here, firstly, the idea of microfinance in itself even in its original non-diversified and non-commercialised origin was submissive to the neo-liberal order and secondly, by virtue of its being like that it was accepted but then moulded in a fashion to be even more in consonance with the liberalised, privatised and globalised neo-liberal orthodoxy.

To recapitulate Gramsci's take on Transformismo, Gramsci is quoted here again when he talks of two periods/phases of Transformismo. In his own words,

> Two periods of transformism : I. from 1860 to 1900 'molecular' transformism, i.e. individual political figures formed by the democratic opposition parties are incorporated individually into the conservative moderate 'political class' (characterised by its aversion to any intervention of the popular masses in state life, to any organic reform which would substitute a 'hegemony' for the crude, dictatorial 'dominance') ; 2. from 1900 onwards transformism of entire groups of leftists who pass over to the moderate camp (the first event is the formation of the nationalist party, with ex syndicalist and anarchist groups, which culminates in the Libyan war in the first instance and subsequently in interventionism) . Between the two periods one can discern an intermediate phase (1890-1900) in which a mass of intellectuals joins the parties of the Left so-called socialist, but in reality simply democratic."(Gramsci 1971:58)

Thus Gramsci here identifies two phases in the process of transformismo in the 'passive revolution' of the Italian Risorgimento.[43] First, 'molecular' transformismo is said to take place when the former radical individual leaders are included into the dominating conservative political class and, second, an 'organic' transformismo takes place when the formerly radical political elites are absorbed *en masse* by the hegemonic ruling political structure. It is thus a process confined mainly to the ideological reconfiguration of elite groups. All that is left for political leaders is to fight over are the trivial problems of personalities and factionalism rather than fundamental ideological divisions. Thus the concept of transformismo is kept in the category of 'passive revolution' as it does not connect and engage with the larger social groups, mainly the subaltern social classes, in the populace.

So Gramsci's concept of Transformismo actually reveals that how hegemonic institutions integrate their critics into their own structure (Cox, 1996: 139). Transformismo is thus defined as the act of incorporating/co-opting leaders of opposing organizations or parties into the hegemonic system, thus neutralizing their

[43] Risorgimento refers to period of or the movement for the liberation and the political unification of Italy, beginning about 1750 and lasting till 1870

revolutionary potential. This instrument ensures the endurance of the hegemony as it allows the incorporation of their adversaries into the system who would have otherwise threatened its hegemony. By incorporating these adversarial elements/groups into the hegemonic structure their revolutionary potential and the chances of any revolutionary action are quashed. It is done very tactically by allowing them to voice some of their ideas and then integrate them by including some of their ideals into the hegemonic structure in a more subtle manner by introducing some piecemeal changes and not some radical transformation/ restructuring of the society which may be the need of the time for a just society but would have challenged the status quo of the elites.

So while dealing with microfinance, this study proposes two ways in which transformismo has occurred in the case of microfinance. First, at the intellectual level which can be equated with the 'molecular transformismo' in Gramsci's work. The role of international development institutions in the intellectual transformation of intellectuals from the third world is very important here. Before entering such international development institutions as the World Bank, IMF, or United Nations, intellectuals from third-world states normally undergo extensive academic training outside their place of origin, most likely in the United States or United Kingdom. Having been instilled with a thoroughly Western-centric education of economics and politics, the globally hegemonic ideas of development are inculcated into these elites of their respective states whose own states often suffer the most at the hands of these development institutions. Thus these elites from the third world countries who originally are not trained with Western education and have their own understandings of issues like poverty, inequity, and economic development that are more than often inconsistent with the West propounded theories and explanations for the same and even for that matter the neo-liberal Washington Consensus, undergo the process of "transformismo." In this regard, Robert Cox's take on this is worth quoting here:

> Elite talent from peripheral countries is co-opted into international institutions in the manner of transformismo. Individuals from peripheral countries, though they may come to international institutions with the idea of working from within to change the system, are condemned to work within the structures of the passive revolution. At the best they will help transfer elements of "modernization" to the peripheries but only as these are consistent with the interests of the established local powers. Hegemony is like a pillow: it absorbs blows and sooner or later the would-be assailant finds is comfortable to rest upon. Only where representation in international institutions is firmly based upon an articulate social and political challenge to hegemony-upon a

> nascent historical bloc and counter-hegemony-could participation pose a real threat. The co-optation of outstanding individuals from the peripheries renders this less likely. (Cox 1983: 173)

The second level at which transformismo occurs is when the acceptability and the incorporation of the radicals/ opposing/alternative ideologues takes place *en bloc* which in the case of microfinance happened after it was initiated and propounded by individual western educated intellectuals (through molecular transformismo) and gained the support from all fronts to form the historic bloc (through the interaction of ideas, institutions and material capabilities) within the neo-liberal order to sustain it. At this stage the idea of microfinance had already been established as an institution and subsumed in itself any scope of a major intellectual challenge by any alternative idea by creating the all-round acceptance and heights of popularity which made the things appear so much in favour of the poor and unprivileged who were also prevented from taking any radical steps because of the immediate, door-step succour in the form of credits and other financial services being offered.

Thus the phenomenon of microfinance has created a niche for itself in the developmental arena in such a manner and to such an extent that it is seen as the most hopeful and trusted means to fight the problems of poor around the world. This position now is very deeply entrenched in the intellectual psyche of both the development community and the laymen perception as the only solution for all the lags in the developmental arena through the hegemony of knowledge exercised through the interactions of ides, institutions and material capabilities. It also leads to transformismo by subsuming any counter-narratives or alternative visions in its large ambit by providing them voices but certainly maintains its dominance in a manner that it is not being realised that ‘ first, if it is so much of a favourable policy, how was poverty being tackled so far? And secondly, definitely poverty could not be redressed in an effective manner in developing countries even before microfinance came into the picture but the question is, has it really led to some remarkable difference in the poverty indices in the 30-40 years of it practice? So far there has not been seen any authentic and authoritative impact of microfinance on the reduction of poverty. The ones which claim its impact or effectiveness are generally focussed on a specific community or region and that too they are mostly conducted by the MFIs or the promoters of microfinance itself, so their veracity itself is questioned.

By having a look at the last one hundred years of history and the course it has taken to deal with problems of deprived and marginalised (poverty being one very important issue and also related to their other problems like unemployment, marginalisation, exploitation and non-participation in the mainstream activities) it can be said that the most important poverty-reducing advances have always been achieved because of some form of state intervention. These include public employment opportunities, state healthcare provisions, health and safety regulations, job security measures, state education, public pensions, and unemployment allowance, to an entire variety of other public services provided by the governments. However the fact is that securing these public entitlements has always required long and popular struggles against the economic and political elites as well as widespread social mobilization and, ultimately, democratic politics. This gives the explanation as to why historically economic and political elites have been so frantically opposed to all forms of state intervention and social programmes that genuinely empower the poor and it is here at this point that microfinance prevents any such tendencies of disruption apprehended in the neo-liberal orthodoxy dominated world order by creating a space in the minds of everyone (by blinding their conscience in favour of these MFIs coming at their doorsteps with alluring services). It is achieved through a very interesting process of creating and sustaining hegemony where ideas, institutions and material resources all collude to form a make-believe world of success and goodness and urgency and help an idea become an institutionalised practice.

Chapter 5

Conclusion

The study on microfinance through this endeavour has tried to carry out three things in particular which are mentioned below:

- Firstly, to elucidate on the major theoretical critiques of the phenomenon by looking into the issue through the eyes of the major theoretical positionings.
- Secondly, to go beyond the available critiques to look into the various processes which make an idea widespread and institutionalised.
- Thirdly, to apply an international relations theory (neo-Gramscianism) to the phenomenon to provide the critique through a theoretical angle different from the prevailing theoretical critiques. This is done to understand the modalities of its making an established practice as well as to capture the larger picture (the global order, the developmental discourse in it and its mandate) in the case of microfinance for a more holistic picture which is grounded in a robust theoretical base.

This exercise demanded a thorough examination of the evolution of the phenomenon to capture the dynamic interrelations between ideational, institutional and material factors working underneath the idea of microfinance. This dynamic interaction was required to be done in the backdrop of the larger picture of the contemporary world order and the social forces and relations that shape it which could not be ignored in order to have a holistic take on a phenomenon like microfinance which became the 'cynosure of all eyes' in the international development discourse. The study thus has been done by capturing the larger development discourse along with the unravelling of the making of the hegemonic consensus around microfinance especially by focussing on the changing notions surrounding poverty and the perception of poverty, which is inextricably linked to microfinance.

The hypotheses which this study had assumed stand verified at the end of the study and it can be conclusively said through this study that:

Firstly, microfinance gained the prominence, popularity, the unquestioned acceptance in the development discourse and achieved the status of an established institution, a hegemonic idea/ ideational hegemon on account of the all round support it secured from the actors and factors working on the international arena in a complex, reciprocal and interactional manner. Thus the neo-Gramscian methodological take on the phenomenon of microfinance stands verified and justified.

Secondly, the working ideas behind microfinance as well as the institutions and material capabilities are all conditioned and shaped in a neo-liberal global setting/world order. And it is the acquiescence to this neo-liberal ideological underpinning ingrained in the idea of microfinancing which led to the supportive and thumping reception of the idea of microfinance on all international platforms of importance.

However the purpose behind taking this study and its relevance needs to be asserted in the conclusion for the study was taken not just to provide a critique to microfinance but with the larger motto of:

Firstly, reasserting the voices of discontentment with a hegemonic idea to provide a clear picture as to why certain ideas rule and not others on the international sphere. It is not the mere ingenuity of the idea or their genuineness for a cause that leads to the dominance of certain practices (which often come at the cost of others) but an ingrained and politically motivated list of factors which could often blind the reality in the facade of the huge popularity and support it gains. Hence the larger point is about the need for a critical perspective to prevent this from happening and also generate alternative world view.

Secondly, to re-establish the validation of a theory given by Gramsci in an entirely different setting and context and see if some of its major concepts can still be used as a heuristic device to untangle some of the complexities of our times.

The study has thus endeavoured to capture various critical perspectives surrounding microfinance in a manner so as to serve some purposes in the realm of the international politics. The first being to critically question the status-quo surrounding an ideological hegemon like microfinance (microfinance here is just a case among many instances of domination through consensus) which closes the scope for better alternatives for the society by creating the high acceptability which becomes the order of the day. The other one is to explore the application of the various theories of international relations and also devise the application of neo-Gramscianism for the same.

The phenomenon of microfinance is undergoing a phase of critical churning because of the various cases of malpractices being reported recently. This has resulted into case-specific analyses attempting to plug the loopholes in the practice of microfinance. This study has tried to present a general picture of the whole industry of microfinance in a way so as to critically examine the whole phenomenon. This exercise has presented the main perspectives and debates on the issue while at the same time explaining its operation through a particular critical theoretical stand. This venture has strived to arrive at some general observations through this study:

Firstly, practices in the line of microfinance have not been new to the world as shown in the first chapter. What is new is its resurgence in a new mould and all round promotion and more so among its various forms, the promotion of its commercialised version.

Secondly, the pitfalls recently coming into prominence are the symptoms of a much deadly structural problem and not just related to implementations. It suggests that the acceptance of microfinance services so readily by the development community in challenging the poverty needed to be not just questioned but substantiated by facts to bolster the arguments against the structural lags in development owing to the phenomenon of microfinance.

It points towards the fact that alternative ideas for betterment of the poor humanity have been so naturally subsumed in the microfinance discourse. So the focus of discussion is still about the case-specific implementational lags not in the policy itself which reposes so much faith in it.

The policy lags in development discourse is not new. Infact there have been phases of the rise of a particular kind of policies and practices on the global horizon but the scope for counter-narratives are not very easy to subsume always as it requires the co-ordination of forces of various kinds and at various levels in the prevailing global order. It is precisely here that microfinance has struck the chord with its embeddedness in the neo-liberal order. This order offered microfinance the right conditions to flourish where the ideas of a neo-liberal order, its institutions and the material forces all were working in a reciprocally interacting manner to make microfinance an accepted policy intervention and a naturally sounding institutional intervention. This led to the taking up of the microfinancial activities by many international agencies across the globe. And in a period of about three decades its rise was a remarkable occurrence.

So, while this study has covered the history of modern microfinance and its expansion, it has tried to cover the international politics involved in making the idea an ideational hegemon. The first chapter has located the origins of microfinance in many early practices like ROSCAs, *Monti di pieta*, Credit Unions etc. thus supporting the view that microfinance is not entirely new to the world (the basic concept of small amounts of credits being circulated through voluntary savings in groups is being practised since long back in human history) but governmental support for such practices and hence its pursuance on large scale have the important temporal concurrence with the global poverty being visible and simultaneously with the neo-liberal orthodoxy gaining the ground.

The modern microfinance however marks a sharp departure from its prototypes in the sense that it has now multi-dimensional uses. But it started with credit focus unlike its predecessor practices which had savings focus. Women form the majority of the microfinance's clients and hence there is a shift from the male-centred to female-centred discourse. However this study proposes that there is nothing to cherish about it as being projected in terms of women empowerment or institutional maturity through the evolution of microfinancial services to provide the credit-capital starved and financially excluded the opportunities through such services. Infact this study proposes that these kinds of notions are the creations of the prevailing order to sustain itself without much of public clamour in an increasingly widening gap between the rich and the poor.

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