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The Grameen Bank: The Effects of Gender-Based Microcredit

Introduction

The Grameen Bank and its founder Muhammad Yunus have long been hailed as "pioneers in the field of microcredit" (Roy 2009a). Founded in Bangladesh 1976 with the goal to provide credit to the poorest of the poor, as of 2008 the Grameen Bank lends to over 7.5 million people dispersed across over 83,000 villages worldwide (Grameen Bank Annual Report 2008). The bank has also adopted a gender-based approach to microlending - 97 percent of its loans in 2008 went to women (Grameen Bank Annual Report 2008). The Grameen Bank may have taken on this strategy because "the benefits from investments in women's development tend to diffuse more widely through society and across generations (Islam 2007). However, the exclusive focus on women also represents the Grameen Bank's attempt to intervene in a long-standing culture of male dominance present in the stark majority of Bangladeshi households. As Badal, Hashemi and Schuler write "Women often have no independent sources of income, little or no education and few marketable skills, no independent property or money, and no socially sanctioned identity outside the family" (Badal, Hashemi, Schuler 1998). The Grameen Bank's loans offer a chance for women to acquire and hold power. A study of six villages between 1991-1994 found that "seventy percent of borrowers used all of their loans to fund an enterprise that they carried out alone or carried out in conjunction with their husband, and only 9 percent relinquished all of their loan to a husband or other relatives" (Bernasek 2003). However, as women challenge traditional gender norms by asserting their newly available power, many are faced with violent backlash from their husbands or other male relatives. The question then arises: does the Grameen Bank's unique form of microcredit aids women's empowerment or simply subject women to new manifestations of the still-prevalent culture of male dominance?

This essay will attempt to evaluate the positive and negative effects of the Grameen Bank's microcredit loans on the participating women in Bangladesh. I start with a summary of the Grameen Bank's operational structure. I then discuss the economic and social context in which the bank provides credit, focusing the large informal labour sector within Bangladesh and the pervading obstacles to gender equality. I continue by analyzing the strengths and limitations of Grameen Bank policies in empowering women and come to the conclusion that while the Grameen Bank has made significant steps in redefining traditional gender roles, new policies must be adopted to respond to the visibly violent male backlash.

Project Summary

The Grameen Bank was originally funded by FAD (an United Nations development finance agency), the Ford Foundation, NORAD (a Norwegian aid agency), and the Bangladesh government (Bernasek 2003). Since the bank became operational in 1983, it has recorded a net annual profit for all but three years: 1983, 1991 and 1992 (Grameen Bank Annual Report 2008). As of 1994, "the bank has disbursed a cumulative total loan in the amount of Taka 16,119.53 million and generated a cumulative total savings of Taka 1,124.14 million in the bank's Savings Funds" (Wahid 1994). Its unique methods of creating financial accountability within the poorest of the poor has allowed the bank to boast a successful repayment rate of 98 since 1996 (Bernasek

and Stanfield 1997).

The Grameen Bank adheres to strict criteria for granting membership, insuring loan repayment, and regulating social practices of its members. First, the bank only loans to individuals who "possess not more than a half acre of land or assets not exceeding the value of one acre of medium quality cultivable land" (Wahid 1994). A woman who aims to receive a Grameen Bank loan must find four other women who are not blood relatives who must all agree to "help each other succeed in their prospective employment projects and, in the event of default, the others must work to repay that woman's loan or risk losing their line of credit" (Scrapek 1999). Loans usually range from \$65-\$75, and are given with the explicit mandate to establish an income generating practice, i.e. bamboo basket weaving, baking, buying and reselling foodstuffs, etc. (Hashemi and Schuler 1994). Additional loan conditionality's include: reparability in weekly installments, close supervision of credit by the five-person group as well as the bank staff, safeguards through compulsory and voluntary savings to minimize future risk, transparency in all bank transactions, and adherence to the banks social agenda (Grameen Bank 2009a).

The Grameen Bank requires that all members adhere to a set of strict social mandates known as the sixteen decisions. The decisions are designed to support more sustainable development practices within families and communities. They include: growing and eating vegetables all year round, keeping families small, educating children, maintaining a clean environment through the use of pit latrines, drinking tubewell water, refusing to offer or receive dowry, and remaining physically active (Bernasek 2003). Responsibility for practicing these mandates falls not only on the members, but also on the Grameen employee who authorized the loan. Although the sixteen decisions have had a significant positive impact in pushing Bangladesh's most destitute to follow sustainable development practices, they are also illustrative of the Grameen Bank's direct and conscious intervention in the populations long-standing cultural practices. When it comes to women's empowerment and safety, the positive effect of this intervention is countered by instances of violent backlash from the male population that sees their dominance under siege.

Contextual Economic and Cultural Analysis

The context in which the Grameen Bank has staged its intervention provides insight into the causes of the backlash. The bank emerged out of a bleak period in Bangladesh's history. In December 1971, Bangladesh liberated itself from Pakistan after a nine months of fighting (Islam 7). The war left Bangladesh's already poor economic infrastructure "devastated. Millions of refugees came back from India virtually empty-handed... In the situation of chaos and confusion, the Bangladesh government faced a difficult task of reconstruction and rehabilitation" (Islam 7). Today, the majority of Bangladesh's population still lives "in rural areas where fragmented land holdings or landlessness... force villagers into small-scale self-employment in the rural informal sector" (Bernasek 2003). Without vertical integration into the formal economy - which institutions like BRAC have begun to provide - incomes generated from these activities remain low and unstable. While the Grameen Bank requires potential members to pledge allegiance to the sixteen decisions, those who don't have the financial capacity to refuse a dowry or educate their children are left to perpetuate unsustainable development practices, including the isolation oppression of women.

Within the already destitute economic setting, women face additional cultural obstacles to empowerment. Bangladesh's conservative Islamic society "encourages the seclusion of women (purdah)," making the very act of going to the necessary weekly group a power struggle, not to mention setting up and running a small business (Khandker and Pitt 1998). Appropriate behavior

for women "requires strict adherence to purdah (the practice of female seclusion), strict adherence to appropriate gender roles, and relative freedom from menial work. Men have a significant interest in [enforcing these norms] since inappropriate behavior is often perceived as a man's failure to provide for his family" (Bernasek 2003). From the traditional Islamic point of view, the Grameen Bank is illegal, as it (1) charges interest, (2) encourages women to be seen in public, and (3) destroys traditional family ties (Roy 2009b). Within this cultural context, the Grameen Bank's attempt to drastically rewrite the long-standing norms surrounding women's empowerment makes backlash virtually inevitable.

Critical Assessment

Considering the economic and cultural conditions in which the Grameen Bank emerged, the Grameen Bank has had, and continues to have, a remarkably positive impact on human development in the region. A 1998 World Bank study showed that "5% of Grameen Bank, BRAC, and RD 12 of BRDB borrowers move out of poverty each year" (Grameen Bank 2009b). Since 2001, 42% of the Grameen Bank's borrower families have crossed the poverty line (Grameen Bank 2009b). In relation to women's empowerment, the Grameen Bank has redefined the household power dynamic by putting women in a position where the husband must, if nothing else, include the woman in dialogue concerning the household's future. Grameen Bank participation has led to increases in women's economic status and empowerment within the household through "the experience of group solidarity, increased mobility, access to information about contraceptive methods and services, and support from program staff" (Ahmed, Amin, and Li 1996). This trend is most evident through the increased use of family planning strategies within borrower families. Considering that women who are empowered and who "contribute substantially to their family's support are more likely than others to use contraceptives," the rate of contraceptive use is "11 percentage points higher in Grameen Bank villages than in the comparison villages" (Hashemi and Schuler 1994).

While the Grameen Bank's positive influence on women's empowerment is evident, research comparing Grameen Bank policies with reduction in domestic violence remains ambiguous. Providing women with loans can "in some cases reduce and in others exacerbate men's tendency to use violence against their wives" (Badal, Hashemi, Schuler 1998). A study done by Ahmed, Hossain, Khorshed, and Koenig found that in culturally conservative areas of Bangladesh, "membership in savings and credit groups were both associated with elevated risks of violence" (Ahmed, Hossain, Khorshed, and Koenig 2003). Credit programs may reduce domestic violence by "channelling resources to families through women, and by organizing women into solidarity groups that meet regularly and make their lives more visible... However, providing resources to women and encouraging them to maintain control over these resources may provoke violent behaviour in men, because they see their authority over their wives being undermined" (Badal, Hashemi, Schuler 1998). While evidence remains inconclusive, the Grameen Bank should implement policies that hinder the perpetuation of male backlash in the form of domestic violence.

Until a conclusion is reached, I recommend that the Grameen Bank take action to mitigate the potential problem by (1) including husbands in the process of becoming a member of the Grameen Bank and (2) adding an additional mandate to the sixteen decisions that explicitly prohibits domestic violence. Including husbands in the process of membership would not necessitate giving them loan authority, but it would allow them to hear the mandate against directly from the bank, making them directly accountable. In addition, incentives like lower interest rates could be used to reward borrowers who report instances of domestic violence in

their community.

Conclusion

In sum, the Grameen Bank has been remarkably successful in promoting sustainable human development in Bangladesh. The mechanisms through which the Bank offers loans, insures repayment, and intervenes in the social practices of rural Bengalis has provided women with the opportunity to pull themselves out of poverty while simultaneously reestablishing their role in the household. However, recent evidence suggests the possibility of a violent male backlash in response to Grameen policies. If this evidence turns out to be true, I recommend that the Grameen Bank continue to intervene by drafting new policies explicitly denouncing domestic violence.

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